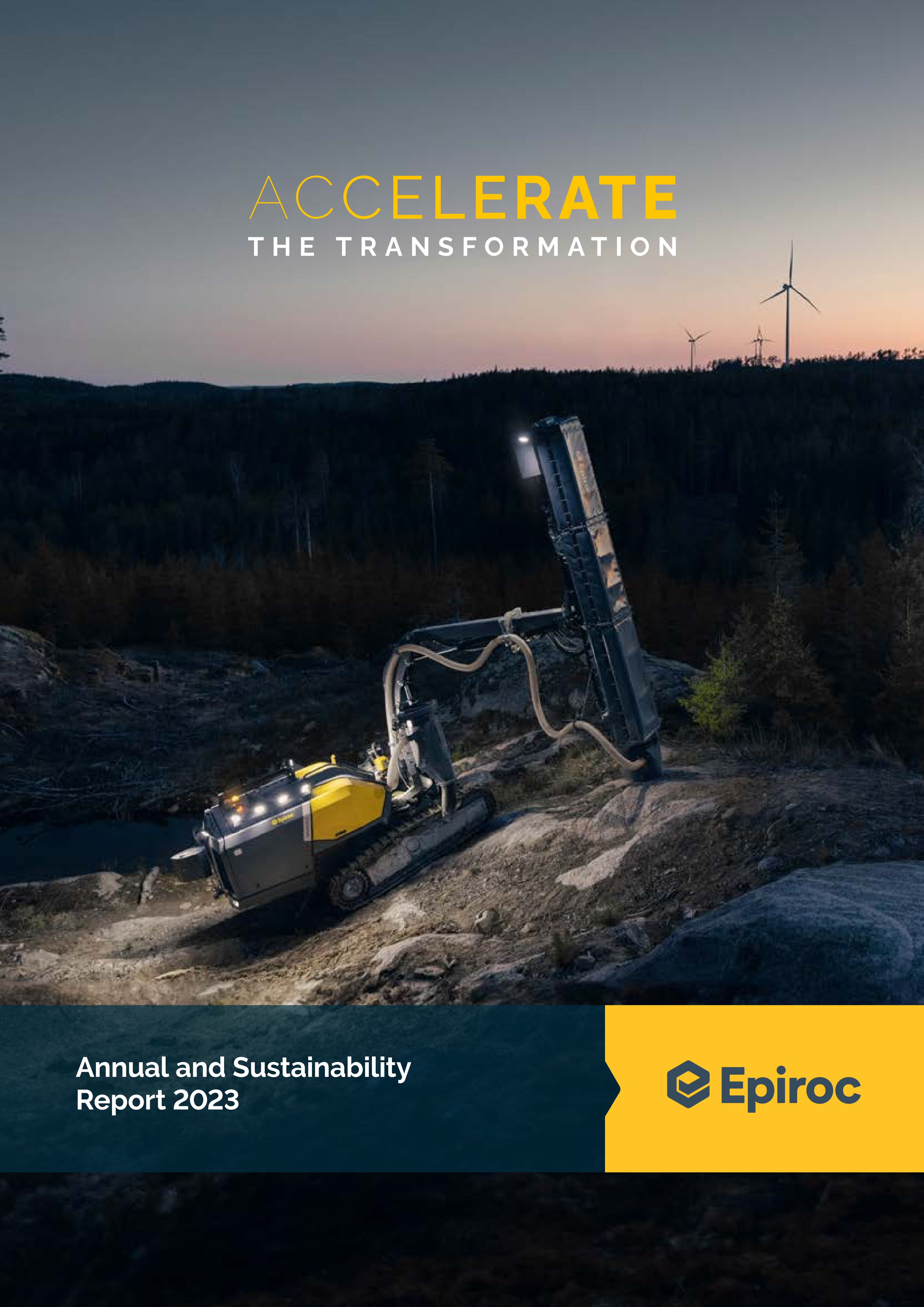


ACCELERATE THE TRANSFORMATION

Annual and Sustainability Report 2023

Epiroc

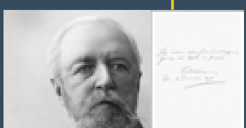
Celebrating 150 years of innovation

Our roots date back to 1873 as part of Atlas Copco and in 2018 we became an independent listed company. We see ourselves as a 150-year-old start-up company, which enables quick decision making and speed in the launch of innovative solutions.

We have the advantage of being a young company with passionate employees in a decentralized organization, while also having long and strong customer relationships built on a legacy of reliability and productivity.

1873

AB Atlas was founded in Stockholm, Sweden. The company offered all types of equipment used in the building and maintenance of railways.

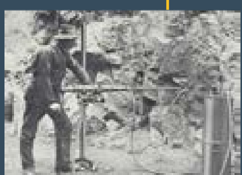


1874

Best wishes from His Majesty King Oscar II. "I wish this company, so beneficial to the fatherland, all happiness and success".

1898

AB Diesels Motorer was founded in Sickla, Sweden. It was a technically prominent company that made several important improvements on the diesel engine, such as enabling a quick switch from forward to reverse, which opened up the market for marine engines.



1905

The first rock drill was produced. The Cyklop and Rex light rock drills were hand-powered, light, and hard-hitting, making drilling much more efficient for customers.

1915

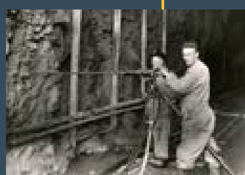
AB Atlas expanded internationally. Within a few years, there are operations in Russia, England and Norway.

1917

AB Diesels Motorer merged with AB Atlas, creating AB Atlas Diesel.

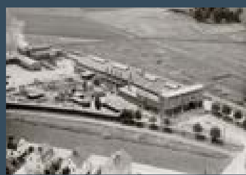
1925

The newly formed company moved to Sickla, Sweden, where the headquarters have been ever since. The engines produced, mainly stationary and marine diesels, could be loaded onto railcars inside the factory, which was connected to the entire European railway network.



1936

The ground-breaking Swedish Method was introduced. "One man – one machine". Key innovations in the solution were the combination of a "pusher leg" and hard-metal drill bits.



1951

"AB Växlar & Signaler" i Örebro, Sweden, (AVOS) was acquired. Today, this is Epiroc's largest production site with almost 3 000 employees.

1953

Dr. Peter Wallenberg began his life-long career at Atlas Copco, lasting 62 years. By giving employees a large degree of personal responsibility as well as accountability, he established a customer-oriented and decentralized culture.

...and celebrating 5 years as a stand-alone company

2018 Epiroc was listed on Nasdaq Stockholm with Ronnie Leten as Chair of the Board and Per Lindberg as President & CEO.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2021 Epiroc's ambitious climate targets were validated as science based.

2020 Helena Hedblom was appointed President & CEO. "Helena has a strong business focus, an in-depth knowledge of the business and is an appreciated leader who is living and breathing the Epiroc values," said Ronnie Leten, Chair of Epiroc's Board of Directors.

2023 Epiroc partners with ispace for Moon missions. The long-term collaboration agreement means that Epiroc will contribute with both technology and solutions for future commercial Moon missions.

Epiroc in 2023

A leading productivity and sustainability partner serving mining and construction customers around the globe with innovative equipment and solutions.

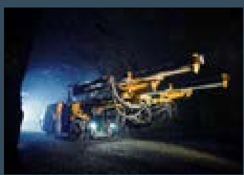
- Presence in around 150 countries.
- More than 18 000 employees, +41% since 2017 (12 948).
- Revenues of MSEK 60 343, +92% since 2017 (31 364).
- Industry-leading EBIT margin of 21.8%, +2.9 ppt since 2017 (18.9%).

1956

After the acquisition of Arpic Engineering NV in Belgium, the company's name was changed to Atlas Copco. Copco came from the French words Compagnie Pneumatique Commerciale.

1962

The rig-mounted hydraulic breaker helped create the 11.6 km long Mont Blanc tunnel, which at the time, was the world's longest. It reduced the distance between Paris and Rome by 150 kilometers.



1970s

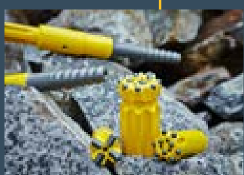
The legendary face drilling rig Boomer was introduced. It was, and still is, a robust face drilling rig for tunneling and mining applications. Today, customers can have the Boomer with either diesel or battery driveline.

1973

The first 100 years were celebrated with an exhibition with royal presence in Sickla.

1984

For a period of ten years at Dinosaur Cove in Australia, the company's products were used for historical excavations. A new dinosaur species was discovered, and in appreciation of the help received, it got the name Atlascopcosaurus Loadsi.



1988

Through the acquisition of Secoroc in Fagersta, Sweden, Atlas Copco became the world's largest supplier of complete rock drilling equipment.

1991

Marianne Hamilton became the first woman in Group Management and successfully transformed the internal job market. It enforced a decentralized organization with high job mobility.

2004

Ingersoll-Rand Drilling Solutions, a manufacturer of large blasthole drilling rigs in the USA, was acquired. The strategic acquisition makes Atlas Copco a leading supplier in surface drilling.

2005

An almost silent surface drill rig was launched, perfect for use around the clock at construction sites in densely populated areas.

2011

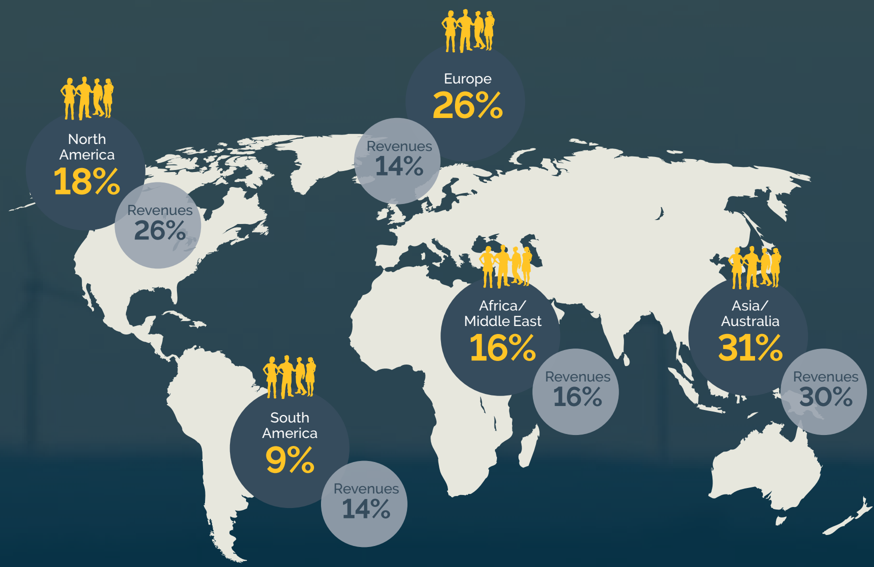
R&D center opened in Nanjing, China. The engineering is focused on the needs of Chinese customers and leads to shorter time-to-market.

Leading productivity and sustainability partner

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 hard-rock applications.

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

Our role is to ensure that our customers within mining and infrastructure can work in the safest, most environmentally friendly, and efficient way possible.



Global presence
Average employees and share of revenues in 2023

Contents

Sustainability report

Annual Report

The audited annual accounts and consolidated accounts can be found on pages 62-93 and 94-151. The corporate governance report examined by the auditors can be found on pages 76-93. Epiroc reports its sustainability work for 2023 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 42-61 and 156-173. The assurance report issued by the auditors can be found on page 171 and a detailed GRI and other sustainability reporting standards index can be found at www.epirocgroup.com.

Equipment

Our equipment is mainly used when customers need to break, excavate and work with hard materials, such as rock and concrete. It is often business critical for our customers. We provide a wide range of battery-electric equipment and electrification solutions, as well as hardware and software for automation and digitalization. Underground and surface equipment and solutions represent each roughly half of equipment revenues.

Mining
83%
of orders received 2023

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". For surface mining, we provide a complete range of rigs for blasthole drilling. Our largest drill rigs, the Pit Vipers, can drill holes up to 406 mm in diameter with up to 19.8 meters clean hole single pass capability.

Underground mining

Underground mining is becoming increasingly common. For underground applications, we provide drilling rigs for blasthole 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 as well as electric infrastructure solutions and Batteries as a Service.

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 and digital solutions to analyze ore and ore grades. We also provide exploration drilling tools.

Infrastructure
17%
of orders received 2023

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 blasthole 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 blasthole drilling and rock reinforcement, grouting systems, loaders and trucks, as well as ventilation systems.

Equipment
32%
of orders received 2023

Aftermarket

Equipment requires spare parts, maintenance and consumables to achieve optimal performance. We offer a wide range of aftermarket solutions, including new circular services, such as productivity-enhancing technology-agnostic digital solutions, mid-life upgrades, diesel-to-battery conversions and remanufacturing of components. The type of service our customers want varies. Our service offering is therefore tailor made, ranging from supplying spare parts to having service technicians on site 24/7, performing all maintenance for the customer.

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.
- Midlife services, including diesel-to-battery conversions.
- Remanufacturing solutions for components.
- Digitalization solutions, including enablers such as wireless connectivity.
- Custom-engineered solutions, including mixed-fleet automation solutions.
- Training and other service.

Rock Drilling Tools and Ground Engaging Tools (GET)

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. We offer advanced ground engaging tools, such as cast lips, teeth, and protective shrouds installed on mining buckets and loaders as well as related digital solutions, mainly for the mining industry.

Examples of tools:

- Rock drilling tools – underground and on surface.
- Advanced ground engaging tools and related digital solutions.
- Tools for rock reinforcement
- Exploration drilling tools (reported in the Surface Division).

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 deconstruction, and for recycling.

Examples of attachments:

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

Aftermarket

68%

of orders received 2023

2023 in brief

Orders received
MSEK 59 332
+11%

Revenues
MSEK 60 343
+21%

Operating margin, EBIT, %
down from 22.4% in 2022
21.8%

Return on capital employed
down from 28.0% in 2022
27.0%

Share price development
(A share)
+6.5%

Dividend (proposed)
SEK/Share
3.80

Safety on top of the agenda
KPIs improving, but we can do better.

Automation leadership
2 850 driverless machines, including mixed fleet.

Acquisitions (completed)
Three acquisitions
Approx. MSEK 2 400 in annual revenues

In the picture
In February 2023, Epiroc finalized the acquisition of CR which provides advanced ground engaging tools (GET) and related digital solutions mainly for the mining industry. With approximately BSEK 1.7 in annual revenues and 400 employees, the company expands Epiroc's first-rate offering of essential consumables and digital solutions. Revenues from the acquisition are reported in "Tools & Attachments".

2023 in brief

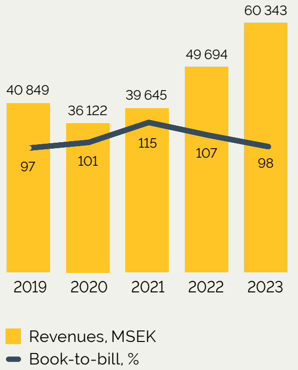
In 2023, the order intake increased 11% to MSEK 59 332, supported by a strong mining business, while demand from construction customers decreased. We had record-high revenues and operating profit and ended the year with a solid financial position. Our financial strength enables us to invest in innovation and acquisitions. Our investments in R&D were at all-time high and we announced our largest acquisition ever, the acquisition of STANLEY Infrastructure, in December.

In brief

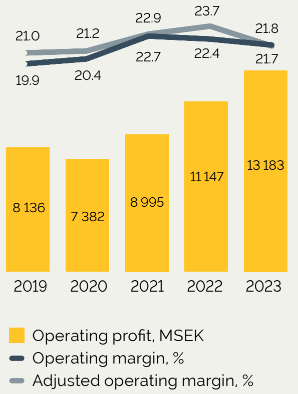
	2023	2022	Δ,%	Financial goals	Average 2015-2023 [2]
Orders received, MSEK	59 332	53 222	11		
Revenues, MSEK	60 343	49 694	21	To achieve annual revenue growth of 8% over a business cycle and to grow faster than the market. Growth will be organic and supported by selective acquisitions.	Annual revenue growth of 10%
Operating profit, EBIT, MSEK	13 183	11 147	18		
Operating margin, EBIT, %	21.8	22.4		To have an industry-best operating margin, with strong resilience over the cycle.	20.4
Adjusted operating margin, EBIT, %	21.7	23.7			21.0
Operating cash flow, MSEK	6 211	5 662	10		
Basic earnings per share, SEK	7.82	6.96	12		
Dividend per share, SEK	3.80 [1]	3.40	12	To provide long-term stable and rising dividends. The dividend should correspond to 50% of net profit over the cycle.	50% pay-out ratio (2018-2023)
Return on capital employed, %	27.0	28.0		To improve capital efficiency and resilience. Investments and acquisitions shall create value.	25.9
Net debt/EBITDA ratio	0.49	0.28		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]	5.1	5.7	-11		
Sick leave, %	2.1	2.4			
Total energy use [4], GWh	169	175	-3		
Transport CO_2e, tonnes/COS, MSEK [4&5]	2.7	3.2	-15		

[1] Proposed by the Board. [2] See pages 62-69 and 172-174. [3] Number of recordable injuries per million hours worked. [4] Comparable units, excluding new reporting units in 2023. [5] Carbon dioxide equivalent, CO_2e, is a unit that standardizes the climate effects of various greenhouse gases. COS = Cost of Sales.

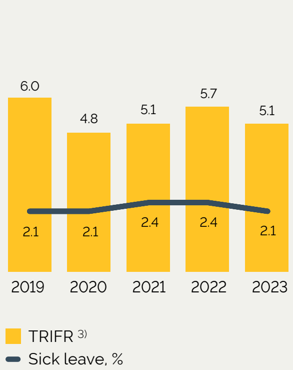
Revenues and book-to-bill



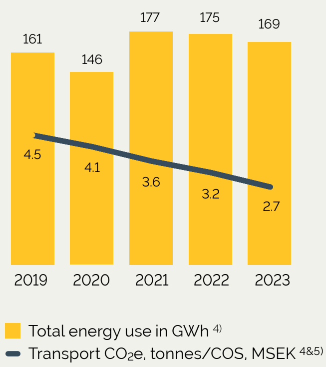
Operating profit and margin



Total recordable injury frequency rate and sick leave



Energy consumption and transport CO_2e emissions



Collaboration and partnerships drive our leadership

2023 was an exceptional year defined by major achievements and we ended the year with record revenues and record operating profit. In March, we announced a major order for mixed fleet automation for an iron-ore mine in Australia and we started an exciting collaboration with ispace to send equipment to the Moon. Another collaboration that enhanced was with SSAB, which will supply us with fossil-free steel. In September, a long-standing customer placed Epiroc's largest-ever order for equipment to be used in a copper mine in the Democratic Republic of the Congo. In the fourth quarter, we won three large orders, one of which is a digitalization order for a customer in Chile. We finalized the year by announcing the acquisition of STANLEY Infrastructure, which will make us a stronger supplier of excavator attachments and handheld hydraulic tools. If anything, the year has proven that collaboration and partnerships drive leadership.

Mixed demand and strong acquisition growth

Our order intake in 2023 increased 11% to MSEK 59 332 (53 222). The activity level was high within mining, as well as for infrastructure projects, such as tunnels. The demand, however, declined sharply for hydraulic attachments and equipment used in quarries and in the construction of residential and non-residential areas.

We won several large orders, indicating a continued high willingness to invest among our customers. For example, we won our largest automation order ever, MSEK 500, to convert Roy Hill's mixed fleet of almost a hundred mining trucks to driverless operation in Australia.

Demand for automation and digitalization solutions was at a high level during the year, and in the fourth quarter, we won a multi-year digitalization order of MSEK 250 from Codelco in Chile. It is gratifying to see that we have further strengthened our leading position within digitalization and automation.

The aftermarket demand from mining customers remained high, supported by mid-life upgrades and service of customers' equipment. Our broad and attractive offering combined with the work of our dedicated service technicians contributed to the strong development.

Record-high revenues

For many years, we have been proud of our profitable growth and 2023 is no exception. In total, our revenues increased 21% during the year to a record-high MSEK 60 343 (49 694), driven by both acquisitions and strong organic development.

We completed three acquisitions and announced another two. Together, these five will add annual revenues of approximately SEK 7.2 billion.

It is pleasing to see that the completed acquisitions are growing well and contribute to increased revenues. In total, our completed acquisitions contributed to 9% of the revenue growth in 2023.

The acquisitions within automation and digitalization are growing particularly well, which supports our view that customers benefit from our digital solutions that improve both safety and productivity.

Profitability in focus

The operating profit, EBIT, also reached record levels, and increased 18% to MSEK 13 183 (11 147). This corresponds to an operating margin of 21.8%, down from 22.4% the previous year. There are several explanations for the weaker margin. One reason is the weakening construction market during the year, which reduced demand for our hydraulic attachments business. We have both lost volumes and suffer from a negative mix effect. Another margin headwind is that our acquisitions are growing rapidly, but with lower margins, i.e. they are dilutive.

Our costs were higher, which is partly explained by us investing in presence, such as more service technicians, salespeople and staff serving customers.

We have several activities ongoing to improve efficiency. For example, we announced the closure of our factory in Essen, Germany, in November.

Working capital
After a long period of strong growth and higher equipment volumes combined with supply-chain challenges, we ended the year with a net working capital of MSEK 21 736 (18 564), which corresponds to approximately 35.2% (31.3) of our revenues.

The supply-chain issues related to transport had a negative impact on our ability to deliver equipment timely, even though the situation improved in the second half of the year. With improvement of availability in transport as well as measures taken in our supply-chain operations, we expect a gradual improvement of the working capital ratios in 2024.

Improved cash generation
Our operating cash flow increased to MSEK 6 211 (5 662), supported by higher operating profit. With an expected improvement in the working capital ratios, there is a potential to further improve the cash flow generation in 2024.

A strong and green financial position
In May, we issued green bonds amounting to BSEK 1.5 to support the continued development of sustainable products and solutions, and in September, we issued another green bond amounting to BSEK 0.5. The issuances follow the previous green bonds issuance of BSEK 2 .0 in 2022. This means that of the total long-term financing, 70% is green and/or sustainability linked. The issued funds will enable us to finance sustainable investments and help us achieve our 2030 sustainability goals.

We ended the year with a solid financial position and a net debt/EBITDA ratio of 0.49 (0.28).

The acquisition of STANLEY Infrastructure
At the end of the year, we announced our largest-ever acquisition. We will acquire STANLEY Infrastructure and become a stronger supplier of hydraulic attachments, capitalizing on a strong structural growth trend in urban development, deconstruction and recycling. STANLEY Infrastructure has 1 380 employees, annual revenues of around BSEK 4.7 and EBITDA margin in the mid/high teens. The purchase price is approximately BSEK 7.8.

Major events and collaborations
There are some events I wish to highlight from 2023:
- In September, after many years of good collaboration, we won our largest-ever order, MSEK 700, to provide equipment to the Kamoa-Kakula Copper Mining Complex in the Democratic Republic of Congo. The order demonstrates the importance of being a reliable and local partner in the aftermarket to win equipment orders.
- Our "Epiroc World Expo" that we organized in Örebro, Sweden, brought together almost 200 customers from 25 countries active in underground mining. For one week in June, we showcased innovations and solutions that will increase productivity and improve sustainability for our customers. In connection with the event, we also organized our Capital Markets Day, joined by more than 100 external guests.
- Towards the end of the year, we won a large order for underground mining equipment from Shandong Gold Group Co., Ltd for use at three gold mines in China. We have collaborated closely with Shandong since 1968, which underlines the importance of delivering quality and service over time to remain a relevant and successful partner.
- We strengthened our collaboration with several partners during the year. For example, we started an exciting partnership with ispace, a global lunar resource development company, to send equipment to the Moon. Another collaboration that intensified was with SSAB, which will supply fossil-free steel for our equipment.

Successes in automation, digitalization and electrification
We are a leader in the three strong trends that shape our industry: automation, digitalization and electrification. A vast majority of our innovation efforts lies within these three areas, and we are investing more than ever in innovation to continue providing our customers with equipment and solutions that increase productivity and safety, and reduce emissions. Compared to the previous year, our investments in R&D increased by 34% to MSEK 1 930.

Let me share some achievements in these areas:
- In addition to the Roy Hill order for mixed fleet automation, we made good progress on mixed fleets. At the end of the year, about 2 850 mixed-fleet machines were running with our software.
- Our almost 500 autonomous surface drill rigs have successfully drilled longer than the distance around the globe.
- Within electrification, we have further expanded our offering and can now offer 42% of our equipment in an emission-free version. Our battery-powered machines, which are specially developed for the purpose of electric mine operations, are more productive than the corresponding diesel version. Of Group revenues, 3.1% related to electrification in 2023. Many of our customers that have battery-electric machines in operations have ordered additional machines, confirming that they achieve higher productivity and lower total cost of ownership while at the same time reduce emissions.

"We are a leader in the three strong trends that shape our industry: automation, digitalization and electrification."

Helena Hedblom visited the Democratic Republic of the Congo (DRC). She met with the Epiroc DRC team as well as with our customer Kamoa Copper, which recently placed the largest order in Epiroc's history, MSEK 700.

Helena Hedblom was awarded Leader of the Year Award by leading Swedish business magazine Affärsvärlden in 2023. This is how Helena speaks about leadership. "A huge part of the feedback I give is positive. To reinforce all that is good. Then I am clear about what is not going well. When you reinforce what is positive, you create a competent feeling in the group. And when employees feel competent and safe, they gain access to their creativity. Then they also solve what is not going well."

Never compromise on safety

For me as CEO, the safety of our employees is always the top priority. That said, I am very sad to report that we lost a service employee in a fatal accident in 2023, and unfortunately, we lost yet another colleague in the beginning of this year, 2024, in a fatal traffic accident where two other colleagues were injured.

We must ensure that all our employees act with safety in mind at all times and come home safe and sound after work. Several measures have been taken to reduce accidents and we had a positive trend in the development of our key figures during the year. To everyone reading this, please, never compromise on safety.

A responsible climate leader

Our work for a better climate is also recognized by the financial world. In an annual ranking of 500 companies conducted by the Financial Times, Epiroc was named a "Europe Climate Leader" and came out among the top one-third of the companies.

Being a market leader with customers in around 150 countries comes with a great responsibility. We require that all employees sign and adhere to our Code of Conduct and that our suppliers adhere to our Business Partner Code of Conduct. We have signed the UN Global Compact and fully support the 10 principles in the areas of human rights, labor, environment and anti-corruption.

Celebrating five years of achievements

Although our roots go back 150 years, we celebrated the first five years as an independent company in June.

We have much to be proud of. We have established the Epiroc brand, innovation is thriving, we have set ambitious sustainability targets for 2030 - also validated as science based - and we launched our vision: "Dare to think new". In 2023, we implemented our positioning statement "Accelerate the transformation", which embodies our overall purpose and ambition.

We launched a new parental leave policy granting a minimum of 12 weeks of paid parental leave across the global organization. The gender-neutral policy aims at fostering an even more inclusive and diverse culture, supporting our long-term ambitions.

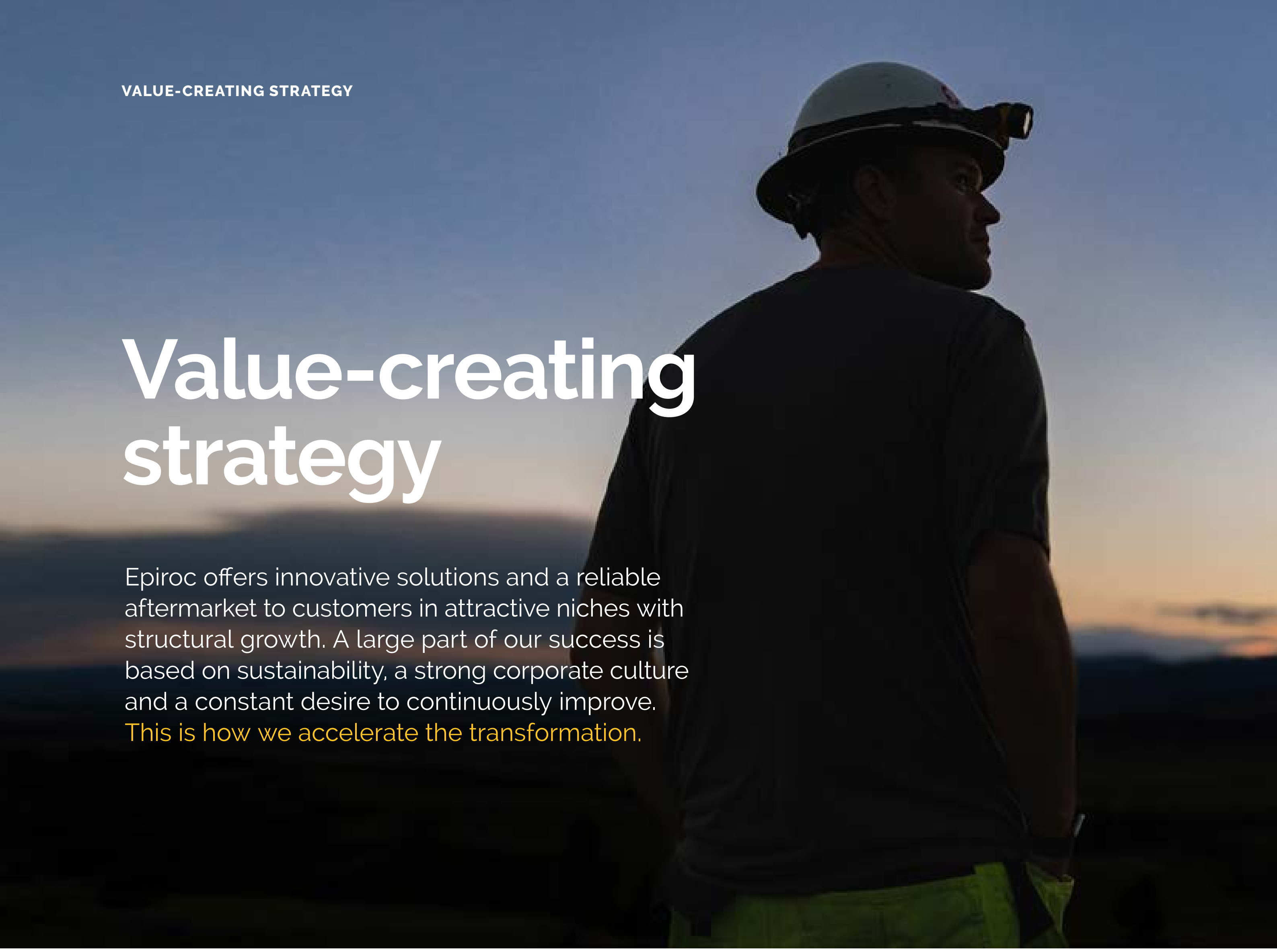
Since 2017, the last full year as a part of Atlas Copco, we have increased our order intake by 75%, revenues by 92% and operating profit, EBIT, by 122%. This is a strong performance and a testament to the value we bring to our customers.

The best is ahead of us

Together as a team, we have shown strength and resilience and overcome major and unpredictable challenges in recent years. Automation, digitalization and electrification are transforming the industry, but it is people who make it happen. It is collaboration and partnerships that create and strengthen leadership positions.

At Epiroc, we have around 18 000 passionate employees who share a relentless ambition to bring value to our customers and society at large, not only today, but also in the future. Seeing their drive, I am certain that the best is yet to come.

Helena Hedblom, President and CEO
January 2024



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 continuously improve. This is how we accelerate the transformation.

Attractive niches

The mining and infrastructure industries benefit from structural growth in demand. We are present in niches where our technically advanced equipment and aftermarket solutions are performance-critical for customers' operations and make a real and 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 key growth trends that define our innovation efforts.

"Drive the productivity and sustainability transformation in our industry"

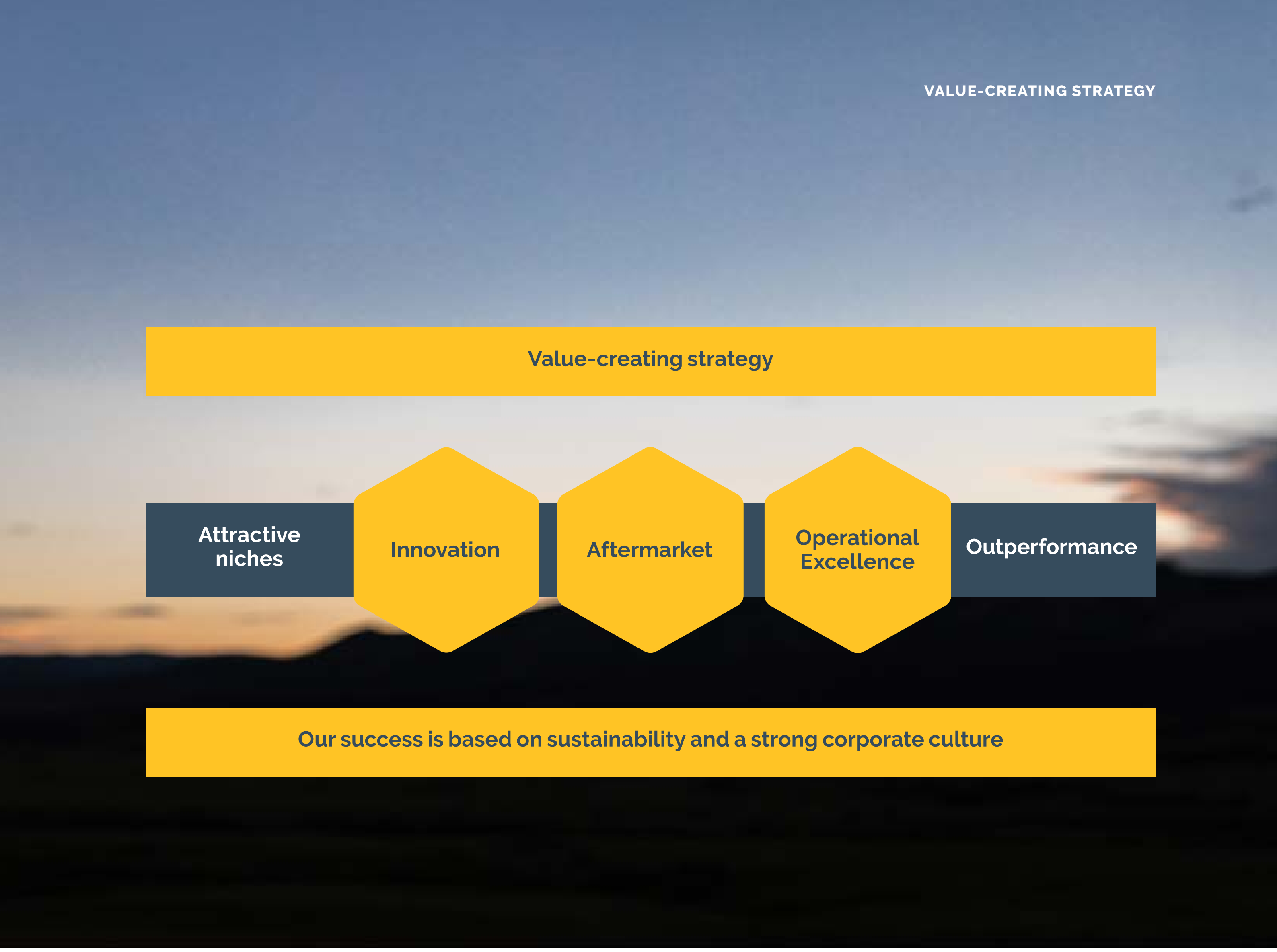
See pages 20–33

Aftermarket

Our aftermarket solutions and our global service presence increase the productivity and extend the service life of our equipment while also 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 34-37



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 38-39

Outperformance

We create value for our stakeholders by conducting responsible business while striving to achieve sustainable and profitable growth. Creating options for the future – for example through acquisitions – is 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 40-41

Our success is based on sustainability and a strong corporate culture

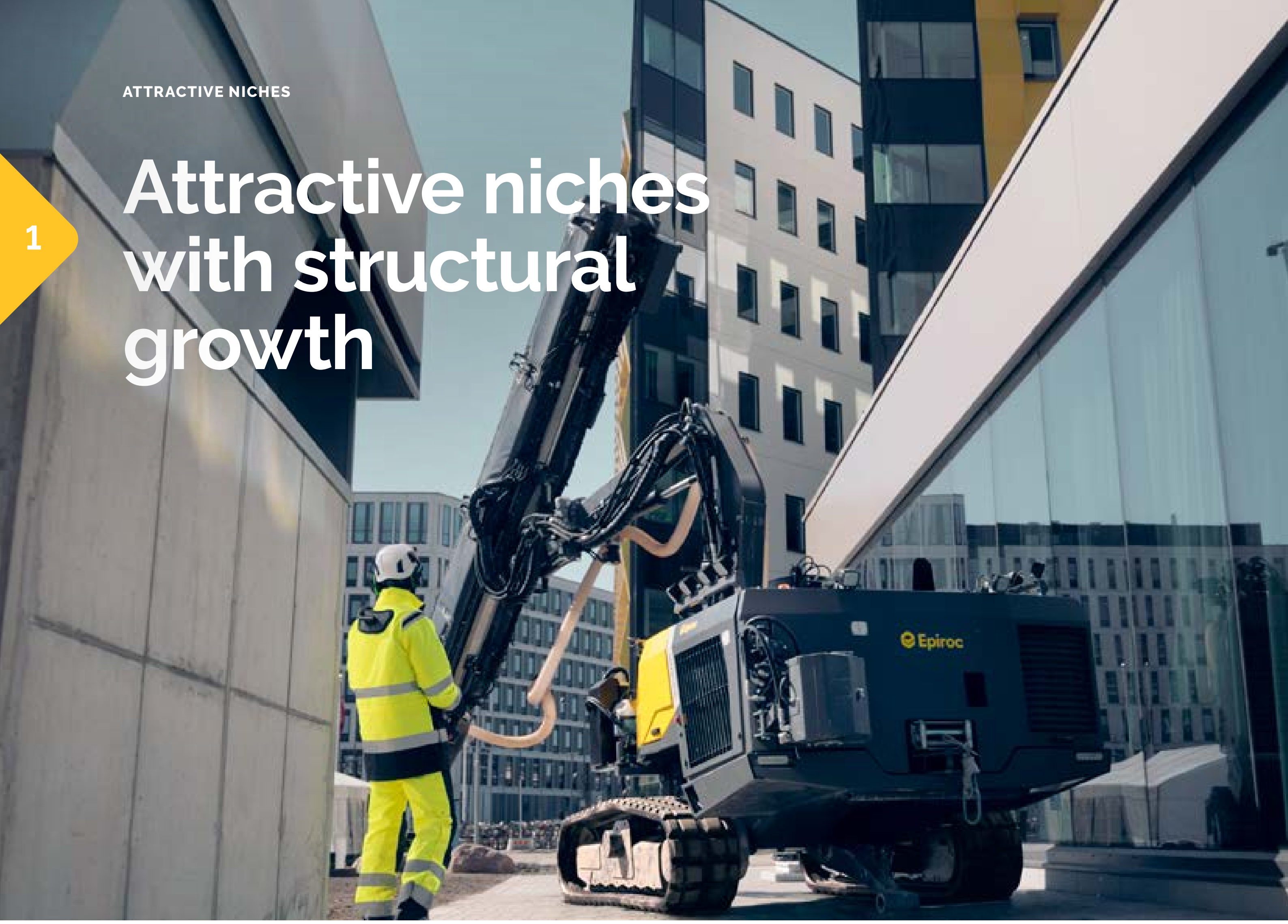
Epiroc has a strong corporate culture with passionate employees, which is our foundation for being an attractive employer and a high-performing organization. Sustainability is integrated into everything we do and our innovation agenda goes hand-in-hand with our customers' sustainability agenda. Our strong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

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

See pages 42-61

1

Attractive niches with structural growth



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

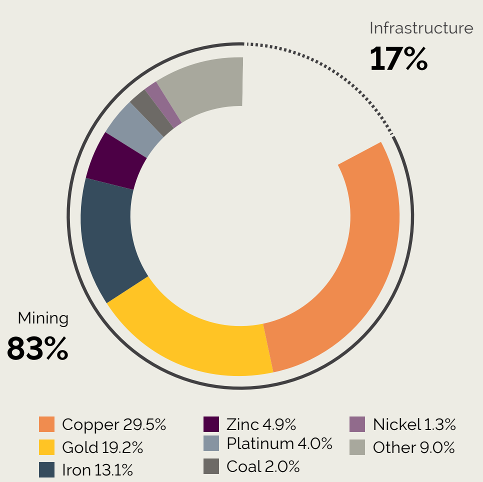
Performance-critical solutions

Epiroc offers equipment, aftermarket, and other solutions for applications in primarily hard rock formations. Often, our equipment is performance-critical to the customer's operation's. 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 perform, lower productivity as well as lower revenues and profits for the customer may be the result. Reliability is therefore very important. Our insight, local service presence and high availability of spare parts and components are highly valued by customers.

The greatest challenges for our customers are to increase the productivity and utilization rate of the equipment while reducing operating costs. In addition, customers place great emphasis on improving both safety and environmental performance. We continuously widen our offerings to help our customers address these challenges.

Customer and end-market exposure (orders received)



Mining – 83% of orders received

Our mining customers are often large companies, operating several mines – both on surface and underground – around the world, as well as smaller mining companies and mining contractors.

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, for example copper, gold and nickel. This should lead to increased demand for new mining equipment and aftermarket solutions.

As our equipment is often used in demanding 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.

Our mining customers have ambitious sustainability agendas. In addition to safety, which is absolutely critical, reduced environmental footprint is also important to our customers. We are seeing signs of a similar development in infrastructure.

Our research and development projects aim to enable and accelerate the sustainable transformation of the industry and we often collaborate with customers to develop new technology and scale it globally once proven successful.

Infrastructure – 17% of orders received

Our infrastructure and construction 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 offer rock drilling equipment for construction work and quarries, and hydraulic attachments for deconstruction and recycling.

In infrastructure, we have a broad customer base with large global customers as well as small local customers.

The growing global population and urbanization are two long-term growth drivers for infrastructure investments.

As many of our construction customers are located in the northern hemisphere, there is a seasonally stronger first half year when it comes to demand and orders for Epiroc. In total, the construction market is expected to grow 4-5% per year until 2030.

Strong customer relationships

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

Approximately 89% (87) of our revenues in 2023 derived from direct sales. Examples of customers are: African Rainbow Minerals, Anglo American, Barrick Gold Corporation, BHP, Boliden, Byrnecut, Codelco, Freeport-McMoran, Glencore, JCHX Mining and Construction Ltd, Kamoa Copper, Peñoles, Rio Tinto, Roy Hill, Shandong Gold Group Co., Sibanye Stillwater, Skanska and Vale.

In 2023, our ten largest customers accounted for 23% (17) of Epiroc's revenues. All of these ten are mining customers but none of them are dominant in size.

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 within equipment 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.

Within digitalization, automation and electrification, we compete mainly with Hexagon and Sandvik.

We also compete with several players operating locally, regionally and in certain niche areas.

Kamoa-Kakula Mining Complex in DRC

The Kamoa-Kakula Copper Mining Complex in the Democratic Republic of the Congo, which is projected to be among the world's lowest greenhouse gas-emitting copper mines per unit of metal produced, strengthened its partnership with Epiroc in 2023.

To enable a successful expansion of the mining complex, Kamoa Copper ordered several machines, including Minetruck MT65 S haulers, the world's highest payload underground truck. The order value was approximately MEUR 60 (MSEK 700), making it the largest order ever received for Epiroc.

Skanska in Norway

Skanska, one of the largest construction companies in the Nordics and also one of the leading companies within drill and blast applications globally, has a long history of choosing drill rigs from Epiroc.

In 2023, Epiroc delivered several high-technology face drill rigs that will be used in large projects in Norway. For example at the E39 Rogfast project, which will become the world's longest and deepest subsea road tunnel with a maximum depth of 392m below sea level, and a length of 27 km.

We have a strong global presence and the right solutions to help customers solve their challenges and accelerate the sustainability transformation

Structural growth

- Growing population and middle class
- Urbanization
- Green transition
- Deconstruction and recycling

Increases the underlying need for minerals and infrastructure

Challenges for customers

- Low utilization rates
- Lower ore grades
- Trend towards underground mining

Increases the demand for solutions to maintain, or increase, productivity and production

Sustainability focus

- Increased safety
- Lower emissions

Increases the demand for solutions that enhance safety and productivity while also reduce environmental footprint

The work on the 125-kilometer Rishikesh-Karnaprayag Railway Line in the Himalayas is in full swing. The greenfield project has a total tunneling length of 218 kilometers. Here, Epiroc's automated and semi-automated machines, incl. the Boomer E2, are being used and contribute to increased efficiency on-site and reduced cycle time.

We have been specialists in equipment and service for hard-rock excavation for decades. Our first drill was produced as early as 1905.

Structural growth

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

In the mining industry, energy transition and sustainable transformation are the most important structural drivers. For example, the electrification transition requires increased mining of metals such as copper and nickel.

Positive trends that benefit demand for our attachments are deconstruction and recycling (urban mining). Metals such as copper, iron ore and aluminum are separated and recycled when buildings or infrastructure are deconstructed and/or demolished. Despite the strong trend in recycling, we anticipate that a significant amount of new raw material needs to be extracted in order to meet the growing demand.

Challenges for customers

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

The utilization rate of equipment in mining and infrastructure is generally lower than in many other industries. In an underground mine for example, the utilization rate of machines can be as low as 30%.

By using advanced solutions such as fleet management, automation and connectivity, including data-driven service and monitoring, customers can achieve a higher utilization rate and thereby higher productivity and lower operating costs.

Our offering of battery-electric vehicles has proven to be more productive than the diesel equivalent, which helps customers increase productivity, while reducing both emissions and cost of ventilation.

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 has decreased by 1-3% per year over the past 30 years.

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

Positive trends that benefit demand for our attachments are deconstruction and recycling (urban mining). This market is expected to grow 4-5% per year until 2030.

Lower ore grades means that more rock must be excavated for a given amount of produced metal. To compensate for the lost productivity when going deeper, customers increasingly invest in efficient and productivity-enhancing solutions, including digital solutions aiming to improve the full mine-flow, from exploration to loading on ships.

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 both increased safety as well as to better utilization of the equipment.

Battery operations mean a lower need for ventilation, which means large cost savings along with a healthier working environment.

Sustainability focus

Our customers' sustainability ambitions are constantly increasing. Improved safety, reduced emissions, lower noise levels, reduced water consumption, human rights and business ethics are more and more important for both Epiroc and our customers. Other strong trends are deconstruction and recycling (urban mining) as well as other circular solutions.

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

We have a wide range of solutions that help our customers improve their safety performance.

In the shift to a new, low-carbon economy where electrification and circularity play key roles, our products and services will be even more critical for our customers success.

We have ambitious 2030 sustainability goals and on page 45 we outline how we contribute to our customers' decarbonization journey.

2

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 prioritize safety and reduced environmental impact when we develop new products and services. In fact, our innovation agenda goes hand in hand with our customers' sustainability agenda.

Focused R&D

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 engaged more than 1 800 R&D engineers globally. This means, that of our employees, 10% (9) are constantly working on innovative solutions to support our customers.

We are a leader in the three strong trends that shape our industry onwards: digitalization, automation, and electrification. A vast majority of our innovation efforts lie within these areas.

Trend: Digitalization

We help customers improve situational awareness by ensuring real-time knowledge of where all assets are. Customers use technology to understand the ore body and rock conditions, thereby optimizing their operations. Digitalization also provides valuable insights by gathering and managing data generated across the operations in different systems.

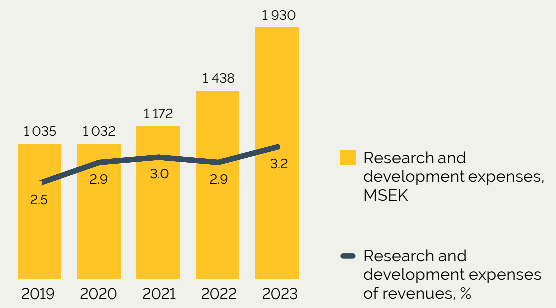
Trend: Automation

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

Trend: Electrification

We accelerate customers' electrification journey by offering best-in-class electric vehicles, diesel-to-battery conversion kits, power network infrastructure, charging infrastructure and much more.

Research and development expenses



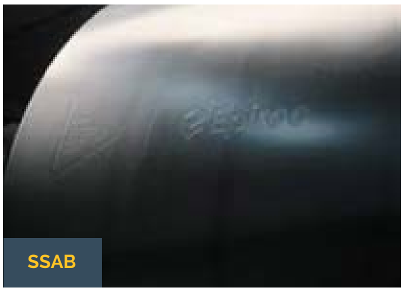
Of our annual revenues, 3.2% is invested in R&D. In absolute numbers, we invested MSEK 1 930 in 2023, up from MSEK 1 438 in 2022. A vast majority of these investments are made in equipment which only represents 32% of our revenues.

In addition, we only produce what we do the very best: our core components. For the rest of the production, we use suppliers.

Supplier innovation

Roughly 75% of the product cost is purchased material and/or components from suppliers and our suppliers also invest in R&D. This means that a part of our spending on core components includes innovation from our suppliers. We have 1 811 significant suppliers globally and we have the joint ambition to do things better to create value for our customers.

> ***"We have more than 1 800 significant suppliers globally, and we have the joint ambition to do things better and to create value for our customers."***



With SSAB, we are securing fossil-free steel for use in the production of Epiroc's mining equipment.

We are collaborating with Northvolt and ABB on battery-powered vehicles, batteries and electric powertrains.

With Ericsson, we are working on 5G for optimal connectivity in mines.

Collaborations for success

Our relentless focus on innovation also extends beyond what we do ourselves to our collaborations with customers, suppliers, universities, and other companies. We are involved in several joint-industry development projects, including the **Next Generation Carbon Neutral Pilots for Smart Intelligent Mining Systems (NEXGEN SIMS)** and **Sustainable Underground Mining (SUM)** projects to scale up technologies and demonstrate their potential in real mining environments.

Another meaningful membership is in the **CharIN,** which is the leading global association with over 330 members dedicated to promote and develop OEM-agnostic standards (OEM = Original Equipment Manufacturer) in the field of charging systems for charging electric vehicles of all types.

We also collaborate with customers and other business partners, such as universities and interest groups, to develop new solutions. One example is the collaboration with **Boliden, Algoryx** and **Örebro University,** with whom we pioneer a project with the goal of achieving fully autonomous mining. The project includes a digital twin of a mine – a simulated testing environment – for artificial intelligence and machine learning, which greatly reduces the need for physical testing.

With **ASI Mining** (Epiroc has 34% ownership) and **Combitech**, we are developing solutions for autonomous operations. One example is the project with iron ore mining company **Roy Hill**, for which Epiroc is implementing the world's largest single autonomous mine, using a mixed fleet. A mixed fleet includes a variety of equipment and vehicles from several manufacturers.


ASI Mining


Orica

With **Orica**, we are developing solutions for semi-automatic explosive charging systems. One example is the partnership with **Agnico Eagle Mines Limited** with whom we have successfully commenced live blasting with Avatel™ – the world's first semi-automated wireless underground development charging solution at Agnico Eagle's Kittilä mine in Finland.

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.

In 2023, we completed three acquisitions and announced another two that are expected to be completed in 2024. Together, these acquisitions will add approximately MSEK 7 190 to our annual 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, be in attractive niches, and have talented, high-integrity people and a strong culture.

Secondly, we need to see a strategic fit and synergies with Epiroc.

Thirdly, we want the acquisition to give us a leading market position. If that is not the case, there should be a clear strategy to reach it.

Acquiring capabilities in automation, digitalization and electrification

The acquired companies are generally extending our equipment and aftermarket offering. In the last few years, many of the acquisitions have strengthened our capabilities within the three strong trends that are shaping our industry: automation, digitalization and electrification.

Complementing acquisitions

Sometimes our acquisitions are complementing and expanding our current equipment portfolio. It can be in niches or geographies where we actively seek to gain exposure.

Acquisitions in 2023

In 2023, Epiroc completed three acquisitions with total revenues of approximately MSEK 2 400. Another two acquisitions (marked with *) with total revenues of approximately MSEK 4 790 were announced.

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 annual revenues and 45 employees.

CR provides advanced ground engaging tools (GET) and related digital solutions mainly for the mining industry and expands Epiroc's first-rate offering of essential consumables and digital solutions. The company has approximately MSEK 1 700 in annual revenues and 400 employees.

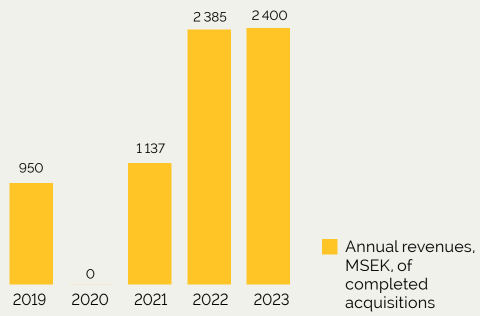
AARD Mining Equipment manufactures a wide range of mining equipment, specializing in low-profile underground machines for mines with low mine heights. The acquisition complements Epiroc's underground offering and strengthens Epiroc's footprint in Africa. The company has approximately MSEK 650 in annual revenues and 200 employees.

Weco Proprietary Limited* manufactures precision-engineered rock drilling parts and expands Epiroc's portfolio of spare parts in the growing and important African region. The company has approximately MSEK 90 in annual revenues and 80 employees.

STANLEY Infrastructure* provides high-end excavator attachments and handheld hydraulic tools. The acquisition complements Epiroc's attachments business well and strengthens the presence in the United States. The company has approximately MSEK 4 700 in annual revenues and 1 380 employees.

FVT Research, acquired in 2021, designs diesel-to-battery conversion kits.

Acquisitions, annual revenues



Acquisitions contribute to the innovation strategy

Automation	*OEM agnostic automation*: ASI Mining, Mernok Elektronik, RCT Powered by Epiroc	*Connectivity*: 3D-P Powered by Epiroc, radlink Communications

Digitalization	*Situational awareness and fleet management*: MiningTAG Powered by Epiroc; Epiroc Mining Intelligence (Mobilaris MCE)	*Ore body knowledge*: corescan Powered by Epiroc; Epiroc Kinetic Logging Services	*Mine process optimization*: MineRP Powered by Epiroc

Electrification	*Infrastructure*: meglab Powered by Epiroc, JTMEC Powered by Epiroc	*Conversions*: FVT Powered by Epiroc

Complementing	AARD Powered by Epiroc, RNP, WainRoy, DandA Heavy Industries, CR Powered by Epiroc, DUBUIS*, LABOUNTY*, PALADIN*, PENGO*

* Dubuis, Labounty, Paladin and Pengo are brands that will be a part of Epiroc once the acquisition of STANLEY Infrastructure is completed.

Trend:

Digitalization

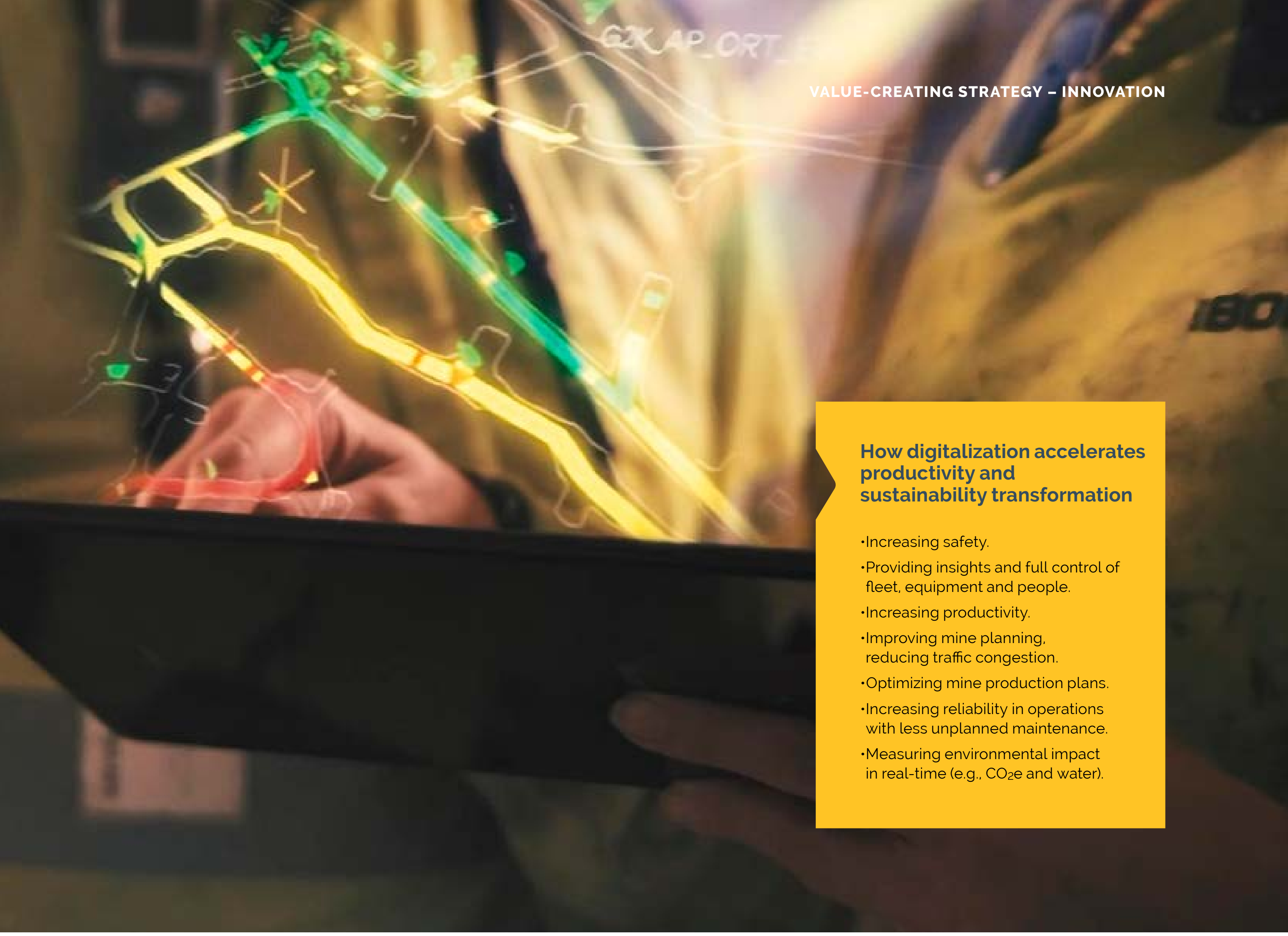
Within digitalization, we have an industry-leading, OEM-agnostic approach, and our wide offering of solutions has several advantages for our customers: increased safety, increased utilization rates of equipment, machine fleets, and mine processes, as well as lower cost.

Connect

The critical enabler

Our offering covers everything from digital infrastructure, data integration platforms, systems for mine design and planning, process optimization as well as solutions for full automation of our customers' fleets, including mixed fleets. Our goal is to support our customers in their whole production flow. For customers within mining specifically, we want to help to create the mine of the future, which is fully automated, from pit to port.

To enable connected assets and automation, high-quality connectivity is needed. We offer critical network and infrastructure solutions for seamless connectivity – fixed and mobile – using technologies such as digital two-way radio systems and LTE 4G/5G. In addition, we offer off-grid hybrid power systems. Our recently acquired companies Radlink and 3D-P provide wireless connectivity solutions that enable automation and digitalization in mining and construction applications. Connectivity supports battery-electric operations.



How digitalization accelerates 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).

Automate

Market-leading and OEM-agnostic solutions

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 brands and all types of machines, including those not produced by Epiroc.

Since 2019, we have a minority ownership in ASI Mining, and offer mixed-fleet solutions, and in 2023, we received our largest automation order ever, MSEK 500, to convert Roy Hill's mixed fleet of 96 haul trucks and around 200 utility vehicles to autonomous operations in Australia.

In 2022, we acquired Remote Control Technologies (RCT) which provides automation and remote-control solutions applicable for either a single machine or an entire mixed fleet of machines regardless of manufacturer or type of equipment. RCT also provides data and information systems, fleet and machine management systems, and machine protection systems.

For Epiroc machines specifically, we have several digital automation solutions of which all are based on our Rig Control System (RCS). More than 9 500 Epiroc machines are enabled with telematics and we offer digital solutions based on our customer platform My Epiroc.

If customers are looking to automate an underground fleet of loaders and trucks, our "Deep Automation" solutions can be used for all types of mining operations, from small stoping to large block caving.

The Mobius Traffic Management System platform 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.

Digital Applications

Inform, Protect, Manage and Sustain throughout the value chain

Inform

Mines and construction sites are continuously developing. They go deeper and wider every day, and there are many machines and people involved in the process. It is not easy being a manager with ever-changing conditions. By having all information on hand, our customers can make better and more informed decisions and make the whole mining process more efficient.

MineRP, a company we acquired in 2021, provides customers with a platform solution that can integrate all types of technical, financial and environmental mining data, and translate it into a clear visual status of the entire mining process. We are also leveraging our concept 6th Sense, which, by combining different digital and automation solutions, optimizes customers' mining processes.

With My Epiroc, customers have instant access to all machine data through a mobile application that shows performance and location of a machine and identifies replacement and service needs. Spare parts and tools can be ordered directly through My Epiroc – from any phone, tablet or computer.

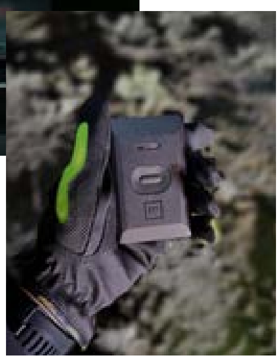
Protect

As mines and construction sites by nature are constantly changing environments, it is a challenge to keep track of people and assets, which is needed for safety and productivity. By using digitalization, customers can become more efficient, while also having more safe operations. A connected companion tag from Epiroc is a good start.

There are thousands of mines and work sites around the world, and the number of machines and people working in these mines are many times higher. According to research published by the European Commission, an estimated 40 million people are involved in large-scale mining, representing 1% of the world's workforce.

Most mines have no system in place today to indicate where people or machines (assets) are located. By providing drivers and operators with real-time situational awareness of all mobile machines and personnel at a site, customers can increase both safety and productivity. Our solutions from Mobilaris, Mining Tag and Meglab help the customer with this. For example, in the case of an evacuation, our systems provide instant directions to the closest exit or rescue chamber.

The Common Automation Panel (CAP) is designed for teleremote and autonomous machines.



Epiroc offers various Mobilaris tags that enable the effective localization of personnel and mobile assets (such as vehicles or machinery) within a Wi-Fi or LTE network.

Digital solutions to strengthen mining safety and productivity in Chile

Codelco, one of the world's largest copper producer, has ordered a combination of digital solutions that will – among other things – optimize fleet management and ore production, provide visibility of people and machines underground, collect machine performance data, and help avoid vehicle collisions. The solutions will be used at El Teniente's underground as well as open-pit operations. The five-year project is valued at about MSEK 250, and the first phase was booked in the fourth quarter 2023 at a value of about MSEK 50.

Manage

We offer several integrated planning and management solutions for intelligent operations – from mine to mill.

For exploration, we have solutions that increase mine productivity through improved orebody knowledge. Kinetic Logging Services provides mining-technology measurement services to build improved geological models that help mining companies increase productivity.

The 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, 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.

By understanding the ore body, mining companies can plan and execute the whole mining process in a more efficient way. In fact, by utilizing the knowledge gained in exploration, the customer can drill in a more efficient way, thereby blasting and transporting less waste rock while maintaining an even output ore grade. That leads to higher productivity, lower cost and less emissions.

With MineRP solutions, we enable mining teams to create and test integrated mine planning scenarios, deliver optimal schedules, and provide operations with realistic shift plans they can trust.

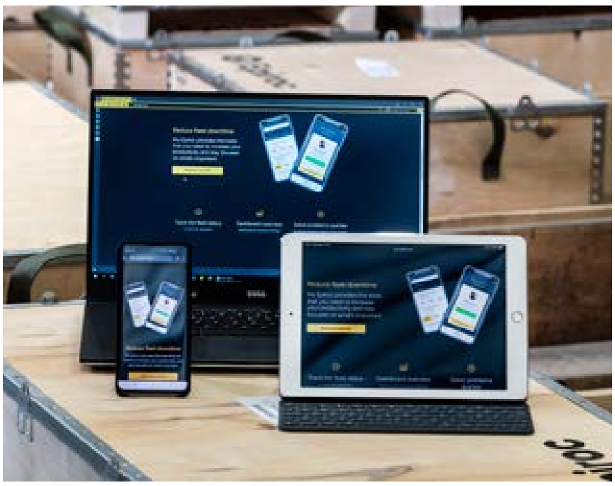
Another example where increased information offers clear benefits is our digital solution GET Trakka. If a bucket loses a tooth or a shroud, it can have a large impact on operations. The most serious outcome is a crusher event, when the GET (Ground Engagement Tools) jams the crusher, which in turn can lead to large safety risks and production delays. GET Trakka provides real-time bucket tooth and shroud monitoring and enables fast and safe location and recovery of broken GET before it gets to the crusher.

Sustain

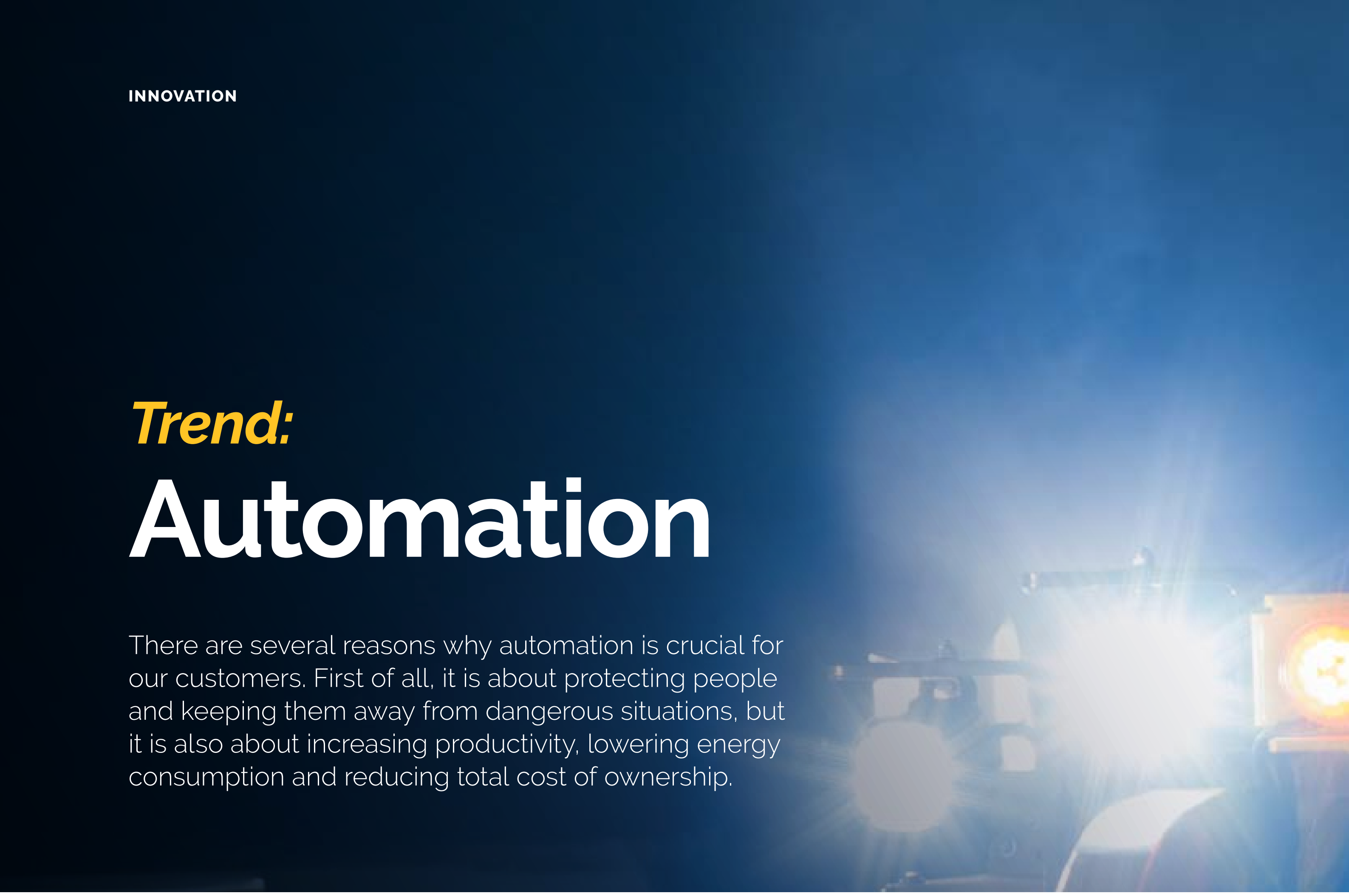
It is clear that digitalization, automation and connectivity lead to several improvements in the mine- and/or construction process. More data simply leads to better and informed decision making. Not only for the process as such, but it also enables more efficient energy management.

Examples of smarter energy management include optimizing the ventilation flow, which is typically a high operational cost for underground mines, and using battery-electric support solutions.

Finally, in a world where accurate sustainability data is increasingly important, digitalization helps customers to measure and follow up relevant data points.



HATCON (Hydraulic Attachment Tools Connectivity) enables next level fleet management by monitoring operating hours, location and service intervals of the customer's tools.



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.

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) and automating drilling, loading and hauling, customers can remove the operator from the work processes and prevent dangerous actions. 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 Systems are 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.

Higher 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 operator assist functions that increase productivity. Remote control functions are also popular. With these, the operator can remotely control the machine from a safe distance.

The next level is 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 have these work completely autonomous together, while the operator monitors from a safe place. Our collaborations with Roy Hill and Newcrest, mentioned above, are examples of autonomous mixed fleets.

Artificial Intelligence (AI) is the most advanced level. In this step, the machine does the work completely autonomously and makes its "own" decisions based on collected data. Our 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 ensure that their machines always perform to the best of their ability. The number of machines that are enabled with telematics is constantly increasing. At year end, we had more than 9 500 machines ready for automation.

Strengthening our position

The vast majority of our machines have the potential to be automated or remotely controlled. The number of fully autonomous machines on-site, relative to the full fleet, is still rather small.

How automation accelerates productivity and sustainability transformation

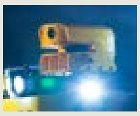
- Protecting people. Keeping them away from equipment and dangerous situations.
- Increasing productivity.
- Reducing energy consumption.
- Lowering the total cost of ownership.

Since 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 and hauling. The increased productivity of the automated equipment leads to higher demand for consumables, services, and spare parts.

Providing solutions that enable automation

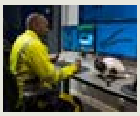
In addition to automated equipment, Epiroc provides solutions to accelerate the implementation such as robust wireless connectivity and autonomous and teleremote solutions. In recent years, Epiroc has expanded its offering in this space through acquisitions.

Epiroc's mixed fleet automation

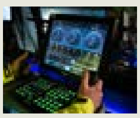


Autonomous load/haul
Epiroc equipment (used mainly underground) that is fully autonomous in operation and other OEM equipment that has ASI Mining and/or RCT's Guidance/Automation technology with fully autonomous tramming capabilities (surface).

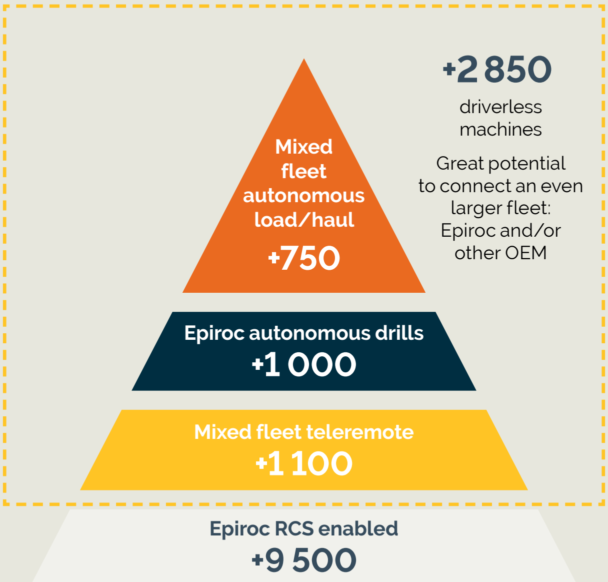
Autonomous drill rigs
Mainly Epiroc equipment that is autonomous in operation, but in some cases needs operator for tramming between areas. Since 2023, RCT mixed fleet solutions for drill rigs are also included in the number.



Teleremote
Remotely controlled equipment (Epiroc + other OEM, surface and underground) using cameras and monitors.



Epiroc RCS-enabled fleet
Epiroc equipment with Rig Control System, which means it is automation ready.



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

Our goal is 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.

Electrification is not new to us. Most of our underground drilling rigs have been electrified by cable for several decades. Already in 2012, we tested our first battery-electric loader and in 2016, we launched our first fully battery-powered machines.

At year-end 2023, 42% of our fleet was available in battery-electric option.

Resilient and safe battery-electric solutions

Our battery-electric equipment is made for the purpose of being the best possible machine, with higher productivity than the diesel equivalents. We use a dedicated BEV-only platform (BEV = Battery Electric Vehicle) and architecture to achieve this. That said, we can produce our battery-electric vehicles in the same production sites as our other equipment.

Our battery-electric equipment and 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.

Since 2018, when we launched our second (current) generation of BEVs, we have not had incidents or fires in our machines. This is crucial, as fires in underground operations are very dangerous.

We have chosen a battery solution with lithium-nickel, which is more energy dense than other chemical compositions. We also use a type of "slow" charging, which in combination with simple and quick battery-swaps means that customers can work continuously and avoid investing unnecessary in electric grids. It also keeps the battery fresh and powerful longer.

We have a standardized production approach where battery cells are assembled in modules, which in turn are assembled in subpacks. This enables us to use the same type of subpacks and components for different machine models.

Safety is a must in an underground environment

Battery system designed to prevent thermal runaway, yet capable of handling it

Incidents to date:
0
Accidents to date:
0

(Generation 2018 - to date)

How electrification accelerates productivity and sustainability transformation

- More productive machines.
- Protecting people from fumes, noise and heat.
- Eliminating or reducing CO_2e emissions.
- Reducing energy consumption and operational expenses related to ventilation.
- Avoiding costly investments in ventilation.
- Adhering to new legislation, rules and standards.

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.

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

Roughly 80% of our customers choose to buy their battery-electric vehicles (BEV) with Batteries as a Service. It gives our customers all the benefits of electric power without owning the batteries themselves. To us, it is a productivity commitment to our customers.

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 and lowers the threshold for investing in battery-electric vehicles.

When we own and control the batteries, we can optimize the use of each and every battery. This way, we can safeguard that our customers have the most efficient battery at all times, while we can secure revenue streams over a longer period of time.

Boliden optimizes safety, productivity and sustainability with batteries and automation

Customer example:

In 2023, Epiroc won a large order for mining equipment, including battery-electric vehicles and automation solutions, from Boliden, one of Europe's largest mining companies. The machines will be used at three of its underground mines in Sweden. The order, valued at about MSEK 130 and booked in the second quarter, follows Boliden's large order of similar equipment in 2022.

Battery conversions
For existing equipment, we offer battery conversions, 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 and the demand for conversions is high.

Battery-electric infrastructure solutions
It is not only about delivering a ground-breaking machine, but about making it work in the best way possible. Therefore we offer solutions that enable implementation of battery electrification, such as charge posts and power modules that can be used by any equipment provider. See "Complete ecosystem of electrical infrastructure and connectivity solutions" on the next page.

We follow the global Combined Charging System standard for charging and are a member of CharIN. It is a leading global association with over 330 members dedicated to promote joint standards for charging BEVs of all types.

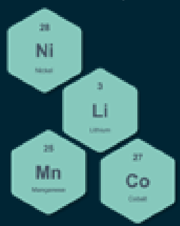
Size of business
The electrification trend is strong and our offering is continuously broadening. In relation to the Group's revenues, however, battery-powered equipment and related services are still small. In 2023, 3.1% of Group revenues related to electrification, including battery-electric solutions, "Batteries as a Service" and "Battery conversions". We also see good opportunities to grow our aftermarket business as the number of battery-powered machines increases and as higher competence is required to service electric equipment in a safe and correct way. Since 2018, all battery electric machines have been delivered with a service contract.

Of 32 sites with battery-electric machines, 11 customer have already ordered more machines, which is encouraging given the relatively new technology.

Electric infrastructure news in 2023
During 2023, in collaboration with our acquisition JTMEC, we launched a new range of electrical infrastructure products: the MineCharger and the MineStarter, which helps us accelerate the electrification adoption for customers. The MineCharger is a portable charging station designed specifically for underground electric vehicle charging and it can charge light electric vehicles in 1–3 hours. The MineStarter can be used in underground mines to start drills (both diesel and electric ones), fans and pumps.

Robust and safe batteries

High-performing chemistry
NMC



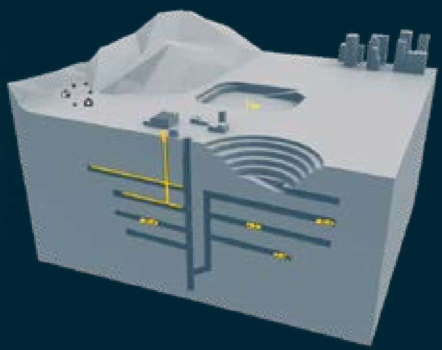
Cell
4.2 V

Module
672 cells

Subpack
800 V / 75 usable kWh

Battery-pack
Number of sub-packs depends on equipment. A ST14 loader has 4 sub-packs = 300 usable kWh

Complete ecosystem of electrical infrastructure and connectivity solutions

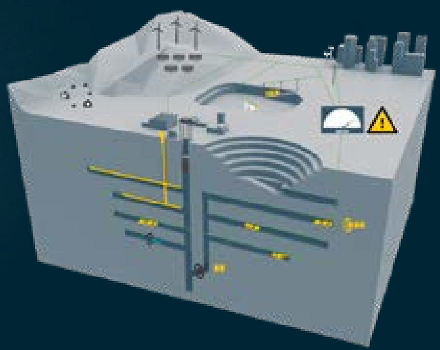


Epiroc's "past" offering

OPERATIONS

"The best machine"
"Transactional"

In the past, Epiroc's focus was on delivering the best equipment, the best service and the best solutions, such as machines and ventilation.

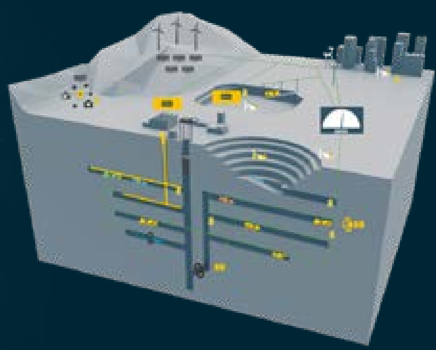


Epiroc's current offering

OPERATIONS ANALYTICS

"Continuous operations"
"Sustainability"
"Total Cost of Ownership"

With broad domain knowledge and a wider assortment of connectivity solutions, Epiroc has become more of a partner to its customers, helping them safeguard continuous operations, lower their Total Cost of Ownership (TCO), and improve sustainability.



Epiroc's future offering

OPERATIONS ANALYTICS

ASSETS

"Continuous operations"
"Sustainability"
"Total Cost of Ownership"
"Trusted Advisor"

With increased knowledge and a wider offering within digitalization and electrification, Epiroc becomes a trusted advisor in making the whole mine flow more efficient by delivering state-of-the-art battery electric vehicles, connectivity and electrical infrastructure.

High proportion of recurring business

Epiroc has a broad aftermarket offering that includes service, rock drilling tools, ground engaging tools, hydraulic attachments, a dynamic range of technology-agnostic digital solutions, training, battery conversions, and more. We continuously invest in developing our offering to provide best-in-class service and enable successful implementation of new technologies, such as automation.

Broad aftermarket offering

Spare parts and components	Service agreements, audits and training	Midlife services, battery-conversions, automation and digitalization solutions and more	Rock Drilling Tools and Ground Engaging Tools (GET)	Hydraulic attachments
Service **47%** of revenues 2023 *Reports in Equipment & Service*			Tools & Attachments **21%** of revenues 2023	

Aftermarket
68%
of revenues 2023

Recurring business

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

In 2023, the aftermarket represented 68 (67%) of our revenues. In this definition, we include service and digitalization revenues (47% of Group revenues) and the revenues in the Tools & Attachments segment (21% of Group revenues).

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 75% of our employees work with supporting our customers in our aftermarket business, often at customer sites.

A larger and older fleet

Epiroc has provided equipment for drilling for more than a hundred years. In fact, the first rock-drill was produced back in 1905.

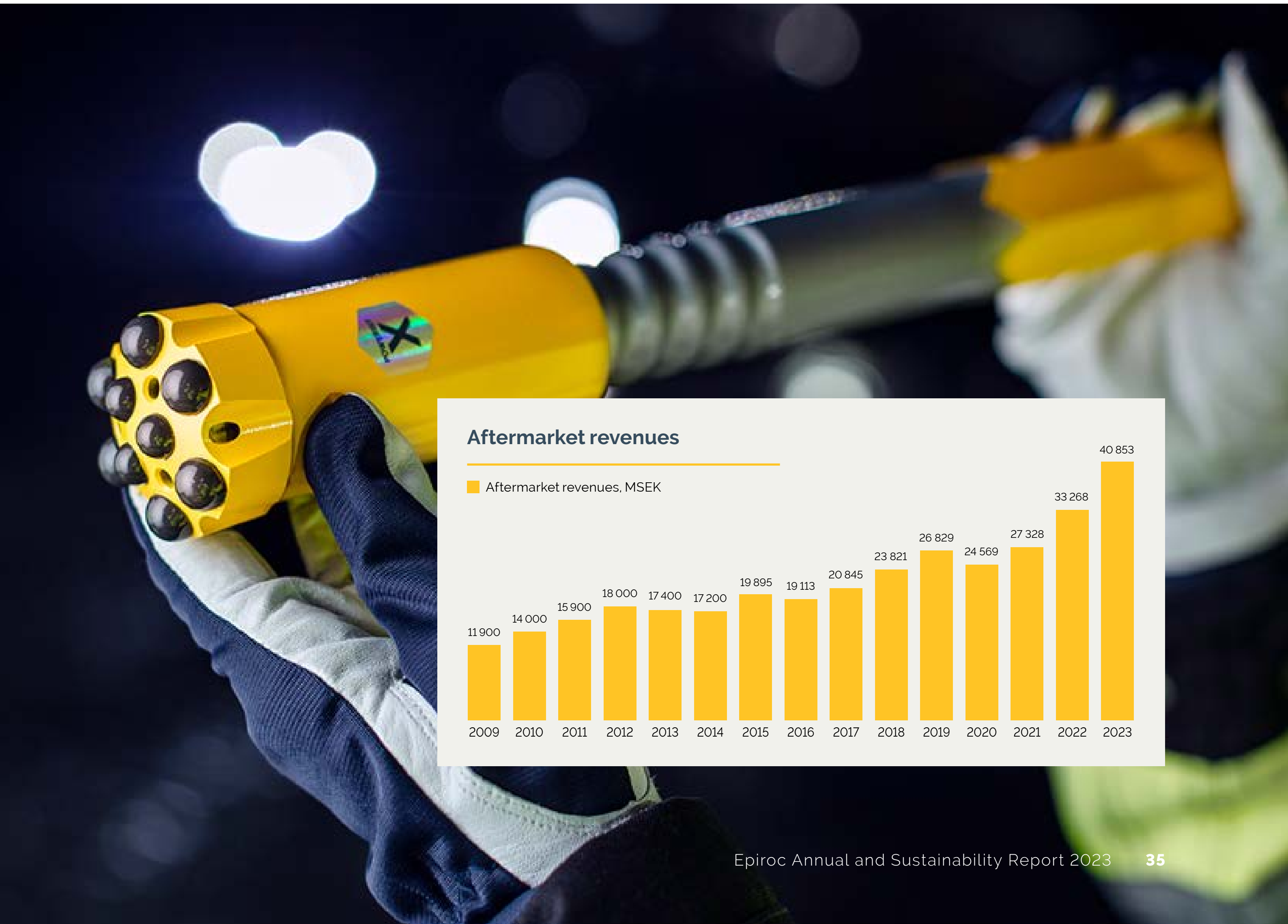
We have a large fleet of machines around the world and thanks to quality equipment in combination with our wide aftermarket offering, the average fleet age is continuously increasing. For example, we have surface drill rigs that operate at high utilization rates, even though they are more than 20 years old.

At year end, the average age of our equipment fleet in operations was 8.2 years and 37% of it was older than 10 years. This bodes well for future aftermarket growth.

High availability

With a growing and older fleet, we safeguard high availability to customers. We have opened regional distribution centers in Örebro in Sweden, Ghent in Belgium, Johannesburg in South Africa, Singapore, Nanjing in China, Mississauga in Canada and Santiago in Chile. Through a standardized order flow, delivery times to customers are reduced and we reduce both our transport costs and our inventory while improving our cash flow.

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



Service

Sustainability is an important aspect of our aftermarket business. Well performed maintenance, the right spare parts and mid-life rebuilds increase productivity for customers and 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 often 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 battery. 32% of our equipment is under some kind of service contract and we see good opportunities to grow this number.

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

"Our experienced and technically skilled employees in the aftermarket are key."

Tools & Attachments

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. Longer use per drill bit means fewer changes, which means that the customer is less exposed to injury. See more on typical injuries on page 168.

As mining goes digital, it is common to have remote production with operators in safe control rooms instead of in the mines. However, most of the time, operators still have to replace drill bits on site. Our flagship drill bit, the Powerbit X, has fewer replacement intervals and leads to fewer interruptions than any other drill bit in the market, which means that customers get more out of their investments in modern technology.

For several of our large automated Pit Viper drill rigs, we offer an automatic drill bit changer (ABC), which completely eliminates the risk of operator injury when changing the drill bit. 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.

Ground Engaging Tools (GET)

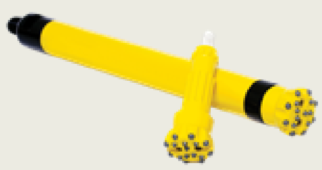
We offer advanced ground engaging tools (GET) such as cast lips, teeth, and protective shrouds installed on mining buckets and loaders as well as related digital solutions, mainly for the mining industry.

Attachments

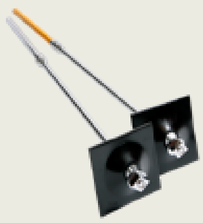
We offer attachments for rock excavation, as well as for deconstruction of buildings, asphalt, concrete and steel structures, separation of material, recycling and waste handling. The attachments are used for excavators and other similar carriers.

Hydraulic attachments contribute to a sustainable society. Separation of metals and material from concrete in the deconstruction phase is a fast-growing market, driven by regulations and increased focus on circularity.

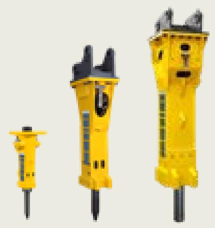
In 2023, we announced the acquisition of STANLEY Infrastructure, which will grow our hydraulic attachments business considerably. The company provides attachments for applications in infrastructure, construction, scrap recycling, deconstruction, and railroad infrastructure. Its strong and innovative brands include LaBounty, Paladin, Pengo and Dubuis.



Down-the-hole hammers and drill bits



Rock-reinforcement systems



Hydraulic breakers for deconstruction

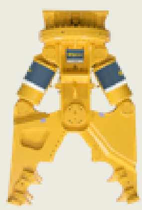
Rotary drilling tools

Drum cutters for hard material profiling

Magnets for picking up scrap metal

Tophammer rock drilling tools

Exploration consumables



Combi cutters for deconstruction

Well-proven business model

We have a focused and decentralized business that can be adapted quickly in times of changing demand. 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	Leveraging innovation
Quick and efficient decision-making	89% direct sales	Aftermarket represents 68% 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. Excellence in decentralization requires that employees have the authority to act and are comfortable in taking responsibility. It requires training and good leadership. Of recruited managers, many have had previous positions within Epiroc.

We have had a decentralized way of working since 1968 and in 1989, separate divisions were created, which have global responsibility for their operations. In order to safeguard economies of scale and efficient processes, we have cross-divisional councils 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 89% (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 and our solutions are 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, and the fleet is growing, while also aging. 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 maintain or increase productivity as well as extend equipment life. In total, the aftermarket represents 68% (67) 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 overcome 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 solutions and suppliers.

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 and have many initiatives ongoing.

Initiatives in 2023 were:

- We moved the production of low-profile machines from Örebro, Sweden, to Johannesburg, South Africa.
- We develop the Regional Centers of Excellence in Czech Republic, South Africa, Mexico and Philippines to improve efficiency in administration, HR and finance.
- We invested in a heat treatment plant for rock drills in Örebro, Sweden.
- We announced the consolidation of production of hydraulic attachments in Europe and the closing the plant in Essen, Germany.

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.

Happy 5 years Epiroc!

On June 18, 2018, we rang the bell on the Nasdaq Stockholm stock exchange, establishing Epiroc as an independent company. It has been a fantastic journey. Together, we have made great achievements and would like to highlight these five milestones:

1) We successfully established the Epiroc brand.
2) Innovation is flourishing and we are investing more than ever in R&D. Through the acquisition of technologically leading companies, we have added new competence to Epiroc.
3) We set ambitious sustainability goals for 2030 and they were approved by the Science Based Targets initiative in 2021.
4) We dare to think new and our vision guides us to constantly improve.
5) Automation, digitalization and electrification are transforming the industry, but it is people who actually make it happen. Collaboration and partnerships strengthen our leadership position.

Attractive niches

Structural growth
- Growing population and middle class
- Urbanization
- Green transition
- Deconstruction and recycling

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

Sustainability focus

Resources and input

People (average)
- 17 923 (15 969) employees
- 1 760 (1 630) external employees

Intellectual
- 10% (9) of employees working in R&D
- Around 74% (74) of employees in aftermarket *(Service and Tools & Attachments)*

Financial
- MSEK 67 784 (61 780) in assets
- MSEK 1 930 (1 438) R&D expenses

Natural
- 198 (175) GWh total energy use

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
- 146.7% total shareholder return (A share) since listing
- 26.8% return on equity
- Proposed distribution to shareholders of MSEK 4 586 (4 103)

Employees
- Salaries and remuneration totaling MSEK 12 962 (10 595)
- Several initiatives to develop competence and improve safety and health

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

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

Our success is based on sustainability and a strong corporate culture

It all starts with people. New ideas come from people who see opportunities instead of obstacles. Those who dare to challenge the status quo and are not afraid of failure. They constantly seek ways to improve things. At Epiroc, we dare to think new.

We have a long and proud history of a strong corporate culture, and our innovation agenda goes hand in hand with our customers' sustainability agenda.

Accelerate the transformation

Access to metals and minerals is a prerequisite for the modern society to function. Our customers, mainly found in the mining and construction 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 provide a safe working environment in a productive and cost-effective way, and have minimal environmental impact, including the use of low-carbon solutions.

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 way of operating. In our Code of Conduct (CoC), approved by Epiroc's Board, we have committed to conduct business responsibly in accordance with several international standards, for example the UN Guiding Principles on Business and Human Rights. 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 safety and environmental gains. We have a wide range of solutions that help our customers improve their safety performance. In the shift to a new, low-carbon economy where electrification, circularity, and development of new technologies play key roles, our products and services are critical for our customers' success. Automation solutions, diesel-to-battery conversions, and remanufacturing of products and parts for a second life are a few examples of this, see illustration on page 48.

We have an ambitious goal to halve the CO_2e emissions from machines sold by 2030, compared to base year 2019. By providing multiple solutions and thereby lowering the threshold for the transition from diesel to electric, we support our customers in achieving their sustainability goals. Our significant investments in research and development in combination with acquisitions, strengthen our ability to help our customers on this journey. In 2023, our research and development expenses were at all-time high at MSEK 1 930 (1 438). For more information on electrification, see pages 30-34.

Digitalization enables a new way of working. We have solutions to help our customers manage their people, assets, processes and technologies, which leads to smarter, safer, and more seamless operations. Automated and tele-remotely controlled operations significantly increase productivity and improve safety and the work environment at the same time.

To safeguard our innovation leadership, we emphasize collaboration with customers, suppliers 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.

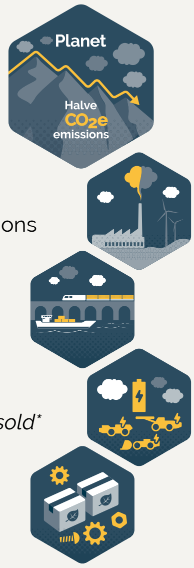
Epiroc 2030 goals for People and Planet

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

** Approved by the Science Based Targets Initiative (SBTi).*

*** For definition, see page 49.*

Epiroc is one of the leadership members of the Global Mining Guidelines Group (GMG), whose purpose is to enhance the safety, innovation, and sustainability of the global mining community by facilitating and accelerating collaboration among industry stakeholders. 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 contribute to prolonging the life of our equipment. With mid-life upgrades, retrofit and use of secondary raw materials, we also need less virgin materials, which contributes to more sustainable use of resources. Machine upgrades typically include the latest technology, such as automation or electrification features and lead to measurable sustainability gains. Our automation-equipped surface drill rigs deliver more energy-efficient operations for our customers, with significant CO_2e emissions saved. Our hydraulic attachments tools, often used for demolition and recycling, are also important in a low-carbon society and for more efficient use of resources.

“We support our customers in achieving their sustainability goals.”

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' potentially harmful and dangerous energy, as well as safety training for all Epiroc employees to raise safety awareness.

Strong corporate culture with passionate people
Our vision, Dare to think new, guides us on what we want to achieve. We constantly challenge our way of working, thinking and acting to find new, effective 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.

Sustainability goals and materiality
To ensure that we work on the sustainability issues that are most relevant to Epiroc, we conduct materiality analyses on a regular basis. Based on the outcome, we have clustered our most material topics into four focus areas and identified key performance indicators (KPIs) to help us measure their relevance and impact. As in the past, we continue to measure progress through short-term (1-year) targets and long-term (2030) goals. The results are reported quarterly to the Board of Directors and Group Management.

"Our KPIs and 2030 sustainability goals help us ensure that our performance improves."

In 2020, we set ambitious long-term sustainability goals for People and Planet for 2030, and in 2023 we continued to follow our roadmap to reach them. The goals 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. Our KPIs and 2030 sustainability goals help us ensure that our performance improves, and that the organization is aligned to tackle important challenges and opportunities head on.

Epiroc has a role to play in the effort to reach the SDGs by reducing negative impact 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, see page 156. We recognize the need for a fair and 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 on decisions beyond our direct control – from suppliers to customers - as this is where our largest climate, human rights and safety impact lie.

Sustainability targets included in remuneration

Reflecting our purpose as a company, to accelerate the transformation, sustainability targets have been part of the variable compensation plans for all members of Group Management, including our President and 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 most cases a combination of targets.

For the members of Group Management (including the CEO), the sustainability targets for 2023 amounted to 10% of the maximum outcome of the total variable compensation. The actual outcome of the sustainability targets was 91% of the maximum. More information on the outcome, see page 80.

Our focus areas

Resources
We use resources responsibly and efficiently

Safety
We invest in safety and health

People
We grow together with passionate people and courageous leaders

Ethics
We live by the highest ethical standards

Climate change and the 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 than 80% of our total CO_2e emissions come from the use of our sold products. In November 2021, we received validation from the Science Based Target initiative (SBTi) for our goals:

- To reduce absolute Scope 1 and Scope 2 GHG emissions by 50% in 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 well above the SBTi's minimum requirements. In 2023, we continued to work with our 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.

One important milestone during 2023 was the deepened partnership with the Swedish steelmaker SSAB on fossil-free steel for mining equipment. Other milestones in our decarbonization journey are illustrated below.

We disclose to what extent our activities are covered by the EU Taxonomy. Epiroc's activities are not at the core of the current legislation, and we therefore only have a few relevant economic activities to report on, see pages 161-165.

The Task Force on Climate-Related Financial Disclosures (TCFD) provides recommendations to companies on how to report on their climate-change risks and opportunities, and how to increase transparency on related actions to tackle them. In 2023, we strengthened the integration of the 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, read more on pages 166-167.

Our approach and our climate targets approved by the Science Based Target Initiative (SBTi) enable a long-term ambition of net-zero CO_2e emissions by 2050 and go hand in hand with the EU´s goal of a climate-neutral economy in 2050.

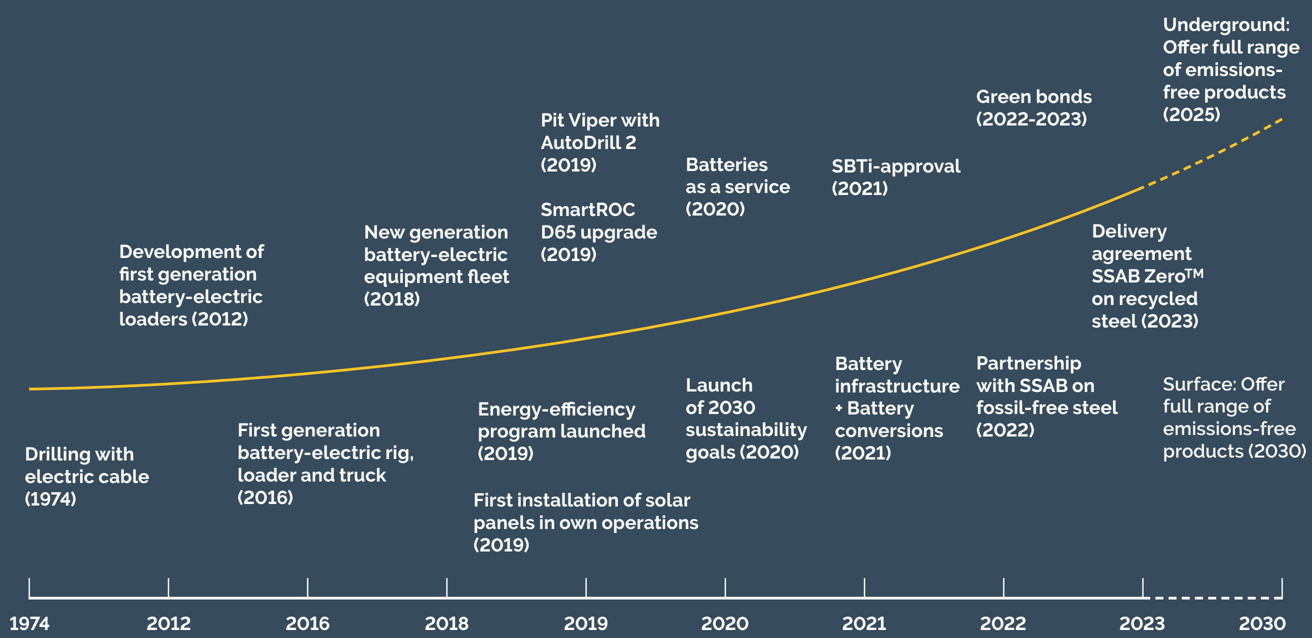
Sustainability reporting and the European Sustainability Reporting Standards (ESRS)

During 2023, we took several steps to prepare for the upcoming EU Corporate Sustainability Reporting Directive (CSRD). We performed a double materiality analysis according to the new legislation and established the needed governance and reporting structure.

For 2023, we report in accordance with the legal requirement in the Swedish Annual Accounts Act, chapter 6, paragraph 11 and the EU taxonomy regulation as well as voluntary standards such as Global Reporting Initiative (GRI) standards, the UN Global Compact and the Task Force on Climate-related Financial Disclosures (TCFD).

The Group's consolidated targets within our four focus areas, with results, activities and progress during 2023 on selected KPIs, 2030 sustainability goals and science-based targets (SBT) are presented throughout this report. Additional sustainability information on materiality, governance, other performance information as well as a summary of our selected key performance indicators can be found on pages 156-173.

Epiroc's decarbonization journey up to today
Some examples



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. To fight climate change, facilitate recycling and reduce waste, it is important to act now. We aim to be a part of the solution with our productive, safe, and low-carbon equipment and circular services.

Climate and Epiroc's carbon footprint

We are convinced that the future of mining and construction 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 work on reducing CO_2e emissions throughout the whole value chain, but more importantly, we provide our customers with solutions that both strengthen their safety and productivity and also address their growing need for low-carbon solutions.

Reducing CO_2e emissions from operations (Scope 1 and 2)

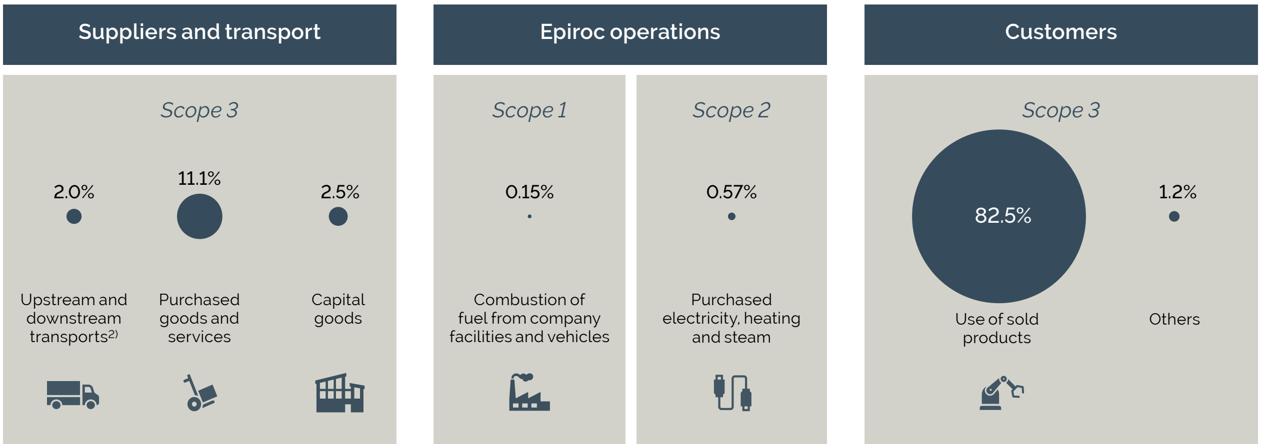
Although our carbon footprint in operations represents less than 1% of our CO_2e emissions, reducing CO_2e emissions from operations is important as we are the only ones who can do it. Our energy-efficiency program, launched in 2019, continued during 2023. We are increasing the share of renewable energy in our operations through investments in facility structures and alternative energy sources. A challenge is the unavailability of grids providing renewable electricity in certain geographies, which influences our ability to meet 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. In 2019, our product companies in India became the first in Epiroc to install solar panels on their facilities, showing the rest of the Group

Performance Summary (Long-term goals)

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 emissions-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 extension, 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 ('000 tonnes) from machines sold Target: 2 802 **SBTi approved**	Halve CO_2e emissions ('000 tonnes) in operations Target: 27 **SBTi approved**	90% renewable energy in operations	Halve CO_2e emissions ('000 tonnes) from transport Target: 67	No 2030 target established [2]	Require 50% reduction of CO_2e emissions from relevant suppliers [3]
Base year [4]	2021: 35%	2019: 5 603	2019: 54 [5]	2019: 48%	2019: 134 [6]	N/A	See page 48.
Performance 2023	42%	5 653	28	61%	100	See circular illustration on page 50.	See page 48.
2030 goal completion	N/A[7]	-2%	96%	N/A [7]	50%	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 goal 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] Base year and performance from purchased goods and services (category 3.1) will be reported next year.
[4] Base year (2019) is restated to ensure meaningful comparisons of CO_2e emissions data over time. More information about our recalculation policy and reporting scope, see page 173.
[5] Scope 1 and scope 2 CO_2e emissions.
[6] CO_2e emissions from upstream and downstream transportation (category 3.4 and 3.9).
[7] Not applicable as 2030 goal is not in relation to base year.

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 approved by the SBTi in 2021. The figures will be updated every five years to ensure alignment with the most recent climate science and SBTi.

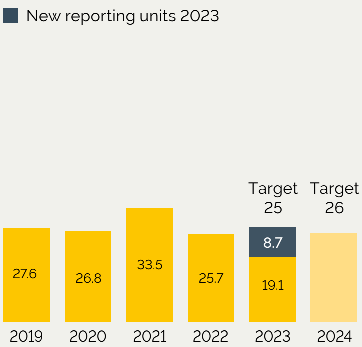
2) The data is currently not separated into upstream and downstream.

that these types of investments are not only possible, but also represent sustainable and profitable business practice. Since then, facilities in Australia, China, South Africa, Sweden and USA have also installed solar panels. Today we have 7 facilities with solar panels.

For comparable units, excluding the new reporting units in 2023, CO_2e emissions from our operations have decreased 26% compared to previous year. This reduction is explained by shifts to renewable energy, energy efficiency initiatives, and increased own production of solar power. Energy initiatives completed during 2023 will generate additional CO_2e reductions in coming years. However, by including the new reporting units in 2023, CO_2e emissions from our operations have increased by 8% (-23), mainly explained by one acquired operation with high energy-intensive operations. All acquired companies will be included in our energy-efficiency program and activities will be put in place to ensure we will reach our long-term targets.

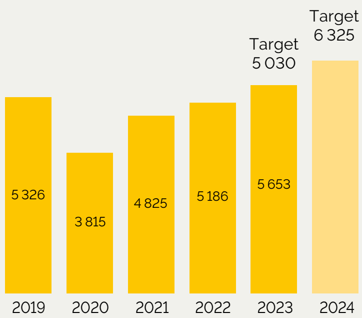
Selected KPI targets and performance (Short-term targets)

CO_2e emissions from operations ('000 tonnes)



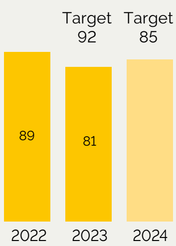
The target for 2023 was 25 000 tonne CO_2e and the result with new reporting units excluded, was 19 064. This reduction is due to a higher portion of purchased renewable energy and the solar panels installations. Including the new reporting units in 2023, the result was 27 788 mainly due to the acquisition of one operation with high energy-intensive operations. The 2019 figure in the graph is not restated.

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



The target for 2023 was 5 030 ('000) tonne CO_2e and the result was 5 653 mainly due to increased delivery of machines and adding new units from acquisitions. The fossil-fuel dependency is likely to continue in our sector for some time. The turnaround is expected in the coming years, when the majority of the electrified offerings will be available on the market. The 2019 figure in the graph is not restated.

Waste Diverted from Disposal, %



The target for 2023 was 92% and the result with new reporting units excluded, was 84%. Including the new reporting units in 2023, the result was 81% (89). Despite the lower result in 2023, our amount of waste diverted from disposal has remained relatively high for several years.

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 2023, we reached a high coverage of our upstream emissions from purchased goods and services in our internal reporting. We have identified our top emitter categories and suppliers and are engaging with them to reduce their overall carbon footprint. In 2024, we will improve the granularity of the data. This will enable us to follow-up our suppliers' reduced CO_2e emissions.

During the year, we expanded our partnership with SSAB to secure fossil-free steel for use in the production of Epiroc's mining equipment. Besides using fossil-free steel in the production of Epiroc's mining equipment, our collaboration extended to also explore the possibilities to use fossil-free steel when manufacturing spare parts and components with additive technology. In addition, we signed a delivery agreement regarding SSAB Zero™, based on recycled steel and produced using sustainable energy sources and logistics solutions. The steel will be used in the production of our Smart and Green series of battery-electric mine trucks and loaders.

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 make the transition possible.

Reducing CO_2e emissions from transport (Scope 3)

We work broadly to reduce emissions from upstream and downstream transportation. 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 last couple of years. We have established regional distribution centers, reduced freight, and improved the availability of parts and consumables. During the year, we explored the option of switching to electric trucks, which to a small extent has been implemented and more will come in 2024.

We have made good progress in reducing CO_2e emissions in the last couple of years, but our emission mitigation is also dependent on the transport sector's own transition. In 2023, the CO_2e emissions increased by 2.7%, excluding the new reporting units. Including the the new reporting units in 2023, CO_2e emissions increased by 10.1% (10.7). The increase is mainly explained by higher volumes delivered.

Our contribution to our customers' decarbonization journey

This illustration exemplifies how our offerings today have the potential to reduce our customers' CO_2e emissions, by using electrification but also in many other ways. Besides our long-term commitment to offer a full range of emissions-free products, improving the energy performance in product development and ensuring compatibility with HVO100 biofuel are also important. We have ambitious 2030 sustainability goals to halve our own scope 1 and 2 emissions, from transportation and as well from significant suppliers. This will contribute to lower the upstream CO_2e emissions for our customers.

Digitalization

Measurement of real-time energy consumption enables energy minimization and optimization in operations.

Automation

Increase of energy efficiency through advanced automation solutions enables less energy consumption.

Electrification

Electrified fleet enables zero tailpipe CO_2e emissions as well as energy savings since less ventilation is needed.

Aftermarket:
Service

Circular business models (Batteries as a service, mid-life upgrades, reman solutions, recycling of consumables) enable circulation of products and materials, and save energy from production of new products.

Aftermarket:
Tools & Attachments

Attachments enable deconstruction and recycling of minerals. Powerbit X enables energy savings and resource efficiency. Ground Engaging Tools reduce the dig energy and saves fuel for mining excavators.

The Reman Program is a 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.

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. 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, see illustration on previous page.

In 2023, however, the CO_2e emissions from the use of our products increased 9% compared to 2022, mainly due to increased delivery of number of machines. The fossil-fuel dependency is likely to continue in our sector for some time. The turnaround is expected in the coming years, when the majority of the electrified offerings will be available on the market.

We will offer a full range of emissions-free products by 2025 for underground and by 2030 for surface operations. This includes mainly electrification solutions. Emission-free products include solutions that do not emit exhaust gas or other pollutions from the onboard source of power, also referred to as zero tailpipe-emissions. Other examples of lowering CO_2e emissions for our products are energy efficiency improvements such as more efficient engines. 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, 42% (39) of our product fleet is available as electrified solutions.

The demand for electric solutions is continuously high in the market and are expected to increase further in the years to come. Our electric products and solutions enable our customers to reduce their carbon footprint from operations. Battery technology and cable-connected equipment are two important solutions that enable zero-emissions operations, provided renewable energy is available for charging.

During 2023, we released the Scooptram ST18 SG, the most powerful loader yet in our product offering that utilizes battery-electric drive train. Featuring market-leading battery autonomy and a complete battery safety system, our customers can now go the extra mile when it comes to safety, sustainability, and productivity in the 18-tonne loader segment.

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. In 2023, we extended our battery conversion offering to Boomer M2 C, Boomer E2 C and Scooptram ST18. For more information on electrification, see pages 30-34.

Not all energy and CO_2e emissions reduction improvements involve electrification. For example, in 2023 we launched the new version of Minetruck MT65 S with 5% less diesel fuel consumed with the new update compared to the previous diesel version. This is done without compromising on productivity, which actually has increased by up to 18% compared to the previous model. Automation is also a driver for improving energy efficiency while at the same time lowering the cost of ownership and increasing productivity and safety.

Natural resources

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

Product circularity

At Epiroc, we have a lifecycle approach that begins early in 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 relatively high for several years. For 2023, the proportion was 84% with the new reporting units excluded. Including the new reporting units in 2023, the result was 81% (89).

A challenge for circularity is identifying which 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).

We started to use LCAs to help us identify where we can improve our use of resources in terms of reducing CO_2e emissions, increasing product lifetime, and using less virgin material. In 2023, Epiroc's Powerbit X drill bit has emerged as a game-changer for making mining more sustainable. Adopted by industry leaders, the benefits include fewer drill bits required, no re-grinding, and reduced replacements, leading to a significant decrease in environmental impact. With the backing of early adopters, the Powerbit X is set to redefine global underground mining standards.

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

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.

Another solution we provide is Batteries as a Service (BaaS). It is a circular business model, launched in 2020, 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 energy storage, enabling our customers to use more own installed renewable energy before the battery is recycled.

Water management

Our own overall water consumption is relatively low since our focus is on assembly. However, we work to minimize the negative impact 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 2023 for water consumption in water risk areas ('000 m3) in relation to cost of sales (COS) was 3.2 and the result was 3.3 with the new reporting units excluded. Including the new reporting units, the result was 3.5 (3.0). We have managed to keep relatively low water consumption despite increased production volumes.

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.

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 with the objective that pollution of land, water and air is minimized to protect health, ecosystems, and biodiversity.

Presence of hazardous substances, e.g., Substances of very high concern (SVHC), in our products are identified, communicated to stakeholders, and actively phased out. Read more on how we work with product responsibility and hazardous substances on pages 167-168.

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.

Design and innovation

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

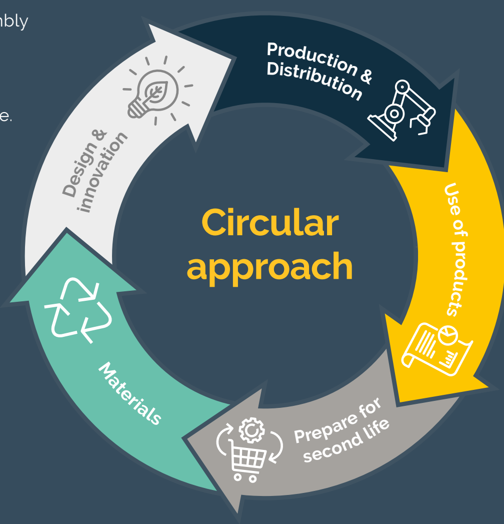
Automation and digitalization help our customers increase efficiency and also provide information when it is time for service.

Standardizing across 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 very high concern (SVHC) to be provided to interested parties, e.g., customers and authorities.



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.

Parts and materials that cannot be reused within Epiroc are reported as waste and include activities as recycling and incineration.

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, learning and change management to promote the right practices among equipment operators and service technicians. Through innovation, we are achieving measurable environmental and safety gains.

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 our position as a world-leading provider of automation and safety solutions for mining and construction operations. During the year we acquired the South African company Mernok Elektronik, which designs and produces proximity detection technologies and collision avoidance systems of the highest level, applicable for either a single machine or an entire mixed fleet of machines, regardless of manufacturer or type of equipment. The systems significantly reduce the risk of vehicle accidents, strengthening operator safety as well as productivity.

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.

In 2023, we continued to develop technology that strengthens both safety and productivity. Products like our new Spool Valve Guard are developed and elevated from local customer center innovations, shared in our digital portal, into global solutions. The kit can be installed on Pit Viper rigs to prevent accidental actuation of hydraulic functions; a feature that not only prevents machine damage but can protect personnel from potential serious injury.

In 2024, we will continue to develop our awareness around live work risks and to support the development of technology that strengthens both safety and productivity, including rolling out the Mernok safety solutions globally.

The Automatic Bit Changer (ABC) enables hands-free bit changes and enhances productivity and safety by eliminating human interaction with the drill string. Following the positive customer feedback from the introduction in the Pit Viper 270 series, Epiroc has extended the solution to the popular Pit Viper 351 blasthole drill rig.

Performance Summary (Long-term goals)

Focus area	We invest in safety and health	
Material topic	Product safety	Occupational health and safety
SDGs	8, 17	8
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 2023	Implementation of Live Work Elimination continued.	Work-related injuries, 5.1 (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 of the growing demand for automation. Eliminating risks to workers in hazardous environments benefits everyone.

We have a long history of autonomous and remote-controlled equipment. Our solutions of automated and connected products transform operating conditions by making it possible to remove operators from dangerous areas in the mine or at the construction site. Our solutions consist of a combination of software and hardware features and functions, as well as services that create value for customers and provide higher efficiency and safety.

Our customer LKAB is setting a new world standard for mining where digitalization is an important step towards easier, safer, and more efficient work in the mine. The mobile-safety solution project is a collaboration between LKAB and Epiroc, involving both existing products from Epiroc and new development. As an example, Epiroc´s Mobilaris Mining

"Safety is a key driver of the growing demand for automation."

Intelligence portfolio will improve safety. In case of emergency, the situation can be handled from a central location both faster and more safely. All employees will receive alarm and crisis information and can confirm directly on their mobile phones that they have received the information. Employees can also get position support and the ability to navigate faster to rescue chambers with the help of applications on their mobile phones. Thanks to new technology from Epiroc that is using already existing infrastructure, rescue personnel will have the tools and means to handle emergencies better and faster.

Epiroc, in collaboration with Boliden, Algoryx and Örebro University, is pioneering a project with the goal of achieving fully autonomous mining. The project, launched in 2023, includes a digital twin of a mine – a simulated testing environment – for machine learning, which reduces the need for physical testing.

Battery-electric underground equipment emits zero tailpipe emissions during operation, 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.

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.

In 2023, 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

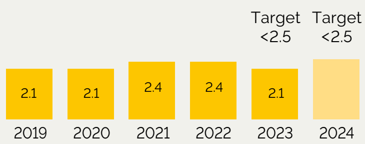
To strengthen our work to achieve zero injuries and highlight the importance of safety and health, Epiroc has established a Safety and Health Board. The Board consists of experienced leaders with an emphasis on representation from operations and business. The purpose of the Board is to secure continuous development in the area of occupational health and safety. The mission is to be ambassadors for safety and health within the Group and to lead, inspire and promote the organization towards an injury-free workplace.

In 2023, we further strengthened our safety work through standardization and harmonization, and addressed areas such as relevant resources and competencies, reporting and change of behavior.

It is vital that all our employees come home safe and sound after the working day. SafeStart®, our program for all employees to improve their personal safety awareness, completed its fourth year group-wide. Its mission is to entrench a global safety culture, augmented with strong local input, and to improve capability in the elimination and prevention of risk situations. This means changing our behavior. 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 capabilities are also useful in traffic and at home. In 2023, 16% (17), 3 125 (2 936), of employees and

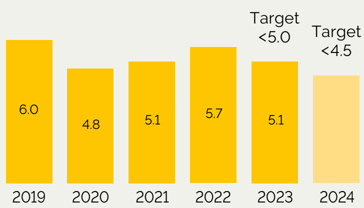
Selected KPI targets and performance (Short-term targets)

Sick leave, %



Target for 2023 was 2.5% and the result was 2.1% (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 2023 was 5.0 and the result was 5.1 (5.7). Higher focus on training, proactive and reactive safety measures as well as a strengthened safety culture, improved the result compared to the previous year. From 2021, we report more types of injuries under total recordable injuries.

Safety is always important.
In total, 72% 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.

external workforce received SafeStart® training. In total, 72% (67), 14 444 (11 319), have been trained since the roll-out started. This program is an important tool in our safety work to reach zero work-related injuries.

One group of employees, the service technicians, are particularly exposed to heavy equipment, time on the road and work in harsh conditions. We therefore require that they do additional safety trainings and follow safety procedures regardless of where they work.

We have seen a positive trend in the work-related injury rate in 2023 compared to 2022. Our analysis shows a higher injury rate for additional workforce compared to Epiroc employees. There are few severe injuries, and hand and finger injuries represent a high share of the injuries.

Sadly, in 2023 we had a fatal accident that occurred on a customer site involving one of our employees. An investigation of the circumstances around this accident has taken place with the customer and local authorities. Unfortunately, another fatal accident occurred in January 2024, when a service technician passed away in a road traffic accident on the way to a mine site in Zambia. Two other Epiroc colleagues were injured.

We are taking numerous actions to improve safety 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 are developing new measurements and tools to follow up our progress. In everything we do, we have high focus on further strengthening our safety culture and behavior.

We continued to implement our internal Epiroc safety commitments during the year. They are reminders of how we should 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 Group. The aim of the Epiroc Safety Day is to emphasize safety at work and reinforce Epiroc safety and health culture. We do this by giving all employees the possibility to openly discuss safety issues and how working conditions can be improved. The Safety Day 2023 focused on local challenges in terms of occupational health and safety. One example from Turkey was an earthquake awareness training to increase awareness and to contribute to preparedness among employees.

For 2024, we will focus on the continued implementation of the Live Work Elimination program, tying together automation and digitalization innovation with improved safety, and to further widen our portfolio of safety trainings.

Using AI-cameras to improve safety

A pilot project where an AI-camera has been tested to see how safety can be improved took place in Örebro, Sweden. The AI-enabled camera was set to identify hazards and collect data on safety incidents and near-misses. The data was then analyzed to identify patterns and trends, allowing the factory to implement preventative measures and improve overall safety protocols. The project provided hazard detection and analysis, and thereby helped to reduce the risks and safety incidents. It resulted in new safety precautions around the forklift routes.

Healthy working environment

Well-being is a key priority area for Epiroc. As an employer we have the responsibility to provide a healthy workplace.

The Epiroc Safety & Health Award was presented to the product company Epiroc Construction Tools in Kalmar, Sweden for taking a systematic approach to further improve organizational and social health. By including a high level of psychological safety, they have taken the safety culture one step further. By conducting in-depth interviews and workshops, they successfully identified well-functioned areas as well as areas in need of improvement. Several actions were defined to further improve the organizational and social health as well as the safety culture.

Sick leave

Employee well-being is a good measurement of a company's health. The number of sick days per employee was 5.1 (5.7), a figure that has remained constant and low over the past five years.

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 forward-looking, attractive, inclusive and digitally-enabled company where people collaborate to deliver sustainable business results.

We want to accelerate the transformation towards a low-carbon economy and a more sustainable society, and we offer a workplace where people can make this happen. Our company culture is 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.

In 2023, the total number of employees in Epiroc increased by 1 215 persons to 18 211 (16 996). The increase from 2022 is mainly explained by acquisitions and a higher presence in service. In addition, we have 1 762 in our workforce that are external, which also contribute to Epiroc's success.

Dare to think new

Our vision, Dare to think new, sets the tone and inspires our employees to bring forward their ideas and proposals to continuously improve what we do and how we do things. We must have the courage to think new in all aspects. Cross-functional collaboration, as well as partnering with external stakeholders, are ways to further improve how we work.

In 2022, we launched our innovation movement program. The objective of the program is to strengthen and democratize the innovation ecosystem of Epiroc and to reinforce our vision of "Dare to think new" across the organization. After successful pilots in China and Chile, the program continued in India.

To support our customers, we provide sustainable solutions that improve their productivity and safety. By investing more than ever in innovation, especially in automation, digitalization and electrification, as well as acquiring leading companies, we are convinced that we can make our customers even more successful - their success is our success. In 2023, our research and development (R&D) expenses amounted to record high MSEK 1 930 (1 438), and we have 10% (9) 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 emphasize 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, and take responsibility and actively contribute to growing the company and themselves as a result. We also seek to attract employees with different backgrounds and experiences. Our focus on automation, digitalization and electrification requires a new skillset for us, and it also strengthens our diversity. In line with this, we continued to

Performance Summary (Long-term goals)

Focus area	We grow together with passionate people and courageous leaders			
Material topic	**Leadership**	**Diversity**	**Employee care and empowerment**	**Crisis management**
SDGs				
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 2023	Leadership Index, 72	Women in operational roles, 13.7%.	Employee survey performed and actions identified.	Risk management is described on pages 88-93.

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

focus on how we attract, recruit, onboard and retain employees with an increased focus on employer branding. We have initiated a data-driven approach to identify how we can be a more attractive employer to the talent we seek to have in our team. By connecting this to our brand positioning we can leverage several initiatives taken to increase brand awareness.

During 2023, we increased the number of trainings available as well as learning events and development programs. A new more user-friendly digital learning platform was launched in December 2022, providing access not only to internal trainings and courses, but also learning activities by LinkedIn Learning.

Creating courageous leaders

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.
- The **Navigator program** is targeting 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 third career week open to all employees, connecting people with career mentors to share experience 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.

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 to our business success.

Gender diversity is a challenge – not only to us at Epiroc – but for the entire industry. One of our 2030 sustainability goals is to double the number of women in operational roles. Operational

The mining and construction industries have always been male dominated. However, women are increasingly defying historical gender stereotypes and joining the ranks of miners, engineers, geologists, and executives. One such woman is Rameshwari Bulemoni, Engineer Heat Treatment at our Hyderabad Product Company.

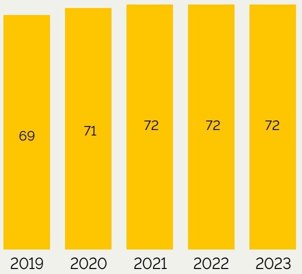
roles are those in R&D, marketing and sales, manufacturing, logistics and service. Since 2019, we have made good progress. In operational roles, 13.7% of our employees are women compared to 11.2% in 2019.

- In R&D 18.4% of our employees are women, compared to 11.8% in 2019.
- In Marketing and sales 19.4% of our employees are women, compared to 14.8% in 2019.
- In Logistics 33.2% of our employees are women, compared to 29.3% in 2019.
- In Manufacturing 10.9% of our employees are women, compared to 10.3% in 2019.
- In Services 7.8% of our employees are women, compared to 5.1% in 2019.

In certain job categories, it is more challenging to achieve our long-term goals. For example, in service, where the current pool of women with relevant background and interest is relatively low. In addition, social norms and conditions

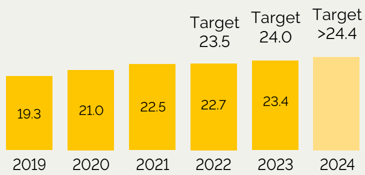
Selected KPI targets and performance (Short-term targets)

Leadership Index



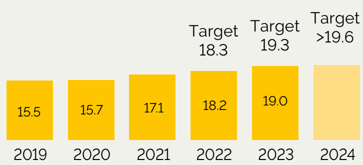
The result for 2023 was 72 (72) which is the same as last year, a result of continued focus.

Women managers, %



Target for 2023 was 24.0% and the result was 23.4% (22.7). Continued progress was made, though the outcome fell short. A new strategy was launched to accelerate progress moving forward.

Women employees, %



Target for 2023 was 19.3% and the result was 19.0% (18.2). Continued progress was made, though the outcome fell short. A new strategy was launched to accelerate progress moving forward.

need to be challenged to make a difference. We work hard to address this and have apprentice programs in place to encourage more women to work in the service field.

To achieve progress and attract more women in operational roles, we have taken various initiatives. One of our significant initiatives is the Daring Women Program, which prepares women to apply for and be successful in managerial operational roles. From 2021, 34 women from Latin America, Africa, and India have completed the program. Ten of the participants have received project assignments, new roles and/or higher responsibilities since the program started. The next edition of the program is including Asia and the Pacific, to be kicked off in 2024. In addition, the number of women apprentices in programs in our customer centers has increased. One example is the service academy in India for female service technicians that started in 2021.

We also want to increase women managers and employees, and our targets are to have 40% of managers and 30% of employees to be women by 2030.

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 want to be an inclusive company, where people feel safe and are encouraged 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 are proud of being a culturally diverse organization with 39 (32) nationalities represented among Epiroc's most senior managers worldwide. In addition, 134 (130) employees (including 17 women) from 38 (38) countries work on long-term international assignments.

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. We want to be an inclusive employer also when it comes to disability inclusion. 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. A way for us to accommodate the needs of our people with disabilities as well as to foster a more inclusive workplace was to create a persons with disabilities network in 2022.

In 2023, we launched our global parental leave policy. This makes it possible for all our employees worldwide to take the opportunity to create a better work-life balance. Our new global parental leave policy provides all employees who become parents with a minimum of 12 weeks paid leave during the first year of the newborn or adopted child. The policy covers for all parents: men, women, lesbian, gay, bisexual, transgender and queer (LGBTQ+) persons.

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, 79% (86) of employees had performance development talks with their managers. We completed our annual employee survey during 2023 and achieved a high response rate of 83% (86) and received almost 12 000 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 unchanged at 72 (72). Top relative strengths are employee satisfaction and motivation. Employees confirm the view that the work they do at Epiroc is meaningful to them. Improvements are around feedback that help improve performance and communication. For 2024, we will continue to focus on talent acquisition and personal development as well as inclusion and diversity.

Collaboration to strengthen knowledge

The European Works Councils is a way for Epiroc union clubs within the European Union to meet and discuss common focus areas and to be able to interact directly with Group management. A first meeting in person took place during 2023.

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 example of a NIR activity that 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 22 and 158.

Baby bliss: meet Jason Cappiello and his son

When Jason Cappiello, an Epiroc colleague in the United States, and his wife Rachel became parents in February 2023 they were overjoyed and filled with excitement. Their son Harold was everything they had hoped for. An additional source of happiness was that Epiroc had just launched its new parental leave policy: 12 weeks paid leave for all new parents throughout the global Epiroc organization.

"I took the first six weeks off together with my wife, and tried to figure everything out from there," Jason says. "We did have one hospital incident where we had to go in and spend the night, but otherwise Harold has been the picture of health."

Jason then took another six weeks off with Harold over the summer. Together they made a bucket list of activities, which included visiting the Botanic Gardens, hiking in the Colorado mountains and watching the Pride parade. They also volunteered at the Epiroc bike-to-work-day booth and went to the Colorado School of Mines Geology Museum.

"The highlight of our summer was hearing Harold's first laugh," Jason says. "But all the memories we made as a family were great and the numerous milestones that he reached were incredible to watch."

Jason is now back at work as Global Marketing Process Excellence Manager, based at Epiroc's Customer Center in Broomfield, Colorado, where he is building bridges between Epiroc's divisions to provide even better services to our customers.

"I know firsthand that this policy has tremendous impact," Jason says. "Speaking with friends in my network, I hear that this is something people are willing to switch companies over. We are very fortunate."

Employee and community engagement

How we impact our local communities is important for us. We engage with local communities in a number of different ways, either on our own initiative or in collaboration with customers. Examples of areas in which we engage are education, environment, vulnerable groups and disaster programs, among others. Water for All is our main community engagement initiative.

Water for all

Access to clean water is a human right. Since 1984, Water for All has been Epiroc´s main community engagement initiative.

It has funded projects that empower people through access to clean drinking water, sanitation and hygiene, thereby contributing to healthy societies.

The organization focuses especially on women and girls since they are particularly affected.

The local Water for All organizations investigate and select a partner to work with and subsequently a water project to support. The projects may for example involve drilling and digging a well, protecting a natural water resource, building a system for rainwater harvesting, or constructing 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 2023, more than 80 water and sanitation projects were implemented with Water for All funding in 46 countries. For more information, see www.water4all.org.

Bridging the gap between the mining industry and academia for sustainable education

In a move to contribute towards the United Nations Sustainability Goal number four of Quality Education, Epiroc has set its sights on a global initiative to reshape the landscape of mining education.

The complexity in mining has highlighted the need to accelerate the implementation of new technologies, such as connectivity, interoperability, automation, digitalization of processes, data analytics, and electrification. As a result, professionals in our industry need to adapt to the new requirements of the mining operations. New profiles and skills are needed.

Recognizing these challenges, Epiroc is committed to generate the change that the mining industry needs through education of the current and future generations of professionals, in collaboration with academia.

One of the most effective formulas to attain such educated professionals is the Company-University Chair model, promoted by Epiroc. The first Epiroc-University partnership began with Epiroc Iberia in 2018 and later expanded to include the Epiroc Andean Region in 2021, forming the Epiroc – University Hub-and-Spokes Network.

Now, Epiroc aims to take this strategic project for sustainability and community engagement worldwide. We will forge partnerships with universities, bridging the gap between mining industry and academia for sustainable education with an opportunity to develop research programs with universities worldwide, in collaboration with the International Council of Mining and Metals.

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 related 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 between 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, also when risks are beyond our direct control.

Code of Conduct

Our Code of Conduct (CoC) contains a clear message from our President and CEO. 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, which are all 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 approved by the Board of Directors and supplemented by Group policies. Together these documents provide direction to help us make sound decisions and emphasize the importance of never sacrificing our integrity.

Each manager is responsible for the implementation, day-to-day reinforcement and follow-up of the CoC. Translations, questions and answers, and other relevant materials are developed to support employees in understanding and adhering to our CoC. A CoC E-learning, mandatory for all employees, is 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 also 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 setup ensures an effective control structure within areas such as anti-corruption, conflict of interest, third-party due diligence, anti-money laundering, anti-trust, sanctions and trade compliance, and data privacy. We

Performance Summary (Long-term goals)

Focus area	We live by the highest ethical standards		
Material topic	**Business ethics incl. corruption**	**Supply-chain management**	**Human rights**
SDGs	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Approach	Corruption is a challenge in many parts of the world and an issue for all 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 Target: 100%
Performance 2023	98%	100%	87%

Our Code of Conduct describe the high ethical standards we must follow. All Epiroc employees must adhere to our Code of Conduct.

have a Data Privacy Governance Board, and a Group Data Privacy Manager supporting data privacy governance and implementation of tools to increase visibility and quality of governance. Our Group Trade Compliance Manager supports our trade compliance program including sanctions, and our Global Trade Compliance Team provides guidance and training to our entities.

During 2023, regional Compliance Managers have been appointed in Australia, China, India, Nordics, North America, and South Africa with responsibility to support their specific regions in relation to all Group Compliance programs and entity-specific compliance risks.

Speak Up - our whistleblower system

Employees and external parties are encouraged to report violations of our Code of Conduct, laws, regulations or 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 and the link can be found on our website.

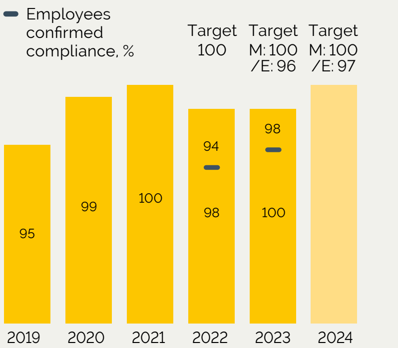
The number of cases reported via Speak Up or other channels rose in 2023 to 194 (121). In line with previous years, the largest category of reported cases was related to labor relations, while fewer cases for breaches of data privacy were reported compared to 2022. We welcome the opportunity to address issues and concerns reported by our employees. For more information about reported cases, see page 170.

Zero tolerance for corruption

Corruption is a challenge in many parts of the world and an issue for all companies that want to conduct business responsibly. To support our position of zero tolerance, all our business partners are required to confirm compliance with the Business Partner Code of Conduct. In addition, 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 (Short-term targets)

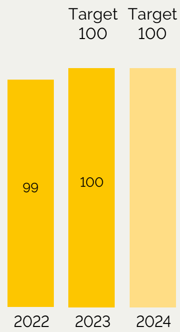
Managers that confirmed compliance with our Code of Conduct, %
+ Employees that confirmed compliance with our Code of Conduct, %



The target for managers was 100% in 2023 and the result was 100% (98) due to a successful roll-out of the training.

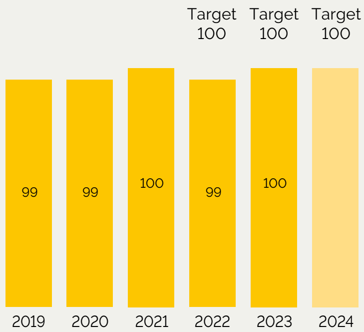
Target for all employees was 96% in 2023 and the result was 98% (94) due to a successful roll-out of the training. Target in 2024 is 97% due to integration of new acquisitions

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



Target for 2023 was 100% and the result was 100% (99).

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



Target for 2023 was 100% and the result was 100% (99).

Responsible Business and Business Partner Code of Conduct

Epiroc strongly believes in respect for human rights across our business operations. We identify and manage these issues through responsible sales assessments and a responsible sourcing process. The implementation of our sourcing and sales programs is rooted in the Business Partner Code of Conduct, UN Global Compact and the United Nations Guiding Principles on Business and Human Rights (UNGP).

Implementing the UNGP is an ongoing process that includes awareness-raising, process development, implementation and follow-up across the value chain. Challenges we take on 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.

"Our Business Partner Code of Conduct spells out our requirements for business partners."

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 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

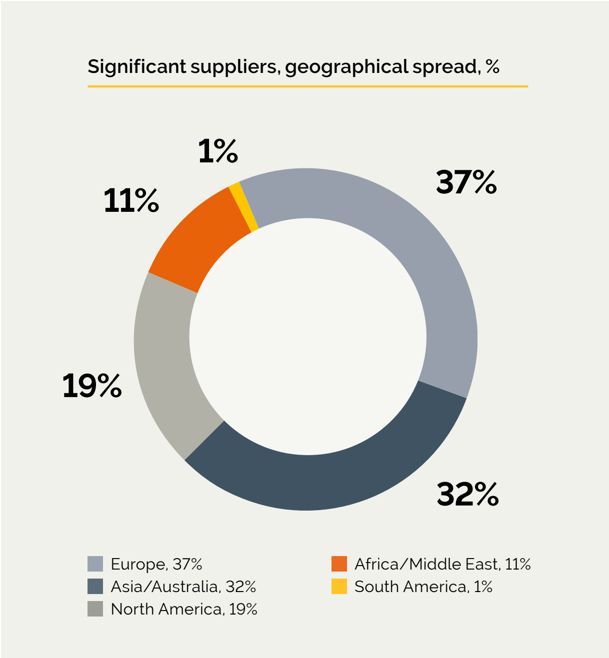
Responsible sourcing is important to Epiroc and we use a risk-based approach. For our significant suppliers, we track compliance with our Business Partner Code of Conduct. Significant suppliers are those with the largest share of purchasing spend or suppliers operating in high-risk countries. We use 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 2023, the total number of significant suppliers was 1 811 (1 597), and 100% (99) confirmed compliance with our Business Partner Code of Conduct.

We assess supplier compliance in different ways, including supplier self-assessments. Our supplier audits cover quality and safety, health, social and environmental issues. We perform on-site audits at the supplier's production facility/premises as well as digital audits. Audits of selected suppliers are to take place minimum every fifth year. Digital audits can be used for existing suppliers as an alternative to on-site audits if certain conditions are met.

In 2023, we performed 78 (59) safety, health, social and environmental audits at suppliers' premises. In addition, 30 (16) were performed digitally. Of the suppliers audited on-site and digitally for safety, health, social, and environment, 97% (97) were approved and 3% (3) were conditionally approved. Mandatory actions need to be taken by the suppliers 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 pre-condition for doing business with us is that our business partners must allow us to perform audits. In 2023 we further strengthened our processes and organization with additional sustainability requirements in our Global Audit Process, and we also initiated various educational initiatives.

Our work with electrification of our products does not come without new challenges to tackle. For example, cobalt

Epiroc Sourcing general process: Manage Procurement and Suppliers



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, other electrical component suppliers, customers, innovation partners and other stakeholders to find sustainable solutions and achieve transparency on our impact across the value chain. For more information on cobalt and conflict minerals, see pages 167-168.

In 2024, we will strive to develop, train and improve methods and collaboration with our suppliers to further improve and prepare for additional regulatory requirements expected to be introduced in the coming years. For more information about our suppliers, see page 169.

Indirect sales channels

All Indirect Sales Channel (IDS) Partners, defined as distributors, re-sellers, wholesalers, retailers, traders, catalogue houses, agents, sales representatives, consultants promoting sales, etc., must commit to follow our Business Partner Code of Conduct. We assess our IDS channels in a due diligence process.

For significant IDS channels we 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 operating in high-risk countries. 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. For 2023, the total number of significant IDS channels was 255 (278), and 100% (99) confirmed compliance with our Business Partner Code of Conduct. For more information, see page 170.

During 2023, we continued the implementation of a third party risk platform, including entity data and curated risk data of adverse media, sanctions, watchlists and politically exposed persons (PEPs), which was introduced in 2022. The use of this tool for due diligence, together with questionnaires related to the relationship with the IDS channels, aim to ensure that we only conduct business with IDS channels that are following laws and regulations and have good business ethics.

Responsible sales

The implementation of the Responsible Sales Assessment process, launched in 2019, continued in 2023. 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, where Epiroc is present. An E-learning training is available. Specific criteria 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 to measure our progress toward the 2030 goal of having the responsible sales assessment process fully implemented. A rollout plan was then also set with good progress during 2023. We focused on trainings with special attention on risk mitigation measures. Further improvements will continue in 2024.

Responsible sales also include climate-related considerations. The transition to a low-carbon economy requires less use of fossil fuels. As an example, 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 and bucket attachments can be used in coal applications. For more information on how we implement the UNGP, see page 170.

Administration report

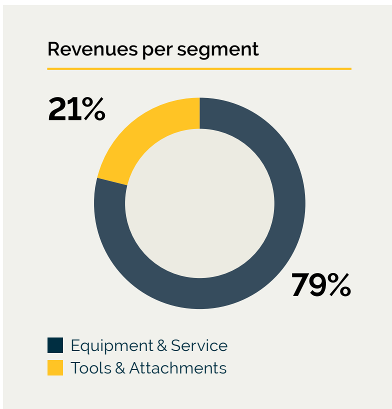
2023 was a year defined by major events, collaborations and achievements. Overall, the order intake increased 11% to MSEK 59 332, supported by a strong mining and service business, while demand from construction customers decreased. Revenues increased 21% to record-high MSEK 60 343, corresponding to organic growth of 9%. The adjusted operating profit margin, EBIT, was 21.7% and the year ended with a solid financial position. Three acquisitions were completed, with total revenues of approximately BSEK 2.4. Another two acquisitions with total revenues of approximately BSEK 4.8 were announced. Onwards, Epiroc has the financial strength to invest further in innovation and acquisitions to accelerate the transformation in the industry.

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.

Since 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 70-71) and Tools & Attachments (see page 72). Common Group Functions serve the whole Group, and includes Financial Solutions, Group Management, support functions and eliminations. Revenues from operating leases owned by Epiroc Financial Solutions are reported under Common Group Functions.

At the end of 2023, Epiroc had 33 (29) production facilities in 11 (12) countries. Equipment & Service had 18 (13) facilities and Tools & Attachments had 16 (17). One facility serves both Equipment & Service and Tools & Attachments.



Equipment & Service

- **Surface** *(Equipment)*
- **Underground** *(Equipment)*
- **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

Epiroc has a high level of ambition in terms of sustainability. Increased safety and reduced environmental impact are important when new products and service offerings are developed. Epiroc's innovation agenda goes hand in hand with the customers' productivity and sustainability agenda.

SmartROC T25 R

New flagship construction drill rig

Epiroc has launched a new flagship surface radio-remote drill rig, SmartROC T25 R. It has a number of valuable features such as an exceptional coverage area, excellent terrainability, application versatility as well as a Rig Control System that helps to reduce the rigs' climate impact through fuel savings.

Automatic Bit Changer

Automatic Bit Changer for Pit Viper 351

The Automatic Bit Changer (ABC) enables hands-free bit changes and enhances productivity and safety by eliminating human interaction with the drill string. Following the positive customer feedback from the introduction in the Pit Viper 270 series, Epiroc has extended the solution to include the popular Pit Viper 351 blasthole drill rig.

Scooptram ST18 SG

Scooptram ST18SG (Smart and Green)

Scooptram ST18 SG is the most powerful loader yet in Epiroc's growing fleet of battery-electric vehicles. Compared to using a diesel loader with similar capacity, the Scooptram ST18 SG eliminates 365 tonnes of CO_2e emissions annually. It also reduces the need for ventilation which is a major cost item for underground mines.

DTH drill bit

Improved down-the-hole (DTH) drilling tools

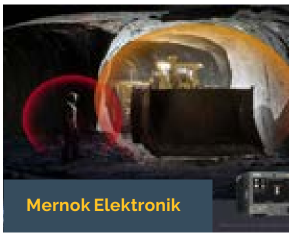
The new design features make the DTH drill bits last up to 20% longer compared to previous versions. This leads to undisturbed drilling and increased productivity. In addition, it leads to improved efficiency in production (less material and energy) as well as more drill meters per bit (fewer transports and less waste).

Acquisitions and Partnerships

Acquisitions that support profitable growth are a natural part of Epiroc's strategy. In 2023, Epiroc finalized three acquisitions with total revenues of approximately BSEK 2.4. Another two acquisitions with total revenues of approximately BSEK 4.8 were announced.

Completed acquisitions


CR


Mernok Elektronik


AARD Mining Equipment

CR provides advanced ground engaging tools (GET) and related digital solutions, mainly for the mining industry, and expands Epiroc's first-rate offering of essential consumables and digital solutions. At the time of the announcement the company had approximately MSEK 1 700 in annual revenues and 400 employees. The acquisition was announced on December 13, 2022, and was finalized on February 2, 2023. Revenues from the acquisition are reported in "Tools & Attachments".

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. At the time of the announcement the company had approximately MSEK 50 in annual revenues and 45 employees. The acquisition was announced on December 9, 2022, and was finalized on February 2, 2023. Revenues from the acquisition are reported in "Service".

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 and strengthens Epiroc's footprint in Africa. At the time of the announcement the company had approximately MSEK 650 in annual revenues and 200 employees. The acquisition was announced on August 25, 2022, and was finalized on April 3, 2023. Revenues from the acquisition are reported in "Equipment".

Announced acquisitions


STANLEY Infrastructure

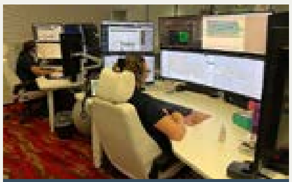

Weco Proprietary Limited

STANLEY Infrastructure provides high-end excavator attachments and handheld hydraulic tools. The acquisition complements Epiroc's attachments business well and strengthens the footprint in the United States. The company has approximately MSEK 4 700 in annual revenues and 1 380 employees. The acquisition was announced on December 15, 2023, and is expected to be finalized at the end of the first quarter 2024. Revenues from the acquisition will be reported in "Tools & Attachments".

Weco Proprietary Limited manufacturers precision-engineered rock drilling parts and provides related repairs and services. The acquisition strengthens Epiroc's manufacturing capabilities and expands the spare parts portfolio in the growing and important African region. The company has approximately MSEK 90 in annual revenues and 80 employees. The acquisition was announced on December 12, 2023, and is expected to be finalized in the second quarter 2024. Revenues from the acquisition will be reported in "Service".

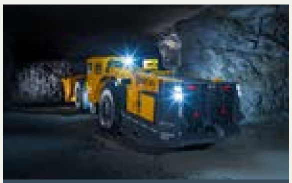
Innovations, acquisitions, and partnerships strengthen Epiroc's position as a leading global productivity and sustainability partner.

Partnerships


Roy Hill


Kamoa Copper


ispace


Newcrest

Strengthened partnership with Kamoa Copper
Epiroc won its largest-ever order, MSEK 700, for underground equipment that will be used to expand operations at the Kamoa-Kakula Copper Mining Complex in the Democratic Republic of the Congo. The mine is projected to be among the world's lowest greenhouse gas-emitting copper mines per unit of metal produced.

Large digital solutions order
Epiroc has won a multi-year order, the largest ever for digital solutions, from the mining company Codelco in Chile. The package of advanced digital solutions will strengthen safety and productivity at the El Teniente copper mine. The five-year project is valued at about MSEK 250, and the first phase was booked in the fourth quarter 2023 at a value of about MSEK 50.

Creating the world's largest autonomous mine with Roy Hill
Epiroc, together with minority owned ASI Mining, continues to support Roy Hill's iron ore mine in the Pilbara region of Western Australia, to develop an autonomous haul truck solution that is interoperable and scalable regardless of manufacturer. In 2023, Epiroc received its largest-ever automation order, MSEK 500, to convert Roy Hill's mixed fleet of almost a hundred mine trucks to driverless operation in Australia.

Holistic approach to mining with Newcrest
Newcrest, one of the world's largest gold mining companies, and Epiroc, are taking a holistic approach towards the entire mining process at several of Newcrest's mines, supported by Epiroc's leading portfolio of automation, digitalization, and electrification solutions.

To the Moon with ispace
Epiroc has signed a long-term collaboration agreement with the global lunar resource development company ispace that will involve Epiroc contributing technology and solutions for commercial Moon missions.

Other events

Division and management changes
- Since January 1, 2023, Epiroc has three regional Parts & Services divisions. Nelson Trejo is President Parts & Services North and South America (NASA), Luis Araneda is President Parts & Services Europe, Middle East and Africa (EMEA) and Arman Bagdasarian is President Parts & Services Asia Pacific (APAC). All three are members of Epiroc Group Management.
- On 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.
- On May 1, 2023, Paul Bergström started as President of the Digital Solutions division and member of Group Management.
- On November 9, 2023, Sami Niiranen, President of Epiroc's Underground division, announced that he will leave the Group for a position outside of the company.
- On January 9, 2024, Wayne Symes was appointed President of the Underground division and member of Group Management, effective April 1, 2024.

Green bonds issued
- In May, Epiroc issued green bonds amounting to BSEK 1.5 and in September, Epiroc issued another green bond amounting to BSEK 0.5. These issuances follow the previous green bonds issuance of BSEK 2 in September 2022. At year-end, 70% of the total long-term financing was green and/or sustainability linked.

Other relevant information
- On January 1, 2023, exploration consumables moved from the Tools & Attachments segment to the Equipment & Service segment. Segment figures for 2022 have been restated.
- On May 23, 2023, Epiroc hosted the Annual General Meeting. All proposals in the Notice were approved, including paying a dividend of SEK 3.40 per share in two equal installments and the re-election of nine Board members. Anders Ullberg, Board member since the creation of Epiroc, declined re-election.
- On June 2, 2023, Epiroc purchased key assets of Schramm Australia, a leading manufacturer of products for reverse circulation drilling. The assets include intellectual property as well as two production facilities near Perth and two service centers located in Queensland and South Australia. 85 employees have joined Epiroc.
- On November 13, 2023, Epiroc announced that its hydraulic attachment tools manufacturing in Essen, Germany, will close by the end of 2025. The production will move to other existing production facilities in Kalmar and Fagersta, Sweden, and Dermbach, Germany. The consolidation will strengthen Epiroc's competitiveness. About 130 employees will be affected.

Market development
The customer activity and the investment sentiment among mining customers was strong. Epiroc won several large equipment orders and within service, there was a high demand, partly driven by the increasing demand for larger rebuilds. On the infrastructure side, the demand was weak for residential projects and aggregates, impacting mainly the hydraulic attachments business negatively.

Orders received
Orders received increased 11% to MSEK 59 332 (53 222), corresponding to organic growth of 1%. Structure contributed 7% and currency by 3%. The previous year's orders received included orders on hand from acquired companies, which has a negative impact on structure. For the full year, acquisitions contributed with 9%.

Growth in orders received
- North America (25% of orders received): +8%
- South America (14% of orders received): +12%
- Europe (13% of orders received): +4%.
- Africa/Middle East (18% of orders received): +25%
- Asia/Australia (30% of orders received): +11%

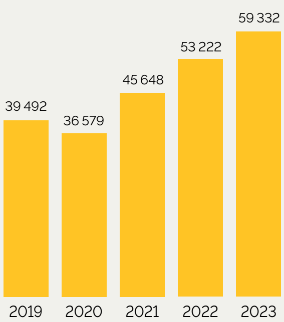
Sales bridge	Orders received	Revenues
	MSEK	MSEK
2022	**53 222**	**49 694**
Organic	1	9
Currency	3	3
Structure/other	7	9
Total	11	21
2023	**59 332**	**60 343**

Revenues
Revenues increased 21% to MSEK 60 343 (49 694), corresponding to organic growth of 9%. Acquisitions and currency impacted revenues positively by 9% and 3% respectively. The book-to-bill ratio was 98% (107).

Epiroc continues its successful partnership with Kamoa Copper SA in the Democratic Republic of the Congo. Kamoa Copper SA chose Epiroc to be a strategic partner for the supply of trackless mobile mining equipment due to its proven and matured industry track record.

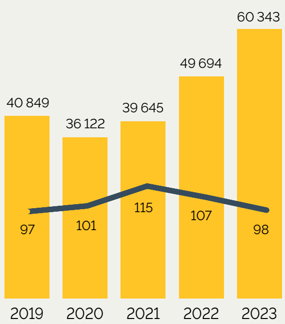
Epiroc's goal is to achieve annual revenue growth of 8% over a business cycle. The average annual revenue growth was 10% in the period 2015-2023.

Orders received



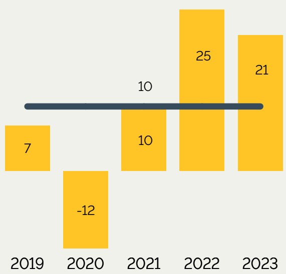
Orders received, MSEK

Revenues and book-to-bill



Revenues, MSEK
Book-to-bill, %

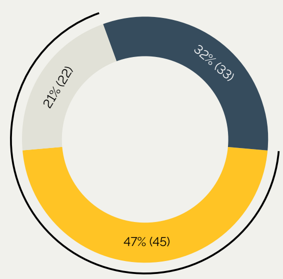
Annual and average revenue growth



Revenue growth, %
Compound annual growth rate, 2015–2023, %

Revenues by business type

Aftermarket 68% (67)



Equipment
Tools & Attachments
Service

Profit

Operating profit, EBIT, increased 18% to MSEK 13 183 (11 147). Items affecting comparability were MSEK 66 (-608), including mainly a capital gain from a sale of a property in Japan, restructuring costs for the planned closure of the Essen plant in Germany, change in provision for the share-based long-term incentive programs of MSEK -63 (37) and earn-outs related to acquisitions. The comparable period in the previous year includes a provision of MSEK -550 related to Russia and restructuring costs of MSEK -95 related to the relocation of manufacturing from Japan to China.

Profit bridge	Operating profit	
	MSEK,	Margin,.pp
2022	**11 147**	**22.4**
Organic	394	-1.0
Currency	532	0.3
Structure/other*	1 110	0.1
Total	2 036	–0.6
2023	**13 183**	**21.8**

**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 24% to MSEK 11 792 (9 491), corresponding to a margin of 24.8% (24.4). The operating profit, EBIT, for Tools & Attachments decreased -6% to MSEK 1 780 (1 900). corresponding to a margin of 14.0% (17.6). Common Group Functions reported an operating loss of MSEK -389 (–244).

The Group's operating margin, EBIT, was 21.8% (22.4). The adjusted margin was 21.7% (23.7), negatively impacted by increased costs for R&D, sales and service, underabsorption mainly in Tools & Attachments, as well as dilution from acquisitions. The dilution from acquisitions was -0.9 percentage points.

Depreciation, amortization and impairment costs were MSEK 2 663 (2 130). Earnings before depreciation and amortization, EBITDA, were MSEK 15 846 (13 276), corresponding to a margin of 26.3% (26.7).

Financial income was MSEK 349 (238) and financial costs were MSEK -1 297 (–607). Net financial items were MSEK -948 (–369), negatively impacted by interest expenses of MSEK -823 (-366) and exchange differences of MSEK -466 (-259). Net interest costs were MSEK -476 (–129).

Profit before tax amounted to MSEK 12 235 (10 778), corresponding to a margin of 20.3% (21.7).

Income tax expense amounted to MSEK -2 777 (–2 367), corresponding to an effective tax rate of 22.7% (22.0). Basic earnings per share were SEK 7.82 (6.96).

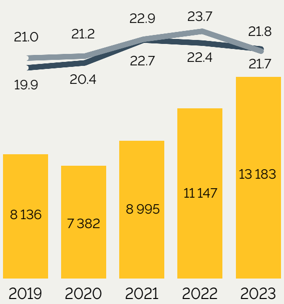
Return

Return on capital employed was 27.0% (28.0) and the return on equity was 26.8% (28.4).

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

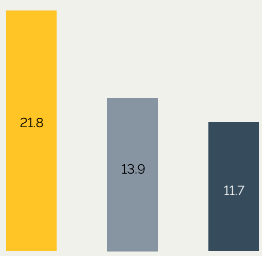
> Epiroc's goal is to have an industry-best operating margin, with strong resilience over the business cycle. The Group's operating margin averaged 20.4% in 2015–2023.

Operating profit and margin



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

Operating margin (EBIT) average 2015–2023 vs. peers and industrial companies



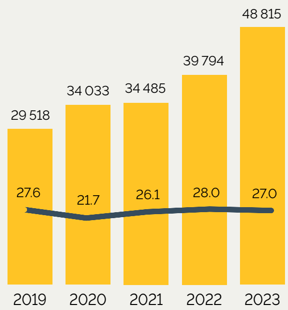
Global industrials (Large cap):
3M, ABB, Alfa Laval, Assa Abloy, Atlas Copco, Danaher, Deere, Dover, Eaton, Emerson, Fortive, General Electric, Graco, Hitachi, Honeywell, Kennametal, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Roper Technologies, Schneider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

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

Data reported through February 25, 2024

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

Capital employed and return on capital employed



Average capital employed, MSEK
Return on capital employed, %

Balance sheet

Balance sheet in summary

MSEK	2023	% of total assets	2022	% of total assets
Intangible assets	15 843	23	13 073	21
- of which goodwill	10 223		8 276	
Rental equipment	1 582	2	1 458	2
Other property, plant and equipment	6 032	9	5 429	9
Other non-current assets	3 207	5	3 345	5
Inventories	18 747	28	16 945	27
Trade receivables	10 455	15	9 581	16
Other receivables	3 814	6	3 510	6
Financial assets	1 703	3	1 010	2
Cash and cash equivalents	6 401	9	7 326	12
Assets held for sale	–		103	0
Total assets	**67 784**	**100**	**61 780**	**100**
Total equity	37 210	55	33 508	54
Interest bearing liabilities	14 226	21	11 025	18
Non-interest bearing liabilities	16 348	24	17 247	28
Total equity and liabilities	**67 784**	**100**	**61 780**	**100**

Total assets increased to MSEK 67 784 (61 780), mainly following acquisitions and increased inventories.

Epiroc ended the year with a cash and cash equivalents position of MSEK 6 401 (7 326) and a net debt position of MSEK 7 824 (3 691). Net debt/EBITDA was 0.49 (0.28). The net debt/equity ratio was 21.0 (11.0).

Group financing consists of capital market borrowings of MSEK 6 000 and loan facilities of MSEK 4 000, with maturities in 2026–2029. As back-up, the Group has a MSEK 4 000 revolving credit facility (unutilized) and a MSEK 2 000 commercial paper program, whereof MSEK 1 031 is utilized at year-end. See notes 22 and 29.

Group equity including non-controlling interests was MSEK 37 210 (33 508), corresponding to 54.9% (54.2) of total assets. Equity per share was SEK 30.84 (27.78). Total comprehensive income for the year was MSEK 7 716 (11 165).

Net working capital increased 17% to MSEK 21 736 (18 564). For comparable units and currency-adjusted, net working capital increased 20%, with more inventories and trade receivables. Average net working capital was MSEK 21 228 (15 570). As a percentage of revenues last 12 months, the average net working capital was 35.2% (31.3).

Cash flow

Operating cash flow was MSEK 6 211 (5 662). The improved profit contributed positively, while taxes paid, increased investments and working capital contributed negatively. Larger investments were made in the production site in Örebro as well as in new service workshops around the globe. Net cash flow from operating activities was MSEK 7 143 (5 558).

Net financial items paid were MSEK -599 (-561). Taxes paid were MSEK -3 531 (-2 676). Cash flow from change in working capital was MSEK -3 708 (-3 737).

Net investments in rental equipment were MSEK -574 (-517). Gross investments in property, plant and equipment were MSEK -1 044 (-600) and divestments were MSEK 53 (62), thus net investments in property, plant and equipment were MSEK -991 (-538). Investments in intangible assets, mainly related to capitalization of development expenditures and investments in IT systems, were MSEK -643 (-414).

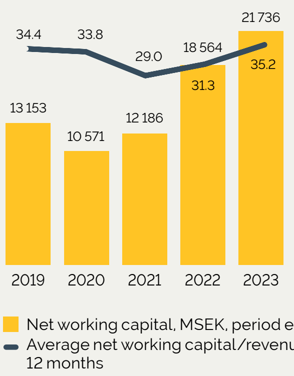
Three (six) acquisitions and no (no) divestments were completed and the net cash flow effect was MSEK -3 666 (-4 686), see notes 3 and 15. Proceeds to/from other financial assets were MSEK -467 (-353), net.

Dividends paid to shareholders were MSEK -4 103 (-3 619) and dividends paid to non-controlling interests were MSEK -3 (-2).

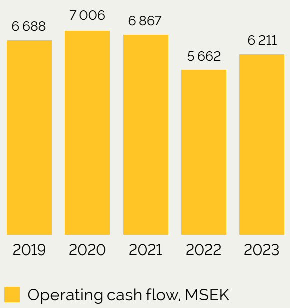
Cash flow from sales and repurchases of own shares was MSEK 279 (-116), net, all related to hedging or deliveries of shares for the long-term incentive programs described in note 25. Change in interest-bearing liabilities was MSEK 1 291 (686).

> 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 3.80 (3.40) corresponding to 49% (49) of net profit.

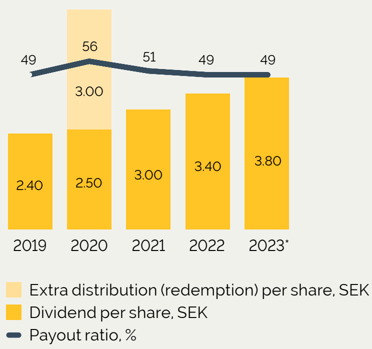
Net working capital



Operating cash flow



Dividend and payout ratio



*Proposal by the Board.

Employees

The average number of employees increased 12% to 17 923 (15 969). On December 31, 2023, the number of employees was 18 211 (16 996). External workforce amounted to 1 762 (1 630). For comparable units, the workforce increased by 630 compared with the previous year, mainly in service. Epiroc uses external workforce to handle temporary fluctuations in demand, mainly within manufacturing.

717 employees were added through acquisitions, mainly in Australia and in South Africa.

The proportion of women employees and women managers at the end of the period increased to 19.0% (18.2) and 23.4% (22.7), respectively.

Number of employees, average

	2023	% of total	2022	% of total
North America	3 274	18	2 749	17
South America	1 618	9	1 546	10
Europe	4 662	26	4 822	30
– Sweden	*3 484*	*19*	*3 323*	*21*
Africa/Middle East	2 863	16	2 638	17
Asia/Australia	5 506	31	4 214	26
Total	**17 923**	**100**	**14 611**	**100**

Employees by professional category, %

	2023	2022
Service & supply chain	39	40
Production	24	24
Administration	17	17
Marketing, sales & support	10	10
Research & development	10	9
Total	**100**	**100**

Epiroc has more than 7 500 service technicians around the world. Their work contributes to improved productivity and lowers the total cost of operations for customers.

Equipment & Service

One of our most popular machines underground is the Minetruck MT42. It is a high speed 42-metric tonne truck, featuring state-of-the-art levels of safety and operator comfort which results in unmatched performance in underground mining and construction operations. Epiroc also offers a battery-electric version.

Organization

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

Market development

Customer activity and investment sentiment among mining customers continued to be strong. Epiroc won several large equipment orders and within service, there was high demand, partly driven by the increasing demand for larger rebuilds. The demand for equipment for infrastructure projects, such as tunneling, kept up well, whereas the demand for equipment used in construction and aggregates decreased.

Orders received

Orders received increased 9% to MSEK 46 708 (42 691), corresponding to organic growth of 2%. Structure contributed 4% and currency contributed 3%. The previous year's orders received included orders on hand from acquired companies, which has a negative impact on structure.

Growth in orders received

- North America (23% of orders received): +2%
- South America (15% of orders received): +10%
- Europe (12% of orders received): +10%
- Africa/Middle East (18% of orders received): +28%
- Asia/Australia (32% of orders received): +6%

For equipment, orders received increased 5% to MSEK 19 221 (18 314), corresponding to an organic decrease of -1%. The split between underground and surface equipment was roughly half/half. The share of orders from equipment was 41% (43) in the segment.

For service, orders received increased 13% to MSEK 27 487 (24 377), corresponding to 5% organic growth. The growth was supported by a combination of high customer activity, an enhanced service offering and a strong demand for rebuilds. The share of orders from service was 59% (57) 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 Australia.

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, China and South Africa.

Digital Solutions

Offers solutions that drive the digital transformation of the mining and construction industries. It provides a dynamic range of technology-agnostic digital solutions that improve safety, productivity, and sustainability onsite, from the control room to the boardroom. The division has production in Australia , Chile, South Africa and Sweden.

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 divisions' largest distribution centers are located in Sweden, Belgium, South Africa, Singapore, China, Canada and Chile.

Sales bridge	Equipment & Service: Orders received	Equipment & Service: Revenues	Equipment: Orders received	Equipment: Revenues	Service: Orders received	Service: Revenues
	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%	MSEK, Δ,%
2022	42 691	38 904	18 314	16 442	24 377	22 462
Organic	2	12	-1	12	5	12
Currency	3	3	3	3	3	3
Structure/other	4	7	3	3	5	10
Total	9	22	5	18	13	25
2023	46 708	47 530	19 221	19 400	27 487	28 130

Revenues

Revenues increased 22% to MSEK 47 530 (38 904), corresponding to an organic growth of 12%. Acquisitions and currency contributed 7% and 3% respectively. Revenues for both equipment and service increased 12% organically. The share of revenues from service was 59% (58). The book-to-bill ratio was 98% (110).

Operating profit and margin

Profit bridge	Operating profit MSEK,	Margin,.pp
2022	**9 491**	**24.4**
Organic	792	-0.7
Currency	453	0.3
Structure/other	1 058	0.8
Total	2 301	0.4
2023	**11 792**	**24.8**

Operating profit increased 24% to MSEK 11 792 (9 491). Items affecting comparability were MSEK 287 (-560) and included mainly a capital gain from the sale of the property in Japan and earn-out payments for acquisitions. The previous year include provisions of MSEK -465 related to Russia and restructuring costs of MSEK -95 related to the relocation of manufacturing from Japan.

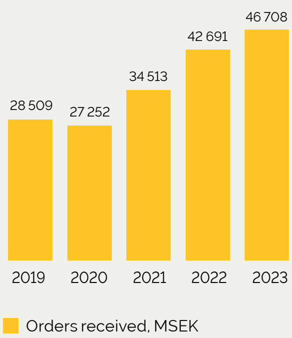
The operating margin was 24.8% (24.4). The adjusted operating margin was 24.2% (26.1). It was supported by currency, while increased cost for sales, service and R&D, and acquisitions impacted negatively. The dilution from acquisitions was -1.0 percentage points.

Acquisitions

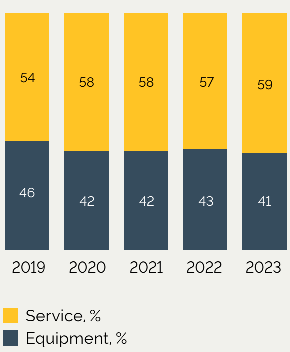
Equipment & Service completed two (five) acquisitions in 2023. In total, the acquisitions added approximately MSEK 700 (2 185) in annual revenues and 245 (865) employees. See note 3.

In addition to battery-electric vehicles, Epiroc provides electric infrastructure solutions.

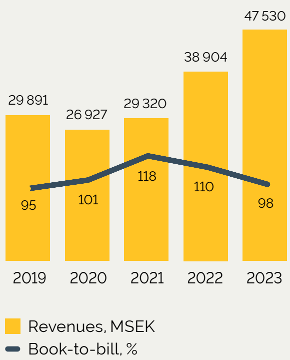
Orders received



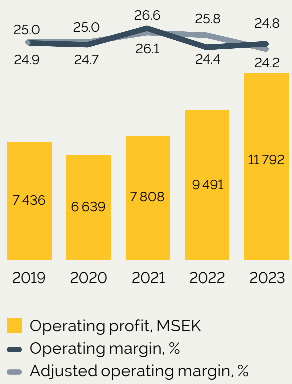
Revenue split by business type



Revenues and book-to-bill



Operating profit and margin



Tools & Attachments

Organization
Tools & Attachments consists of one division that provides rock drilling tools, ground engaging 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, spare parts and digital solutions, and serves the mining and construction industries. The division has manufacturing facilities on five continents, of which the largest one is in Sweden.

Market development
The demand from construction customers was weak, impacting mainly the hydraulic attachments business negatively. The demand weakness was predominantly within housing and aggregates and impacted important markets such as the United States, Europe, India and China. The demand for products that goes into mining and infrastructure projects (globally) was, on the other hand solid.

Orders received
Orders received increased 17% to MSEK 12 466 (10 670), corresponding to organic decrease of -4%. Currency and acquisitions (structure) contributed with 2% and 19%, respectively.

Growth in orders received
- North America (31% of orders received): +15%
- South America (10% of orders received): +25%
- Europe (18% of orders received): -7%
- Africa/Middle East (17% of orders received): +16%
- Asia/Australia (24% of orders received): +45%

Revenues
Revenues increased 18% to MSEK 12 723 (10 806), corresponding to a flat organic growth. Currency and acquisitions contributed positively with 2% and 16% respectively. The book-to-bill ratio was 98% (99).

Sales bridge	Orders received	Revenues
	MSEK, Δ,%	MSEK, Δ,%
2022	**10 670**	**10 806**
Organic	-4	0
Currency	2	2
Structure/other	19	16
Total	17	18
2023	**12 466**	**12 723**

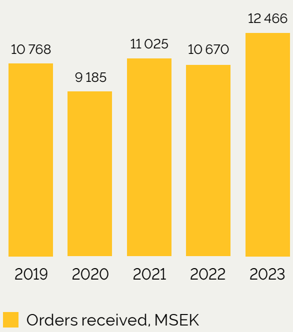
Diversity of applications and ground conditions can make it challenging to get the most out of the drill steel. The Epiroc Grey line bits, couplings and rods, with high quality steel can optimize rock drilling in less demanding rock conditions.

Operating profit and margin
Operating profit decreased -6% to MSEK 1 780 (1 900). This included items affecting comparability of MSEK-158 (-85), which was restructuring costs related to the planned closure of the manufacturing site in Essen, Germany. The previous year include provisions of MSEK -85 related to Russia. The operating margin was 14.0% (17.6) and the adjusted operating margin was 15.2% (18.4). It was supported by currency, while underabsorption in production and dilution from acquisitions impacted negatively. The dilution from acquisitions was -0.4 percentage points.

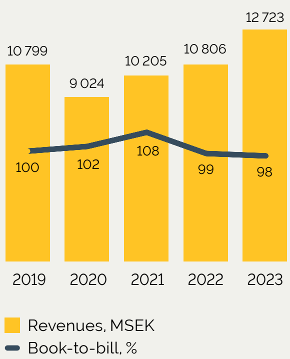
Profit bridge	Operating profit	
	MSEK,	Margin,.pp
2022	**1 900**	**17.6**
Organic	-356	-2.4
Currency	82	0.3
Structure/other	154	-1.5
Total	-120	-3.6
2023	**1 780**	**14.0**

Acquisitions
Tools & Attachments completed one (one) acquisition in 2023, with 400 (100) employees and approximately MSEK 1 700 (200) in annual revenues. See note 3.

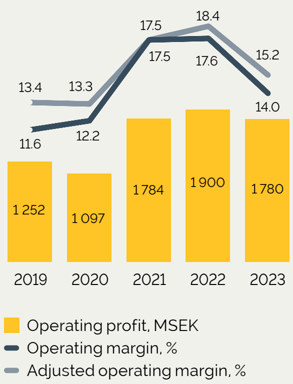
Orders received



Revenues and book-to-bill



Operating profit and margin



Parent Company

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

Earnings

The operating loss was MSEK -180 (-151). Profit before tax totaled MSEK 5 585 (6 458). Profit for the year amounted to MSEK 4 444 (5 138).

Financing

Total assets were MSEK 61 347 (58 029) at year-end. Interest bearing liabilities, excl. post-employment benefits, totaled MSEK 11 013 (8 123). Equity represented 81% (85) of total assets and non-restricted equity totaled MSEK 49 425 (48 885).

Employees

The average number of employees was 50 (46), of which 60% were women. On December 31, 2023, the number of employees was 55 (48).

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 the "Corporate Governance Report" and 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 "Risk Management" 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 "The Epiroc Share" on the following pages and 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 2023, Epiroc held 6 768 015 class A shares. The Board will propose to the AGM 2024 a similar program as in previous years. See "The Epiroc Share" and notes 21 and 25.

Appropriation of profit

The Board proposes to the AGM a dividend of SEK 3.80 (3.40) per share, which corresponds to a total of MSEK 4 586 (4 103). The dividend is proposed to be paid in two equal installments with record dates May 16 and October 22, 2024. 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	44 980 826 037
Profit for the year	4 444 249 708
Total	**49 425 075 745**
The Board of Directors proposes that these earnings shall be appropriated as follows:	
To the shareholders,	
- a dividend of SEK 3.80 per share [1]	4 586 488 614
- to be retained in the business	44 838 587 131
Total	**49 425 075 745**

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

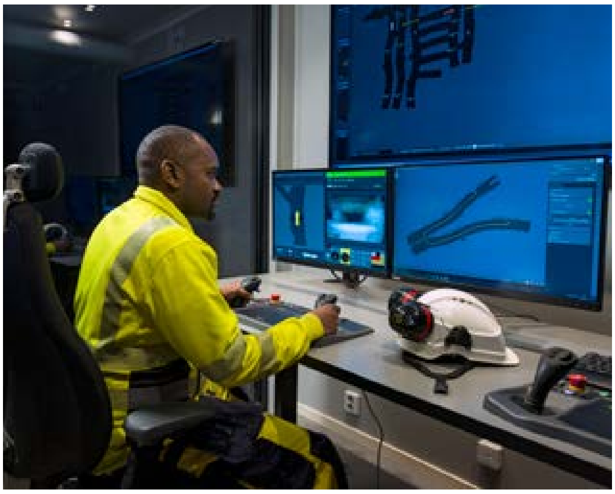
Statement by the Board on proposed appropriation of profit

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.



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).

Epiroc has dual share classes. 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 2023, the price of the A share increased 6.5% (-17.2) to SEK 202.2 and the price of the B share increased 5.2% (-12.5) to SEK 176.4. The corresponding development for OMXSPI, i.e., all shares, and OMX Stockholm Industrials (SX2000PI) was +25.1% % and 15.5%, respectively. The total shareholder return of the A share was +8.4% (-15.8).

Epiroc's market capitalization at the end of 2023 was MSEK 235 357 (221 771). The total shareholder return since listing has been 146.7% for the A share and 130.2% for the B share.

Trading

Epiroc was the 26th (29th) most traded name on Nasdaq Stockholm during the year. The total turnover in Epiroc shares was SEK 59.0 (68.4) billion, corresponding to average daily turnover of MSEK 235 (270).

Nasdaq Stockholm accounted for 19% (24) of the trading in the A-share. Around 30% (38) 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 69 334 (67 844) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 37.1% (37.3) of the voting rights and 33.1% (33.3) of the number of shares. Swedish investors held 46% (46) of the voting rights and 48% (48) of capital.

Personnel stock option program

The Board of Directors (Board) will propose to the Annual General Meeting 2024 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 3.80 (3.40) 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% (49) of earnings per share.

Dual share classes

Dual share classes are common in Sweden and represent a majority of the aggregate market capitalization of main market listed companies in Sweden.

The dual share classes are a governance mechanism which facilitates a stable, long-term investor base, while at the same time enabling high liquidity in the shares. According to the Confederation of Swedish Enterprise (Sw. Svenskt Näringsliv) investors holding shares without multiple voting rights have solid protection under Swedish corporate law, including:

- a strong principle of equal and fair treatment of shareholders,
- qualified majority requirements for key material shareholder decisions,
- high degree of transparency,
- shareholder pre-emption rights on share issues, and

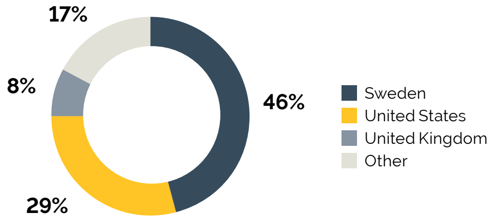
minority powers to take specific action, including to request minimum dividends, minority auditors and special examiners.

Ten largest shareholders*

December 31, 2023	A shares	B shares	Total shares	Votes, %	Capital, %
Investor AB	194 793 737	12 841 885	207 635 622	17.1	22.7
Alecta Tjänstepension	25 643 577	43 011 588	68 655 165	5.8	3.5
Handelsbanken Fonder	22 545 480	4 787 678	27 333 158	2.3	2.7
Swedbank Robur Fonder	18 072 164	18 734 622	36 806 786	3.0	2.3
Nordea Investment Funds	14 547 731	3 576 493	18 124 224	1.5	1.7
SEB Fonder	12 317 083	-	12 317 083	1.0	1.4
Folksam	12 183 622	-	12 183 622	1.0	1.4
SPP Fonder	4 035 251	1 583 156	5 618 407	0.5	0.5
Länsförsäkringar Fonder	3 010 730	5 669 812	8 680 542	0.7	0.4
Andra AP-fonden	3 537 295	-	3 537 295	0.3	0.4
Other	*513 079 184*	*299 767 615*	*812846799*	*66.9*	*62.9*
Total	**823 765 854**	**389 972 849**	**1 213 738 703**	**100**	**100**
Epiroc AB	*6 768 015*	-	*6 768 015*	*0.8*	*0.6*

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

Shareholders by country, December 31, 2023, % of votes



Important dates 2024

April 23	Q1 2024
May 14	Annual General Meeting in Nacka at 4 PM
May 16	Record date for SEK 1.90 dividend*
May 21	Dividend payment of SEK 1.90 per share*
July 19	Q2 2024
September 24	Capital Markets Day in Las Vegas, NV, USA
October 22	Record date for SEK 1.90 dividend*
October 25	Q3 2024
October 25	Dividend payment of SEK 1.90 per share*

* Proposed by the Board.

Key figures per share

SEK	2023	2022
Market capitalization, year end, MSEK	235 357	221 771
Basic/diluted earnings per share	7.82/7.81	6.96/6.95
Dividend per share	3.80*	3.40
Dividend/net profit, %	49*	49
Operating cash flow per share	5.15	4.7
Equity per share, year end	30.8	27.8
A/B Share price, year end	202.2/176.4	189.9/167.7
A/B Highest share closing price	220.1/187.9	238.1/199.8
A/B Lowest share closing price	183.0/153.8	148.9/132.2
A/B Average closing price	202.3/173.0	184.6/160.0
A/B Price/Earnings ratio, year end	25.9/22.6	27.3/24.1

* Proposed by the Board.

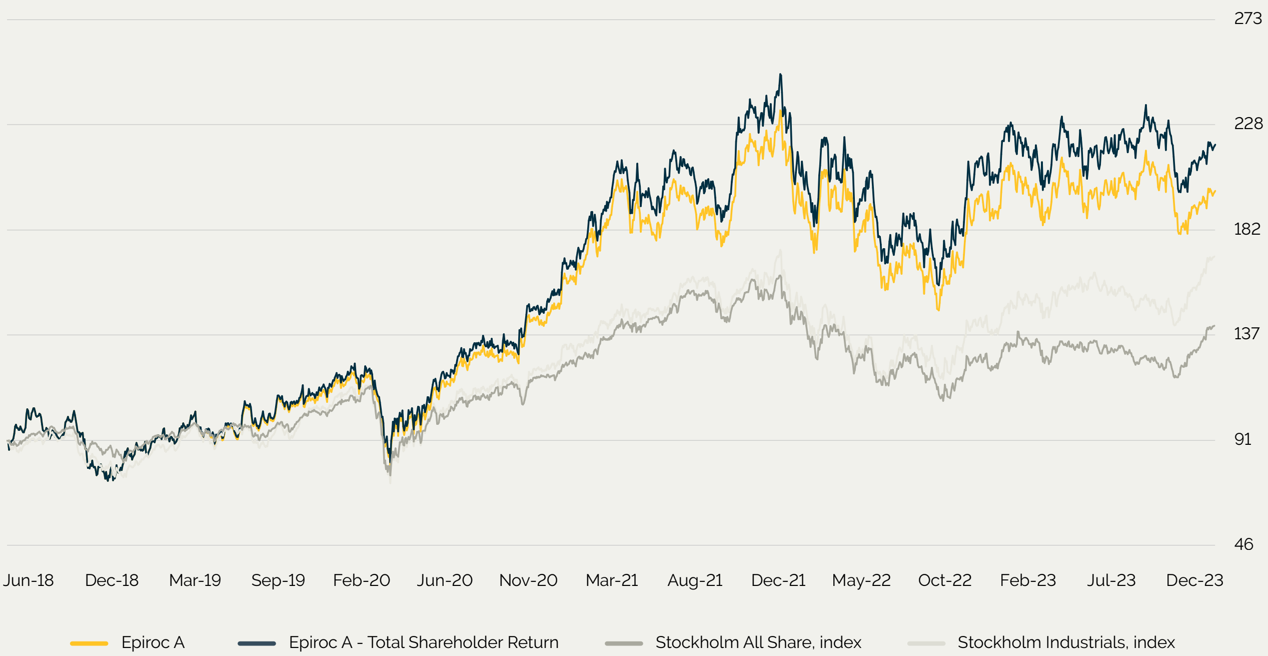
Share information

December 31, 2023	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	6 768 015	
– % of votes	0.78	
– % of capital	0.56	

Investment case

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

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



Corporate governance report

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

Comment from Ronnie Leten, Chair of the Board

In 2023, Epiroc celebrated five years as a standalone company. With our innovative technology drive and customer focus, Epiroc has become a clear market leader and in 2023, the order intake amounted to almost SEK 60 billion. Customer centricity is key to performance and as long as Epiroc supports customers in becoming more successful, Epiroc will be successful as well.

Since the creation of the company, we have launched and established the Epiroc brand, we have set ambitious sustainability targets for 2030, we have made several acquisitions making us a market leader in automation and especially within mixed-fleet automation. We have invested more than ever in innovation to further improve customers' safety and productivity and reduce their overall emissions.

The creation of the Digital Solutions Division is a milestone for Epiroc. Our wide range of digitization solutions increases value along the entire value chain for customers active within the mining and construction industries.

I am also excited by our acquisition of STANLEY Infrastructure, which will strengthen Epiroc's presence within infrastructure attachments, especially in the large and important US market. This acquisition is a perfect fit for Epiroc.

We also had some challenges to manage these first years. We all experienced the global Covid-19 pandemic, Epiroc exited its fourth largest market, Russia, due to the war in Ukraine, and in 2023, we saw a weakening in demand from the construction sector. All these challenges require our employees to adapt quickly to safeguard lasting results.

A decentralized organization can only function when having a sound corporate culture and clear corporate governance, including clear authority and high ethical standards. Our managers at all levels in Epiroc are authorized and trusted to act when needed.

Since the start of the company, I am proud to see Epiroc showing great strength and resilience. We will keep investing in our employees to ensure that we have the right leadership in place to take on future challenges and to continue to deliver value to our customers, our shareholders, and ultimately, also to society.

Ronnie Leten, Chair of the Board.

In November, Epiroc's Board of Directors and Group Management attended a three-day program in Perth, Australia, which included visits to customers and the Epiroc operations. In the picture: Prasad Durafe, Ricky Tao, Johannes Turesson, Håkan Folin, Brendan Crompton, Wayne Symes, John O'Brien, James Lynch, Lennart Evrell, Dave Jobson, Gustav El Rachidi, Daniel Rundgren, Sigurd Mareels, Katherine Biagi, Martin Ekberg, Arman Bagdasarian, Niclas Bergström, Sylvia Ngooi, Beau Temby, Johan Forssell, Jeane Hull, Tracy Chew, Martin Hjerpe, Anthea Bath, Charlotta Grähs, Alisa Bennett, Alex Grant, Astrid Skarheim Onsum, Wayne Sterley, Magdalena Bernhardsson, Kristina Kanestad, Helena Hedblom, Ulla Litzén, Ambassador of Sweden to Australia Pontus Melander, Ronnie Leten and Paul Bergström.

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 69 334 (67 844). 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 Swedish ownership was 46% (46) of the number of outstanding shares. See more information in the chapter "The Epiroc share" on page 75.

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.

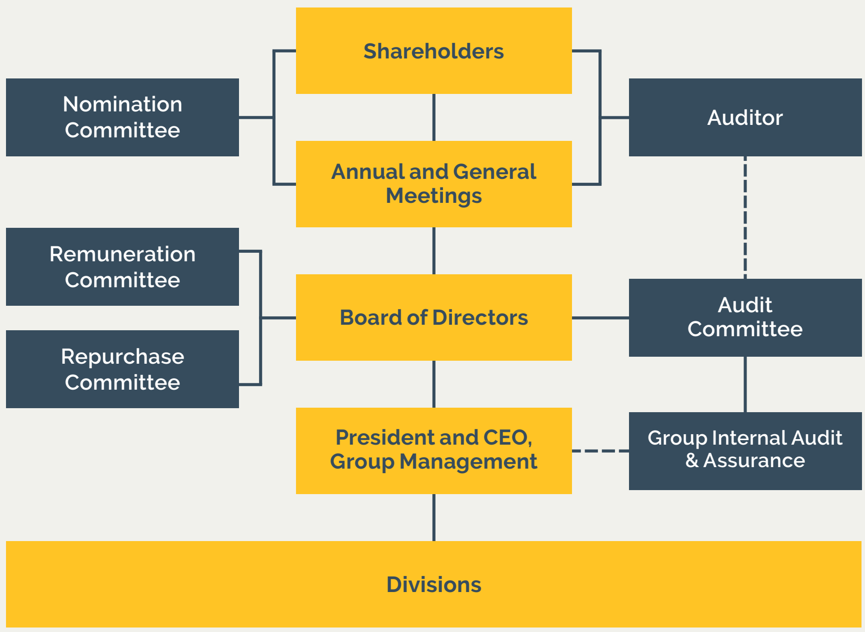
In addition, the Chair of the Board shall also be a member of the Nomination Committee. Should the ownership structure change before the time of the AGM, there are procedures in place.

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, 2023
Petra Hedengran	Investor AB (Chair)	22.7
Mikael Wiberg	Alecta Tjänstepension	3.5
Helen Fasth Gillstedt	Handelsbanken Fonder	2.6
Joachim Spetz	Swedbank Robur Fonder	2.2
Ronnie Leten	Chair of Epiroc AB's Board	

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 Corporate Governance Code
- 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
- Business Partner Code of Conduct
- Group tax policy
- Policies and other guidelines and instructions contained in the Epiroc Way

The Annual General Meeting will be held on May 14, 2024 at 4:00 PM CEST in Nacka.

At the AGM 2024, updated guidelines for executive remuneration will be presented, incl. clawback & malus.

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, Senior Vice President 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 of 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 8 (10) Board meetings in 2023, 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. At the AGM in 2023, Anders Ullberg declined re-election. The Nomination Committee did not propose any further changes to the Board's composition to the AGM 2023.

A number of Board members have extensive experience in the mining industry and/or the mechanical engineering industry, in which there has been a focus on sustainability, such as increased safety (mining), reduced emissions (mining and engineering) as well digitalization and automation. A majority of the Board members also have experience from executive and financial positions in international companies, with strong ethical and governmental focus. Thus, the Board has good prerequisites to provide support to the company's senior executives.

Of the nine elected Board members appointed by the AGM, five are women and four are men. Of the non-executive Board members, four are women and four are men. In addition, the Board has four employee representatives. Apart from the President and CEO and the employee representatives with deputies, none of the Board members are employed by the Group.

Board remuneration

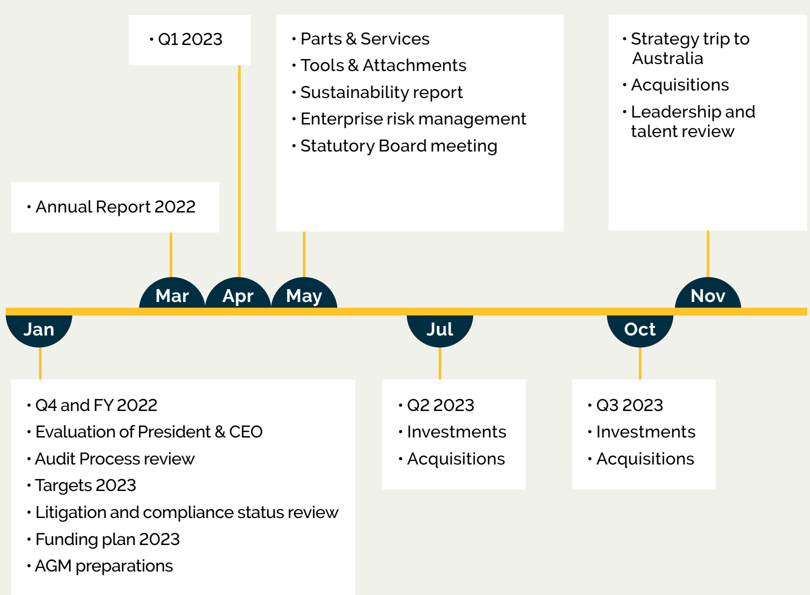
The remuneration for the Board was approved at the AGM 2023 and is presented in detail in note 5. In total, the non-executive Board members had total fees of KSEK 6 684 (6 328) and the total expense recognized for the Board was KSEK 10 890 (8 035).

Evaluation of the Board

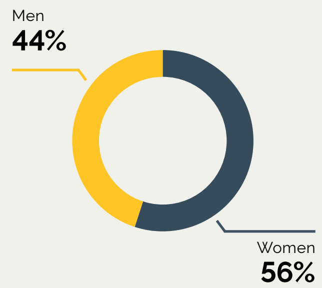
The Chair of the Board conducts an annual evaluation of the work of the Board and its committees. The evaluation aims, for example, to prioritize issues to which the Board should give more attention and in which areas additional competence may be required.

The 2023 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.

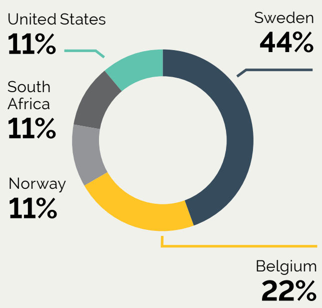
The Board's work in 2023



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, sustainability reporting, 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.

At least four times a year, in connection with the quarterly results, the Audit Committee discusses topics and reviews progress within sustainability, under the lead of CFO. In 2023, the planned implementation of CSRD and the fulfillment of the 2030 goals were common topics.

In addition, the Audit Committee 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), Ronnie Leten, Lennart Evrell and Astrid Skarheim Onsum. All members are independent in relation to the Group and its management, as well as to the largest shareholder.

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. Ronnie Leten and Lennart Evrell are independent in relation to the largest shareholder.

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.

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

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.

Sustainability targets are part of the variable compensation plans for all members of Group Management. Final outcome for each member is conditional on the tangible progress made towards fulfilling Epiroc's 2030 sustainability targets, including, for example, environment, gender diversity and safety.

For the members of the Group Management, the sustainability targets for 2023 amounted to 10% of the maximum outcome of the total variable compensation. In total, the President and CEO achieved fulfillment of 78% and the rest of the management team achieved fulfillment in the range of 47-74%. The evaluation of outcomes is briefly presented below:

Impact on goal progress in 2023 on variable compensation outcomes (condensed external)

	Long-term	Short-term
Financial goals	Green	Red
People goals	Green	Yellow
Planet goals	Green	Yellow

Green = On track to reach 2030 goals.
Yellow = Improvement needed to reach 2030 goals.
Red = Not on track to reach 2030 goals.

Financial goals comment 2023 - Epiroc had high, but not 100% fulfillment of the absolute profit target, measured as EBIT. The capital efficiency target was not achieved, and actions have been taken.

Planet goal comment for 2023 - There is an increasing demand for lower emission products, still, the most challenging goal to achieve is the Use of Products (scope 3), which requires that customers choose to invest more in equipment with less emissions, such as for example battery-electric versions. By offering battery-electric infrastructure and helping customers to implement the new technology, Epiroc tries to accelerate the adaption rate.

People goal comment for 2023 - Epiroc made good progress on the safety KPIs, but sadly had one fatality reported in 2023. Safety is a main priority and several actions and initiatives are continuously rolled out in the Group. Gender diversity continues to improve, albeit at a slow pace.

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 2023 AGM approved a performance-based employee stock option program for 2023. The program covers a maximum of 140 key employees.

Minetruck MT54 S is a high-capacity underground truck, engineered with smart features to ensure safety, productivity and reliability in larger underground mining and construction operations. Combining high ramp speed with improved energy efficiency, this mining truck helps boost productivity and reduces overall running cost and fuel consumption.

An annual review of who and why employees are invited to participate is discretionary and decided by the Board. The key employees are culture carriers, and have to invest in own shares and remain loyal to the company over several years to receive full possible compensation, which bodes well for long-term goal achievements and essentially value creation for shareholders. 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 Ulla Litzén (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 (financial, people and planet), 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.

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 2023 AGM, Ernst & Young AB, Sweden, was elected as external auditor until the 2024 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

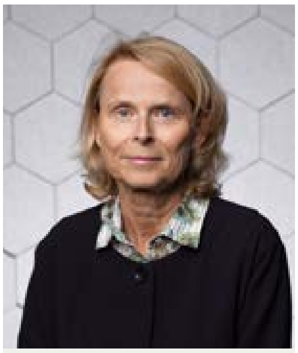
Board of Directors

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.

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:
-
Principal work experience:
President and CEO of Atlas Copco AB.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
11 308 A shares,
55 650 B shares,
42 643 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 The Royal Swedish Academy of Engineering Sciences (IVA).
Principal work experience:
Managing Director, Head of Core Investments, of Investor AB.*
Independent:
No, not to larger shareholder as he is CEO and a member of the Board of Investor AB. Yes, independent of Epiroc and its management.
Holdings in Epiroc AB, incl. related parties:
5 000 B shares, 12 223 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,
12 223 synthetic 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, the Royal Swedish Academy of Engineering Sciences and Wallenberg Investments AB.
Principal work experience:
Senior Executive Vice President Mining and Infrastructure of Epiroc AB.
Independent:
No, not independent of Epiroc and its management as she is the President and CEO. Yes, independent of larger shareholders..
Holdings in Epiroc AB, incl. related parties:
21 379 A shares,
225 709 personnel options, 27 184 matching options.

Information as of February 19, 2024 and holdings in Epiroc AB as of December 31, 2023.
For more information and remuneration, see note 5.
* Johan Forssell will leave his position as President and CEO of Investor AB, and its Board, in conjunction with Investor AB's Annual General Meeting (AGM) on May 7, 2024.
[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
Full-time Board member and/ or Chair.

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

Anthea Bath
Member since 2022
President and CEO of Wesdome Gold Mines Ltd, Canada.

Employed by Epiroc

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 Wheaton Precious Metals Corp, Coeur Mining, Inc.,and Hudbay Minerals, Inc.
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:
-

Astrid Skarheim Onsum
Norwegian. Born 1970.
Education:
M.Sc. in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU).
Other assignments:
Chair of Nordic Unmanned ASA and member of the Boards of Seatrium Ltd and Spoor AS.
Principal work experience:
CEO Norsk Gjenvinning ASA, CEO Aker Offshore Wind ASA, Chief Digital Officer Aker Solutions ASA, and Managing Director Aker Engineering & Technology Aker Solutions ASA. Member of the Board of Principle Power Inc.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
11 055 synthetic shares.

Sigurd Mareels
Belgian. Born 1961.
Education:
PhD in Metallurgy and a M.Sc. in Engineering, 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:
8 487 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:
COO of Ero Copper Corporation, Canada, Vice President Commercial Services, Sibanye Stillwater; Head of Market Development, Anglo Platinum, South Africa.
Independent:
Yes.
Holdings in Epiroc AB, incl. related parties:
3 393 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	Ulla Litzén	Lennart Evrell	Helena Hedblom	Jeane Hull	Astrid Skarheim Onsum	Sigurd Mareels	Anthea Bath
Board meetings	8/8	8/8	8/8	8/8	8/8	8/8	8/8	8/8	8/8
Audit Committee	7/7		7/7	7/7			5/5		
Remuneration Committee	3/3	3/3		3/3					
Repurchase Committee	2/2		1/1						

Group Management

Helena Hedblom

President and CEO

In current position since 2020. 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.

Paul Bergström

President Digital Solutions

In current position since 2023.

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 19, 2024 and holdings, incl. related parties, in Epiroc AB as of December 31, 2023. 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, Strategy and Supply Chain
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:
Senior Executive Vice President Mining and Infrastructure of Epiroc AB.
Holdings*:
21 379 A shares, 348 673 personnel options, 33 282 matching options.

Håkan Folin
Swedish. Born 1976.
Education:
M.Sc. in Engineering and Industrial Management from the Royal Institute of Technology (KTH), Sweden.
Principal work experience:
CFO and various management positions SSAB AB and Tibnor.
Holdings*:
5 762 A shares, 37 056 personnel options, 2 450 matching options.

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, 198 107 personnel options, 6 877 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*:
5 751 A shares, 52 062 personnel options, 3 063 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*:
2 300 A shares, 37 588 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*:
1 750 A shares, 49 580 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*:
24 593 personnel options.

Paul Bergström**
Swedish. Born 1974.
Education:
M. Sc. in Electrical Engineering from Royal Institute of Technology, Stockholm, Sweden.
Principal work experience:
Executive Vice President Global Services, Elekta. Various management positions in Ericsson across Americas, Europe and Asia, including President for Ericsson Hong Kong.
Holdings*: -.

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*:
9 253 A shares, 159 502 personnel options, 10 584 matching options.

Jonas Albertson
Swedish. Born 1967.
Education: M.Sc. in Mechanical Engineering from Chalmers University, Sweden.
Principal work experience:
President of the Technology & Digital division and the Rocktec division. Managing Director of Epiroc Rock Drills AB, in Sweden. Various management positions at Atlas Copco.
Holdings*:
8 266 A shares, 66 100 personnel options, 6 023 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, 95 819 personnel options, 10 714 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*:
2 050 A shares, 1 145 B shares, 23 361 personnel options, 1 544 matching options.

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*: 6 750 A shares, 55 036 personnel options, 3 902 matching options.

*Information as of February 19, 2024 and holdings, incl. related parties, in Epiroc AB as of December 31, 2023. For some members, the matching options and stock options are in the form of Share Appreciation Rights (SARs).
** Paul Bergström started as President of the Digital Solutions division and member of Group Management in May 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 Presidents.
**** Sami Niiranen will leave for a position outside the Group. Wayne Symes has been appointed President of the Underground division and member of Group Management, effective April 1, 2024.

Internal control over financial reporting

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

Internal control over financial reporting

Financial reporting risk management

Epiroc's system for internal control over financial reporting is implemented in accordance with the requirements specified in the Swedish Corporate Governance Code 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 dedicated Internal Control and Internal Audit functions. The Internal Audit function reports directly 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, balance sheet reviews, and external audits of financial information and results. 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 level 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 meetings.

The Group functions for law, risk and insurance, financial management, governance, tax and accounting provide policies, guidelines and instructions for risk management including support with standards and templates to create uniform approach to risk management within Epiroc entities. 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.

Epiroc has a communications policy to ensure that Epiroc complies with applicable laws and fulfills the regulations and recommendations issued by Nasdaq Stockholm as well as the Swedish Corporate Governance Code.

Insurance

Epiroc 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 insurances 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 entities are measured to identify areas for improvements.

Enterprise Risk Management

Epiroc has a methodology for enterprise risk assessment covering all divisions. Risks are identified based on Epiroc Risk Universe within divisional ownership with the overall goal to evaluate risks and remove or mitigate their effects by researching, planning, and implementing control measures as the organization deems necessary.

The purpose is to identify, understand and visualize potential risks before they occur, provide a safer and healthier working environment for our staff, and reduce risk for the business to strengthen business continuity. In more detail, the purpose is to answer essential questions as to the probability of risks materializing, their impact, causes and possible consequences, the effectiveness of existing controls and any further actions needed.

Risks assessed are captured in four main risk areas: Strategic risks includes emerging and macro development risks, Business risks cover common industry risks and risks related to the Epiroc business model, including operational risks. The other two areas are: Financial risks, which covers financial reporting risks, and Compliance risks, which focuses on avoiding breach of any applicable legislation or regulation.

The consolidated outcome of the Enterprise Risk Management risk assessment is reported to both Group Management and to the Board of Directors, who monitor risk management annually.

Sustainability reporting and the European Sustainability Reporting Standards (ESRS)

Sustainability reporting is changing from more of a voluntary nature to becoming legally required by several different legislations across the world. For 2023, Epiroc provides information on the risks and opportunities that climate change will have on the business in accordance with the Task Force on Climate-Related Financial Risk Disclosures (TCFD). As a Swedish based company, Epiroc will report in accordance with the European Sustainability Reporting Standards (ESRS) and the EU Corporate Sustainability Reporting Directive (CSRD) during 2025 for the financial year 2024. Information about risks and opportunities arising from social, environmental and governance issues are to be included in the disclosure.

Compliance

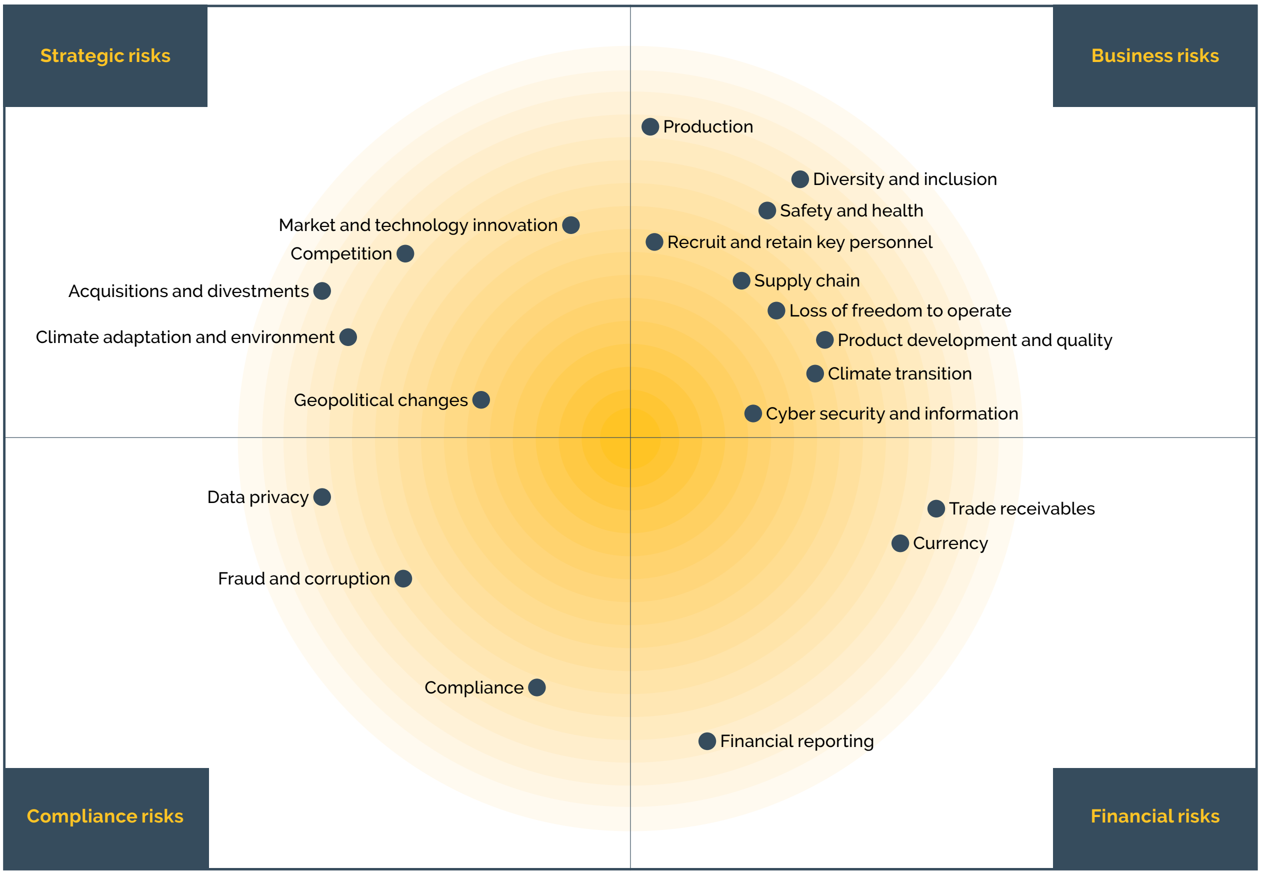
Group Compliance identifies compliance risks at Group level, implements adequate policies, provides information about compliance through internal communication, and provides training and digital tools to ensure that Epiroc and its employees around the world have the appropriate knowledge for correct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

Country/regional Compliance Managers in Australia, China, India, Nordics, North America, and South Africa have responsibility to support entities in their specific countries/regions in relation to all Group Compliance programs and entity specific compliance risks.

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: Senior Vice President General Counsel (Chair), Senior Vice President Brand & Communications, Human Resources and SHEQ, Vice President Sustainability, Vice President Compliance, the Head of Internal Control, and all Divisional Presidents.

Key risk overview

In the model below our key risks are presented. These have the greatest risk factor, by negative impact, and the closer to the middle they are, the more probable. Other risks, such as insurance, reputation as well as product quality and liability cover all four areas. Our mitigating actions and opportunity per key risk is described on the following pages.



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

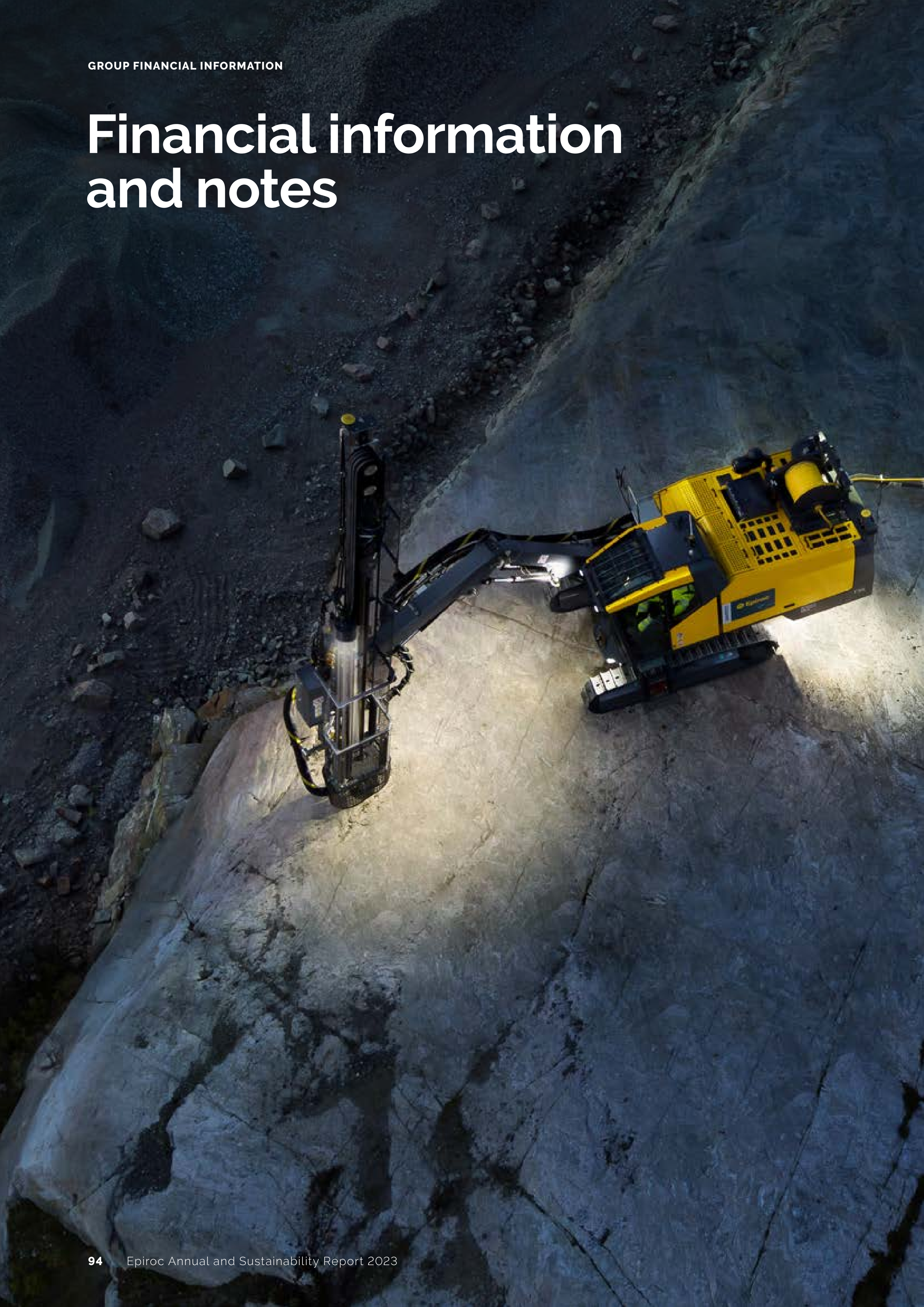
Key risk and description	Risk mitigation	Opportunities
Strategic risks		
Geopolitical changes		
Instability and geoeconomic confrontations affecting business could stem from change in government, military control, war, or tensions between countries that can lead to regulatory changes such as protectionist trade policies influencing Epiroc's industry, supply chain and logistics, or Epiroc 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 affecting customers and suppliers.	Regular discussions and updates on all business levels on geopolitical situations, footprint, targeted M&A, sales perspective, and responsive actions.	Planning for responding activities to identified geopolitical risks gives Epiroc a flexibility to adapt when circumstances change and improves Epiroc's competitive position.
Market and technology innovation		
Demand for Epiroc's equipment and services is affected by changes in customers' investment plans and production levels. These could change due to economic downturn, geopolitical tensions and volatility in mineral commodity prices. Demand also relies on customers' need of new technologies and consideration of sustainability-related risk.	A significant aftermarket requirement over the equipment lifecycle creates a large and resilient service business. A flexible manufacturing setup with a large share of components purchased from suppliers.	Opportunity to further develop the aftermarket business and increasing customer satisfaction and retention. Lean initiatives in manufacturing enable a more agile setup with enhanced flexibility.
Climate adaptation 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 energy, water and raw material impacting Epiroc's operations, suppliers and customers.	Continuously monitoring environmental and climate risks that can impact operations and demand on management and divisional level. The Board performs an oversight of risks, including climate-related risks.	Maintain and develop mitigating activities including loss prevention activities for business continuity. Offering of climate-resilient solutions to customers.
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 but still increasingly, companies operating with lower costs and margins. A consolidation of competitors in our markets, with fewer manufacturers, where Epiroc could fail to effectively participate in the consolidation could affect our market position.	Continuous analyses and monitoring of market external factors and customer preferences to compete successfully and anticipate and respond to changes in evolving market demands, including demand for new products including a corresponding mergers and acquisitions strategy.	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.
Acquisitions and divestments		
Failure to meet synergy effects as anticipated and failed integration affecting the business negatively	Clear process for mergers and acquisitions and focused project management for integration.	Integration process enhanced leading to speed and efficiency of integration and realization of synergies.

Key risk and description	Risk mitigation	Opportunities
Business risks		
Cyber security and information		
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 increase in remote working during the last years has brought 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.	Quarterly updates from Group Information Security to Group Management and to the Audit Committee on a semi-annual basis. Epiroc has increased the resources in both the Information and IT Security teams. The cyber security program improves the handling of cyber security risks through e.g., targeted and general security awareness trainings directed to all employees, improved protection of Epiroc data to meet regulatory and legislative requirements and increased resilience, i.e., the capability to withstand or recover quickly from adverse events.	Improving cyber security and resilience goes hand-in-hand with increased customer demands on security and also improves Epiroc's competitive position within, particularly, automation and digitalization.
Climate transition		
The transition to a low-carbon economy comes with risk such as not meeting new product requirements and climate related legislation. Failing to develop, launch and market new products or respond to technological development and customer demand for sustainable products is another transition risk.	Continuously monitoring environmental and climate related legislation and establishing relevant mechanisms. Within innovation, improved environmental performance is always an important component. The Board performs an annual oversight of risks, including climate-related risks.	Meet increasing demand for sustainable equipment by developing products and services and/or expand offering with low emissions. Battery technologies and connected equipment can add value and help drive the transition to low-carbon solutions. Implementation of 2030 sustainability leads the organization towards halving CO_2e emissions in Scope 1, 2 and 3.
Loss of freedom to operate		
Risk for legal costs to protect intellectual property rights and loss of value of intellectual property as an asset or product revenues, because of legal findings of invalidity, unenforceability, or non-infringement, or challenges to title or ownership which could cause loss of freedom to operate.	An Epiroc Intellectual Property Rights process including relevant tools as Freedom to operate-search and training of employees.	Protection of intellectual property contributes to business stability and improves Epiroc's competitive position.
Recruit and retain key personnel		
Failure to attract and retain key teams and employees imposes a risk of losing the leading position on the market. 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.	Mapping of competence and high-potential team members for development. Close co-operation between management and Human Resources via implemented Group Talent Acquisition for adaption to business strategies and priorities. Recruitment can take place both externally and internally. Internal recruitment and job rotation are facilitated by an internal job market. Epiroc strives to maintain good relationships with unions and universities. An employee survey is carried out every year and followed up actively.	Opportunity to set ambitious targets for employees and managers, aligned with business targets, with accountability for results and 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.

Key risk and description	Risk mitigation	Opportunities
Business risks cont.		
Supply-chain		
Incorrect deliveries, failure to fulfill delivery obligations 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 disruptions could arise from shortages of raw materials, labor disputes, weather conditions, 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 Business Partner Code of Conduct. Risk that products contain components which are not sustainably produced, for instance the presence of conflict minerals in electronic components.	Select and evaluate business partners based on objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance. Screening of selected business partners. Inventory control and establishment of a global network of sub-suppliers, to prevent supplier dependency. Providing suppliers with timely and sufficient information to manage changes in volumes. Business partners to sign the Business Partner Code of Conduct. Continue the process to investigate and remove the potential presence of conflict minerals in the value chain.	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. Reducing the risk of corruption and conflicts by promoting human rights and work towards improving labor conditions. 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.
Product development and quality		
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, circularity and sustainability. Product development is affected by legislation on matters such as emissions, noise, vibrations, pollution 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. Any defective products will impose a risk of product liability and damage to third party property or causing bodily injury.	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 and circular 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. Ongoing standardization of process for quality control (test, verification and validation). Ensuring that supplier management has the same level of quality assurance on vendors and suppliers.	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. Targeted activities contribute to limit Epiroc's exposures. Furthermore, quality assured products can increase customer retention, improve reputation as well as people safety.
Safety and health		
Inadequate adherence to safety and health principles and regulations can lead to accidents causing harm 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.	Assessing and managing safety and health risks in the operations is standard procedure. Necessary safety wear is provided to employees who need to be in production or in the field. All major units are certified in accordance with the ISO45001 standard. To develop a culture with safety first in mind is key and activities to highlight this, such as the "SafeStart-program", "Live Work Elimination" and Epiroc Safety Day together with a strong Safety Management System, 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.
Diversity and Inclusion		
Improper inclusion can lead to lack of innovation, poor efficiency, and loss of business opportunity. Also leading to safety and health issues and a bad reputation.	Ensure that diverse talent is well represented in Epiroc and lead the strong culture towards a safety leadership. Epiroc's whistleblowing function Speak Up and compliance processes support transparency in matters where advice is sought or concerns are raised about a potential ethical or legal violation by employees or business partners.	Epiroc encourages a culture where issues and concerns are discussed and trust is built, contributing to innovation and performance.
Production		
Epiroc's entities can face disturbances caused by for example weather extremes, machinery breakdown or a major fire leading to interrupted business and loss of business income as well as reputational risks.	Epiroc Loss Prevention Standard focusing on people safety and business continuity is implemented globally. Entities, including newly acquired companies, are measured against our standard. The outcome provides an overview of improvement areas and recommended actions together with a prioritization of the same.	Business continuity planning prepare managers and the Epiroc business on how to act on any disturbances and how to safeguard delivery to customers.

Key risk and description	Risk mitigation	Opportunities
Compliance risks		
Compliance, data privacy, fraud and corruption		
A violation of laws on anti-corruption, anti-money laundering, trade compliance, competition law compliance and data privacy may result in fines, claims for compensation and other financial damages as well as impair Epiroc's reputation. Inadequate internal controls could result in Epiroc becoming more vulnerable in relation to individual employees, either by mistake or intentionally, acting in breach of applicable legal framework. Deficiencies in internal control could also cause investors and other third parties to lose confidence in Epiroc's reported financial information.	Mandatory training in Epiroc CoC for all employees with requirement to sign a CoC statement, and advanced training for certain employee categories. In-house lawyers support entities with advice on corruption laws and regulations. Epiroc's internal policies and guidelines are published in the Epiroc Way. Training and digital tools to ensure that Epiroc and its employees around the world have the right knowledge for correct decision making. The Compliance Board's mission is to ensure that Epiroc's CoC is implemented and complied with.	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.
Financial risks		
Currency, financial reporting and trade receivables		
Risk areas as currency, credit and counterparty, hedging, commodity price, tax reporting, and the risk of Epiroc encountering difficulties in repaying its debts and financing its operations. Reporting risks are risks that financial reports will not give a fair view of Epiroc's financial position and results. There is also a risk that impairment of goodwill or other intangible assets will adversely affect the financial results.	Epiroc policies are available on the Epiroc way. The Group manages the risks via Financial Risk Management Committee (FRMC) with a mandate given by the Board. Group Treasury has an operational responsibility for financial risk management in the Group and reports to FRMC who reports to the Audit Committee.	A proven process for risk management for financial risks contributes to compliance with financial laws, agility and trust and hence strengthens the position for Epiroc as a trusted business partner
Other risks		
Insurance		
Epiroc insurance policies may provide insufficient protection.	Global insurance programs, arranged for by Group Risk Management and Insurance, lead to adequacy and cost-efficiency via optimization of risk transfer levels.	Cost-efficiency and control, enabling business and to meet customer and supplier commitments.
Reputation		
Harm to Epiroc's reputation and negative impact on business results can be the result of various reasons; if customers 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, if Epiroc fails including via business partners or customers to comply with laws, regulations, ethical, social, product, labor, health and safety, environmental or other standards, or related political considerations. Epiroc may be subject to complaints and lawsuits from customers, employees, suppliers and other third parties, alleging product damage, health, environmental, safety, data protection, antitrust, corruption, money laundering, export restrictions or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations.	All products are tested and quality assured. Monitoring of product labeling and regular communications training. Epiroc has a clear well-known brand. The Group actively engages in stakeholder dialogue. The mandatory CoC training includes annual signing of a CoC Compliance Statement. Reporting of ethical and legal violations via the whistleblower system (or functions), Speak Up, is encouraged via various communication channels including physical posters at our locations.	Stakeholder engagement can increase the awareness and credibility of Epiroc's brand through collaboration and adoptability. Quality assured products improves customer satisfaction and promotes recurring 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 since Epiroc is present in many regions where the impacts from climate change may be severe and resilience low. Implementation of the 2030 sustainability goals helps to ensure compliance with applicable legislation.
Product quality and product liability		
Any defective products will impose a risk of product liability and damage to third party property or causing bodily injury.	Ongoing standardization of process for quality control (test, verification and validation). Ensuring that supplier management has the same level of quality assurance on vendors and suppliers.	Targeted activities contribute to limit Epiroc's exposures. Furthermore, quality assured products can increase customer retention, improve reputation as well as people safety.

Financial information and notes



Content

Group financial information

Consolidated income statement

January - December, MSEK	Note	2023	2022
Revenues	4	60 343	49 694
Cost of sales		-37 197	-30 675
Gross profit		**23 146**	**19 019**
Administrative expenses		-4 105	-3 628
Marketing expenses		-3 959	-3 042
Research and development expenses		-1 930	-1 438
Other operating income	7	554	348
Other operating expenses	7	-508	-75
Share of profit in associated companies	15	-15	-37
Operating profit	**4, 5, 6, 7, 17**	**13 183**	**11 147**
Financial income	8, 9	349	238
Financial expenses	8, 9	-1 297	-607
Net financial items		**-948**	**-369**
Profit before tax		**12 235**	**10 778**
Income tax expense	10	-2 777	-2 367
Profit for the year		**9 458**	**8 411**
Profit attributable to:			
– owners of the parent		9 431	8 397
– non-controlling interests		27	14
Basic earnings per share, SEK	12	7.82	6.96
Diluted earnings per share, SEK	12	7.81	6.95

Consolidated statement of comprehensive income

January - December, MSEK	Note	2023	2022
Profit for the year		**9 458**	**8 411**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans		-387	687
Income tax relating to items that will not be reclassified		81	-139
Total items that will not be reclassified to profit or loss		**-306**	**548**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		-1 372	2 112
Cash flow hedges		-81	119
Income tax relating to items that may be reclassified		17	-25
Total items that may be reclassified subsequently to profit or loss		**-1 436**	**2 206**
Other comprehensive income for the year, net of tax	**11**	**-1 742**	**2 754**
Total comprehensive income for the year		**7 716**	**11 165**
Total comprehensive income attributable to			
– owners of the parent		7 706	11 144
– non-controlling interests		10	21

Consolidated balance sheet

MSEK	Note	Dec. 31, 2023	Dec. 31, 2022
Assets			
Non-current assets			
Intangible assets	13	15 843	13 073
Rental equipment	14	1 582	1 458
Other property, plant and equipment	14	6 032	5 429
Investments in associated companies	15	49	67
Other financial assets and other receivables	16	1 649	1 752
Deferred tax assets	10	1 509	1 526
Total non-current assets		**26 664**	**23 305**
Current assets			
Inventories	17	18 747	16 945
Trade receivables	18	10 455	9 581
Other receivables	19	3 093	3 195
Current tax receivables		721	315
Financial assets	16	1 703	1 010
Cash and cash equivalents	20	6 401	7 326
Assets held for sale	3	-	103
Total current assets		**41 120**	**38 475**
Total assets		**67 784**	**61 780**
Equity and liabilities			
Equity			
Share capital		500	500
Other paid-in capital		105	107
Reserves		765	2 185
Retained earnings including profit for the year		35 452	30 228
Equity attributable to owners of the parent		**36 822**	**33 020**
Non-controlling interests		388	488
Total equity	**21**	**37 210**	**33 508**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	22, 23	11 822	8 877
Post-employment benefits	24	251	149
Deferred tax liabilities	10	922	1 215
Other liabilities		83	337
Provisions	27	493	315
Total non-current liabilities		**13 571**	**10 893**
Current liabilities			
Interest-bearing liabilities	22, 23	2 153	1 999
Trade payables		5 902	6 375
Current tax liabilities		483	670
Other liabilities	26	7 951	7 716
Provisions	27	514	619
Total current liabilities		**17 003**	**17 379**
Total equity and liabilities		**67 784**	**61 780**

Consolidated statement of changes in equity

2023	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**	**107**	**2 091**	**94**	**30 228**	**33 020**	**488**	**33 508**
Profit for the year	-	-	-	-	9 431	9 431	27	9 458
Other comprehensive income for the year	-	-	-1 356	-64	-306	-1 726	-16	-1 742
Total comprehensive income for the year	**-**	**-**	**-1 356**	**-64**	**9 126**	**7 706**	**10**	**7 716**
Dividend	-	-	-	-	-4 103	-4 103	-3	-4 106
Divestment of 1 400 362 series A shares	-	-2	-	-	281	279	-	279
Share-based payment, equity settled								
– expense during the year	-	-	-	-	25	25	-	25
– exercise option	-	-	-	-	-106	-106	-	-106
Non-controlling interest acquired/divested	-	-	-	-	1	1	-107	-106
Closing balance, Dec. 31	**500**	**105**	**735**	**30**	**35 452**	**36 822**	**388**	**37 210**

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**

Consolidated statement of cash flows

January - December, MSEK	Note	2023	2022
Cash flow from operating activities			
Operating profit		13 183	11 147
Adjustments for:			
Depreciation, amortization and impairment	13, 14	2 663	2 130
Capital gain/loss and other non-cash items		-220	-183
Net financial items received/paid		-599	-561
Taxes paid		-3 531	-2 676
Pension funding and payment of pension to employees		-71	-45
Cash flow before change in working capital		**11 425**	**9 812**
Change in:			
Inventories		-2 082	-3 236
Operating receivables		-1 450	-1 958
Operating liabilities		-176	1 457
Change in working capital		**-3 708**	**-3 737**
Increase in rental equipment		-1 095	-875
Sale of rental equipment		521	358
Net cash flow from operating activities		**7 143**	**5 558**
Cash flow from investing activities			
Investments in other property, plant and equipment		-1 044	-600
Sale of other property, plant and equipment		53	62
Investments in intangible assets	13	-643	-414
Sale of intangible assets	13	3	–
Acquisition of subsidiaries and associated companies	3	-3 666	-4 696
Divestment of subsidiaries and associated companies	3	-	10
Proceeds to/from other financial assets, net		-467	-353
Assets held for sale		527	–
Net cash flow from investing activities		**-5 237**	**-5 991**
Cash flow from financing activities			
Dividend		-4 103	-3 619
Dividend to non-controlling interest		-3	-2
Acquisition of non-controlling interest		-105	-175
Repurchase of own shares		-	-232
Divestment of own shares		279	116
Borrowings		7 786	2 531
Repayment of borrowings		-5 922	-1 375
Payment of lease liabilities	23	-573	-470
Net cash flow from financing activities		**-2 641**	**-3 226**
Net cash flow for the year		**-735**	**-3 659**
Cash and cash equivalents, Jan. 1		7 326	10 792
Exchange rate difference in cash and cash equivalents		-190	193
Cash and cash equivalents, Dec. 31	20	**6 401**	**7 326**
Operating cash flow			
Net cash from operating activities		7 143	5 558
Net cash from investing activities		-5 237	-5 991
Acquisition and divestment of subsidiaries and associated companies		3 666	4 686
Other adjustments [1)]		639	1 409
Operating cash flow		**6 211**	**5 662**

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

Group notes

1. 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. 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 7, 2024. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on May 14, 2024.

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.

The Group describes the most material accounting policies in conjunction with each note with the aim of providing enhanced understanding of each accounting area.

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).

Exchange rates for major currencies that have been used for the Group's financial statements are disclosed in note 29.

New accounting policies 2023

No new or revised accounting standards or interpretations effective from January 1, 2023, have materially affected the Group's financial statements. The revised IAS 1 has been implemented to disclose material accounting policies and an evaluation has been performed to assess that disclosed accounting policies are material.

New accounting policies 2024 and later

New accounting standards and interpretations that have been published and are effective from 2024 and later are not considered to have a material impact on the Group's financial statements.

Accounting policies	Note	IFRS standard
Acquisitions and divestments	3. Acquisitions and divestments	IFRS 3, IFRS 10
Assets held for sale	3. Acquisitions and divestments	IFRS 5, IFRS 13
Operating segments	4. Segment information and revenues	IFRS 8
Revenue recognition	4. Segment information and revenues	IFRS 15
Incentive programs	5. Employees and personnel expenses	IAS 19
Hyperinflation	8. Remeasurement for hyperinflation	IAS 29
Income taxes	10. Income taxes	IAS 12
Earnings per share	12. Earnings per share	IAS 33
Intangible assets	13. Intangible assets	IFRS 3, IAS 36, IAS 38
Property, plant and equipment	14. Property, plant and equipment	IAS 36
Inventories	17. Inventories	IAS 2
Leasing	23. Leases	IFRS 16
Pensions and other obligations	24. Post-employment benefits	IFRS 2, IAS 19
Share-based payments	25. Share-based payments	IFRS 2
Financial instruments	29. Financial risk management	IFRS 7, IFRS 9, IFRS 13, IAS 32

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 presented in connection to the items considered to be affected. The table discloses where to find these descriptions.

Critical accounting estimates and judgments	Note
Business combinations	3. Acquisitions and divestments
Revenue recognition	4. Segment information and revenues
Impairment of goodwill, other intangible assets and other non-current assets	13. Intangible assets
Inventories	17. Inventories
Post-employment benefit valuation assumptions	24. Post-employment benefits
Trade and financial receivables	29. Financial risk management

3. Acquisitions and divestments

ACCOUNTING POLICY

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) 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 as operating expenses.

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.

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 were reported separately. No impact for the comparison period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The valuation of business combinations is based on management assessment of the future earnings of the acquired company. The determination of the fair value of assets and liabilities in connection to a business combination requires the Group to apply assumptions and estimates which can vary from the actual outcomes. Some of the business combinations contain earn-outs which is based on the acquisitions achieving future targets for revenues for a predetermined period. The fair value of earn-outs is reviewed on a regular basis.

Acquisitions 2023

All acquisitions described below were made through the purchase of 100% of shares and voting rights. 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	Segment	Revenues	Employees
2023 Apr 3	AARD Mining Equipment	E&S	650	200
2023 Feb 2	CR	T&A	1 700	400
2023 Feb 2	Mernok Elektronik (Pty) Ltd	E&S	50	45

Acquisitions that support profitable growth are a natural part of the strategy and in 2023, Epiroc has completed three acquisitions:

In February, reporting segment Equipment & Service acquired Mernok Elektronik (Pty) Ltd, South Africa. The company provides advanced collision avoidance systems.

In February, reporting segment Tools & Attachments acquired CR, Australia, including subsidiaries. The company provides advanced ground engaging tools (GET) and related digital solutions mainly for the mining industry.

In April, reporting segment Equipment & Service acquired AARD Mining Equipment, South Africa, including subsidiaries. The company manufactures a wide range of mining equipment, specializing in low-profile underground machines for mines with low mining heights.

The amounts in the following table detail the recognized amounts according to the preliminary purchase price allocations. The amounts are aggregated for two of the acquisitions made during the year, as the relative amounts of these individual acquisitions are not considered significant. The third acquisition, CR, is reported separately. The purchase price allocations are finalized when all relevant information have been retrieved.

Fair value (preliminary) of acquired assets and liabilities	Group recognized values (Total)	Whereof CR	Whereof changes related to acquisitions made before 2023*
	2023	2023	2023
Net assets identified of which:	848	764	343
Intangible assets	1 328	1 153	-33
Tangible assets	362	238	101
Inventory	596	453	24
Trade receivables	553	453	1
Trade payables	413	377	–
Goodwill	2 414	2 520	-434
Total consideration	**3 262**	**3 284**	**-91**
Acquired cash and cash equivalents	78	71	–
Contingent consideration**	-482	-	-492
Net cash outflow	**3 666**	**3 213**	**401**

* The changes are related to updated final purchase price allocations.
** The contingent consideration consists of earn-out of 275 and hold-back amounts of 207. The total outstanding earn-out per December 31, amounts to 176. The maximum earn-out amounts to 265. The change in fair value of the contingent consideration is included in other operating income and other operating expenses.

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 -3 666. 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 acquisition. 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 3 262. The acquired businesses have contributed to revenues by 1 981 and to operating profit by 244 since their respective dates of acquisition.

CONTRIBUTION FROM BUSINESSES ACQUIRED IN 2023

	Total	Whereof CR
Contribution from date of control		
Revenues	1 981	1 551
Operating profit	244	197
Contribution if the acquisition had occurred on Jan. 1		
Revenues	2 274	1 675
Operating profit	-114	-203

Divestments 2023

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

A capital gain of MSEK 429 related to the sale of the production facility in Japan has been recognized.

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.

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.

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 2022.

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.

4. Segment information and revenues

ACCOUNTING POLICY - SEGMENT INFORMATION

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.

The Group is organized in seven 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.

2023	Equipment & Service	Tools & Attachments	Common group functions	Eliminations	Group
Revenues from external customers	47 456	12 723	164	–	60 343
Inter-segment revenues	74	–	14	-88	–
Total revenues	**47 530**	**12 723**	**178**	**-88**	**60 343**
Operating profit/loss	**11 792**	**1 780**	**- 423**	**34**	**13 183**
– of which share of profit in associated companies	*-15*	–	–	–	*-15*
Net financial items	–	–	–	–	-948
Income tax expense	–	–	–	–	-2 777
Profit for the year	–	–	–	–	**9 458**
Non-cash expenses/income					
Depreciation/amortization	2 014	487	140	-38	2 603
Impairment	60	–	–	–	60
Other non-cash expenses/income	129	-114	4	–	19
Segment assets	**41 298**	**13 498**	**4 299**	**- 240**	**58 855**
– of which goodwill	*6 696*	*3 526*	–	–	*10 222*
Investments in associated companies	47	2	–	–	49
Unallocated assets	–	–	–	–	8 880
Total assets	–	–	–	–	**67 784**
Segment liabilities	**13 150**	**2 961**	**1 611**	**-162**	**17 560**
Unallocated liabilities	–	–	–	–	13 014
Total liabilities	–	–	–	–	**30 574**
Capital expenditures					
Property, plant and equipment	2 276	416	130	-8	2 814
– of which assets leased	*496*	*143*	*36*	–	*675*
Intangible assets	545	56	42	–	643
Total capital expenditures	**2 821**	**472**	**172**	**-8**	**3 457**
Intangible assets acquired (acquisition of business)	175	1 153	–	–	1 328
Goodwill acquired	-407	2 466	–	356	2 414

2022	Equipment & Service [1]	Tools & Attachments [1]	Common group functions	Eliminations	Group
Revenues from external customers	38 685	10 799	210	–	49 694
Inter-segment revenues	219	7	14	-240	–
Total revenues	**38 904**	**10 806**	**224**	**-240**	**49 694**
Operating profit/loss	**9 491**	**1 900**	**-281**	**37**	**11 147**
– of which share of profit in associated companies	*-37*	–	–	–	*-37*
Net financial items	–	–	–	–	-369
Income tax expense	–	–	–	–	-2 367
Profit for the year	–	–	–	–	**8 411**
Non-cash expenses/income					
Depreciation/amortization	1 606	362	152	-45	2 075
Impairment	4	51	–	–	55
Other non-cash expenses/income	233	4	-143	–	94
Segment assets	**39 752**	**9 474**	**4 294**	**-1 845**	**51 675**
– of which goodwill	*7 027*	*1 248*	–	–	*8 275*
Investments in associated companies	65	2	–	–	67
Unallocated assets	–	–	–	–	10 039
Total assets	–	–	–	–	**61 780**
Segment liabilities	**14 051**	**4 556**	**730**	**-1 724**	**17 613**
Unallocated liabilities	–	–	–	–	10 659
Total liabilities	–	–	–	–	**28 272**
Capital expenditures					
Property, plant and equipment	1 759	356	88	-27	2 176
– of which assets leased	*477*	*223*	*1*	–	*701*
Intangible assets	392	22	–	–	414
Total capital expenditures	**2 151**	**378**	**88**	**- 27**	**2 590**
Intangible assets acquired (acquisition of business)	1 730	10	–	–	1 740
Goodwill acquired	3 772	4	–	110	3 886

[1] Effective January 1, 2023, exploration consumables have moved from the Tools & Attachments segment to the Equipment & Service segment. Segment figures for 2022 have been restated.

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.

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.

ACCOUNTING POLICY - REVENUE RECOGNITION

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.

Goods sold/Equipment
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.

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.

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.

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”.

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 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.

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. Payment is generally due 30–60 days after completion.

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

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

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.

REVENUES BY SEGMENT AND CATEGORY

	2023	2022
Equipment & Service	47 530	38 904
of which Equipment	*19 400*	*16 442*
of which Service [1]	*28 130*	*22 462*
Tools & Attachments	12 723	10 806
Common Group functions/eliminations	90	-16
Total	**60 343**	**49 694**

[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, deferred tax assets, and post-employment benefit assets.

GEOGRAPHICAL DISTRIBUTION OF REVENUES

	2023	2022
Epiroc Group *	**60 343**	**49 694**
North America	15 428	12 814
South America	8 471	6 845
Europe	8 626	8 327
Africa/Middle East	9 900	7 757
Asia/Australia	17 918	13 951
Equipment & Service	**47 530**	**38 904**
North America	11 427	9 681
South America	7 201	5 876
Europe	6 091	5 687
Africa/Middle East	7 712	5 869
Asia/Australia	15 099	11 791
Tools & Attachments	**12 723**	**10 806**
North America	3 968	3 186
South America	1 270	970
Europe	2 492	2 612
Africa/Middle East	2 188	1 891
Asia/Australia	2 805	2 147

* Including 90 (-16) related to common group functions and eliminations.

BY GEOGRAPHIC AREA/COUNTRY

	Revenues		Non-current assets	
	2023	2022	2023	2022
North America				
Canada	6 585	4 876	1 338	1 387
USA	6 313	5 333	1 707	1 632
Mexico	2 530	2 605	890	902
	15 428	**12 814**	**3 935**	**3 921**
South America				
Chile	4 040	2 870	257	287
Peru	1 638	1 288	110	91
Brazil	1 463	1 360	50	27
Panama	213	487	1	4
Other countries	1 117	840	11	16
	8 471	**6 845**	**429**	**425**
Europe				
Sweden	1 405	1 247	5 735	5 446
Norway	976	639	58	65
Türkiye	896	786	10	7
Italy	622	515	141	146
Germany	590	579	309	313
Spain	489	424	22	24
Portugal	437	268	32	36
Other countries *	3 211	3 869	441	409
	8 626	**8 327**	**6 748**	**6 446**
Africa/Middle East				
South Africa	4 042	3 511	1 018	606
Congo (DRC)	1 745	1 039	88	75
Zambia	817	766	46	61
Ghana	443	329	25	28
Other countries	2 853	2 441	72	44
	9 900	**7 757**	**1 249**	**814**
Asia/Australia				
Australia	10 300	6 056	9 603	6 907
China	2 372	2 646	752	778
India	1 588	1 638	392	363
Kazakhstan	997	933	64	33
Indonesia	877	783	57	64
Mongolia	644	455	7	9
South Korea	162	553	141	154
Other countries	978	887	80	46
	17 918	**13 951**	**11 096**	**8 354**
Total	**60 343**	**49 694**	**23 457**	**19 960**

* Russia is included in Other countries. Revenues amounted to 1 249 in 2022.

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

	2023	2022
Within one year	961	1 227
More than one year	1 146	1 236

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

ACCOUNTING POLICY

Incentive programs
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 incentive programs are accounted for in accordance with IAS 19 Employee benefits. See note 25.

AVERAGE NUMBER OF EMPLOYEES

	2023			2022		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	30	20	50	25	21	46
Subsidiaries						
North America	596	2 678	3 274	482	2 267	2 749
South America	264	1 354	1 618	232	1 314	1 546
Europe	1 057	3 555	4 612	1 023	3 753	4 776
– of which Sweden	*788*	*2 646*	*3 434*	*721*	*2 556*	*3 277*
Africa/Middle East	428	2 435	2 863	344	2 294	2 638
Asia/Australia	970	4 536	5 506	736	3 478	4 214
Total subsidiaries	**3 315**	**14 558**	**17 873**	**2 817**	**13 106**	**15 923**
Total	**3 345**	**14 578**	**17 923**	**2 842**	**13 127**	**15 969**

NUMBER AND PROPORTION OF WOMEN IN THE BOARD OF DIRECTORS, GROUP MANAGEMENT AND OTHER SENIOR MANAGERS

	2023			2022		
Group	Women	Men	Proportion of women %	Women	Men	Proportion of women %
Board of Directors excl. union representatives [1]	5	4	56	5	5	50
Group Management	2	11	15	3	9	25
Other senior managers in subsidiaries [2]	4	31	11	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.

REMUNERATION AND OTHER BENEFITS FOR THE GROUP

	2023	2022
Salaries and other remuneration [1, 2]	10 757	8 696
of which Parent Company [2]	136	77
Contractual pension benefits [3]	720	594
of which Parent Company	*16*	*14*
Other social costs	1 485	1 305
of which Parent Company [2]	*45*	*-1*
Total	**12 962**	**10 595**

1) Salaries and other remuneration including variable compensation to Board of Directors and Group Management, excluding pensions, 94 (81).
2) Recognized costs for share-based payments 45 (-11) of which 13 (1) to Group Management and social costs 18 (-26).
3) Pensions to Group Management 14 (13).

REMUNERATION TO SENIOR MANAGERS IN SUBSIDIARIES [1]

	2023	2022
Salaries and other remuneration [2]	107	92
Contractual pension benefits	14	8
Other social costs	6	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

2023 KSEK	Fee	Value of synthetic share at grant date	Number of shares at grant date	Other fees[1]	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price[2]	Total expense recognized[3]
Chair of Board:							
Ronnie Leten	2 542	–	–	391	2 933	–	2 933
Other members of the Board:							
Anders Ullberg[4]	323	–	–	106	429	–	429
Anthea Bath	398	398	1 988	–	796	6	802
Astrid Skarheim Onsum	635	161	826	111	907	313	1 220
Helena Hedblom	–	–	–	–	–	–	–
Jeane Hull	796	–	–	–	796	104	900
Johan Forssell	398	398	1 988	98	894	286	1 180
Lennart Evrell	398	398	1 988	286	1 082	209	1 291
Ulla Litzén	796	–	–	327	1 123	–	1 123
Sigurd Mareels	398	398	1 988	–	796	114	910
Union representatives[5]	–	–	–	102	102	–	102
Total	**6 684**	**1 753**	**8 778**	**1 421**	**9 858**	**1 032**	**10 890**

1) Refers to fees in board committees.
2) Refers to synthetic shares received in 2019-2023.
3) Provision for synthetic shares (excl. social costs) at December 31, 2023, 9.6 (8.9).
4) Anders Ullberg left the board after the Annual General Meeting 2023.
5) Union representatives received compensation to prepare for their participation in board meetings in 2023.

2022 KSEK	Fee	Value of synthetic share at grant date	Number of shares at grant date	Other fees[1]	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price[2]	Total expense recognized[3]
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[4]	–	–	–	68	68	–	68
Total	**6 328**	**1 743**	**8 974**	**1 361**	**9 432**	**-1 397**	**8 035**

1) Refers to fees in board committees.
2) Refers to synthetic shares received in 2018-2022.
3) Provision for synthetic shares (excl. social costs) at December 31, 2022, 8.9 (8.6).
4) Union representatives received compensation to prepare for their participation in board meetings in 2022.

REMUNERATION AND OTHER BENEFITS TO GROUP MANAGEMENT

2023 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	11 906	6 465	110	3 571	22 052	4 080	26 132
Other members of Group Management (12 positions)[4]	41 502	15 267	7 944	10 491	75 204	9 139	84 343
Total	**53 408**	**21 732**	**8 054**	**14 062**	**97 256**	**13 219**	**110 475**

1) Variable compensation refers to amount earned in 2023 and to be paid in 2024.
2) Refers to vacation pay, company car, medical insurance, housing allowance and other benefits.
3) Refers to the stock options received in 2016–2023 and includes recognized costs due to change in stock price and vesting period.
4) In May 2023 Paul Bergström joined as President of Digital Solutions Division. Ashleigh Braddock was acting President of Digital Solutions Division from January to April.

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.

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 2023
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 May 23, 2023, 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 2 585 000.
- Each of the other Board members not employed by the Group were granted SEK 810 000.
- An amount of SEK 290 000 was granted to the Chair of the Audit Committee and SEK 190 000 to each of the other members of this committee.
- An amount of SEK 135 000 was granted to the Chair of the Remuneration Committee and SEK 100 000 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 2023. The payment of each synthetic share is made in 2028 and corresponds to the average price during the ten trading days after the publishing of the first quarterly result in 2028. 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 of Directors".

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 twelve other members. The compensation to Group Management consists of base salary, variable compensation, possible long-term incentive, pension benefits and other benefits.

President and CEO
The variable compensation can 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 35% 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 2023. 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. Four 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. Four 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 2023. Further information about the plan is found in note 25.

Stock Options, holdings for Group Management
The stock options holdings as of December 31, 2023, are detailed below. See also note 25 for additional information.

STOCK OPTIONS HOLDINGS (INCLUDING MATCHING OPTIONS) AT DEC. 31, 2023

Grant Year [1]	President and CEO	Other members of Group Management
2017	3 471	70 461
2018	4 795	111 865
2019	32 563	92 637
2020	58 723	72 135
2021	153 341	233 108
2022	129 062	263 755
2023 [2]	14 496	13 044
Total	**396 451**	**857 005**

1) Grants prior to 2018 relate to Atlas Copco's plans transferred to Epiroc.
2) Estimated grants for the 2023 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, see chapter "Value-creating strategy". 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, see note 25.

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 Annual General Meeting may, irrespective of these guidelines, decide 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.

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

	2023	2022
Ernst & Young		
Audit fees	41	31
Tax services	4	1
Other services	2	2
Other audit firms		
Audit fees	6	11
Total	**53**	**45**

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.

Tax services include both tax consulting services and tax compliance services. Other services include comfort letters and other quality assurance services.

At the Annual General Meeting 2023, Ernst & Young was elected as auditor for the Epiroc Group until the Annual General Meeting 2024.

7. Other operating income and expenses

OTHER OPERATING INCOME

	2023	2022
Commissions received	–	2
Capital gain on sale of property, plant and equipment	42	57
Capital gain on asset held for sale	429	–
Foreign exchange gains	–	220
Other operating income	83	69
Total	**554**	**348**

OTHER OPERATING EXPENSES

	2023	2022
Capital loss on sale of property, plant and equipment and intangible assets	-69	-5
Foreign exchange loss	-331	–
Other operating expenses	-108	-70
Total	**-508**	**-75**

Gains and losses on disposals of non-current assets are determined by comparing the proceeds from disposal with the carrying amount. Included in the operating profit are exchange rate gains and losses on translation of payables and receivables of an operating nature.

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 12 962 (10 595) of which expenses for post-employment benefits amounted to 720 (594). See note 5.

Amortization, depreciation and impairment for the year amounted to 2 663 (2 130). Costs for research and development, including amortization, depreciation and impairment, amounted to 1 930 (1 438). Amortization related to development expenditure amounted to 527 (382). See note 13 and 14.

8. Remeasurement for hyperinflation

ACCOUNTING POLICY

Epiroc's operations in Türkiye are accounted for according to IAS 29, Financial reporting in Hyperinflationary economies. 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.

The impact on the consolidated statement of income from IAS 29 is illustrated below. The index used by Epiroc for the remeasurement of the financial statements is the consumer price index with base period January 2003.

EXCHANGE RATES AND INDEX

	2023	2022
Exchange rate SEK/TRY	0.34	0.56
Index	1 859.38	1 128.45

NET MONETARY GAIN OR LOSS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

	2023	2022
Net monetary loss	-54	-52

9. Financial income and expenses

FINANCIAL INCOME AND EXPENSES

	2023	2022
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	172	122
– financial lease receivables	175	115
Interest income at effective interest method	**347**	**237**
Assets measured at fair value through profit or loss		
Capital gain – other assets	2	1
Financial income	**349**	**238**
Liabilities measured at amortized cost		
Interest expenses		
– Interest-bearing liabilities	-494	-162
Total interest expenses at effective interest method	**-494**	**-162**
Liabilities measured at fair value through profit or loss		
- derivatives	-203	-117
- lease liabilities	-86	-59
- pension provisions, net	10	-8
- other	-51	-20
Change in fair value		
- other liabilities and borrowings	-4	9
Foreign exchange losses, net	-466	-259
Impairment gain or loss	-3	9
Financial expenses	**-1 297**	**-607**
Financial expenses, net	**-948**	**-369**

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. See note 29.

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

Foreign exchange gain, net includes foreign exchange gains of 609 (1 148) and foreign exchange losses of -1 075 (-1 407). The gains and losses refer to revaluation of derivatives, interest-bearing liabilities and cash in foreign currency.

10. Income taxes

ACCOUNTING POLICY

Income taxes include both current and deferred taxes. A current tax liability or asset is recognized for the estimated tax payable or refundable for the current year or prior years.

Deferred tax is recognized using the balance sheet liability method; based on differences between the values reported in the balance sheet and their values for taxation, referred to as temporary differences. To calculate the deferred tax asset or liability, the temporary differences are multiplied with the enacted or substantively enacted tax rates for the relevant tax jurisdictions. 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 and associated companies 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.

Current and deferred tax assets and liabilities are netted when there is a legally enforceable right to do so, 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.

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.

Based on OECD Pillar Two Model Rules that provide for a global minimum tax of 15% applicable to multinational enterprise (MNE) groups with a global turnover of EUR 750 million or more, EU has adopted a Directive on global minimum level of taxation for MNE groups headquartered in EU. On December 14, 2023, the Swedish Parliament voted to implement the EU Directive into Swedish law, which is applicable from January 1, 2024. As Epiroc expects to report a global turnover exceeding EUR 750 million in 2024, the new Pillar Two Rules will apply for Epiroc. Epiroc has local presence and pay income tax in more than 60 countries based on domestic tax law in each country. Epiroc has performed an assessment of the potential exposure to Pillar Two income taxes. This assessment is based on financial information for every subsidiary of Epiroc. Based on the assessment performed, the Pillar Two effective tax rates for the subsidiaries in those countries are expected to be at least 15% in 2024. Therefore, Epiroc does not expect a potential significant exposure to Pillar Two top-up taxes. In line with the mandatory exception in IAS 12 Epiroc does not account for deferred taxes due to the Pillar Two regulation.

INCOME TAX EXPENSE

	2023	2022
Current taxes	-2 885	-2 668
Deferred taxes	108	301
Total	**-2 777**	**-2 367**

The income tax expense recognized was -2 777 (-2 367), which corresponds to an effective tax rate of 22.7% (22.0). The major differences between the effective tax rate and the expected tax rate are explained below. The expected tax rate is calculated as a weighted average, based on profit before tax multiplied by the statutory tax rate in each country.

BRIDGE OF THE EFFECTIVE TAX RATE

	2023	2022
Profit before tax	**12 235**	**10 778**
Expected income tax expense (weighted average)	-2 791	-2 503
Expected tax in %	**22.8**	**23.2**
Tax effect of:		
Non-deductible expenses	-191	-214
Non-taxable income	463	456
Withholding taxes	-53	-36
Adjustments related to prior years, net:		
– current taxes	-58	26
– deferred taxes	-107	40
Tax loss carryforwards and tax credits, net	-23	-10
Change in tax rates, deferred tax	-2	-117
Other items	-15	-9
Recognized income tax expense	-2 777	-2 367
Effective tax in %	**22.7**	**22.0**

The income tax expense was mainly impacted by non-deductible expenses and non-taxable income. Included in non-taxable income is income subject to reduced taxation under local tax law, mainly in China and USA. 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.

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

	2023	2022
Opening balance, Jan. 1	311	684
Recognized in the income statement	108	301
Tax on amounts recorded in equity	98	-164
Acquisitions	134	-548
Translation difference	-66	38
Transaction with shareholders	2	0
Closing balance, Dec. 31	**587**	**311**

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

	2023	2022
Intangible assets	2	123
Property, plant and equipment	19	-83
Other financial assets	76	0
Inventories	-110	164
Current receivables	-57	51
Operating liabilities	239	21
Provisions	34	43
Post-employment benefits	-62	-5
Borrowings	-22	20
Other items	-81	-39
Changes due to temporary differences	**38**	**295**
Loss/credit carryforwards	70	6
Charges to profit for the year	**108**	**301**

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

	2023			2022		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	34	1 089	-1 055	43	1 118	-1 075
Property, plant and equipment	124	754	-630	108	744	-636
Other financial assets	16	48	-32	11	153	-142
Inventories	1 051	5	1 046	1 151	10	1 141
Current receivables	76	49	27	123	39	84
Operating liabilities	673	29	644	444	11	433
Provisions	215	–	215	140	1	139
Post–employment benefits	48	–	48	53	2	51
Borrowings	455	–	455	478	1	477
Tax loss/credit carryforwards	122	–	122	60	–	60
Other items [1]	–	253	-253	–	221	-221
Deferred tax assets/liabilities	**2 814**	**2 227**	**587**	**2 611**	**2 300**	**311**
Netting of assets/liabilities	-1 305	-1 305	–	-1 085	-1 085	–
Net deferred tax balances	**1 509**	**922**	**587**	**1 526**	**1 215**	**311**

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

Epiroc has tax loss carryforwards of 287 (110), for which no deferred tax assets have been recognized. Such tax loss carryforwards expire as indicated below.

EXPIRATION OF UNUSED TAX LOSS CARRYFORWARDS

	2023	2022
Expires after 1-2 years	81	–
Expires after 3-4 years	3	–
Expires after 5-6 years	3	–
Expires after 6 or more years	61	99
No expiry date	139	11
Total	**287**	**110**

11. Other comprehensive income

OTHER COMPREHENSIVE INCOME FOR THE YEAR

	2023			2022		
	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	-387	81	-306	687	-139	548
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	-1 356	–	-1 356	2 105	–	2 105
Cash flow hedges	-81	17	-64	119	-25	94
Total other comprehensive income	**-1 824**	**98**	**-1 726**	**2 911**	**-164**	**2 747**
Attributable to non-controlling interests						
Translation differences on foreign operations	-16	–	-16	7	–	7
Total other comprehensive income	**-1 840**	**98**	**-1 742**	**2 918**	**-164**	**2 754**

12. Earnings per share

ACCOUNTING POLICY

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.

EARNINGS PER SHARE

SEK	2023	2022
Basic earnings per share	7.82	6.96
Diluted earnings per share	7.81	6.95

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

	2023	2022
Profit for the year	9 431	8 397

AVERAGE NUMBER OF SHARES OUTSTANDING

In thousands of shares	2023	2022
Basic weighted average number of shares outstanding	1 206 475	1 206 330
Effect of employee stock options	950	1 359
Diluted weighted average number of shares outstanding	**1 207 425**	**1 207 689**

13. Intangible assets

ACCOUNTING POLICY

Goodwill
Goodwill is recognized at its acquisition cost, as determined on the date of acquiring a business, reduced by any accumulated impairment losses. Goodwill is allocated to the cash-generating units (CGUs) expected to benefit from the synergies resulting from the business combination. The divisions represent the operating segments and Epiroc has identified the operating segments as CGUs. Impairment testing is performed at least annually or whenever the need is indicated. Goodwill is reported as an intangible asset with an indefinite useful life.

Technology-based intangible assets
Expenditures related to research activities are expensed as they are incurred. Research projects acquired as part of business combinations are initially recognized at their fair value as of the acquisition date. After initial recognition, these research projects are carried at cost, less any amortization and impairment losses. Expenditures associated with development activities are also expensed as incurred unless they meet specific criteria for capitalization:

- the product or process under development is estimated to be technically and commercially feasible with the potential to generate probable future benefits.
- the Group has the intent and capability to complete, sell, or utilize the product or process.
- the Group can reliably measure the expenditures directly attributable to the development of the intangible asset.

Capitalized expenditure includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is recorded at cost, reduced by accumulated amortization and impairment losses.

Other intangible assets
Other intangible assets include trademarks, marketing and customer related intangible assets and contract-based rights, such as licenses or franchise agreements. Other intangible assets acquired in relation to contract-based rights, including licenses or franchise agreements, are initially capitalized at their fair value upon acquisition and subsequently reported at cost, reduced by accumulated amortization and impairment losses. Expenditure on internally generated goodwill, trademarks and similar items is expensed as incurred.

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

Straight-line basis amortization is utilized as the method for allocating the cost of an asset over its useful life and residual values. The useful life and residual values are reassessed annually or more frequently if there are indications of impairment.

Climate risks creates uncertainties in the assessment of useful life of intangible assets. Climate-related regulations may also lead to changes in useful life and impairment assessments. Legal or regulatory limitations related to emissions or sustainability practices could also impact the recoverable value of intangible assets.

Research and development related to climate-change mitigation might provide opportunities for Epiroc and could create new intangible assets while failure to invest in climate-related research and development may lead to missed opportunities, increased impairments or negative impact on the recoverable value of existing intangible assets.

Impairment
Goodwill is allocated and tested at the level of cash-generating units, which are identified as Epiroc's operating segments. The Group conducts a periodic assessment of the carrying values of its non-financial assets, which takes place annually or whenever there are indications of impairment. When such indications are identified, the Group proceeds to estimate the recoverable amount of the asset. The recoverable amount for each cash-generating unit has been determined based on the value in Epiroc's valuation model. Epiroc's valuation model is based on discounted future cash flows, with a forecast period of either five years or ten years, depending on applicability. The forecast period for goodwill allocated to Digital Solutions Division is based on ten years which is aligned with the planning horizon and decision-making process for the recent acquisitions as well as the Epiroc branded digital offering. The forecast is based on the business plan of each operating segment, considering the characteristics and development of its specific end markets. This assessment is based on both internal and external sources and reflects management's best estimate of the trajectory 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. This includes planned capital expenditures and target levels of working capital. Epiroc's weighted average cost of capital (WACC) is calculated at 8% (8) after tax. Since the operating segments are all relatively diversified but with similar geographic coverage and share similar organizational structures and customer bases, the same discount rate is applied to all segments. The perpetual growth beyond the forecast period is assumed as 2% (2).

An impairment loss is acknowledged when the carrying value of an asset or its cash-generating unit (CGU) surpasses its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When determining value in use, the estimated future cash flows are discounted to their present value, employing a discount rate that reflects the current market's assessment of the time value of money and the specific risks associated with the asset or CGU. Impairment loss related to goodwill is not subject to reversal in contrast to other assets where impairment losses incurred in previous periods are subject to periodic review with possibility of impairment reversal.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Impairment of goodwill
Key sources of estimation uncertainty
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.

In 2023, 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 presents the carrying value of goodwill allocated to operating segments (cash-generating units) and reporting segments.

GOODWILL

	2023	2022
Underground Division	1 140	144
Surface Division	1 704	1 506
Parts & Services Division APAC	905	852
Parts & Services Division NASA	692	931
Parts & Services Division EMEA	74	75
Digital Solutions Division	2 181	3 446
Equipment & Service	**6 696**	**6 954**
Tools & Attachments Division	3 526	1 321
Tools & Attachments	**3 526**	**1 321**
Total	**10 222**	**8 275**

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

	2023		2022	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	8	–	1	3
Administrative expenses	76	43	66	96
Marketing expenses	–	241	–	81
Research and development expenses	275	252	279	103
Total	**359**	**536**	**346**	**283**

Impairment charges on intangible assets totaled 56 (54), of which 48 (4) were classified as research and development expenses and 8 (0) were classified as marketing expenses in the income statement.

	Internally generated		Acquired				
2023	Product development	Other technology and contract based	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	4 051	376	507	1 305	2 982	8 275	17 496
Additions	523	17	5	–	98	–	643
Acquisition of business	–	–	-28	829	527	2 414	3 742
Disposals	-39	-44	–	-4	-130	–	-217
Reclassifications	-3	466	–	–	-464	–	-1
Translation differences	-84	-6	-19	-87	-98	-467	-761
Closing balance, Dec. 31	**4 448**	**809**	**465**	**2 043**	**2 915**	**10 222**	**20 902**
Amortization and impairment losses							
Opening balance, Jan. 1	2 872	344	98	382	727	–	4 423
Amortization for the period	279	84	75	156	245	–	839
Impairment charge for the period	-4	–	8	–	52	–	56
Disposals	-16	-44	–	-1	-78	–	-139
Translation differences	-64	-6	-7	-21	-22	–	-120
Closing balance, Dec. 31	**3 067**	**378**	**174**	**516**	**924**	**–**	**5 059**
Carrying amounts							
At Jan. 1	1 179	32	409	923	2 255	8 275	13 073
At Dec. 31	**1 381**	**431**	**291**	**1 527**	**1 991**	**10 222**	**15 843**

2022	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	3 557	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**

Other technology and contract based intangible assets include computer software, patents, trademarks, customer relationships and contract based rights such as licenses and franchise agreements.

14. Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment
Property, plant, and equipment items are carried at cost less accumulated depreciation and impairment losses. The cost of an asset within this category encompasses several components, including the purchase price, import duties, and any expenses directly associated with placing the asset in the required location and condition for use. The cost also includes dismantlement and removal of the asset in the future, if applicable. Borrowing costs incurred for assets requiring a substantial period to get ready for their intended use are included in the cost value until the assets are substantially prepared for their use or sale, after which they are subject to depreciation.

The Group adheres to a policy of capitalizing costs upon initial recognition and for the replacement of substantial parts of property, plant, and equipment, provided that it is probable the future economic benefits associated with these expenditures will accrue to the Group, and the costs can be reliably measured. Conversely, all other expenses are immediately recognized in the profit or loss statement upon their incurrence.

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. The depreciation of rental equipment is structured with consideration for a residual value, estimated within a range of 0-10% of the equipment's cost.

Depreciation and amortization
Depreciation and amortization are calculated based on the cost of the asset and are applied using the straight-line method over the estimated useful life. In cases where certain components of property, plant, and equipment have a substantial cost relative to the total cost of the item and do not share a corresponding useful life, they are depreciated separately.

The estimated useful lives are as follows:

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 and assets under construction are not depreciated or amortized.

Epiroc considers climate risk factors when evaluating the estimated useful life of property, plant and equipment. The heightened occurrence and severity of extreme weather events, such as floods and storms, could impact the production capacity and maintenance of buildings and equipment. Additionally, water shortages in specific regions may also affect production capacity. If innovations lead to alternatives with lower climate impact, older equipment may become obsolete earlier than anticipated. Additionally, stricter regulations and increased requirements related to climate and environmental protection may impact the use and valuation of certain equipment.

2023	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	1 787	6 180	463	3 600	12 030	2 602	6	2 608
Additions	28	398	618	675	1 719	1 095	–	1 095
Acquisition of business	97	177	24	64	362		–	–
Disposals	-36	-397	-10	-300	-743	-604	–	-604
Reclassifications	131	335	-486	–	-20	-201	–	-201
Translation differences	-55	-189	-11	-120	-375	-77	–	-77
Closing balance, Dec. 31	**1 952**	**6 504**	**598**	**3 919**	**12 973**	**2 815**	**6**	**2 821**
Depreciation and impairment losses								
Opening balance, Jan. 1	653	4 638	–	1 310	6 601	1 145	5	1 150
Depreciation for the period	79	511	–	616	1 206	557	1	558
Impairment charge for the period	–	4	–	–	4	–	–	–
Disposals	-24	-372	–	-271	-667	-292	–	-292
Reclassifications	-2	2	–	–	–	-137	–	-137
Translation differences	-30	-127	–	-46	-203	-40	–	-40
Closing balance, Dec. 31	**676**	**4 656**	**–**	**1 609**	**6 941**	**1 233**	**6**	**1 239**
Carrying amounts								
At Jan. 1	1 134	1 542	463	2 290	5 429	1 457	1	1 458
At Dec. 31	**1 276**	**1 848**	**598**	**2 310**	**6 032**	**1 582**	**0**	**1 582**

Set out below are the carrying amounts of right-of-use assets by class of underlying asset recognized. See also note 23.

RIGHT-OF-USE ASSETS

2023	Buildings and land	Machinery and equipment	Total	Rental equipment
Carrying amounts, Jan. 1	1 993	297	2 290	1
Carrying amounts, Dec. 31	**1 887**	**423**	**2 310**	**0**

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**

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

	2023	2022
Cost of sales	1 230	1 067
Administrative expenses	341	186
Marketing expenses	115	209
Research and development expenses	47	33
Other operating expenses	35	6
Total	**1 768**	**1 501**

Depreciation for the period relating to right-of-use assets amounted to a total of 617 (510), of which 444 (371) relates to Buildings and land, 172 (137) to Machinery and equipment and 1 (2) to Rental equipment.

15. Investments in associated companies

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. Investments in associated companies are reported according to the equity method.

ACCUMULATED CAPITAL PARTICIPATION

	2023	2022
Opening balance, Jan. 1	67	106
Divestment of business [1]	–	-14
Profit for the year after income tax	-15	-37
Translation differences	-3	12
Closing balance, Dec. 31	**49**	**67**

[1] Divestment refers to Zhejiang GIA Machinery Manufacturing Co. Ltd. June 8, 2022.

SUMMARY OF FINANCIAL INFORMATION FOR ASSOCIATED COMPANIES

2023	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, %
Shenzhen Nectar Engineering & Equipment Co. Ltd.	China	210	127	83	167	1	25
ASI Mining LLC	USA	174	238	-64	306	-26	34
Glass Terra Pty Ltd.	Australia	1	0	1	0	0	27
Sirius Consulting Pty Ltd.	South Africa	2	0	2	6	2	50

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.	Australia	1	1	0	1	0	27
Sirius Consulting Pty Ltd.	South Africa	3	0	3	8	3	50

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.

	2023	2022
Non-current assets		
Pension plan assets in excess of pension obligations (note 24)	237	540
Derivatives		
- designated for hedge accounting	4	30
Available-for-sale investments	14	-
Financial assets classified at amortized cost		
– finance lease receivables	446	332
– other financial receivables	948	850
Closing balance, Dec. 31	**1 649**	**1 752**
Current assets		
Derivatives		
– recognized at fair value through profit and loss	461	-
– designated for hedge accounting	51	-
Financial assets classified at amortized cost		
– finance lease receivables	341	271
– other financial receivables	850	739
Closing balance, Dec. 31	**1 703**	**1 010**

The gross amount of finance lease receivables amounted to 790 (606), of which 3 (3) have been impaired. The gross amount of other financial receivables amounted to 1 811 (1 598), of which 13 (9) have been impaired. The total estimated fair value of collateral to finance lease receivables and other financial receivables was 621 (457) and 1 358 (1 162), 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

ACCOUNTING POLICY

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

	2023	2022
Raw materials	692	664
Work in progress	3 180	2 999
Semi-finished goods	3 193	3 065
Finished goods	11 682	10 217
Closing balance, Dec. 31	**18 747**	**16 945**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 741 (660). Reversals of write-downs which were recognized in earnings totaled 191 (87). Previous write-downs have been reversed as a result of improved market conditions in certain markets. Inventories recognized as expenses amounted to 26 073 (20 783).

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

	2023	2022
Provisions at Jan. 1	773	586
Business acquisitions and divestments	1	-
Provisions recognized for expected credit losses	125	250
Release of unutilized provisions	-173	-104
Write-offs	-99	-16
Translation differences	-51	57
Closing balance, Dec. 31	**576**	**773**

Trade receivables of 10 455 (9 581) are reported net of impairment amounting to 576 (773). Impairment recognized in the income statement totaled 125 (250). Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The acquisition of subsidiaries increased trade receivables by 553 (414) at date of completion of the acquisitions. At year-end 2023, the expected credit loss amounted to 5.2% (7.5) 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.

	2023	2022
Derivatives		
– recognized at fair value through profit and loss	-	198
– designated for hedge accounting	-	98
Other receivables	1 914	1 767
Accrued income	445	158
Prepaid expenses	734	974
Closing balance, Dec. 31	**3 093**	**3 195**

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 3 093 (3 195). 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. Cash and cash equivalents are subject to impairment testing according to the expected credit loss model. During 2023 the impairment was insignificant and therefore not recognized.

Cash and cash equivalents had an estimated average effective interest rate of 2.9% (1.2). As interest rates have risen during 2023, the return is higher than previous year.

The committed, but unutilized, credit line is 4 000 (4 000), see note 22 for additional information.

	2023	2022
Cash	4 041	3 810
Cash equivalents	2 360	3 516
Closing balance, Dec. 31	**6 401**	**7 326**

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 May 23, 2023, 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 2024 and allows:

1) The acquisition of not more than 1 700 000 series A shares, of which a maximum of 1 600 000 may be transferred to option holders under the performance based personnel option plan 2023.
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 4 000 000 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 2017, 2018, 2019 and 2020.

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 was valid until Epiroc's Annual General Meeting 2023 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 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.

During 2023 Epiroc divested 1 400 362 class A shares in accordance with mandates granted by the 2023 and 2022 Annual General Meeting. As of December 31, 2023, Epiroc AB held 6 768 015 (8 168 377) 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 30 (94). See note 29 for more information.

Non-controlling interest
The non-controlling interest amounts to 388 (488).

Appropriation of profit
The Board of Directors proposes a dividend of SEK 3.80 (3.40) per share, totaling 4 586 (4 103) if shares held by the Company on December 31, 2023, are excluded.

Amounts in SEK	
Retained earnings including reserve for fair value	44 980 826 037
Profit for the year	4 444 249 708
Total	**49 425 075 745**
The Board of Directors proposes that these earnings shall be appropriated as follows;	
To the shareholders, a dividend of SEK 3.80 per share [1]	4 586 488 614
To be retained in the business	44 838 587 131
Total	**49 425 075 745**

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

The proposed dividend for 2022 of SEK 3.40 per share, that was approved by the Annual General Meeting on May 23, 2023, was accordingly paid by Epiroc AB. Total dividend paid amounted to SEK 4 102 568 437.

22. Borrowings

	Maturity	Repurchased nominal amount	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Non-current						
Medium Term Note Program MSEK 1250, Fixed	2023	790	-	-	459	450
Medium Term Note Program MSEK 750, Floating	2023	76	-	-	674	679
Medium Term Note Program MSEK 1 000, Fixed	2026		998	951	997	900
Medium Term Note Program MSEK 1 000, Floating	2026		999	1 010	999	995
Medium Term Note Program MSEK 1 500, Fixed	2027		1 498	1 560	1 497	1 488
Medium Term Note Program MSEK 500, Floating	2027		499	508	499	498
Medium Term Note Program MSEK 1000. Fixed	2028		999	1 054	-	-
Medium Term Note Program MSEK 500. Floating	2028		499	508	-	-
Medium Term Note Program MSEK 500. Fixed	2029		500	532	-	-
Bilateral borrowings MSEK 1 000, Floating	2027		999	1 057	999	1 055
Bilateral borrowings MSEK 2 000, Floating	2028		1 994	2 058	1 999	2 031
Bilateral borrowings MSEK 1 000. Floating	2028		997	1 043	-	-
Other bank loans			35	35	65	65
Less current portion of long-term borrowings			-5	-5	– 1 156	– 1 152
Total non-current bonds and loans			**10 012**	**10 311**	**7 032**	**7 009**
Lease liabilities			1 808	1 808	1 842	1 842
Other financial liabilities			2	2	3	3
Total non-current borrowings			**11 822**	**12 121**	**8 877**	**8 854**
Current						
Current portion of long-term borrowings			5	5	1 156	1 152
Loans			112	112	173	173
Lease liabilities			596	596	538	538
Commercial papers			1 031	1 031	-	-
Other financial liabilities			409	409	132	132
Total current borrowings			**2 153**	**2 153**	**1 999**	**1 995**
Closing balance, Dec. 31			**13 975**	**14 274**	**10 876**	**10 849**

The difference between carrying amount and fair value of borrowings relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. 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 May, the Group issued green bonds of 1 500 maturing in 2028 and in September, 500 were issued through a private placement with maturity in 2029. The proceeds will be used to finance green investments and R&D. In October, the Group entered into a bilateral sustainability-linked credit facility of 1 000 maturing in 2028 that is linked to Epiroc's sustainability targets. In December 2023, bonds of 1 134 matured.

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.

BACK-UP FACILITIES

	2023 Facility size	2023 Utilized	2022 Facility size	2022 Utilized
Revolving credit facility[1]	4 000	-	4 000	–
Commercial paper program	2 000	1 031	2 000	–
Total back-up facilities	**6 000**	**1 031**	**6 000**	**–**

[1] The revolving credit facility matures in 2025.

RECONCILIATION OF CHANGES IN LIABILITIES

2023	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	7 032	1 934	-	-	1 078	-5	-25	-2	10 012
Lease liabilities	1 842	-56	370	-15	16	-	-56	-293	1 808
Other financial liabilities	3	-1	-	-	-	-	-	-	2
Total non-current borrowings	**8 877**	**1 877**	**370**	**-15**	**1 094**	**-5**	**-81**	**-295**	**11 822**
Current									
Loans	1 329	-1 384	-	-	183	-	-13	2	117
Lease liabilities	538	-520	304	-19	23	-	-23	293	596
Other financial liabilities	132	1 308	1	-	-	-	-1	-	1 440
Total current borrowings	**1 999**	**-596**	**305**	**-19**	**206**	**-**	**-37**	**295**	**2 153**
Total	**10 876**	**1 281**	**675**	**-34**	**1 300**	**-5**	**-118**	**0**	**13 975**

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**

23. Leases

ACCOUNTING POLICY

Group as the Lessee
The Group recognizes a right-of-use asset and a corresponding lease liability on the balance sheet at the lease commencement date. The lease liability's initial measurement is based on the present value of unpaid lease payments, employing the contract's implicit interest rate or, when not readily available, the incremental borrowing rate. This rate takes into consideration country-specific risks. This includes fixed and variable payments, residual value guarantees, and lease payments linked to options reasonably expected to be exercised.

The lease liability is adjusted when there are changes in lease terms, purchase option assessments, variations in lease payments due to index fluctuations, or modifications to the lease contract, using recalculated discount rates.

Lease contracts involving low-value assets or with a term of less than 12 months are treated differently. Such payments are recognized as expenses over the lease term. Variable non-lease components, like service-related components, are expensed over the lease term.

The Group's leasing contracts primarily encompass properties, machinery, technical assets, equipment, and installations, including facilities, offices, technical assets, and company cars. Lease agreements for office and factory facilities, as well as machinery, generally have durations ranging from 3 to 15 years, while motor vehicles and other equipment typically feature lease terms spanning 2 to 5 years. A limited number of these leasing contracts offer purchase and renewal options. With regards to machinery, there is often an option to acquire the underlying asset and extend the contract, and for premises, an extension option is available.

Consolidated Balance Sheet and Cash Flow
In the consolidated balance sheet, the Group categorizes lease liabilities into two sections: "non-current interest-bearing liabilities" and "current interest-bearing liabilities". For more details on the right-of-use asset, see note 14.

In the consolidated statement of cash flows, the Group includes a line item labeled "Payment of lease liabilities". This line item represents the amortization of liabilities arising from lease agreements and is included to account for the depreciation of the right to use the leased assets. Additionally, there is another line item labeled "Net financial items received/paid" which encompasses the portion of lease expenses related to ongoing interest costs on lease agreements. This includes any adjustments resulting from changes in the discount rates used for present value calculations.

Group as the Lessor
Lease contracts, provided by Epiroc Financial Solutions and certain other subsidiaries, are divided into two categories: operating and finance leases.

When the Group is acting as a lessor under an operating lease, the Group classifies the asset as rental equipment. Operating leases result in the recognition of assets valued at cost, accounting for depreciation over the contract term and considering future realizable value and residual value risks. Lease income is evenly distributed throughout the contract period.

In finance leases where the Group acts as the lessor, the transaction is recorded as a sale, creating a lease receivable that encompasses future minimum lease payments and any residual value guaranteed to the lessor. Lease payments represent both the repayment of the lease receivable and interest income.

In instances involving intermediate lessor roles, the Group accounts separately for head-lease and sub-lease arrangements, taking into consideration the right-of-use asset arising from the head-lease.

Leases – lessee

The carrying amount of right-of-use assets as of December 31, 2023, amounted to 2 310 (2 291). 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	2023	2022
Carrying amounts, Jan. 1	2 380	1 952
Carrying amounts, Dec. 31	**2 404**	**2 380**
Non-current	1 808	1 842
Current	596	538
Total	**2 404**	**2 380**

See note 29 for maturity analysis of the lease liability. The Group had a cash outflow for lease liabilities of 573 (470), see note 22 for more information.

The amounts recognized in the income statement during 2023 are the following;

	2023	2022
Costs for low value leases	-21	-26
Costs for short-term leases	-28	-33
Variable lease payments not included in the lease liability	-8	-9
Income from subleasing right-of-use assets	-1	-4
Interest expenses on lease liability	-86	-59
Depreciation for the period	-617	-510

For information on financial exposure and policies for control of financial risks see note 29.

Leases – lessor

Operating leases – lessor

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

Fall due year:	2023	2022
2023		291
2024	247	122
2025	67	48
2026	26	12
2027	4	2
Total	**344**	**475**

During 2023, lease income relating to operating lease contracts amounted to 579 (603).

Finance leases – lessor

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:

Fall due year:	2023	2022
2023		302
2024	317	204
2025	225	109
2026	116	42
2027	94	24
2028	37	–
Undiscounted lease payments	**789**	**681**
Unguaranteed residual value	6	3
Less: Unearned finance income	4	78
Present value of lease payments receivable	**791**	**606**
Impairment loss allowance	-4	-3
Net investment in the lease	**787**	**603**

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 109 (77), and the finance income on the net investment in the lease amounted to 1 (3).

24. Post-employment benefits

ACCOUNTING POLICY

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 financial 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

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 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 third party insurer, Alecta. This plan is recognized as a defined contribution plan as sufficient information for calculating the net pension obligation is not available. Alecta's surplus can be distributed among the policyholders and/or the insured. At the end of 2023, Alecta's surplus of its so-called collective funding amounted to 157% (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 forecasted cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recognized in the balance sheet as follows:

	2023	2022
Financial assets (note 16)	-237	-540
Post-employment benefits	251	149
Other provisions (note 27)	141	109
Closing Balance, Dec. 31	**155**	**-282**

The tables 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 155 (-282). The weighted average remaining duration of the obligation is 19.1 (19.5) years.

POST-EMPLOYMENT BENEFITS

2023	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	1 446	273	11	143	1 873
Fair value of plan assets	-1 720	–	-16	–	-1 736
Present value of net obligations	**-274**	**273**	**-5**	**143**	**137**
Effect of asset ceiling	18	–	–	–	18
Other long-term service obligations	–	–	0	–	0
Net amount recognized in balance sheet	**-256**	**273**	**-5**	**143**	**155**

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**

PLAN ASSETS CONSIST OF THE FOLLOWING:

2023	Quoted market price	Unquoted market price	Total
Debt instruments	401	5	406
Equity instruments	155	–	155
Property [1]	22	315	337
Assets held by insurance companies	54	–	54
Cash	248	–	248
Investment funds	130	370	500
Derivatives	–	20	20
Other	16	–	16
Closing balance, Dec. 31	**1 026**	**710**	**1 736**

[1] There are properties occupied and used by Epiroc.

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.

MOVEMENTS IN PLAN ASSETS

	2023	2022
Fair value of plan assets at Jan. 1	1 849	1 741
Interest income	73	31
Remeasurement – return on plan assets	-150	66
Settlements	- 1	-1
Other significant events	0	–
Employer contributions	11	14
Plan members contributions	0	1
Benefit paid by the plan	-46	-27
Translation differences	0	24
Fair value of plan assets, Dec. 31	**1 736**	**1 849**

THE PLAN ASSETS ARE ALLOCATED AMONG THE FOLLOWING GEOGRAPHIC AREAS:

	2023	2022
Europe	1 673	1 783
of which Sweden	*1 479*	*1 561*
Rest of the world	63	66
Total	**1 736**	**1 849**

ASSET CEILING

	2023	2022
Asset ceiling at Jan. 1	21	–
Interest income	1	–
Remeasurements – asset ceiling	-5	20
Translation difference	1	1
Asset ceiling, Dec. 31	**18**	**21**

MOVEMENTS IN PRESENT VALUE OF THE OBLIGATIONS FOR DEFINED BENEFITS

	2023	2022
Defined benefit obligations at Jan. 1	1 546	2 027
Current service cost	99	131
Past service cost	0	-3
Gain/loss on settlement	0	0
Interest expense (+)	62	40
Other significant events	24	12
Actuarial gains (–)/ losses (+) arising from experience adjustments	78	-52
Actuarial gains (–)/ losses (+) arising from financial assumptions	184	-612
Actuarial gains (–)/ losses (+) arising from demographic assumptions	1	32
Settlements	-1	-1
Benefits paid from plan or company assets	-108	-72
Translation differences	-12	44
Defined benefit obligations, Dec. 31	**1 873**	**1 546**

Remeasurements recognized in other comprehensive income amount to 387 (-678) and 22 (8) in profit and loss. The Group expects to pay 50 (65) in contributions to defined benefit plans in 2024.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

	2023	2022
Current service cost	99	131
Past service cost	0	-3
Gain/loss on settlements	0	0
Net interest cost	-10	8
Remeasurement of other long-term benefits	22	8
Total	**111**	**144**

The total benefit expense for defined benefit plans amounted to 111 (144), of which 121 (136) has been charged to related functions under operating expenses and -10 (8) to financial expenses. Expenses related to defined contribution plans amounted to 599 (458).

PRINCIPAL ACTUARIAL ASSUMPTIONS

Europe	2023	2022
Financial assumptions		
Discount rate	3,44%	3.85%
Salary increases	3,09%	3.06%
Inflation rate	1,98%	1.97%
Demographic assumptions		
Life expectancy after age 65 in years	20,7	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 available mortality studies. 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	2023	2022
Financial assumptions		
Discount rate +0.50%	-147	-128
Discount rate -0.50%	165	145
Salary increase rate +0.50%	34	29
Salary increase rate -0.50%	-32	-28
Inflation rate +0.50%	160	140
Inflation rate -0.50%	-142	-124
Demographic assumptions		
Life expectancy + 1 year	58	50
Life expectancy - 1 year	58	50

25. Share-based payments

ACCOUNTING POLICY

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.

Share value based incentive programs

Performance based employee stock option plan 2016-2022

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 2016-2022 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 2016–2022 are in all material aspects similar to the terms and conditions of the performance based employee stock option plan for 2023 in Epiroc, as described below.

Performance based employee stock option plan 2023

The Annual General Meeting of Epiroc held on May 23, 2023, resolved, based on a proposal from the Board of Directors, to introduce a performance based employee stock option plan for 2023, 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 1 467 893 Class A shares in Epiroc. The issuing of options depends on the value increase expressed as Economic Value Added of Epiroc during 2023. In an interval of SEK 850 000 000, 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, 2024. 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, 2023. A participant must still be employed in order to exercise their 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 4.5. 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 (12 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 2023 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 2021 – 2022. 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 2023 at a price equal to 75% of the market value upon which the exercise price of the shares in the 2023 employee stock option plan was based, subject to continued employment and continued ownership of the shares.

For all the programs, 2016–2023, a total maximum of 5 494 157 shares could be delivered to employees, corresponding to approximately 0.5% 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 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 2023, the fair value of the options/SARs was based on the following assumptions:

KEY ASSUMPTIONS

	2023 Program (Dec. 31, 2023)	2022 Program (Dec. 31, 2022)
Expected exercise price	SEK 222.42/151.65 [1]	SEK 208.84/142.39 [1]
Expected volatility	30%	30%
Expected options life (years)	4.45	4.41
Expected share price	SEK 202.2	SEK 189.85
Expected dividend (growth)	SEK 3.40 (6%)	SEK 3.00 (6%)
Risk free interest rate	2.19%	2.57%
Expected average grant value	SEK 31.13/53.78 [1]	SEK 38.36/62.39 [1]
Number of outstanding options	1 428 344	1 394 004
– of which forfeited [2]	-1 336 969	-6 847
Number of matching options	27 534	26 479

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.

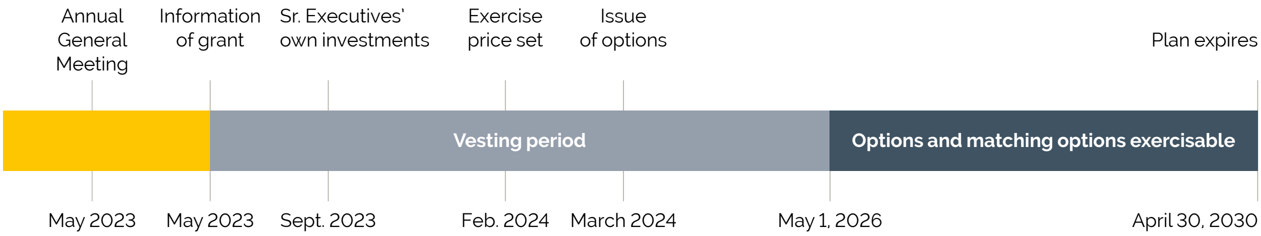
For the stock options in the 2016–2023 programs, the fair value is recognized as an expense over the following vesting periods:

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
2023	May-23	Apr-26	May-26	Apr-30

For the 2023 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 2024.

TIMELINE 2023 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 2023 for the Group for all share-based incentive programs amounted to 45 (-11) excluding social costs, of which 25 (30) 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, 2023, amounted to 78 (106). See additional information about the Group's share-based incentive program in note 5.

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	–
2022	87	1 047 348	n/a	4/30/29	226.55	A	26.36	–
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	–
2022	11	26 479	n/a	4/30/29	154.46	A	48.14	–
Share appreciation rights								
2016	12	954 761	7 881	4/30/23	74.62	A	–	127.58
2017	14	446 150	10 674	4/30/24	92.97	A	–	109.23
2018	24	555 408	6 301	4/30/25	95.39	A	–	106.81
2019	21	184 998	2 785	4/30/26	127.85	A	–	74.35
2020	27	138 965	2 101	4/30/27	179.91	A	–	22.29
2021	23	335 425	n/a	4/30/28	218.06	A	–	–
2022	33	339 809	n/a	4/30/29	226.55	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 2023

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	478 080	478 080	–	–	–	–	197.49
2017	302 230	121 012	–	181 218	181 218	4	195.94
2018	972 667	244 586	–	728 081	728 081	16	204.62
2019	656 962	94 419	–	562 543	562 543	28	201.52
2020	389 397	27 600	16 832	344 965	344 965	40	210.66
2021	1 162 297	–	70 316	1 091 981	–	52	–
2022	1 047 348	–	49 299	998 049	–	64	–
Matching options							
2017	8 038	4 567	–	3 471	3 471	4	205.60
2018	29 549	2 045	–	27 504	27 504	16	204.93
2019	32 004	246	–	31 758	31 758	28	204.93
2020	38 460	7 711	6 048	24 701	24 701	40	203.40
2021	24 101	–	3 703	20 398	–	52	–
2022	26 479	–	4 036	22 443	–	64	–
Share appreciation rights							
2016	127 718	127 718	–	–	–	–	197.66
2017	418 999	212 023	–	206 976	206 976	4	207.73
2018	274 690	52 168	–	222 522	222 522	16	206.31
2019	167 461	4 161	–	163 300	163 300	28	210.40
2020	126 564	9 668	–	116 896	116 896	40	203.20
2021	308 795	–	13 315	295 480	–	52	–
2022	339 809	–	6 847	332 962	–	64	–

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	–

26. Other liabilities

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

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

OTHER CURRENT LIABILITIES

	2023	2022
Derivatives		
– classified at fair value through profit and loss	63	200
Other financial liabilities		
– other liabilities	1 698	1 815
– accrued expenses	3 572	3 218
Advances from customers [1]	2 001	2 177
Deferred revenue service contracts [1]	617	306
Closing balance, Dec. 31	**7 951**	**7 716**

[1] In advances from customers and deferred revenue, 2 203 (1 955) 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. 1 262 (1 244) of the advances from customers and deferred revenue 2022 have been recognized as revenue during 2023.

27. 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.

2023	Product warranty	Restruc-turing	Other	Total
Opening balance, Jan. 1	**224**	**131**	**579**	**934**
Additions	227	159	212	598
Utilization	-131	-90	-205	-426
Reversal of excess amounts	-40	-8	-57	-105
Discounting effect	–	–	3	3
Acquisition of business	6	–	32	38
Translation differences	-13	-10	-12	-35
Closing balance, Dec. 31	**273**	**182**	**552**	**1 007**
Non-current	17	155	321	493
Current	256	27	231	514
Total	**273**	**182**	**552**	**1 007**

2023, Maturity	Product warranty	Restruc-turing	Other	Total
Less than one year	256	27	231	514
Between one and five years	17	154	257	428
More than five years	–	1	64	65
Total	**273**	**182**	**552**	**1 007**

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. 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.

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.

Other provisions consist primarily of amounts related to share-based payments including social fees and other long-term employee benefits, see note 25.

2022	Product warranty	Restruc-turing	Other	Total
Opening balance, Jan. 1	**192**	**27**	**524**	**743**
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**

28. Pledged assets and contingent liabilities

A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to the fact that it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable calculation of the amount cannot be made. Epiroc had 194 (175) 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 289 (360).

29. Financial risk management

ACCOUNTING POLICY

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.

Recognition and derecognition
Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay. Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or matured, or when the Group has transferred risks and rewards and no longer has control over it.

Classification and measurement
Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

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

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

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

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method. Financial assets in this category include investments and account receivables, other receivables and cash and cash equivalents. The assets are subject to a loss allowance for expected credit losses.

FVOCI are assets as derivative instruments to which hedge accounting is applied. 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.

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 cost.

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

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. 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.

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.

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 as operational result. 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.
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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

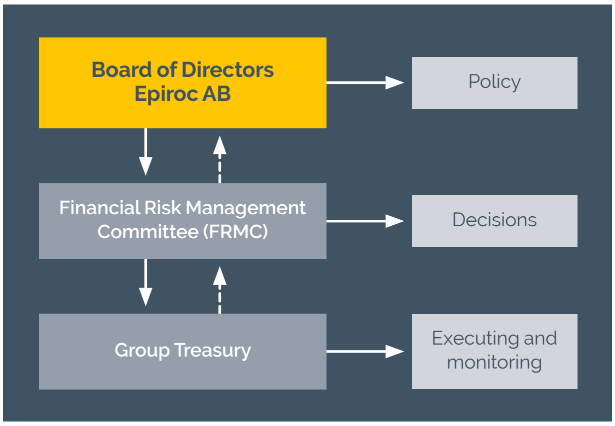
Accounting judgment
Management's judgment considers rapidly changing market conditions which may be particularly sensitive in customer financing operations. An overall control is performed to ensure that an adequate loss allowance is recognized.

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
Net debt is defined by the Group as interest-bearing liabilities and post-employment benefits, less cash and cash equivalents and certain other financial receivables. The position for December 31 was:

NET DEBT

	2023	2022
Interest-bearing liabilities	13 975	10 876
Post-employment benefits	251	149
Cash and cash equivalents	-6 401	-7 326
Certain other financial receivables	-1	-8
Net debt	**7 824**	**3 691**
Total equity	**37 210**	**33 508**
Net debt/equity ratio %	21.0	11.0

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 (3 000). According to the policy the Group should maintain a minimum of committed credit facilities (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 1 148 maturing within the next 12 months. As back-up facilities, the Group has an 4 000 revolving credit facility (unutilized) and a 2 000 commercial paper program, where-of 1 031 is utilized at year-end.

As of December 31, the Group's total interest-bearing liabilities amounted to 13 975 (10 876). The average time to maturity of the Group's external debt was 3.4 years (3.3) at year-end. Cash and cash equivalents for the Group total 6 401 (7 326). 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 2024.

FINANCIAL LIABILITIES - FUTURE UNDISCOUNTED CASH FLOWS

2023	2024	2025	2026	2027	2028	>2028
Liabilities to credit institutions	423	455	2 408	3 337	4 640	524
Lease liabilities	–	474	381	316	223	608
Derivatives	-	3	2	–	–	–
Other liabilities	–	49	–	–	–	–
Non-current financial liabilities	**423**	**981**	**2 791**	**3 653**	**4 863**	**1 132**
Liabilities to credit institutions	1 149	–	–	–	–	–
Lease liabilities	583	–	–	–	–	–
Derivatives	63	–	–	–	–	–
Other accrued expenses	3 572	–	–	–	–	–
Trade payables	5 902	–	–	–	–	–
Other liabilities	1 698	–	–	–	–	–
Current financial liabilities	**12 967**	–	–	–	–	–
Total financial liabilities	**13 390**	**981**	**2 791**	**3 653**	**4 863**	**1 132**

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**

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 6 000 (5 174). 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 (18) months and the average interest rate of the Parent Company's borrowings was 4.29% (2.96).

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 -60 (-52) and a similar downwards shift would impact the Group's net interest by approximately +60 (+52).

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

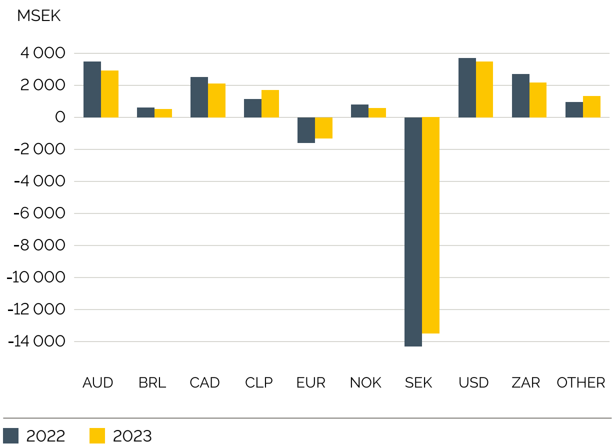
Transaction exposure primarily arises when the Group's products are sold in other countries and in other currencies. Sales in each respective market primarily take place in local currency. These payment flows create currency exposures that affect the Group's earnings in the event of exchange rate fluctuations.

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 16 602 (15 206). With sales in many countries, Epiroc is exposed to a large net inflow of foreign currencies against the SEK and the EUR where Epiroc has the main cost.

The Group has continued to manage transaction exposures primarily by matching inflows and outflows in the same currencies. A part, approximately 20%, of the transaction exposure in USD has been hedged with FX forward contracts up to one year, following a decision by the FRMC. Hedge accounting is applied, and the hedge relationship has been highly effective, and no hedge ineffectiveness has occurred. The total market value for the hedges amounted to 46 (54) at year-end of which a total of 29 (36) has been reported in the hedge reserve in OCI, after tax. The realized result from the hedges is reported as Other operating income and expenses. The hedges are defined as cash flow hedges and at year-end a net nominal sales amount of MUSD 45 (157) was hedged. None of the hedges have maturity beyond 12 months.

ESTIMATED OPERATIONAL TRANSACTION EXPOSURE IN THE GROUP'S MOST IMPORTANT CURRENCIES, 2023 AND 2022



The table below shows the effect on pretax earnings that one-sided fluctuations in each currency may have.

TRANSACTION EXPOSURE SENSITIVITY

	2023	2022
AUD Currency rate +/–1%	35	29
CAD Currency rate +/–1%	25	21
USD Currency rate +/–1%	37	35
SEK Currency rate +/–1%	143	135
ZAR Currency rate +/–1%	27	22

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.

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.

Policy
The group is directly and indirectly exposed to raw material price fluctuations. Cost increase 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.

Comments for the year
The electricity price risk is measured by the divisions as part of cost of sales. Part of the electricity price risk in the Swedish production facilities are hedged up to five years in the future, managed through a discretionary management mandate. The volume of electricity consumption hedged was 108 GWh (118) at year-end, with a market value for the electricity derivatives of 1 (73). Hedge accounting is applied, where the projected electricity consumption is hedged with a maximum level of 100 per cent of the coming year's consumption with a falling straight-line basis to 0 per cent in year 5. The outstanding electricity derivatives had an average maturity of 12 (12) months. To ensure that the hedge is effective, an evaluation is made periodically to determine that the hedge volume per quarter does not exceed the projected volume. Value changes that exceed the projected volume are recognized in profit or loss. Ineffectiveness affecting net income for the year amounted to 0 (0).

EFFECT ON FINANCIAL STATEMENT - HEDGING INSTRUMENTS

			Fair value 2023		Fair value 2022		
Cash flow hedges	Nominal amount	Average FX rate/GWh	Assets	Liabilities	Assets	Liabilities	In the balance sheet
Electricity derivatives							
Maturity up to 1 year	54 GWh	0.527	4	5	44	1	Financial assets and other liabilities
Maturity 1 to 3 years	54 GWh	0.505	5	3	30	-	Other financial assets and other liabilities
Electricity derivatives, total			**9**	**8**	**74**	**1**	
Currency derivatives							
Maturity up to 1 year	- 45 USD	10.96	46	–	54	–	Financial assets
Currency derivatives, total			**46**	–	**54**	–	

Hedge reserve
The hedge reserve amounted to 30 (94), of which the unrealized value change of currency derivatives was 29 (36) and for electricity derivatives was 1 (58), including the tax effect. Amount reclassified to profit and loss for currency derivatives was -57 (36) and for electricity derivatives -7 (58), after tax.

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 +/- 39 (29).

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, 2023.

CREDIT RISK

	2023	2022
Loans and receivables		
– trade receivables	10 455	9 581
– finance lease receivables	787	603
– other financial receivables	1 798	1 587
– other receivables	1 914	1 767
– accrued income	445	158
– cash and cash equivalents	6 401	7 326
Derivatives	516	326
Total	**22 316**	**21 348**

TRADE RECEIVABLES

	2023		2022	
Gross value	Gross	Impaired	Gross	Impaired
Not past due	7 197	8	6 285	9
Past due				
0-30 days	1 802	1	1 908	0
31-60 days	681	3	723	0
61-90 days	265	2	267	4
More than 90 days	1 086	562	1 171	760
Total	**11 031**	**576**	**10 354**	**773**

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 2023, trade receivables of 10 455 (9 581) were reported, net of impairment amounting to 576 (773). The expected credit loss amounted to 5.2% (7.5) 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, 2023, the credit portfolio of customer financial operations totaled 2 414 (2 009), consisting of 16 (26) reported as trade receivables, 780 (571) reported as finance lease receivables, and 1 607 (1 377) reported as other financial receivables. In addition, Epiroc Financial Solutions also has non-cancelable operating lease contracts of 245 (378). 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% (6) of the total outstanding receivables. 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 of the currency derivatives 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 2023, the measured credit risk on currency derivatives, taking into account the mark-to-market value and collateral, amounted to 47 (2). The table below presents the reported value of the Group´s derivatives.

OUTSTANDING DERIVATIVE INSTRUMENTS, FAIR VALUE

	2023	2022
Currency derivatives		
Assets	507	252
Liabilities	60	200
Electricity derivatives		
Assets	9	71
Liabilities	8	4

No financial assets or liabilities are offset in the balance sheet. Currency derivative instruments are subject to master netting agreements and the fair value of derivatives that are not offset in the balance sheet are 507 (252) for assets and 60 (200) for liabilities. The following table shows derivatives covered by master netting agreements.

OUTSTANDING NET POSITION FOR DERIVATIVE INSTRUMENTS

2023	Gross	Offset in Balance sheet	Net in Balance sheet	Master netting agreement	CSA	Net position
Assets						
Derivatives [1]	507		507	-507	0	–
Liabilities						
Derivatives [1]	60		60	-507	409	38

[1] Table excludes electricity derivatives.

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 2022, 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

		2023		2022	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through profit and loss					
whereof derivatives	2	461	461	198	198
Financial assets at fair value through OCI [1]					
whereof derivatives	2	55	55	128	128
Financial assets at amortized cost					
whereof trade receivables	2	10 455	10 455	9 581	9 581
whereof cash and cash equivalents	2	6 401	6 401	7 326	7 326
whereof other financial assets	2	2 585	2 585	2 192	2 192
Total financial assets		**19 957**	**19 957**	**19 425**	**19 425**
Financial liabilities at fair value through profit and loss					
whereof derivatives	2	63	63	200	200
whereof earn-out [2]	3	176	176	556	556
Financial liabilities at fair value through OCI [1]					
whereof derivatives	2	5	5	1	1
Financial liabilities at amortized cost					
whereof bonds	1	5 992	6 123	5 125	5 010
whereof other loans	2	7 983	8 151	5 751	5 839
whereof trade payables	2	5 902	5 902	6 375	6 375
whereof other financial liabilities	2	5 094	5 094	4 477	4 477
Total financial liabilities		**25 215**	**25 514**	**22 485**	**22 458**

[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	2023	2022	2023	2022
Australia	1	AUD	6.82	7.09	7.02	6.99
Canada	1	CAD	7.54	7.71	7.83	7.72
Chile	1 000	CLP	11.28	12.18	12.57	11.56
EU	1	EUR	11.05	11.14	11.44	10.63
Norway	1	NOK	0.98	1.06	1.01	1.05
South Africa	1	ZAR	0.54	0.62	0.58	0.62
USA	1	USD	9.98	10.45	10.57	10.07

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 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. 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 158 (119) 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
The Group sold various products and purchased goods through certain associated companies on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related-party transactions with its associates.

	2023	2022
Revenues	2	5
Goods purchased	-25	-17
Services purchased	0	-1
At Dec. 31:		
Trade receivables	2	5
Trade payables	0	5

31. Events after the reporting period

Per December 31, 2023, the following acquisitions were announced but not yet completed:

Announced acquisitions	Segment	Revenue	Employees
STANLEY Infrastructure	TLS	4 700	1 380
Weco Proprietary Limited	E&S	90	80

STANLEY Infrastructure designs, manufactures, and sells attachments, typically used on excavators, and handheld hydraulic and battery-powered tools for applications in infrastructure, construction, scrap recycling, deconstruction, and railroad infrastructure. The acquisition was announced on December 15, and is expected to be completed in the first quarter 2024. The purchase price amounts to BSEK 7.8 and is mainly allocated to intangible assets and goodwill.

Weco Proprietary Limited manufactures precision-engineered rock drilling parts and provides related repairs and services in the Southern African region. The acquisition was announced on December 12, and is expected to be completed in the second quarter 2024.

All acquisitions above will be made through the purchase of 100% of shares and voting rights.

February 21, 2024, Epiroc issued a bond amounting to MEUR 500 (SEK 5.6 billion). The tenor is 7 years and the coupon for the bond is 3.625%. The final bond price was determined as EUR mid swaps + 0.98 percentage points. The bond is issued under Epiroc's Euro Medium Term Note Program and will be listed on Euronext Dublin.

Parent Company financial information

Income statement

January - December, MSEK	Note	2023	2022
Administrative expenses	A2	-294	-231
Marketing expenses		-30	-32
Other operating income	A3	158	125
Other operating expenses	A3	-14	-13
Operating profit		**-180**	**-151**
Financial income	A4	371	130
Financial expenses	A4	-453	-159
Profit after financial items		**-262**	**-180**
Appropriations	A5	5 847	6 638
Profit before tax		**5 585**	**6 458**
Income tax	A6	-1 141	-1 320
Profit for the year		**4 444**	**5 138**

Statement of comprehensive income

January - December, MSEK	Note	2023	2022
Profit for the year		4 444	5 138
Total comprehensive income for the year		**4 444**	**5 138**

Balance sheet

MSEK	Note	Dec. 31, 2023	Dec. 31, 2022
Assets			
Non-current assets			
Intangible assets		0	1
Tangible assets		5	5
Shares in Group companies	A8, A18	46 261	46 215
Other financial assets	A9	10 040	7 033
Deferred tax assets	A7	28	27
Total non-current assets		**56 334**	**53 281**
Current assets			
Income tax receivable		229	-
Other receivables	A10	4 784	4 748
Cash and cash equivalents	A16	0	0
Total current assets		**5 013**	**4 748**
Total assets		**61 347**	**58 029**
Equity and liabilities			
Equity	A11		
Share capital		500	500
Legal reserve		3	3
Total restricted equity		**503**	**503**
Retained earnings		44 981	43 747
Profit for the year		4 444	5 138
Total non-restricted equity		**49 425**	**48 885**
Total equity		**49 928**	**49 388**
Provisions			
Post-employment benefits	A12	58	46
Other provisions	A13	146	167
Total provisions		**204**	**213**
Liabilities			
Non-current liabilities			
Borrowings	A14	9 982	6 990
Total non-current liabilities		**9 982**	**6 990**
Current liabilities			
Borrowings	A14	1 031	1 133
Tax liabilities		-	175
Other liabilities	A15	202	130
Total current liabilities		**1 233**	**1 438**
Total equity and liabilities		**61 347**	**58 029**

Statement of changes in equity

2023, MSEK	Number of shares outstanding	Share capital	Legal reserve	Retained earnings	Total Equity
Opening balance, Jan. 1	1 205 570 326	500	3	48 885	49 388
Total comprehensive income for the year	–	–	–	4 444	4 444
Dividend	–	–	–	-4 103	-4 103
Acquisition of series A shares	–	–	–	–	–
Divestment of series A shares	1 400 362	–	–	279	279
Share-based payment, equity-settled					
- expense during the year	–	–	–	25	25
- exercise option	–	–	–	-106	-106
Closing balance, Dec. 31	**1 206 970 688**	**500**	**3**	**49 425**	**49 928**

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**

See note A11 for additional information.

Statement of cash flows

January - December, MSEK	Note	2023	2022
Cash flow from operating activities			
Operating profit		-180	-151
Adjustments for:			
Depreciation, amortization and impairment		1	1
Capital gain/loss and other non-cash items		-142	-82
Operating cash flow surplus/deficit		**-321**	**-232**
Net financial items received/paid		-87	-29
Group contributions received		6 638	4 837
Taxes paid		-1 547	-1 323
Cash flow before change in working capital		**4 683**	**3 253**
Change in:			
Operating receivables		-1 946	455
Operating liabilities		58	26
Change in working capital		**-1 888**	**481**
Net cash flow from operating activities		**2 795**	**3 734**
Cash flow from investing activities			
Acquisition of subsidiaries		–	0
Proceeds to/from other financial assets, net		-1 866	-1 134
Net cash flow from investing activities		**-1 866**	**-1 134**
Cash flow from financing activities			
Dividend		-4 103	-3 619
Repurchase of own shares		–	-232
Divestment of own shares		279	116
Borrowings		7 143	1 997
Repayment of borrowings		-4 248	-862
Net cash flow from financing activities		**-929**	**-2 600**
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. 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 25 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, personnel expenses and remunerations to auditors

AVERAGE NUMBER OF EMPLOYEES

	2023			2022		
	Women	Men	Total	Women	Men	Total
Sweden	30	20	50	25	21	46

WOMEN ON EPIROC BOARD OF DIRECTORS AND GROUP MANAGEMENT, %

	Dec. 31, 2023	Dec. 31, 2022
Board of Directors excl. union representatives	56	50
Group Management	15	25

REMUNERATION AND OTHER BENEFITS

	2023		2022	
	Board members and Group Management[1]	Other employees	Board members and Group Management[1]	Other employees
Sweden	53	39	54	36
of which variable compensation[1]	*11*	–	*11*	–

[1] Includes 8 (9) 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

	2023	2022
Contractual pension benefits for Board Members and Group Management	8	9
Contractual pension benefits for other employees	12	10
Other social costs	35	16
Total	**55**	**35**

REMUNERATIONS TO AUDITORS

	2023	2022
Ernst & Young		
Audit fees	9	7
Other services	5	1
Total	**14**	**8**

Audit fees refer to audit of the financial statements and accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

Audit activities other than the audit assignment refer, for example, to comfort letters and the limited assurance report on Epiroc´s Sustainability report.

Other services essentially comprise consultancy services and tax advice. At the Annual General Meeting 2023, Ernst & Young was elected as auditor for the Group until the Annual General Meeting 2024.

A3. Other operating income and expenses

OTHER OPERATING INCOME

	2023	2022
Management fees[1]	158	119
Foreign exchange gains	–	6
Other operating income	–	0
Total	**158**	**125**

OTHER OPERATING EXPENSES

	2023	2022
Management fees[2]	-11	-13
Foreign exchange losses	-3	–
Other operating expenses	0	0
Total	**-14**	**-13**

[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

	2023	2022
Assets measured at amortized cost		
Interest income		
– cash and cash equivalents	0	0
– receivables from Group companies	368	115
– other	–	15
Interest income at effective interest method	**368**	**130**
Net foreign exchange gain	3	0
Financial income	**371**	**130**
Liabilities measured at amortized cost		
Interest expenses		
– borrowings	-423	-134
– liabilities to Group companies	-30	-25
Interest expenses at effective interest method	**-453**	**-159**
Financial expenses	**-453**	**-159**
Financial expenses, net	**-82**	**-29**

A5. Appropriations

	2023	2022
Group contributions paid	-15	-1
Group contributions received	5 862	6 639
Total	**5 847**	**6 638**

A6. Income tax

	2023	2022
Current tax	-1 142	-1 318
Deferred tax	1	-2
Total	**-1 141**	**-1 320**

	2023	2022
Profit before tax	5 585	6 458
The Swedish corporate tax rate, %	20.6	20.6
National tax based on profit before taxes	-1 150	-1 330
Tax effect of:		
Non-deductible expenses	-4	-1
Tax-exempt income	13	11
Adjustments from prior years	0	0
Total	**-1 141**	**-1 320**
Effective tax in %	20.4	20.4

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

	2023			2022		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	10	–	10	10	–	10
Other provisions	18	–	18	17	–	17
Net deferred tax assets/liabilities	**28**	–	**28**	**27**	**–**	**27**

	2023	2022
Net balance, Jan. 1	27	29
Charges to profit for the year	1	-2
Net balance, Dec. 31	**28**	**27**

A8. Shares in Group companies

	2023	2022
Accumulated cost		
Opening balance, Jan. 1	46 215	46 255
Investments	–	0
Shareholder contributions	46	-40
Closing balance, Dec. 31	**46 261**	**46 215**

For further information about Group companies, see note A18 and A19.

A9. Other financial assets

	2023	2022
Receivables from Group companies	10 000	7 000
Endowment insurance	40	33
Closing balance, Dec. 31	**10 040**	**7 033**

Endowment insurance relates to defined contribution pension plans and is pledged to the pension beneficiary (see notes A12 and A17).

A10. Other receivables

	2023	2022
Receivables from Group companies	4 749	4 709
Other receivables	0	2
Prepaid expenses and accrued income	35	37
Closing balance, Dec. 31	**4 784**	**4 748**

A11. Equity

For information on share transactions, mandates approved by the Annual General Meeting and proposed dividend for 2023, 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

	2023			2022		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	33	13	46	27	8	35
Provision made	7	5	12	6	5	11
Provision used	0	–	0	0	–	0
Closing balance, Dec. 31	**40**	**18**	**58**	**33**	**13**	**46**

The Parent Company has endowment insurance of 40 (33) 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.

	2023			2022		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	–	18	18	–	13	13
Fair value of plan assets	–	–	–	–	–	–
Present value of net obligations	**–**	**18**	**18**	**–**	**13**	**13**
Not recognized surplus	–	–	–	–	–	–
Net amount recognized in balance sheet	–	**18**	**18**	**–**	**13**	**13**

RECONCILIATIONS OF DEFINED BENEFIT OBLIGATIONS

	2023			2022		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	–	13	13	–	8	8
Service cost	–	5	5	–	5	5
Defined benefit obligations at Dec. 31	–	**18**	**18**	**–**	**13**	**13**

PENSION COMMITMENTS PROVIDED FOR IN THE BALANCE SHEET

	2023	2022
Costs excluding interest	5	5
Total	**5**	**5**
Pension commitments provided for through insurance contracts		
Service cost	7	6
Total	**7**	**6**
Net cost for pensions, excluding taxes	**12**	**11**
Special employer's contribution	5	4
Total	**17**	**15**

A13. Other provisions

	2023	2022
Opening balance, Jan. 1	167	286
During the year		
– provisions made	42	-66
– provisions used	-63	-53
Closing balance, Dec. 31	**146**	**167**

Other provisions primarily include provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A14. Borrowings

			2023		2022	
	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
Medium Term Note Program MSEK 750, Floating	2023	76	–	–	674	679
Medium Term Note Program MSEK 1 000, Fixed	2026		998	951	997	900
Medium Term Note Program MSEK 1 000, Floating	2026		999	1 010	999	995
Medium Term Note Program MSEK 1 500, Fixed	2027		1 498	1 560	1 497	1 488
Medium Term Note Program MSEK 500, Floating	2027		499	508	499	498
Medium Term Note Program MSEK 1 500, Fixed	2028		999	1 054	–	–
Medium Term Note Program MSEK 500, Floating	2028		499	508	–	–
Medium Term Note Program MSEK 500, Fixed	2029		500	532	–	–
Bilateral borrowings MSEK 1 000, Floating	2027		999	1 057	999	1 055
Bilateral borrowings MSEK 2 000, Floating	2028		1 994	2 058	1 999	2 031
Bilateral borrowings MSEK 1 000, Floating	2028		997	1 043	–	–
Less current portion of long-term borrowings			–	–	-1 133	-1 129
Total non-current borrowings			**9 982**	**10 281**	**6 990**	**6 967**
Current						
Current portion of long-term borrowings			–	–	1 133	1 129
Commercial papers			1 031	1 031	–	–
Total current borrowings			**1 031**	**1 031**	**1 133**	**1 129**
Closing balance, Dec. 31			**11 013**	**11 312**	**8 123**	**8 096**
Of which external borrowings			**11 013**	**11 312**	**8 123**	**8 096**

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

	2023	2022
Accounts payable	20	17
Liabilities to Group companies	20	17
Other financial liabilities	20	13
Accrued expenses and prepaid income	142	83
Closing balance, Dec. 31	**202**	**130**

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

A16. Financial risk management

FINANCIAL CREDIT RISK

	2023	2022
Cash and cash equivalents	0	0
Receivables from Group companies, current	4 749	4 709
Receivables from Group companies, non-current	10 000	7 000
Total	**14 749**	**11 709**

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 2023 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

	2023	2022
Pledged assets for pension commitments		
Endowment insurance	40	33
Total pledged assets for pension commitments	**40**	**33**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	0	0
– for Group companies	1 571	1 303
Total contingent liabilities	**1 571**	**1 303**
Total	**1 611**	**1 336**

Sureties and other contingent liabilities include commercial and financial bank guarantees and parent company guarantees.

A18. Directly owned subsidiaries

	2023			2022		
	Number of shares	Percent held (%)	Carrying value	Number of shares	Percent held (%)	Carrying value
Epiroc Rock Drills AB, 556077-9018, Örebro	1 026 897	100	46 256	1 026 897	100	46 210
Certus Insurance Inc, 371238, Burlington, VT	100 000	100	5	100 000	100	5
Epiroc Mining India Ltd, U29309PN2017PLC171542, Pune	1	0	0	1	0	0
Carrying amount, Dec. 31			**46 261**			**46 215**

A19. Related parties

Relationships
The Parent Company has related party relationships with its largest shareholders, its subsidiaries, its associates 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 82-85.

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:

	2023	2022
Revenues		
Group contribution	5 862	6 639
Interest income	368	115
Expenses		
Group contribution	-15	-1
Interest expenses	-30	-25
Receivables		
Receivables, current	4 749	4 709
Receivables, non-current	10 000	7 000
Liabilities	**20**	**17**
Guarantees	**1 571**	**1 303**

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, VIC
	Active Core Technology Pty Ltd	Murarrie, QLD
	Beyond Voice Radio Pty Ltd	East Victoria Park, WA
	CorePhoto Pty Ltd	Ascot, WA
	Corescan Pty Ltd	Ascot, WA
	Coreshed Pty Ltd	Ascot, WA
	CQMS Casting Pty Ltd	Murarrie, QLD
	CQMS Finance Pty Ltd	Murarrie, QLD
	CQMS Group Holdings 1 Pty Ltd	Murarrie, QLD
	CQMS Group Holdings Pty Ltd	Murarrie, QLD
	CQMS Holdings Pty Ltd	Murarrie, QLD
	CQMS Pty Ltd	Murarrie, QLD
	CQMS Razer Pty Ltd	Murarrie, QLD
	CR Australia Holding Pty Ltd	Murarrie, QLD
	CR Finco Pty Ltd	Murarrie, QLD
	Epiroc Australia Pty Ltd	Perth Airport, WA
	Epiroc Financial Solutions Australia Pty Ltd	Perth Airport, WA
	Epiroc South Pacific Holdings Pty Ltd	Blacktown
	Gen Z Energy Pty Ltd	East Victoria Park, WA
	GeoLease Pty Ltd	Ascot, WA
	Geoscan Pty Ltd	Ascot, WA
	GET Trakka Pty Ltd	Balcatta, WA
	Go 4 Mining Pty Ltd	Murarrie, QLD
	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
	Lake Myall Pty Ltd	Murarrie, QLD
	LC Engineering Pty Ltd	Murarrie, QLD
	MineRP Australia Pty Ltd	Perth Airport, WA
	MineRP Holdings (Australia) Pty Ltd	Perth Airport, WA
	ProReman Pty Ltd	Wacol, QLD
	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
	Razer Industries Pty Ltd	Murarrie, QLD
	Remote Control Technologies Pty Ltd	Kewdale, WA
	Vanyacht Pty Ltd	Murarrie, QLD

A19. Related parties, cont.

Country	Company	Location (City)
Austria	Epiroc Österreich GmbH	Vienna
Bolivia	Epiroc Bolivia Equipos y Servicios S.A.	La Paz
Bosnia and Herzegovina	Epiroc B-H d.o.o.	Sarajevo
Botswana	Epiroc Botswana (Pty) Ltd	Gaborone
Brazil	Epiroc Brasil Comercializacao De Produtos E Servicos Para Mineracao E Construcao Ltda	Sao Paulo
Bulgaria	Epiroc Bulgaria EOOD	Sofia
Burkina Faso	Epiroc Burkina Faso SARL	Ouagadougou
Canada	Corescan Ltd	Vancouver, BC
	CQMS Razer Canada Pty Ltd	Vancouver, BC
	Epiroc Canada Holding Inc.	Toronto, ON
	Epiroc Canada Inc.	Toronto, ON
	Epiroc FVT Inc.	Toronto, ON
	Evtech Solutions Ltd	Calgary, AB
	Fordia Group Inc.	Montreal, QC
	Les Controles D`Avant-Garde S.C.C	Laval, QC
	Meglab Construction Inc.	Ange Gardien, QC
	Meglab Electronique Inc.	Val D`Or, QC
	RCT Technologies Inc.	Sudbury, ON
Chile	Corescan SpA	Santiago
	CQMS Razer (Chile) S.A.	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	CQMS Razer (Hong Kong) Mining Equipment Co Ltd	Hong Kong
	Dongying CQMS Razer Mining Equipment Co. Ltd	Dongying
	Epiroc (Nanjing) Construction and Mining Equipment Co., Ltd	Nanjing
	Epiroc (Shenyang) Trading Co., Ltd	Shenyang
	Epiroc (Zhangjiakou) Construction & Mining Equipment Co., Ltd	Zhangjiakou
	Epiroc Trading Co., Ltd	Nanjing
	Fordia (Changzhou) Mining Equipment Co., Ltd	Changzhou
	GIA (Shanghai) Mining Equipment Co., Ltd	Shanghai
Colombia	Epiroc Colombia S.A.S	Bogota
	Fordia Colombia S.A.S	La Estrella
Croatia	Epiroc Croatia d.o.o.	Zagreb
Czech Republic	Epiroc Czech Republic s.r.o.	Prague
Democratic Republic of the Congo	Epiroc DRC SARL	Lubumbashi
Dominican Republic	Epiroc Republica Dominicana, S. A. S	Santo Domingo
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
	Epiroc Deutschland GmbH [1)]	Essen
Ghana	Epiroc Equipment Ghana Ltd	Accra
Greece	Epiroc Hellas S.A.	Athens
Hong Kong	Epiroc Hong Kong Ltd	Hongkong
India	Epiroc Mining India Private 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
Kyrgyzstan	Epiroc Kyrgyzstan LLC	Bishkek
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	Aard Mining Equipment (Pty) Ltd	Krugersdorp
	Central Queensland Mining Supplies (Africa) Proprietary Ltd	Germinston
	CHT Beleggings (Pty) Ltd	Aeroton
	Elytica (Pty) Ltd	Potchefstroom
	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
	Mernok Elektronik (Pty) Ltd	Centurion
	MineRP South Africa (Pty) Ltd	Centurion
	New Concept Mining (Pty) Ltd	Aeroton
	Nicaud Companies 22 (Pty) Ltd	Aeroton
	Polkadots Properties 117 (Pty) Ltd	Krugersdorp
	Retfin 211 (Pty) Ltd	Aeroton
South Korea	D and A Heavy Industries Co.,Ltd	Seoul
	Epiroc Korea Co., Ltd	Seongnam
Spain	Epiroc Minería e Ingenieria Civil España, S.L	Coslada
Sweden	Construction Tools PC AB	Kalmar
	Epiroc Drilling Tools AB	Fagersta
	Epiroc Financial Solutions AB	Nacka
	Epiroc Gällersta Gryt 4:9 HB	Orebro
	Epiroc Mining Intelligence AB	Luleå
	Epiroc Rock Drills AB	Orebro
	Epiroc Sweden AB	Norsborg
	Epiroc Treasury AB	Nacka
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
	CR UK Holding Ltd	London
	Epiroc UK and Ireland Ltd	Hemel Hempstead
USA	Certus Insurance Inc.	Burlington, VT
	Corescan Inc.	Chapel Hill, NC
	CR Americas Inc.	Portland, OR
	CR Mining Equipment (USA) LLC	Portland, OR
	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
	RCT Global Inc.	Midvale, UT
	SensIR Inc.	Chapel Hill, NC
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

February 21, 2024, Epiroc issued a bond amounting to MEUR 500 (SEK 5.6 billion). The tenor is 7 years and the coupon for the bond is 3.625%. The final bond price was determined as EUR mid swaps + 0.98 percentage points. The bond is issued under Epiroc's Euro Medium Term Note Program and will be listed on Euronext Dublin.

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 7, 2024

Ronnie Leten
Chair of Board

Helena Hedblom
Board member
President and CEO

Johan Forssell
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 7, 2024

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 76-93 for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 62-151 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Reporting Standards), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 76-93. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. 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 on a sample basis 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 18,747 MSEK (16,945 MSEK) as of December 31, 2023, which corresponds to 28 percent (27 percent) of the group's total assets. The inventory consists of goods and spare parts. Valuation of inventory is subject to management's estimates for determining its cost and its net realizable value. In note 17 the group's inventory valuation policy and critical accounting estimates and judgments relating to inventory valuation are described. Based on the above, we have assessed the valuation of inventory as a key audit matter in our audit.	In our audit, we have evaluated the group's processes for valuation of inventory and reviewed the group's accounting manual. We have also 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 and provisions for inventory obsolescence. We have also assessed the appropriateness of the disclosures provided in the annual report.

Valuation of Goodwill

Description	*How our audit addressed this key audit matter*
As at December 31, 2023, the carrying value of goodwill amounts to 10,222 MSEK (8,275 MSEK), which corresponds to 15 percent (13 percent) of the group´s total assets. Goodwill is allocated to the group's different cash generating units. Goodwill is tested for impairment at least annually or whenever there are indicators of impairment. The test is carried out by comparing the recoverable amount to the carrying value. To calculate the recoverable amount management applies significant judgment and estimates regarding future cash flows, perpetual growth rate and discount rates. The impairment tests for 2023 did not result in any impairment. Disclosures related to the group's accounting principles, significant accounting estimates and judgements as well as disclosures related the impairment tests performed are provided in note 13. Based on carrying value of the goodwill and the high degree of estimates required to perform the impairment tests, we have assessed the valuation of goodwill as a key audit matter in our audit.	In our audit, we have evaluated the group's process for conducting impairment tests. Based on established criteria, we have examined how the group identifies cash-generating units. With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared them to historical outcomes. Finally, we have 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 1-75 and 156-175. The remuneration report for 2023 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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 2023 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 2023.

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 ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 76-93 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 23rd of May 2023 and has been the company's auditor since the 25th of April 2022.

Stockholm, March 7, 2024
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Notes on sustainability performance

Notes overview*

For a full view of our sustainability performance, see pages 172-173.

* Additional information can be found on pages 42-61.

1. Our approach to reporting

This is Epiroc's sixth 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 2023. 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 and Sustainability Report 2023 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 other stakeholders with a comprehensive and easily accessible overview of Epiroc's most important activities. The report covers Epiroc's operations for the 2023 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 2023, the number of subsidiaries was 180 (161), as well as 4 (4) 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.

The report comprises pages 42-61 and 156-173. 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, according to the Task Force on Climate-related Financial Disclosures (TCFD). Relevant information can be found on pages 166-167 and in our Sustainability Reporting Standards Disclosure 2023, www.epirocgroup.com/en/sustainability/annual-and-sustainability-reports.

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
One significant change from the previous reporting period is the extended reporting of eligibility for the four remaining environmental objectives part of the EU Taxonomy reporting (Transition to a circular economy, Sustainable use and protection of water and marine resources, Pollution prevention and control and Protection and restoration of biodiversity and ecosystems). See pages 161-165.

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 deconstruction 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 2023 has been reviewed and approved by Epiroc's Group Management and the Epiroc Board of Directors. The sustainability information in the Annual and Sustainability Report 2023 has been subject to limited assurance by Ernst & Young, excluding section 6 related to EU Taxonomy, see the auditors' report on page 171.

Data collection, calculation and reporting
The Sustainability Report and Corporate Governance Reports are parts of the Annual and Sustainability Report 2023. Quantified information 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 corrected retroactively if errors identified are considered significant.

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, cover data from all production units, distribution centers and the 22 largest emitting customer centers. Supplier data covers production units and distribution centers. Responsibility for reporting supplier data rests with the sourcing manager of each company. Indirect sales channels data covers customer centers. Responsibility for reporting indirect sales channels data rests with the marketing 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 2018. 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.

In 2020, we developed and launched our long-term sustainability goals for 2030 and an update of our materiality assessment 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 158) 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/Sustainability, Finance, Human Resources (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 business in the parts of the value chain where they have been identified to be most material. 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 of Directors reviewed and approved the reported information, including material topics.

In 2022, we introduced the double materiality approach in our materiality process. The goal was not to find new material topics, but to start getting familiar with these new perspectives and start using the materiality assessment as a more continuous tool.

The double materiality assessment 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).

In 2023, as a response to upcoming CSRD-regulation, a double materiality assessment according to CSRD-requirements was performed. To find material topics, we investigated negative and positive impacts, financial risks and opportunities based on the activities and dependencies in our value chain. During 2024, we will continue working with CSRD based on the result of the materiality assessment. More about this process and the result of material topics will be disclosed next year.

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 are 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, operational 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 provides 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 and will be launched in 2024.

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)
- The Swedish Steel Producers' Association
- 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, 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 of Directors. Progress on 2030 sustainability goals, short-term one-year and three-year targets are reported to the Board quarterly. In 2023, a session on CSRD was held with the Board, which advanced their collective knowledge on sustainable development which was followed by several discussions in the Audit Committee on double materiality and sustainability impacts, risks and opportunities. For more information on governance, risk management and the role of the Board, see pages 76-85 and 88-93.

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 (one-year, three-year targets and our 2030 sustainability 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 one-year and three-year targets is reported to Group Management.

Our 2030 sustainability 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, roadmaps with activities, progress and way forward, are reported by Councils to Group Management and discussed in detail. At these meetings, information to further deepen the collective knowledge about sustainability topics and sustainable development is also shared with Group Management

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 and/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 Divisional 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.

The Compliance Board at Epiroc has its mission to safeguard that Epiroc's Code of Conduct (CoC) and Group policies referenced in the Code are implemented and complied to. The Board provides input on, supports implementation and follows up on the adherence to Group compliance policies. It provides input on training material as appropriate. During 2023, it consisted of the Senior Vice President General Counsel (Chair), Human Resources and SHEQ, Vice President Sustainability, Vice President Compliance, the Head of Internal Control and Assurance, and all Divisional Presidents. 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 responsible for leading occupational health and safety, and environmental practices at Group level, including to initiate and drive common Group programs, projects and activities. As part of this, the SHEQ Council proposes updates on Group policies, develops targets and key performance indicators, and implements and communicates improvements. The Council is chaired by the Head of Group Safety, Health, Environment and Quality (SHEQ), who in turn reports to the Senior Vice President Brand & Communication, Human Resources and SHEQ, a member of Group Management. However, the divisions are responsible for delivering the results.

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 Divisional Presidents are responsible for performing responsible sales assessments.

The Vice President Sustainability is responsible for coordinating and driving sustainability and corporate responsibility work at Group level, and reports to the Chief Financial Officer, a member of Group Management.

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 76-85.

Epiroc's management system

The Epiroc Way is our single most important management tool, available to all employees. It includes policies, guidelines, processes and instructions, covering legal, compliance, sustainability and corporate responsibility topics, such as: governance, management, purchasing, safety, health, environment, quality, trade compliance, taxes, anti-corruption, data privacy, anti-money laundering, anti-trust and human rights. This ensures that our entities follow legal requirements, 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.

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.

64% of the major operating units have triple certification in place by the end of the year. The same measure for each individual certification is 70% for ISO 9001, 68% for ISO 14001 and 68% 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

4. Management approach/integrating sustainability, cont.

acquisitions still within the recommended two-year compliance time framework or represent units that were recently restructured. For more information, see pages 42-61. See also the Corporate Governance Report pages 76-93.

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 of Directors with respect to risk management, see page 88. Implementation is regularly audited by internal and external audits.

For an overview, see the Corporate Governance report pages 76-93. 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 88-93.

5. Policies and guidelines

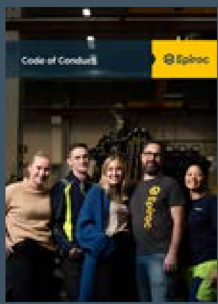
Epiroc is a signatory of:
- UN Global Compact (UNGC)

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. Mechanisms for individuals that seek advice on implementing the CoC are via our CoC internal e-learning as well as internal CoC Q&A that provides answers to the most commonly raised questions internally.

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. This year, a continued conservative approach is adopted in the disclosures.

Disclosure 2023 - 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-1 (18)	Category (enabling activity or) (19)	Category 'transitional activity)' (20)
		MSEK	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																
A.1. Environmentally sustainable activities (Taxonomy-aligned)"																			
Manufacture of other low carbon technologies	CCM 3.6	0	0.0%							Y	Y	Y	Y	N	Y	Y	0.6%	E	-
Manufacture of batteries	CCM 3.4	0	0.0%							Y	Y	Y	Y	N	Y	Y	0.1%	E	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) "		**0**	**0.0%**							**Y**	**Y**	**Y**	**Y**	**N**	**Y**	**Y**	**0.7%**		
of which Enabling		0	0.0%	0.0%						Y	Y	Y	Y	N	Y	Y	0.7%	E	
of which Transitional		0	0.0%	0.0%						Y	Y	Y	Y	N	Y	Y	0.0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	613	1.0%	EL													0.2%		
Manufacture of batteries	CCM 3.4	83	0.1%	EL													0.0%		
Provision of IT/ OT Data driven solutions	CE 4.1	1 804	3.0%				EL										-		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2 500	4.1%	1.1%													0.2%		
Total (A.1 + A.2)		2 500	4.1%	1.1%			3.0%										0.9%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)		57 843	**95.9%**
Total (A + B)		60 343	**100%**

Proportion of turnover from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2023

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	**Taxonomy eligible per objective**
Climate Change Mitigation	**0%**	**1.2%**
Climate Change Adaptation	**0%**	**0%**
Water and marine resources	**0%**	**0%**
Circular economy	**0%**	**3.0%**
Pollution	**0%**	**0%**
Biodiversity and ecosystems	**0%**	**0%**

6. EU taxonomy, cont.

Disclosure 2023 - KPI CapEx

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	**Code(s) (2)**	**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-1 (18)**	**Category (enabling activity or) (19)**	**Category '(transitional activity)' (20)"**
		MSEK	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	0	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**	**0.0%**													**0.0%**		
Of which enabling		0	0.0%	0.0%													0.0%		
Of which Transitional		0	0.0%	0.0%													0.0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	428	8.3%	EL													6.3%		
Provision of IT/OT Data driven solutions	CE 4.1	29	0.6%				EL										-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1	0.1%	EL													0.1%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1	0.0%	EL													0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	1	0.0%	EL													0,0%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1	0.0%	EL													0.3%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		461	9.0%	8.4%													6.7%		
Total (A.1 + A.2)		461	9.0%	8.4%			0.6%										6.7%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

CapEx of Taxonomy-non-eligible activities (B)		4 686	**91.0%**
Total (A + B)		5 147	**100%**

Proportion of CapEx from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2023

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	**Taxonomy eligible per objective**
Climate Change Mitigation	**0%**	**8.4%**
Climate Change Adaptation	**0%**	**0%**
Water and marine resources	**0%**	**0%**
Circular economy	**0%**	**0.6%**
Pollution	**0%**	**0%**
Biodiversity and ecosystems	**0%**	**0%**

6. EU taxonomy, cont.

Disclosure 2023 - KPI OpEx

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	**Code(s) (2)**	**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-1(18)**	**Category (enabling activity or) (19)"**	**Category '(transitional activity)' (20)"**
		MSEK	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	0	0.0%	0.0%						-	-	-	-	-	-	-	0.0%	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**	**0.0%**													**0.0%**		
Of which enabling		0	0%	0%															
Of which Transitional		0	0%	0%															
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	234	15.5%	EL													13.5%		
Provision of IT/OT Data driven solutions	CE 4.1	0	0.0%				EL										-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0	0.1%	EL													0.1%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0.0%	EL													0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	2	0.1%	EL													0.0%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0.0%	EL													0.1%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		236	15.7%	15.7%			0.0%										0.0%		
Total (A.1 + A.2)		236	15.7%	15.7%			0.0%										13.6%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OpEx of Taxonomy-non-eligible activities (B)		1 269	**84.3%**
Total (A + B)		1 504	**100%**

Proportion of OpEx from products associated with Taxonomy-aligned economic activities - disclosure covering year N = 2023

	Proportion of OpEx /Total OpEx	
	Taxonomy-aligned per objective	**Taxonomy eligible per objective**
Climate Change Mitigation	**0%**	**15.7%**
Climate Change Adaptation	**0%**	**0%**
Water and marine resources	**0%**	**0%**
Circular economy	**0%**	**0%**
Pollution	**0%**	**0%**
Biodiversity and ecosystems	**0%**	**0%**

6. EU taxonomy, cont.

Besides the previous year's two objectives (Climate change mitigation and Climate change adaptation), this year's reporting includes the four remaining objectives (Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, and Protection and restoration of biodiversity and ecosystems). For the previous two objectives, eligibility and alignment are reported, but for the four new objectives, only eligibility.

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.

The description of EUST Activity 4.1 Provision of IT/OT Data driven solutions contains the following: "(a) software and information technology (IT) or operational technology (OT) systems, including artificial intelligence (AI) based solutions, built for the purpose of remote monitoring and predictive maintenance". Epiroc has chosen to define this as products that increases durability, reparability, upgradability and reusability of equipment with a product-as-a-services model with the aim to keep equipment at their highest utility value for as long as possible. Eligible IT/OT systems includes Payload optimization systems for excavator and Loaders, IOT enabled Smart Get and Drill Guidance. An analysis for EUST activities 5.1 – 5.4 has been done resulting in no eligibility for 2023 as Epiroc does not fulfill criteria for substantial contribution within circularity.

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.

Calculation of turnover KPI

The denominator includes total revenues in the consolidated income statement, page 96. The numerator includes revenues from the sale of products, batteries and accessories that fulfill the eligibility criteria for EUST activities 3.6, 3.4 and 4.1.

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) KPI

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 116-119.

The numerator includes the capital expenditure that relate to an asset or process that is associated with the eligible equipment under EUST activity 3.6, the manufacturing of batteries under EUST activity 3.4 and 4.1 Provision of IT/OT Data driven solutions. 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 capital expenditure based on the expected use/output of the asset or process, has been applied. Capital expenditure 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 CapEx plan to allow Taxonomy-eligible activities to become aligned, is not included.

The following four categories of capital expenditure were not included due to the uncertainties in scopes, definitions and available reporting guidance. 1) Capital expenditure related to assets or processes that are associated with the overall functioning of the company, 2) the purchase of output from taxonomy-eligible activities (except 7.3-7.6), 3) R&D into GHG reductions of non-eligible products and 4) climate change adaptation measures.

Calculation of operational expenditure (OpEx) KPI

The denominator includes operating expenditures associated with maintaining the value of the asset: a) Research and development expenses, b) Building renovation measures and c) Maintenance and repair. Excluded from the denominator 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 expenditure in production facilities, production equipment, and in R&D. For assets or processes that are also associated with non-eligible products, an allocated share of the operating expenditure, based on the expected use/output of the asset or process, has been included.

Operating expenditure related to EUST activities 7.3 to 7.6 from the Climate Delegated Act has also been included, based on point c in the definitions in 1.1.3. These are operating expenditure 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 have been added to the revenues described above:

- Revenues from all underground drilling equipment which uses electricity via cable while drilling.
- Range of surface drill rigs with significantly lower fuel consumption compared to other surface drill rigs.

	Absolute revenues MSEK	Proportion of turnover, %
A. Taxonomy-Eligible activities and additional revenues	8 193	13.6 (10.5)
B. Taxonomy-Non-Eligible activities and additional revenues	52 150	86.4 (89.5)
Total (A + B)	**60 343 (49 694)**	**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.

Nuclear energy and fossil gas related activities

Epiroc answers NO to questions 1 to 6 in template 1, Nuclear energy and fossil gas related activities, of Annex III for disclosures referred to in Article 8(6) and (7).

6. EU taxonomy, cont.

Assessment of alignment of EUST Activity 3.4 and 3.6
This year, a re-assessment has been made against amendment to the DNSH criteria and in particular Appendix C for pollution prevention. Amendments to technical criteria related to pollution prevention indicate a more restrictive compliance interpretation. As a result, all products under EUST 3.6 and 3.4 are not aligned although Epiroc has robust processes ensuring no significant harm to environmental objectives and compliance to minimum safeguards. During 2024 an assessment will be done for substances included in appendix C.

	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 166-167). 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.	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 the production within EUST activities 3.4 and 3.6 leads to the 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, and other substances of concern and therefore is only partially compliant.	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.	Partially compliant
	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), UN Universal Declaration of Human Rights (see full list of standards on page 160). 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 76-85.

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 targets approved by Science Based Target Initiative (SBTi) 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 88-93.

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 targets approved by Science Based Target Initiative (SBTi) 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 require 50% reduction of CO_2e emissions from relevant suppliers by 2030 with 2019 as the base year, 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 42-45.

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°C. 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°C, 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 CO_2e emissions and to reach net-zero objectives. In such a scenario, coal mining is expected to be affected, either by higher carbon taxes or restrictions in license to operate. Epiroc´s exposure to coal was 2% of orders received during 2023. The product portfolio is designed for hard-rock excavation, and Epiroc does not have nor develop any equipment that is exclu-

7. Task Force on Climate-related Financial Disclosures (TCFD), cont.

sively dedicated to coal extraction, even if some of the drill rigs can be used in coal applications. In 2020, Epiroc made the decision to no longer develop products or solutions exclusively dedicated to coal extraction.

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 CO_2e emission options from competitors, but by embracing this technology and product shift, and with our continued focus on innovation, digitalization, automation and electrification, it 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 customers to operate more sustainable.

Continued work

In 2023, Epiroc has performed the double materiality process according to upcoming CSRD-requirements including assessment of climate risks, opportunities, and impacts. During next year we will continue to integrate the TCFD work in such an assessment process. For more information and disclosure on TCFD, see the Sustainability Reporting Standards Disclosure 2023, 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 6 (10) incidents which were all accidents resulting in adverse environmental effects. For these 6 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 46 (160). No fines were paid during 2023.

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 2023.

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 68% of our major operating units through our global triple certification.

Product responsibility

Since 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	224	44
Suppliers responded	169	23
Smelters identified in supply chain	400	48

In 2023, 224 (222) relevant suppliers were requested to declare the origin of 3TG present in their products. 75% (82) of the suppliers of products containing 3TG responded. 400 (387) 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 2023, 44 (29) 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 52% (72) 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 2024, 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, shall 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 immediately be replaced by appropriate alternatives. When declarable sub-

8. We use resources responsibly and efficiently, cont.

stances 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. For more information, see www.epirocgroup.com/en/sustainability/highest-ethical-standards/responsible-supply-chain

9. We invest in safety and health

GEOGRAPHICAL SPREAD OF INJURIES AMONG EPIROC'S TOTAL WORKFORCE (INCL. EXTERNAL WORKFORCE)

	Average number in Epiroc's workforce, 2023	Number of work-related injuries, 2023	Total recordable injury frequency rate (TRIFR), 2023
North America	3 420	42	6.5
South America	1 653	5	1.6
Europe	5 362	81	7.9
Africa/Middle East	3 013	16	2.8
Asia/Australia	6 236	49	4.1
Total	**19 683**	**193**	**5.1**

Total recordable injury frequency rate has decreased to 5.1 (5.7) while number of injuries has increased to 193 (192) mainly explained by increased workforce. The majority of injuries reported have been in Europe and Asia/Australia (67% of total injuries). Compared to 2022, the number of injuries in Europe and Asia/Australia has increased by 14%, 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 reduced to 7.4 (8.0). Total recordable injury frequency rate (TRIFR) is our primary safety performance indicator and measures all recordable work-related injuries at Epiroc per million working hours.

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. Information about the injuries 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, employees or employee safety representatives participate and are consulted in occupational health and safety decisions and activities as part of the requirements in ISO 45001. All employees have the authority to address health and safety risks and incidents and to stop his/her own work if the situation demands it. 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

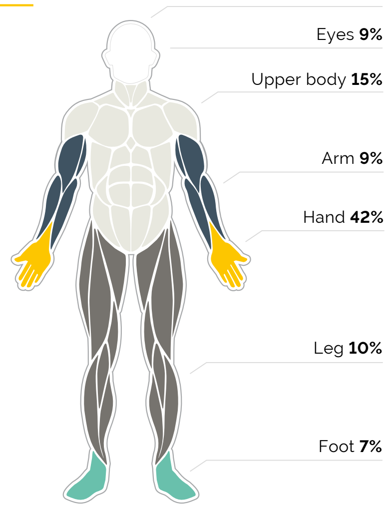
Safety for our customers is a top priority for Epiroc. Therefore, Epiroc has a well-defined product safety procedure in place at the Group level as well as local procedures at the entity level. Our approach for product safety follows the complete lifecycle perspective from development of new products 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. 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. 8 (6) incidents for non-compliance with voluntary codes concerning the health and safety impacts of products and services were reported for 2023. There were no incidents of non-compliance resulting in warnings, fines or penalties reported for 2023.

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

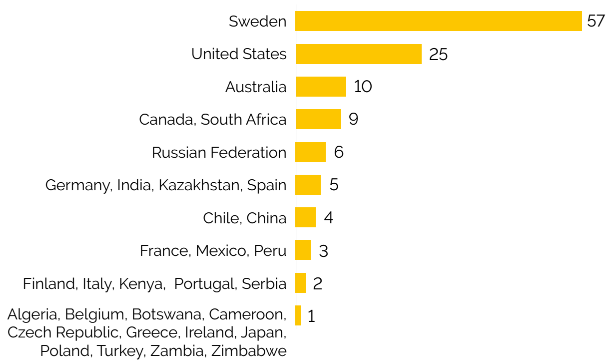
Number of employees (FTE [1]), December 31, 2023	18 211
- permanent contract employees	17 973
- temporary contract employees	238
- full-time employees	17 920
- part-time employees	291
- under 30 years old [2]	3 125
- 30-50 years old [2]	10 565
- over 50 years old [2]	3 193
CEO and employees pay ratio [3]	40.9

1) 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.

2) Epiroc companies in USA only report total number of employees, 1 328 in 2023.

3) Ratio of remuneration for highest paid individual to average total compensation for average employees. Calculations based on numbers on pages 107-108.

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 2023

In 2023, voluntary employee turnover was 6.9%. Employee turnover decreased by 1.9% compared to the 12-month period ending in December 2022. 40% of total turnover in 2023 was in Asia/Australia, 21% in North America, 18% in Europe, 9% in South America and 12% in Africa/Middle East.

Number of new employee hires in 2023 was 2 431. New employee hires decreased by 8% in 2023 compared to the 12-month period ending in December 2022. 38% of new hires in 2023 were represented in Asia/Australia, 18% in Europe, 12% in Africa/Middle East, 25% in North America and 7% 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 2023, a total of 39% (39) 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

	2023	2022
Significant suppliers, number	1 811	1 597
Safety, health, social and environmental audited significant suppliers, %	6	5
Approved suppliers, %	97	97
Conditionally approved suppliers (monitored), %	3	3
Rejected suppliers, %	-	-
Significant suppliers asked for commitment to the Epiroc Business Partner CoC, number	1 811	1 588
Significant suppliers that confirmed compliance to the Epiroc Business Partner CoC, %	100	99

The scope of significant suppliers includes all suppliers of goods and services, direct and indirect, with a purchasing value above EUR 100 000, based on 12-month values from January 2022 to December 2022. 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 2022 to December 2022. 18 suppliers phased out or planned to be phased out at year-end have been excluded from the number of significant suppliers in the table above. 2 suppliers did not confirm compliance to the Epiroc Business Partner CoC in 2023.

Epiroc's significant suppliers in 2023 amounted to 1 811 (1 597). The performance and impacts of significant direct suppliers representing highest spend are audited by Epiroc teams at the suppliers' site minimum every fifth year. In 2023, 78 (59) safety, health, social and environmental on-site audits were performed. Performance of digital or self-assessed audits are also used as an alternative for existing significant 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 and there are no major quality- or delivery issues.

In 2023, a total of 30 (16) safety, health, social and environmental digital audits were performed, of which all were approved. 1 811 (1 588) significant 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.

All new suppliers, irrespective if significant or not, are assessed according to different criteria, including social and environmental.

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 2023, it was necessary in 18 (0) instances to withdraw from supplier agreements due to cases of non-compliance that were not adequately addressed. 100% of significant suppliers confirmed compliance to the Epiroc Business Partner CoC. We have ended our collaboration with the suppliers who did not confirm compliance.

11. We live by the highest ethical standards, cont.

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 distributors, re-sellers, wholesalers, retailers, traders, catalogue houses, agents, sales representatives, consultants promoting sales, etc. Significant IDS channels are the ones with a purchasing value above EUR 500 000, based on 12 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

	2023	2022
Fraud and corruption	21	19
Labor relations	96	64
Health & Safety	5	2
Discrimination and Human Rights	7	2
Harassment	31	12
Conflict of interest	14	7
Breach of data privacy	-	1
Security	2	-
Other	18	14
Total	**194**	**121**

In 2023, in total 194 cases were reported. 30 of these cases are still under investigation. Out of the total number, 96 cases concern labor relations, 21 fraud and corruption and 31 harassment. 6 cases during the year were deemed material. In two confirmed incidents, employees were dismissed or disciplined for corruption and in five 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 material 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 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. For example, issues such as 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. 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 58-61.

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 2024 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.

Through local presence in many developing countries, Epiroc is an important contributor to the local development by paying corporate income taxes as well as other taxes, levies and social security contributions. Epiroc calculates profits and taxes 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, corp id 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 2023. The Company has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 156.

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 page 156-157 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 ISQM 1 (International Standard on Quality Management) which requires that we design, implement and operate a system of quality management including policies or 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 7, 2024

Ernst & Young AB

Erik Sandström	**Outi Alestalo**
Authorized Public Accountant	Expert Member of FAR

Sustainability performance[1)]

ECONOMIC VALUE, MSEK	Note	2018	2019	2020	2021	2022	Targets 2023	2023	Targets 2024*
Direct economic value									
Revenues [2)]		38 500	41 096	36 431	40 172	50 280		61 246	
Economic value distributed									
Operating costs [2)]		23 399	24 326	21 024	22 278	28 300		34 752	
Employee wages and benefits, including other social costs		7 535	8 454	7 881	8 733	10 595		12 962	
Costs for providers of capital [2)]		365	2 926	3 340	3 220	4 228		5 403	
Costs for direct taxes to governments		1 921	1 992	1 848	2 144	2 668		2 885	
Economic value retained		5 280	3 398	2 338	3 797	4 489		5 244	
WE USE RESOURCES RESPONSIBLY AND EFFICIENTLY									
Renewable energy for operations, % of total energy [3) 4)]		49	53	57	53	60		56	
Renewable energy for operations incl. renewable of mix, % of total energy [3) 4)]		60	63	64	62	65	68	61	64
Direct energy use in GWh [4)]		30	29	24	33	41		59	
Indirect energy use in GWh [4)]		142	132	122	144	134		139	
- Of which is electricity, GWh		121	111	103	123	113		116	
- Of which is heating, GWh		21	21	18	21	21		23	
Total energy use in GWh [4)]		172	161	146	177	175		198	
Total energy use in MWh/Cost of Sales (COS) [4)]		7.6	6.8	7.1	7.8	6.1	5.7	5.7	
CO_2e emissions '000 tonnes (direct energy) – Scope 1 [5)]		6	6	5	6	8		10	
CO_2e emissions '000 tonnes (indirect energy) – Scope 2 [5) 6)]		29	22	22	27	18		17	
CO_2e emissions '000 tonnes (total energy) – Scope 1+2 [5)]		35	28	27	33	26	25	28	26
CO_2e emissions '000 tonnes – Outsides of scope - Scope 1 [5)]								1	
CO_2e emissions '000 tonnes – Outsides of scope - Scope 3 [5)]								6	
Location-based CO_2e emissions '000 tonnes (indirect energy) - Scope 2 [5) 6)]		33	28	27	36	31		32	
CO_2e emissions '000 tonnes (transports) –Scope 3 [5)]		128	105	83	82	91	93	100	115
CO_2e emissions tonnes (transports)/COS [5)]		5.6	4.5	4.1	3.6	3.2		2.9	
CO_2e emissions '000 tonnes (use phase products sold) – Scope 3 [5) 7)]		–	5 326	3 815	4 825	5 186	4 861	5 653	6 325
Waste Diverted from disposal, % [8)]		–	–	–	–	89		81	80
Water consumption in water risk areas ('000 m^3) [9)]		65	55	82	95	85		116	
Water consumption in water risk areas (in m^3)/COS [9)]		2.9	2.4	4.0	4.2	3.0	3.2	3.3	3.3
Range of emissions-free product offering, %					35	39	45	42	45
WE INVEST IN SAFETY AND HEALTH									
Work-related Lost-time injuries, number		99	82	58	65	77		81	
Work-related injuries, number [10)]	9	257	184	141	155	192		193	
Lost-time injury frequency rate (LTIFR)		3.4	2.7	2.0	2.1	2.3		2.2	<1.9
Lost days due to Lost-time injuries, number per one million working hours		97	70	55	62	61		51	
Total recordable injury frequency rate (TRIFR) [10)]	9	8.9	6.0	4.8	5.1	5.7	<5.0	5.1	<4.5
Fatalities		0	1	0	0	0	0	1	0
High-consequence injuries [10)]					6	4		5	
Sick leave due to illness, %		2.1	2.1	2.1	2.4	2.3		2.1	
Sick leave due to illness and Lost-time injuries, %		2.2	2.1	2.1	2.4	2.4	<2.5	2.1	<2.5

WE GROW TOGETHER WITH PASSIONATE PEOPLE AND COURAGEOUS LEADERS	Note	2018	2019	2020	2021	2022	Targets 2023	2023	Targets 2024*
White-collar employees, %		51	49	49	48	49		50	
Blue-collar employees, %		49	51	51	52	51		50	
Employee turnover white-collar employees, %	10	7.4	7.5	5.3	6.7	7.9		6.2	
Employee turnover blue-collar employees, %	10	7.4	7.3	5.6	7.1	9.7		7.5	
Total turnover, voluntary leave %	10	7.4	7.4	5.5	6.9	8.8		6.9	
Yearly performance and development discussion, %		88	88	87	87	86		79	
Women employees, period end, %		16.0	15.5	15.7	17.1	18.2	19.3	19.0	19.6
Women managers, period end, %		20.0	19.3	21.0	22.5	22.7	24	23.4	24.4
New hires of women in the Group, share of total external recruitments, %		17.4	16.2	19.5	24.0	24.8		24.3	
Nationalities among senior managers, number		30	32	33	34	32		39	
Leadership Index			69	71	72	72		72	
WE LIVE BY THE HIGHEST ETHICAL STANDARDS									
Managers that confirmed compliance with the Epiroc Code of Conduct, %		91	95	99	100	98	100	100	100
Employees that confirmed compliance with the Epiroc Code of Conduct, %						94	96	98	97
Safety, health, social and environment audited significant suppliers, %	11	11	11	3	4	5		6	
Significant indirect sales channels that confirmed compliance with the Epiroc Business Partner Code of Conduct, %	11					99	100	100	100
Significant suppliers that confirmed compliance with the Epiroc Business Partner Code of Conduct, %	11	98	99	99	100	99	100	100	100
Implemented Responsible Sales Assessment, %								87	95

* Epiroc's key performance indicators for sustainability. Environmental 2024 targets (excluding CO_2e from scope 1+2) include additional reporting units compared to 2023 to achieve a higher coverage of Group's environmental impact. For comparable units in 2023, the 2024 targets reflect improvements in 2024 compared to 2023.

Footnotes to pages 172-173

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 and cooling 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 higher 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). CO_2e emissions include the main greenhouse gases carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).
   Standardized emission factors published by DEFRA (UK) are used to calculate CO_2e emissions for Scope 1 (Direct energy) and International Energy Agency (IEA) for Scope 2 (Indirect energy). Use phase of products sold (category 3.11) also uses these emission factors. For Transport CO_2e (categories 3.4 & 3.9), when CO_2e emissions is not provided by transport companies, emission 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. The base year 2019 was selected in the process of submitting our targets to Science based target initiative (SBTi), where the most recent completed past calendar year was selected. See recalculated base year emissions on page 46. CO_2e emissions on pages 172-173 are not restated.
   Transport CO_2e (categories 3.4 & 3.9) covers production units and distribution centers and calculation is based on distance-based method. WTW (Well To Wheel) CO_2e emissions from the forwarders is collected. If this data is not available, calculation of CO_2e emissions is performed using an internal calculation tool, applying a distance-based method.
   Outside of scopes includes biogenic CO_2 factors that should be used to account for the direct carbon dioxide (CO_2) impact of burning biomass and biofuels.
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. CO_2e emission from use phase is calculated based on diesel usage, electricity usage and life length, C. For diesel, emission factors from DEFRA (UK) are used, where diesel with average content of biodiesel is used.
   IEA national emission factors are used for CO_2e emissions from electricity use, where an average emission 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 are excluded, such as drill machines towing an external provided compressor and hydraulic attachments.
8) In 2022, our waste reporting was changed to be in line with the revised GRI standard. The new waste reporting is not comparable with the previous way of reporting and comparison figures have thus been removed.
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. New categories are: 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 or is not expected to recover fully to pre-injury health status within 6 months. If expectation of recovery change, the high-consequence injury (HCI) is to be restated. If high-consequence injury is confirmed after year-end (within 6 months), the high-consequence injury is reported in year 2. One HCI reported for 2023 was reported as a recordable injury in 2022. Fatalities are excluded from our calculation of high-consequence work-related injuries.

Multi-year summary

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Growth									
*Orders received, MSEK	27 551	27 634	33 831	39 400	39 492	36 579	45 648	53 222	59 332
*Total order growth, %	+0	+0	+22	+16	+0	-7	+25	+17	+11
*Organic order growth, %	-7	+3	+20	+13	-5	+0	+26	+2	+1
Revenues, MSEK	28 663	27 102	31 364	38 285	40 849	36 122	39 645	49 694	60 343
Total revenue growth, %	+4	-5	+16	+22	+7	-12	+10	+25	+21
*Organic revenue growth, %	-3	-3	+14	+18	+1	-5	+12	+11	+9
*Book-to-bill, %	96	102	108	103	97	99	115	107	98
Costs									
Cost of sales, MSEK	-18 463	-18 003	-20 101	-24 317	-25 547	-22 418	-24 192	-30 675	-37 197
Administrative expenses, MSEK	-1 848	-1 879	-2 121	-2 589	-3 261	-2 817	-3 166	-3 628	-4 105
Marketing expenses, MSEK	-2 346	-2 164	-2 280	-2 574	-2 797	-2 225	-2 313	-3 042	-3 959
Research and development expenses, MSEK	-861	-662	-795	-977	-1 035	-1 032	-1 172	-1 438	-1 930
Research and development expenses, % of revenue	3.0	2.4	2.5	2.6	2.5	2.9	3.0	2.9	3,2
Profitability									
Gross profit, MSEK	10 200	9 099	11 263	13 968	15 302	13 704	15 453	19 019	23 146
*Gross margin, %	35.6	33.6	35.9	36.5	37.5	37.9	39.0	38.3	38,4
* EBITDA, MSEK	6 570	5 765	7 183	8 753	10 114	9 128	10 740	13 276	15 843
* EBITDA margin, %	22.9	21.3	22.9	22.9	24.8	25.3	27.1	26.7	26,3
* Adjusted operating profit, MSEK				7 779	8 582	7 669	9 098	11 755	13 117
* Adjusted operating margin, %				20.3	21.0	21.2	22.9	23.7	21,7
Operating profit, MSEK		4 548	5 930	7 385	8 136	7 382	8 995	11 147	13 183
* Operating margin, %		16.8	18.9	19.3	19.9	20.4	22.7	22.4	21,8
Profit before tax, MSEK	4 955	4 411	5 793	7 201	7 843	7 087	8 964	10 778	12 235
* Profit margin, %	17.3	16.3	18.5	18.8	19.2	19.6	22.6	21.7	20,3
Profit for the period, MSEK	3 571	3 231	4 298	5 437	5 884	5 410	7 069	8 411	9 458
Capital efficiency									
Capital employed, MSEK, period end	22 400	23 933	19 286	25 927	31 838	34 700	35 329	44 534	51 437
Average capital employed, MSEK	21 727	23 167	21 674	23 086	29 518	34 033	34 485	39 794	48 815
Average capital employed, excl. cash, MSEK		22 696	20 812	19 469	23 221	21 818	21 543	29 477	42 896
* Return on capital employed, %	23.8	19.6	27.4	32	27.6	21.7	26.1	28.0	27,0
* Capital employed turnover ratio			1.4	1.7	1.4	1.1	1.1	1.2	1,2
Net debt (+)/Net cash (-), MSEK			5 424	1 208	483	-4 137	-1 304	3 691	7 824
* Net debt/EBITDA ratio			0.75	0.14	0.05	-0.45	-0.12	0.28	0,49
* Net Debt/equity, %, period end			45.0	6.4	2.1	-17.4	-5.1	11.0	21,0
* Equity ratio, period end			43.7	52.1	55.6	54.1	53.1	54.2	54,9
Net working capital, MSEK, average			9 991	12 158	14 062	12 217	11 495	15 570	21 228
* Net working capital, MSEK, period end			10 173	12 897	13 153	10 571	12 186	18 564	21 736
Average net working capital, % of revenue			31.9	31.8	34.4	33.8	29.0	31.3	35,2
Credit rating S&P, period end				BBB+	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	6 211
Cash conversion rate, %, 12 months	158	151	107	71	114	130	97	67	66
Equity information									
Basic number of shares outstanding, millions	1 212	1 212	1 212	1 206	1 201	1 204	1 206	1 206	1 206
Diluted number of shares outstanding, millions	-	-	-	1 206	1 202	1 205	1 208	1 208	1 207
Equity per share, SEK, period end	12.3	12.7	9.94	15.63	19.02	19.71	21.38	27.80	30,8
Basic earnings per share, SEK	2.95	2.66	3.55	4.50	4.89	4.48	5.85	6.96	7,82
Diluted earnings per share, SEK	-	-	-	4.49	4.89	4.48	5.84	6.95	7,81
* Return on equity, %			29.1	33.2	28.3	22.7	29.5	28.4	26,8
* Operating cash flow per share, SEK	4.60	4.00	3.80	3.20	5.57	5.82	5.69	4.69	5,15
Dividend per share, SEK				2.10	2.40	2.50	3.00	3.40	3.80**
Payout ratio, %				47	49	56	51	49	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.	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.	Shows how much of total capital is tied to operations.
Capital employed turnover ratio	Revenues [2] divided by the average capital employed [1].	Shows how efficiently Epiroc generates revenues from the capital utilized to run operations.
Capital turnover ratio	Revenues [2] divided by average total assets [1].	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.	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.	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.	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.	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.	Improves the ability to make comparisons over time.
Operating margin	Operating profit as % of revenues.	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.	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.	Explains how volume, price and product/service mix changes drive the growth.
Pay-out ratio	Dividend per share as % of basic earnings per share.	Facilitates monitoring of 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].	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].	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: Epiroc has launched a flagship surface radio-remote drill rig, SmartROC T25R. It has a number of valuable features such as an exceptional coverage area, excellent terrainability, application versatility as well as a Rig Control System (RCS) that helps to reduce the rigs' climate impact through fuel savings.

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Investment case

- We focus on attractive niches with structural growth
- We accelerate 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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Epiroc