

Interim report Q1 2020

April 23, 2020

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Direction forward

Innovation



Aftermarket



Operational excellence



Sustainability

Limited effect on Q1 results from Covid-19

Key highlights Q1 2020

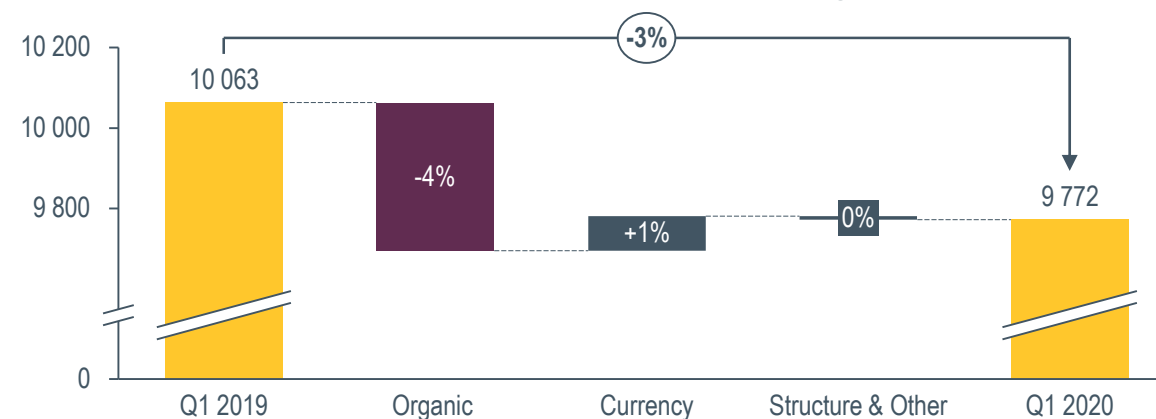
- Impact on operations
- High customer activity
 - Continued growth in service
 - Stable equipment demand, sequentially
 - Order intake somewhat higher than in Q4
- Lower revenues
 - Negative impact from Covid-19
- Improved underlying margin
- New members of Group Management and a more efficient working structure
- Challenging Q2
- Efficiency actions initiated



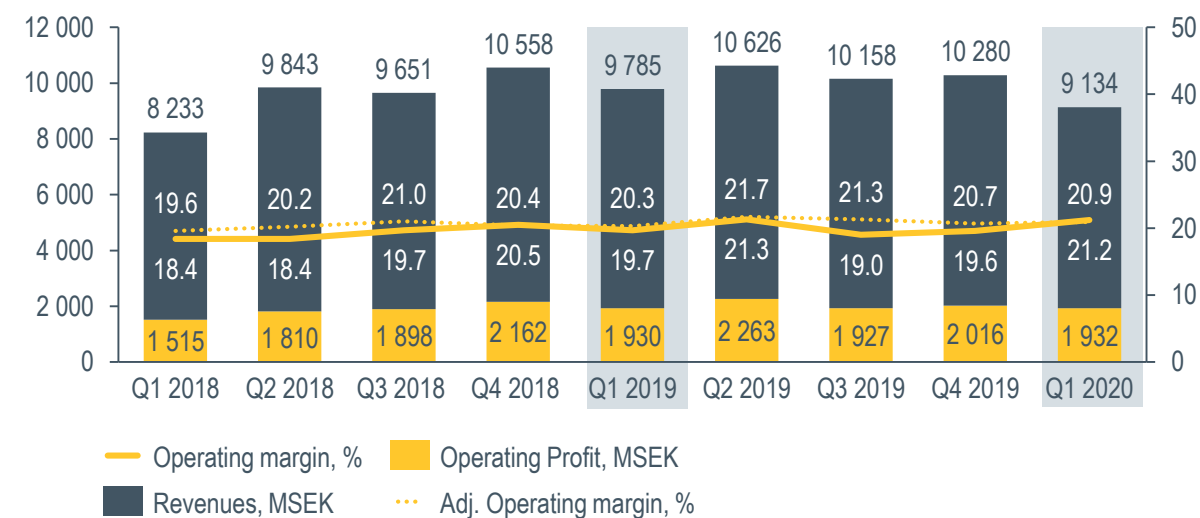
Key financials Q1 2020

- Order intake declined 3%, -4% organic
- Revenues declined 7%, -8% organic
- Operating profit at MSEK 1 932
 - Items affecting comparability of MSEK +21 (costs related to efficiency improvement -44 and LTI +65)
 - Positive contribution from currency
- Margin improved to 21.2% (19.7)
 - Adjusted margin 20.9% (20.3)
 - Margin supported by currency, but diluted by lower revenues
- Operating cash flow at MSEK 1 532 (472)
- Board proposes to the AGM to decide only on the first installment of the dividend of SEK 1.20 per share

Orders received, MSEK and change, %



Revenues, operating profit and margin



Covid-19

Current status

Impact Equipment

- Operational, but with negative impact on supply of components
- Equipment manufacturing closed in India and Italy
- Challenges with commissioning

Impact Aftermarket

- Our sales, service and distribution in the field are operational in most places, with restrictions
- Consumables manufacturing closed in India, South Africa and Canada
- Some mines have temporarily stopped or reduced activity
- Construction customers also impacted

Efficiency improvements

Q1 2020

Actions with short-term impact

- Reduce additional workforce and consultants
- Work-time reductions and temporary layoffs
- Reduce expenses

Actions with long-term impact

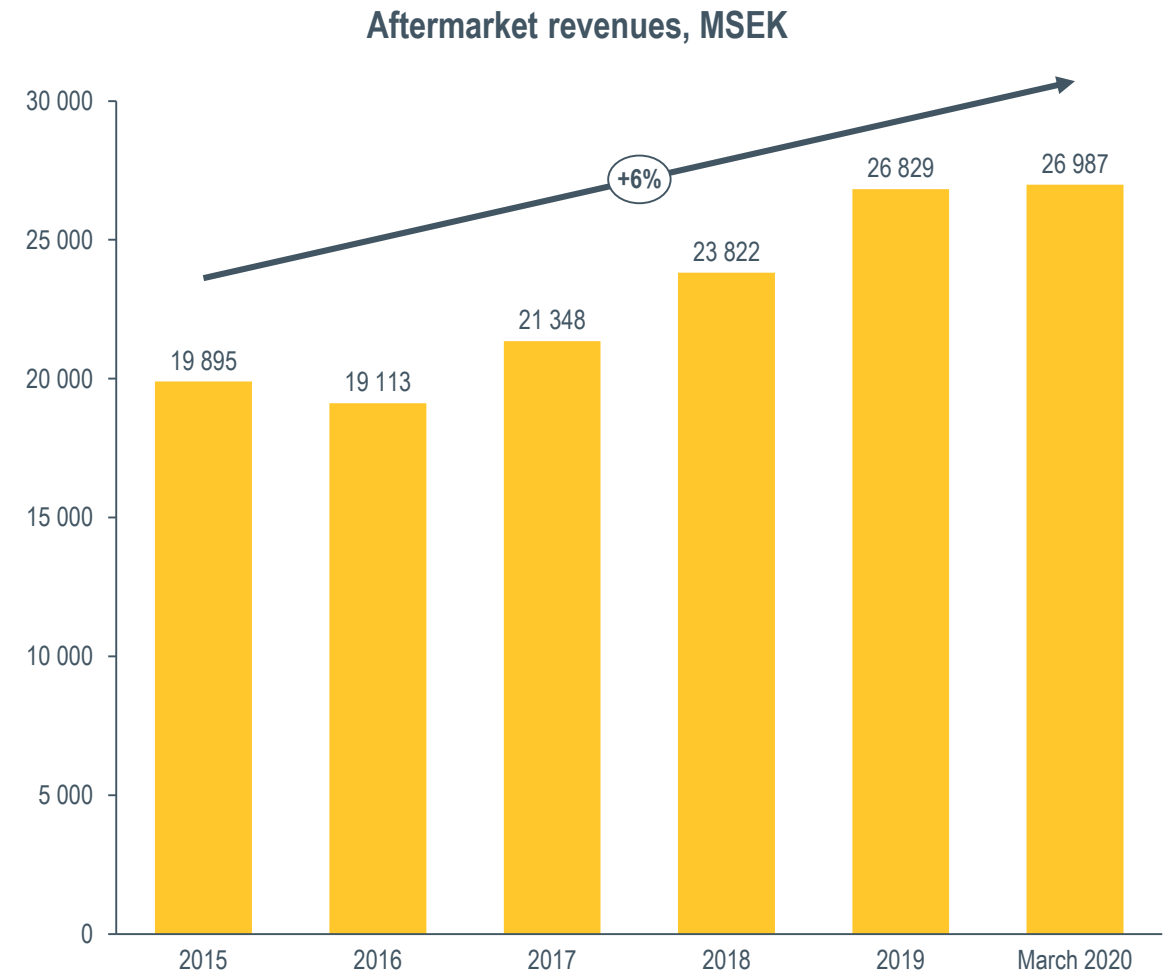
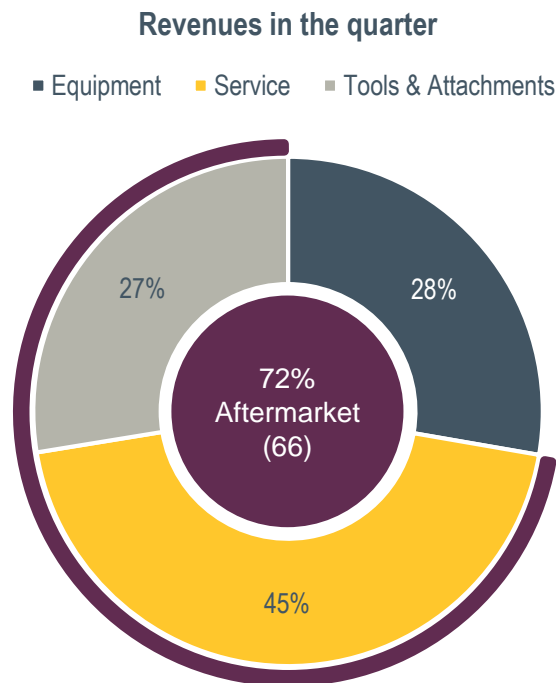
- Efficiency initiatives with expected annual savings of more than MSEK 500
- Consolidation of manufacturing
- Supply chain program



Increased resilience through the aftermarket

Q1 2020

- Solid development in service
 - Service products
- Rock drilling tools affected by optimization of the product offering



12 months figures.

Leading the way in innovation

Q1 2020

- Epiroc, in partnership with automation specialist ASI Mining, to convert Roy Hill's haul trucks to autonomous use
- HATCON – remote monitoring for hydraulic attachments using MyEpiroc platform
- Epsilon premium tricone bits
- DM30 II SP – Rotary blasthole drill



DM30 II SP – Rotary blasthole drill

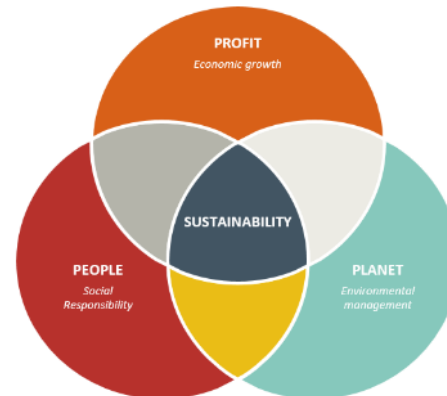
New long-term sustainability goals

2030 goals

- Halve CO₂ emissions
 - From operations
 - From transport
 - From our equipment



- Health and safety
 - No work-related injuries
- Code of Conduct



- Diversity and inclusion
 - Double the number of women in operational roles



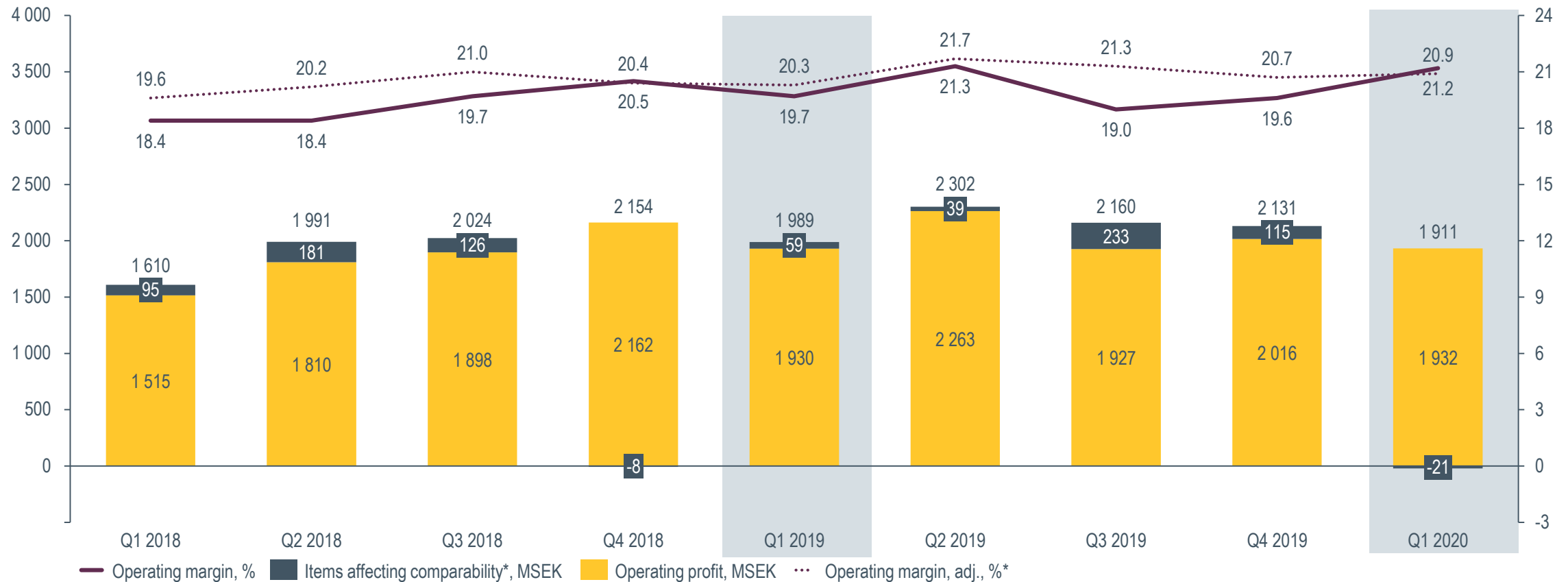
Financials



Profit impacted by items affecting comparability

Q1 2020

Operating profit and margin



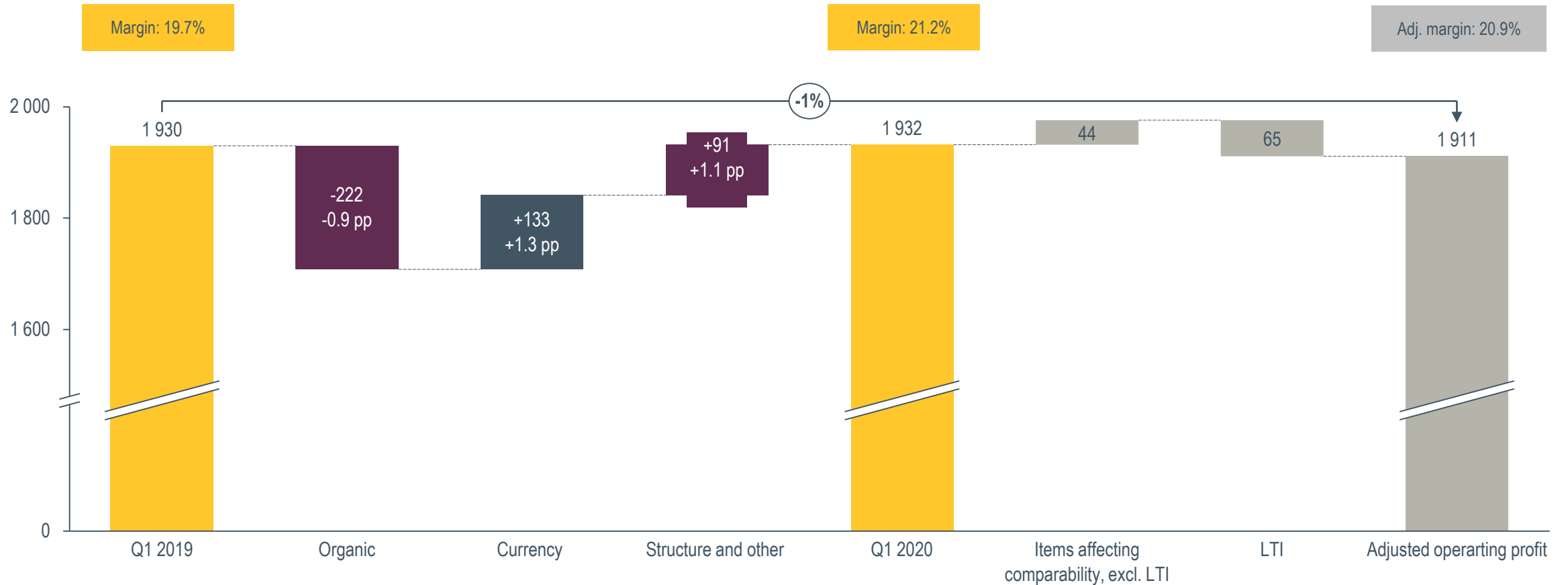
* Q1 2018-Q4 2018 includes costs related to the split from Atlas Copco.

* Q1 2018-Q4 2019 includes change in provision for long-term incentive plans.

* Q1 2020 includes items affecting comparability of MSEK +21. Costs of efficiency actions of MSEK -44 and change in provision for long-term incentive plans of MSEK +65.

Epiroc Group – Profit bridge

Looking into the numbers



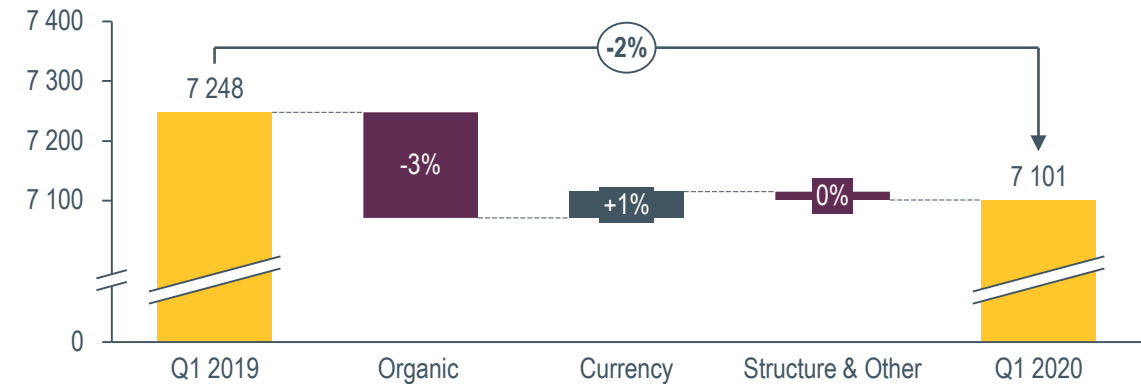
"Structure and other" includes operating profit/loss from acquisitions and divestments MSEK +1, costs of MSEK -44 related to efficiency improvements, split costs of MSEK +10 = -7(-17), and change in provision for long-term incentive programs MSEK +124 = +65(-59). "Items affecting comparability" includes change in provision for long-term incentive programs MSEK +65 and costs of MSEK -44 related to efficiency improvements.

Segment: Equipment & Service

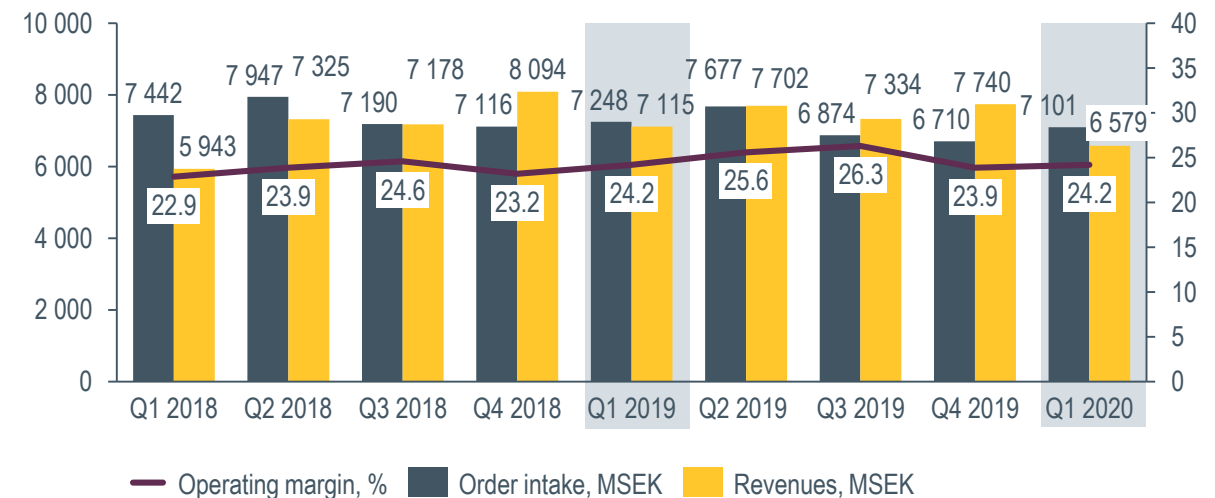
Q1 2020

- Orders received -3% organic
 - High customer activity
- Service orders +12% organic
 - Investment decisions postponed
- Equipment orders -17% organic
 - Investment decisions postponed
- Revenues -8% organic
- Operating profit at MSEK 1 595, including costs related to efficiency improvements of MSEK -34
- Margin at 24.2% (24.2)
 - Supported by currency and mix
 - Negatively impacted by lower revenue volumes and costs related to efficiency improvements
 - Adjusted margin 24.8%

Orders received, MSEK and change, %

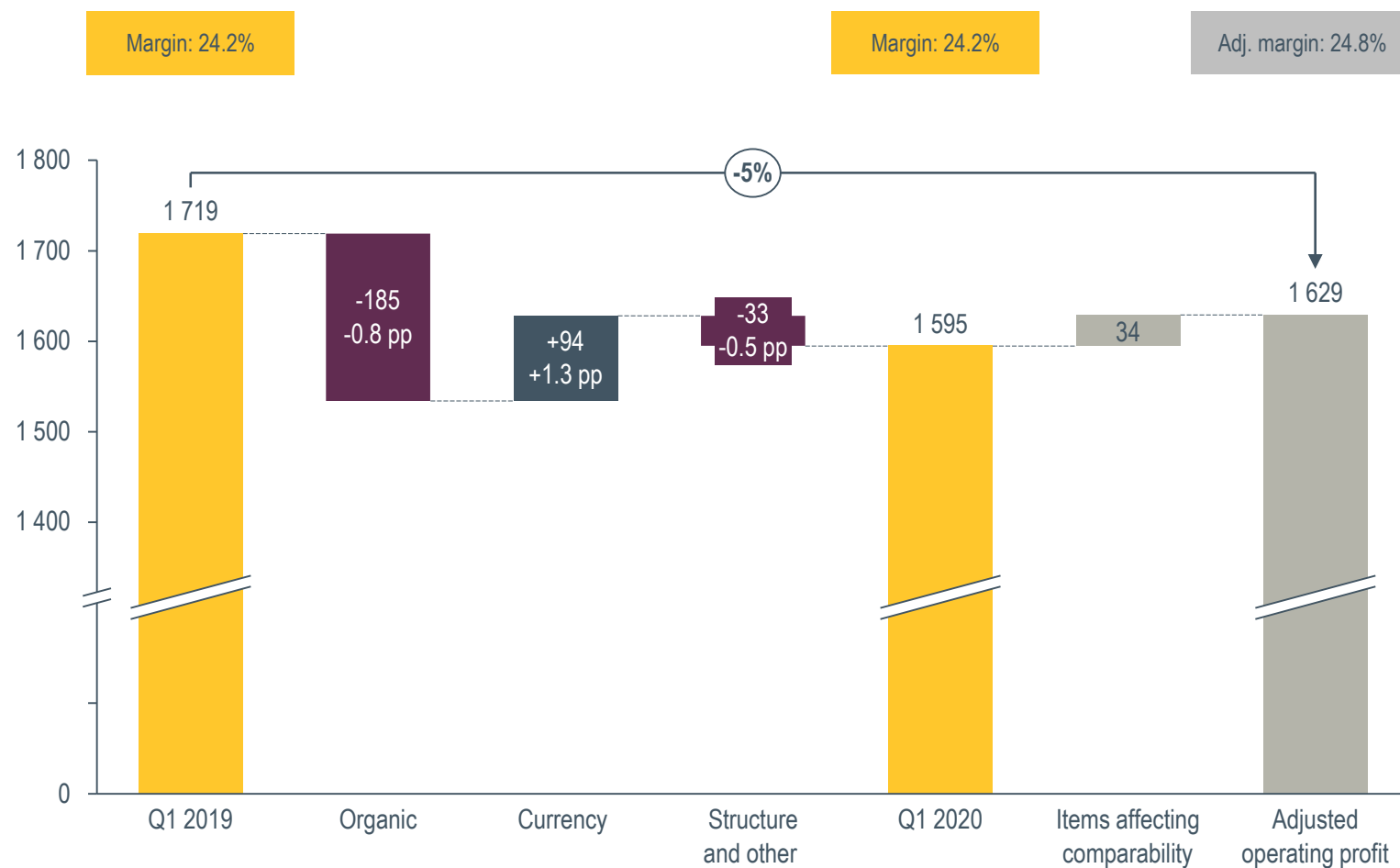


Orders received, revenues and operating margin



Equipment & Service – Profit bridge

Looking into the numbers

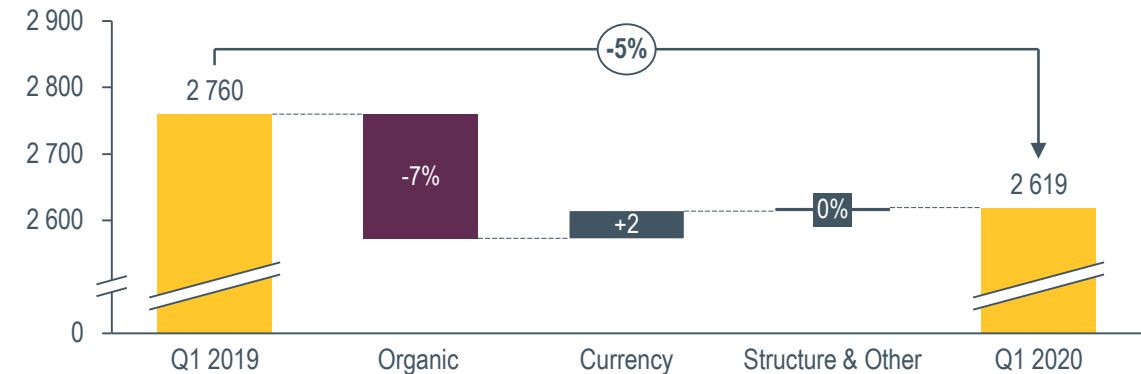


Segment: Tools & Attachments

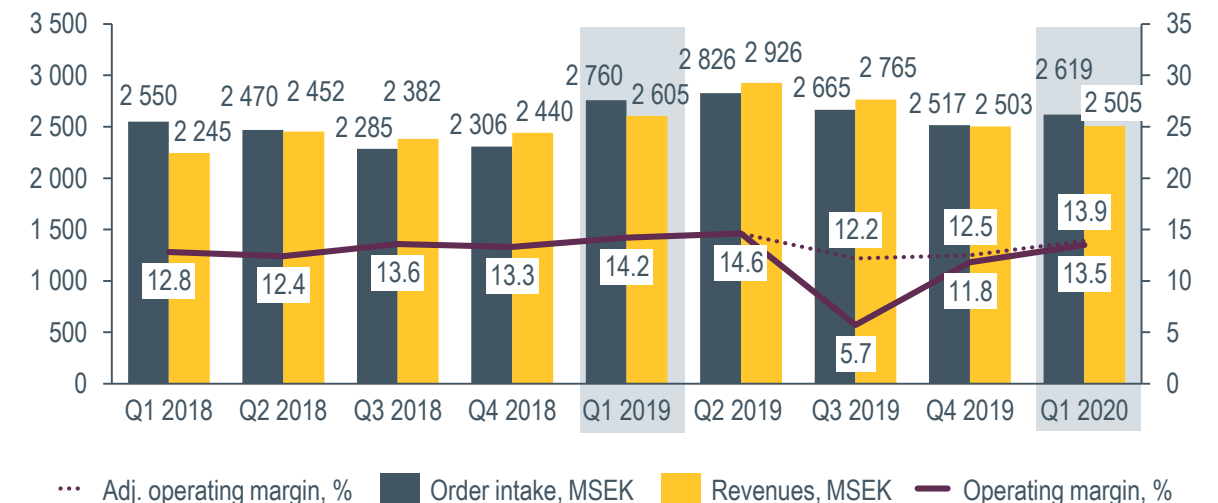
Q1 2020

- Orders received -7% organic
 - Negative for both rock drilling tools and orders for hydraulic attachment tools
- Revenues -5% organic
- Reported margin of 13.5% (14.2)
 - Costs related to efficiency improvements MSEK 10
 - Adjusted margin 13.9%, supported by currency, but negative impact of the lower volumes
- Consolidation of production in Canada

Orders received, MSEK and change, %

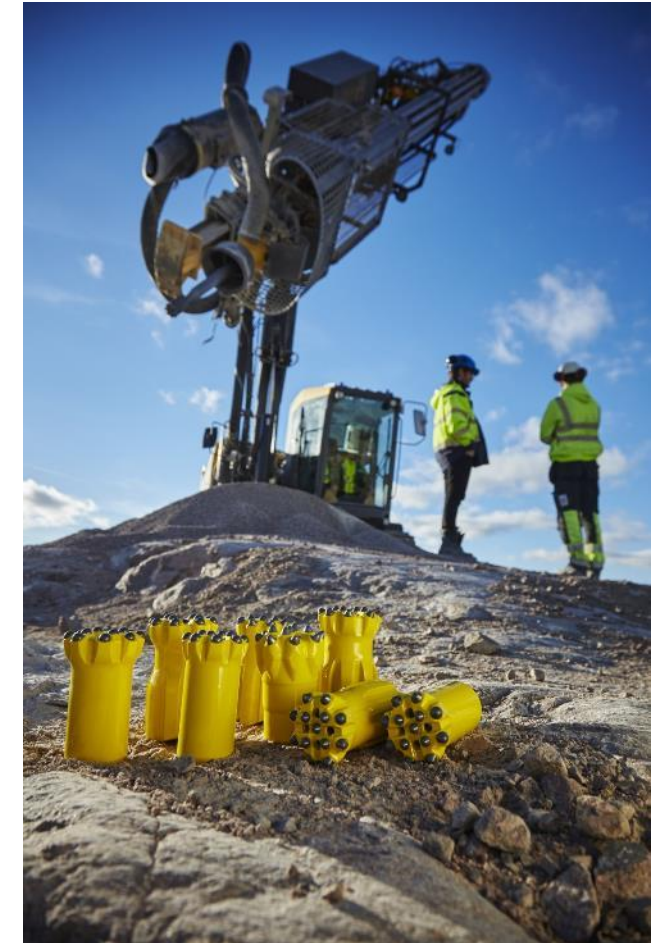
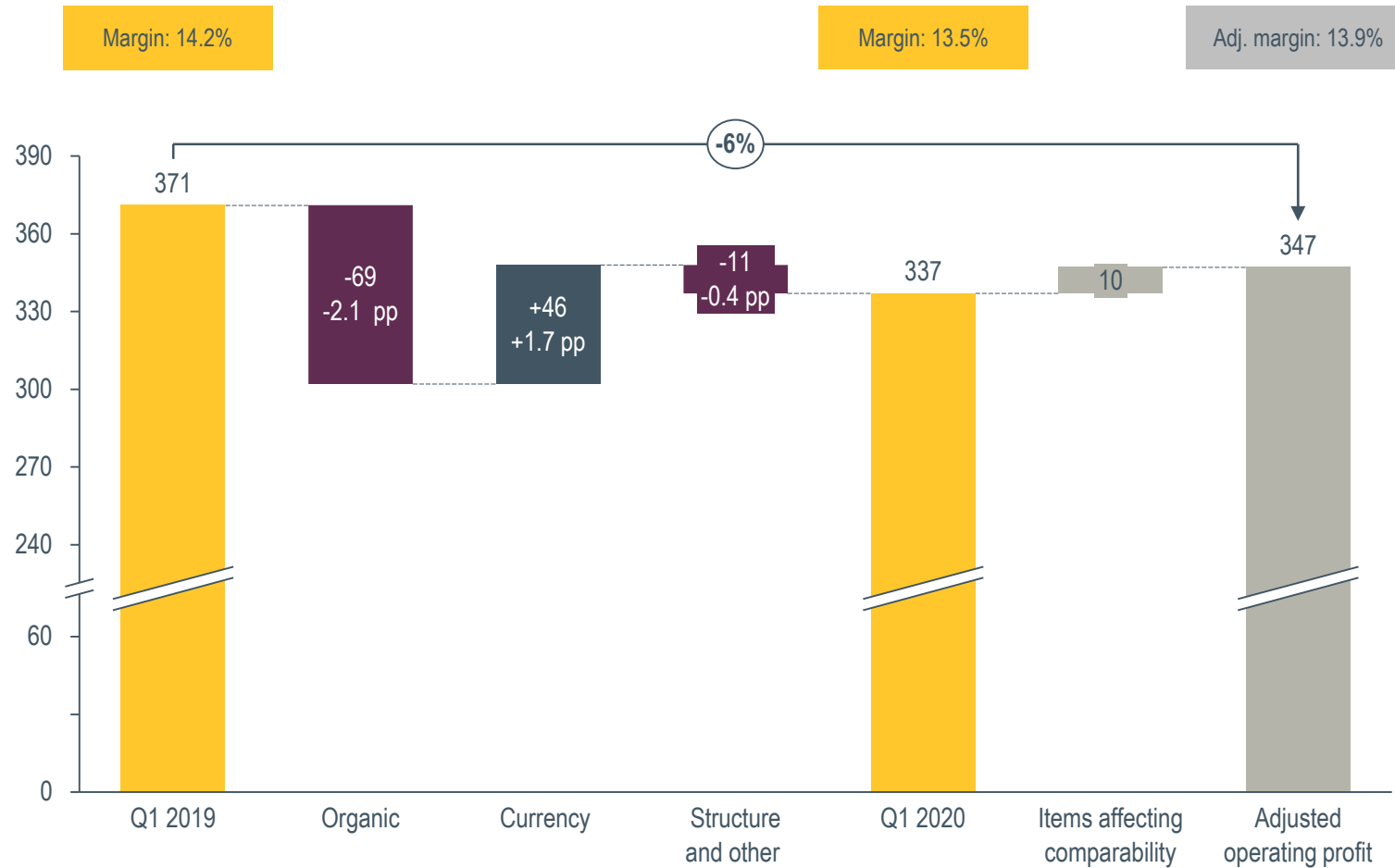


Orders received, revenues and operating margin



Tools & Attachments – Profit bridge

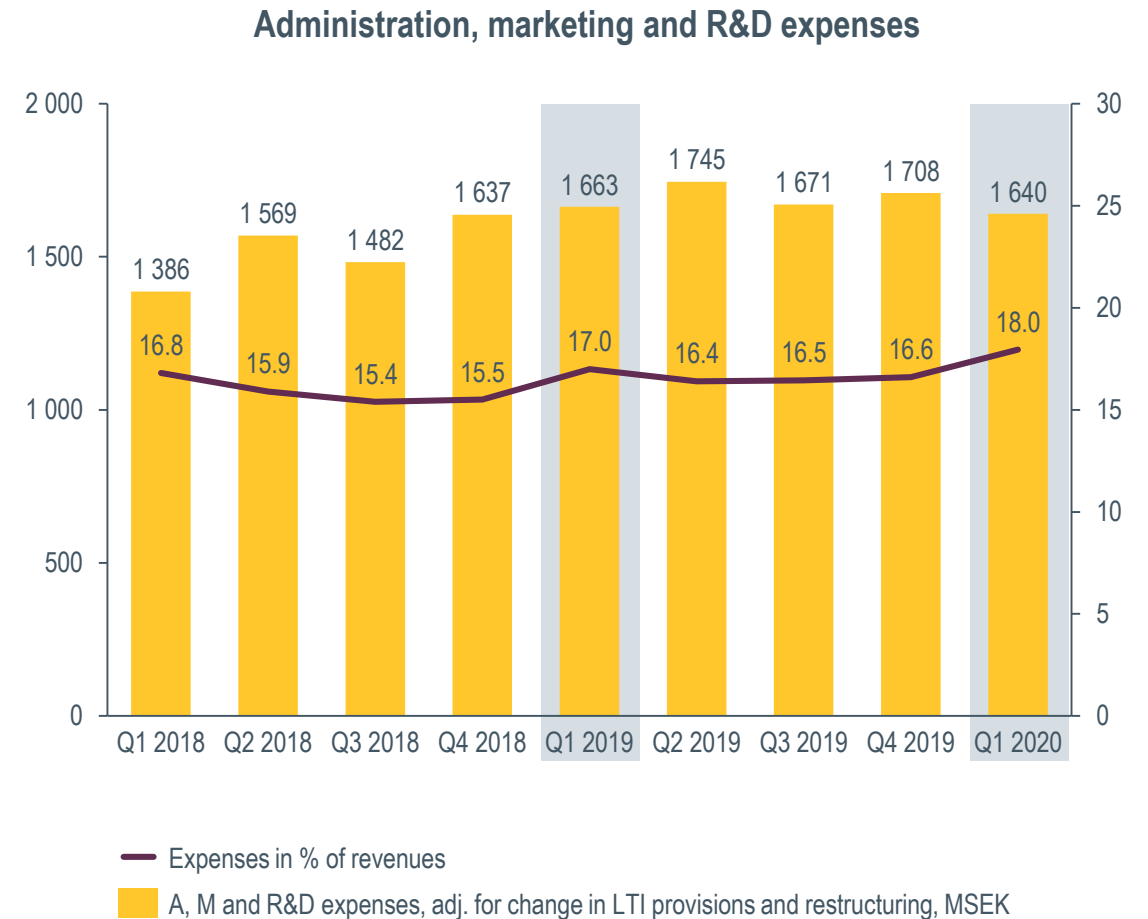
Looking into the numbers



Costs, net financials and tax

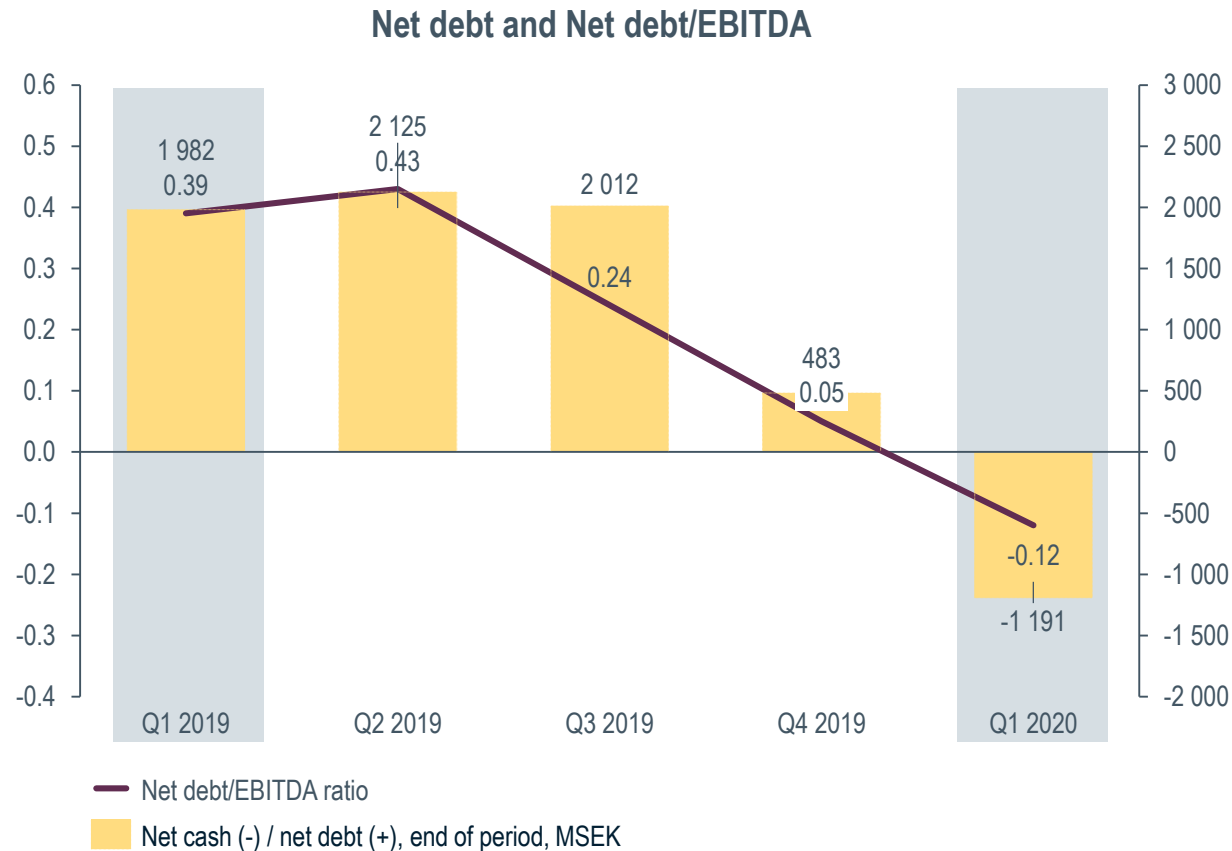
Q1 2020

- Lower comparable costs
 - Expenses adjusted for change in provision for LTI and items affecting comparability
- Net financial items MSEK -46 (-100)
 - Interest net MSEK -33 (-39)
- Tax expense MSEK -464 (-456)
 - Effective tax rate 24.6% (24.9)
 - Guidance: below 25%



Capital structure

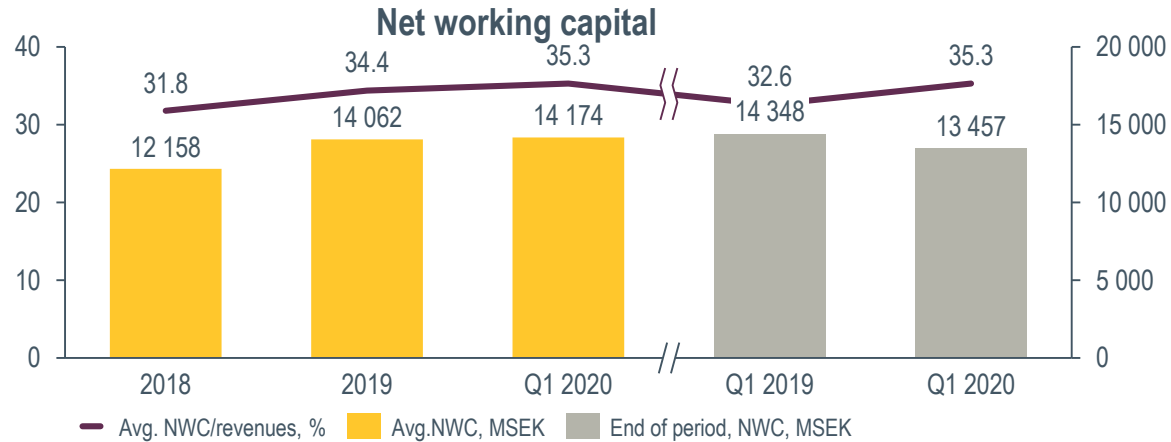
Q1 2020



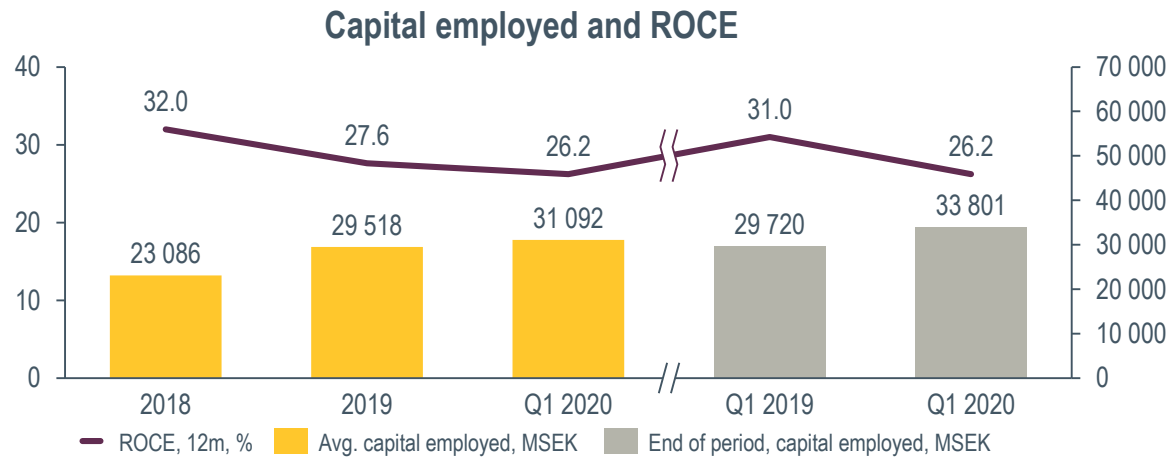
- Net cash position of MSEK 1 191
 - Previous year net debt of MSEK 3 641
- Net debt/EBITDA ratio at -0.12 (0.39)
- Strong financial position
 - Long-term financing in place
 - First maturity in 2022
 - Revolving credit facility (RCF) of MSEK 4 000 maturity extended to 2025
- Board proposes to the AGM to decide only on the first installment of the dividend of SEK 1.20 per share

Capital efficiency

Q1 2020



- Net working capital decreased 6%
 - Reduction in both trade receivables and inventories
 - Trade payables also lower, which partly offset the improvement year-on-year



- ROCE at 26.2% (31.0)
 - Impacted by cash, acquisitions and IFRS 16

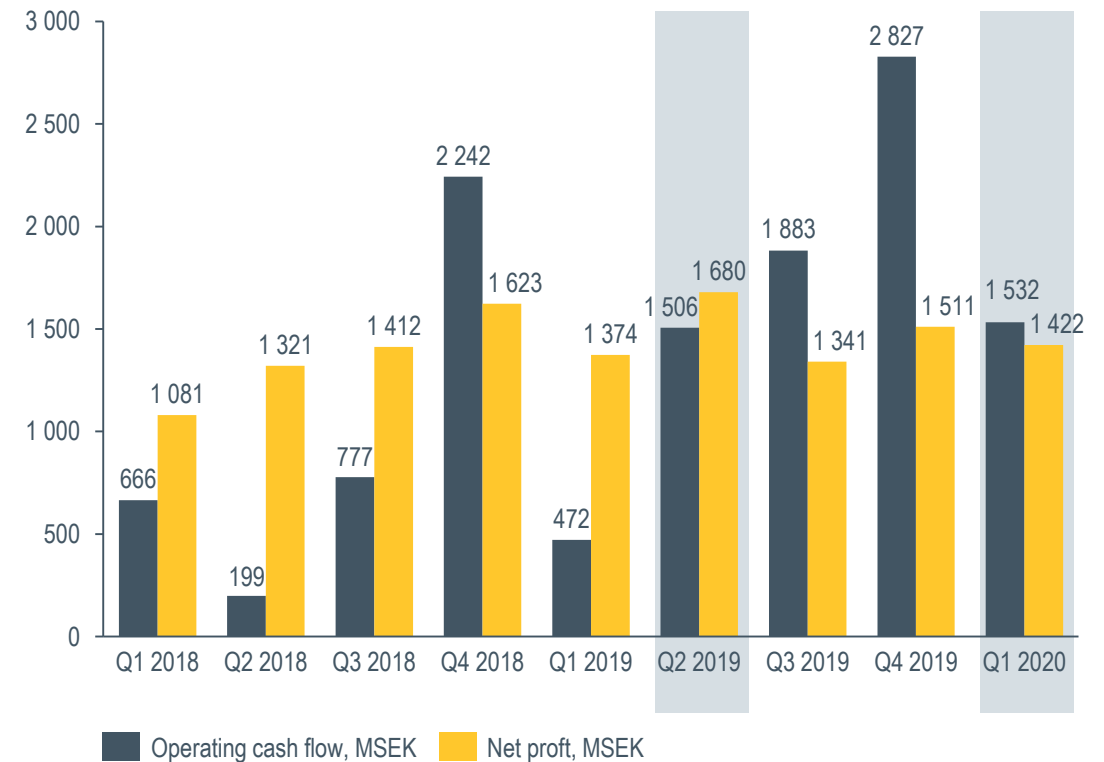
Operating cash flow

Q1 2020



MSEK	Q1 2020	Q1 2019
Operating profit	1 932	1 930
Depreciation, amortization and impairment	440	472
Capital gain/loss and other non-cash items	110	- 84
	2 482	2 318
Net financial items received/paid	263	- 157
Taxes paid	- 385	- 651
Change in working capital	-519	-720
Investments, incl. rental equipment*	- 279	- 441
Pension funding and other**	- 30	123
Operating cash flow	1 532	472
Acquisitions and divestments	- 15	- 449

Operating cash flow and Net profit



* Investments include rental investments, net, other PPE, net, and intangible assets, net.

** Other includes adjustments for currency hedges of loans and proceeds to/from other financial assets, adjusted for divestment of Payment Solutions credit portfolios.



Summary and outlook



Limited effect on Q1 results from Covid-19

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Q2 comment

“We expect that the demand both for equipment and in the aftermarket will be lower and that the effects of the pandemic will have a significant negative impact on revenues and profit in Q2.”



Q&A



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to succeed today and the technology to lead tomorrow.

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