

Credit Investor Presentation

November 2018



Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses



Today's presenters



Anders Lindén Senior Vice President Controlling and Finance (CFO)	 Born in 1962, Anders Lindén is Senior Vice President Controlling and Finance (CFO) of Epiroc since 2017 Anders Lindén has previously been Vice President Business Control of Atlas Copco's Mining and Rock Excavation Technique business area Anders Lindén holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden
Mattias Olsson Senior Vice President Corporate Communication	 Born in 1968, Mattias Olsson is Senior Vice President Corporate Communications of Epiroc since 2018 Mattias Olsson has previously been Head of Investor Relations at Assa Abloy AB and Vice President Investor Relations at Atlas Copco Mattias Olsson holds an M.Sc. in Business Administration from the University of Linköping, Sweden
Anna Westerlund Vice President Group Treasury	 Born in 1971, Anna Westerlund is Vice President Group Treasury of Epiroc since 2017 Anna Westerlund has previously been Head of Business Control of Atlas Copco Financial Solutions AB Anna Westerlund holds a B.Sc. in Business Administration and Economics from Luleå University of Technology, Sweden

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Epiroc

Epiroc in brief

A leading provider of solutions for rock drilling, excavation, demolition and recycling

- Epiroc's heritage dates back to 1873 as part of the Atlas Copco Group, until June 18, 2018 when Epiroc was distributed to the shareholders of Atlas Copco and listed on the stock exchange
- Serving customers in selected niches of the global mining, natural resources and infrastructure industries
- Annual revenues of SEK 31.4 billion¹⁾
- Operating profit of SEK 5.9 billion¹⁾
- More than 13,000 passionate people supporting and collaborating with customers in more than 150 countries



Long history of innovation



Strong innovation track record and competitive advantage with best-in-class technologies



As a result of Epiroc's long heritage and strong industry know-how, the company currently manages a substantial IP portfolio comprising approximately 1,450 patents and more than 900 individual trademark rights

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Epiroc's key application areas



A leading provider of solutions for rock drilling, excavation, demolition and recycling



Epiroc's key strengths



Epiroc demonstrates a unique value proposition

Leadership in attractive, structural growth niches in the mining and infrastructure markets



Strong and proven operating model



Resilience driven by high aftermarket exposure



Driving the future in intelligent mining and infrastructure



Value creation potential as a standalone company



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Characteristics of Epiroc's addressed markets



Driving growth through solving our customers' key challenges

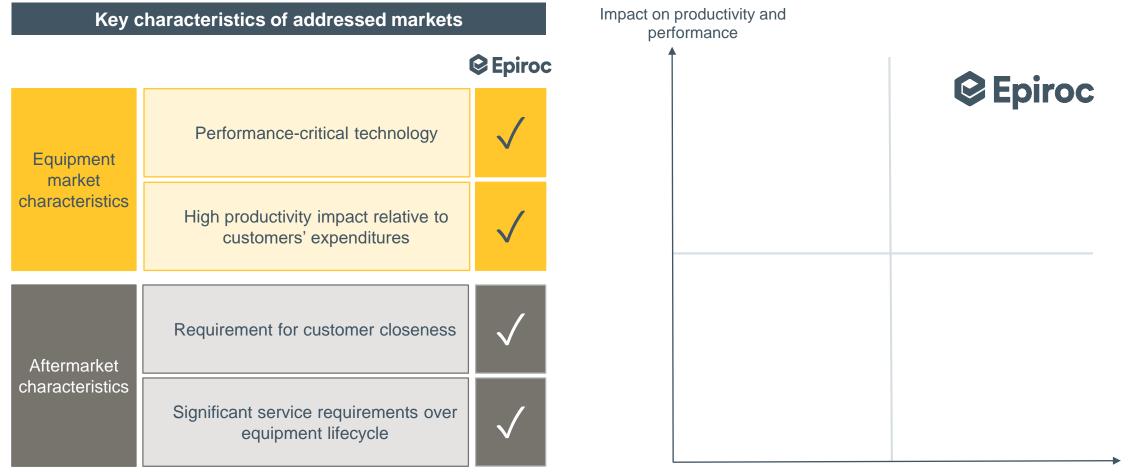
	End-market trends	Customer priorities
	Growth in resource demand	Lower costs
	Urban infrastructure investment	Higher productivity
	Environmental, health and safety regulations	More advanced and efficient equipment
	Shift towards underground mining	Increased sustainability
	Depletion of ore grades	Safer work environment
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Characteristics of Epiroc's addressed markets



Addressing attractive niches of the mining and infrastructure markets

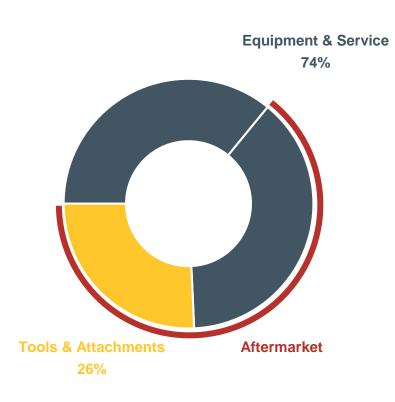


Service intensity

Products and services



World-class offering to improve customer productivity

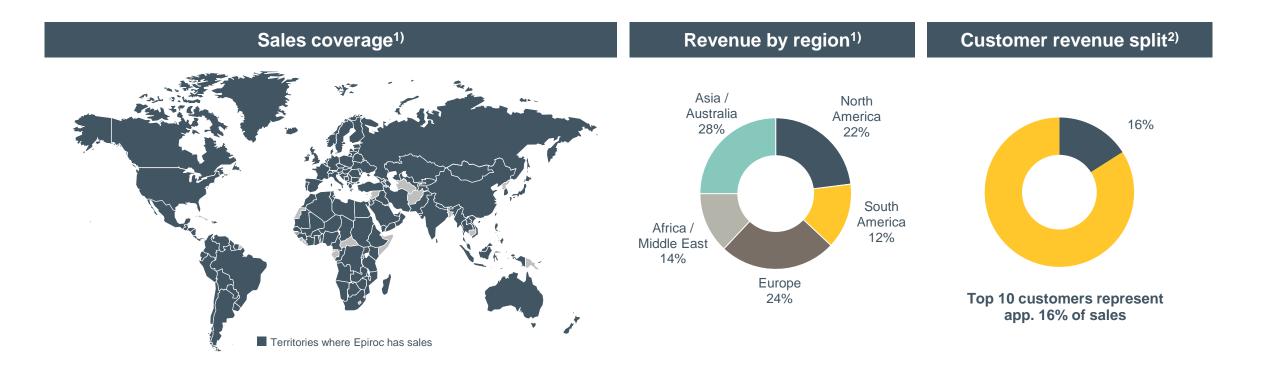




Global footprint and customer base



Customer closeness through collaboration, and direct sales and service footprint



Strong and proven operational model



Focused business with ability to adapt quickly and effectively to changes in demand

High degree of direct sales and services



Close and collaborative productivity partnerships with customers

Sharp focus on innovation



Solutions closely targeted to address customer challenges

Strong services business



Revenues largely driven by resilient aftermarket

Flexible manufacturing philosophy



Ability to quickly adapt to changes in demand

Focused and decentralized businesses



Agility through quick and efficient decisionmaking

Intelligent mining



Predictive maintenance through telematics

Control tower for all mine operations -

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On-demand ventilation

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Integrated modelling of geospatial information

Automated navigated drill rigs

Drill-to-crush process optimization

Automated, electric platooning trucks

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Traffic management

Optimized pit-to-port supply chain through analytics

Advanced analytics in remote control center

Assure on-time delivery of consumables

Automated de-watering

Smart grid technology for electricity usage



Autonomous production

Automation

High performance rock reinforcement

Rock Excavation

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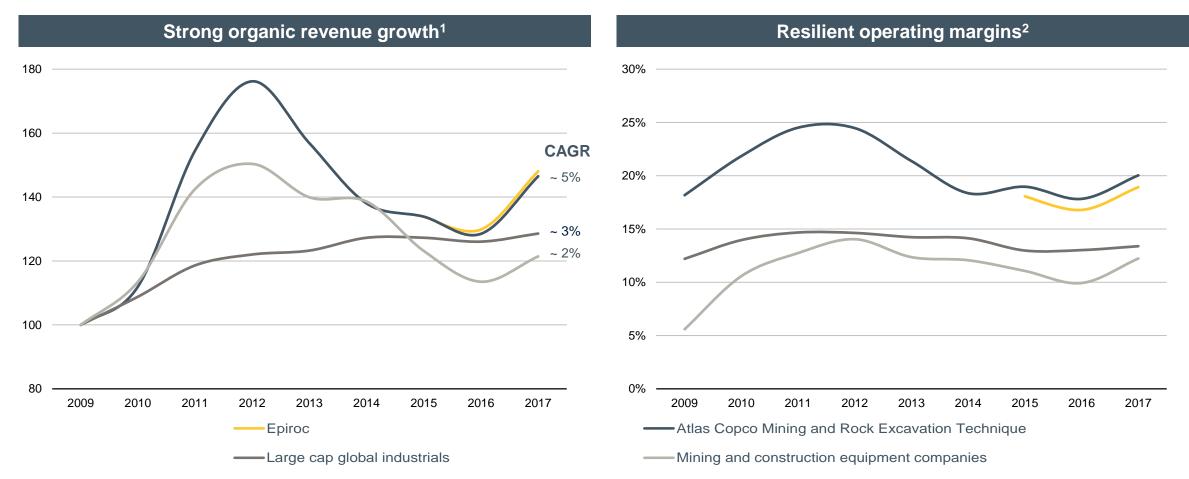


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Long-term financial performance



Proven "over-the-cycle" growth with resilient margins



Note: Mining and Rock Excavation Technique ("MR") is the main part of Epiroc and accounted for 92.8 % of Epiroc's revenues and 98.2% of Epiroc's operating profit in 2017

Large cap global multi industrials: 3M, ABB, Alfa Laval, AssaAbloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Geberit, General Electric, Graco, Hitachi (only adjusted EBIT margin), Honeywell, Illinois Tool Works, Komatsu (only adjusted EBIT margin), Kone, Legrand, Mitsubishi Heavy Industries (only adjusted EBIT margin), Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schindle

Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvikand Weir

The benchmarking figures for large cap global industrials and mining and construction equipment companies represent the median of the companies in the respective group.

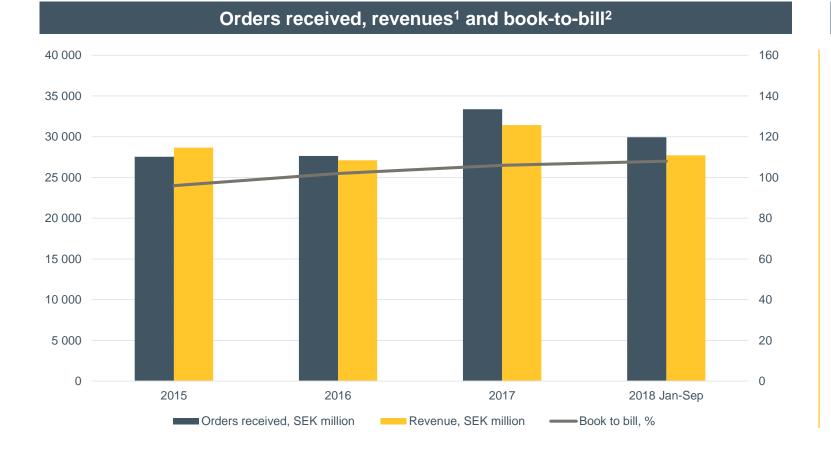
1) Indexed numbers starting year 2009 = 100. Epiroc's starting point is aligned with Atlas Copco Mining and Rock Excavation Technique 2015

2) Adjusted EBIT margin benchmark. Epiroc's figures correspond to operating margin - no adjustments have been made

Growth in orders received and revenues



Strong end-market conditions reflected in Epiroc's performance...



Recent performance

- Orders received nearly SEK 30 billion for January – September 2018
 - Increased customer demand for equipment and services in almost all geographic regions
 - Expansion investments in existing mines
 - Healthy activity in the infrastructure industry
- Book-to-bill at 108% for January – September 2018

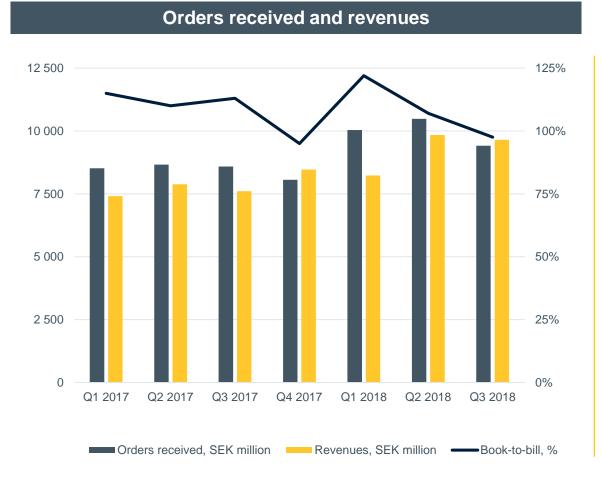
1) 2018 and 2017 quarterly revenues are in accordance with the new revenue recognition standards in IFRS 15, applicable from January 1, 2018

2) Book-to-bill defined as orders received divided by revenues

Orders received, revenues and operating profit



2017 – 2018 by quarter



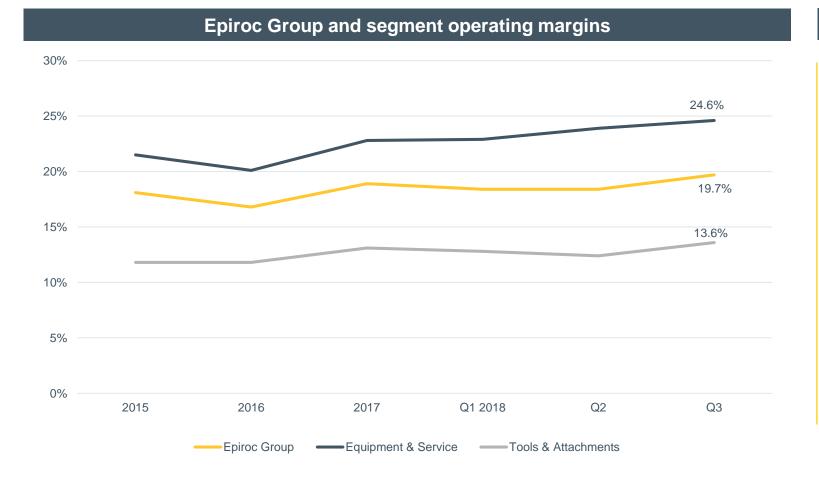
*Includes one-time costs related to the split from Atlas Copco and changes in provision for share-based long-term incentive programs.

Operating profit and margin



Strong and robust profitability

High margins reflect business model strengths





Recent performance

- Increase in Group profitability since 2016 primarily driven by volume growth
 - Group Functions established
 - Increase in Administration, Marketing and R&D costs since 2016 reflects higher activity and investment in future technologies
- Q3 2018 negatively impacted by SEK 126 million one-off costs related to the split and provisions for LTI program
 - One-off costs corresponds to 1.3 percentage points

Strong and robust profitability



Bridge from operating to net profit

	Year to date	30 September	Yea	r ended Decemb	oer 31
SEK million	2018	2017	2017	2016	2015
Operating profit	5,223	4,402	5,949	4,548	5,175
As % of revenue	18.8%	19.2%	18.9%	16.8%	18.1%
Net financial items	(138)	(52)	(136)	(137)	(220)
Profit before tax	5,085	4,350	5,813	4,411	4,955
As % of revenue	18.3%	19.0%	18.5%	16.3%	17.3%
Income tax expense	(1,271)	(1,156)	(1,500)	(1,180)	(1,384)
Effective tax rate1	25.0%	26.6%	25.8%	26.8%	27.9%
Profit for the period	3,814	3,194	4,313	3,231	3,571
Basic earnings per share (SEK)	3.18	2.63	3.56	2.67	2.95

- Combined financials 2015-2017
 - Below operating profit, the numbers are affected by the fact that Epiroc was not consolidated as a Group
- Operating profit Q1-Q3 2018 up 19%
 - Affected by cost related to the split and change in provision for long-term incentive program of SEK 402 million (113)
 - Effect on operating margin 1.4 percentage points (0.5)
- Effective tax rate below 26%

High operating cash flows over the cycle



Asset-light business model

	Year to date 30 September		Year ended 31 December		nber
SEK million	2018	2017	2017	2016	2015
Cash flow before change in working capital	4,488	4,665	5,970	4,798	6,005
Change in working capital	(2,290)	(246)	(423)	895	417
Net change in rental equipment	(361)	(259)	(371)	(291)	(564)
Net cash from operating activities	1,837	4,160	5,176	5,402	5,858
Net capital expenditures ¹	(715)	(494)	(643)	(522)	(228)
Acquisition of subsidiaries	(482)	(137)	(137)	-	-
Other net investments	101	3,312	6,323 ²	(1,283)	(2,947)
Net cash from investing activities	(1,096)	2,681	5,543	(1,805)	(3,175)
Net cash from operating and investing activities	741	6,841	10,719	3,597	2,683
Operating cash flow ³	1,642	3,666	4,610	4,880	5,630

- Combined financials 2015-2017
 - Some numbers, including other net investments, are affected by the fact that Epiroc was not consolidated as a Group
- Cash flow from operating activities impacted by higher working capital requirements in 2017 and Q1-Q3 2018, driven by volume growth
- Capital expenditures
 - Rental equipment, net
 - Limited investments in other property, plant and equipment
 - Intangible assets mainly R&D and IT

1) Net capital expenditure is the sum of Investments in property, plant and equipment, Sale of property, plant and equipment and Investments in intangible assets

2) Mainly related to a reduction of funds placed with the Atlas Copco cash-pool

3) Operating cash flow is cash flow from operations and cash flow from investing activities, excluding company acquisitions/divestments as well as other adjustments. Other adjustments are mainly changes in the cash-pool with Atlas Copco and currency hedges of loans

Strong financial position





	Year to date	Year ended
SEK million	September 30, 2018	December 31, 2017
Interest-bearing loans, current and non-current	6,883	7,058
Post-employment benefits	212	181
Other financial assets	-	7
Cash and cash equivalents	(3,949)	(1,808)
Net debt	3,146	5,423
Net debt/EBITDA	0.39	0.75
Total equity	17,406	12,047
Net debt/equity	18%	45%
		1

- Net debt¹ as of September 30, 2018 of SEK 3,146 million
 - Net debt/EBITDA 0.39x
- Financing arrangements
 - SEK 6 billion Bridge facility, where-of SEK 5 million is utilized
 - SEK 4 billion Revolving credit facility
 - SEK 2 billion Commercial paper
- Epiroc has made share buy-backs to hedge the long term incentive program for SEK 1.1 billion during Q3 2018.

*Financial statements prior to 2018 are combined.

2) Other liabilities and provisions, trade payables, income tax liabilities and other liabilities and provisions

Balance sheet

SEK million	Sep 30, 2018	Sep 30, 2017*	Dec. 31, 2017*
Intangible assets	3,532	3,076	3,121
Rental equipment	1,277	1,220	1,215
Other non-current assets	4,237	4,093	3,891
Inventories	10,789	7,934	8,440
Receivables	9,674	6,802	7,920
Current financial assets	1,029	3,769	1,152
Cash and cash equivalents	3,949	728	1,808
Total assets	34,487	27,622	27,547
Total equity	17,406	12,521	12,047
Interest bearing liabilities1	7,095	7,104	7,239
Non-interest-bearing liabilities ²	9,986	7,997	8,261
Total equity and liabilities	34,487	27,622	27,547

- Funding in place, reflected in balance sheet as per Sep. 30, 2018
- Higher working capital, driven by volume growth

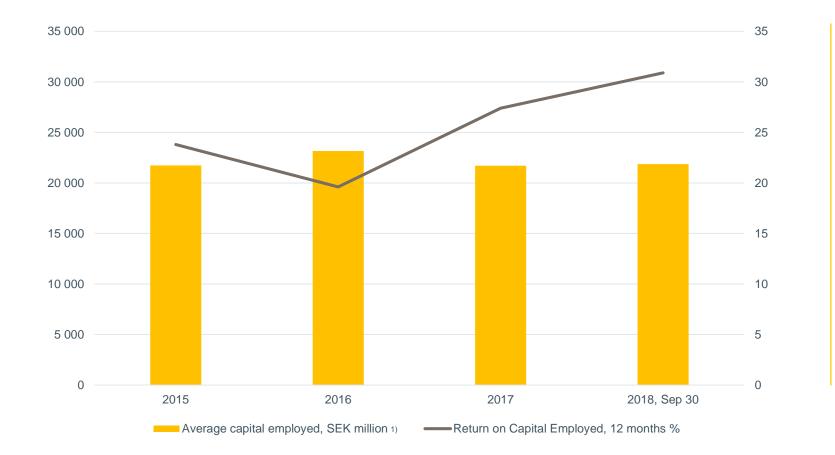
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Efficient operations resulting in high returns



ROCE performance



- Asset light operations
- Variable cost structure
- High margins
- High ROCE

Financial goals



Superior value creation

- Epiroc's goal is to provide superior value creation through a combination of strong operating performance, efficient use of capital, and stable and rising dividends to its shareholders
- This will be achieved through agile adaption to cyclical capital equipment demand, combined with a resilient and growing aftermarket business

Target	Description	2015-2017	Sept. 2018
Growth	Epiroc's goal is to achieve an annual revenue growth of eight percent over a business cycle, and to grow faster than the market. Growth will be organic and supported by selective acquisitions.	4.7% ¹⁾	21.1% ⁴⁾
Profitability	Epiroc's goal is to have an industry-best operating margin, with strong resilience over the cycle.	17.9% ²⁾	18.8% ⁵⁾
Capital efficiency	Epiroc's goal is to improve capital efficiency and resilience. Investments and acquisitions shall create value.	24.3% ³⁾	30.9% ³⁾
Capital structure	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.	-	
Dividend policy	Epiroc's goal is to provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50 percent of net profit over the cycle.	-	

1) Revenue CAGR (Compounded annual growth rate)

2) Average operating margin

3) Average ROCE (Return on capital employed)

4) Revenue growth Jan-Sep 2018 vs. Jan-Sep 2017

5) Operating margin Jan-Sep 2018

Source: Company filings

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Rating BBB+ (stable) by S&P



Statements from the S&P global rating research November 21, 2018

"The preliminary 'BBB+' rating on Epiroc reflects our view of the company's leading global position as a provider of equipment for rock drilling and excavation, its ability to mitigate cyclicality in equipment demand thanks to its high share of aftermarket sales revenues, and our expectations that its industry-leading EBITDA margins will remain sustainable at around 23%-24%, or higher, during stronger periods of the cycle. We also factor into our analysis our projections of healthy revenue growth, a strong balance sheet complemented by strong FOCFs, somewhat offset by sizable dividends, and occasional strategic acquisitions."

"The stable outlook reflects our view that, thanks to a flexible and highly profitable production system, and low debt, the group should continue to be fairly resilient to industry volatility, with FFO to debt significantly above 45% also at the bottom of the cycle, complemented by positive FOCF. We expect Epiroc to continue to withstand the volatility in its end markets, and the

EBITDA margin at all times will remain above 18%, even though sales are likely to show some volatility over the cycle."

"We believe that, if the industry enters a downturn similar to 2012-2016, driven by lower investments, the company's operating margin and FOCF will show resilience, while there will likely be some volatility in revenue because the sales of new products are adversely affected. Despite a downward trend in capital expenditures (capex) for the larger miners during that downturn, Epiroc's EBITDA margin remained around 20%, which we view as high, notably during the softer period of the cycle (we use Atlas Copco's previous Mining and Rock Excavation division as a proxy for longer periods). The proven stability in earnings and margins is an important rating factor, particularly as the mining sector to which Epiroc is exposed to carries significant volatility, especially in mining capital capex."

"We expect Epiroc to continue to maintain prudent capitalization, meaning a strong balance sheet, supporting strong coverage ratios. We have forecasted funds from operations (FFO) to debt and debt to EBITDA of about 200% and below 0.5x, respectively, for 2019 and 2020. The strong and stable FOCF is a major credit strength for Epiroc, and is the result of good FFO and low capex."

Indicative terms for the transaction



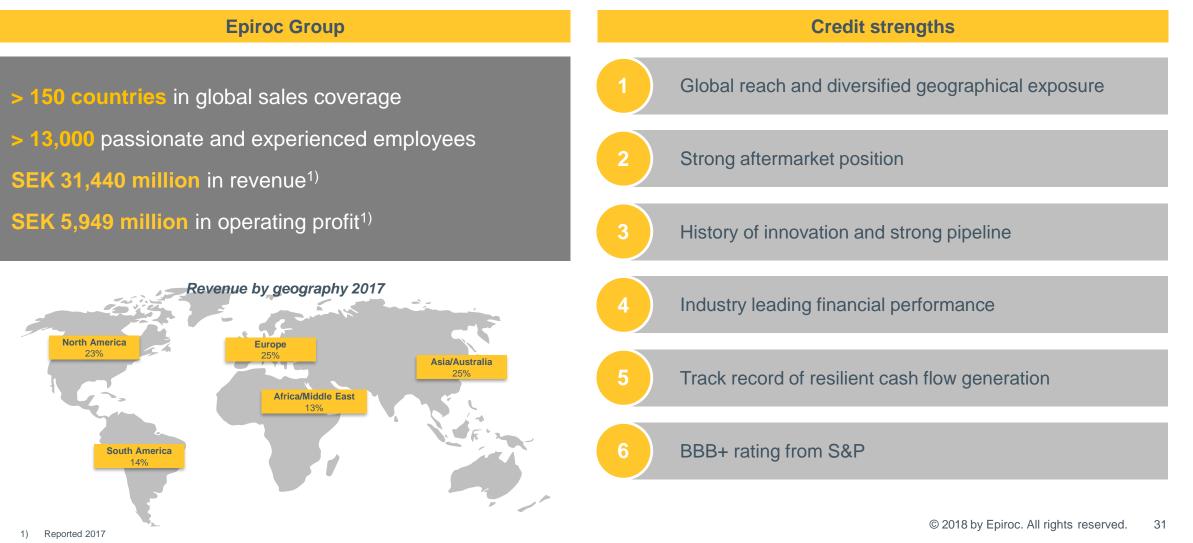
SEK bond

Issuer	Epiroc		
Issuer rating	BBB+		
Expected bond rating	BBB+		
Documentation	EMTN		
Pricing date	TBD		
Settlement date	TBD		
Maturity date	TBD		
Tenors	5yr		
Coupon type	TBD		
Size	SEK Benchmark		
Business day	Stockholm		
Governing Law	English law		
Listing	Euronext Dublin		
Denominations	SEK 2,000,000 +SEK 1,000,000		
Bookrunner	Danske Bank, Nordea and SEB		
Purpose	General Corporate Purposes including repayment of debt		

Epiroc at a glance



A leading global provider of solutions for rock drilling and excavation



Source: Company filings



Appendix



Share capital and ownership

Epiroc

- Epiroc's share capital is SEK 500,000,000, which consists of 1,213,738,703 shares of which 823,765,854 are A shares and 389,972,849 are B shares.
- Each A share carries one vote and each B share carries onetenth of a vote.
- The table to the right shows, as at 30 September 2018, the 10 largest shareholders (by voting rights) that are registered directly or as a group with Euroclear Sweden, the Swedish central securities depository.

Shareholder	% of votes	% of shares
Investor Aktiebolag	22.7	17.1
Alecta Pensionsförsäkring	2.9	4.6
Swedbank Robur fonder	2.5	3.7
SEB Investment Management	1.4	1.0
SPP Fonder AB	0.6	0.7
Fjärde AP-fonden	0.5	0.9
Handelsbanken fonder	0.3	1.0
AMF	0.2	1.6
UN Pension fund	0.2	0.1
Tredje AP-fonden	0.2	0.6
Others	68.5	68.7
Total shareholders	100.0	100.0
Of which held by the Issuer	1.2	0.9
Total	98.8	99.1



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.

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