



Epiroc Capital Markets Day Fika 2020



Video: World of Epiroc



Purpose

Provide an update on Epiroc's strategy for profitable growth

Topics:

- Epiroc Group
- Strategy and foundations for success
 - Sustainability and a strong company culture are our foundation
 - Focus on attractive niches and outperformance
 - Innovation
 - Aftermarket
 - Operational excellence

Capital Markets Day Fika (CMDf)

- Fika is the Swedish practice of taking a break to enjoy coffee or tea together, often with something sweet such as a cinnamon bun.



Speakers in order of appearance



Karin Larsson
Vice President
Investor Relations



Helena
Hedblom
President and CEO



Sami Niiranen
President
Underground



Jose Sanchez
President
Surface



Jess Kindler
President
Parts & Services



Anders Lindén
CFO



Mattias Olsson
SVP Corporate
Communications





Helena Hedblom

President & CEO

2020: President and CEO

2017: Senior Executive Vice President Mining and Infrastructure, Epiroc, Sweden

2013: President, Rock Drilling Tools Division, Atlas Copco, Sweden

2011: General Manager Rock Drilling Tools Division, Atlas Copco, Sweden

2008: Vice President R&D, Atlas Copco Rock Drilling Tools Division, Sweden

2002: Manager Material Development, Atlas Copco Rock Drilling Tools Division, Sweden

1997: Product Manager, Flux Cored Wire, Avesta Welding AB, Sweden

M.Sc. in Material Technology from the Royal Institute of Technology, Stockholm, Sweden

Epiroc Group



We put safety first, always

Safety by choice, not by chance

- Covid-19 pandemic
 - Ensure health and well-being
- SafeStart®
 - Safety awareness and safety skills – change behavior
- Live Work Elimination
 - Identify and remove exposure to potentially hazardous energy sources that could cause serious injury
- Positive trend on lost-time injuries
 - Fewer injuries and lower injury rate



A leading productivity and sustainability partner



We provide customers in selected global mining and infrastructure niches 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 147-year old start-up with 14 000 employees collaborating with customers in 150+ countries

We have a strong, proven and value-creating business model



Strategy and foundations for success



Focus on attractive niches

Innovation

Aftermarket

**Operational
excellence**

Outperformance

**Sustainability and a strong company
culture being our foundation**

Strategy and foundations for success



Focus on attractive niches

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Sustainability and a strong company
culture being our foundation

Sustainability and a strong company culture are our foundation

”

We want to be a vital part of the sustainable society.

We want to foster an innovation culture with employees who flourish and deliver sustainable business results.



Strong company culture

- Employer of choice
- Innovative and efficient people processes
- High-performing organization
- Best-in-class talent acquisition, retention and cultivation
- Decentralized governance model that leverages functional excellence

Sustainability and a strong company culture are our foundation

”

We want to enable the transformation of the mining and infrastructure industries to become sustainable.



- Sustainability embedded in everything we do
- Our innovation agenda goes hand in hand with our customers' sustainability agenda
- Competitive advantage
- Driver of long-term growth

Long-term sustainability goals

2030 goals

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



Operations

- Halve CO₂ emissions in operations
- 90% renewable energy in own operations

Transport

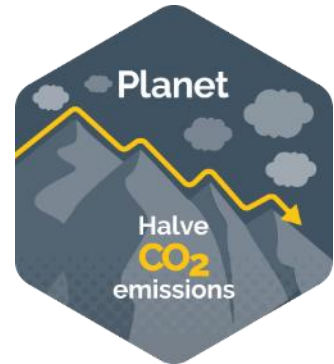
- Halve CO₂ emissions from transport

Products

- Offer a full range of emission-free products
- Halve CO₂ emissions from machines sold (in 2030 compared to machines sold in 2019)

Suppliers

- Require 50% reduction of CO₂ emissions from relevant suppliers



Strategy and foundations for success



Focus on attractive niches

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Aftermarket

**Operational
excellence**

Outperformance

**Sustainability and a strong company
culture being our foundation**

Attractive hard-rock niches

Mining

77% of order intake*

Underground mining



Surface mining



Exploration



Customer characteristics

- Large customers
- High expenditure per customer, while limited share of customers' total capex and opex
- Equipment remains in the mine, only moving within the site
- Continuous operations

Infrastructure

23% of order intake*

Underground civil engineering



Surface civil engineering and urban development



Deconstruction and recycling

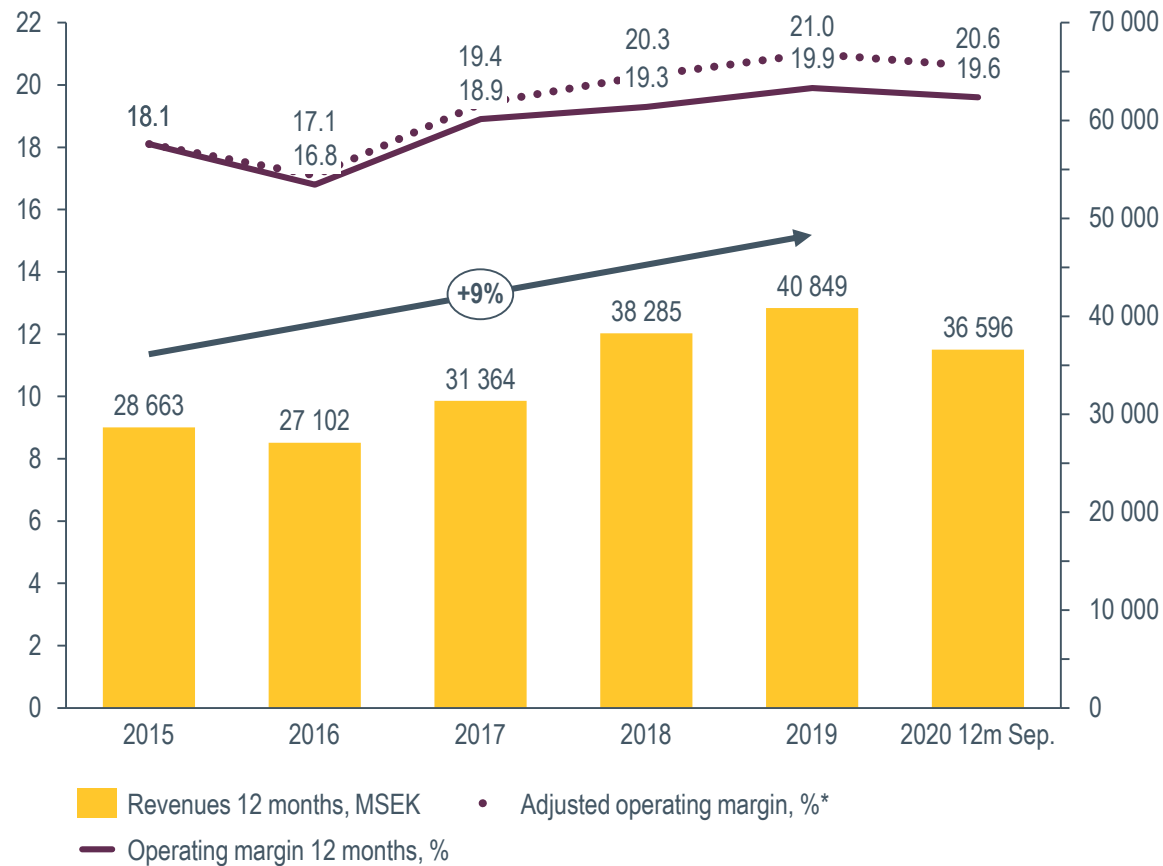


Customer characteristics

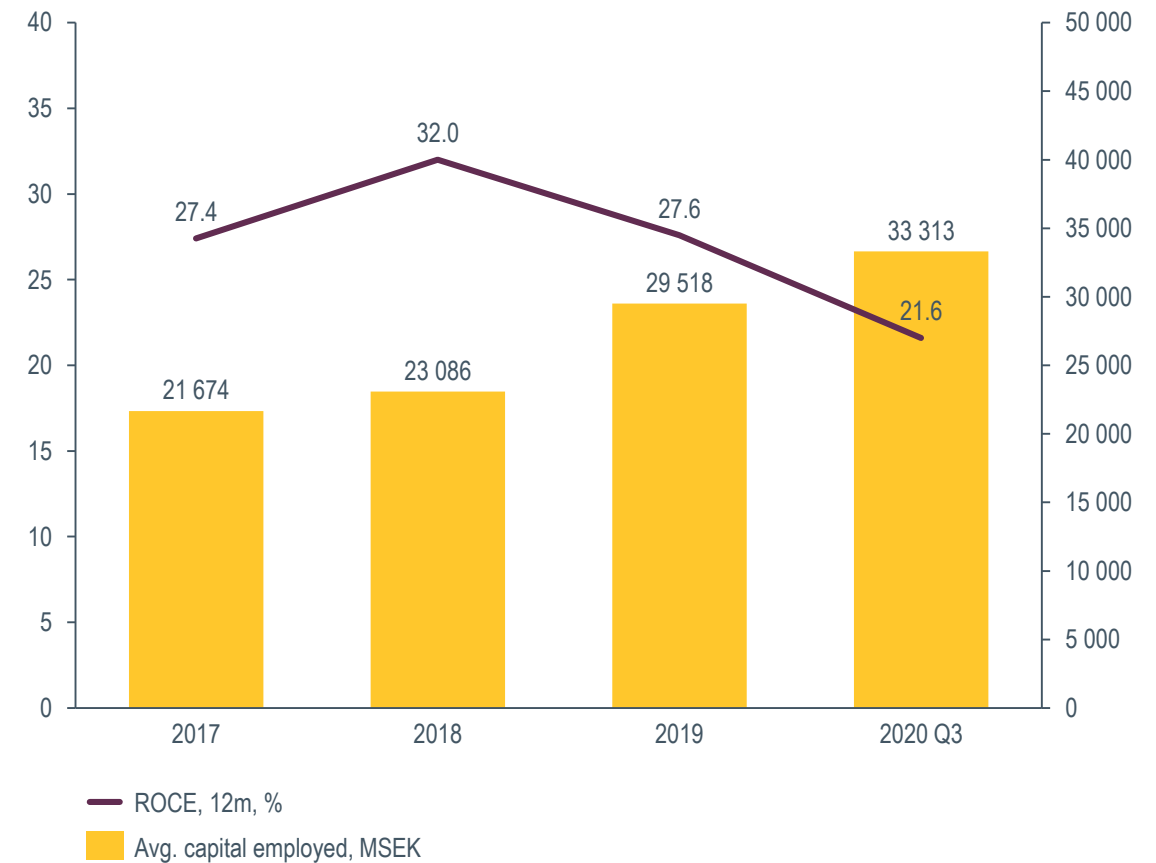
- Large number of customers
- Lower expenditure per customer
- Equipment moving from worksite to worksite
- More project-based business

Performance

Revenues and operating margin



Return on capital employed



*Adjusted for items affecting comparability. Items affecting comparability include change in provision for long-term incentive plans and restructuring costs. Costs related to the split from Atlas Copco were classified as items affecting comparability in 2018.

Mining and infrastructure trends

Near term

- Demand stable but fragile in the near term
- Covid-19
 - Restrictions vary among countries
 - All distribution centers and manufacturing facilities are operational
 - Capacity is being adapted to the demand
- Mineral prices at good levels
- Average fleet age increasing

Long term

- 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

Key highlights Q3 2020

Recovery in orders and solid results

Demand improved, +10% organic

- Moderate impact from Covid-19 restrictions
- Strong development in our resilient service, +9% organic
- Customers taking investment decisions

Strong interest for automation, digitalization and electrification

- Several orders won
- Successfully deployed unique solutions for mixed-fleet automation

Solid results and cash flow

- Efficiency actions executed according to plan
- Margin improved to 20.9% (19.0), adjusted margin 21.7% (21.3)
- Operating cash flow at MSEK 1 355 (1 883)

Second dividend proposed

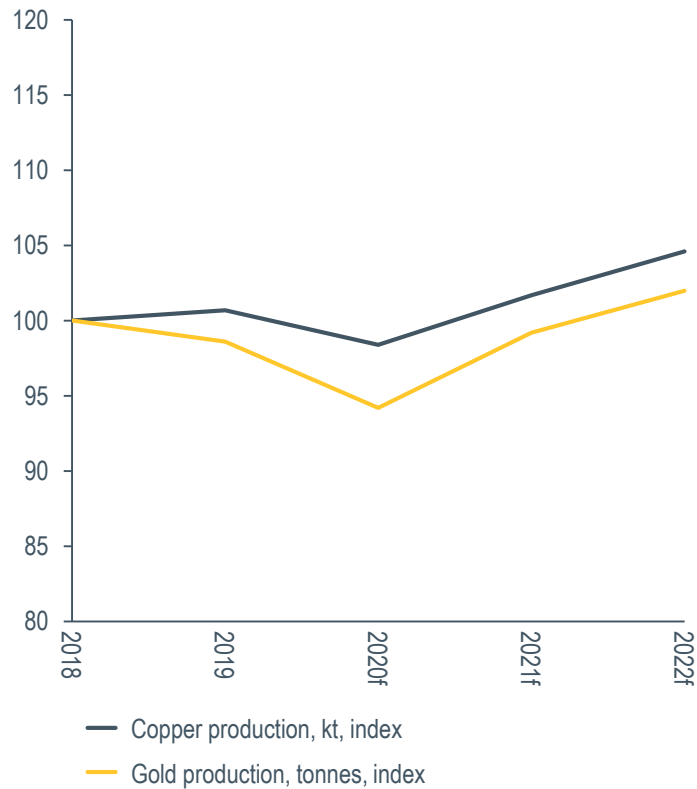




We expect that the demand, both for equipment and aftermarket, will remain stable in the near term. That said, there are uncertainties regarding the Covid-19 development and related restrictions, which can have an adverse effect on the demand.

Demand stable but fragile

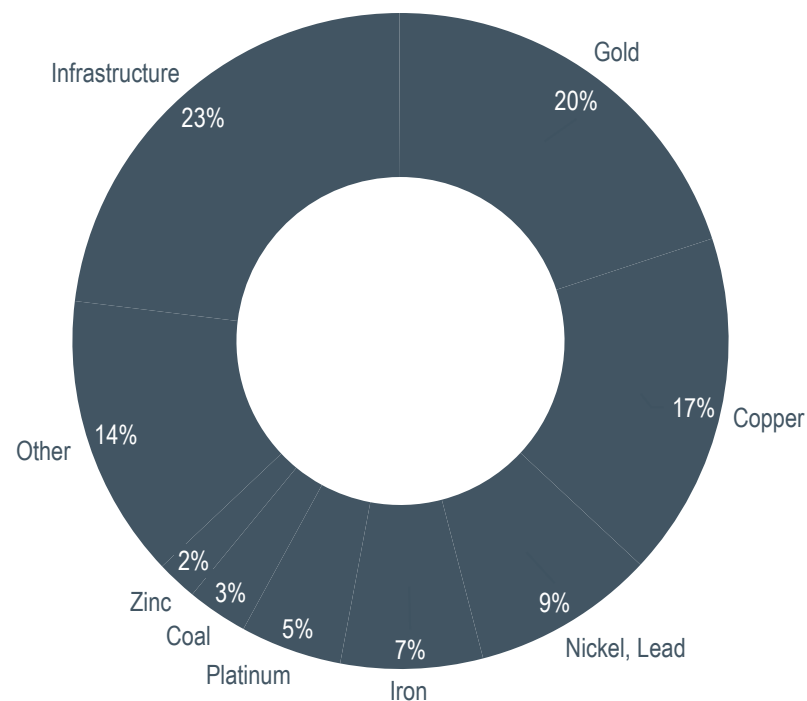
Mineral production impacted by disruptions



Covid-19-related disruptions impact production output (of total production capacity 2020 estimate):

- Gold: **-5%**
- Copper: **-5%**

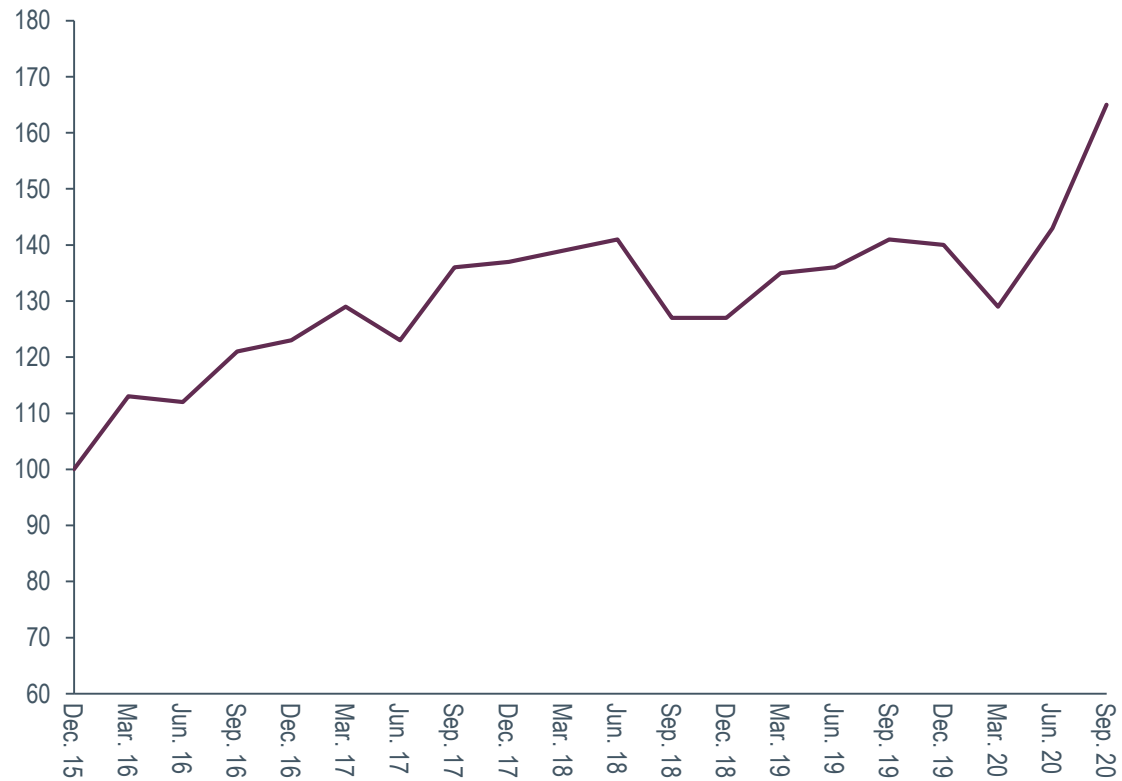
Favorable hard rock exposure



Estimated order exposure YTD 2020

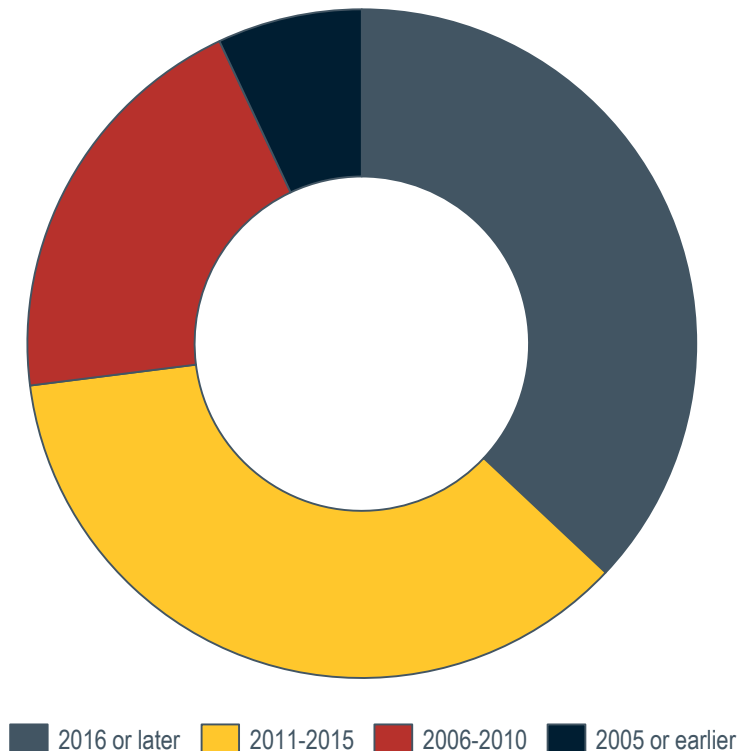
"Other" includes silver, tin, manganese, cobalt, uranium, other gemstones than diamonds, granite, limestone, dimension stone, potash, phosphate and chemical & fertilizer minerals etc.

Mineral prices at good levels



The Epiroc average fleet age increasing

Equipment fleet, by year of commissioning



Aging profile of the fleet

- 27% of the equipment is older than 10 years
- The average age is about 7.2 years
- Utilization/running hours, maintenance, midlife services, etc. impact the condition of the machines

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...

Increases the underlying need for infrastructure and minerals

- Population growth
 - Strong urbanization trend
 - By 2050, 2 in 3 people will live in urban areas*
 - Economic growth
 - World real GDP expected to grow about 3% annually until 2030**
- The global **construction** market expected to grow by **low-mid single digit**
- Total global **mining** capital expenditure (drill-to-mill) expected to grow by **mid-high single digit**
 - Production expected to grow **low-single digit**

* Source: UN World Urbanization Prospects

**Source: OECD (2018), GDP long-term forecast (indicator). doi: 10.1787/d927bc18-en (Accessed on 18 November 2020)

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

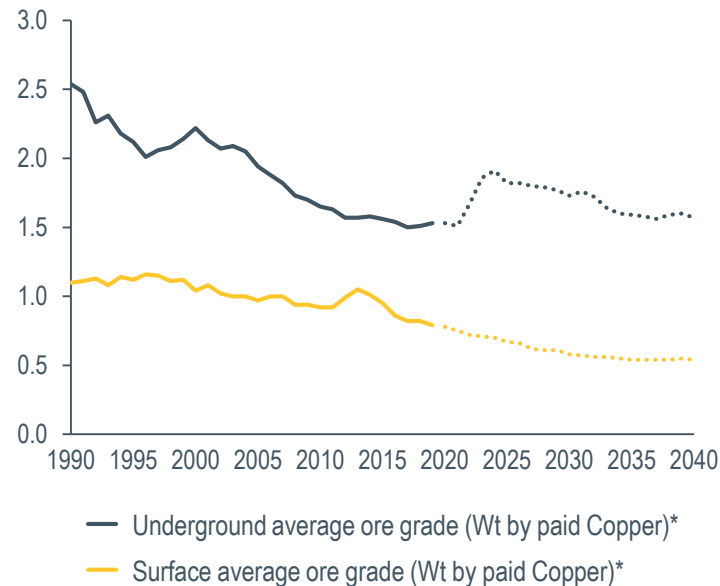
Complexity challenges and increasing cost of hard rock excavation

Average overall equipment effectiveness is low within mining, %

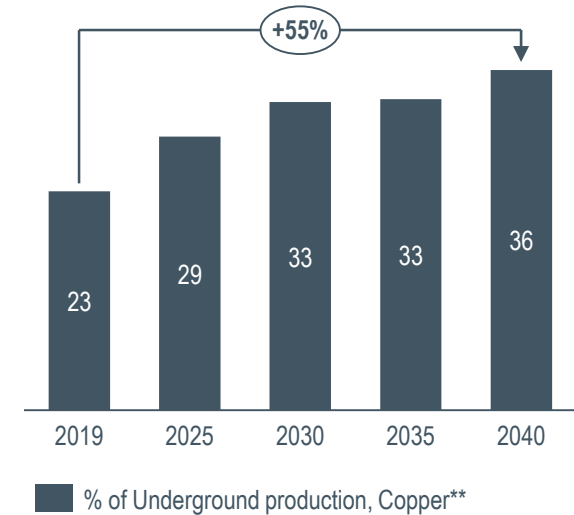


In addition: Mining productivity levels down roughly 30% (vs. 2000) with strong productivity focus as a result

Depletion of ore grades expected to remain between 0.5%-2% in the foreseeable future



Trends towards underground mining expected to be strong in the coming years



...and strong focus on safety and sustainability

Safety

- *Our objective is for zero workplace fatalities, injuries and occupational illnesses.*
 - Freeport McMoran
- *The health and safety of our people is our top priority and we believe all fatalities and injuries are preventable.*
 - Glencore
- *We believe all incidents and work-related health risks are preventable*
 - Rio Tinto



Environment

- *Reduce GHG emissions by 30%.*
 - Anglo American
- *Maintain operational emissions in FY22 at or below FY17 levels. Net Zero by 2050.*
 - BHP
- *Reduce absolute emissions by 15% and emissions intensity by 30% by 2030.*
 - Rio Tinto
- *33% carbon neutral by 2050.*
 - Vale

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



Strategy and foundations for success



Focus on attractive niches

Innovation

Aftermarket

**Operational
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Outperformance

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To be and remain the innovation leader

What does it mean?

- Drive the change in our industry
- Best-in-class products
- Cutting-edge automation, digitalization, and electrification
- Foster an innovation culture

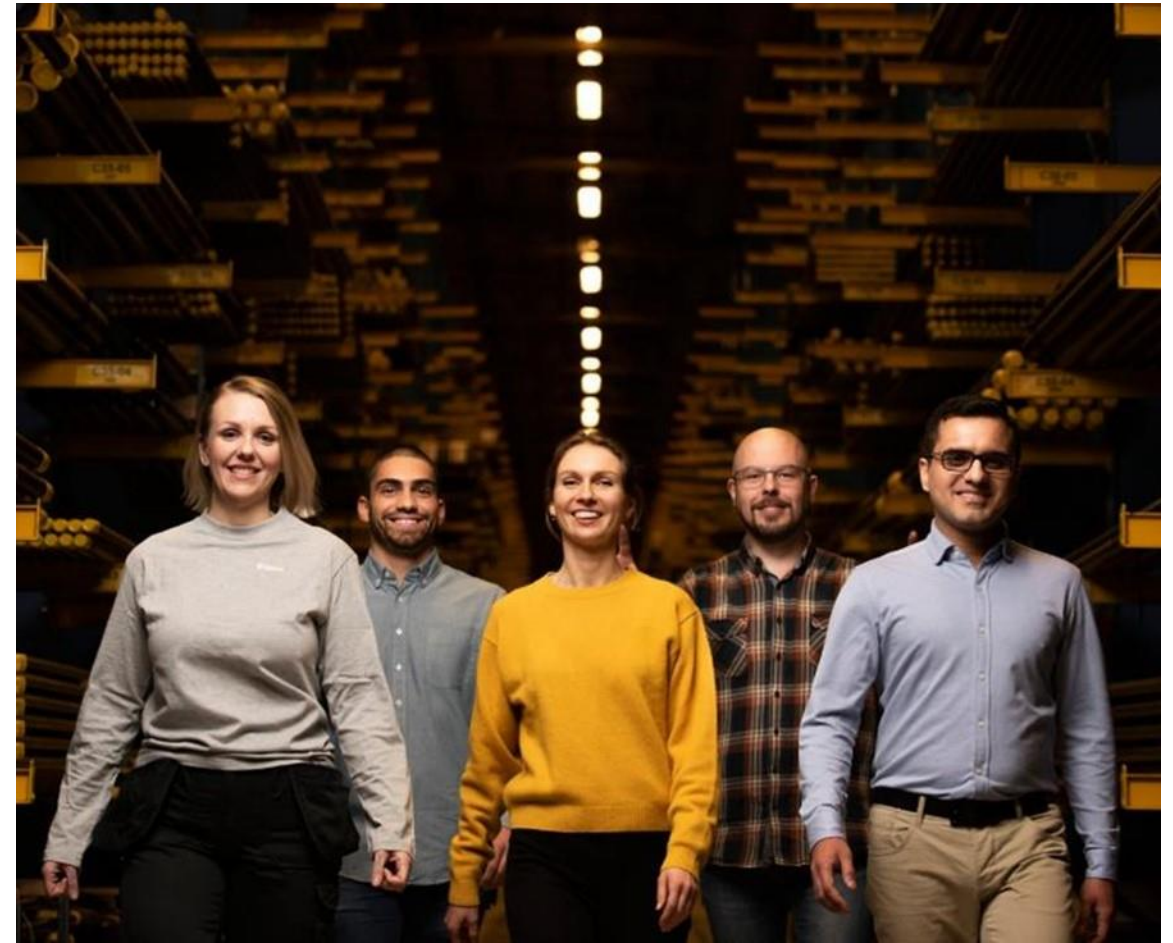
Actions

- Relentlessly invest in product development
- Clear portfolio-road maps
- Efficient use of resources
- Leveraging innovation by collaboration



Foster an innovation culture

- Creative, bold and open-minded employees
- Imagination to develop new ideas
- Drive to bring solutions to market
- Ambition to grow to the next level
- Willingness to take on responsibility



Innovation opportunities

Opportunities

- Investing more in R&D than ever
- Using domain knowledge and connected machines to capture digital opportunities
- Leveraging footprint to maximize potential of closeness to the end markets
- Having state-of-the-art simulation tools for efficiency and time to market
- Using M&A and partnerships to create leadership in new attractive niches and to drive revenue growth and long-term value creation
- Epiroc Labs: Scouting tomorrow's technology and solutions



Innovation underground

Introduction

Automation

- Increasing demand
- Market-leading position
- Proven and commercially viable mixed-fleet automation
- Innovations
 - Multipurpose drill rig
 - Auto Charger with Orica

Digitalization

- Lowering the hurdle to enter connectivity with Mobilaris
- Connectivity

Electrification

- Largest battery-driven product portfolio
- Battery as a Service
- Conversion of existing diesel equipment
- Full range of emission-free underground equipment by 2025



Sami Niiranen

**President
Underground division**

2020: President Underground division and member of Group Management

2018: President, Underground Rock Excavation Division, Sweden

2016: General Manager, Atlas Copco, Finland

2014: General Manager, Atlas Copco, Ghana

2012: Marketing Manager, Atlas Copco, Sweden

2007: Global Business Manager and Regional Business Manager, Atlas Copco, Sweden

2004: Key Account Manager, Atlas Copco, Finland

2002: Nuclear Waste Management, Finland

1997: Mining Engineer in Finland and Australia

Innovation underground



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



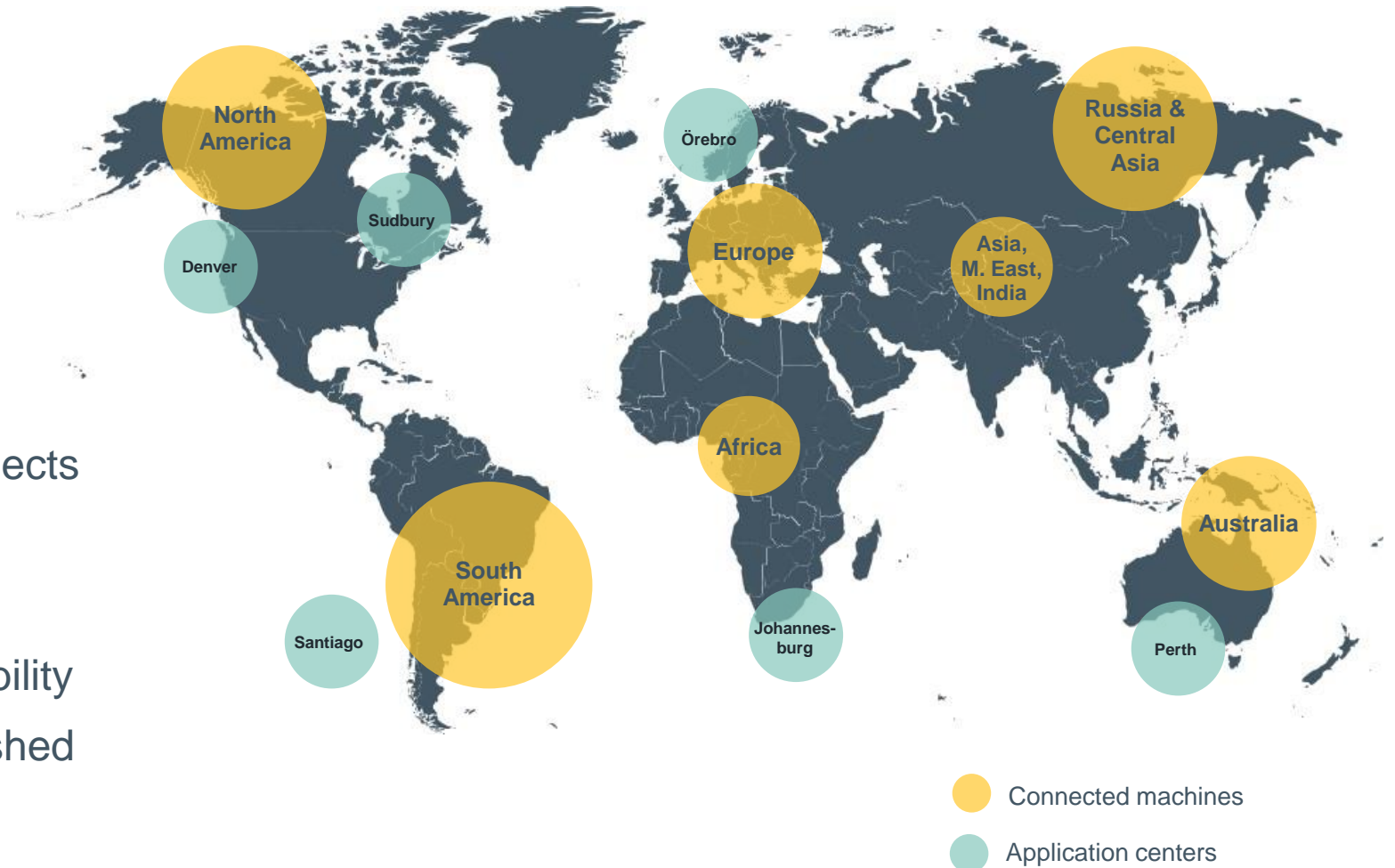
Automation highlights

Connectivity

- Certiq
- My Epiroc
- Mobilaris Mining Intelligence

Automation

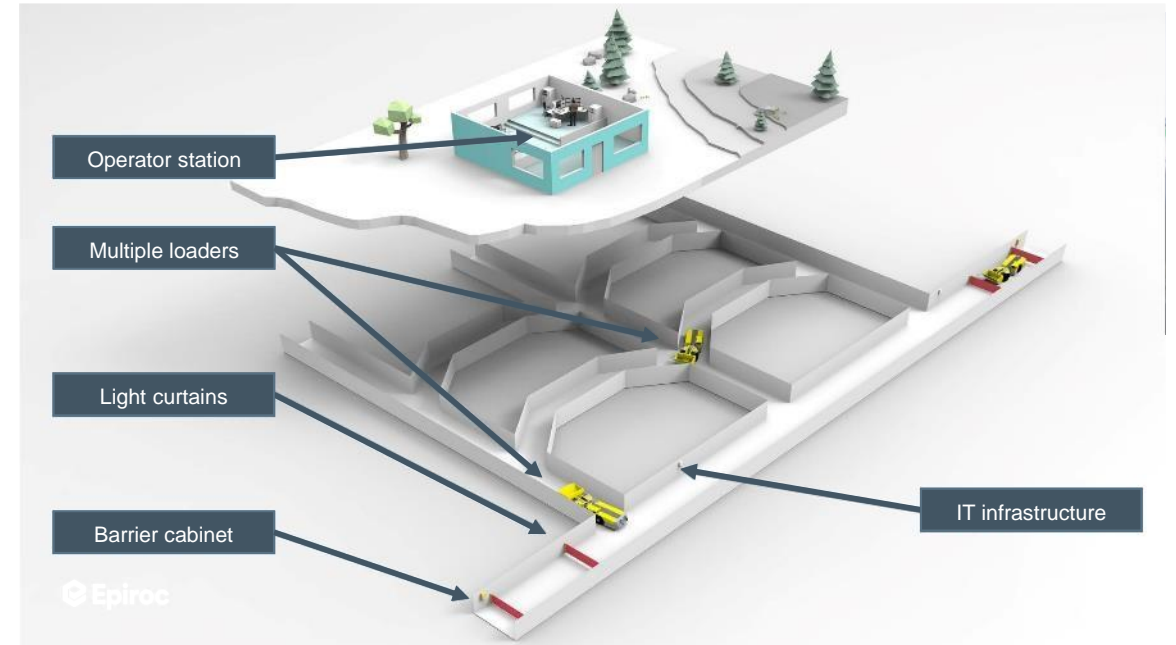
- Growing numbers of automation projects
- ~90 automated production drills
- ~50 automated loaders
- ~670 drills with full automation capability
- Regional application centers established



Highest level of loader automation

6th Sense – Smart. Safe. Seamless.

- Automation for multiple loaders, operated and 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



The world's first mixed-fleet automation underground



6th Sense – Smart. Safe. Seamless.

First equipment supplier to provide unique mixed-fleet automation solution

- Successfully proven in production in the Newcrest Cadia mine - one of the largest gold mining operations in Australia
- Epiroc and Maclean vehicles in advanced automation interoperability
- Production and secondary reduction mining vehicles working on the same production level while being operated from the surface



The future of mining and hard rock excavation

Projects

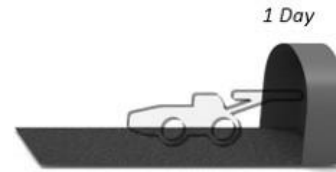
Stope optimization



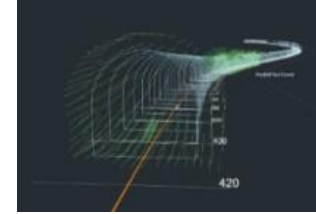
Optimized haulage system



Rapid tunneling
excavation excellence



Digital information
flow excellence

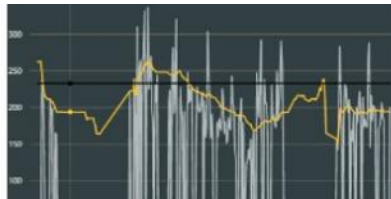


Technology

Dashboards



Sensor data logging



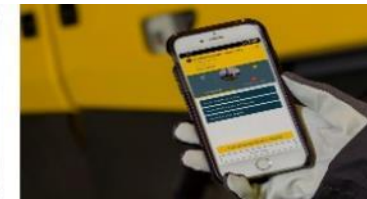
Onboard API



Mobilaris Onboard



My Epiroc



Predictive maintenance



To be and remain the innovation leader



High-performance bolting

New!



Fully mechanized charging



Full range of
battery-electric vehicles

*New generation
Boomer launch
in 2021*



High-performance face
and production drilling



Mechanical rock excavation



Fully autonomous fleet

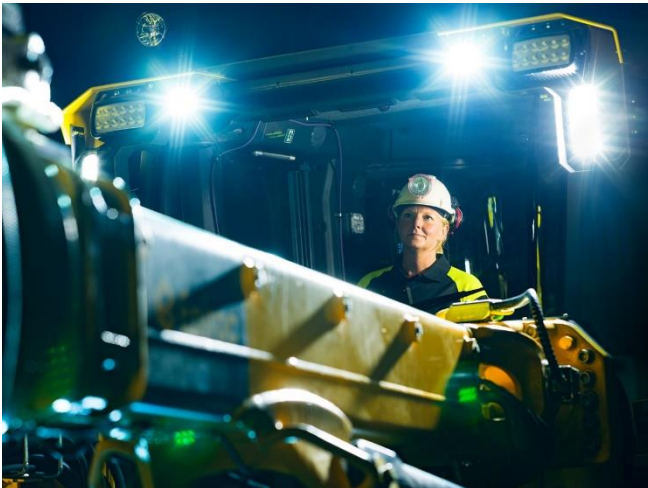
Today and into the future

Today and into the future

New!

Automation footprint in underground drilling continues with new generation Boomer

- A true development rig, fully equipped for multi-task operation and automation
- Battery-electric driveline option



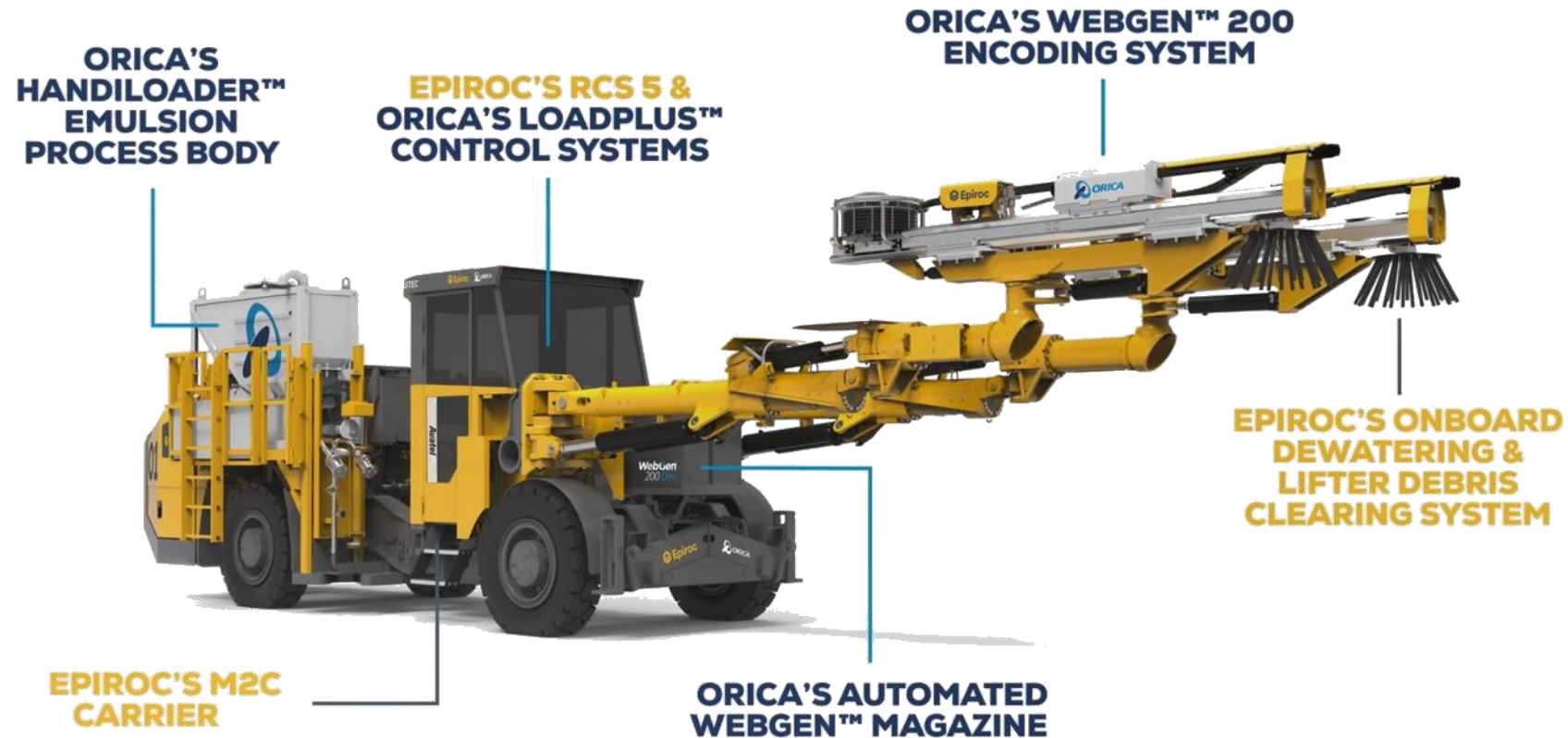
Moving toward automating the whole drilling and explosives charging process

- Orica and Epiroc have jointly developed a semi-automated explosives delivery system, enabling safer and more productive blasting operations in underground mines



Video: Avatel™

The first-of-its-kind: Semi-automated explosives delivery system



Why electrification is a good idea

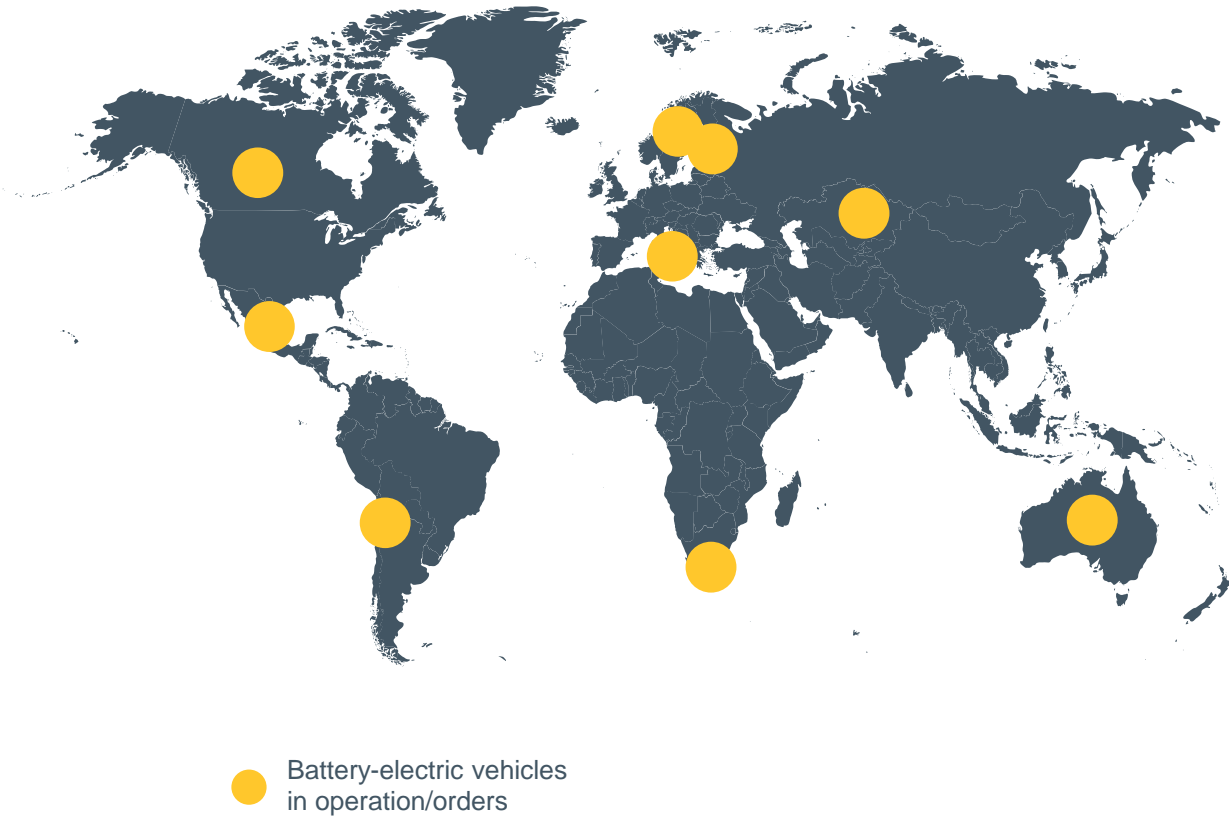
Now!

- To protect people from dangerous fumes, noise and heat
- To avoid costly capex investments in ventilation
- To reduce energy consumption (ventilation is a large part of opex)
- To meet zero emissions in a fossil-fuel dependent industry



Electrification highlights

Electrification customers around the world



The broadest electric offering in the market

- Battery-electric equipment
- Battery-technology platform to other OEMs
 - Jama
 - Railcare
- Battery as a service
- Battery retrofit
- Second life solutions



Video: Electric at the Arctic Circle



In northern Finland,
close to the Arctic Circle,

Introduction

Automation

- Leading the transformation
- Proven solutions in all regions in the world
- Expanding autonomous offering for mixed fleets

Digitalization

- Data management and analytics
- Connectivity
 - Ericsson collaboration

Electrification

- Long history of electrification
- Full range of emission-free surface products by 2030



José Manuel Sánchez

President
Surface division

2020: President Surface division and member of Group Management

2015: President Drilling Solutions division, Atlas Copco, USA

2007: General Manager, Atlas Copco, Chile

2002: General Manager, Atlas Copco, Mexico

1998: Short-term assignment, Atlas Copco, France

1996: Product Manager Surface Drilling Exploration & Area Manager Americas, Atlas Copco Sweden

1994: Reg. Underground Rock Excavation Manager & Marketing Manager, Atlas Copco, China

1988: M.Sc. Mining from Madrid School of Mines, Master in Marketing & Sales Management

Innovation Surface

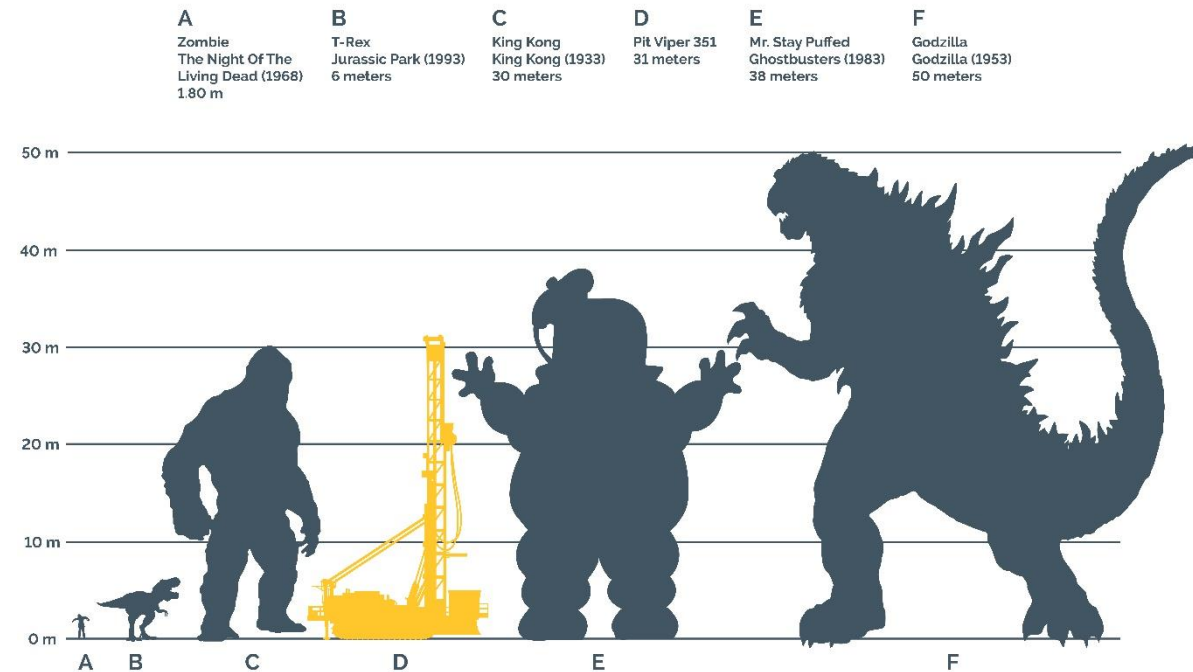


Pit Viper 351 celebrates 20 years!

- Durability and effectiveness
 - The first Pit Viper is still successfully operating on site in British Columbia with 96 000 drilling hours logged to date
- Proven reliability and low life-cycle cost
 - In September 2020, the drill was running at 92% mechanical availability
- Flexibility of low-carbon option with electric power drill

How big is the Pit Viper 351?

See how the Pit Viper 351 ranks among some of our favorite monsters of all time.



Intelligent power: Pit Viper 271 XC series



XC

- Extra capacity

Advanced rig control

- Increased safety
- Live work elimination

Increased productivity and reliability



Future-proof: New generation of SmartROC D65



Greater application versatility and usability

- More capacity
- Automation options

Advanced rig control

- Increased safety
- Live work elimination

Increased sustainability

- Less oil in hydraulic system and reduced fuel consumption up to 20%



Two decades of automation

From own drills to mixed-fleet surface operations

– 2010

Pit Viper Automation

- 2006: Standardization on Rig Control System (RCS platform) for Pit Viper series

SmartROC Automation

- 2002: Rig Control System (RCS), ROC Manager, AutoPos
- 2006: First Hole Navigation System
- 2009: COP Logic Advanced

2010 – 2020

Pit Viper Automation

- 2012: 90%+ Pit Vipers ordered with increased functionality
- 2014: First Generation Autonomous Pit Viper: Weekly production up 26% and drill rig utilization up 21%

SmartROC Automation

- 2010: SmartROC product family
- 2015: First BenchREMOTE
- 2019: First Autonomous SmartROC D65

2020 –

Pit Viper Automation

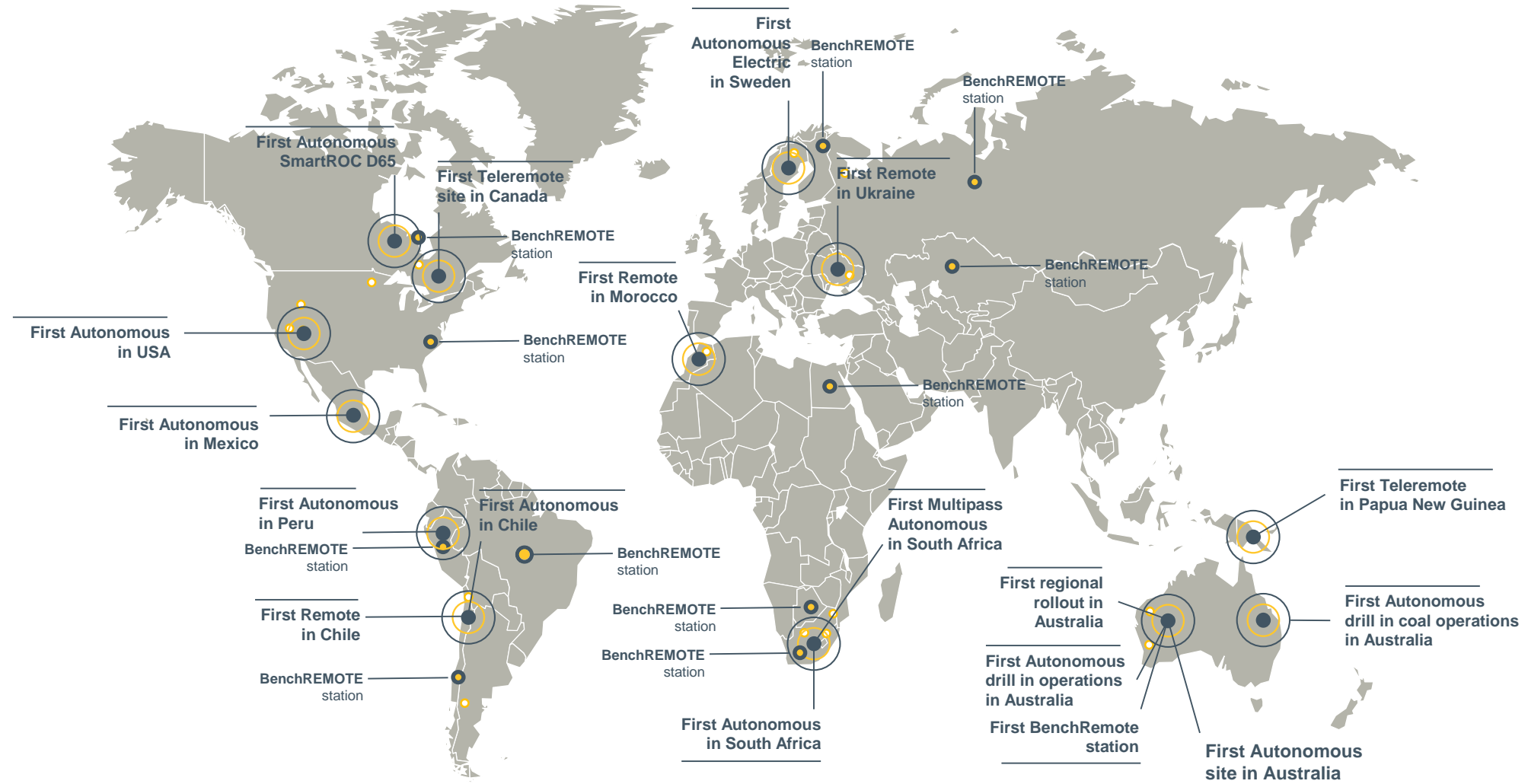
- Transforming our customers' value chain by delivering premier surface automation solutions through partnership
- Mixed-fleet capability

SmartROC Automation

- 2020: Autonomous SmartROC D65 rigs at the same mine
- 2020: Autonomous Pit Viper & SmartROC D65 rigs

Surface Automation Footprint

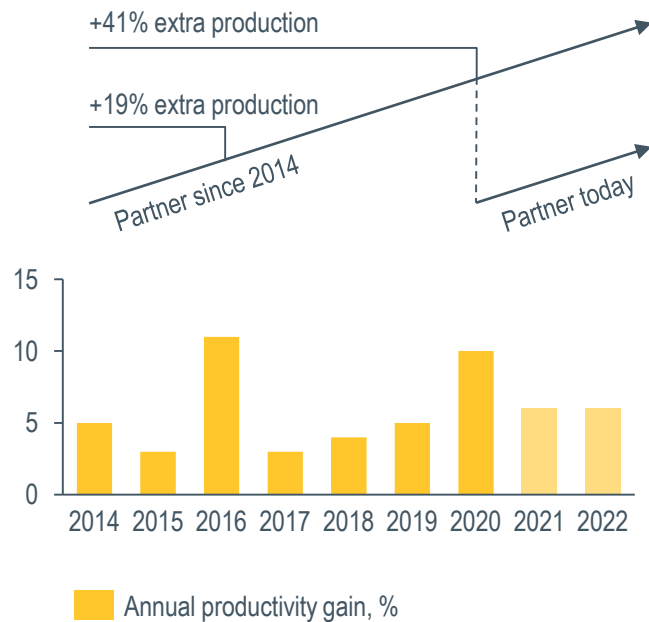
19 million meters drilled autonomously



Autonomous results

Examples of Pit Viper in action

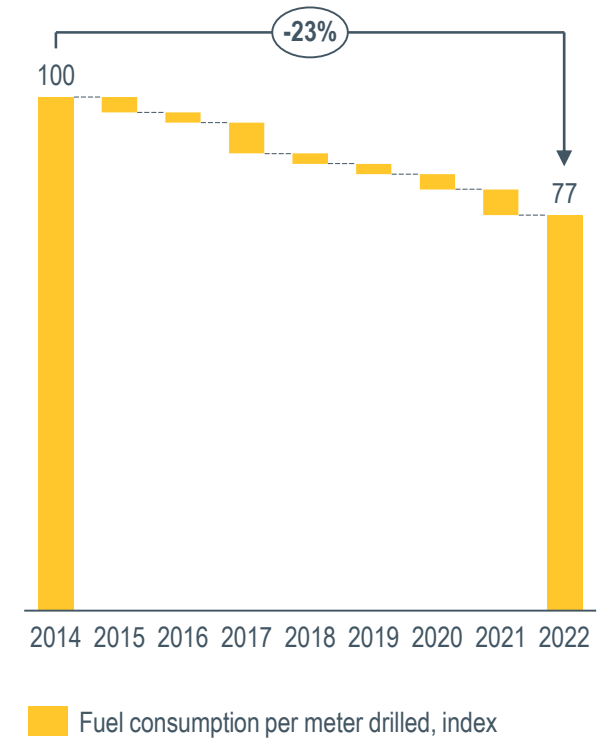
The compounding effect of incremental software releases



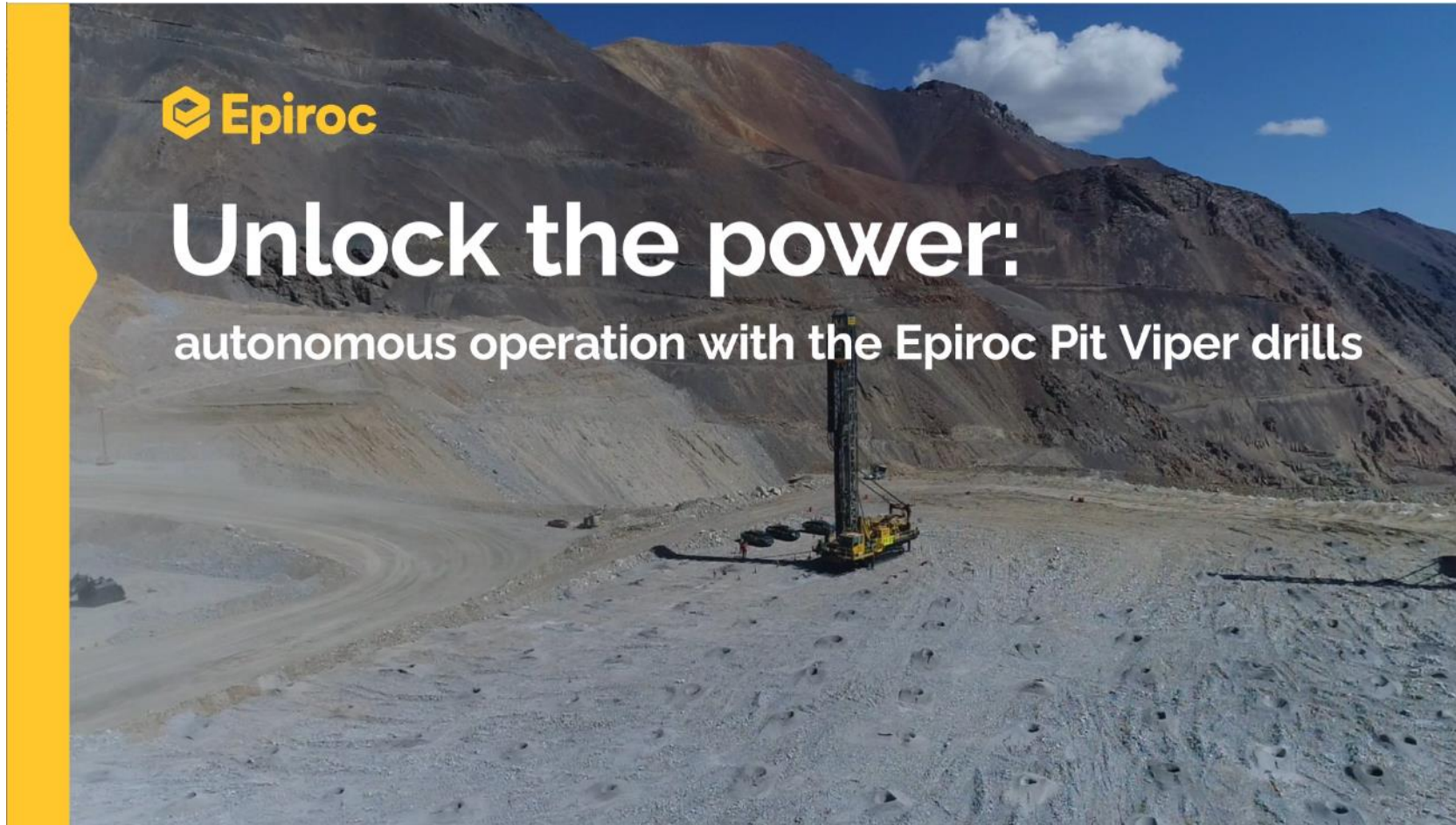
The compounding effect of incremental software releases

- 1.8 million meters saved of wasted drilling
- Over 240 000 extra operational hours from Tele-Remote
- 6.8 million extra meters drilled gained from AutoDrill

Fuel consumption per meter drilled



Video: Epiroc Surface Automation Chile



Going beyond automating own equipment

Automation support to our customers across the value chain

Automate own equipment to remain #1 in drill productivity and Total Cost of Ownership

- Only commercially proven fully autonomous drill solution on the market
- Market leading capabilities in blast-hole drill automation
- Continuous focus on equipment and fleet optimization

Mixed-fleet surface automation

- Mixed fleets in drilling
- Full interoperable mixed-surface fleets
- First OEM-agnostic automation provider for haulage (in partnership with ASI Mining)

The world's largest autonomous mixed-fleet deployment



Epiroc, ASI Mining and Roy Hill in Australia

- Phase 1 (Sept. 2020)
 - Automation of 2 truck models (Hitachi and CAT)
 - 2 autonomous light vehicles
- Phase 2 (now)
 - 6 trucks in production
 - Prove KPIs
- Phase 3 (next step)
 - 77 autonomous haul trucks
 - Autonomous light vehicles and loaders; totaling 300+ assets





Short break

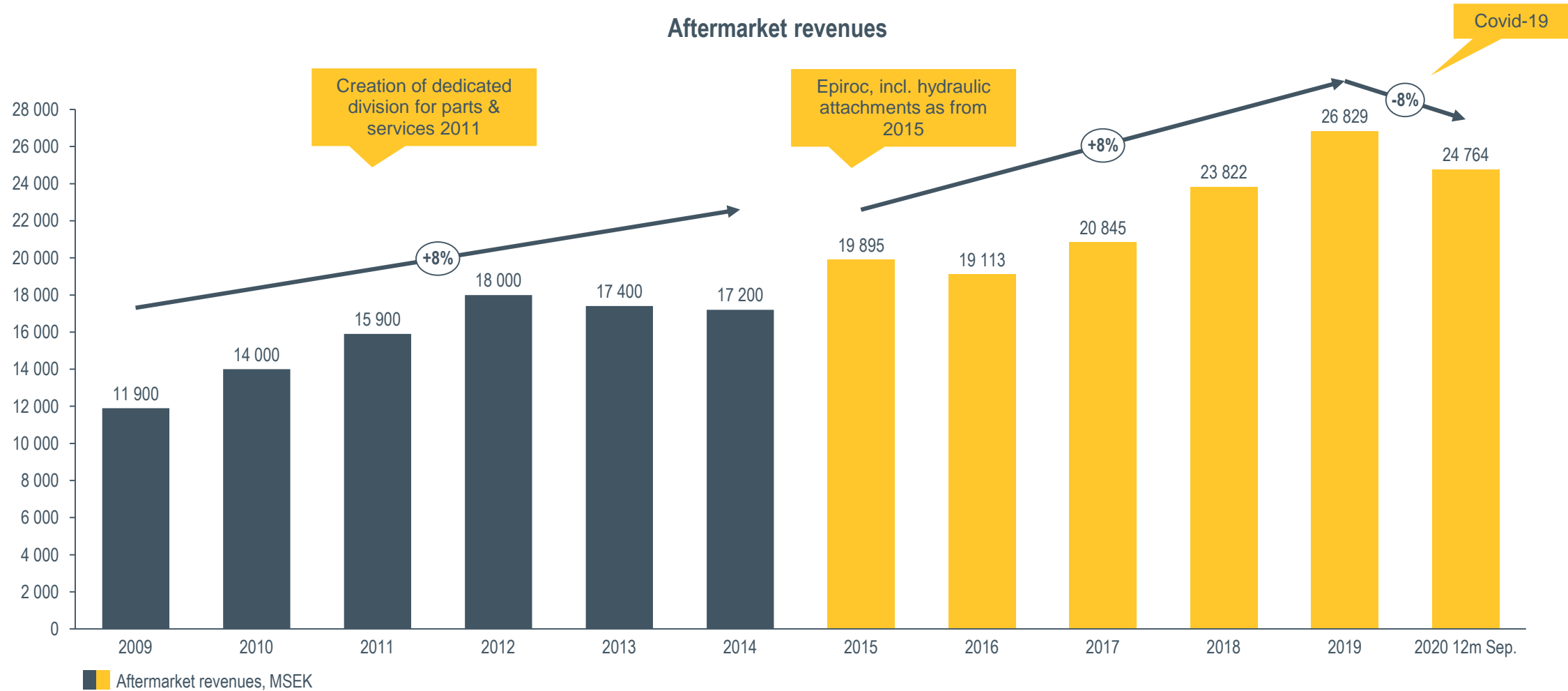


Strategy and foundations for success



Aftermarket

Strong aftermarket business provides resilience



Broad aftermarket offering

- Service agreements and audits



- Supply of spare parts and components



Service 43%

- Midlife services, training, and other service products



- Rock drilling tools



- Hydraulic attachments

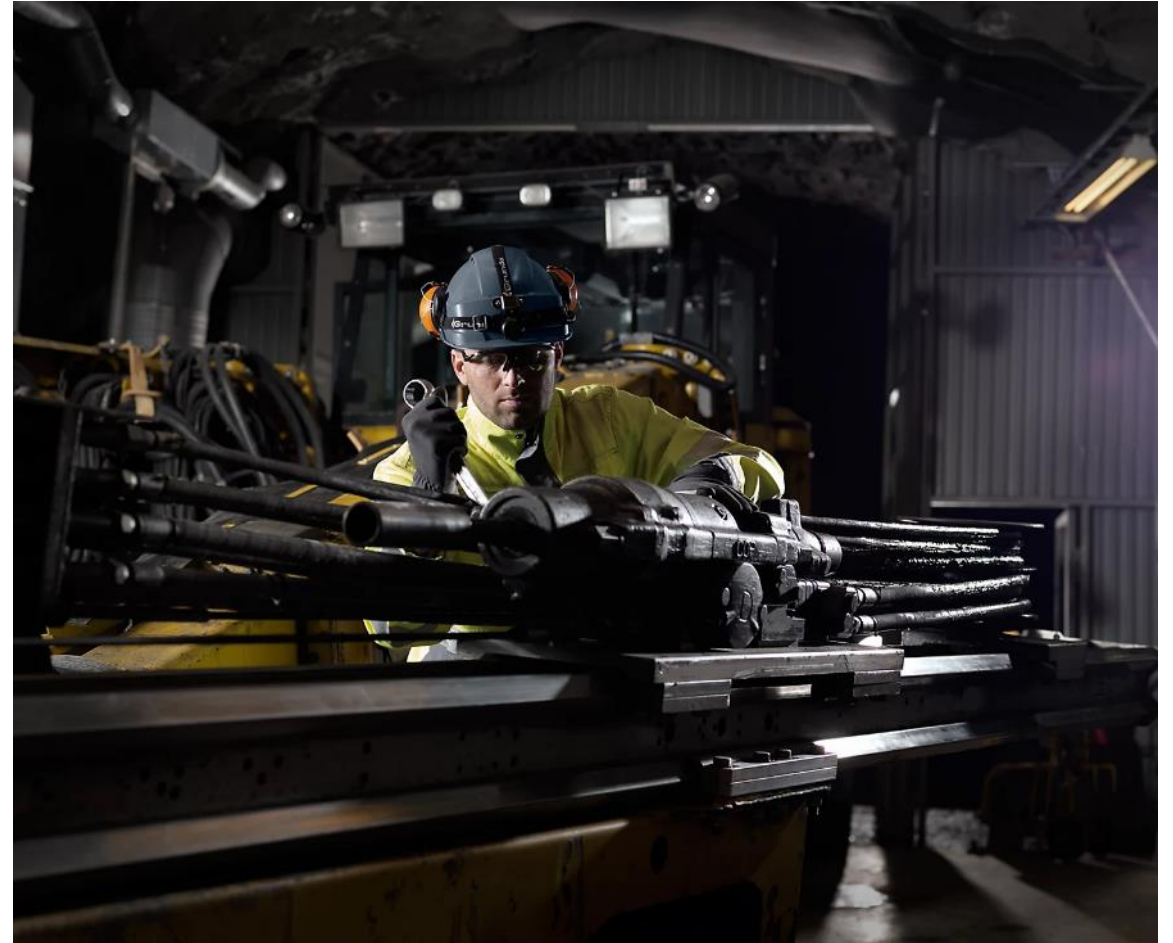


Tools & Attachments 25%

Aftermarket 68%

Trends and customer values in aftermarket

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



Maximize full potential within aftermarket



What does it mean?

- Support safety and high productivity
- Be a true long-term productivity partner
- Build resilience over a cycle

Actions

- Accelerate connectivity efforts
- Improve fleet management
- Design aftermarket offering and channels to capture all segments
- Support customers with a broader range of needs



Aftermarket opportunities



- Aftermarket footprint – take a broader range of products through our network
- Connectivity to enable real-time data of activity levels and need for aftermarket
- Technological height of capital equipment
- Connecting consumables with machines
- Focus on creating value for our customers



Connectivity to increase customers' productivity



6th Sense —Smart. Safe. Seamless.

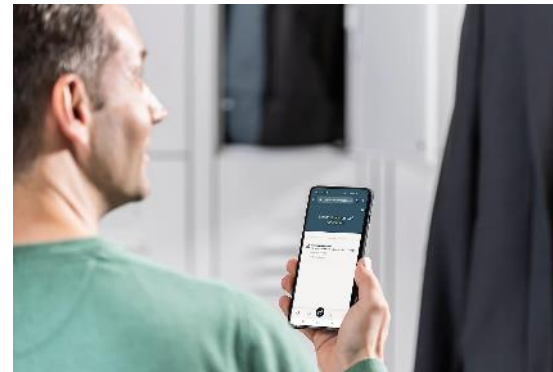
Rock Drilling Tools

- Smart consignment – Full control of inventory and drilling tool consumption



Attachments

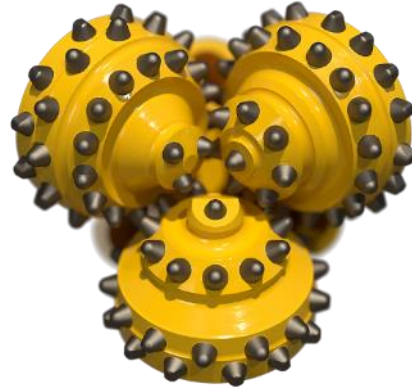
- Fleet management by monitoring operating hours, location and service intervals of the tools
- My Epiroc – access to all data and get notifications when it's time for service



Video: HATCON



New innovative products





Jess Kindler

**President
Parts & Services division**

2020: President Parts, Service and Supply Chain and member of Group Management

2016: President Mining and Rock Excavation Service division, Atlas Copco, Sweden

2013: Director, PT Atlas Copco Nusantara, Indonesia

2012: Master of Business Administration, Wharton School, USA

2005: Business Line Manager Atlas Copco CMT, USA

2002: Worldwide Service Manager, Ingersoll Rand Drilling Solutions, Garland, USA

2002: Captain, United States Army Corps of Engineers, USA

1998: Mining Engineer, Colorado School of Mines, USA

Parts & Services



Broad service offering



Replacement
parts and kits



Service
agreements
and audits



Reman
solutions



Midlife services



Custom-
engineered
solutions



Training
products



Telematics
(connectivity)

Tailored service products to different customer segments

Customer segmentation

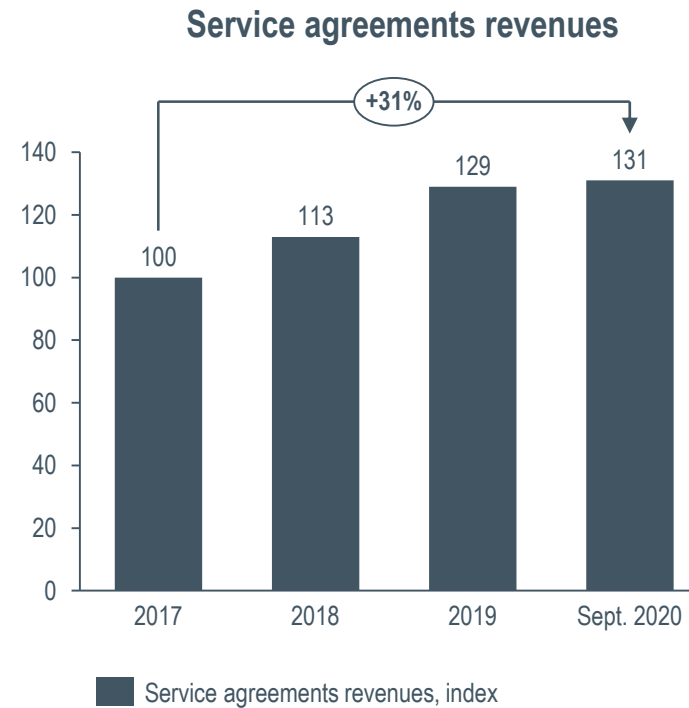
- Model allows improved differentiation in how to support different types of customers
 - H - High utilization
 - M - Medium utilization
 - L - Low utilization
- Channels for improved presence



Service agreements

From parts provider to partner

- Clear service-value proposition
- Service agreements for different demands
- Lifecycle management
- Data-driven services and subscriptions

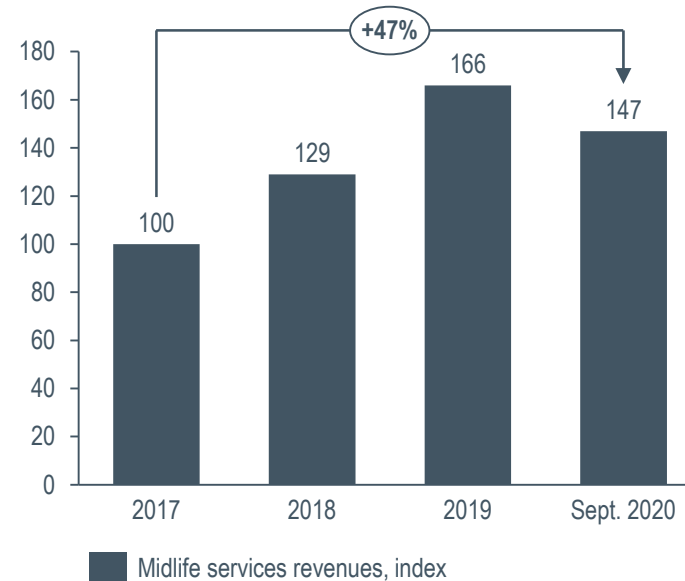


Midlife services

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

Midlife services revenues

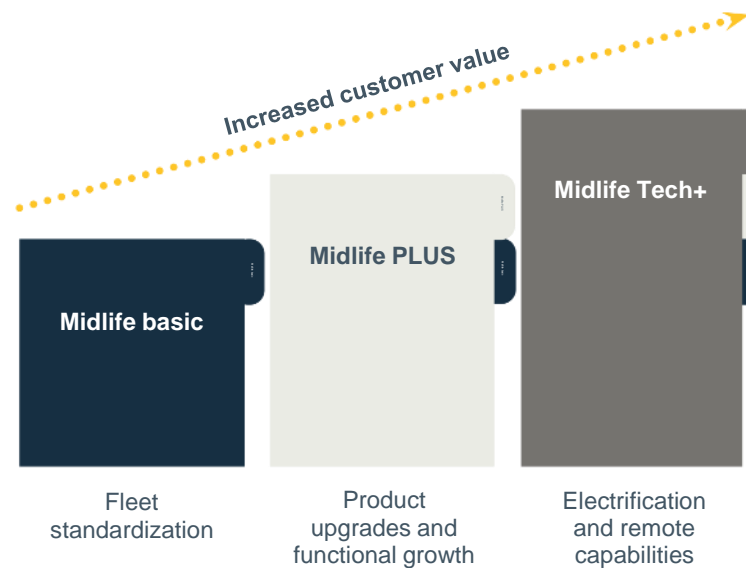


Complete midlife rebuild product portfolio

+ Custom engineered solutions

Customer values

- Extended product lifetime
- Reduced operational cost
- Increased product functionality and efficiency



Custom-engineered solutions

- Designed to match the machine configuration
- Latest version of components
- Ensuring safety and productivity

Why connectivity is a good idea

Improves communication and productivity

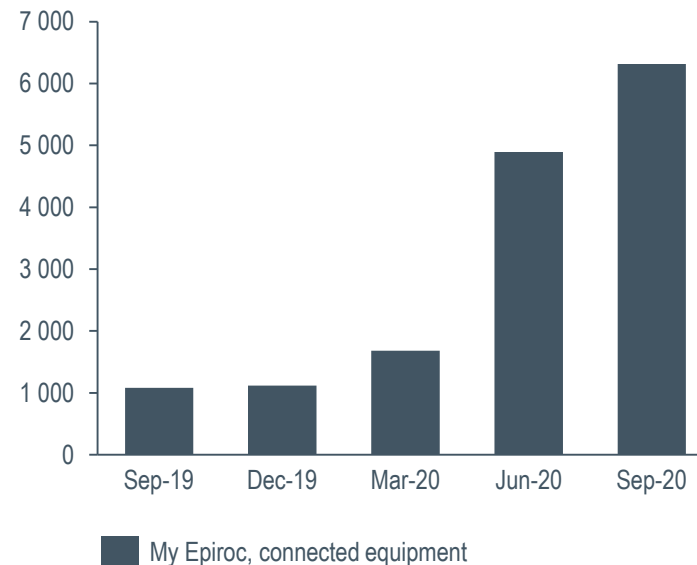
My Epiroc

- Instant access to all machine data, operational status, performance metrics and location
- Increase fleet efficiency, safety and performance

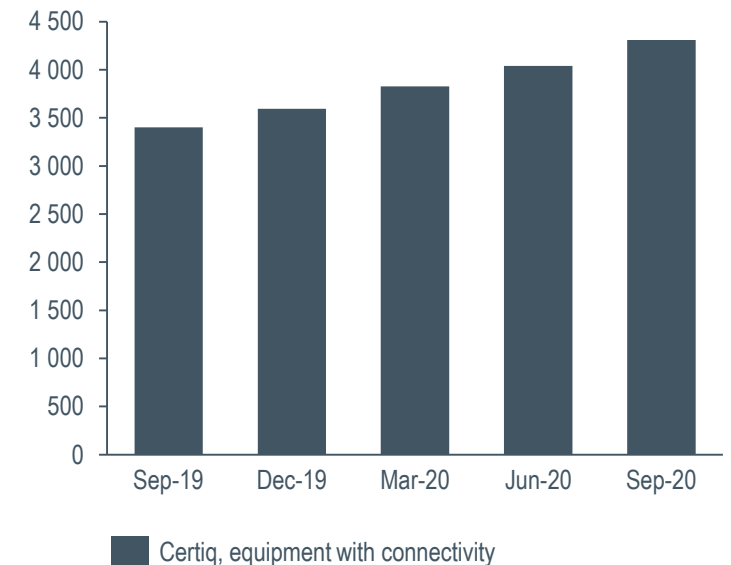
Certiq

- A telematics solution that gathers, compares and communicates vital equipment information

My Epiroc – connected equipment



Certiq – equipment with connectivity



New business opportunities with electric solutions



Customer driven

- Unique offering
- Lower TCO
- Energy efficiency

Innovation

- New business model
- Modular design
- Remote services

Growth area

- Retrofit of installed base
- New market segments
- Mixed fleet



Scooptram ST1030 Battery



Scooptram ST14 Battery

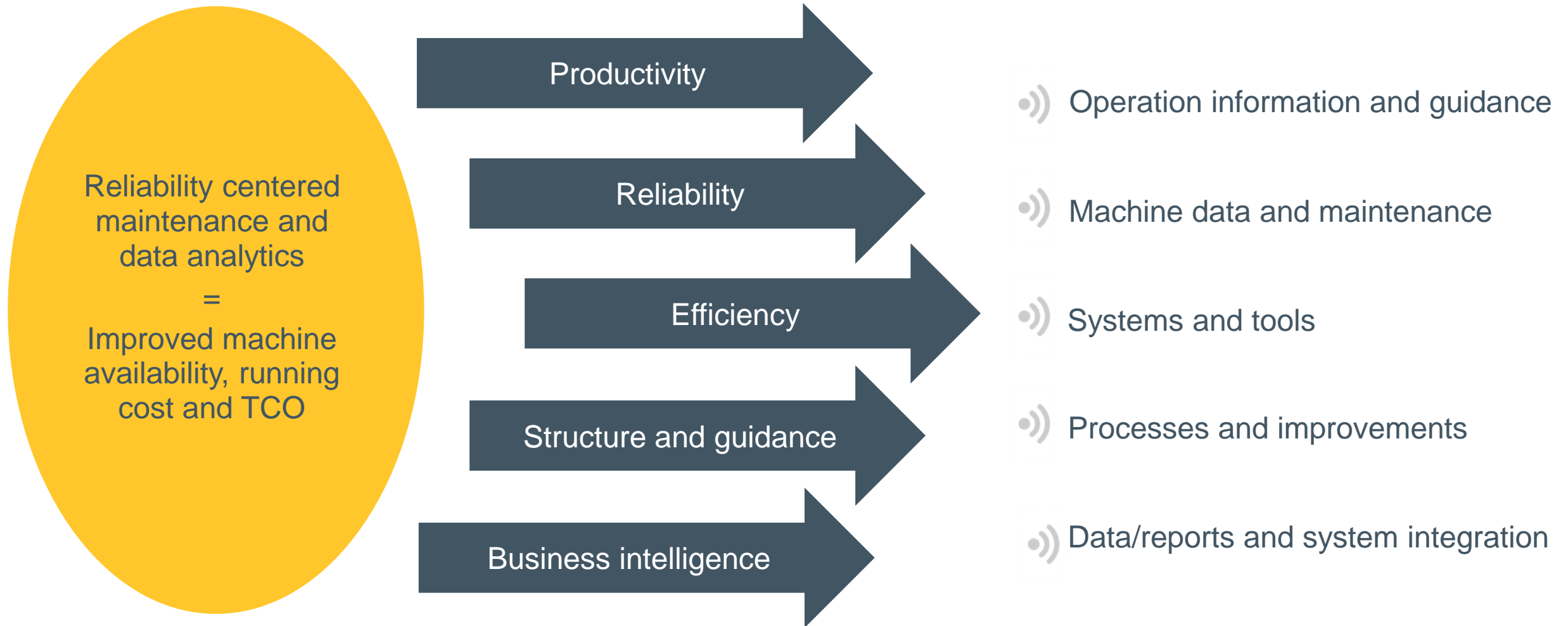


Railcare

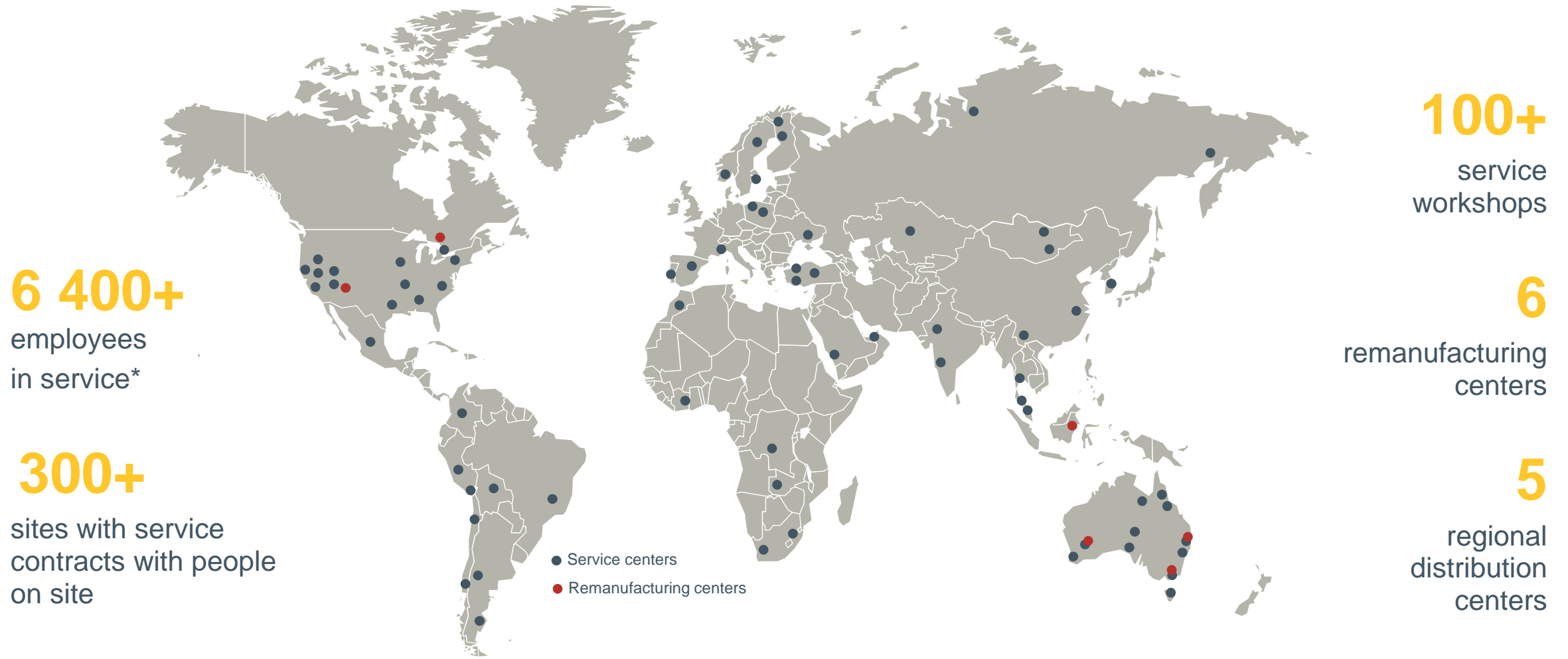


Jama

Digitalization driving customer success



Presence is vital and a competitive advantage!



*Employees in Parts & Services division, excluding additional workforce

Keys to aftermarket success



Presence



**Efficient
supply chain**



**Technical
know-how**



Focus



**People and
leadership**

Strategy and foundations for success



Operational
excellence

Operational excellence



What does it mean?

- To continuously improve performance, efficiency and effectiveness
- *"There is always a better way"*

Actions for operational excellence

Build a strong process-excellence oriented organization to drive best in class service and supply chain performance

- Supply-chain program
- Service excellence with data-centric approach

Improve agility by leveraging manufacturing footprint

- Consolidating manufacturing

Build a more efficient organization

- Cost-savings program
- Back-office excellence
- Digitalization and robotic process automation (RPA)





Anders Lindén

CFO

2017: CFO, Epiroc AB, Sweden

2016: VP Business Control, Atlas Copco Mining & Rock Excavation BA, Sweden

2011: VP Business Control, Atlas Copco Industrial Technique BA, Sweden

2006: VP Finance & Administration, Atlas Copco Underground Rock Excavation Division, Sweden

2000: CFO, Enlight AB, Sweden

1998: Financial Director, Xerox Document Supplies, Sweden

1993: VP and CFO, Atlas Copco Robbins Inc., Seattle, WA, USA

1986-1993: Various positions within Controlling & Finance at Atlas Copco, Sweden

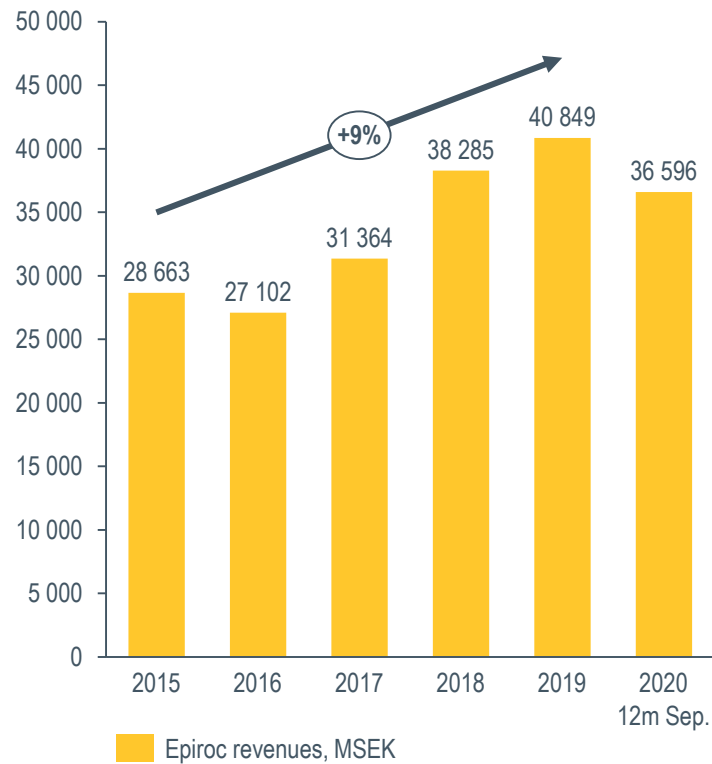
1986: B.Sc. in Economics and Business Administration, Stockholm School of Economics

Operational excellence and financials



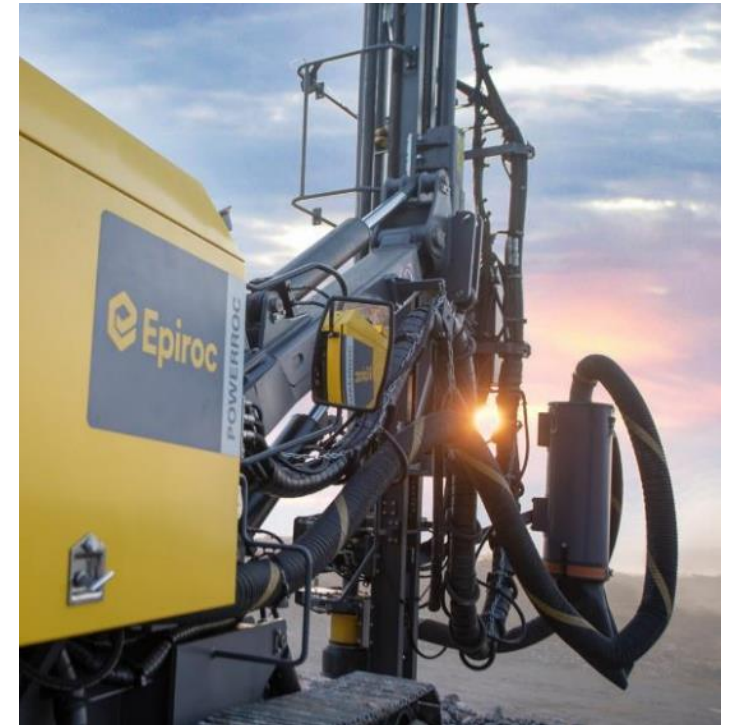
Annual revenue growth of 9% 2015-2019

Solid revenue growth



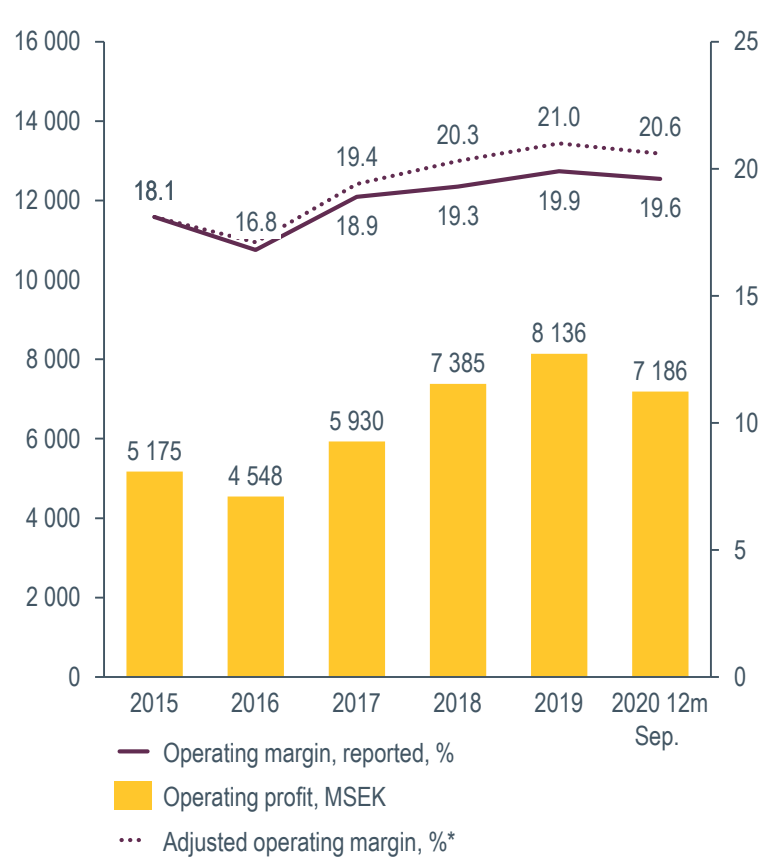
” Epiroc’s goal is to achieve annual **revenue growth of 8%** over a business cycle and to grow faster than the market

Growth will be organic and supported by selective acquisitions



Resilient operating margin

Operating profit and margin



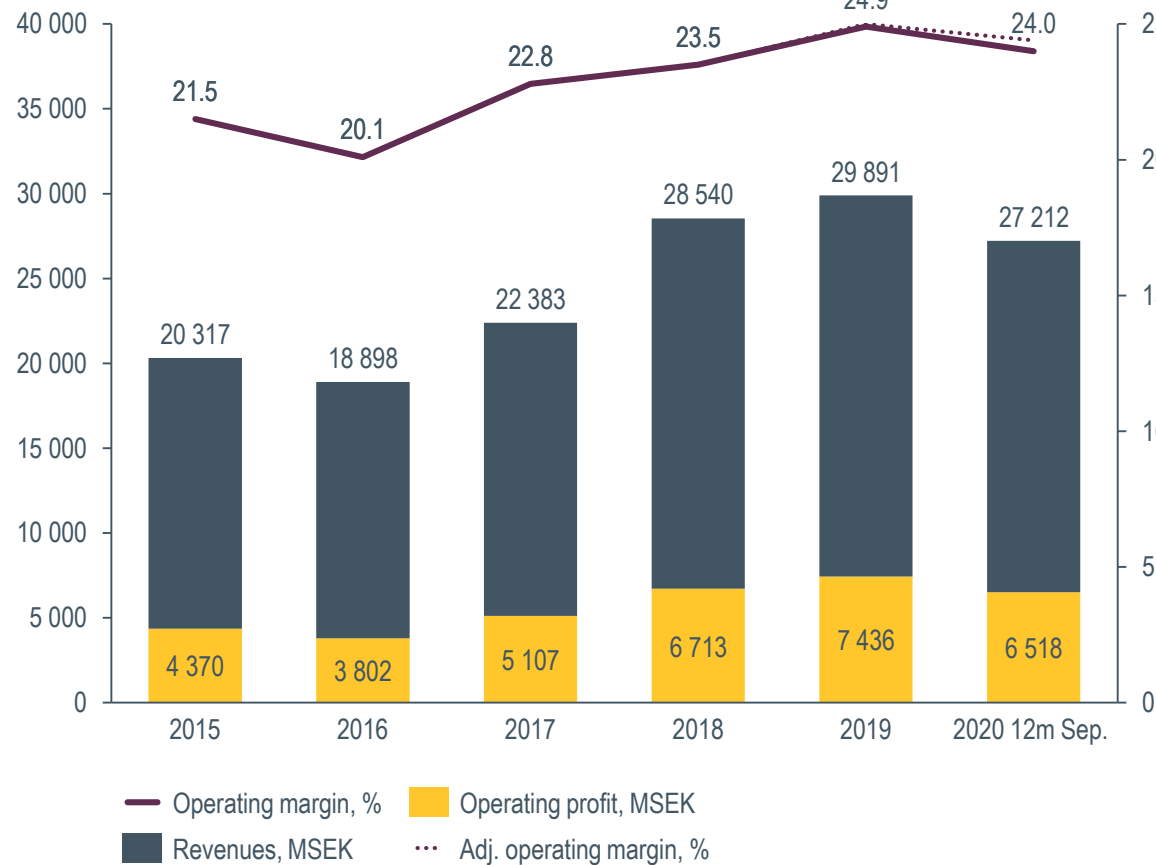
*Adjusted for items affecting comparability. Items affecting comparability include change in provision for long-term incentive plans and restructuring costs. Costs related to the split from Atlas Copco were classified as items affecting comparability in 2018.

” Epiroc’s goal is to have an **industry-best operating margin** with strong resilience over the cycle

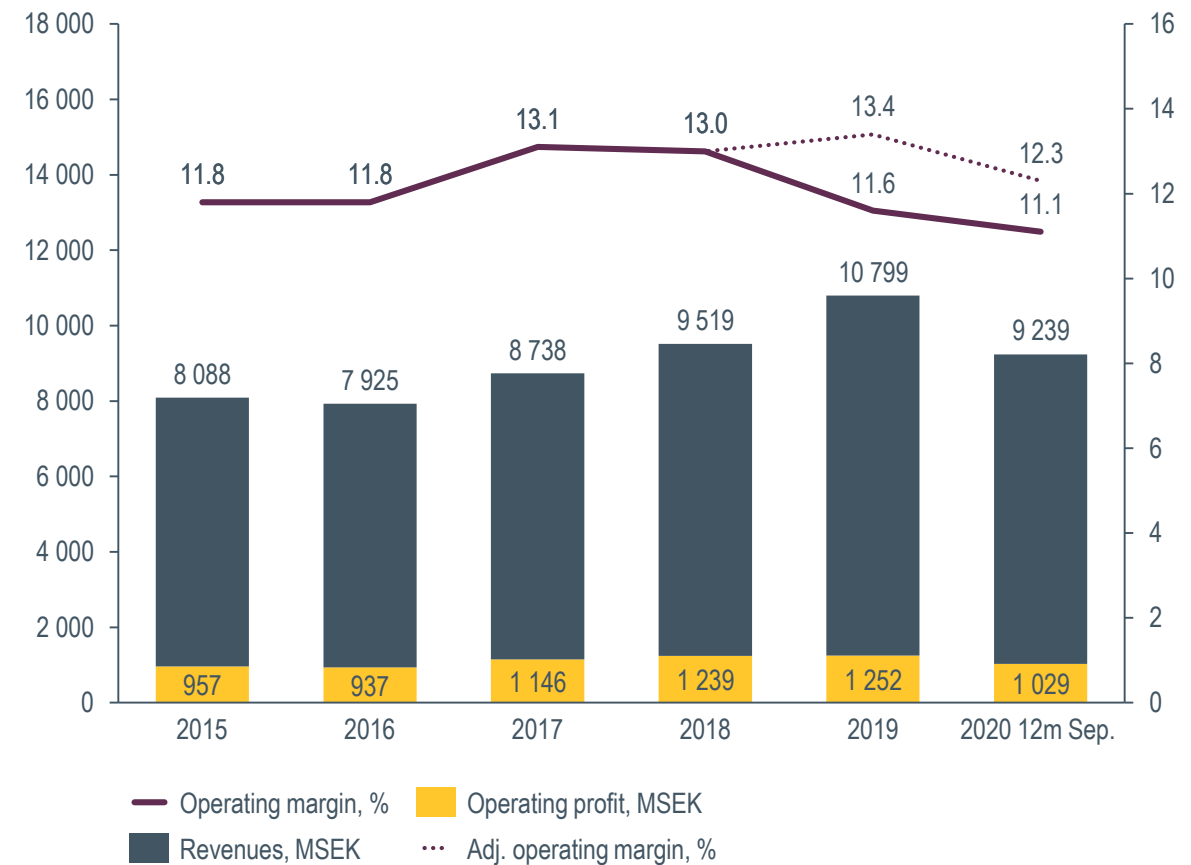


Two reporting segments

Equipment & Service



Tools & Attachments



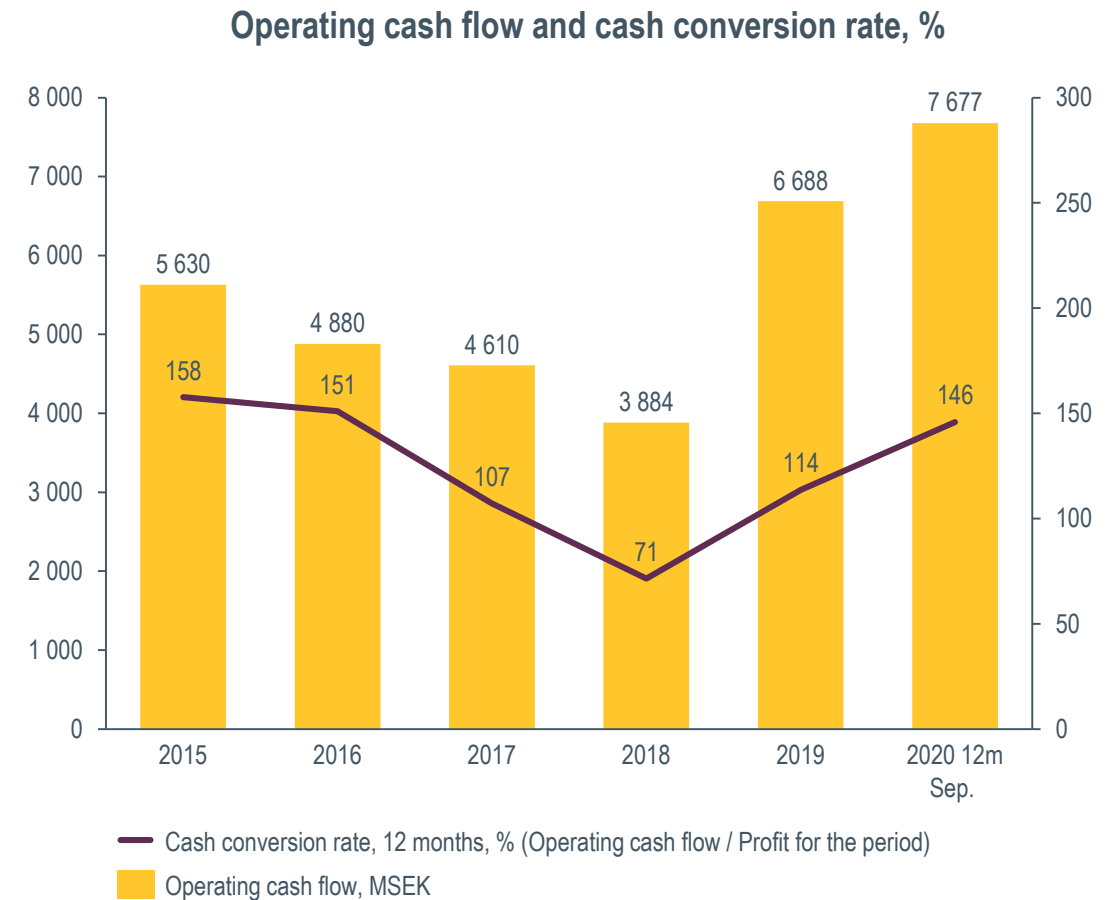
Operating cash flow

Operating cash flow varies over the cycle

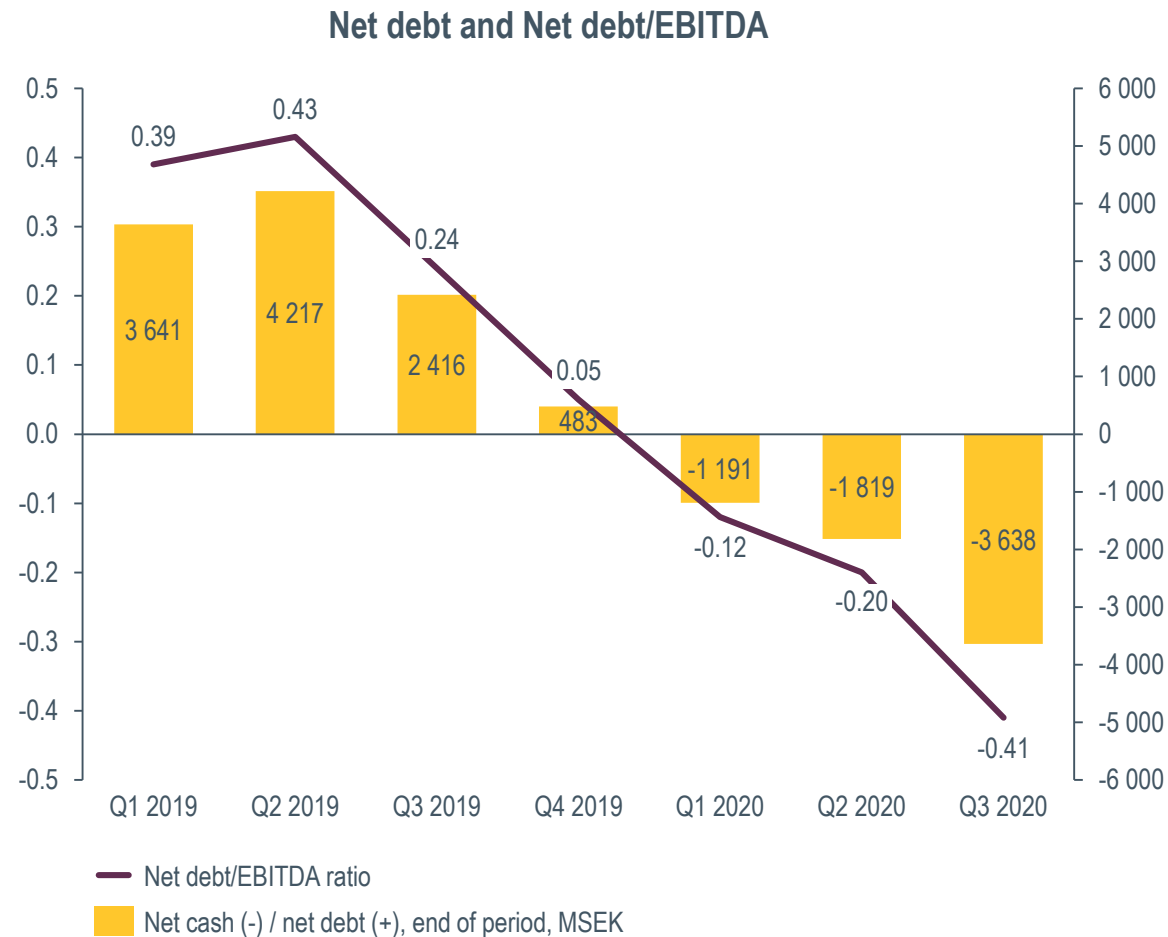
- When the demand is good we grow and increase working capital
- When the demand is poor we generate cash and release working capital

Low capex needs

- Limited investments in other property, plant and equipment
- Rental equipment, net
- Intangible assets mainly R&D and IT



A 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

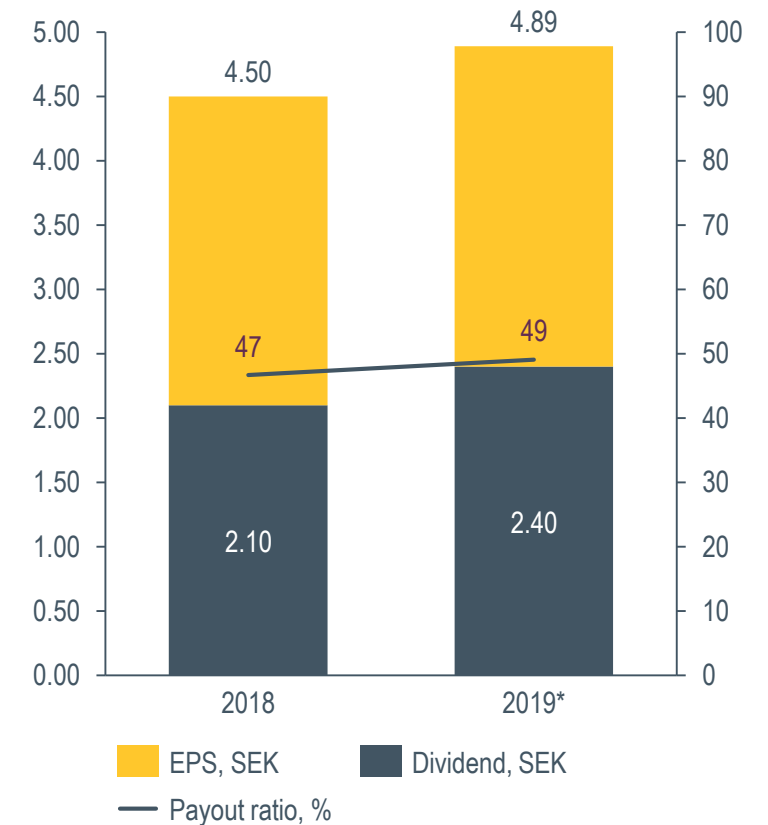
Priorities for use of cash

1. Continuously invest in organic profitable growth
2. Invest in acquisitions that support our organic efforts
3. Cash distribution

” 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

EPS, dividend and payout ratio



* Proposal from the Board

Strong and proven operating model



Focused and decentralized business



Quick and efficient decision-making

Flexible manufacturing philosophy



75% of product cost for equipment is purchased

High degree of direct sales and services



~85% direct sales

Resilient aftermarket business



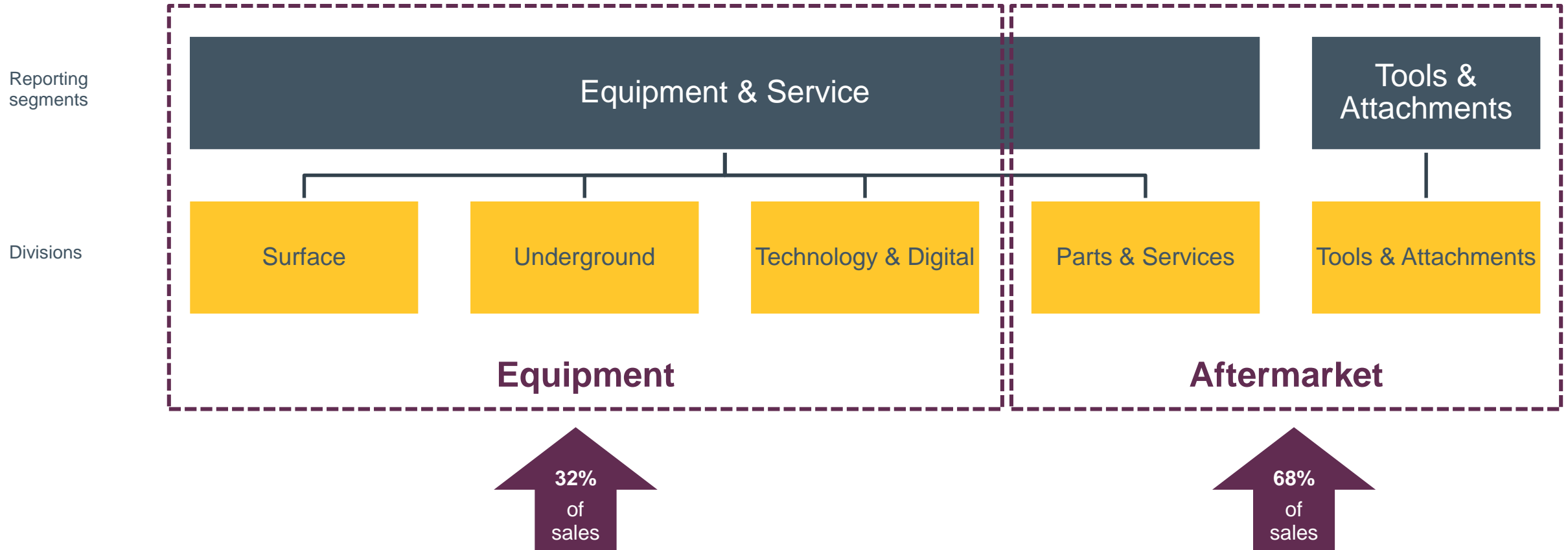
Aftermarket 68% of revenues

Sharp innovation focus



Excellence centers around the world

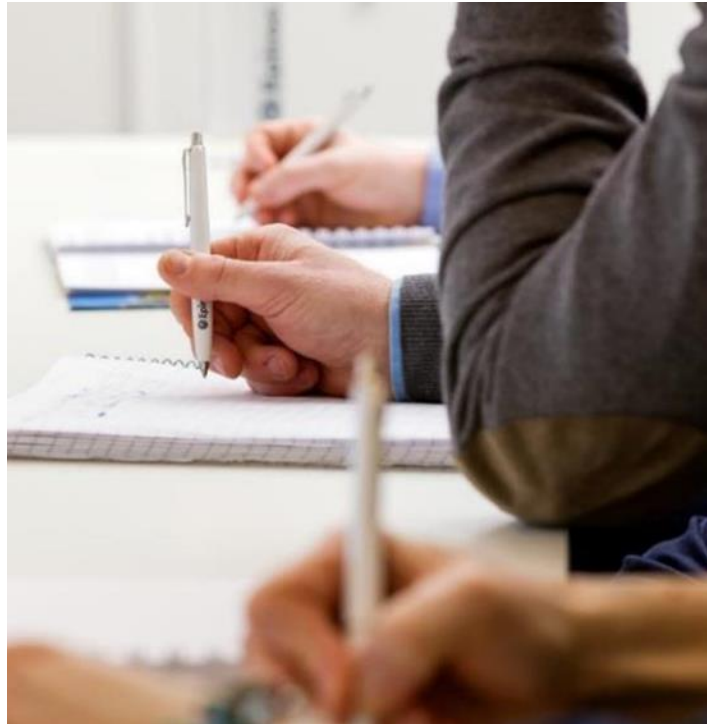
Focused and decentralized businesses



Implications of a decentralized organization

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

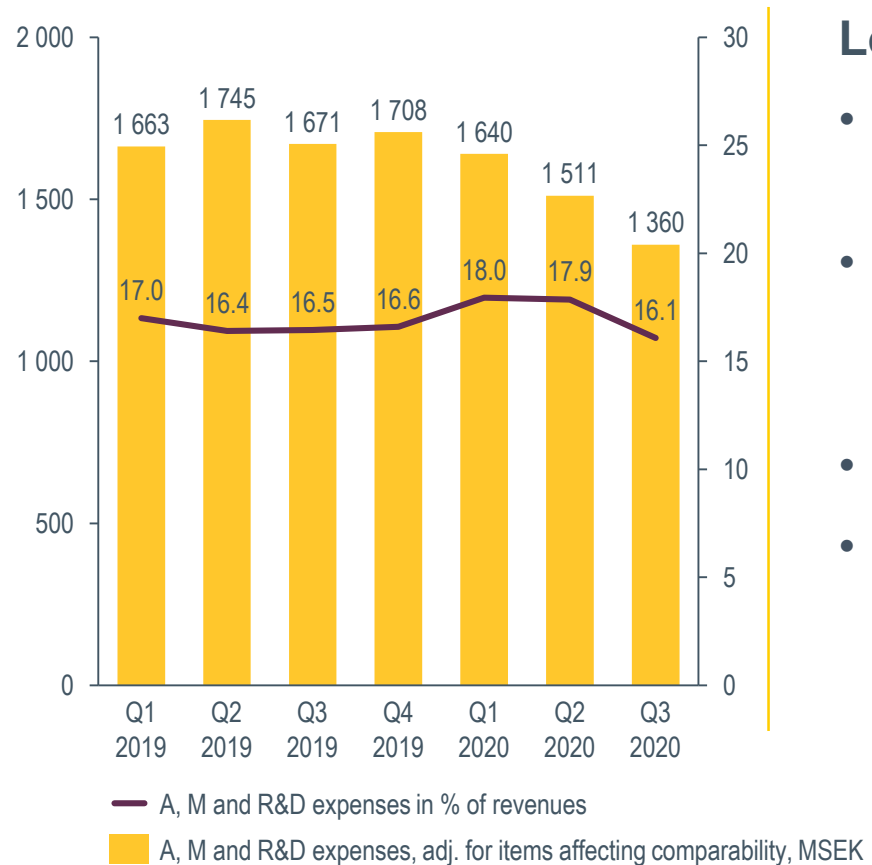


Keys to success:

- Action-oriented culture with courageous leaders that dare taking decisions
- Governance model that encourages both ethical behavior and financial results
- Clear communication on strategy to get "buy-in"

Quick adoption to shifting environment

Administration, marketing and R&D expenses

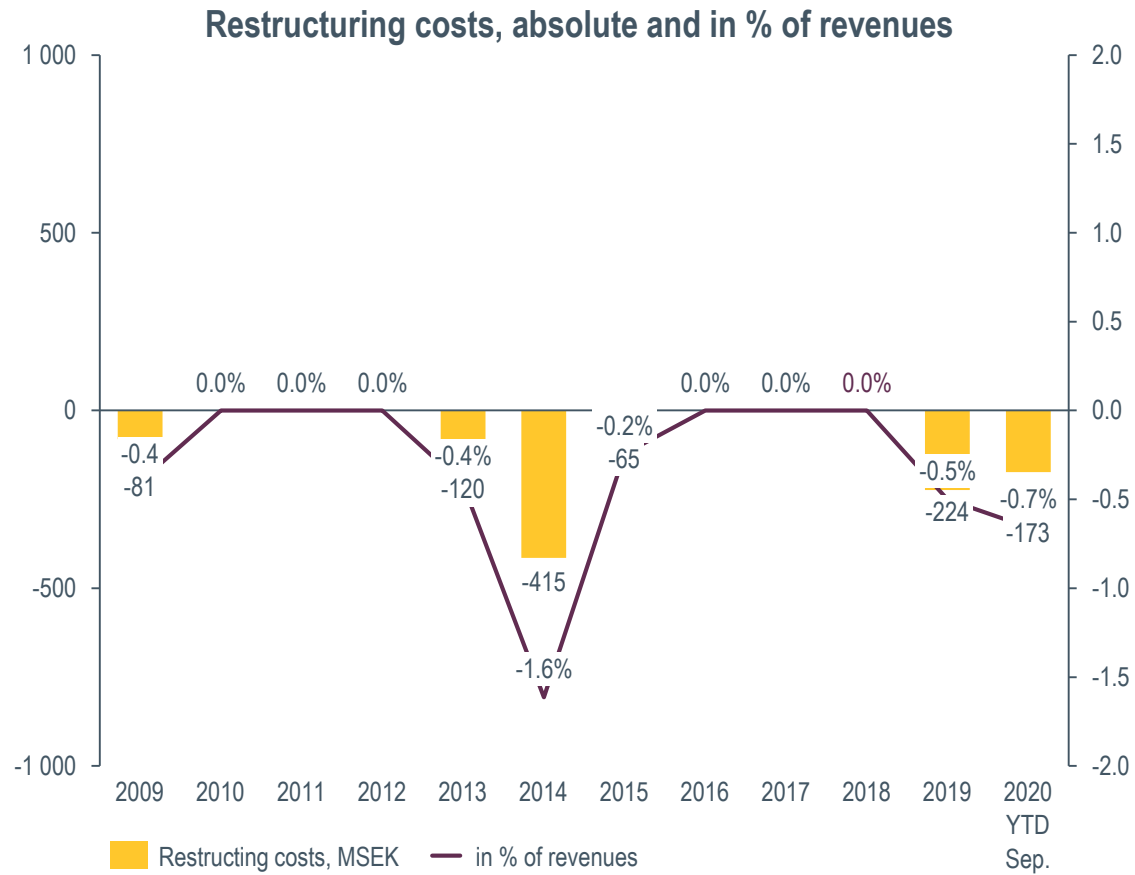


Lower costs:

- Full effect from savings program (MSEK >500 p.a.)
- Quick adjustment to the situation with permanent savings
- Short-term actions maintained
- Reduced corporate cost



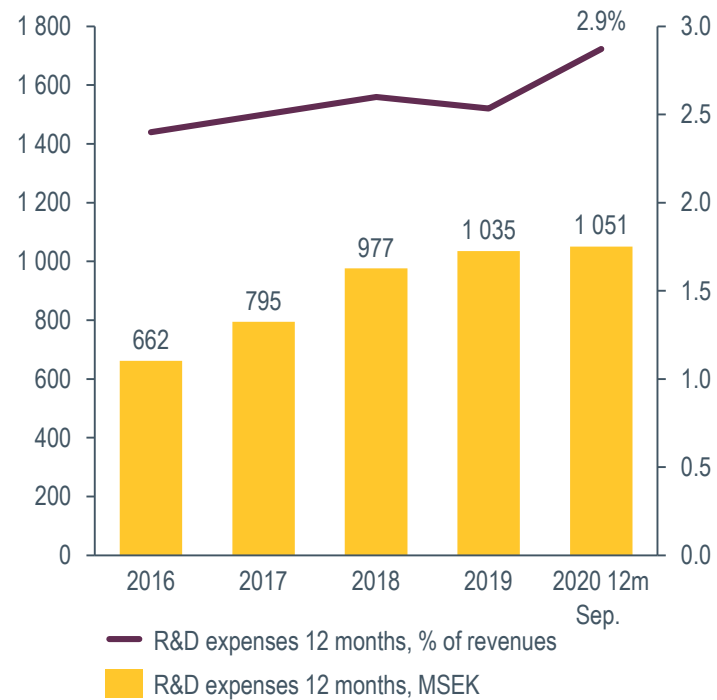
Limited restructuring costs



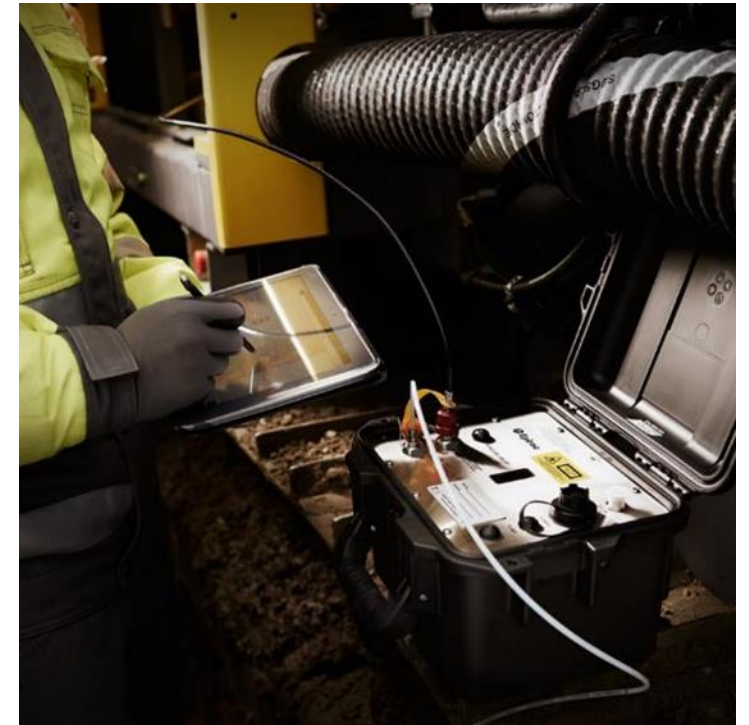
*Restructuring costs 2009-2015 were reported under Atlas Copco Mining and Rock Excavation Technique business area
Costs in 2014 and 2019, was mainly write down of assets related to discontinued businesses, 2014 Powercrusher and 2019 Handheld rock drilling tools. 2020 was moving manufacturing sites and long-term actions in ex. Sweden.*

Investing in R&D

Research and development expenses



7% of our
employees
work in R&D

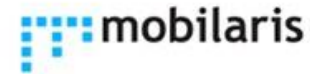


Sharp focus on innovation

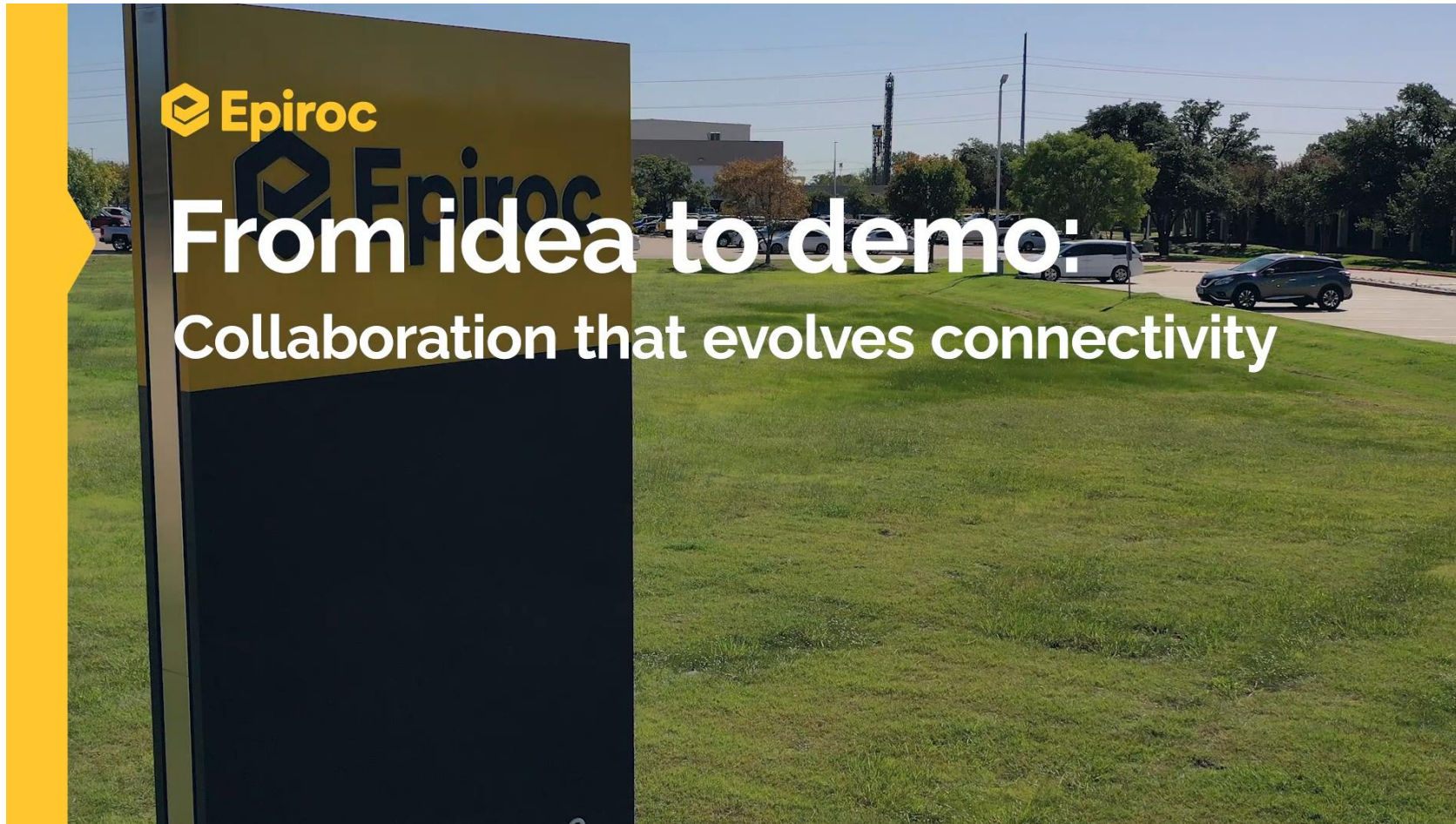


Collaboration enables leverage on R&D

- Regional Application Centers (RAC) lowers hurdle for customers to entry automation
- Majority of R&D spending goes into equipment and technology
- Leveraging innovation globally by partnerships with customers, suppliers and others



Video: Epiroc Ericsson From Idea To Demo



We have a flexible manufacturing philosophy

Did you know?

75% of product cost for equipment is purchased

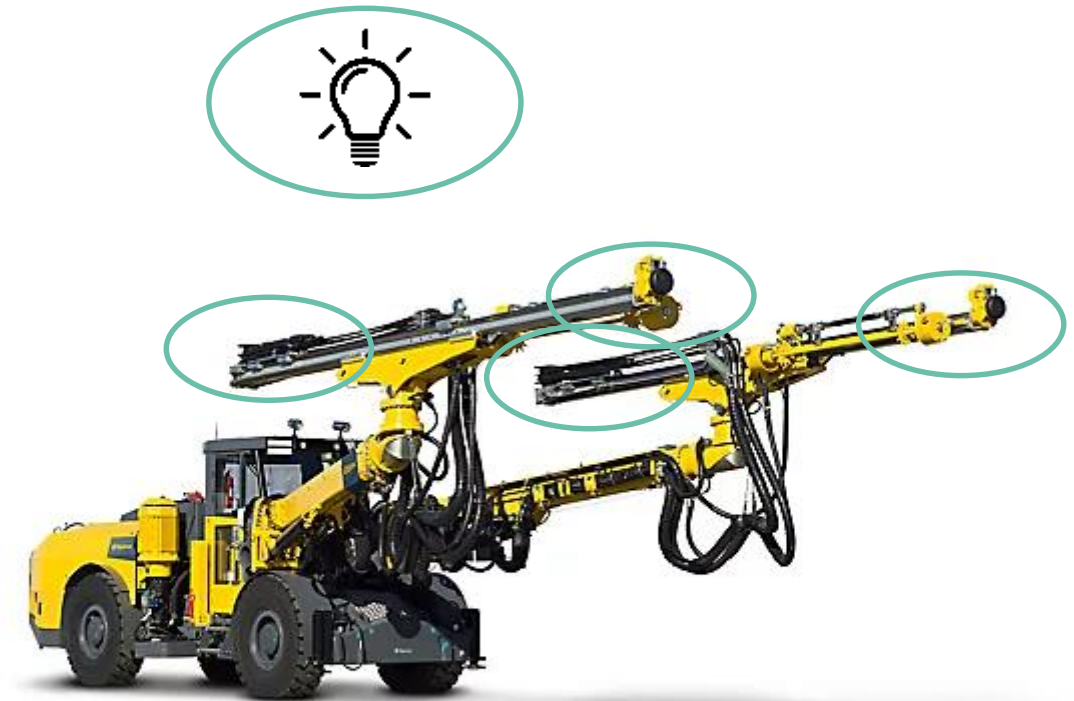
We produce on orders (equipment)

which enables quick and smooth adjustments in manufacturing levels in ups and downs

We only produce core-components

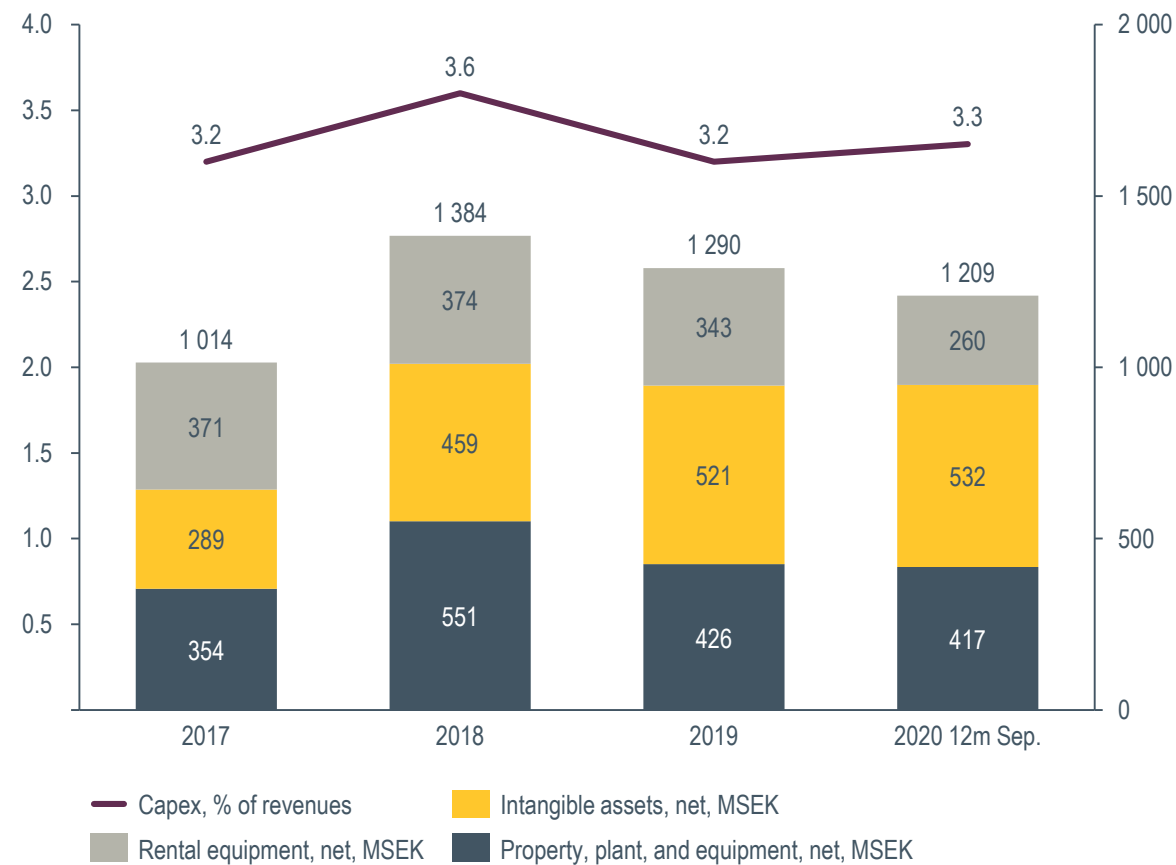
to safeguard a flexible manufacturing set-up whilst protecting our innovations

Example of “core components” on a Boomer:

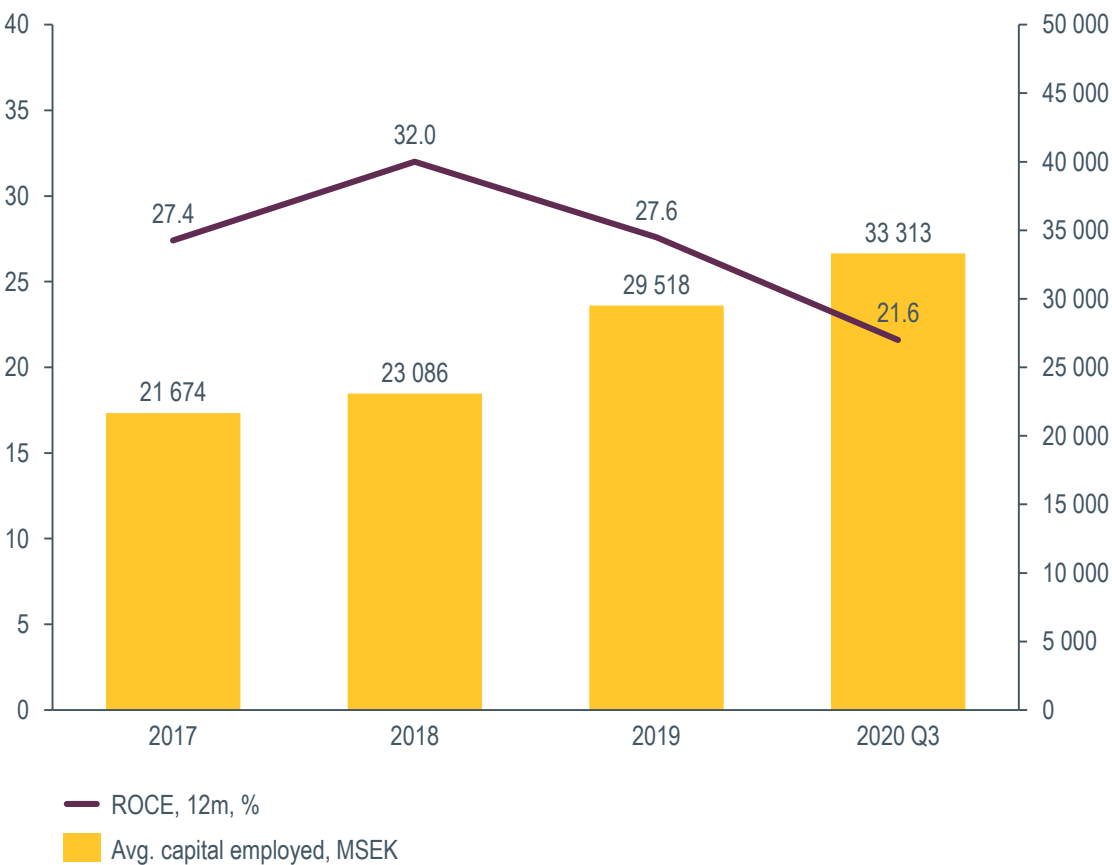


Benefits of a flexible manufacturing philosophy

Limited investment requirements in manufacturing

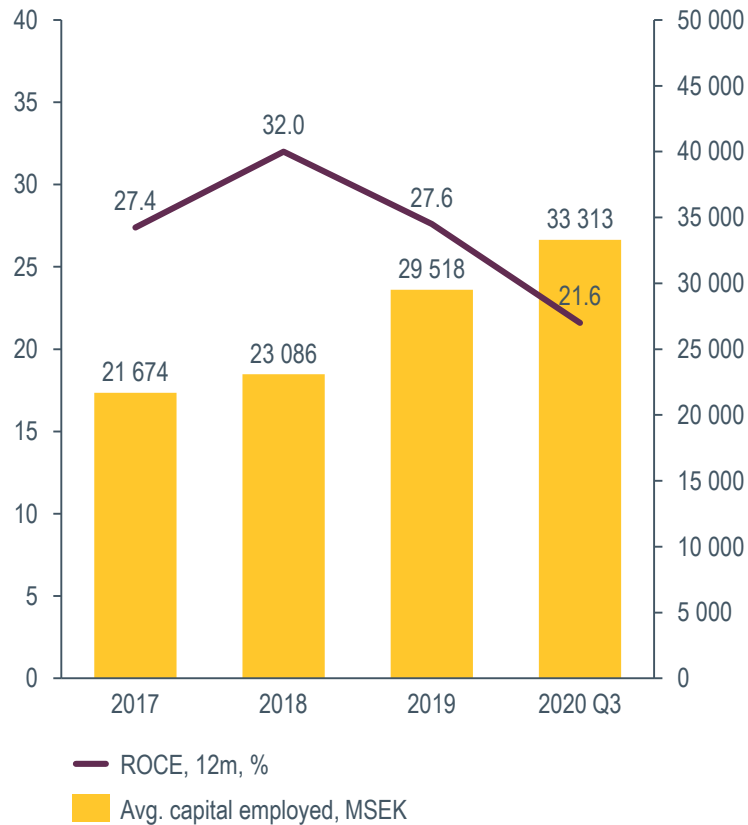


Return on capital employed

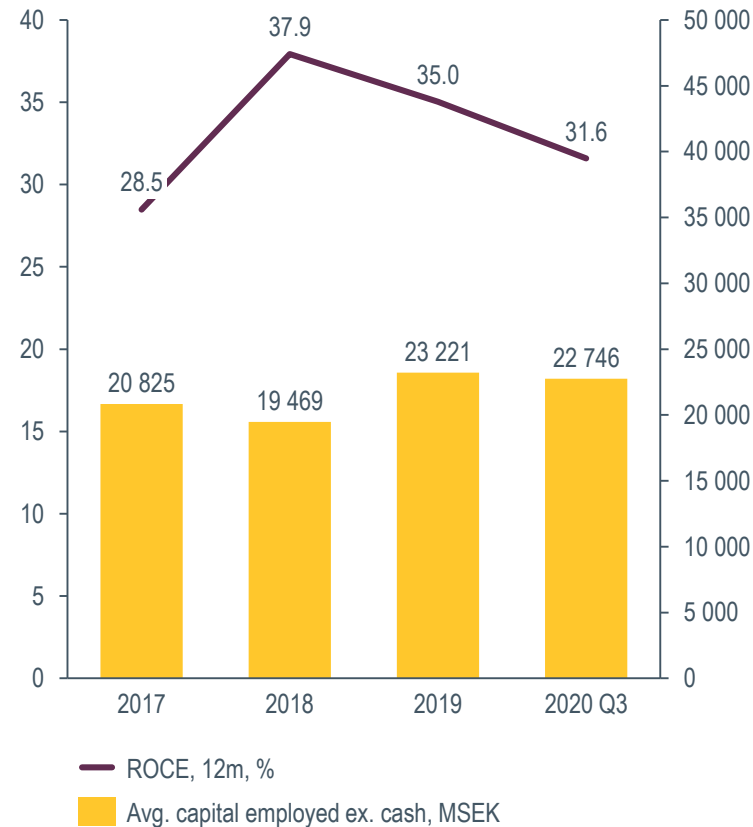


Accumulation of cash has a negative impact on ROCE

ROCE, reported



ROCE, excluding cash



Financial Goal:

- Improve capital efficiency and resilience
- Investments and acquisitions shall create value

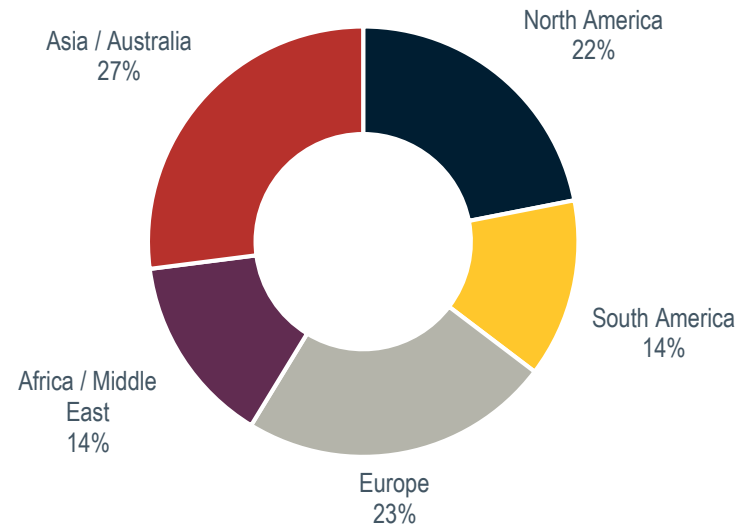
High degree of direct sales and services

Sales in
150+
countries

85%
direct sales
and services

Top 10
customers represented
17% of revenues
in 2019

Revenues by region*



*12 months until September 2020

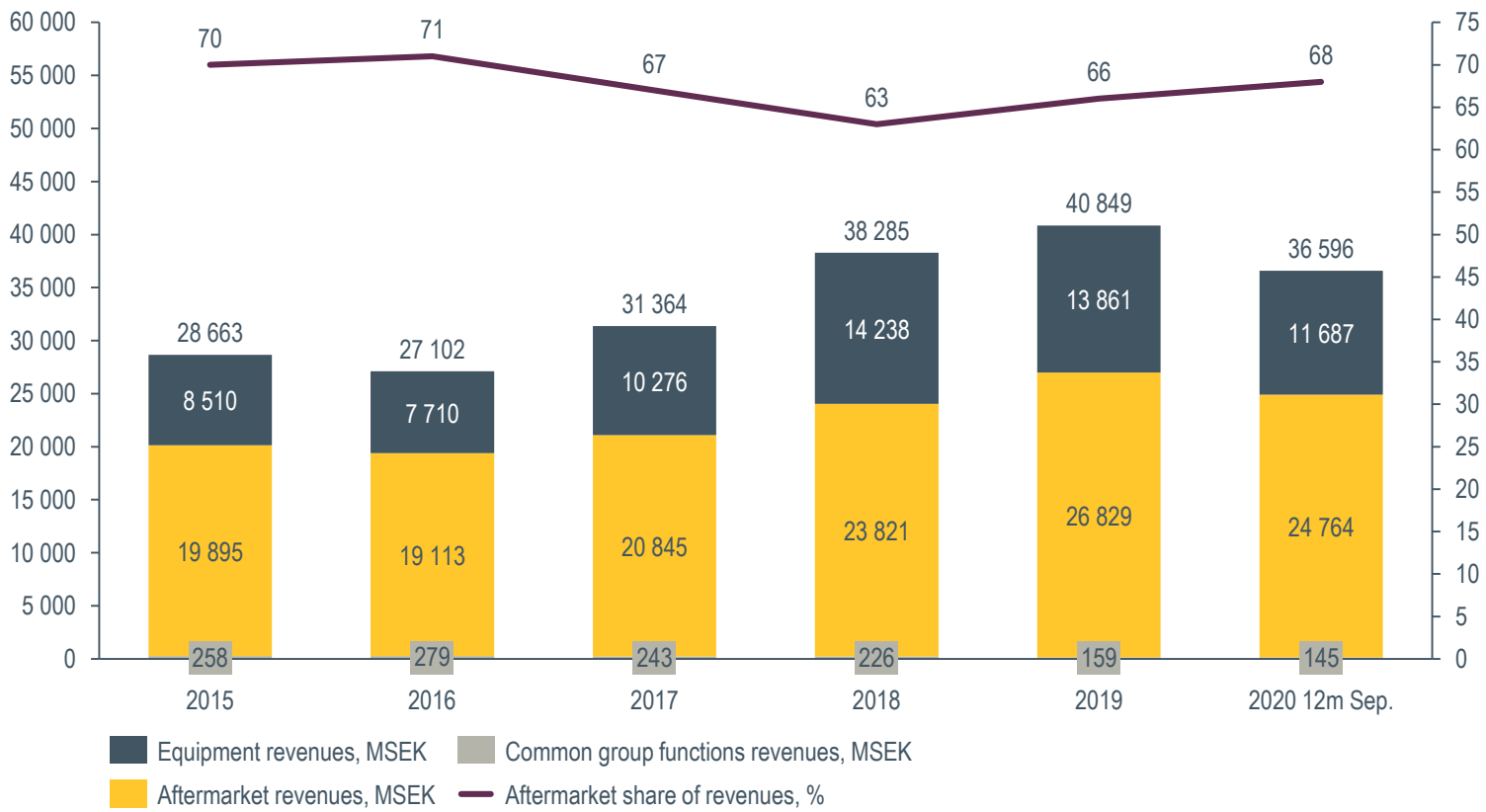
Top 10 markets in %
of revenues 2019

- Australia 11%
- USA 10%
- Canada 8%
- Russia 7%
- Chile 6%
- South Africa 6%
- China 4%
- Peru 4%
- India 3%
- Sweden 3%

Resilient aftermarket business



The aftermarket share of revenues is 68%



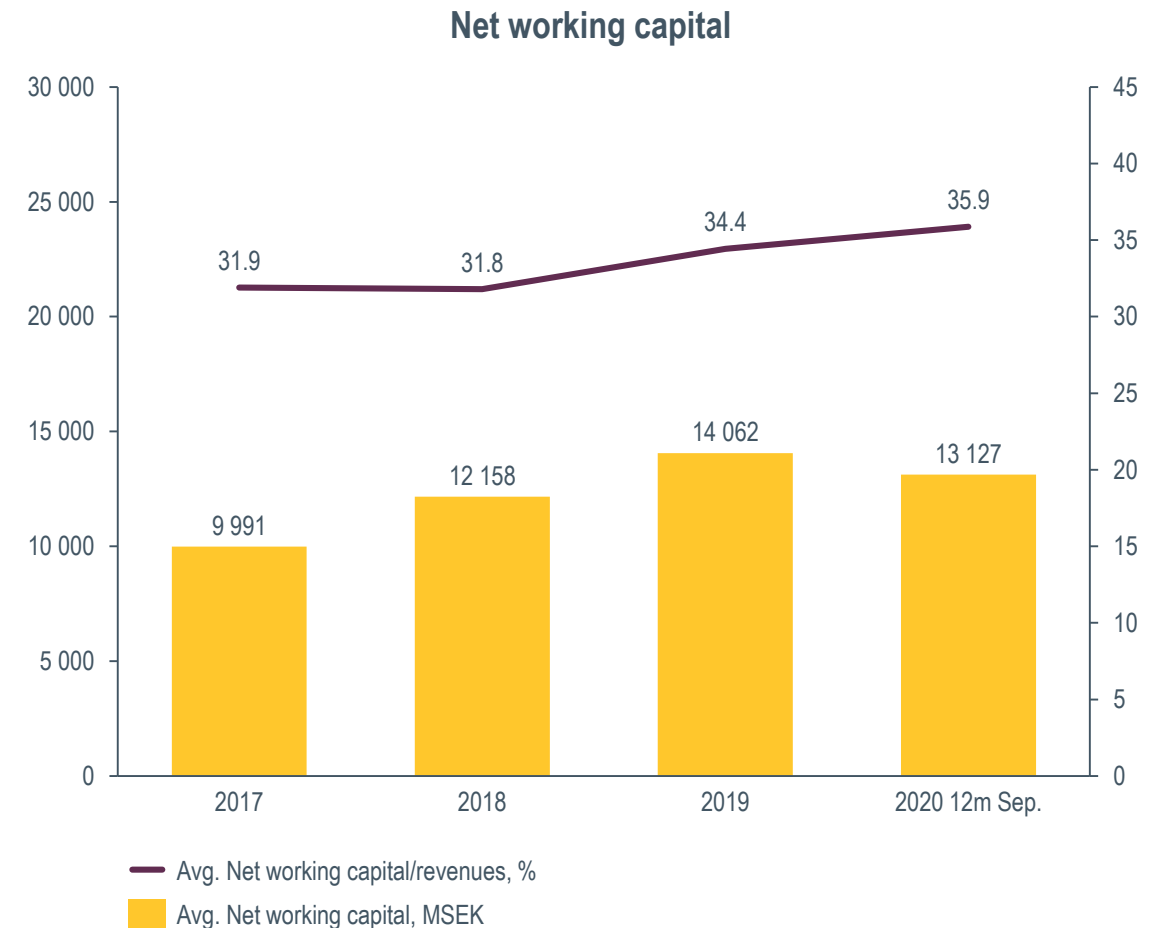
Direct sales implies "higher" working capital

Relentless focus to improve net working capital

- Educating the organization
- Follow-up and monitor

Supply-chain improvement program

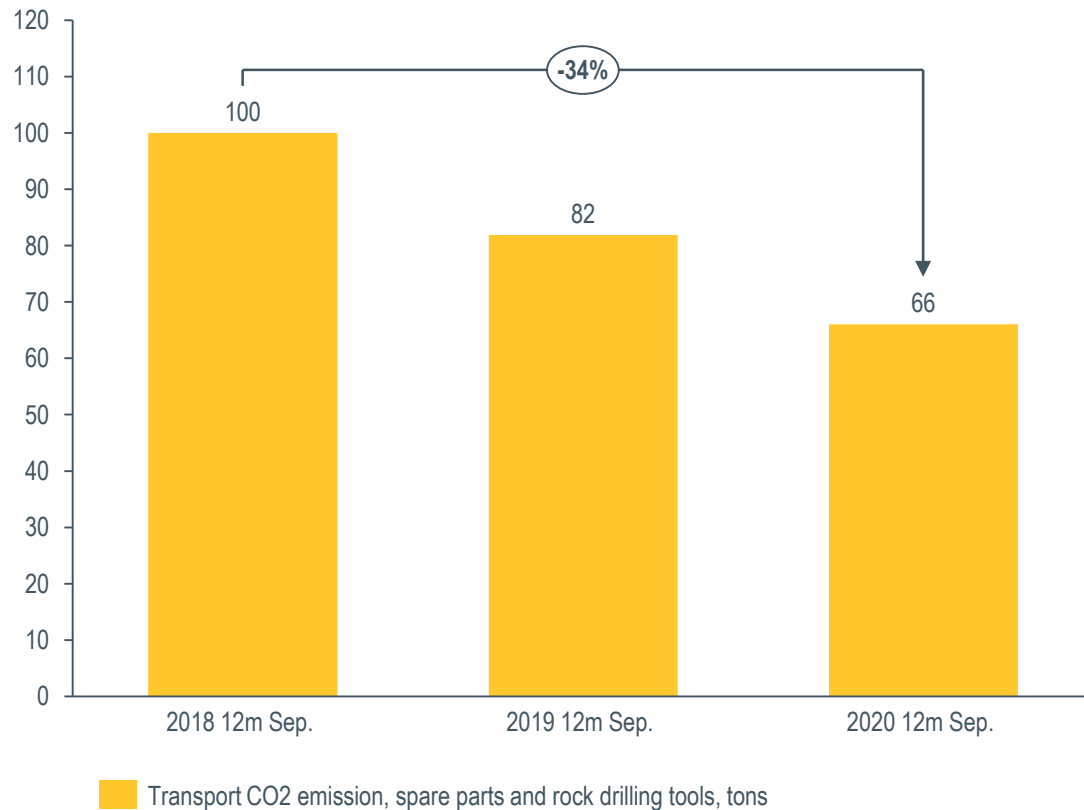
- Significantly improved availability for spare parts and rock drilling tools
- Inventory level can still be improved
- Lower transport costs, offset by Covid-19
- Reduced transport emissions – more sea freight
- Further gradual improvements expected



CO₂ emissions decreasing

Supply-chain improvement program

Transport CO₂ emission, spare parts and rock drilling tools, tons



An absolute CO₂ saving of 36 541* ton in two years translates into:

- Greenhouse gas emissions from 7 894 passenger vehicles driven for one year
- CO₂ emissions from 4 217 homes' energy use for one year
- Greenhouse gas emissions avoided by eight wind turbines running for a year
- Carbon sequestered by 604 213 tree seedlings grown for 10 years



* Rolling twelve months Q32020 vs Q32018. <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

Financial goals for value creation

Goals	Description		2015 – 2019	2020 12m Sep.*
Growth	Annual revenue growth of 8% over a business cycle.	Compound annual growth rate	9%	-11%
Profitability	Industry-best operating margin, with strong resilience over the cycle.	Average operating margin	18.6%	19.6%
Capital efficiency	Improve capital efficiency and resilience. Investments and acquisitions shall create value.	Average ROCE	26.1%	21.6%
Capital structure	Have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.	Rating BBB+		
Dividend policy	Provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle.	The dividend for 2019 corresponds to 49% of net profit		

*12 months until September 2020. Operating margin as reported, including change in provision for share-based long-term incentive programs and restructuring costs. (Adj. margin 20.6%)



Q&A



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

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





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