

Interim report Q2 2019

July 18, 2019

Per Lindberg, President and CEO

Anders Lindén, CFO



Record-breaking quarter

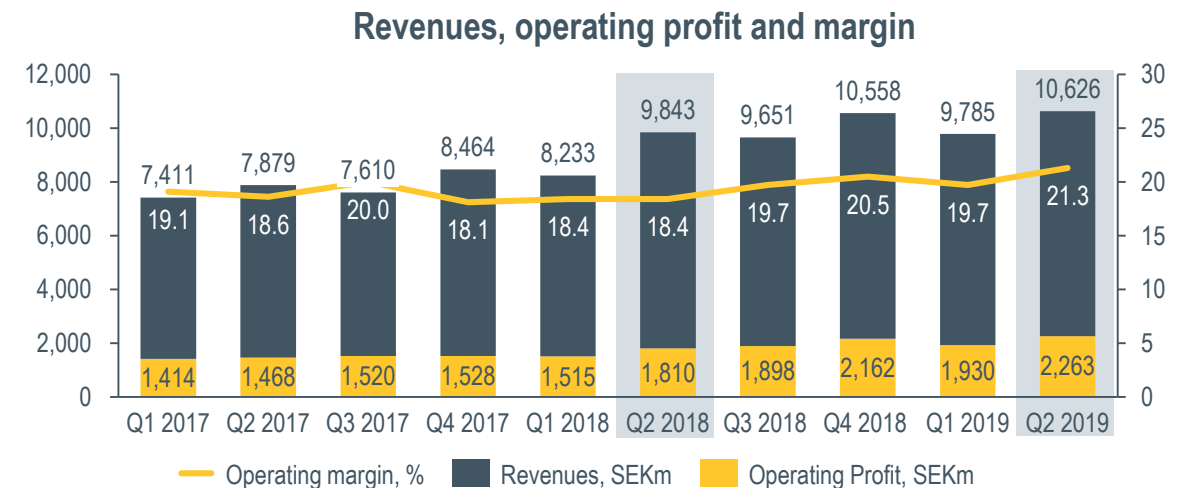
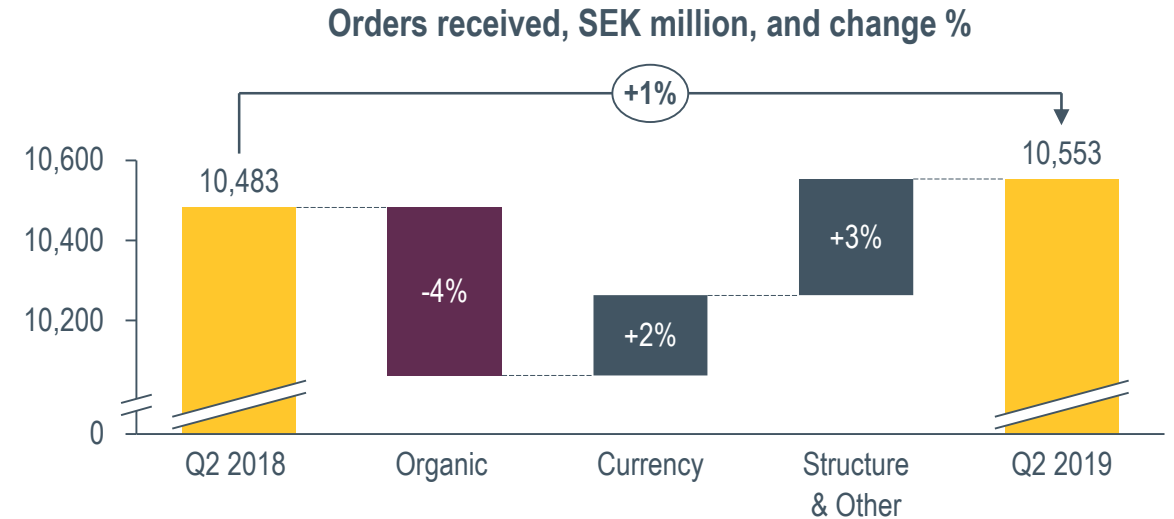
Key highlights Q2 2019



- Robust demand with record high order intake
 - Strong aftermarket
 - Order intake of equipment in line with previous quarters, but lower than strong Q2 2018
- Record revenues, up 8% y-o-y
 - Supported by acquisitions and currency
- Operating profit at all-time high
 - Good flow through from organic growth and efficiency actions
- Leadership in automation and battery electric vehicles
- Celebration of our first anniversary
- Employee survey: A great place to work

Key financials Q2 2019

- Order intake up 1%, -4% organic
- Revenues up 8%, +3% organic
- Operating profit up 25%
 - Currency and volumes contributed positively
 - Change in provision for LTI of SEK -39 million (-77)
 - Split cost of SEK 23 million (104)
- Margin at 21.3% (18.4)
 - Operating margin adjusted for LTI 21.7%
- Basic EPS was SEK 1.40 (1.09)
- Operating cash flow at SEK 1,506 million (199)



Leading the way in innovation

Q2 2019

- 6th Sense introduced. Benefits for customers:
 - Optimizing processes by connecting machines, systems and people
 - Production gains and lower operating costs
- Market leading offering in automation, connectivity, and battery electric vehicles
 - Customer demand grows quickly
 - 2,500+ connected machines
 - 550+ drill rigs equipped for complete automation of the drilling process
 - Largest installed base of autonomous rotary drill rigs globally



The world's first fully autonomous SmartROC D65 down the hole drill rig is now operating in Canada

Operational excellence

Q2 2019

- Supply chain program for spare parts and consumables is progressing according to plan
 - Improved availability
 - Lower transport costs
 - Lower inventory levels
- Continued positive effects from efficiency actions in Tools & Attachments
 - Agreement signed to divest geotechnical consumables product line (non-core)
- Decision to invest in new heat-treatment plant for rock drills in Örebro



Sustainability as a competitive advantage

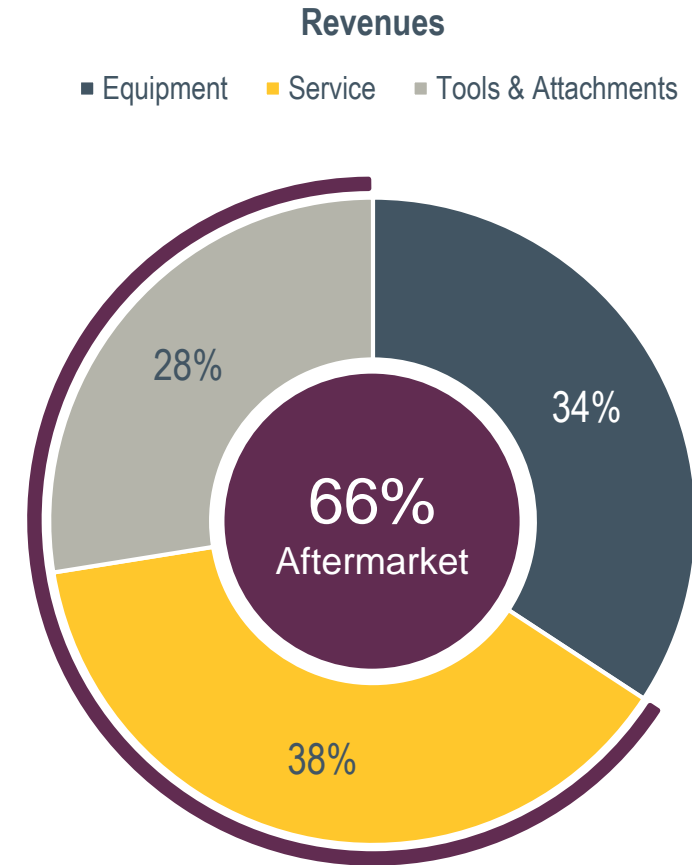
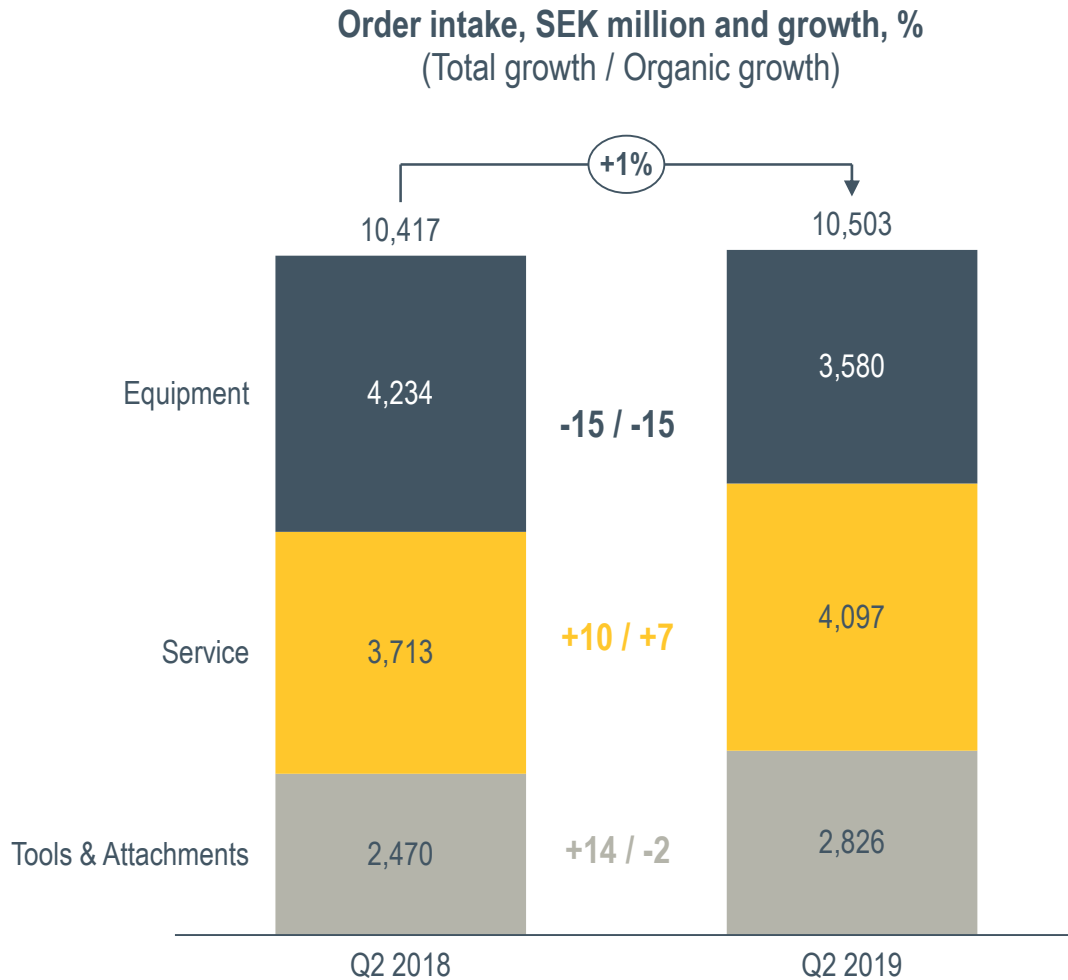
Q2 2019

- Safety and well-being
 - Fatal accident in India
 - Work-related injuries decreased
 - Launch of SAFESTART®
- Passionate people
 - First employee survey
 - Engaged employees that view Epiroc as a great place to work
- Responsible use of resources
 - CO₂ emissions from transport improved
 - Energy/CoS decreased



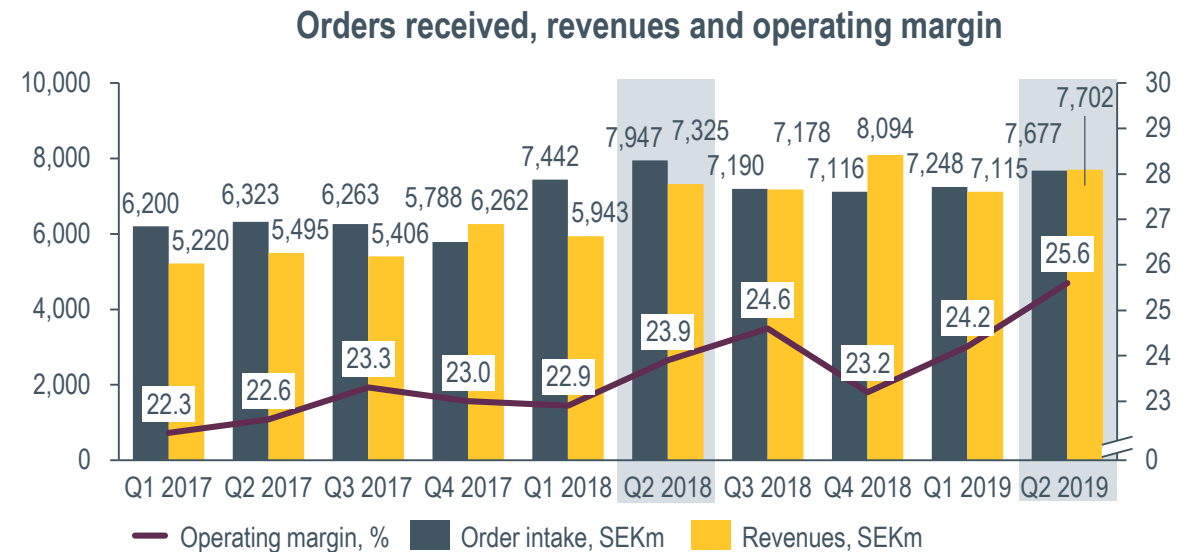
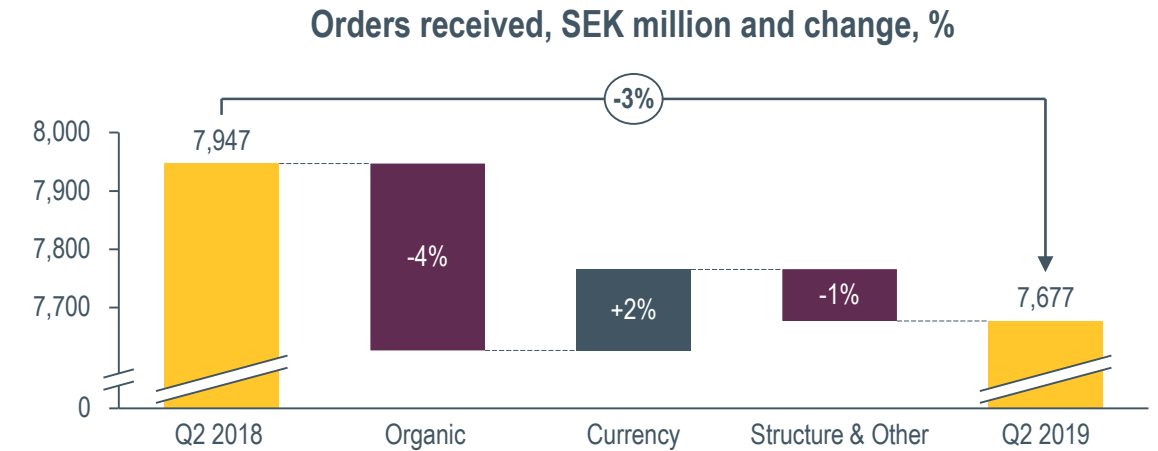
High proportion of recurring business

Per segment Q2 2019



Segment: Equipment & Service

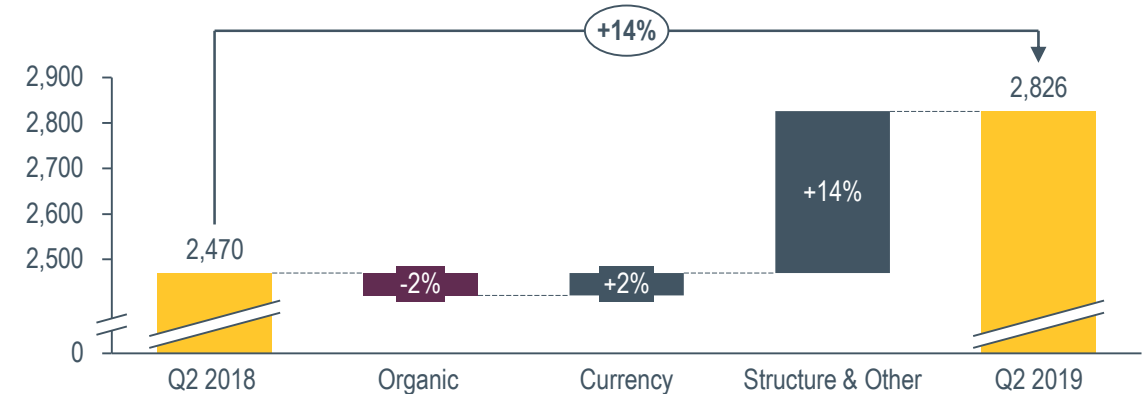
- Organic order down 4% vs. strong Q2 2018
- Service +7% organic
 - Orders increased in all regions
- Equipment -15% organic
 - Negative both for underground and surface equipment year-on-year
 - Growth in Asia/Australia y-o-y
 - Orders in line with previous quarters
- Revenues up 5%, +3% organic
- Margin increased to 25.6% (23.9)
 - Supported by currency and organic growth



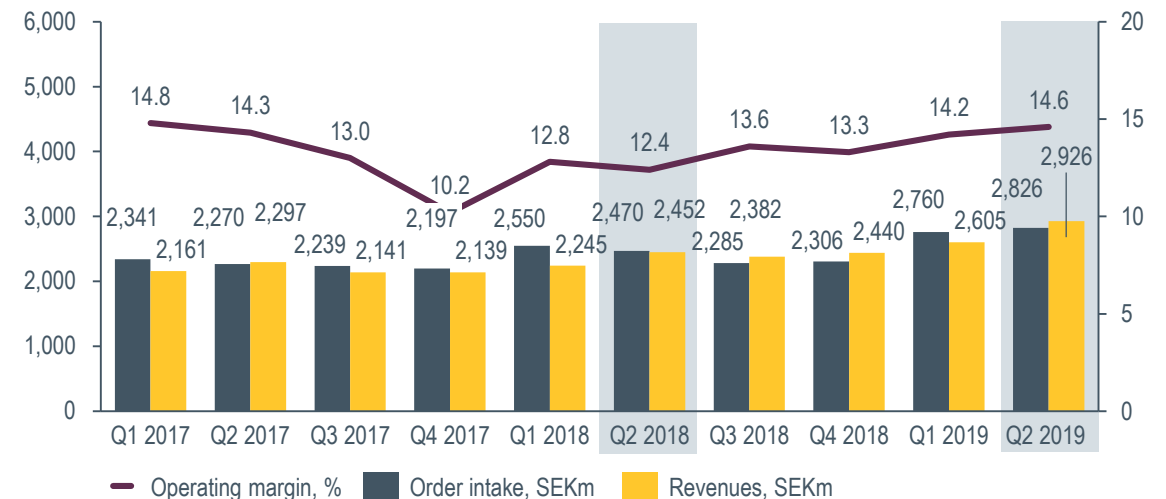
Segment: Tools & Attachments

- Orders received up 14%, -2% organic
 - Rock drilling tools orders negatively impacted by optimization of product offering
 - Hydraulic attachment tools increased organically
 - Orders increased in all regions*
- Revenues up 19%, +4% organic
- Margin at 14.6% (12.4)
- Acquisition of New Concept Mining closed
- Agreement signed to divest the geotechnical consumables product line

Orders received, SEK million and growth, %



Orders received, revenues and operating margin



* In local currency incl. acquisitions



Financials

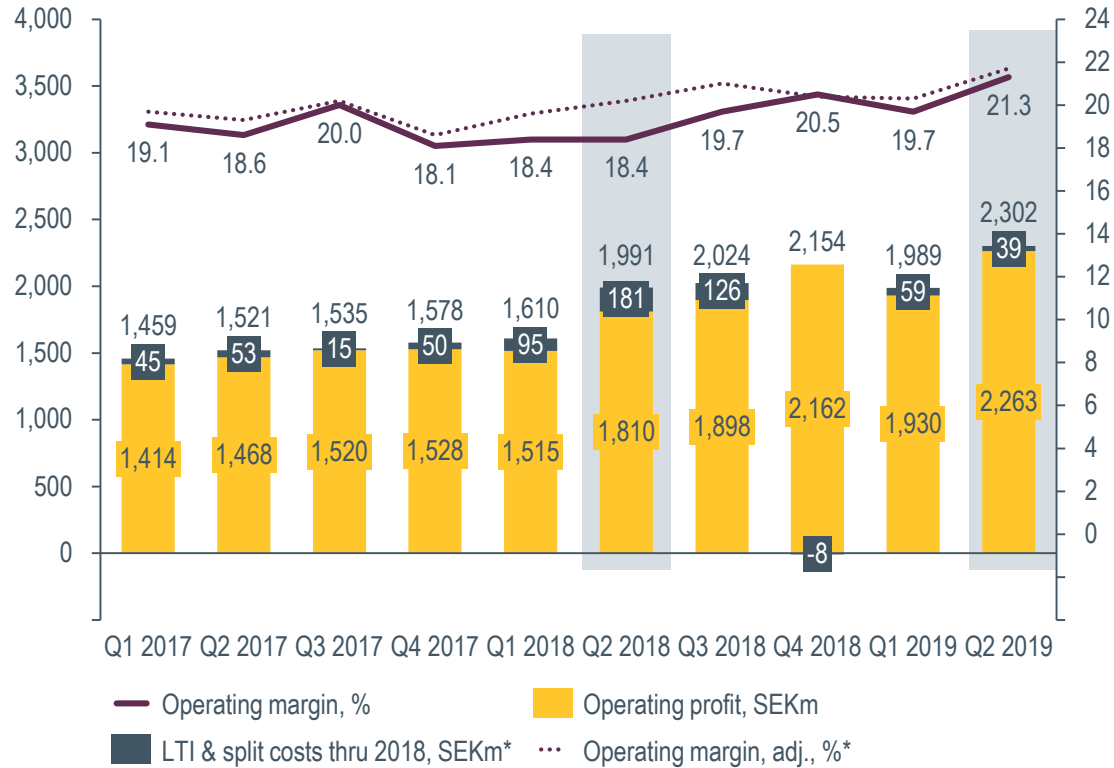


Record profit

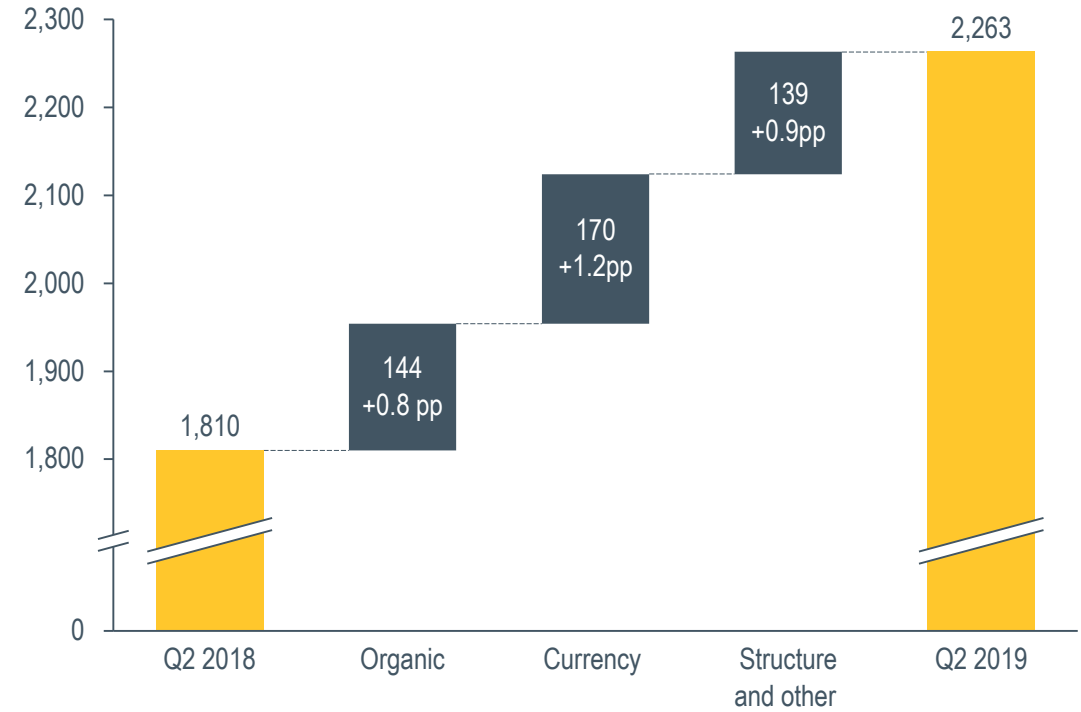
Q2 2019



Operating profit and margin



Profit bridge, SEK million

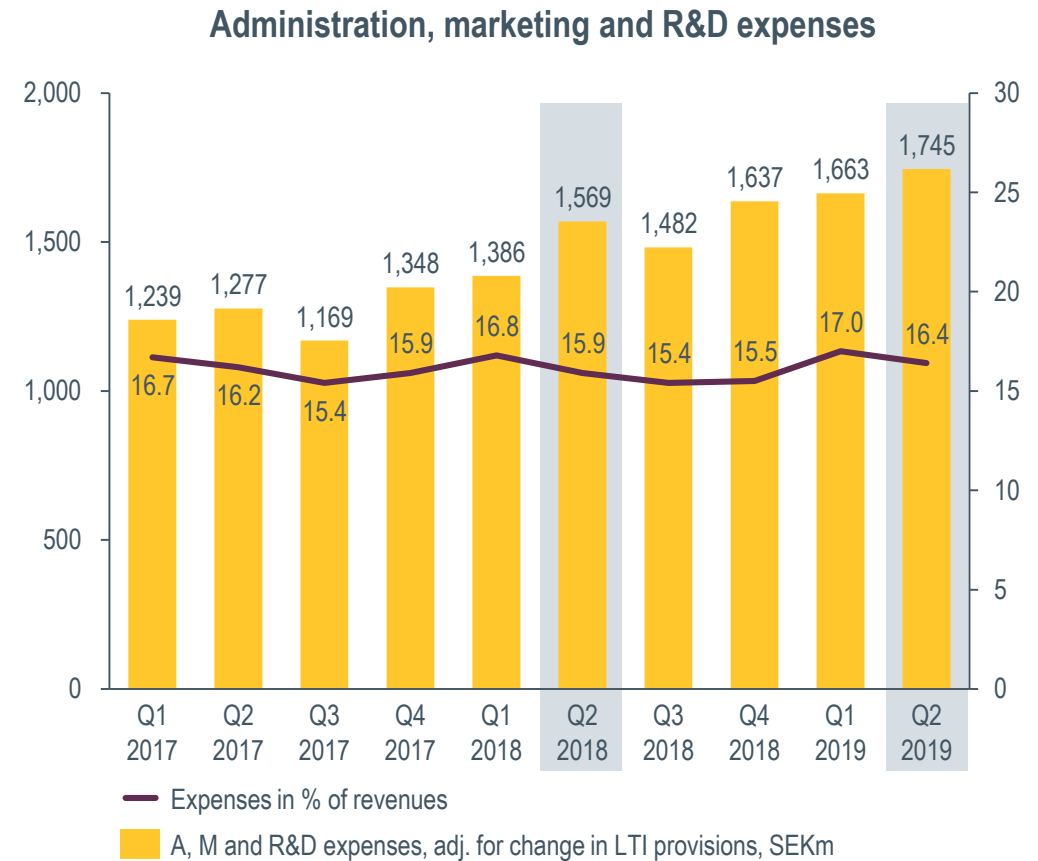


* Includes change in provision for long-term incentive plans and costs related to the split from Atlas Copco. Split costs not included as from 2019.

Costs, net financials and tax

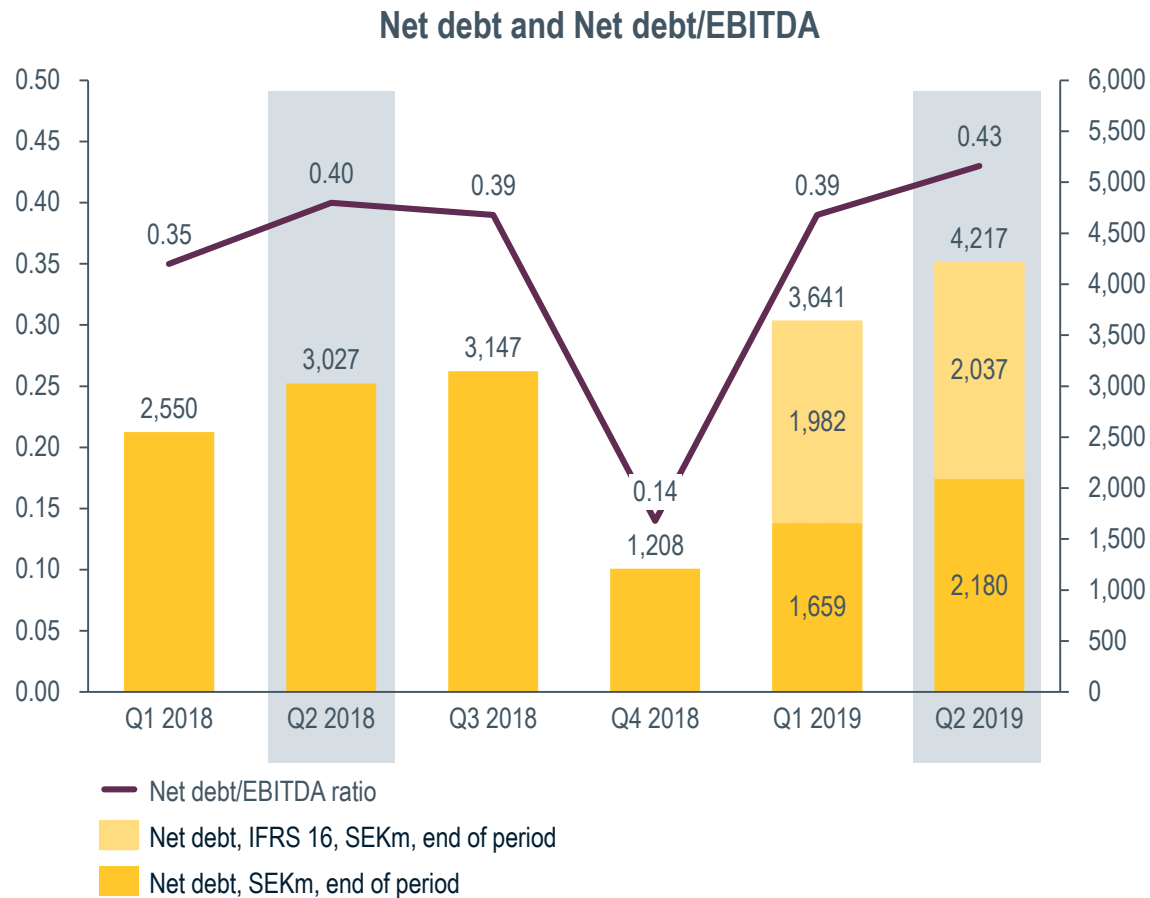
Q2 2019

- Marketing and administration expenses higher
 - Growth, but also some inefficiencies
 - Acquisitions and currency
 - Expenses adjusted for change in provision for LTI SEK -39 million (-77)
- Net financial items were SEK -38 million (-44)
 - Interest net was SEK -57 million (-38)
- Tax expense SEK -545 million (-445)
 - Effective tax rate 24.5% (25.2)



Capital structure

Q2 2019

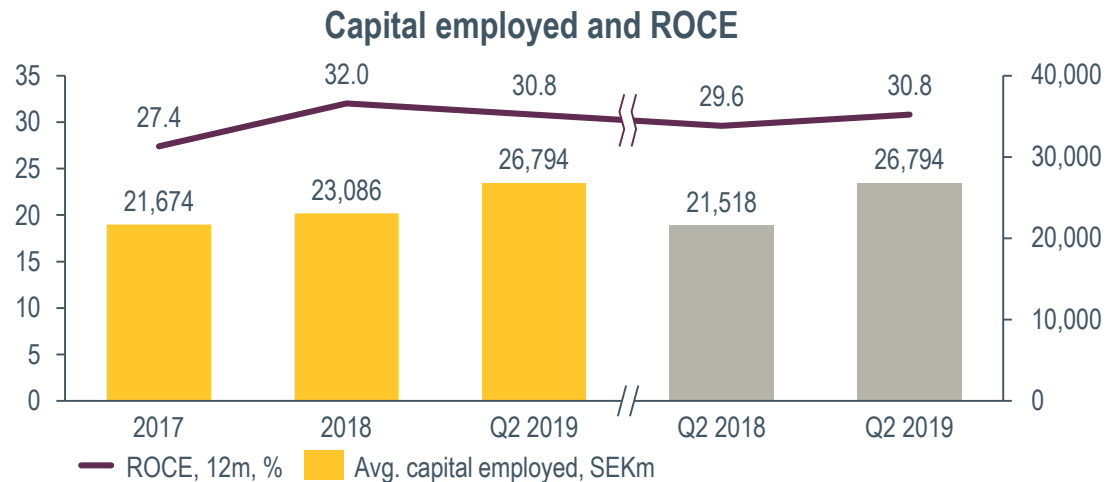
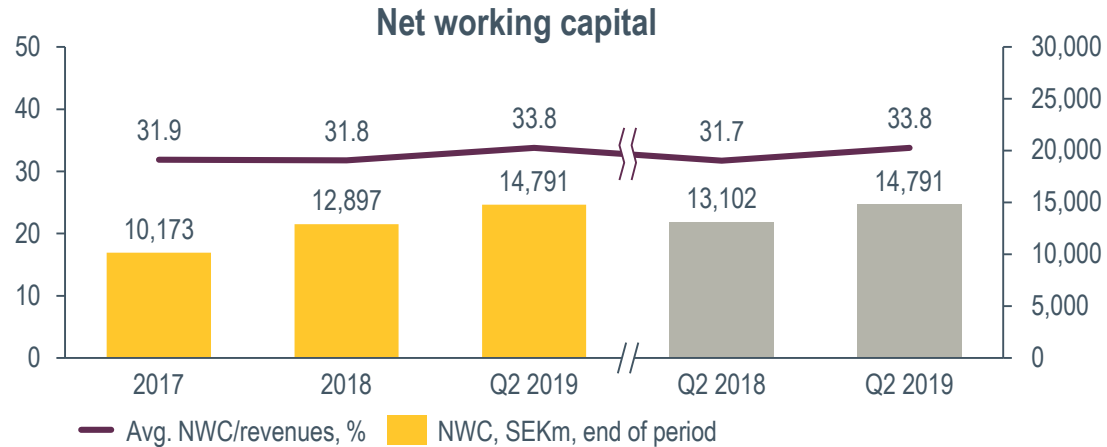


- Net debt was SEK 4,217 million (3,027)
 - Post-employment benefits SEK 460 million (176)
- IFRS 16 increased net debt by SEK 2,037 million
- First part of the dividend was paid in the quarter
 - SEK 1,260 million, SEK 1.05 per share
 - Second dividend payment in November
- Net debt/EBITDA ratio at 0.43 (0.40)
- Net debt/equity ratio was 21.2% (17.3)

* Numbers for 2018 not restated for IFRS 16

Capital efficiency

Q2 2019



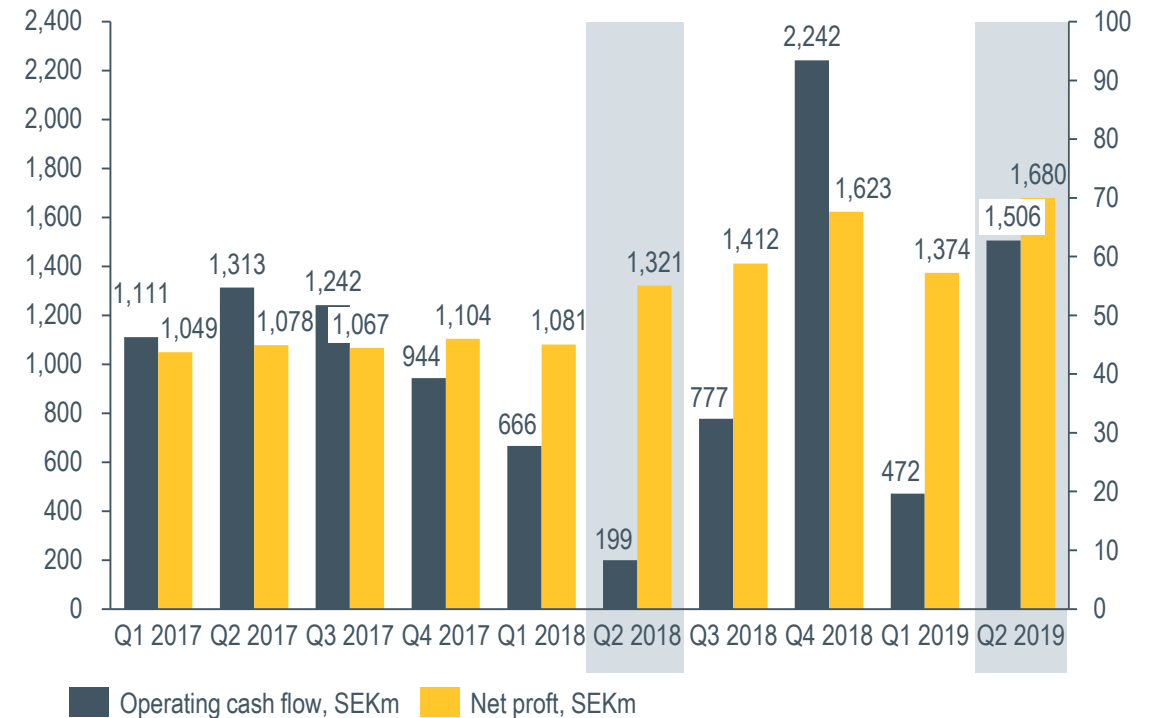
- Net working capital up 13% to SEK 14,791 million (13,102)
 - Increased trade receivables and inventories following higher volumes. Trade payables decreased
 - Acquisitions and currency
- ROCE increased to 30.8% (29.6)
 - IFRS 16 impact -0.9 percentage points

Operating cash flow

Q2 2019

SEK million	Q2 2019	Q2 2018
Operating profit	2,263	1,810
Depreciation, amortization and impairment	468	340
Capital gain/loss and other non-cash items	-36	54
	2,695	2,204
Net financial items received/paid	-115	-512
Taxes paid	-690	-359
Change in working capital	-131	-1,226
Investments, incl. rental equipment*	-321	-475
Pension funding and other**	+68	+567
Operating cash flow	1,506	199
Acquisitions of subsidiaries	-578	0

Operating cash flow and Net profit



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

** Other includes currency hedges of loans and changes in cash-pool with Atlas Copco prior to the split in 2018.



Summary and outlook



Record-breaking quarter

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Demand expected to remain at a good level

“Going forward, we do not see any clear signs that the current market situation will change. Hence, we reiterate our view that the demand will remain at the current level in the near term, however noting that Q3 is in general slightly weaker than Q2.”



SAVE THE DATE

Capital Markets Day

November 14, 2019
Stockholm



Q&A





Disclaimer - Some statements in this presentation, or in conclusion to it, are forward-looking and the actual outcome may be different. In addition to the factors explicitly commented upon, the actual outcome may be affected by other factors such as macroeconomic conditions, movements in foreign exchange- and interest-rates, political risks, competitor behavior, supply- and IT-disturbances.

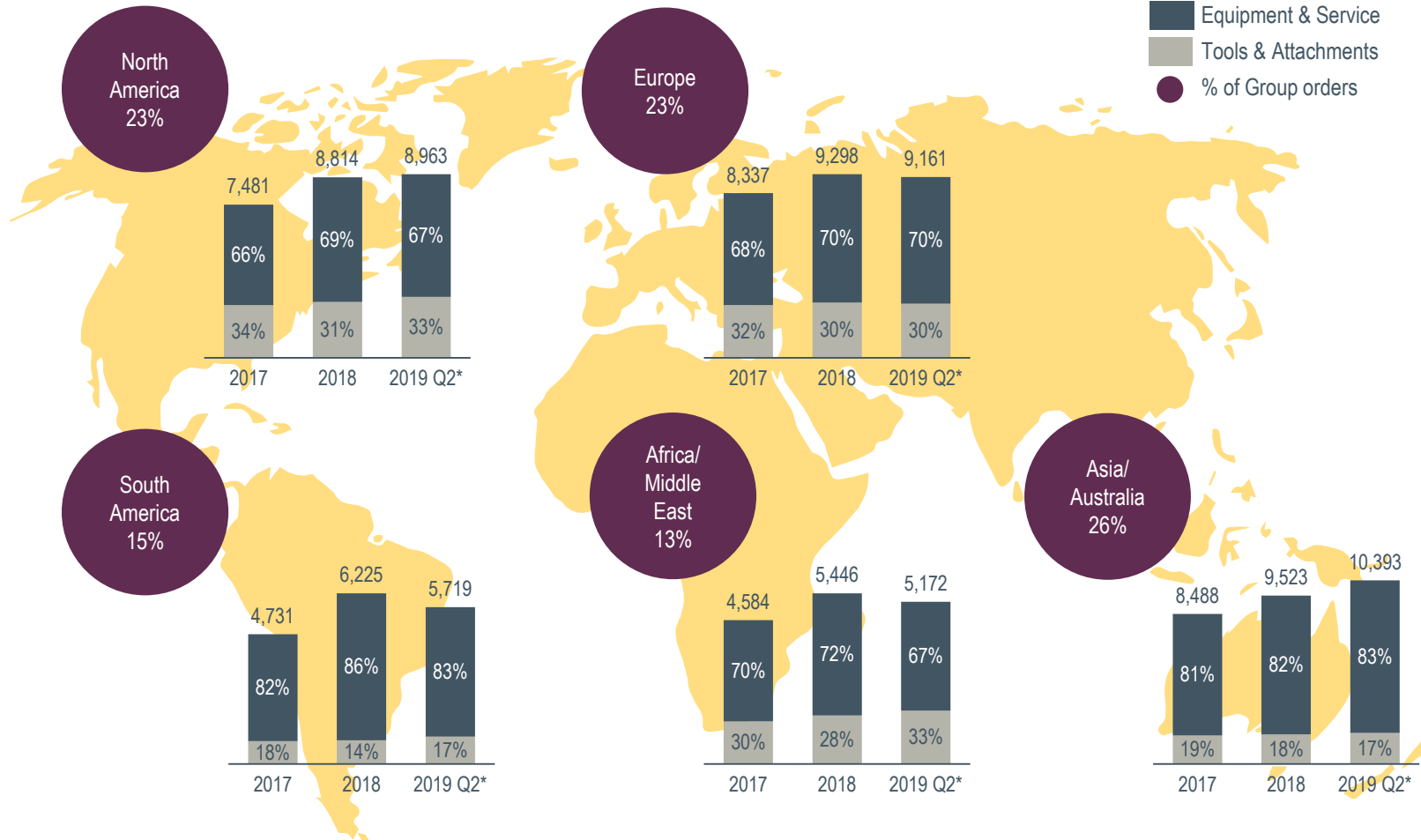


Appendix



Geographical overview

Orders received, SEKm and % of Group orders



Top 10 areas
% of revenues in 2018

Australia	11%
USA	10%
Canada	8%
Russia	7%
Chile	5%
South Africa	5%
China	5%
India	4%
Peru	3%
Sweden	3%

* Rolling twelve months , Orders received excluding corporate

Income statement



Q2 2019

SEK million	2017 Full year	2018 Full year	June 2019 12 months	2018 Q2	2019 Q2
Revenues	31,364	38,285	40,620	9,843	10,626
Cost of sales	-20,101	-24,317	-25,555	-6,275	-6,550
Gross profit	11,263	13,968	15,065	3,568	4,076
Marketing expenses	-2,280	-2,574	-2,671	-676	-710
Administrative expenses	-2,121	-2,589	-2,899	-713	-803
Research and development costs	-795	-977	-1,044	-257	-271
Other expenses/income from operations	-136	-435	-184	-109	-22
Share of profits of associates	-1	-8	-14	-3	-7
Operating profit	5,930	7,385	8,253	1,810	2,263
<i>Operating margin</i>	18.9%	19.3%	20.3%	18.4%	21.3%
Financial income	201	175	169	43	40
Financial expenses	-338	-359	-390	-87	-78
Net financial items	-137	-184	-221	-44	-38
<i>Of which interest net</i>	-132	-137	-167	-38	-57
Profit before tax	5,793	7,201	8,032	1,766	2,225
<i>Profit margin</i>	18.5%	18.8%	19.8%	17.9%	20.9%
Income tax expenses	-1,495	-1,764	-1,943	-445	-545
<i>Tax rate</i>	25.8%	24.5%	96.8%	25.2%	24.5%
Profit for the period	4,298	5,437	6,089	1,321	1,680
Profit for the period attributable to owners of the parent	4,298	5,430	6,082	1,319	1,678
Profit for the period attributable to non-controlling interests	0	7	7	2	2
Items affecting comparability in operating profit	-163	-394	-216	-181	-39
Equipment & Service	-	-	-	-	-
Tools & Attachments	-	-	-	-	-
Corporate Items*	-163	-394	-216	-181	-39
Adjusted operating profit	6,093	7,779	8,469	1,991	2,302
<i>Adjusted operating margin</i>	19.4%	20.3%	20.8%	20.2%	21.7%

* As of 2019, split costs are not included in corporate items. Previously, split costs were included in this measure.

Balance sheet

Q2 2019



SEK million	2017 Full year	2018 Full year	2018 Q2	2019 Q2	% of BS
Intangible assets	3,121	3,620	3,637	4,224	11%
Rental equipment	1,215	1,233	1,300	1,363	3%
Other property, plant and equipment	2,271	2,473	2,455	4,746	12%
Investments in associates and joint ventures	94	208	93	204	1%
Financial assets and other receivables	1,101	1,119	1,399	1,124	3%
Deferred tax assets	425	543	501	668	2%
Total non-current assets	8,227	9,196	9,385	12,329	31%
Inventories	8,440	10,516	10,664	11,285	28%
Trade receivables	6,271	8,005	7,898	8,757	22%
Other receivables	1,362	1,289	1,259	1,386	3%
Income tax receivables	287	333	385	431	1%
Financial assets	1,152	944	1,228	1,077	3%
Cash and cash equivalents	1,808	5,872	4,205	4,883	12%
Total current assets	19,320	26,959	25,639	27,819	69%
Total assets	27,547	36,155	35,024	40,148	100%

SEK million	2017 Full year	2018 Full year	2018 Q2	2019 Q2	% of BS
Share capital	21	500	500	500	1%
Retained earnings	12,020	18,297	16,989	19,340	48%
Equity attributable to owners of the parent	12,041	18,797	17,489	19,840	49%
Non-controlling interest	6	50	48	49	0%
Total equity	12,047	18,847	17,537	19,889	50%
Interest bearing liabilities	2,250	5,095	1,179	7,848	20%
Post-employment benefits	181	283	176	460	1%
Other liabilities and provisions	289	412	325	452	1%
Deferred tax liabilities	0	0	0	0	0%
Total non-current liabilities	2,720	5,790	1,680	8,760	22%
Interest bearing liabilities	4,808	1,702	5,931	803	2%
Trade payables	3,966	4,711	4,749	4,536	11%
Income tax liabilities	436	605	761	493	1%
Other liabilities and provisions	3,570	4,500	4,366	5,667	14%
Total current liabilities	12,780	11,518	15,807	11,499	29%
Total equities and liabilities	27,547	36,155	35,024	40,148	100%

Cash flow

Q2 2019



SEK million	2017 Full year	2018 Full year	June 2019 12 months	2018 Q2	2019 Q2
Cash flow from operating activities					
Operating profit	5,930	7,385	8,253	1,810	2,263
Depreciation, amortization and impairment	1,254	1,369	1,652	340	468
Capital gain/loss and other non-cash items	-134	101	-2	54	-36
Net financial items received/paid	-344	-483	-384	-512	-115
Taxes paid	-666	-1,747	-2,408	-359	-690
Pension funding and payment of pension to employees	-90	-52	-36	-11	-13
Change in working capital	-403	-1,875	-1,035	-1,226	-131
Increase in rental equipment	-793	-896	-998	-265	-279
Sale of rental equipment	422	522	564	107	143
Net cash from operating activities	5,176	4,324	5,606	-62	1,610
Cash flows from investing activities					
Investments in other property, plant and equipment	-424	-577	-562	-161	-117
Sale of other property, plant and equipment	70	26	35	6	16
Investments in intangible assets	-289	-459	-516	-108	-160
Sale of intangible assets	-	-	-	-	-
Acquisition of subsidiaries	-137	-546	-1,091	-	-578
Divestment of subsidiaries	-	-	-	-	-
Proceeds to/from other financial assets, net	6,323	219	364	-54	76
Net cash from investing activities	5,543	-1,337	-1,770	-317	-763
Cash flows from financing activities					
Dividends paid	-	-	-1,260	-	-5,178
Dividends paid to non-controlling interest	-	-	-7	-	-7
Dividends paid to Atlas Copco	-5,178	-	-	-	-
Acquisition of non-controlling interest	6	-	-	-	-
Sale/ Repurchase of own shares	-	-1,307	-1,260	-	80
Change in interest-bearing liabilities	-889	2,367	-689	2,294	-161
Net cash from financing activities	-6,061	1,060	-3,216	2,294	-1,348
			0		
Net cash flow for the period	4,658	4,047	620	1,915	-501
Cash and cash equivalents, beginning of the period	481	1,808	4,205	2,255	5,371
Exchange differences in cash and cash equivalents	-39	17	58	35	13
Other cash flow from transactions with shareholders	-3,292	-	-	-	0
Cash and cash equivalents, end of the period	1,808	5,872	4,883	4,205	4,883

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Operating cash flow					
Net cash flow from operating activities	5,176	4,324	5,606	-62	1,610
Net cash from investing activities	5,543	-1,337	-1,770	-317	-763
Acquisitions of subsidiaries	137	546	1,091	-	578
Other adjustments*	-6,246	351	70	578	81
Operating cash flow	4,610	3,884	4,997	199	1,506

Key ratios

Q2 2019

	2017	2018	2019
SEK million	Full year	Full year	Q2
Basic earnings per share, SEK	3.55*	4.50	1.40
Diluted earnings per share, SEK	-	4.49	1.40
Basic number of shares outstanding, millions	1,212*	1,206	1,200
Diluted number of shares outstanding, millions	-	1,206	1,200
Equity per share, period end, SEK	9.94*	15.63	16.54
Operating cash flow per share, SEK	3.8	0.3	1.3
EBITDA, SEK million	7,183	8,753	2,729
EBITDA margin, %	22.9	22.9	25.7
Adjusted EBIT, SEK million	6,093	7,779	2,302
Adjusted EBIT margin, %	19.4	20.3	21.7
Average net working capital	9,991	12,158	13,720
Average net working capital/revenues, %	31.9	31.8	33.8
Average capital employed, SEK million	21,674	23,086	26,794
Return on capital employed, 12 month %	27.4	32.0	30.8
Capital employed turnover ratio	1.4	1.7	1.5
Return on equity, 12 month %	29.1	33.2	32.3
Net debt, SEK million	5,424	1,208	4,217
Net debt/EBITDA ratio	0.75	0.14	0.43
Debt/equity ratio, period end, %	45.0	6.4	21.2
Equity/assets ratio, period end, %	43.7	52.1	49.5
Number of workrelated accidents per million working hours	4.3	3.4	3.0
Sick leave, %	2.2	2.2	2.2
MWh energy from operations/Cost of sales (SEK million); 12M	8.5	7.6	7.1
Transport CO2 (tonnes)/Cost of sales (SEK million); 12M	6.2	5.6	5.2
Number of employees, period end	12,948	13,847	14,620
Additional workforce, period end	1,397	1,610	1,576

*Calculations based on Atlas Copco's basic number of shares outstanding.

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