





Wifi code:  
EpirocCMD

# Epiroc Capital Markets Day 2019

Mattias Olsson, Senior Vice President Corporate Communications



The background of the image is a high-contrast, low-key photograph of a worker in profile, wearing a hard hat and a high-visibility yellow-green safety vest. The worker is positioned on the left side of the frame, looking towards the right. The lighting is dramatic, with a strong light source from the upper left creating a bright glow around the worker's head and casting the rest of the scene into deep shadow. The worker's face is partially obscured by the hard hat and the lighting. The overall mood is industrial and focused.

# Safety first!



# Practicalities

A black Epiroc ballpoint pen lies horizontally across an open document. The pen features the Epiroc logo and name in yellow. The document has some faint, illegible text and a yellow line drawn across it. The background is blurred, showing what appears to be a desk or office environment.

 Epiroc



# Purpose

The background of the slide is a photograph of two miners in a dark tunnel. They are silhouetted against a bright blue light source in the distance. The miner on the left is pointing towards the light, and the miner on the right is looking in the same direction. The word "Purpose" is overlaid in large yellow letters.

# Today's presenters



**Mattias  
Olsson**  
SVP Corporate  
Communications



**Per  
Lindberg**  
President and  
CEO



**Helena  
Hedblom**  
SVP Mining and  
Infrastructure



**Martin  
Hjerpe**  
SVP M&A and  
Strategy



**Sami  
Niiranen**  
President  
Underground Rock  
Excavation



**Jose  
Sanchez**  
President  
Drilling Solutions



**Breakout  
sessions:**  
Intelligent mining  
and infrastructure.



**Anders  
Lindén**  
SVP Controlling  
and Finance  
(CFO)

**Start**

**Break**

**Q&A**

# Video



# Epiroc Group

Per Lindberg, President and CEO





# Epiroc's key strengths



Leading productivity partner in attractive niches

Strong and proven operating model

High and resilient aftermarket exposure

Driving the future in intelligent mining and infrastructure

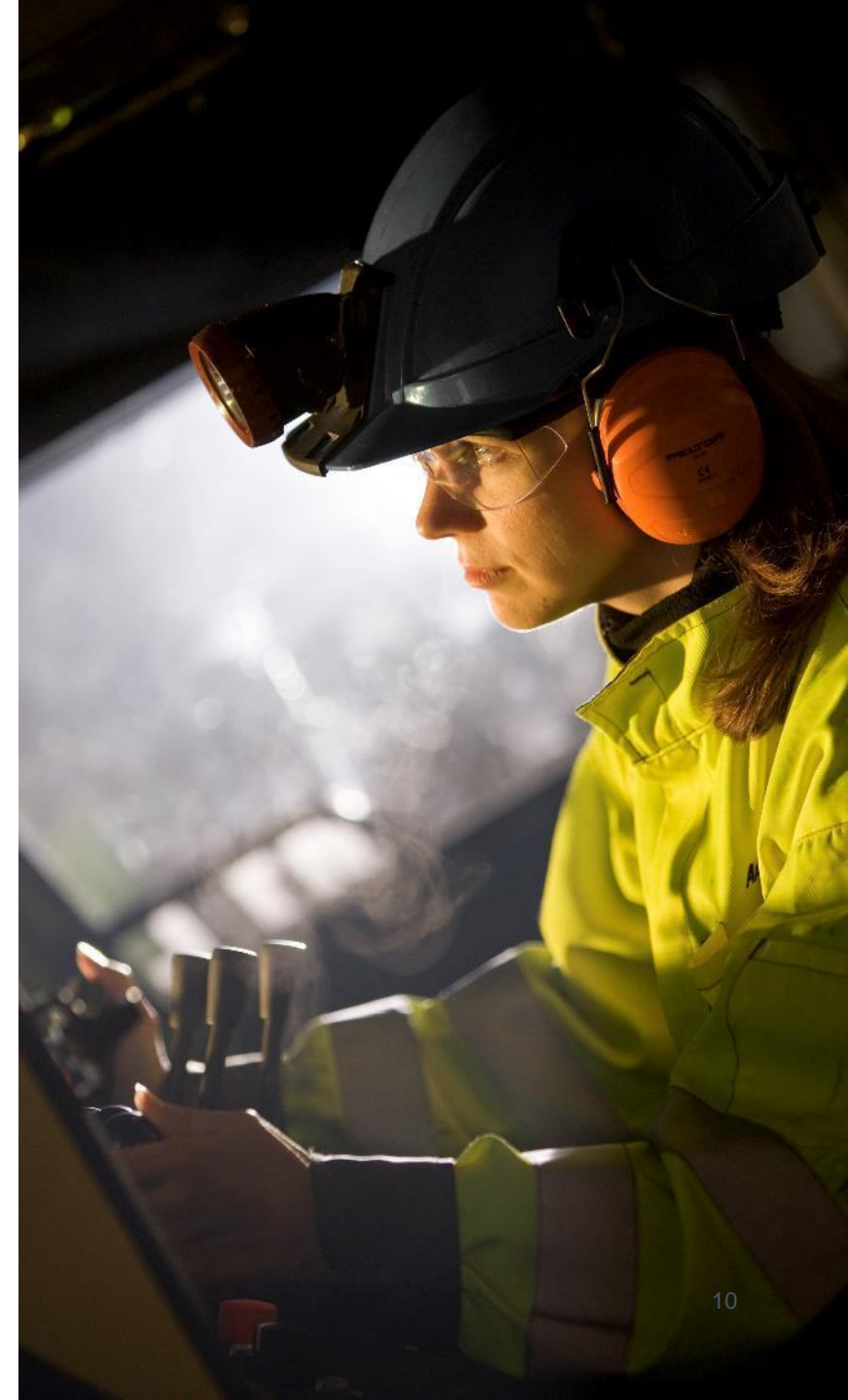
History of value creation for all stakeholders

# Leading global productivity partner

## Epiroc in brief

- We provide customers in selected niches of the global mining and infrastructure with
  - innovative, safe and sustainable drill rigs, rock excavation and construction equipment, and tools
  - world class service to enhance productivity
  - solutions for automation and interoperability
- We are a 146-year old start-up with >14 000 employees collaborating with customers in +150 countries
- We have a strong, proven and value-creating business model
  - Annual\* revenues of BSEK 41.1
  - Operating margin\* of 20.1%
  - ROCE\* of 29.5%




\*12 months until September 2019, reported



# ...in attractive niches

## Exposure to hard rock applications

<b>Mining</b> 76% of order intake*		
Underground mining	Surface mining	Exploration
		
<b>Customer characteristics</b> <ul style="list-style-type: none"> <li>• Large customers</li> <li>• High expenditure per customer, while limited share of customer's total capex and opex</li> <li>• Equipment remain in the mine, only moving within the site</li> <li>• Continuous operations</li> </ul>		

<b>Infrastructure</b> 24% of order intake*		
Underground civil engineering	Surface civil engineering and urban development	Deconstruction and recycling
		
<b>Customer characteristics</b> <ul style="list-style-type: none"> <li>• Large number of customers</li> <li>• Lower expenditure per customer</li> <li>• Equipment moving from worksite to worksite</li> <li>• More project-based business</li> </ul>		



# Strong and proven operating model



## Focus and agility

**Focused and decentralized business**



Quick and efficient decision-making

**High degree of direct sales and services**



~85% direct sales

**Strong services business**



Aftermarket  
65% of revenues

**Flexible manufacturing philosophy**



75% of product cost for equipment is purchased

**Sharp focus on innovation**










Leadership in automation, digitalization and battery



# Focused and decentralized businesses

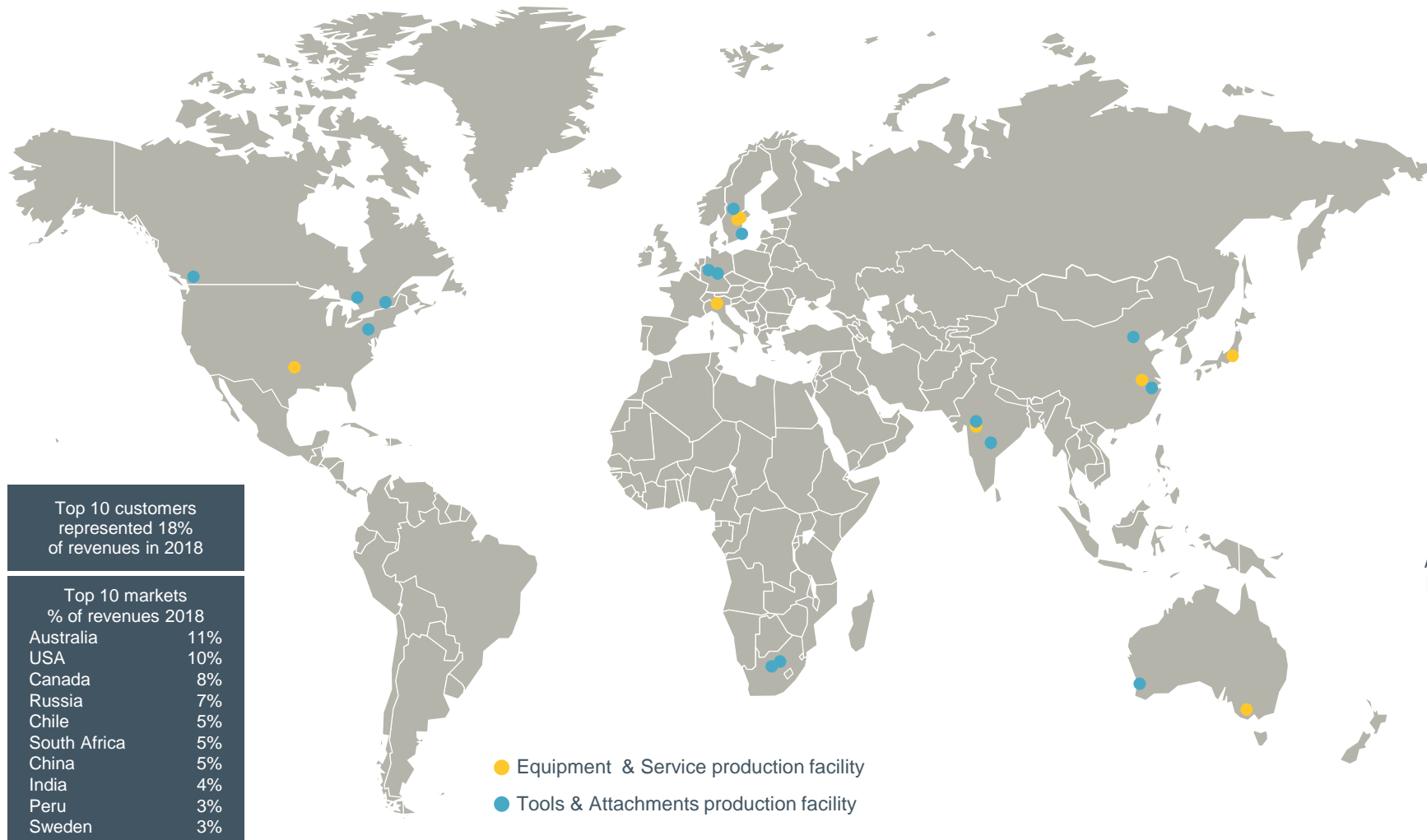
2 segments and 7 divisions

Equipment & Service					Tools & Attachments	
Drilling Solutions	Surface and Exploration Drilling	Underground Rock Excavation	Rocktec	Mining and Rock Excavation Service	Rock Drilling Tools	Hydraulic Attachment Tools
						
Product companies, customer centers and distribution centers						

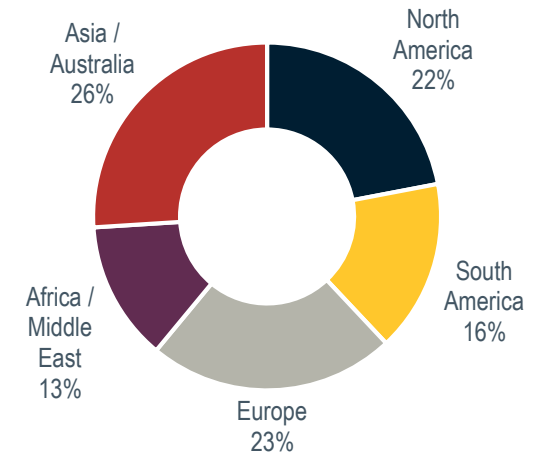
# Always close to our customers

Global presence with high degree of direct sales and service

Sales in  
**+150**  
countries

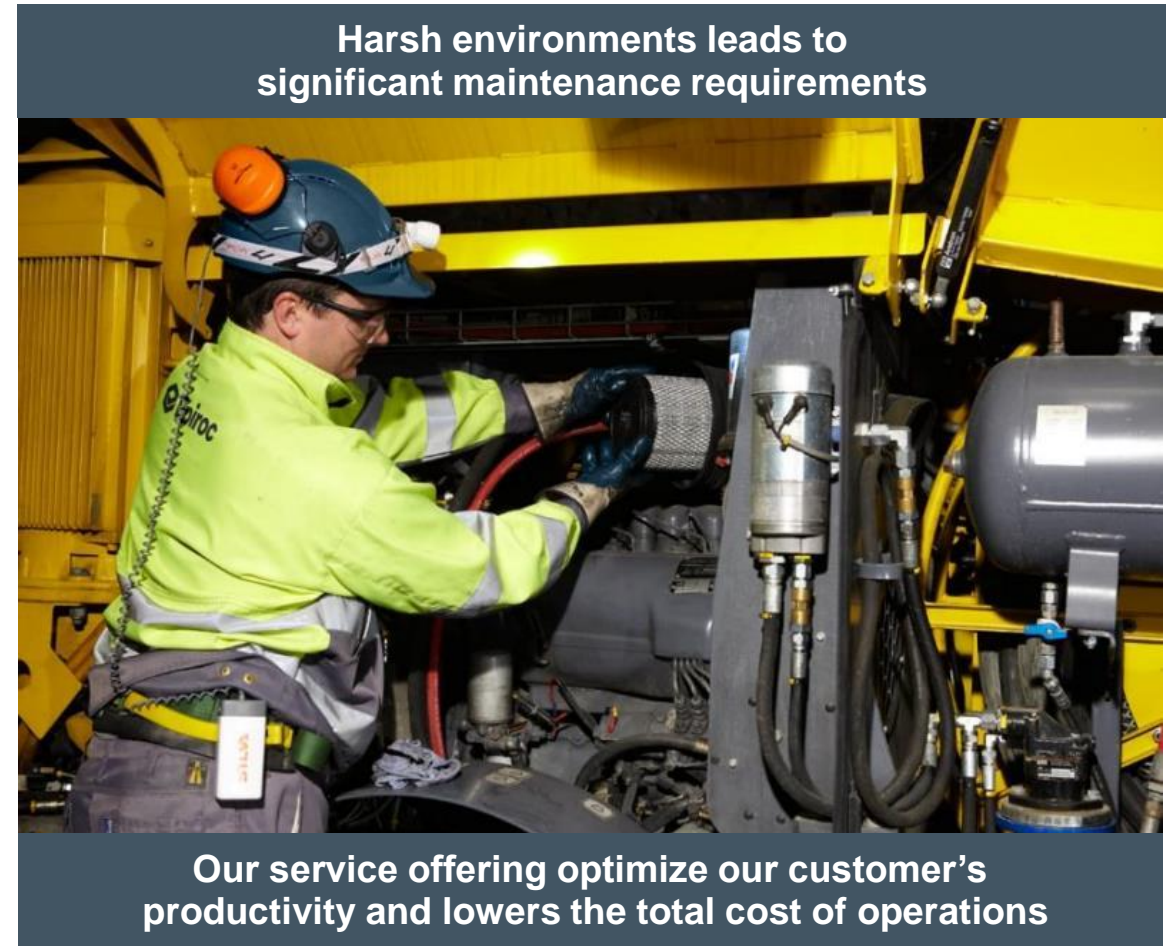
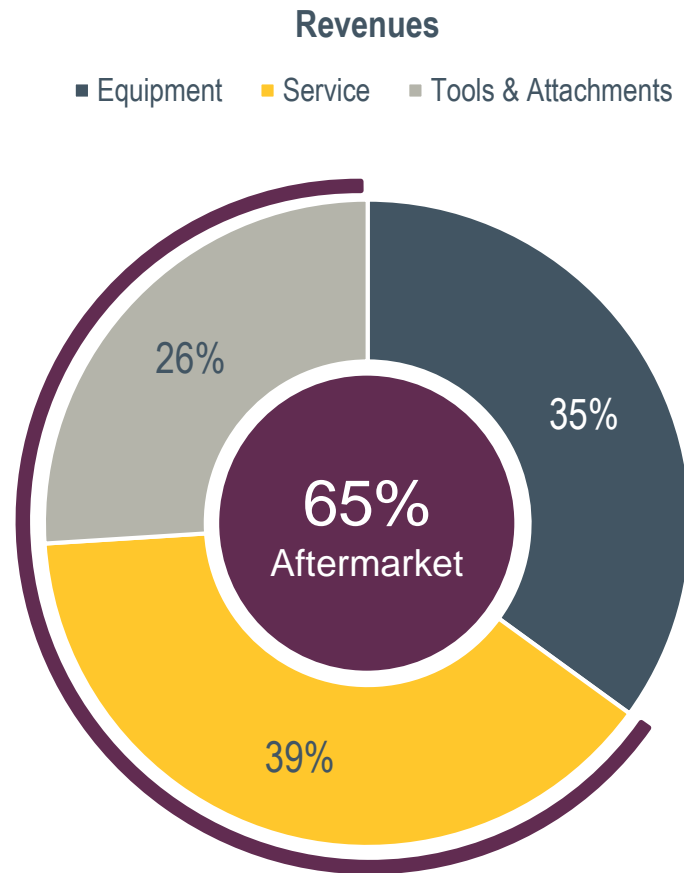


Revenues by region\*



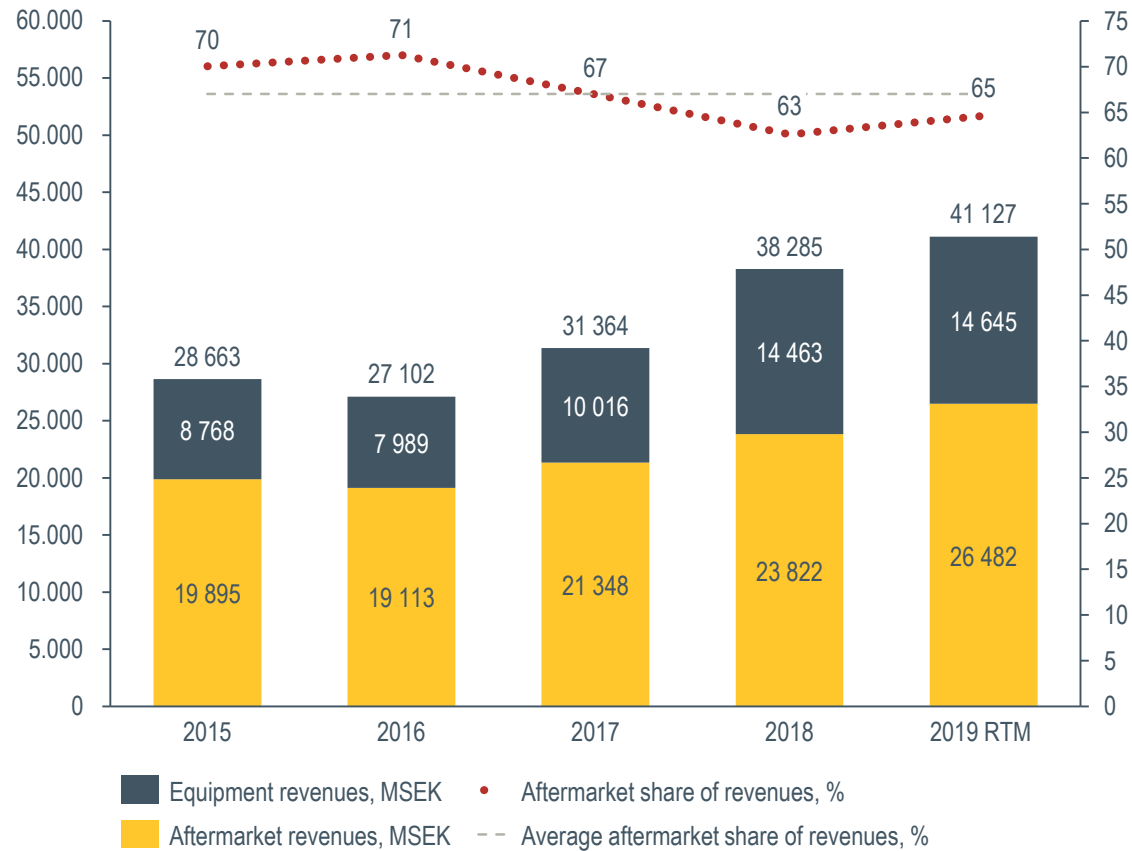
\*12 months until September 2019

# High proportion of recurring business



# Attractive mix of revenues

Growing aftermarket making us more resilient





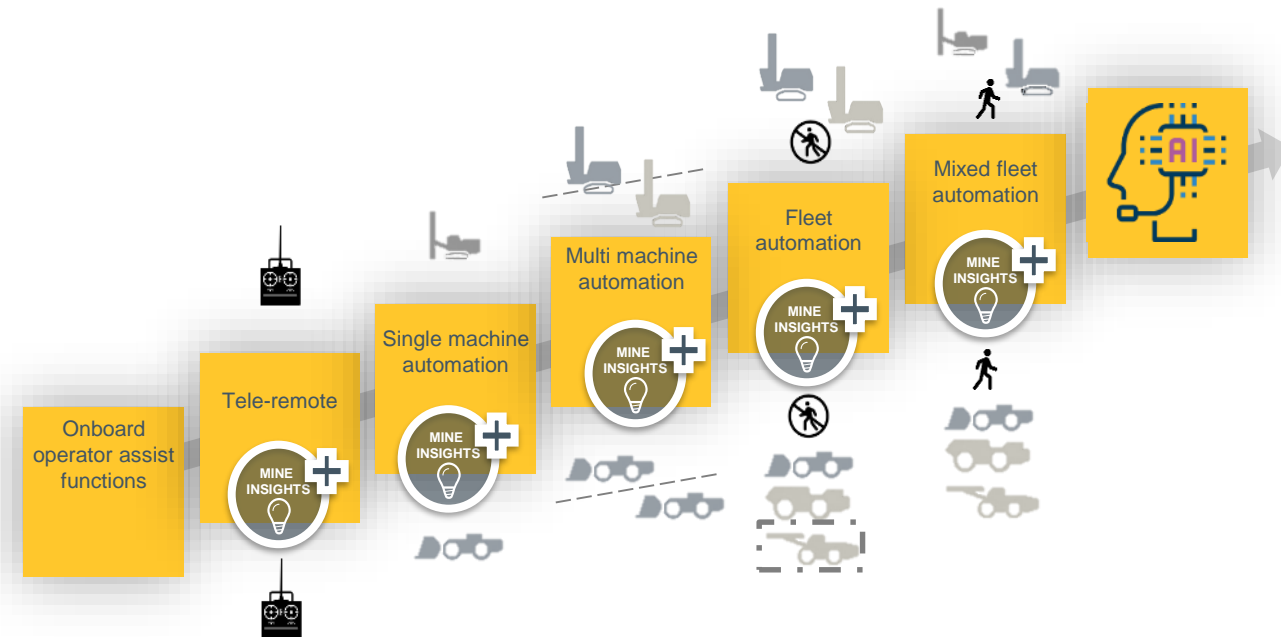
# Driving the future in intelligent mining and infrastructure



## Leadership in automation, digitalization and battery

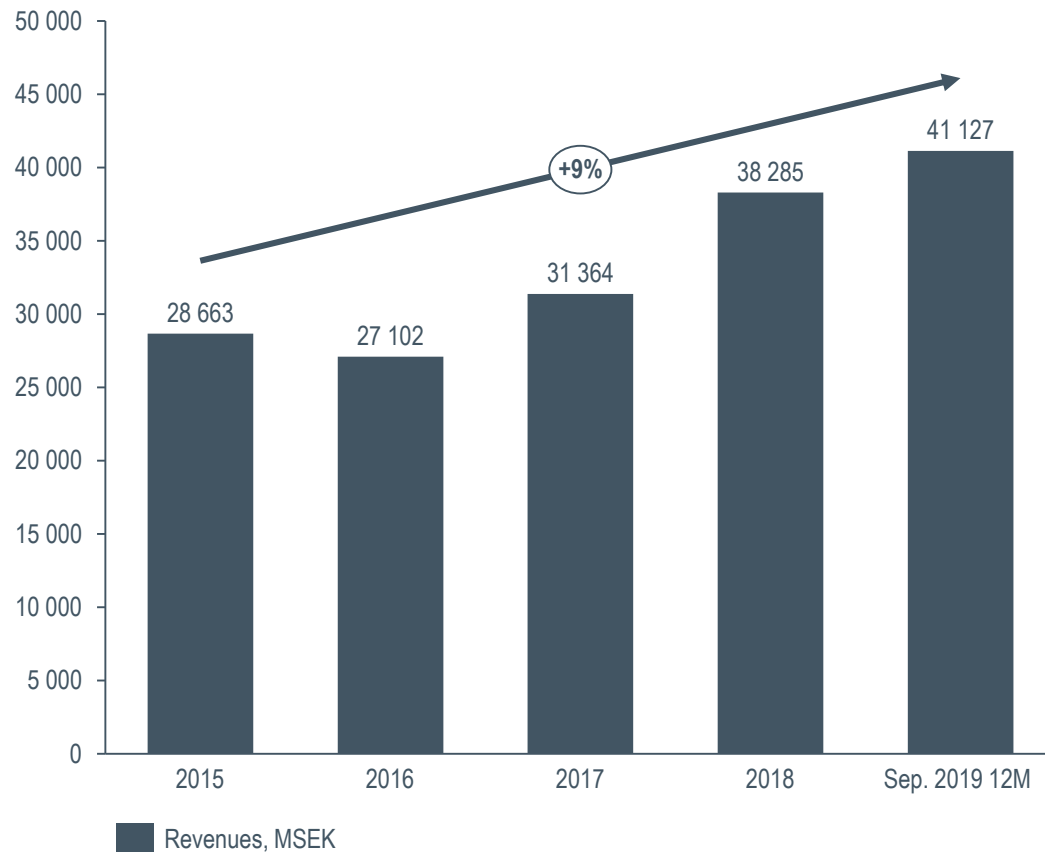
- Market leading offering in automation and information management solutions
- Strong market attention for 6th Sense
- 60% of equipment delivered with rig control system
- 3 400 machines delivered with connectivity
- 43 projects for automation underground
  - 600 drill rigs equipped for complete automation of the drilling process
  - 30% increase in utilization of connected Simba production drills globally
- Autonomous and teleremote surface drilling in 16 countries on 5 continents
- Leader in battery-electric vehicles with 100 000 hours of operations

### Increasing levels of machine automation

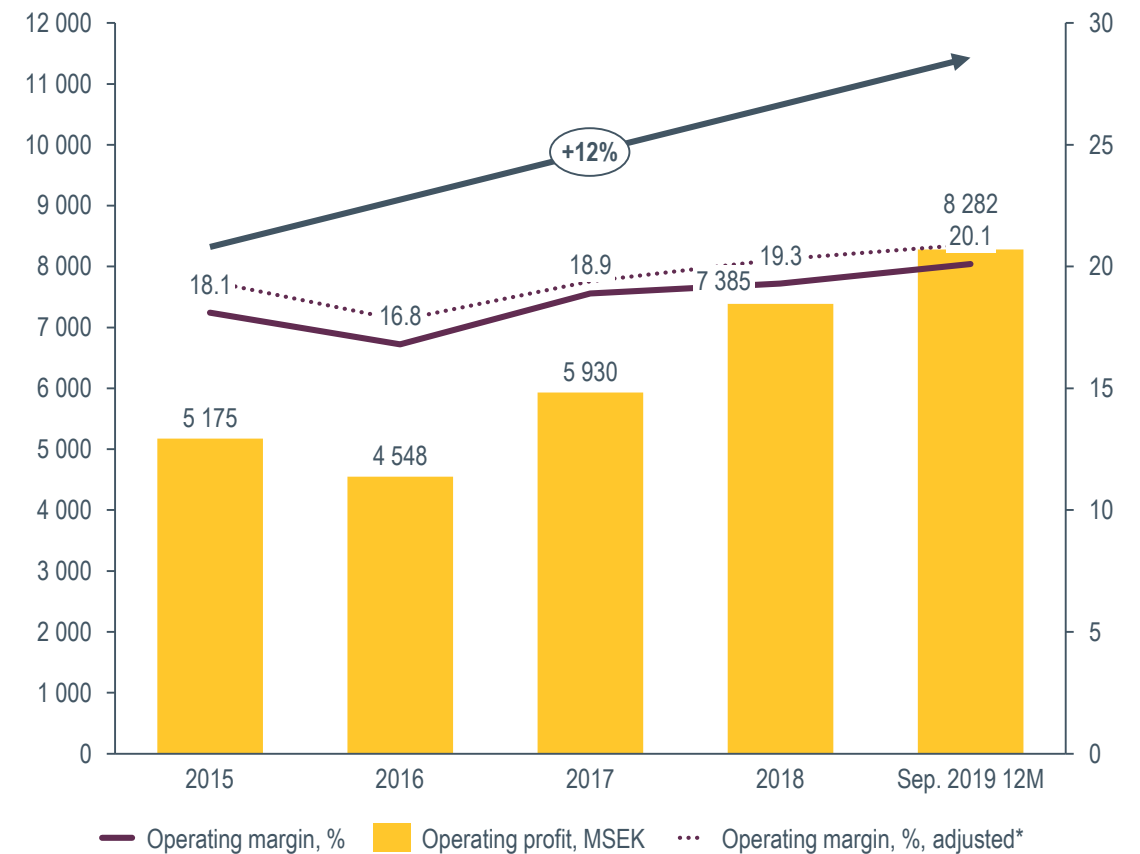


# Value creation

## Solid revenue growth



## Improving profitability



\*Adjusted for the split costs from Atlas Copco (until 2018), change in provision for long-term incentive programs, and restructuring costs of MSEK 179 in Q3 2019

# Sustainability is integrated

In our own and customer's operations



# Financial goals

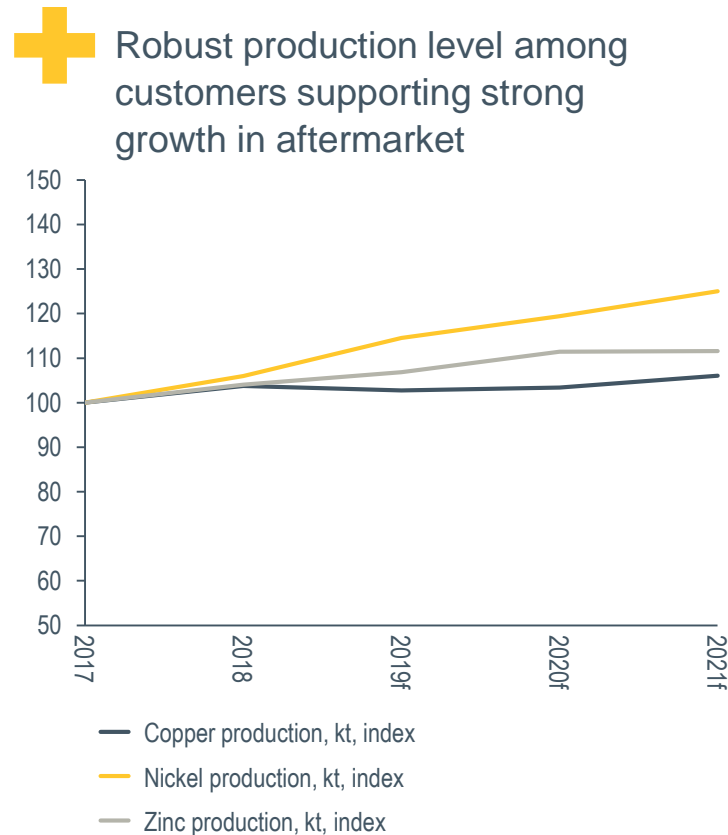
Goals	Description	2015 - 2018		Sept. 2019*
<b>Growth</b>	Annual revenue growth of 8% over a business cycle	Compound annual growth rate	10%	14%
<b>Profitability</b>	Industry-best operating margin, with strong resilience over the cycle	Average operating margin	18.3%	20.1%
<b>Capital efficiency</b>	Improve capital efficiency and resilience. Investments and acquisitions shall create value	Average ROCE	25.7%	29.5%
<b>Capital structure</b>	Have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating	Rating BBB+ with a stable outlook		
<b>Dividend policy</b>	Provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle	Dividend for 2018 corresponds to 47% of net profit		



**This is Epiroc today.  
Together, we have built it, together we will grow it.**

**United in performance.  
Inspired by innovation.**

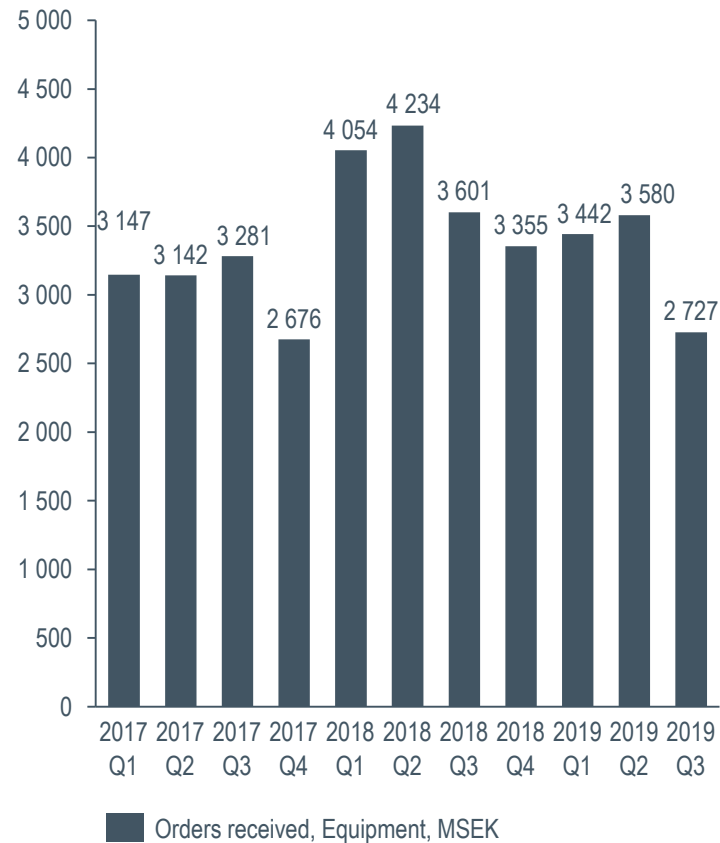
# Uncertainty weighs on near-term robust market



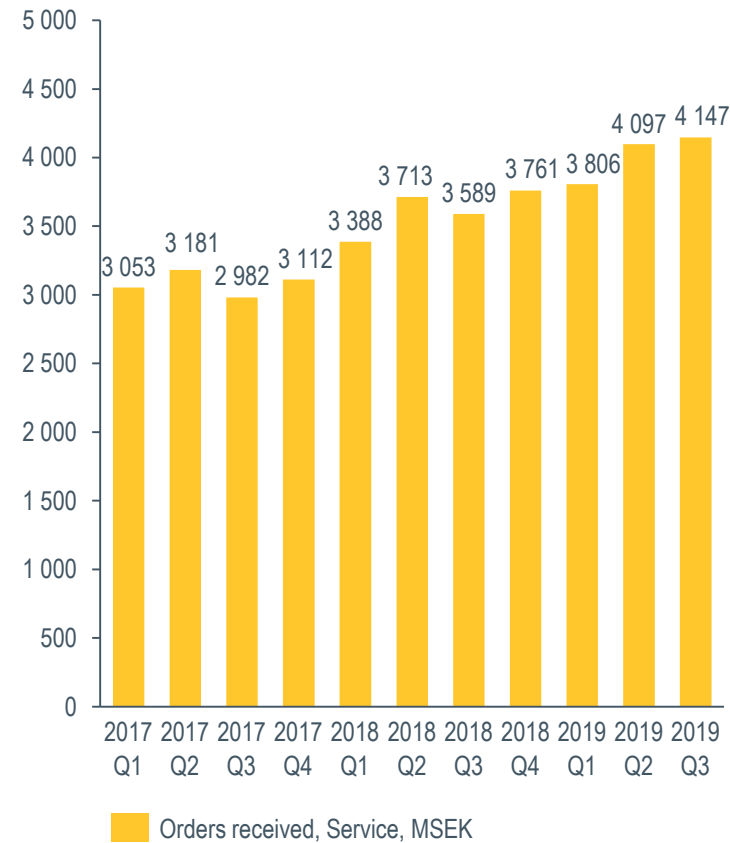
- +** Strong customer focus for improved productivity – leading to strong growth in connectivity and automation
- Global uncertainty increases cautiousness and leads to delayed projects
- ➔** Actions to improve our efficiency and resilience

# Softer equipment demand, strong aftermarket

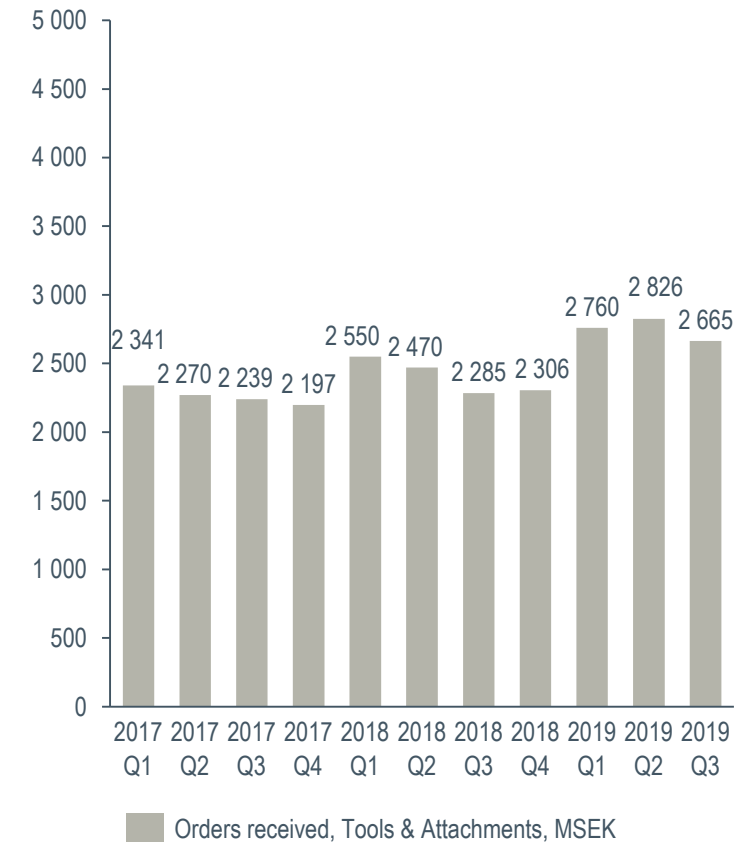
## Orders received, Equipment



## Orders received, Service



## Orders received, T&A



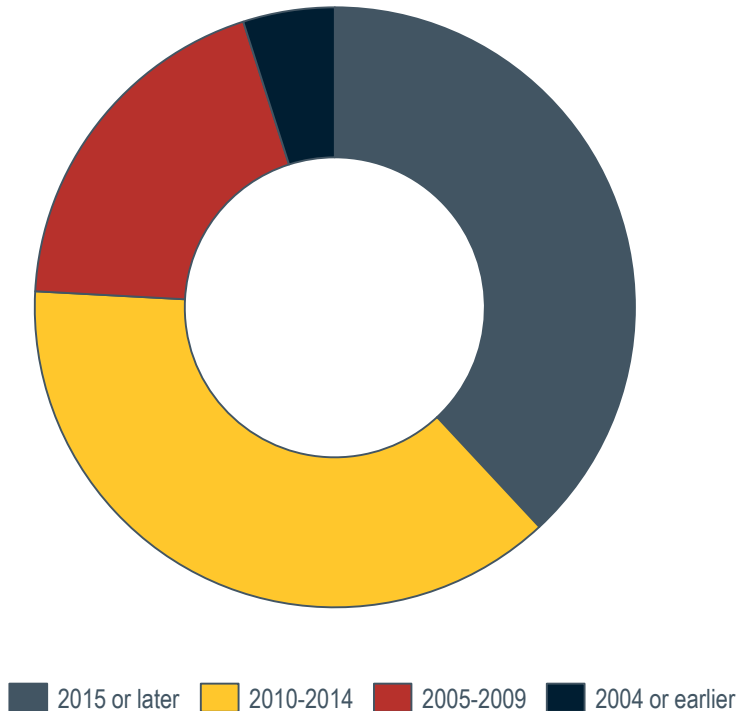
## Near-term demand expectations Epiroc Q3 Outlook

*“In the near-term, we expect that the demand will remain largely at the level seen in the third quarter. That said, the economic environment continues to be uncertain.”*



# Medium term - replacement demand

Equipment fleet, by year of commissioning



- 24% of the equipment is older than 10 years
- The average age is about 7 years
- Utilization/running hours, maintenance, midlife services, etc. impact the condition of the machines
  - Average age and running hours vs. expectancy higher for underground equipment

# Long term market dynamics attractive!

## **A growing world...**

Increases the underlying need for infrastructure and minerals



## **... with increasing challenges to meet the demand...**

Driving cost of hard rock excavation



## **...and strong focus on safety and sustainability**



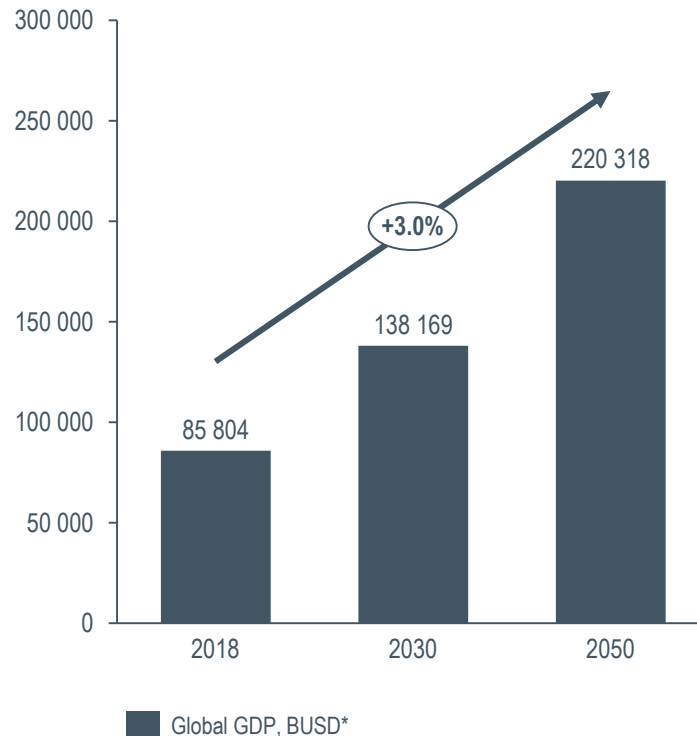
**We have  
a strong position and  
the right solutions to  
meet customers' challenges**

Safe and sustainable solutions,  
increased productivity and  
lower total cost of ownership

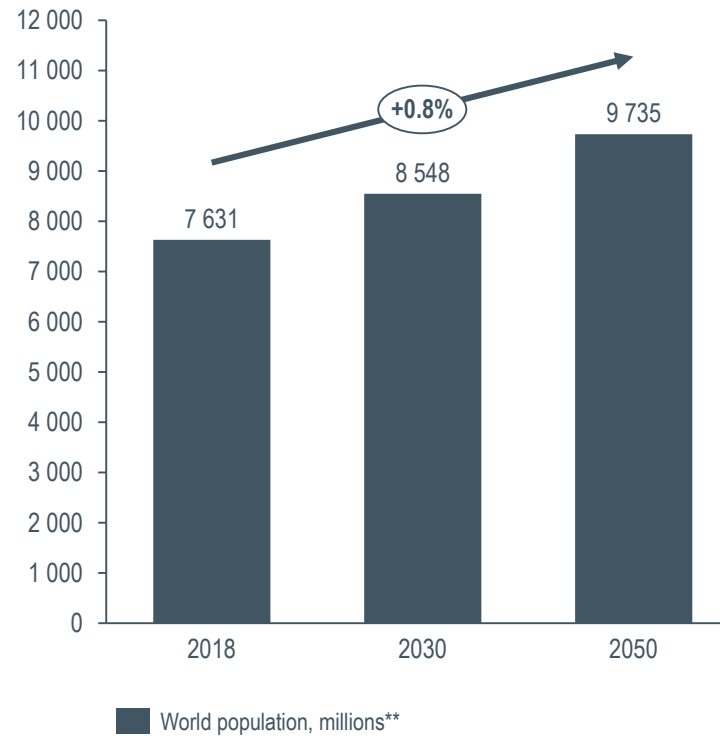
# A growing world... (1/4)

Increases the underlying need for infrastructure and minerals

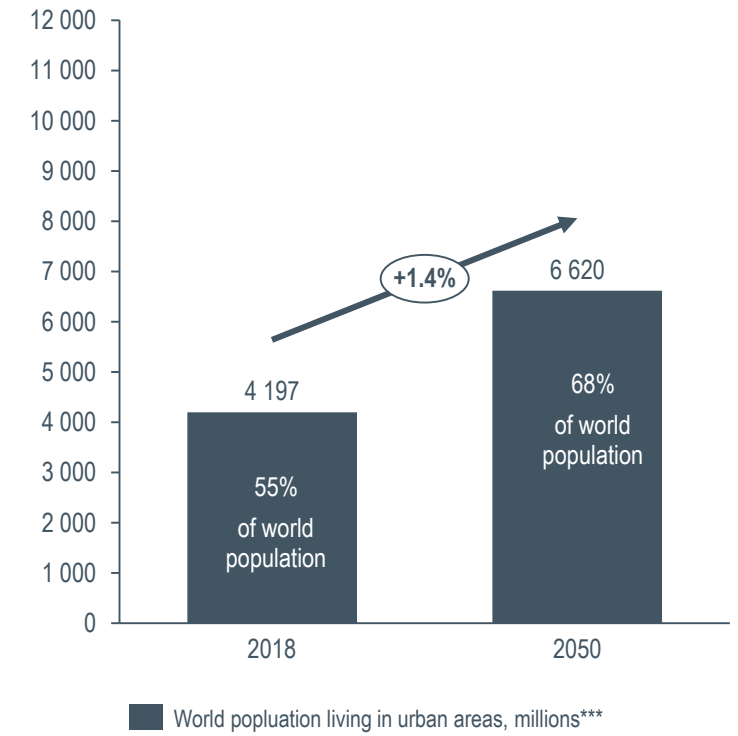
Economic growth



Population growth



Strong urbanization trend



\* OECD 2018 – Economic Outlook No 103 - [https://stats.oecd.org/Index.aspx?DataSetCode=EO103\\_LTB](https://stats.oecd.org/Index.aspx?DataSetCode=EO103_LTB)

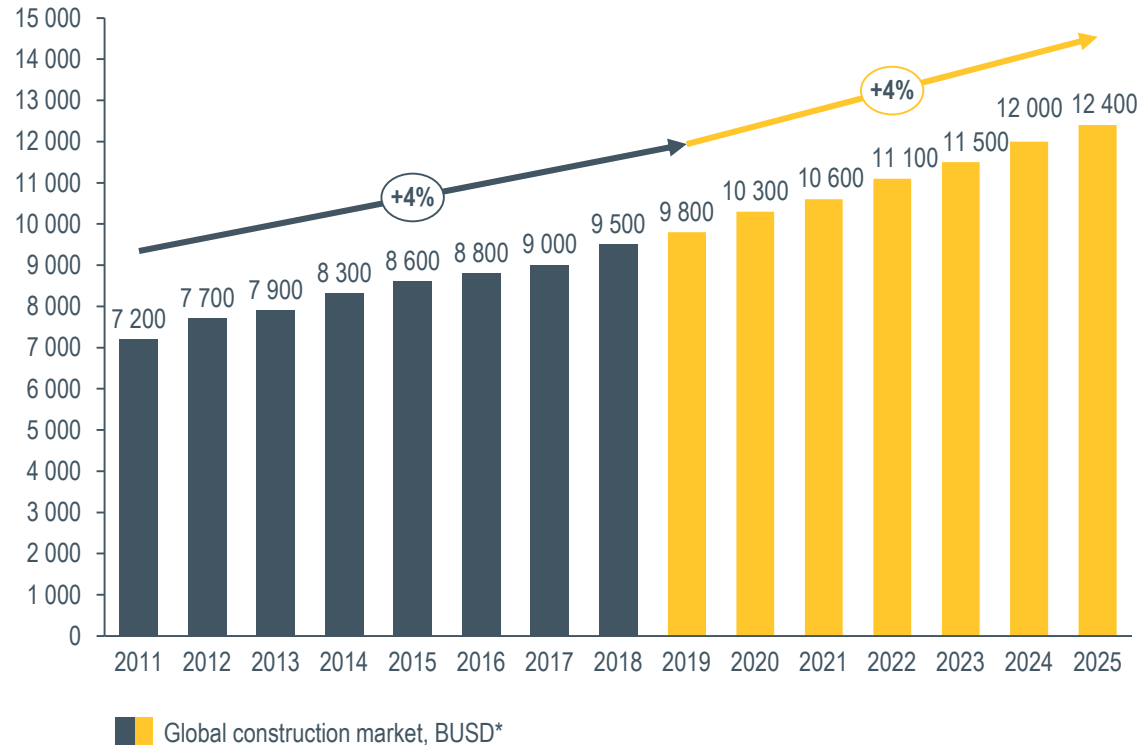
\*\* United Nations 2019: [https://population.un.org/wpp/Publications/Files/WPP2019\\_Highlights.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf)

\*\*\* United Nations 2018 - <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>

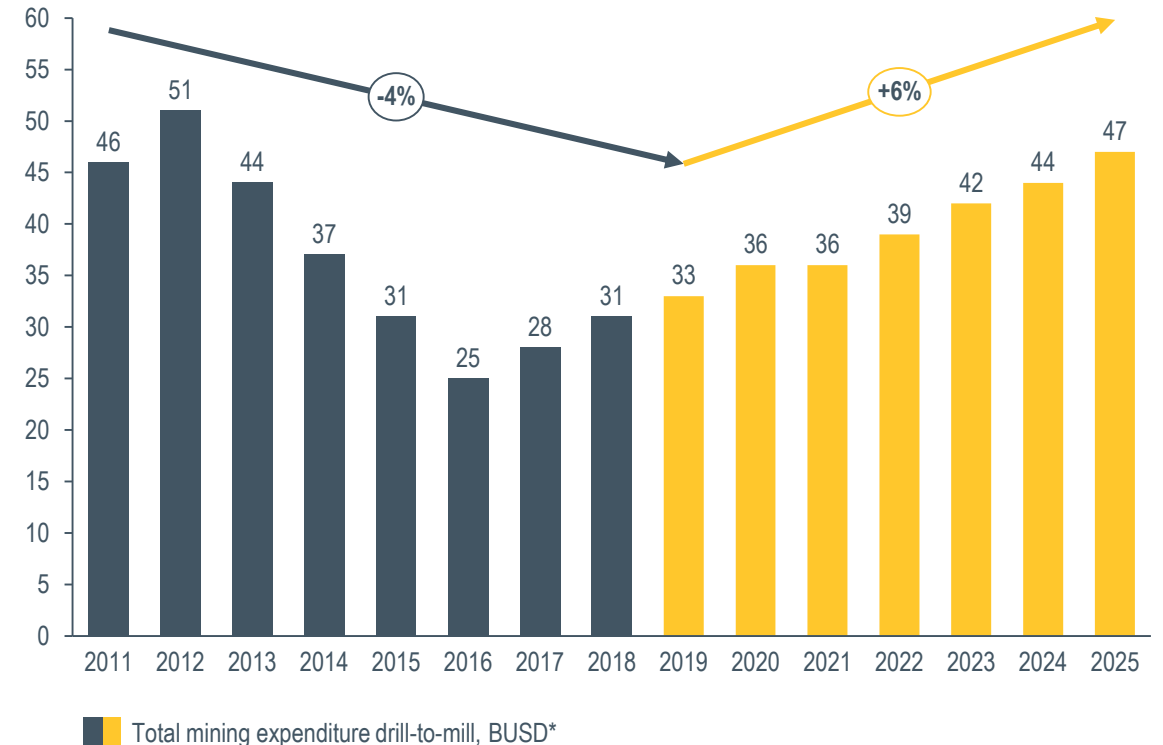
# A growing world... (2/4)

Increases the underlying need for infrastructure and minerals

Global construction market

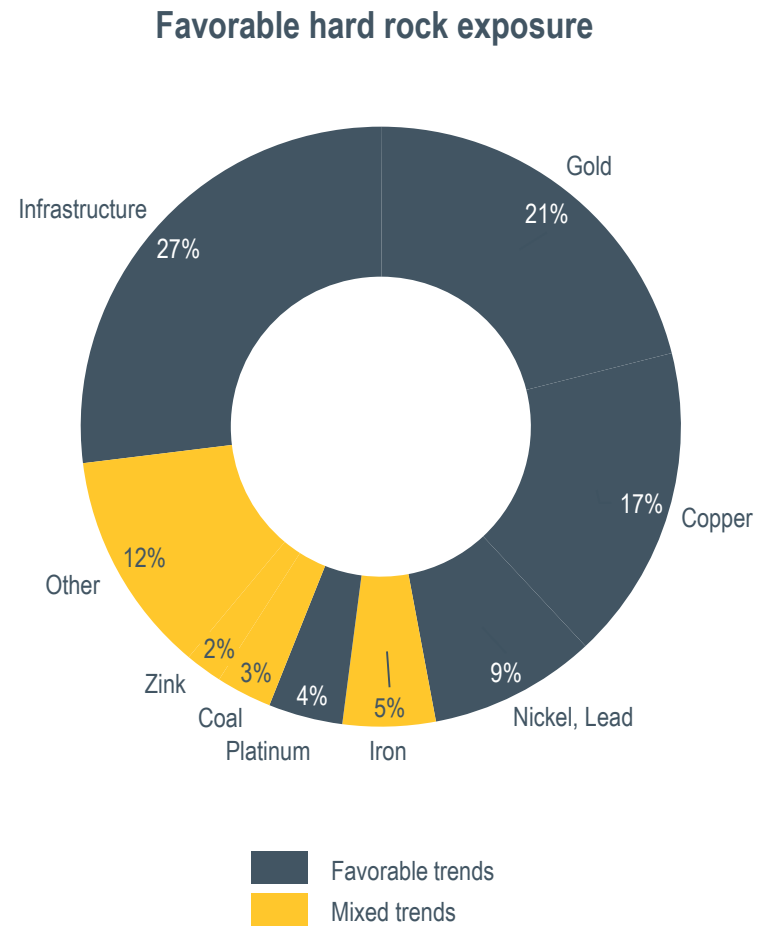


Total mining capital expenditure drill-to-mill





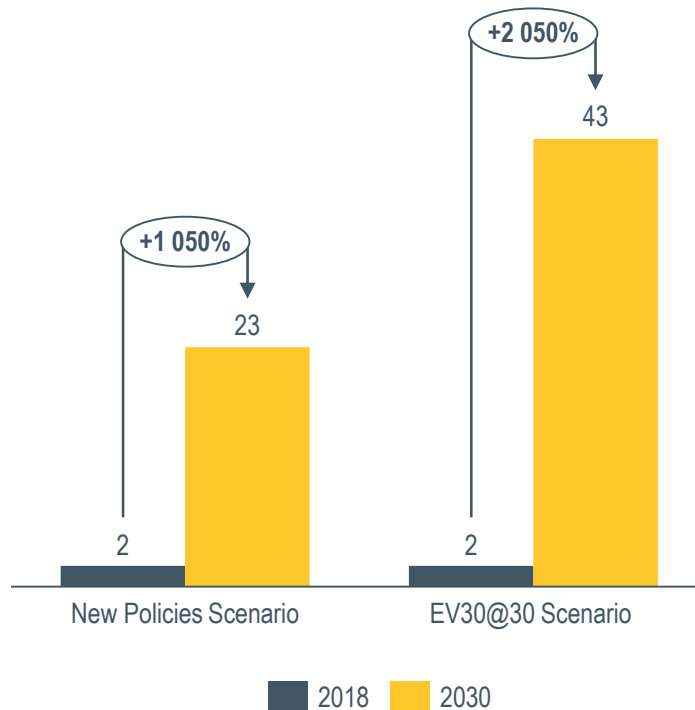
# A growing world... (3/4)



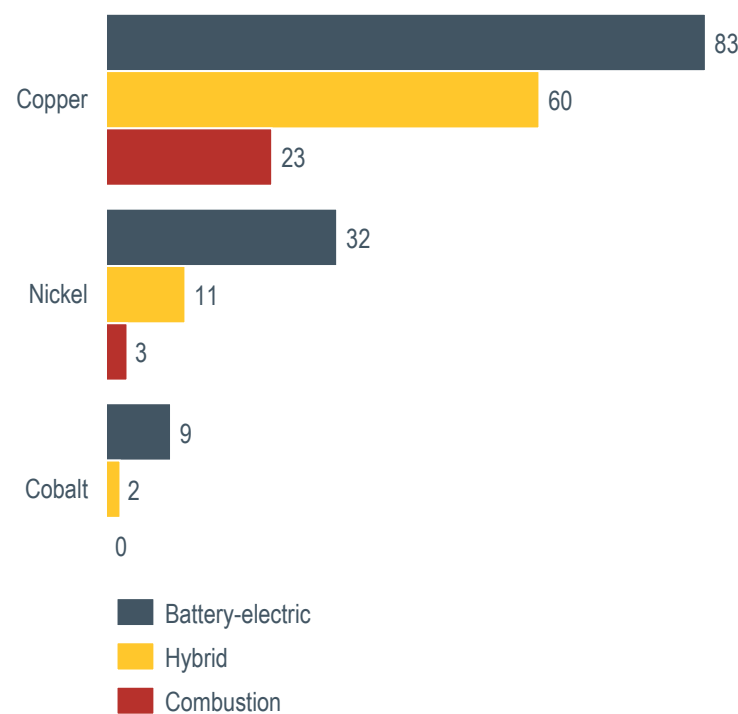
# A growing world... (3/4)

## Example: Electrification driving metal demand

Electric cars sold annually, millions



Metal used per car, kg



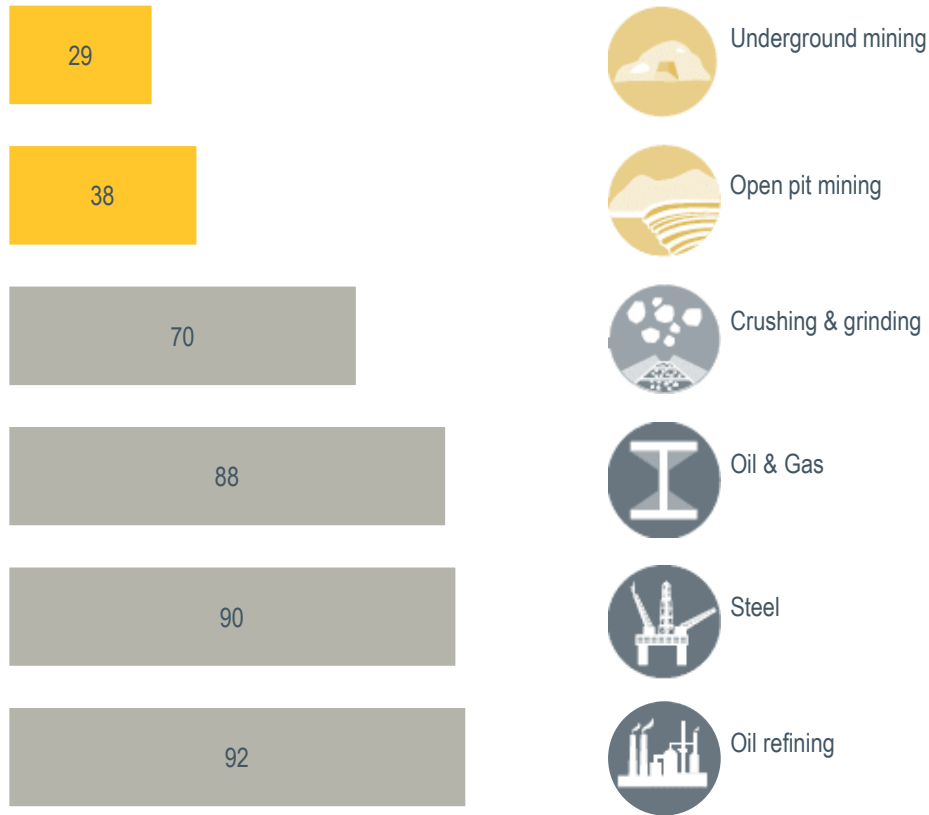
Assuming that 30% of all cars sold in 2030 are electric:

- The demand for **copper** would increase by an additional **10%**
- The demand for **nickel** would increase by an additional **40%**
- This is only for the cars. Network grids, chargers etc. are not included.

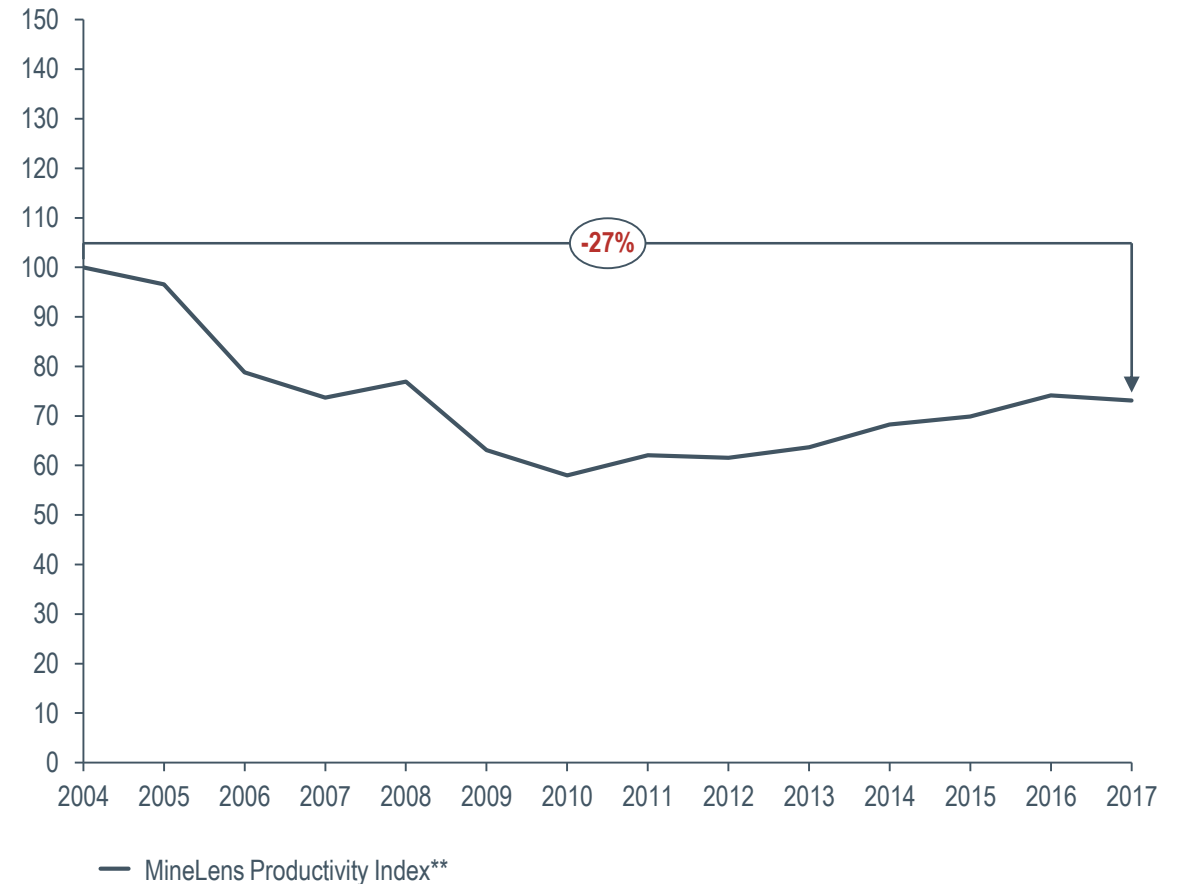
# ... with increasing challenges to meet the demand... (1/2)

## Customers meeting productivity and complexity challenges

Average overall equipment effectiveness in different industries, %



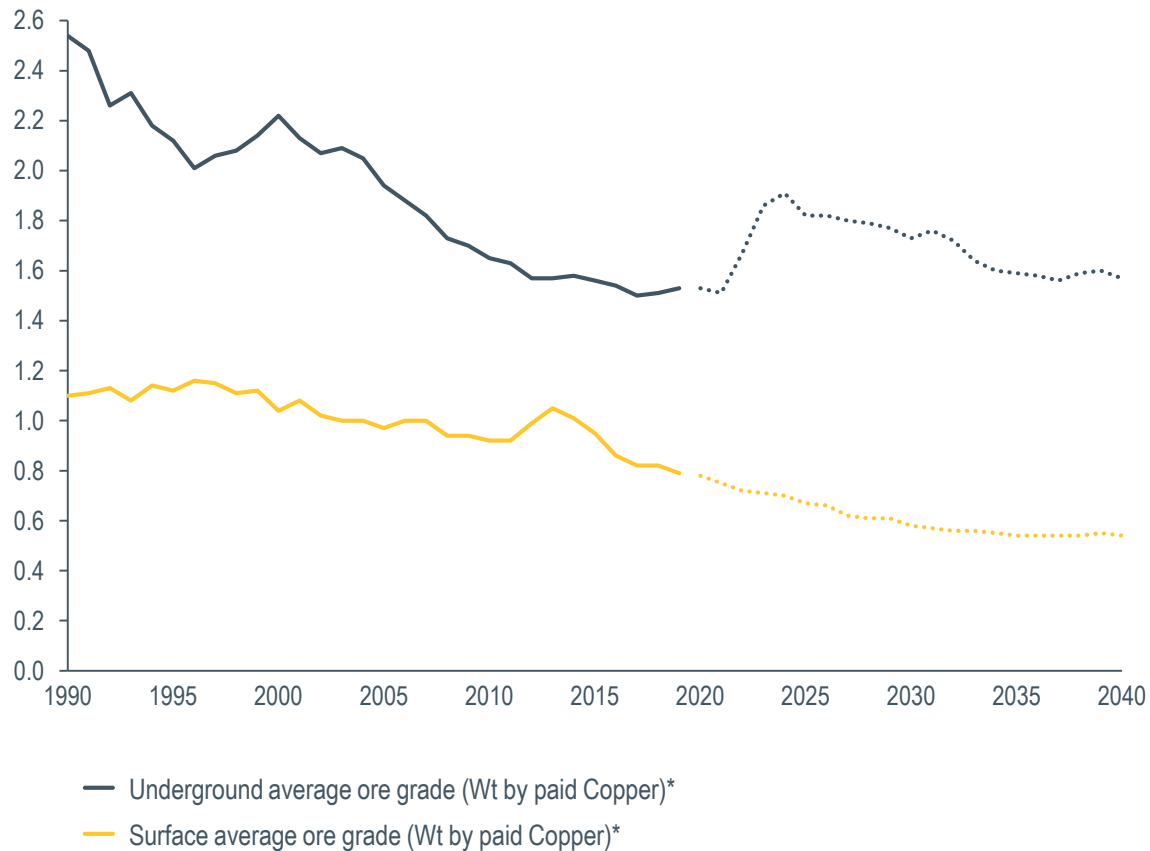
Strong focus on productivity



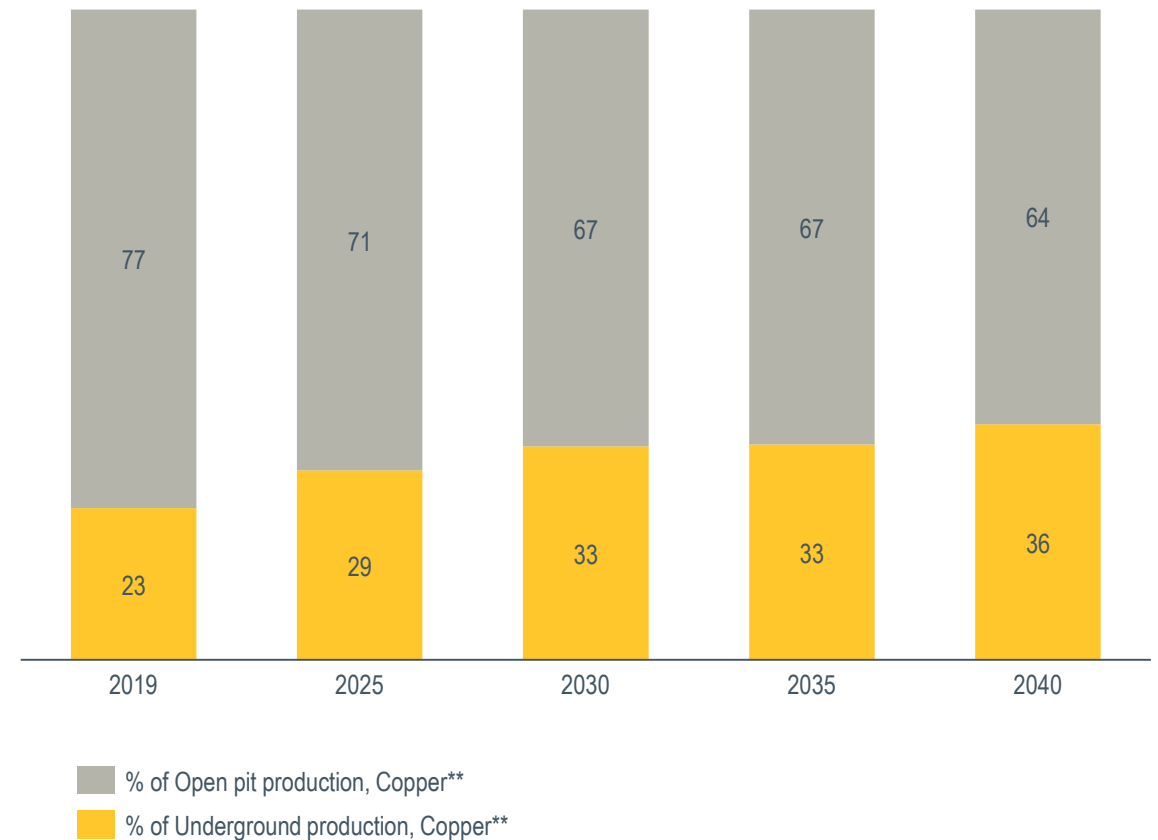
# ... with increasing challenges to meet the demand... (2/2)

## Increasing cost of hard rock excavation

Depletion of ore grades



Trend towards underground expected to be strong



\*The graph was obtained from Wood Mackenzie's Copper mine cost service, a product of Wood Mackenzie

\*\*McKinsey and MineLens, 2018

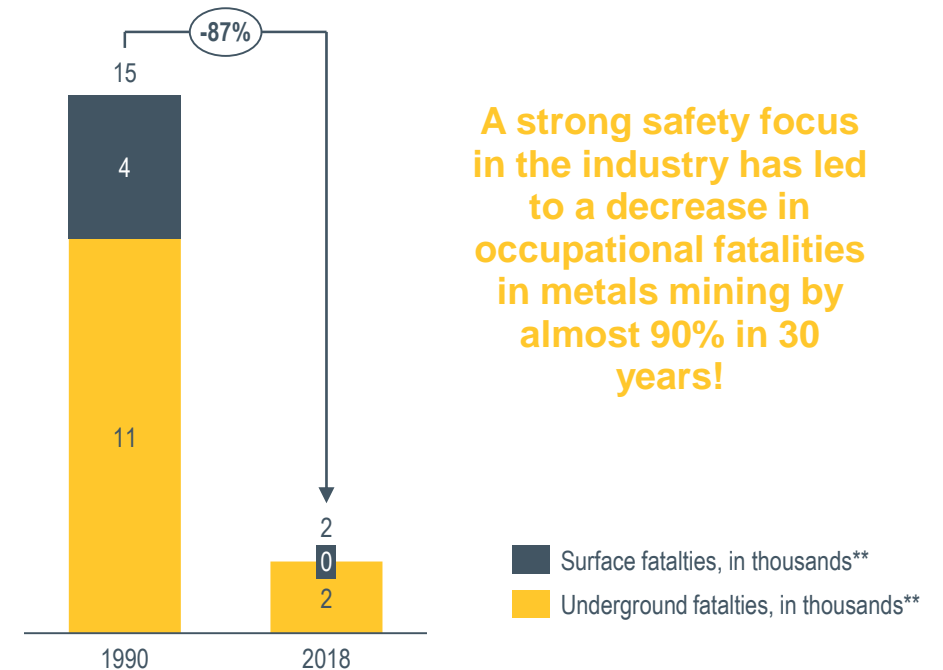


# ...and strong focus on safety and sustainability

## Customer's taking on the sustainability challenge\*

	Category	Key subcategories
Social impact	Health and safety	Reduce number of casualties
		Reduce number of injuries
		Reduce illness
	Quality of life	Reduce visual impact on landscape
		Reduce vibration
		Reduce noise
	Socio-economic	Create jobs
		Educate and develop skills
		Create sustainable infrastructure and housing
Environmental impact	Air	Reduce emissions
		Reduce mining or blasting dust
		Reduce road dust
	Water	Reduce acid mine drainage
		Minimize shortage
		Improve sedimentation
	Land	Reduce waste
		Protect biodiversity
		Reduce heavy metals spillage

Why do we always put safety first?  
Because our equipment and solutions make a difference!



\*AT Kearney - <https://www.atkearney.fr/documents/20152/434588/Mining%2BTakes%2Bon%2Bthe%2BSustainability%2BChallenge.pdf/f002cd17-aafd-33a8-9372-9e40c849db84?t=1520575913266>

\*\* Centers for Disease Control and Prevention - <https://www.cdc.gov/NIOSH-Mining/MMWC/Fatality/NumberAndRate?StartYear=1983&EndYear=2018&SelectedOperatorType=0&SelectedMineType=0&SelectedCommodity=2>

# The right solutions to meet customers' challenges

**We have  
a strong position and  
the right solutions to  
meet customers' challenges**

Safe and sustainable solutions,  
increased productivity and  
lower total cost of ownership



Service and maintenance



Productivity enhancing  
solutions



Automation, electrification  
and digitalization



# Video

**Smart, safe, seamless**

# Strategy and foundations for success

Value creation for all stakeholders

Focus on  
attractive niches

Innovation and  
expertise

Safety and  
sustainability

Presence and  
penetration

Operational  
and service  
excellence

People and  
leadership

Outperformance





**Epiroc**

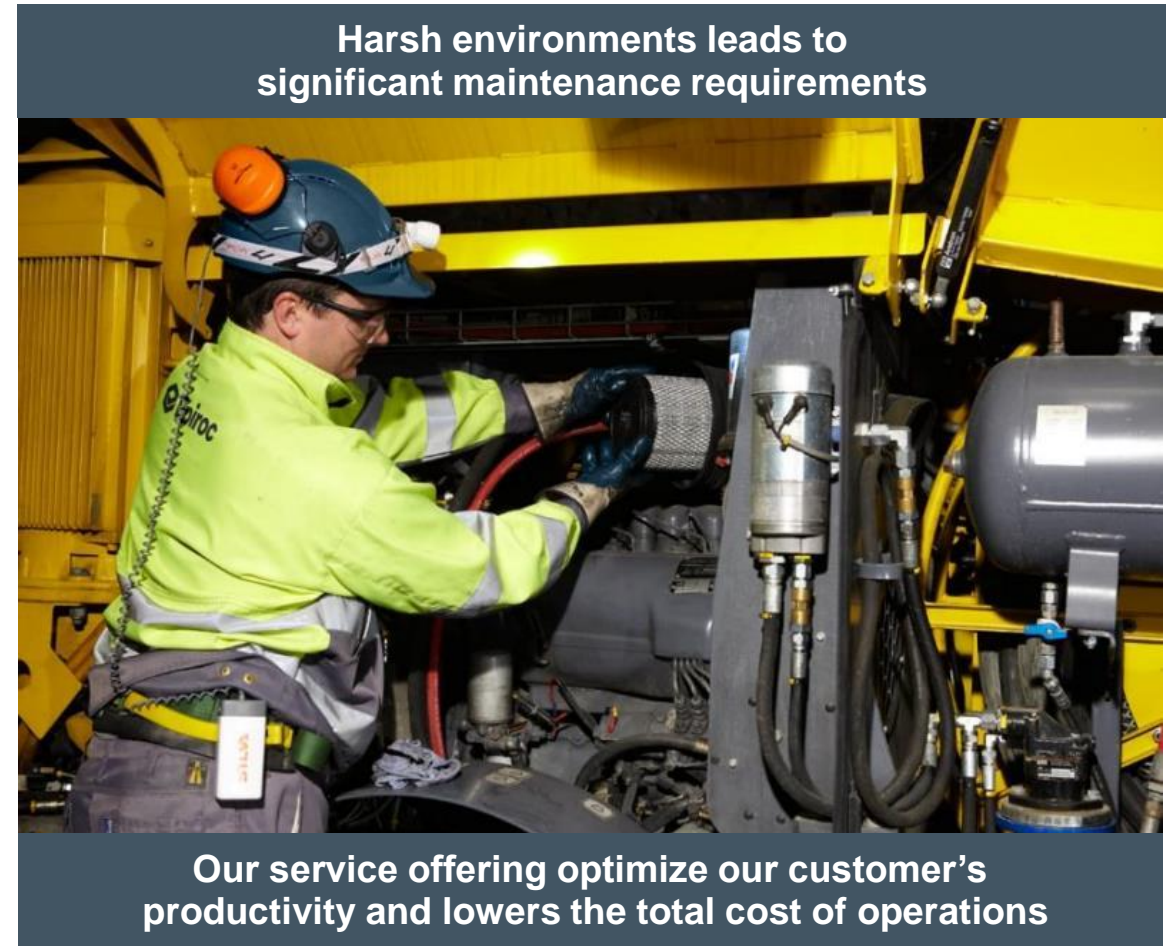
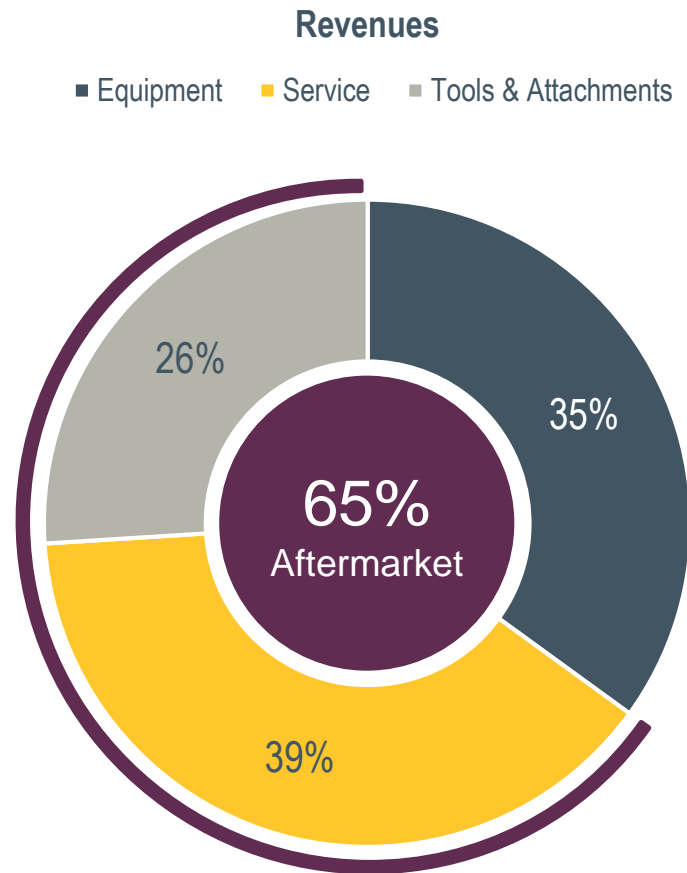


## Strong and resilient aftermarket business

Helena Hedblom, Senior Executive Vice President, Mining & Infrastructure

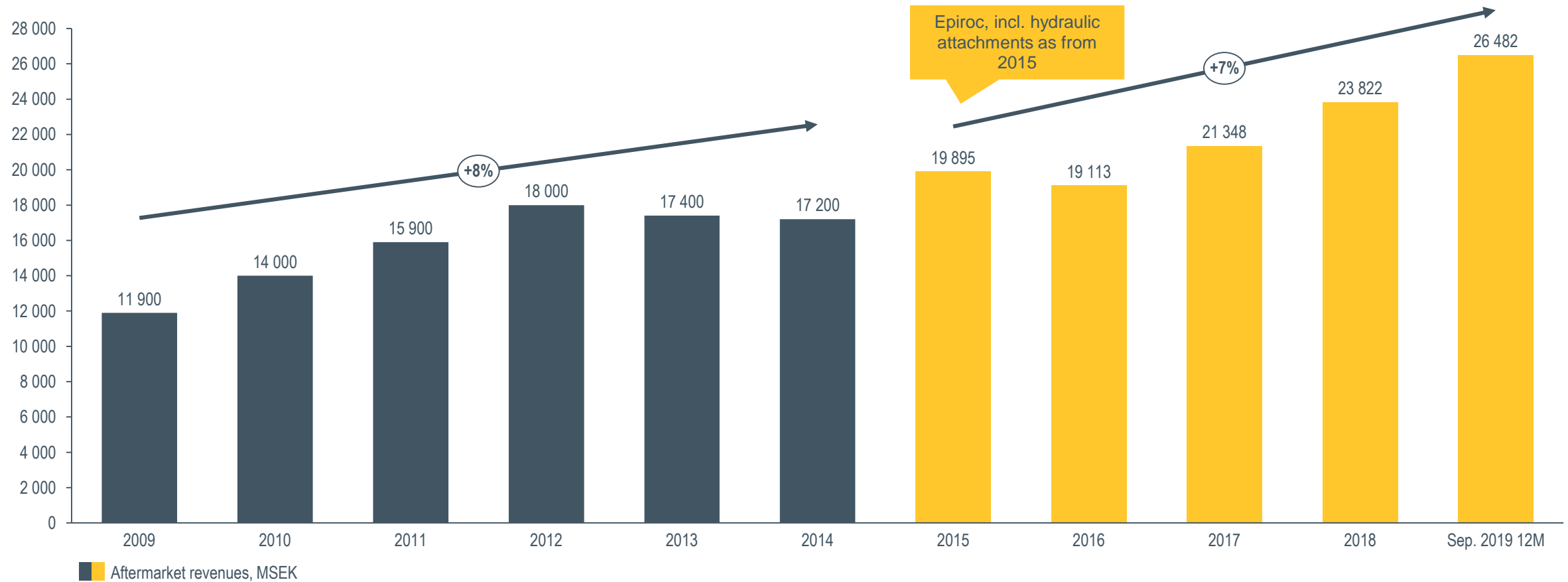


# High proportion of recurring business



# Solid growth in the aftermarket business

Strong aftermarket business provides resilience





# Keys to aftermarket success



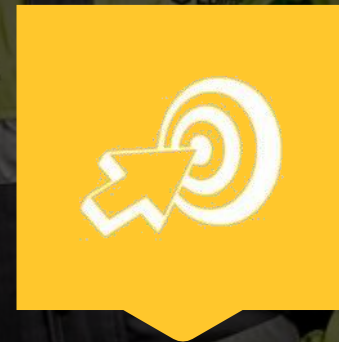
**Presence**



**Efficient  
supply chain**



**Technical  
know-how**



**Focus**



**People and  
leadership**

# Trends and customer values in aftermarket

- Safety and sustainability
- Productivity and efficiency
- Total Cost of Ownership (TCO)
- Connectivity – digitalization





# Broad aftermarket offering

- Service agreements and audits



- Supply of spare parts and components



**Service 39%**

- Midlife services, training, and other service products



- Rock drilling tools

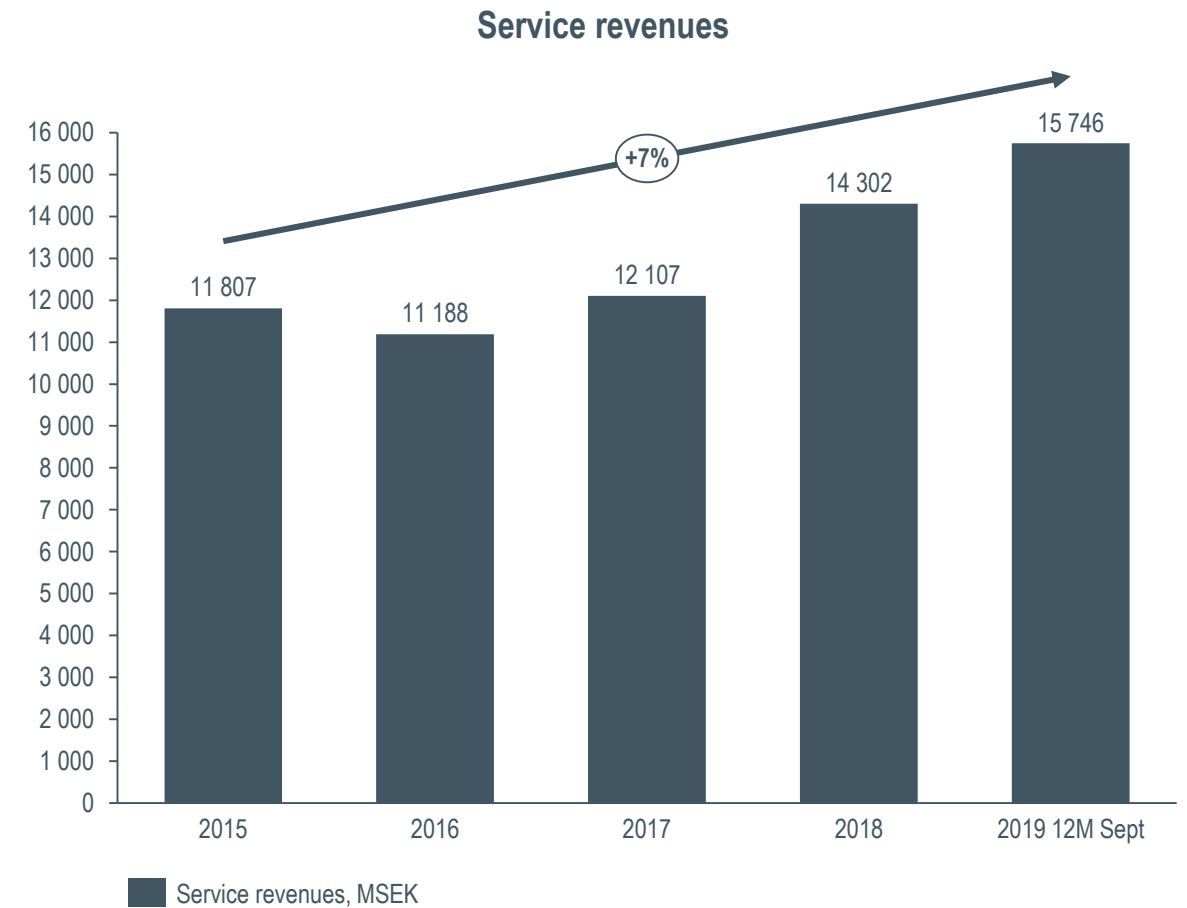
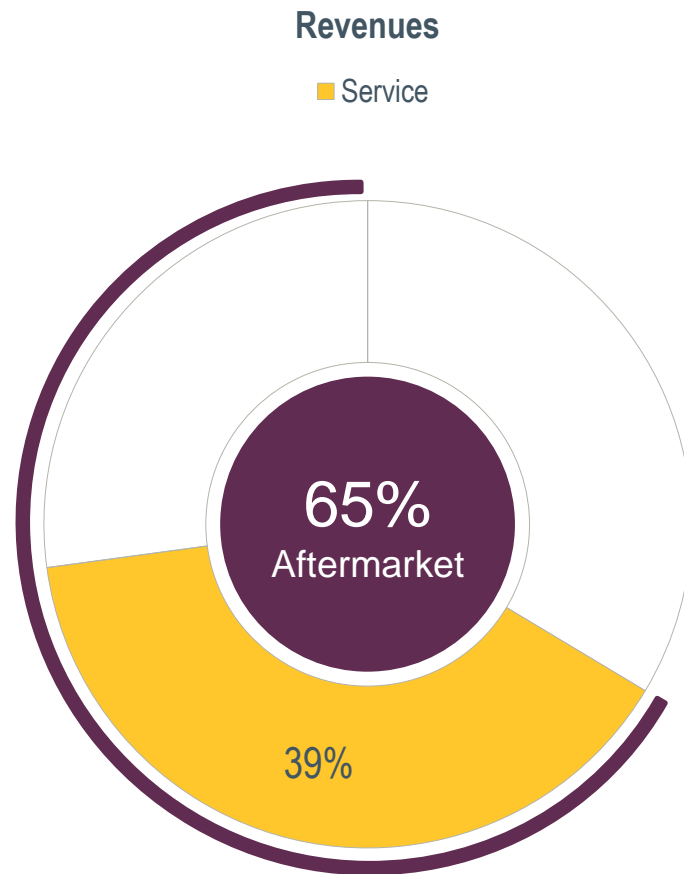


**Tools & Attachments 26%**

- Hydraulic attachments



# A strong service business



# Presence is vital and a competitive advantage!

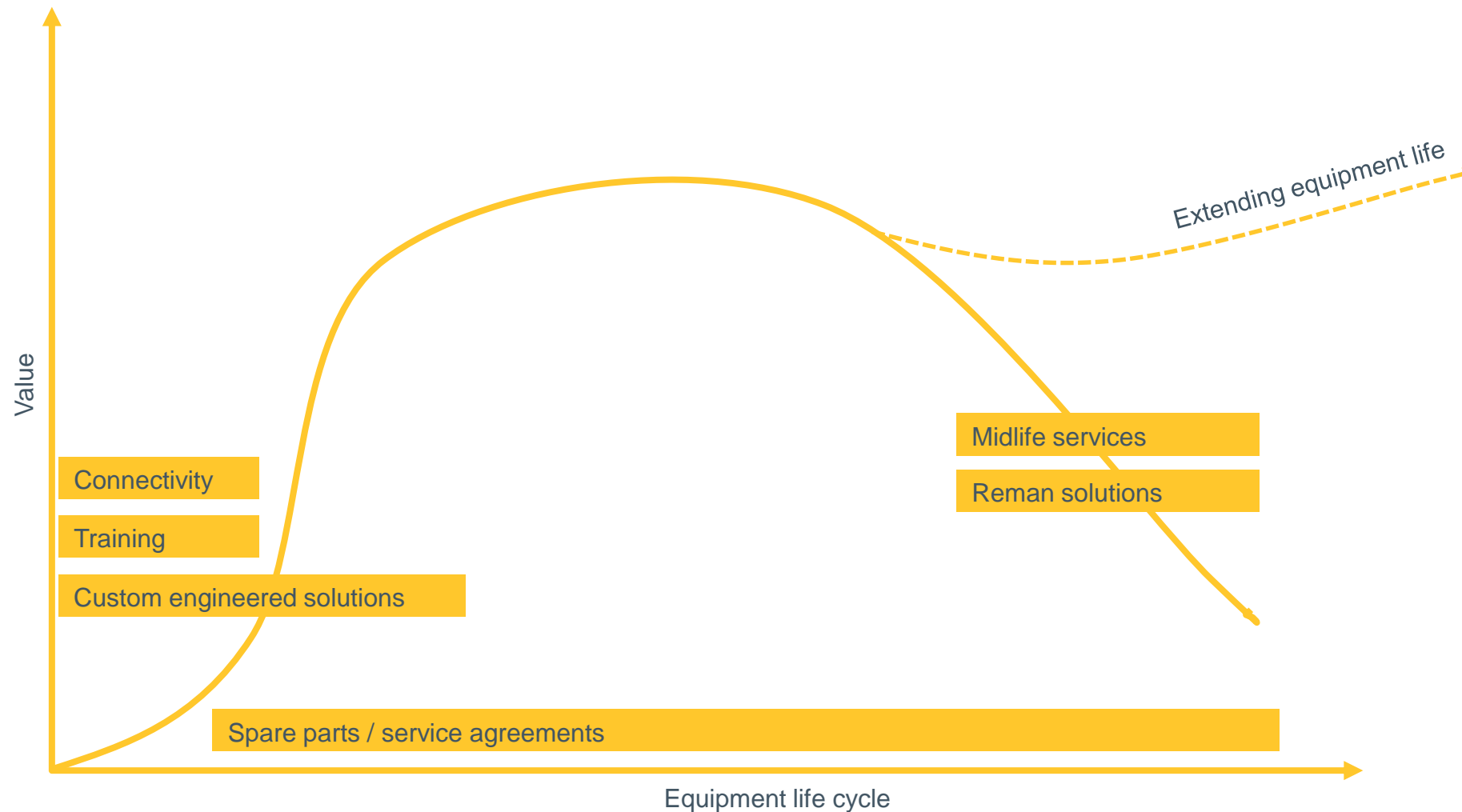


*\*Employees in Service, excluding additional workforce*



# Equipment life cycle and service offerings

## Service – value proposition



# Examples from our broad service offering



Replacement  
parts and kits



Service  
agreements  
and audits



Reman  
solutions



Midlife services



Custom  
engineered  
solutions



Training  
products

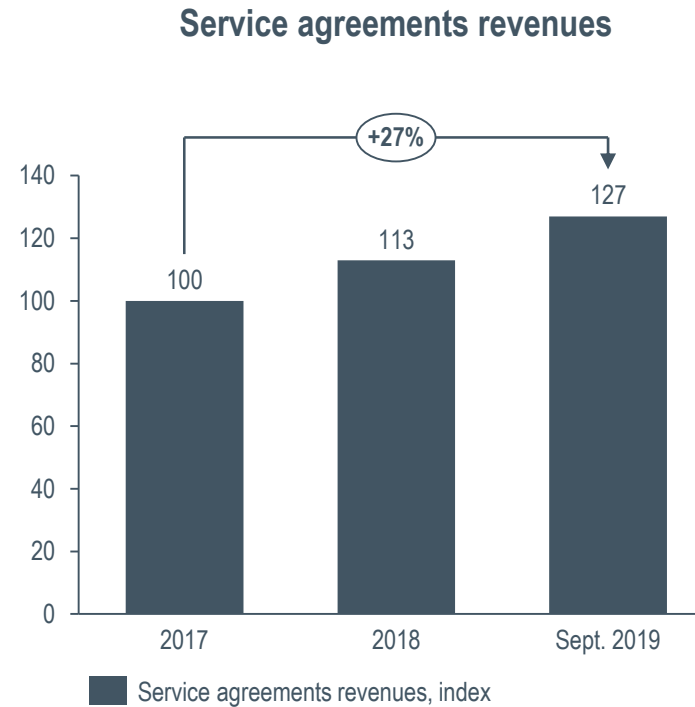


Telematics  
(connectivity)

# Service agreements

## From parts provider to partner

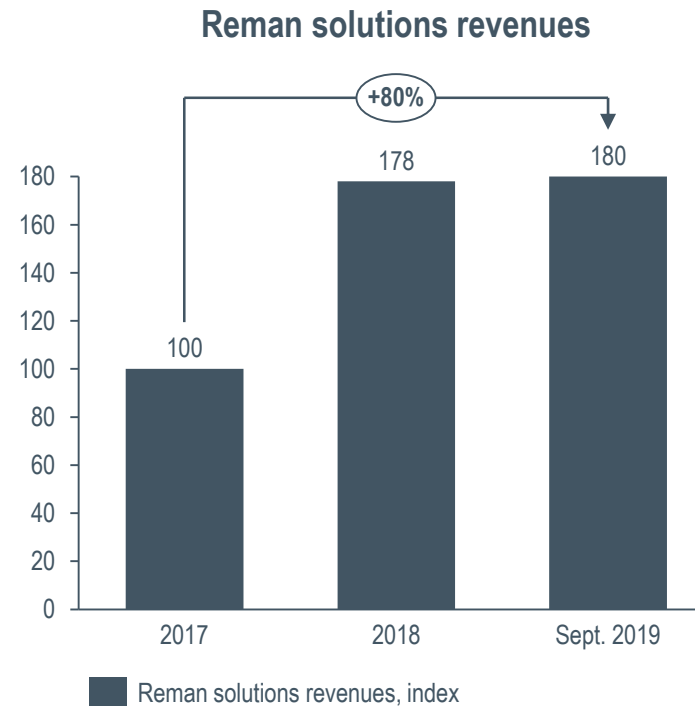
- Clear service value proposition
- Service agreements for different demands
- Lifecycle management



# Reman solutions

## New lease on life

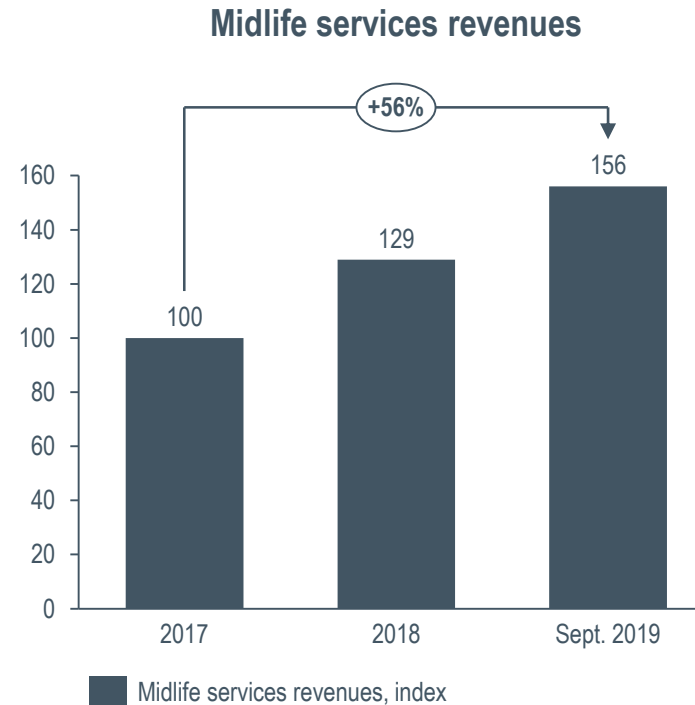
- Sustainable remanufactured components
- Original Equipment Manufacturer (OEM) certified quality



# Midlife services

## Extend equipment life

- Replacing old with new components, returning equipment to maximum productivity and operating efficiency at a fraction of the cost of a new machine.



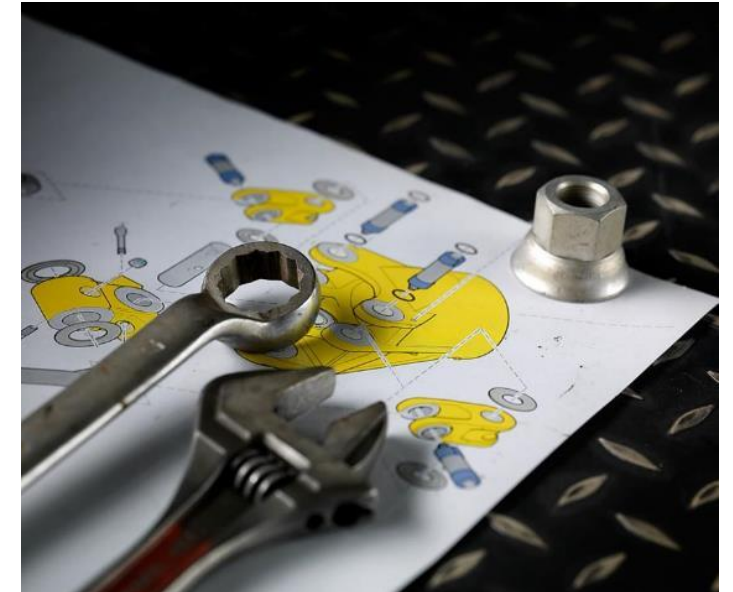
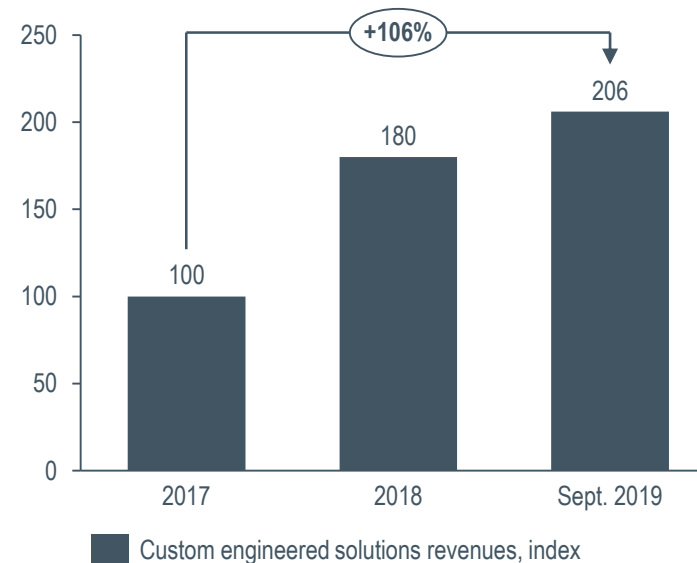


# Custom engineered solutions

## Engineered to meet individual needs

- More than spare parts, less than a machine
- The solution is designed to match the machine configuration, and to incorporate the latest version of components to ensure both safety and productivity

Custom engineered solutions revenues

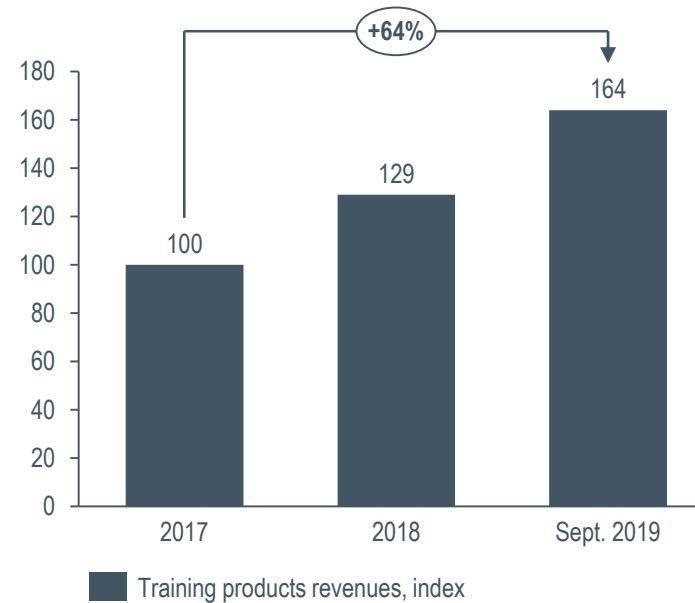


# Training products

## A safe way to generate value

- Training tools that raise operators' skills, increase their ability to master the machine and drilling expertise, right from the start.

Training products revenues



# Connectivity – an enabler for service transformation

## Connectivity



## Data analysis



## Data driven service





# Seamless interaction

**Proactively understand needs for service, spare parts and consumables**

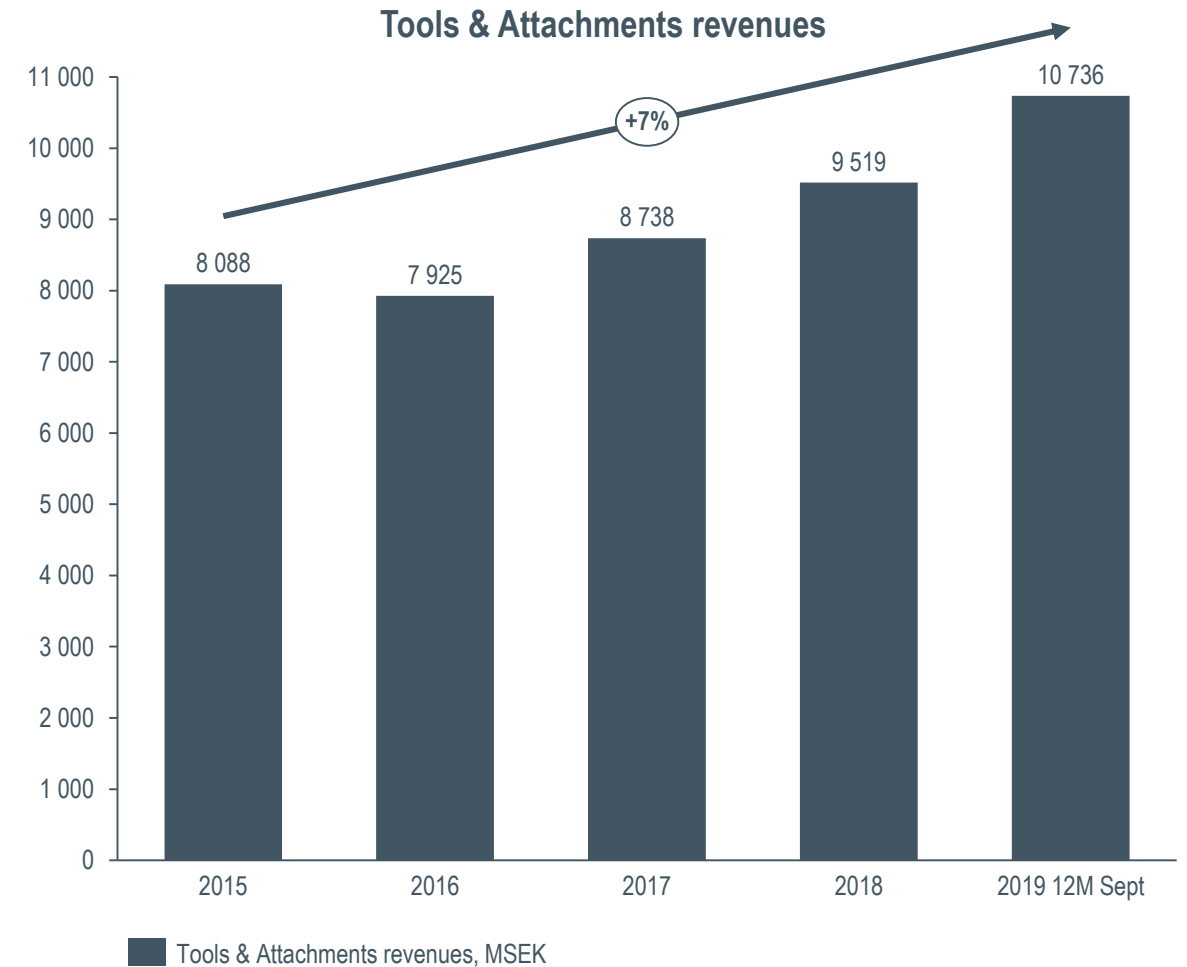
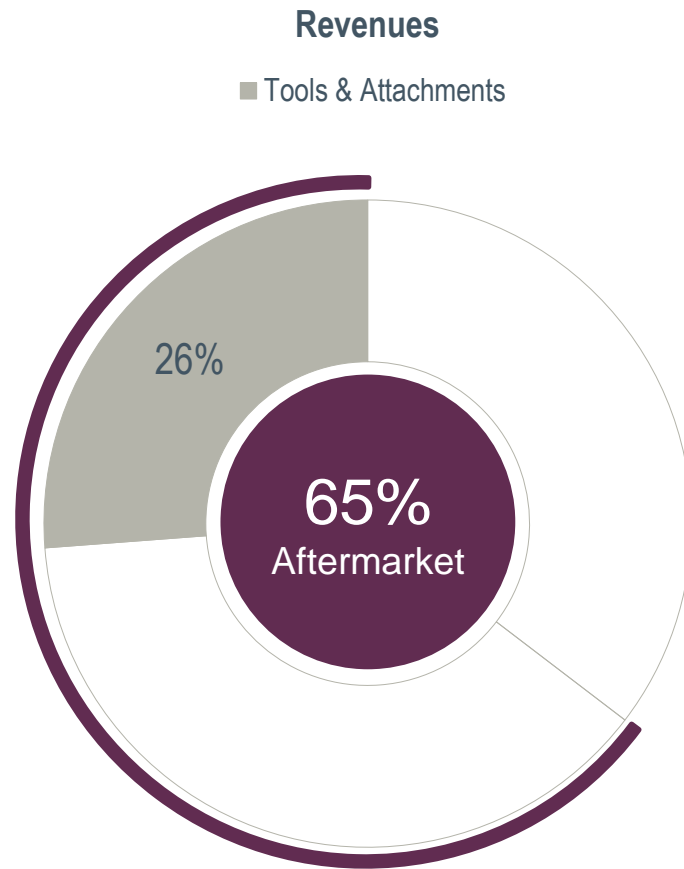


Epiroc proactively understands the needs for service, spare parts and consumables.

Customers are empowered with easy and context-aware ability to find the products and services relevant to their situation.

Whether you are supported automatically, remotely or on-site, the solution allows you to request and follow up on your support needs, ensuring you stay operational

# Tools & Attachments





# About Rock Drilling Tools

## Summary

- Key contribution to customer productivity total cost of operation
  - Invisible products that do the job
  - Presence and supply-chain key
- Complementing Epiroc equipment innovation
- Resilient business
- 70% of sales through some level of customer agreements
- Raw material to finished goods



# Redefining the offering in Rock Drilling Tools

## Grow and acquire in core businesses

Tophammer



Rotary & raiseboring



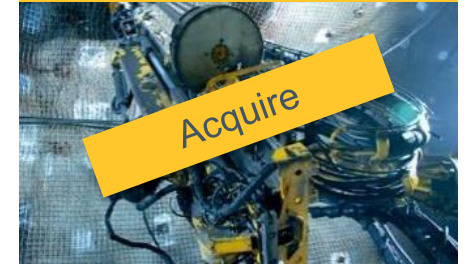
Down-the-hole



Exploration



Ground support



## Divest / exit non-core businesses

Oil & Gas



Geotechnical



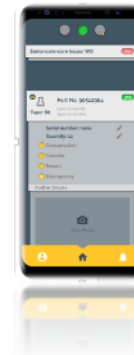
Handheld



# Innovation driving the business forward

## Digitalization

- 6th Sense
- Seamless view of rock drilling tools performance
- Co-operation with capital equipment divisions to enable real-time performance monitoring
- Smart Inventory Management
- Cost per measure contracts
  - Daily tracking and reporting on performance of consumables by rig and application can be digitalized



# Innovation driving the business forward

## Product development

- Power Bit Underground
  - Faster penetration rate
  - 37% longer service life
- New M-series DTH hammers
  - The fastest DTH hammer ever with a unique piston design allows much higher impact frequency. This means also lower fuel consumption and lower running costs.





# About Hydraulic Attachments

## Key summary

- Premium hydraulic attachment tools for demolition, recycling, mining and quarrying
- Key contribution to customer productivity
- Mainly towards infrastructure
- Distributor sales
  - Synergies with Epiroc - market presence and expertise





# We make a multi-tool out of our customers' carriers

## Hydraulic Attachment Tools



Breakers

Drum Cutters

Shears: Steel Cutters, Concrete Busters, Combi Cutters

Bulk Pulverizer

Demolition Pulverizer

Grapples

Bucket Crushers /  
Screeners

Magnets

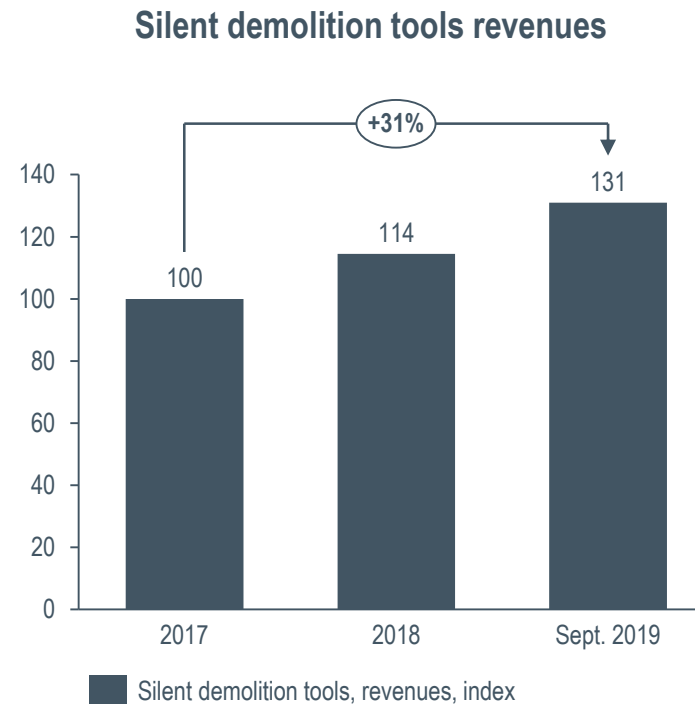
Compactors

Related service & aftermarket business



# Silent demolition tools

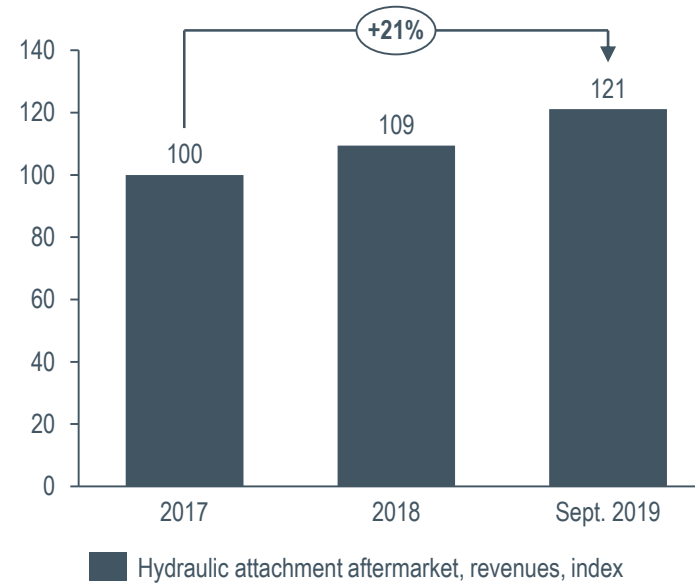
- The silent demolition product range has been developed and the offering is broader



# Hydraulic attachment aftermarket

- Strong focus on the hydraulic attachments service and consumables business

Hydraulic attachment aftermarket revenues





# Keys to aftermarket success









# Mergers and Acquisitions

Martin Hjerpe, Senior Vice President M&A and Strategy



# Continuous focus on acquisitions



New Concept Mining





# Foundations for success

**Focus on  
attractive niches**

**Outperformance**

# Adding capability through M&A: Key criteria



Stand-alone  
attractiveness

*“Is this target attractive and  
well-performing in itself?”*



Strategic fit and  
synergies with Epiroc

*“Does it support a core  
business strategy of Epiroc?”*



Potential to become or  
remain number 1 or 2

*“Does it provide a path to be  
undisputed market leader?”*



# Expansion logic with different strategic rationale







**Epiroc**



# Automation, digitalization and electrification for underground applications

Sami Niiranen, President, Underground Rock Excavation Division



# Sami Niiranen – President Underground Rock Excavation



Mining Engineer, Helsinki, Finland



# A leader in automation, digitalization and electrification



## Timeline for underground equipment

### – 2010

- Rig Control System (RCS)
- Single-machine automation
- Electric-hydraulic drilling equipment
- Data collection



### 2010 – 2020

- Increased demand for automation
- Digitalization creates opportunities
- Electrification strategies
- Partnerships and collaboration



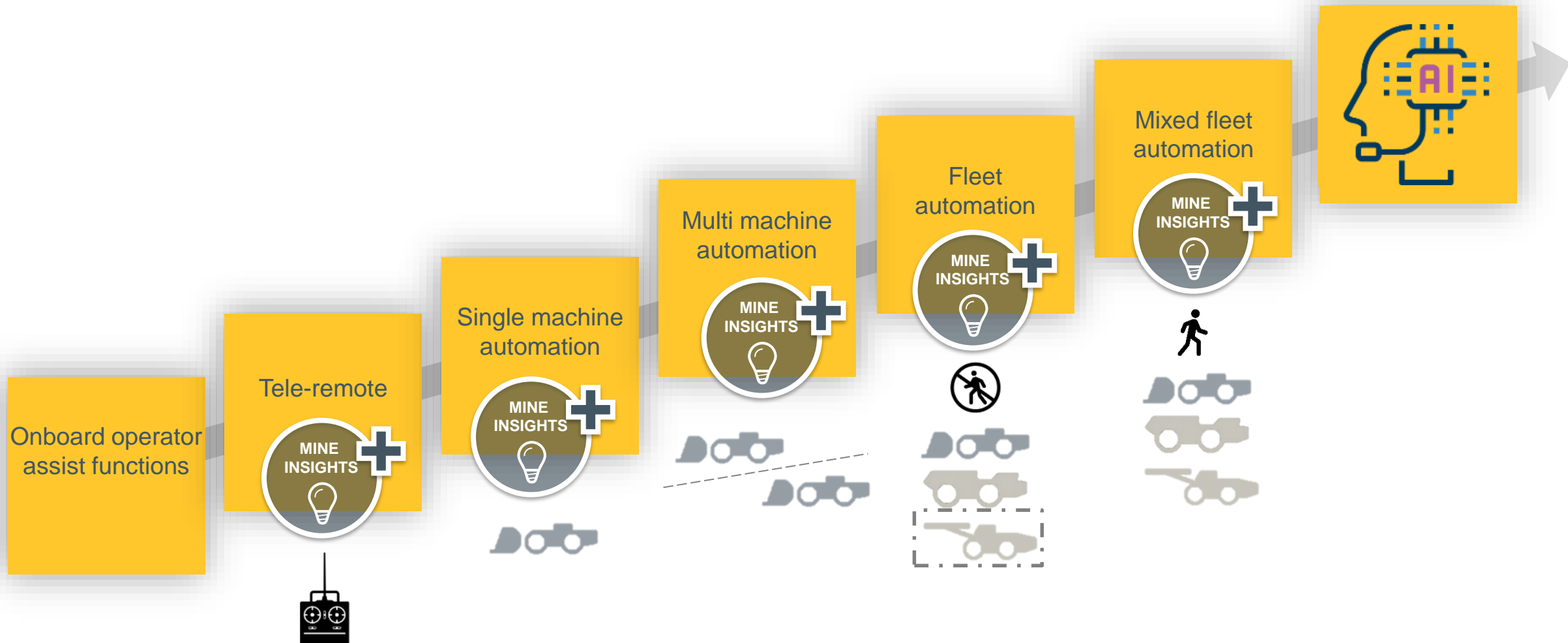
### 2020 –

- Interoperability (mixed fleet)
- Information management
- Serial production of battery vehicles
- New business models




# Increasing levels of machine automation

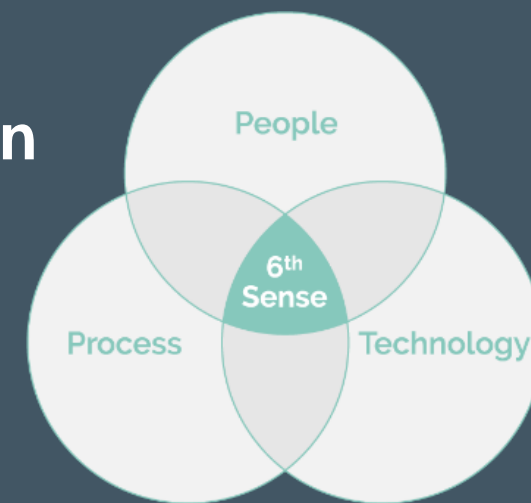
Innovation continuously improve productivity for our customers





A decorative pattern of light green hexagons and lines on the left side of the slide.

**6th Sense** is the Epiroc way to optimize our customers' value chain through automation, system integration and information management  
– enabling a smart, safe, seamless operation



# Epiroc's world leading automation solutions brings Apatit JSC to new levels

# Leading solution for production drilling automation

## 6th Sense Production solution – Apatit JSC

- Teleremote, ABC Total and Certiq telematics for remote control and monitoring of production drilling
  - One operator controls six production drill rigs
  - Remote transmission of drill plans
  - Automatic drilling
- Improved safety
- Increased productivity by 20%





# Video - Apatit





# Epiroc sets the standard of loader automation

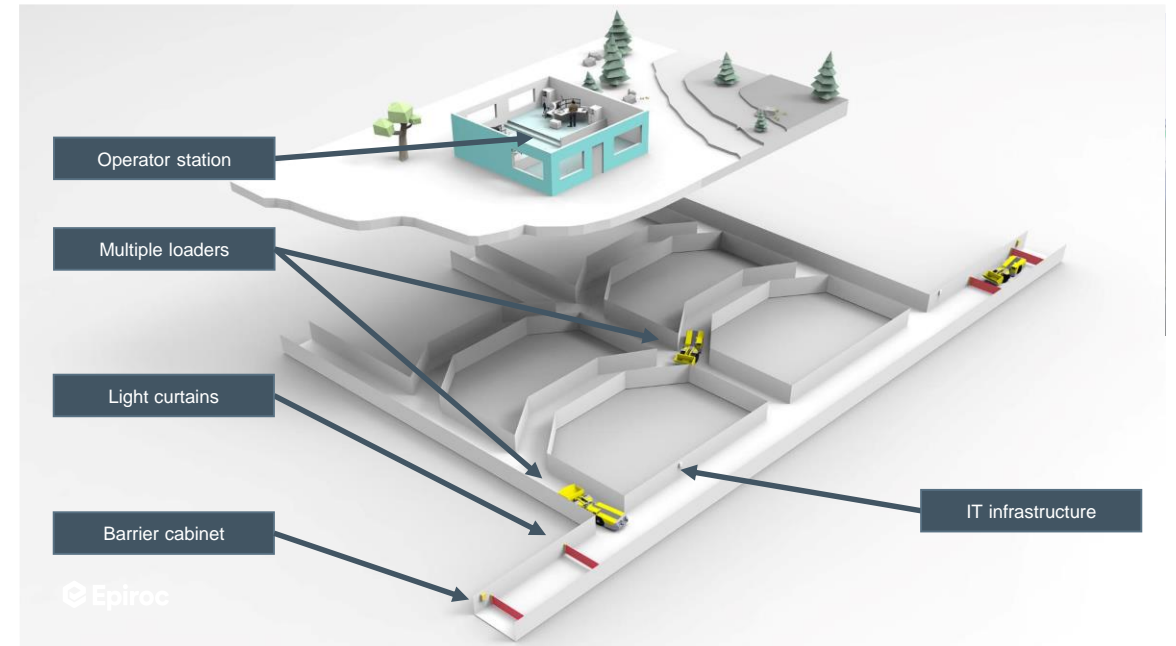




# Highest level of loader automation

## 6th Sense Transport solution – Scooptram Automation Total

- Automation for multiple loaders, operated/monitored from control room
- Safer work environment by removing people from hazardous areas
- Higher fleet performance through automated traffic control
- Optimized Load-Haul-Dump cycle with autonomous functions



# Epiroc to digitalize Pucobre's mining operations in Chile



# Information Management

## 6th Sense Mine Management Solution - Pucobre

- Information management and system integration of Pucobre's existing systems
- Planning and dispatching system for Transport, Production and Development
- Epiroc Activity Planner and Mobilaris platform with Scheduler and Operator Client
- Collaboration between Pucobre, Epiroc and Mobilaris
- Support and maintenance agreement





# Video - Pucobre





**Epiroc is a leader in  
battery-electric vehicles**





# Battery-electric vehicles

- Benefits include improved health and safety, reduced emissions, lower total cost of operation and higher productivity
- 100 000 operating hours accumulated to date
- >70% reduction on energy consumption, mainly from reduced ventilation
- 10% increased productivity for Minetruck MT42 Battery with faster ramp cycle time



Sustainable Intelligent Mining Systems (SIMS) project is part of Horizon 2020, the European Union's most extensive research and innovation program. Epiroc is coordinator.

# Improved stability with Battery as a Service

## Adding another aftermarket revenue stream

- Epiroc will take full responsibility for the batteries, including maintenance, technology upgrades, and recycling
- Enables close collaboration with customers and ancillary business
- Full access to performance information and other data → competitive advantage





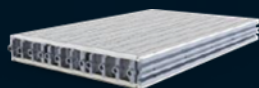


# The future is **electric**

Our ambition is to produce the world's greenest machines, using the world's greenest cells, producing the world's greenest metals, doing our best for our planet



Cell



Module



Sub pack



Pack



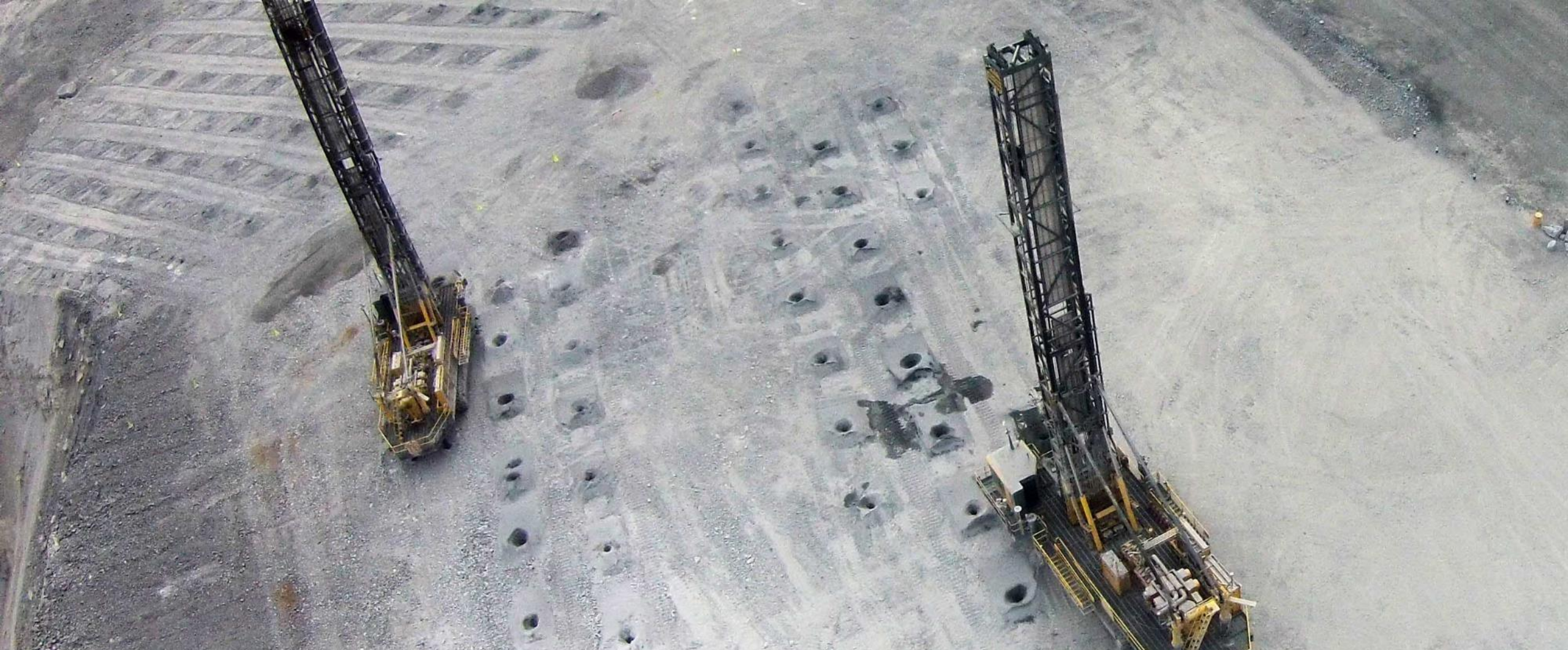






**Epiroc**





# Automation and information management for surface applications

Jose Manuel Sanchez, President, Drilling Solutions





# Jose M Sanchez – President Drilling Solutions



**MSc Mining from Madrid School of Mines,  
Master's Degree in Marketing & Sales Management**




## Distinctions:

- Chairman of Epiroc intercompany Legal entities in the Americas
- Board member of ASIM (party owned by Epiroc Drilling Solutions)
- Medal of Honor as Engineer of the year 2016 by the Mining Engineers Association of Central Spain

# Envision

## Future mine



**6th Sense – Information on demand:  
Instant insight about the equipment performance**



# 6th Sense – Fully autonomous electric drill in arctic conditions at Boliden, Sweden





# Video - Aitik





# 6th Sense – Autonomous SmartROC D65 at Newmont Goldcorp in Canada





# Video - Newmont





An aerial photograph of a large open-pit mine. The mine's terraced walls are visible on the left side. In the center, a tall drilling rig stands on a platform. The floor of the pit is covered in a grid of small, dark, circular marks, likely from previous drilling operations. A road curves along the right edge of the pit. In the bottom right corner, a large yellow dump truck is partially visible, carrying a load of dark material.

## 6th Sense – Autonomous Pit Vipers at Newmont Goldcorp, Mexico



# Video – Newmont Goldcorp, Penasquito

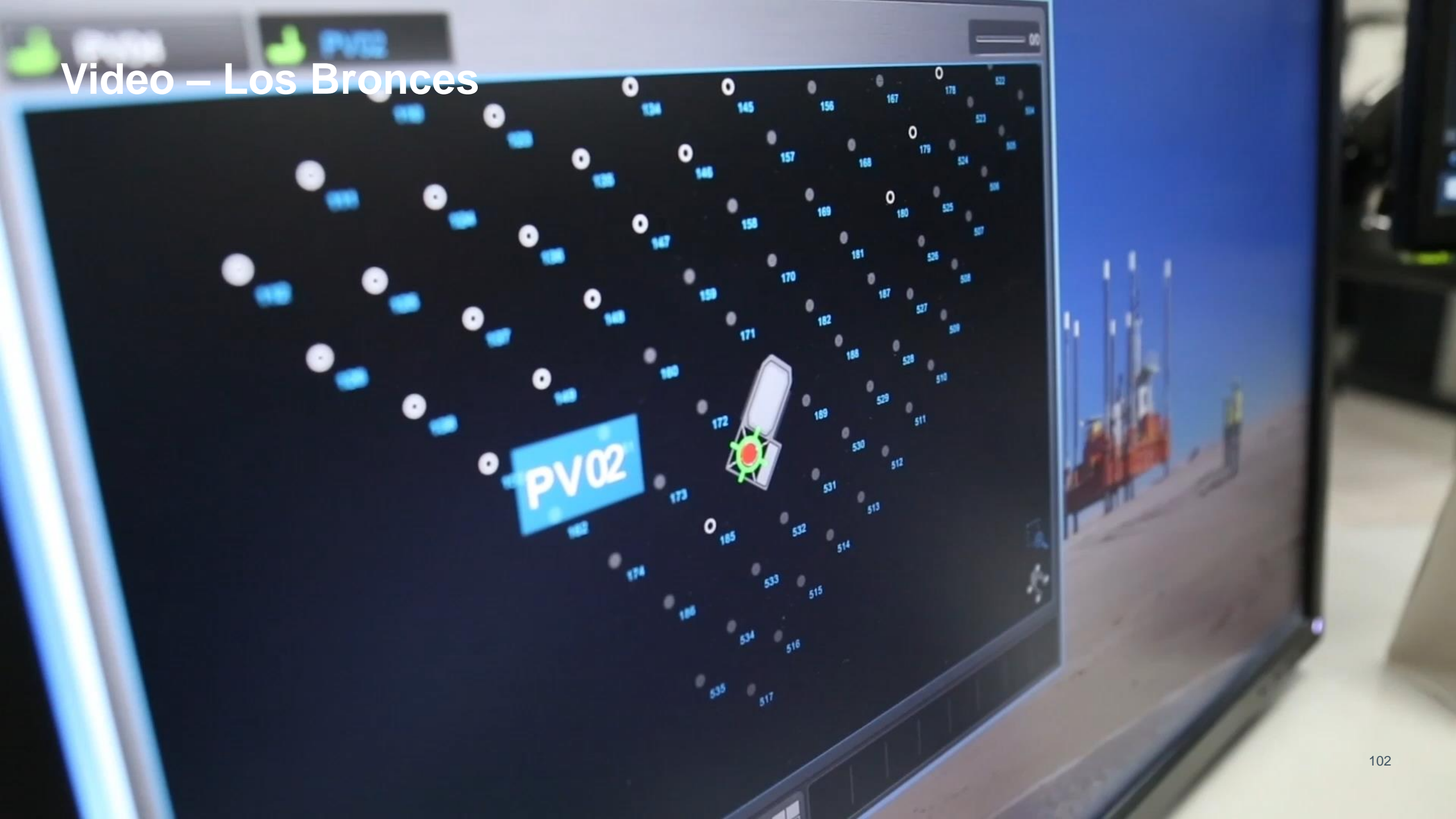




# 6th Sense – Control rooms keep operators from hazardous environment

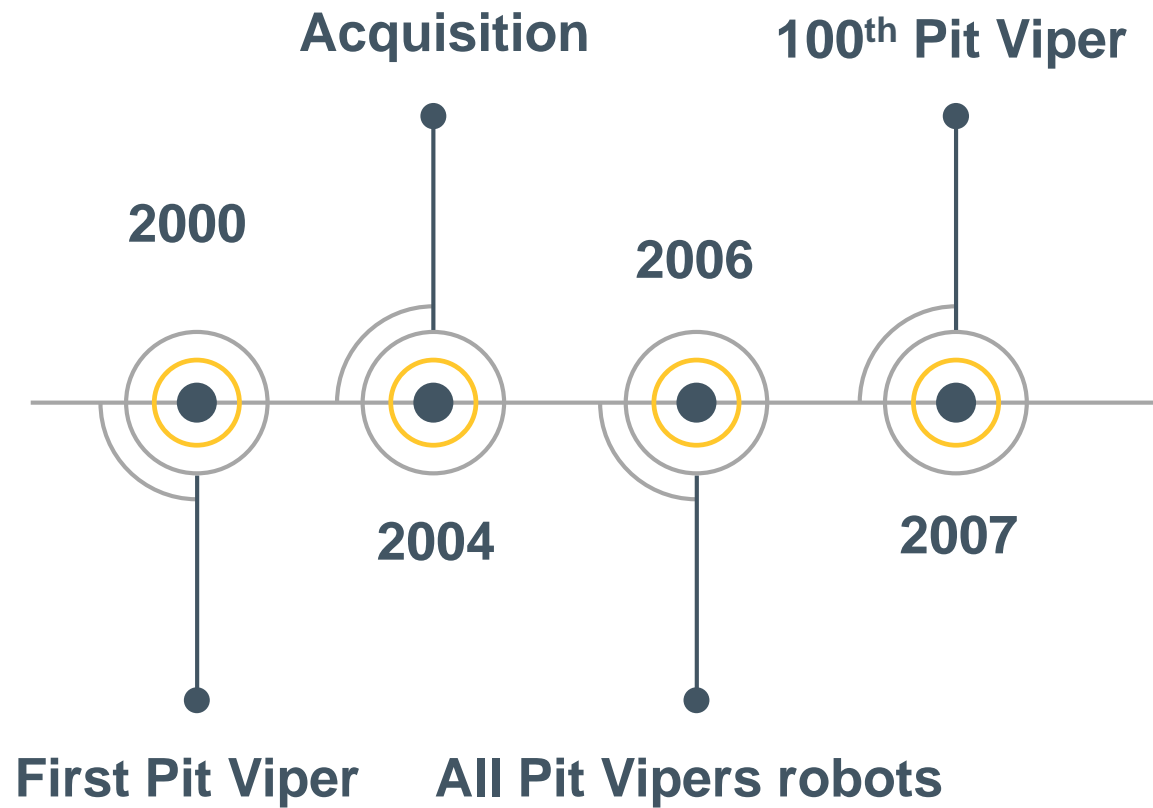


## Video – Los Bronces



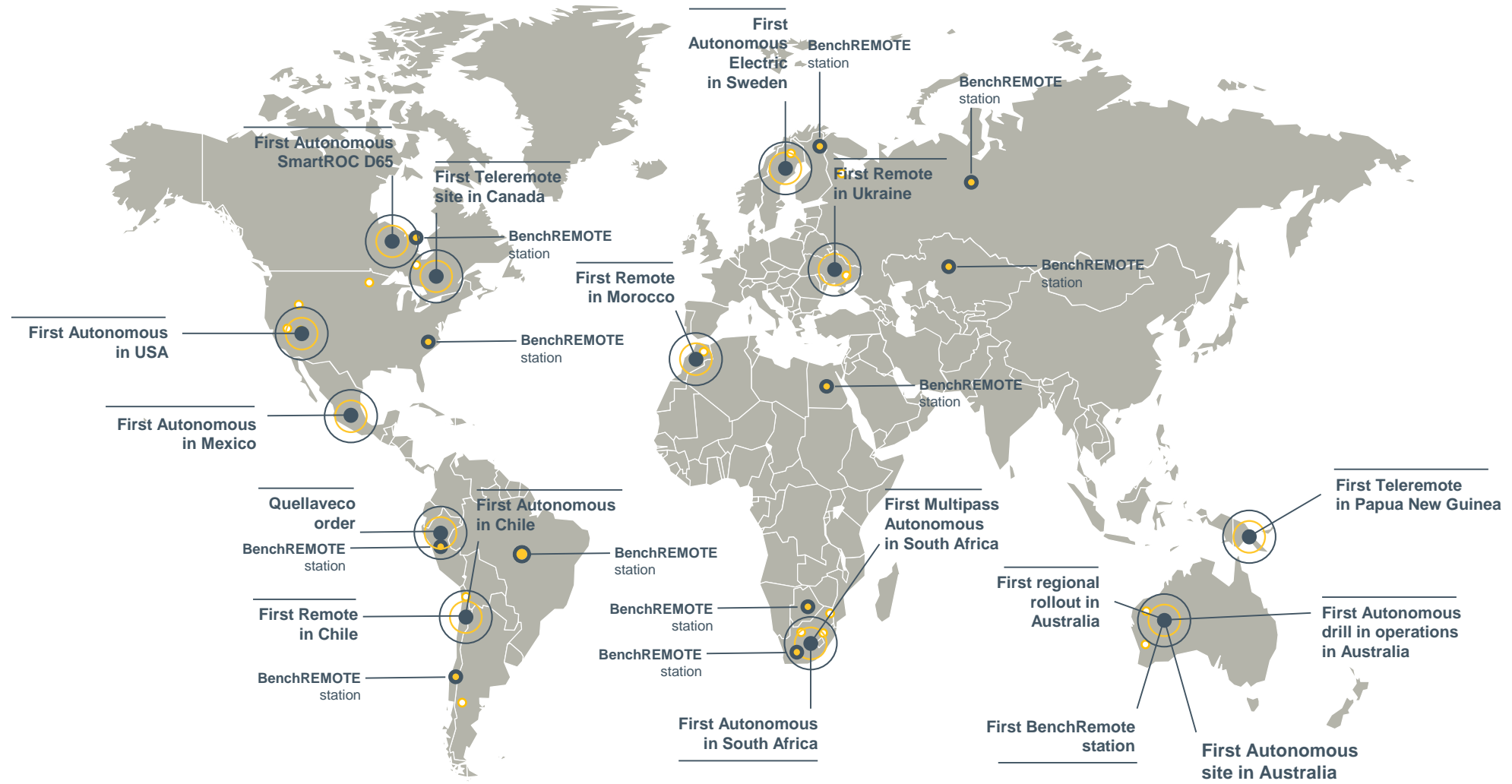


# Building the legacy





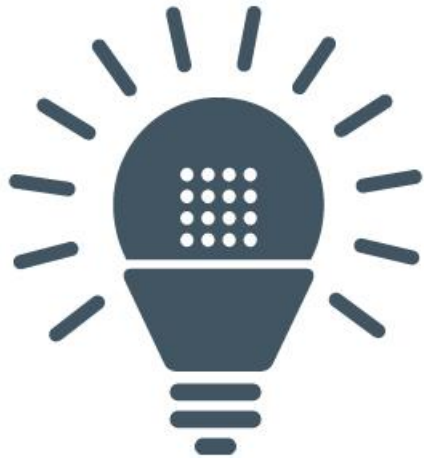
# What's on today



# Continuing to build the legacy

## Forward Looking

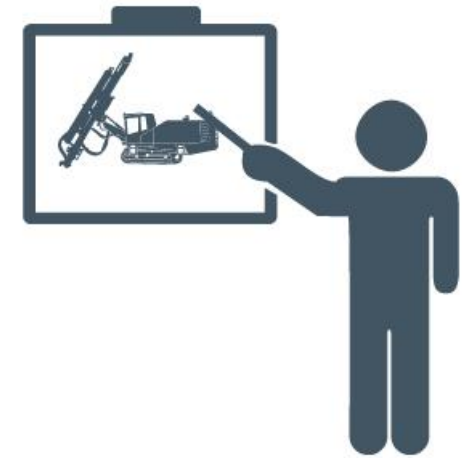
- **AGILE** methodology for faster time to market



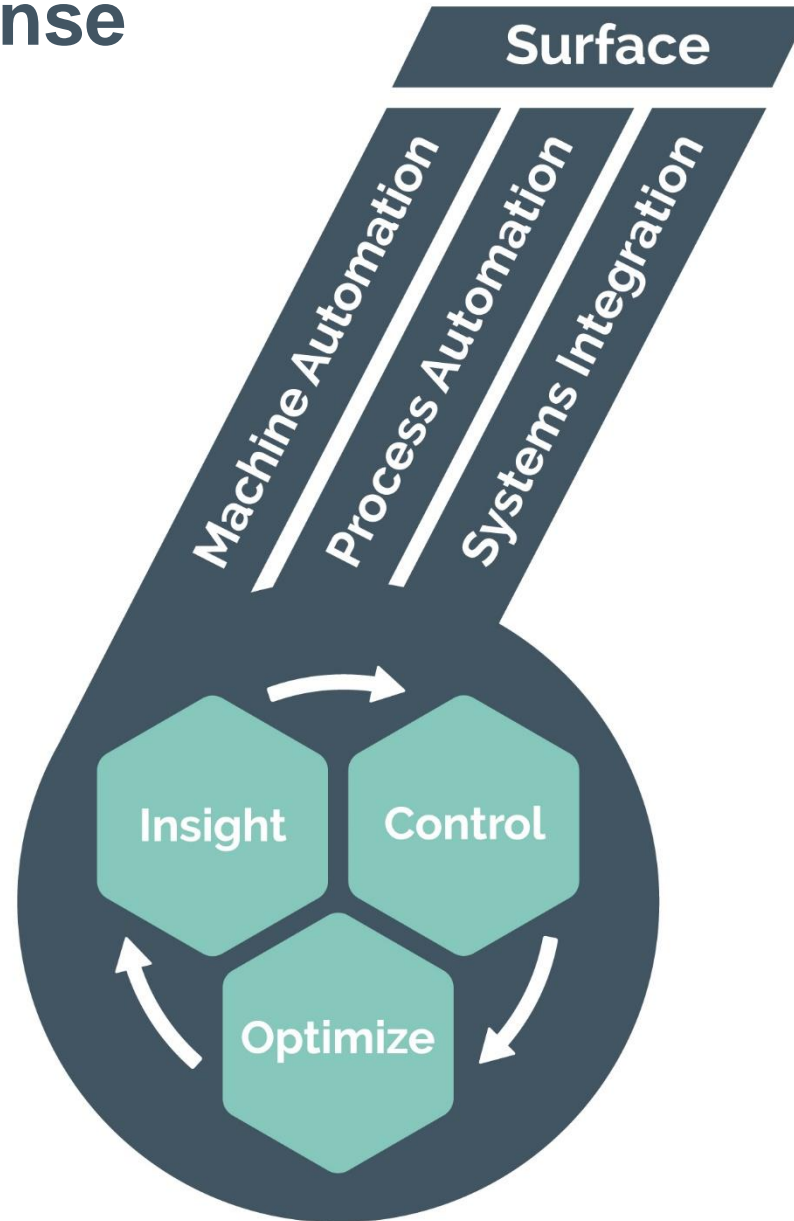
- **FAST**, Field Automation Service Team, to ensure successful customer roll outs



- Global competence with Surface Automation Center



# Foundation for 6th Sense







**Epiroc**



## Strong and proven operating model – the financials

Anders Lindén, CFO



# Strong and proven operating model



## Focus and agility

**Focused and decentralized business**



Quick and efficient decision-making

**High degree of direct sales and services**



~85% direct sales

**Strong services business**



Aftermarket  
65% of revenues

**Flexible manufacturing philosophy**



75% of product cost for equipment is purchased

**Sharp focus on innovation**










Leadership in automation, digitalization and battery



# Focused and decentralized businesses

2 segments and 7 divisions

Equipment & Service					Tools & Attachments	
Drilling Solutions	Surface and Exploration Drilling	Underground Rock Excavation	Rocktec	Mining and Rock Excavation Service	Rock Drilling Tools	Hydraulic Attachment Tools
						
Product companies, customer centers and distribution centers						

# Decentralization in our DNA

## Advantages

- Entrepreneurial organization
- Quick decision making and adoption to shifting environment
- Strong ownership and commitment to create results
- Creates strong internal pipeline of good leaders

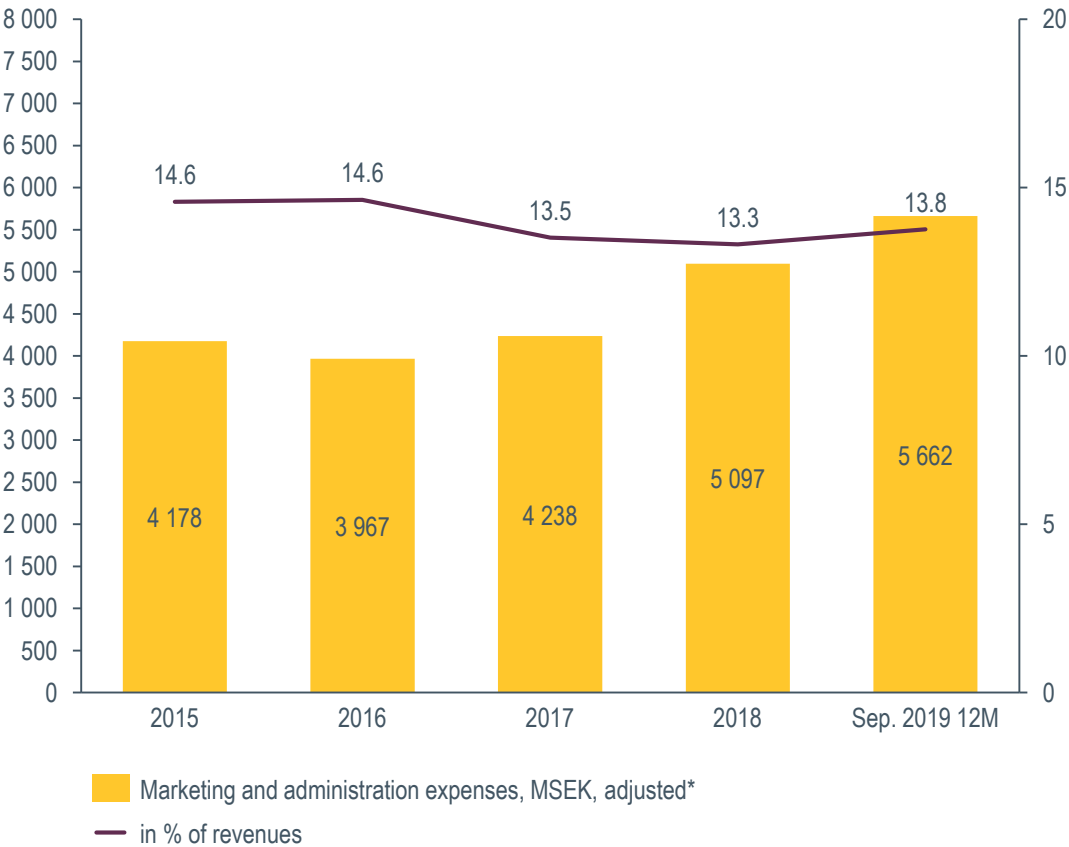
## Challenges

- Governance model important
- Need clear communication on strategy to get "buy-in"
- Courageous leaders that dare taking decisions
- Inefficiencies due to "double positions"



# Efficiency potential

Taking action in in administration and marketing



Program in place: Annual savings of MSEK 300  
 Potential restructuring cost of ~MSEK 50-100

\* Adjusted for change in provision for long-term incentive programs and restructuring costs of MSEK 62 in Q3 2019



# Flexible manufacturing philosophy



**Did you know?**  
75% of product cost for equipment is purchased

**We only produce on orders (equipment)**  
which enables quick and smooth adjustments in  
manufacturing levels in ups and downs

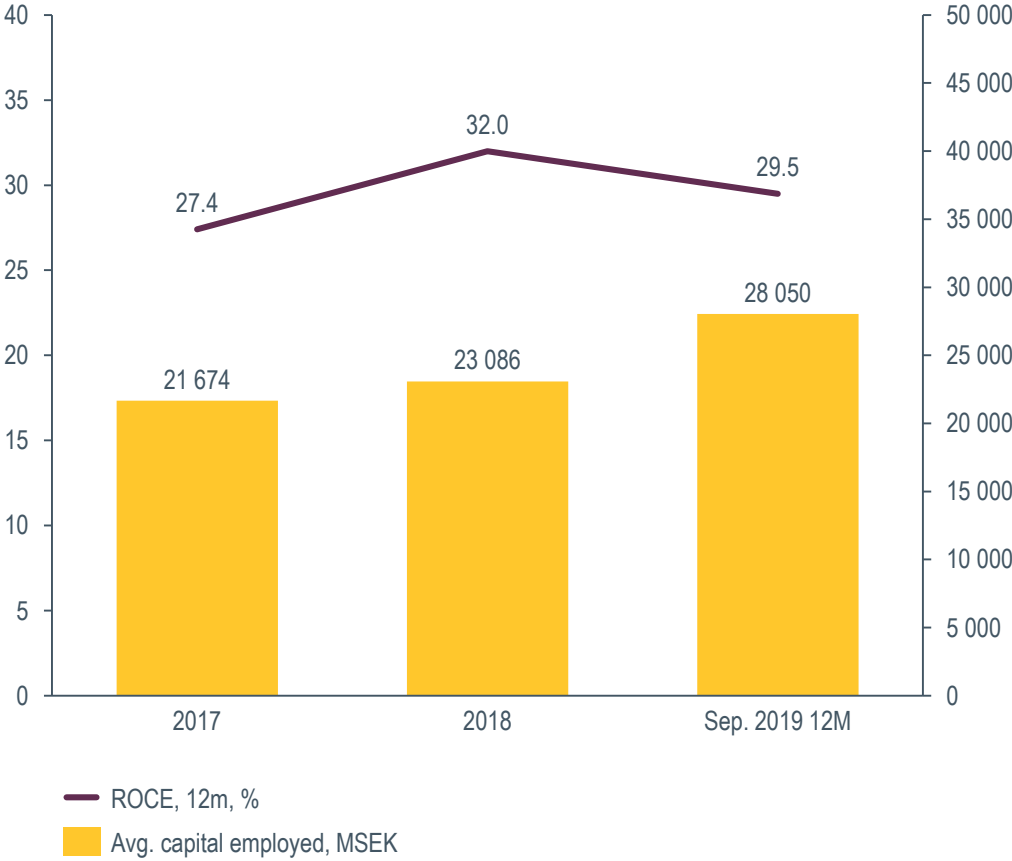
**We only produce core-components**  
to safeguard a flexible manufacturing set-up  
whilst protecting our innovations

**Example Boomer:**

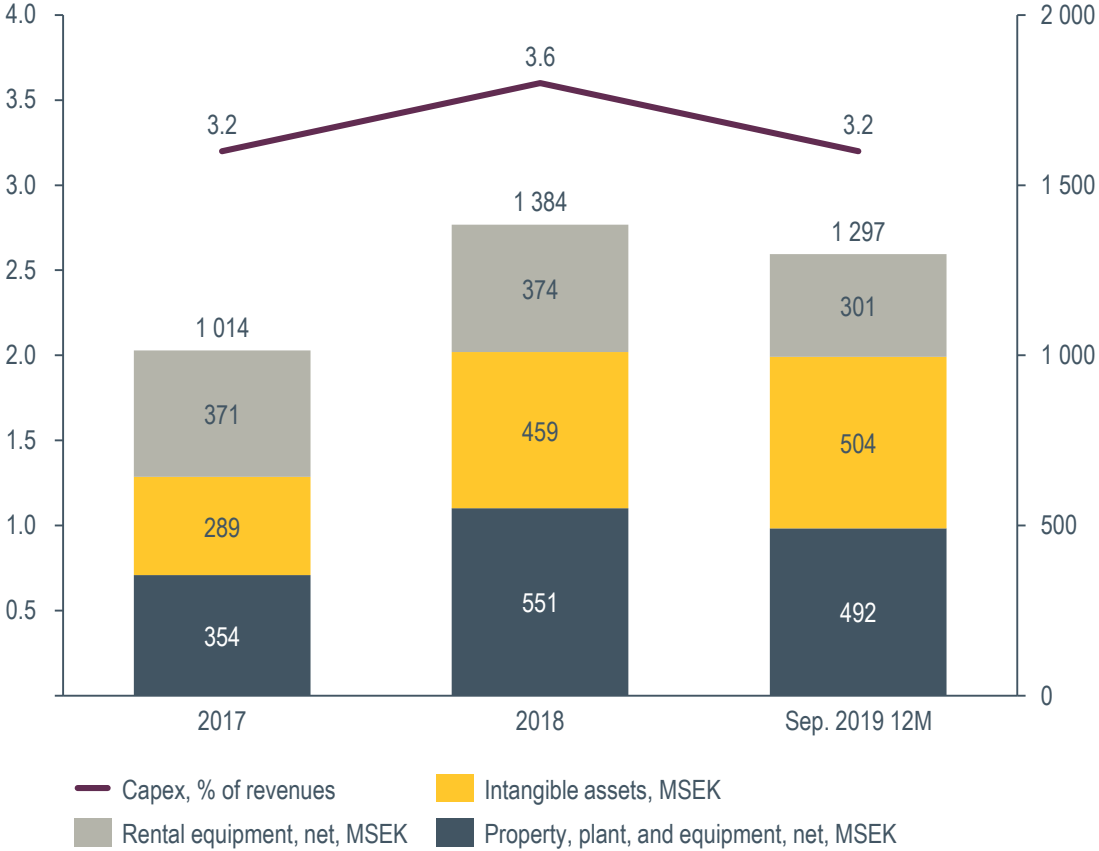


# Benefits of a flexible manufacturing philosophy

High returns

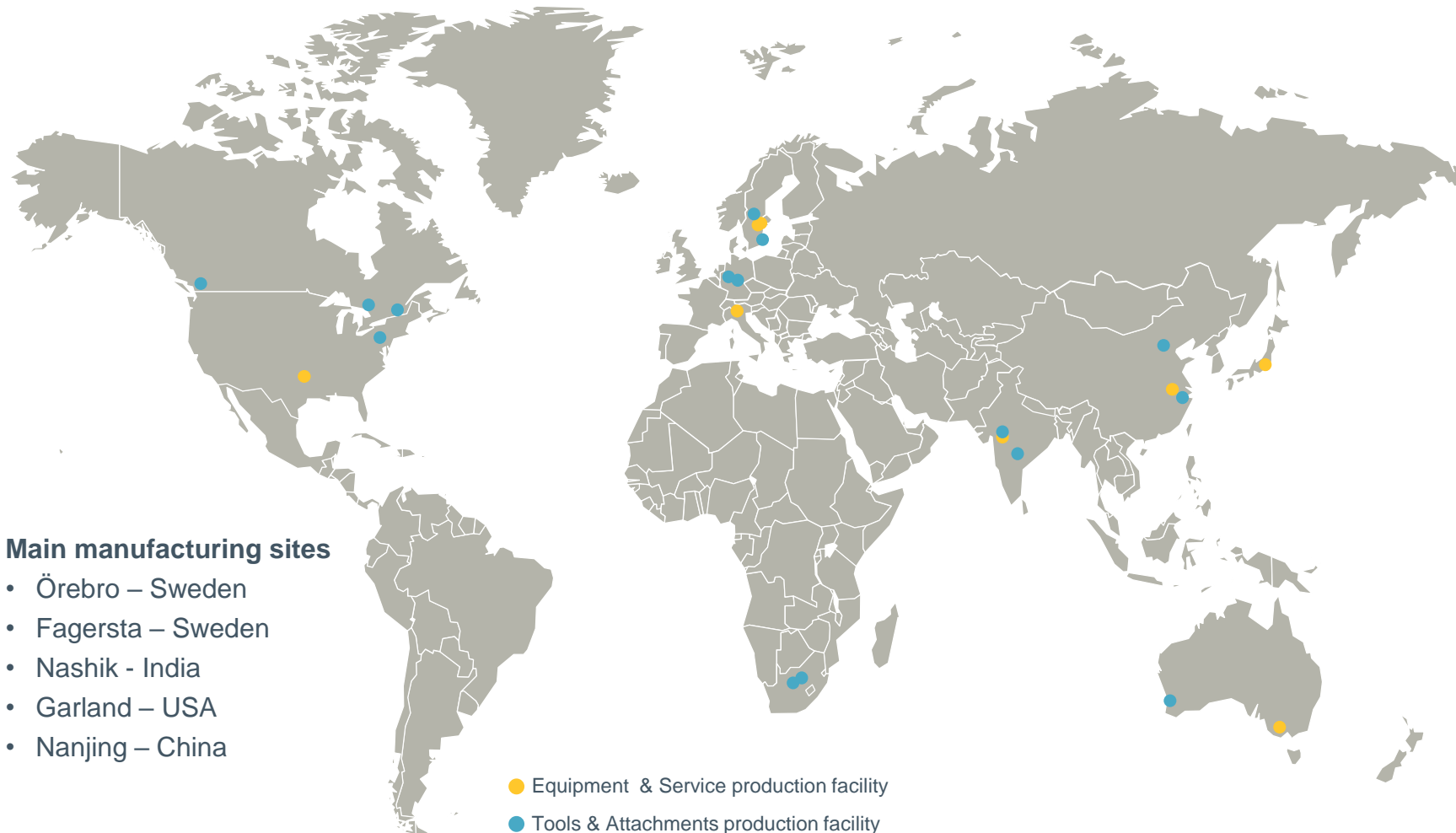


Limited investment requirements in manufacturing



\*Not adjusted for IFRS 16

# Core component manufacturing and assembly



## Main manufacturing sites

- Örebro – Sweden
- Fagersta – Sweden
- Nashik - India
- Garland – USA
- Nanjing – China

„ We can do even better!





A woman wearing a blue hard hat, safety glasses, and a high-visibility yellow safety suit with reflective silver stripes is sitting on a large pile of grey rocks. She is smiling and holding a yellow Epiroc drill rod with a black threaded end. The background shows a cloudy sky and more rocks.

**Presence is more important  
than manufacturing footprint**



High degree of direct sales and service

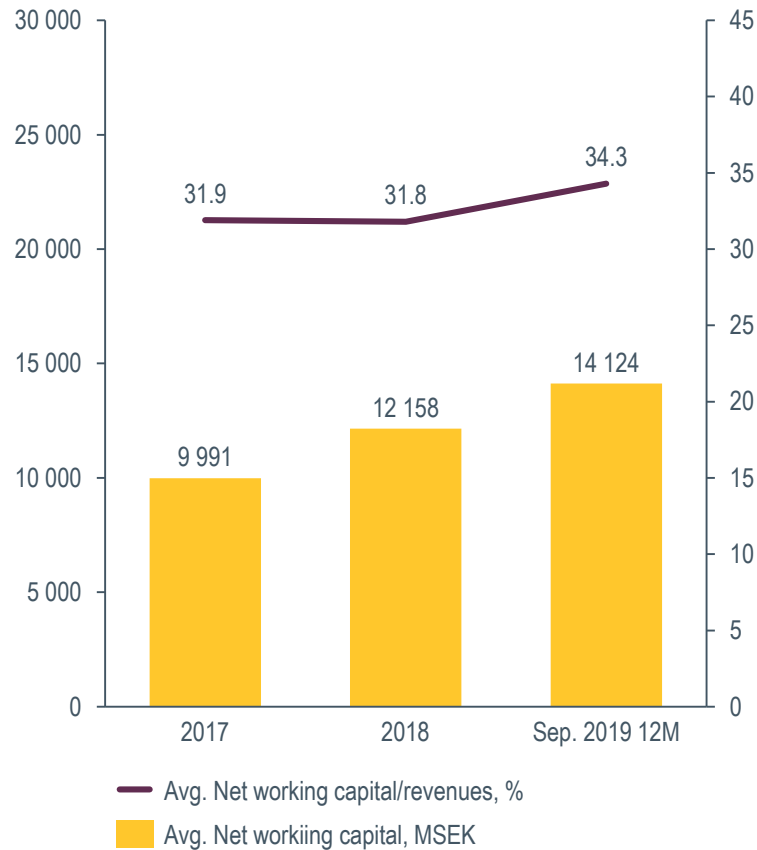


**85%**  
**direct sales**



# Direct sales also implies "higher" working capital

Net working capital



## Making Epiroc's supply chain a competitive advantage

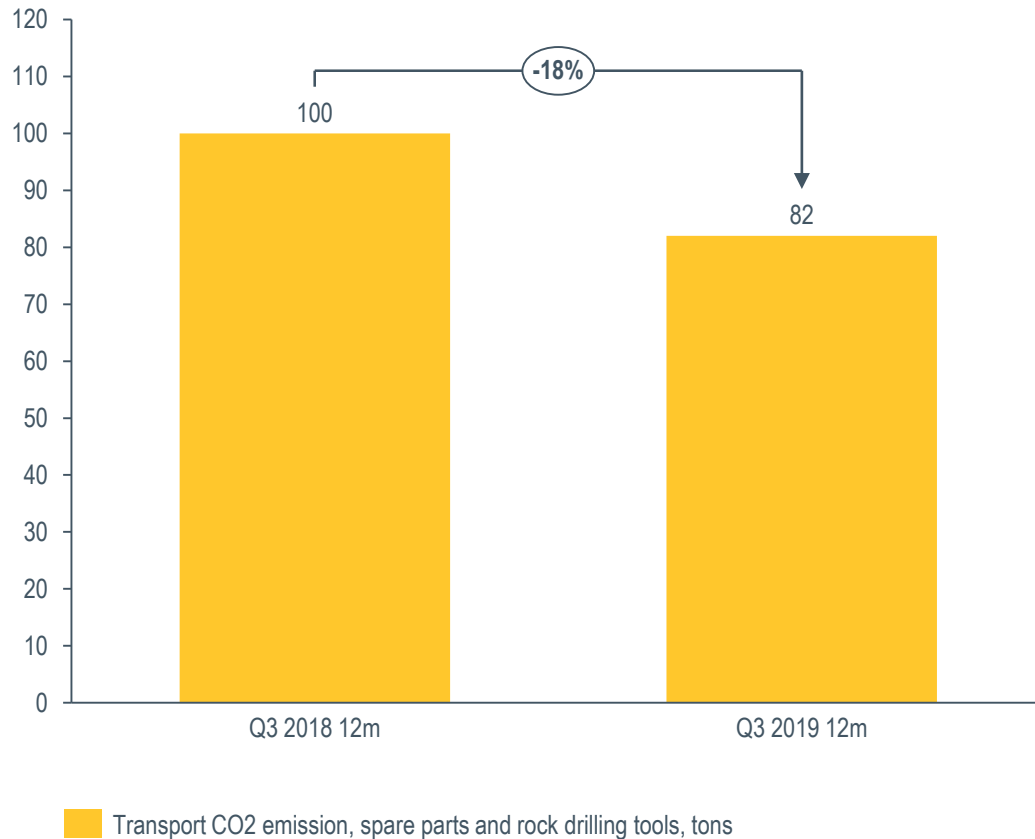
- Initiated in Q1 2018
- Parts and consumables
- Gradual improvements expected until 2021
- Availability improved with more than 4 percentage points YTD
- Lower transport costs
- Reduced transport emissions



# CO<sub>2</sub> emissions decreasing

## Supply-chain improvement program

Transport CO<sub>2</sub> emission, spare parts and rock drilling tools, tons



### An absolute CO<sub>2</sub> saving of 19 505\* ton translates into:

- Greenhouse gas emissions from 4 141 passenger vehicles driven for one year
- CO<sub>2</sub> emissions from 2 336 homes' electricity use for one year
- Greenhouse gas emissions avoided by four wind turbines running for a year
- Carbon sequestered by 322 519 tree seedlings grown for 10 years



\* Rolling twelve months Q32019 vs Q32018. <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

# Direct sales = Long lasting customer relationships



We are always close  
to our customers

We aim to solve our  
customers  
challenges

We innovate and  
sell productivity  
solutions

We produce once  
we get the order

We can offer  
financing



**We are in it for the long run.  
Our customers know and appreciate it!**

# Strong and profitable aftermarket business

- **A broad global aftermarket offering...**

- Spare parts
- Service agreements, incl. labor
- Consumables
- Hydraulic attachments

... representing a big proportion of revenues...

**65%**

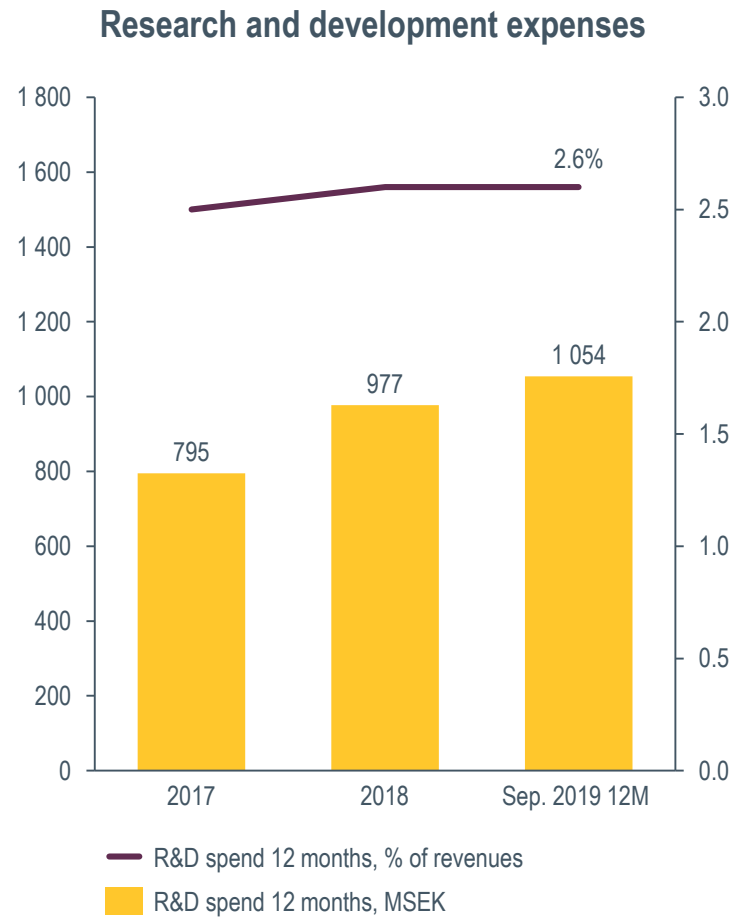
- **... with continuous improvements for increased profitability**

- Increase efficiency and knowledge of service personnel
- New technical tools to enable more efficient operations
- Improved value proposition towards customer by differentiation



# Sharp focus on innovation

## Collaboration enables leverage on R&D



# Video

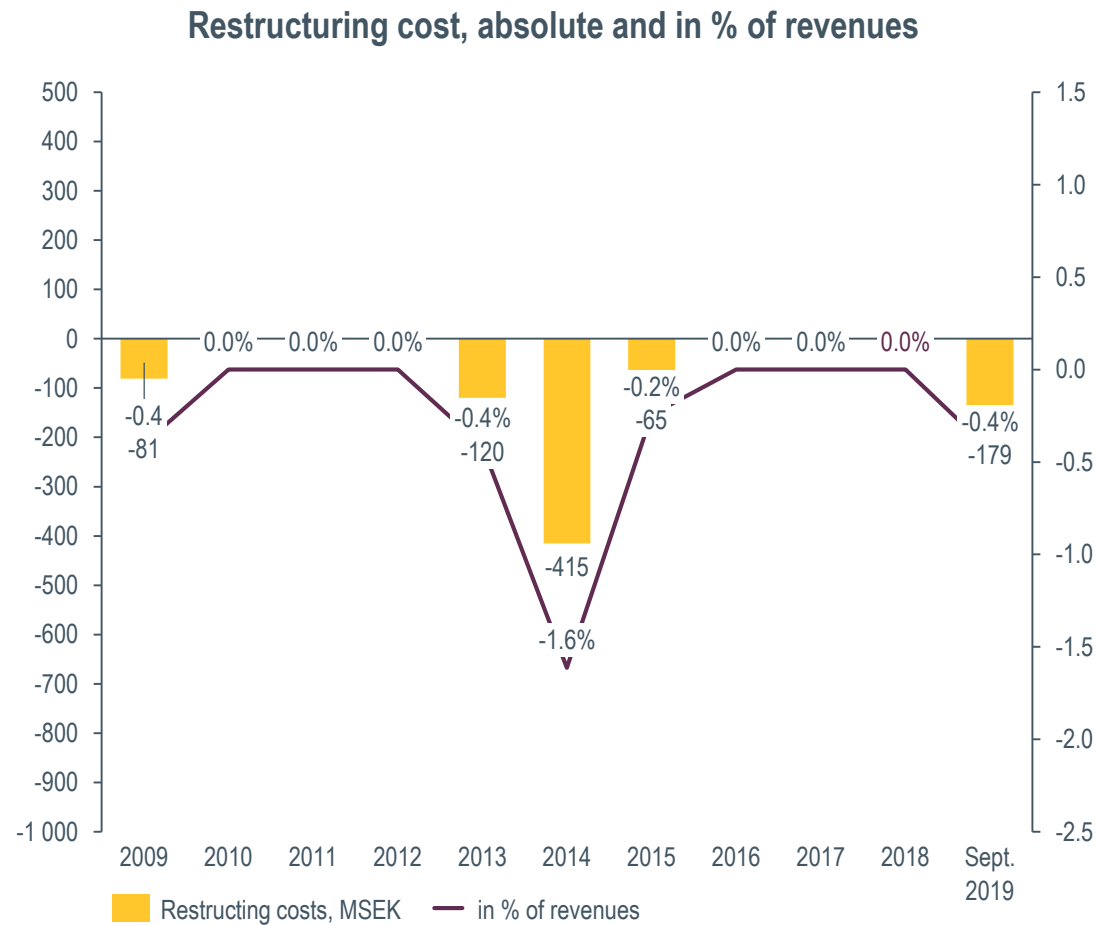
## Sustainable Underground Mining





# Resilience!

## Restructuring with limited restructuring costs



*Restructuring costs 2009-2015 were reported under Atlas Copco Mining and Rock Excavation Technique business area  
Costs in 2014 and 2019, was mainly write down of assets related to discontinued businesses, 2014 Powercrusher and 2019 Handheld rock drilling tools*

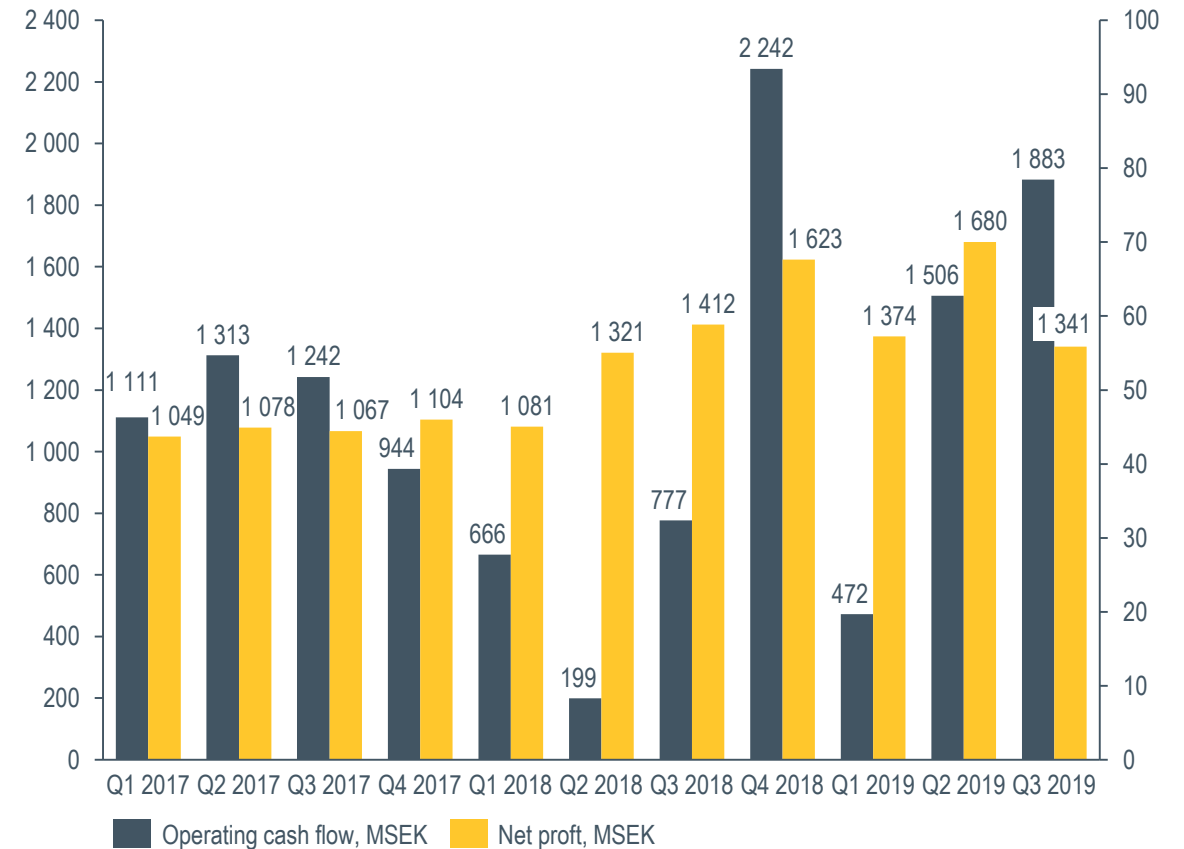


# Let's talk about cash

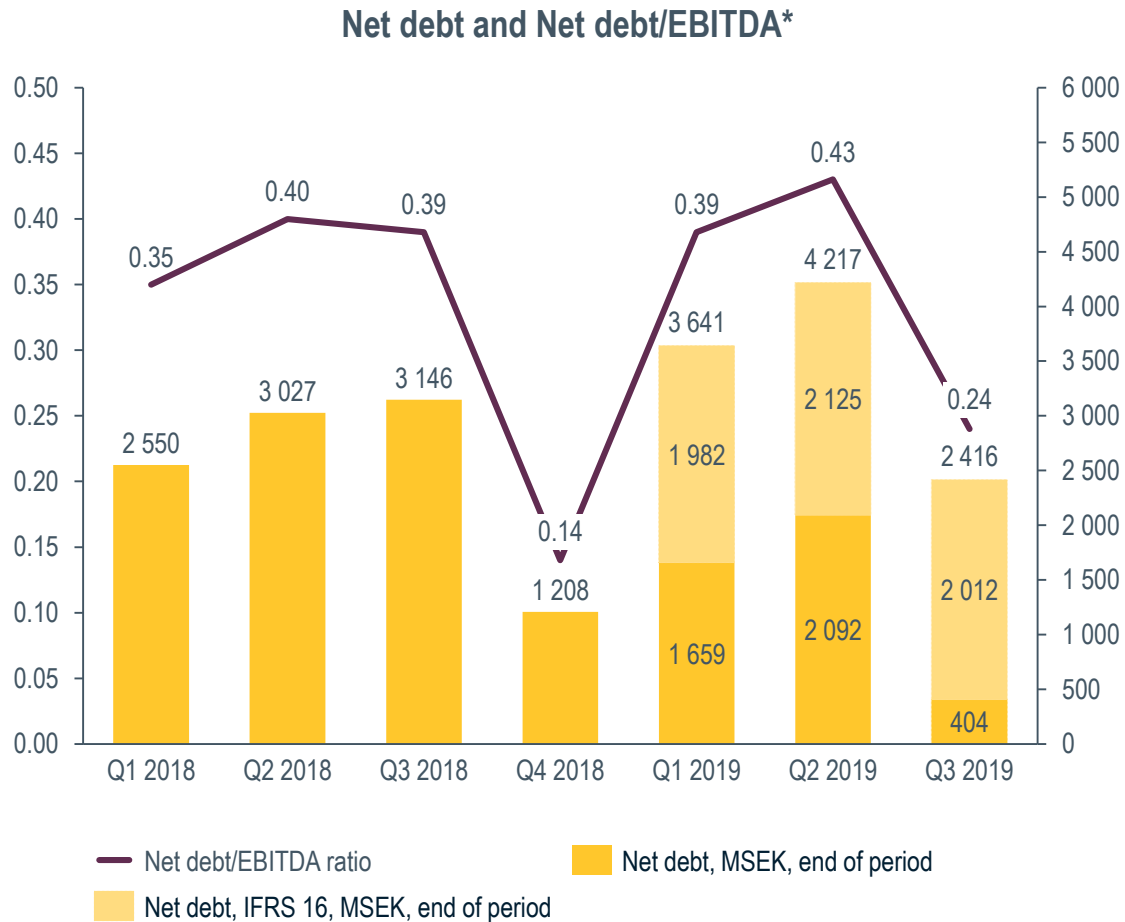
## Operating cash flow varies over the cycle

- Operating profit
- Working capital depending on cycle
- Capital expenditures at low levels
  - Rental equipment, net
  - Limited investments in other property, plant and equipment
  - Intangible assets mainly R&D and IT

Operating cash flow and Net profit



# Strong financial position



”

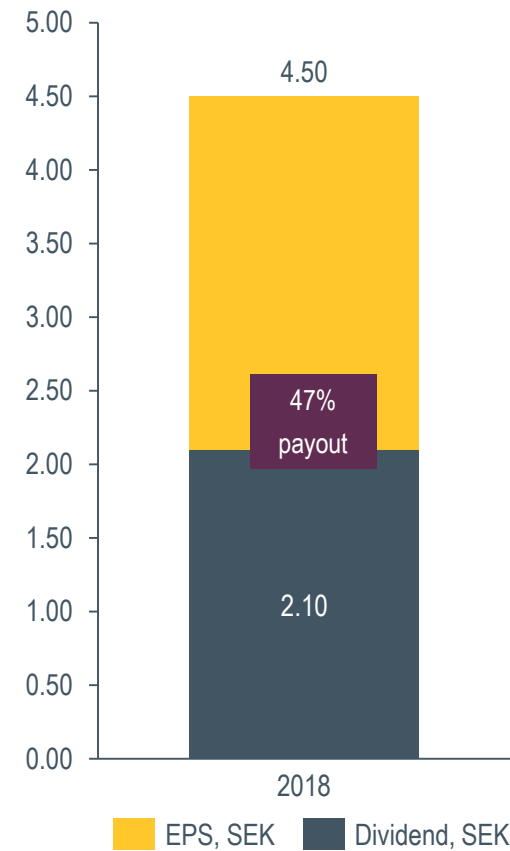
Epiroc is to have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.

**BBB+**

Epiroc is assigned a BBB+ long-term issuer credit rating with a stable outlook

\* Numbers for 2018 not restated for IFRS 16.

# Capital allocation strategy



”

Epiroc's goal is to provide long-term stable and rising dividends.

The dividend should correspond to 50% of net profit over the cycle.



# Epiroc's key strengths



Leading productivity partner in attractive niches

Strong and proven operating model

High and resilient aftermarket exposure

Driving the future in intelligent mining and infrastructure

History of value creation for all stakeholders





Q&A





# United. Inspired.

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

**[epiroc.com](https://epiroc.com)**





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