

Q2 2020

July 23, 2020

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Agility in challenging times

Key highlights Q2 2020

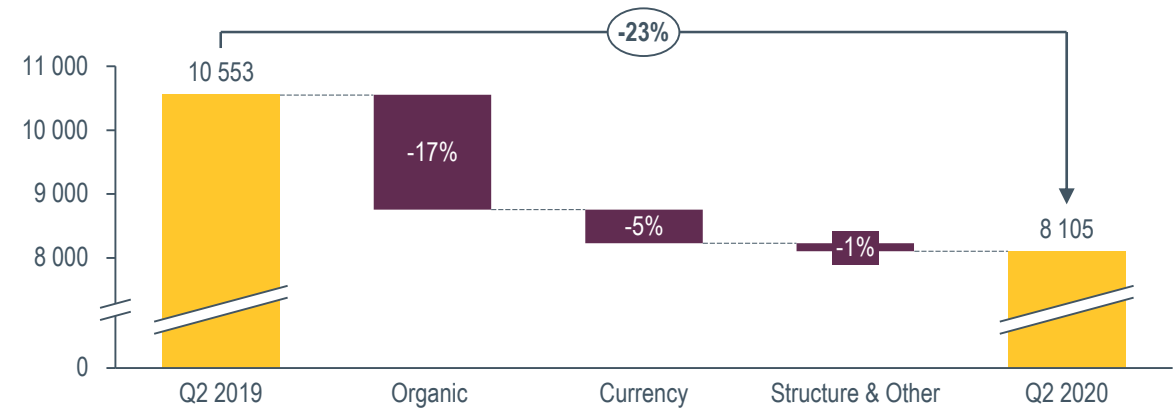
- Large impact from Covid-19
 - Lower order intake
 - Restrictions impacted customer activity
 - Customers hesitant to place equipment orders
- Fast response
 - Adaption of way of working
 - Cost savings from efficiency actions
 - Resilience in profitability
- Strong cash flow
- Increased interest for automation and digital solutions



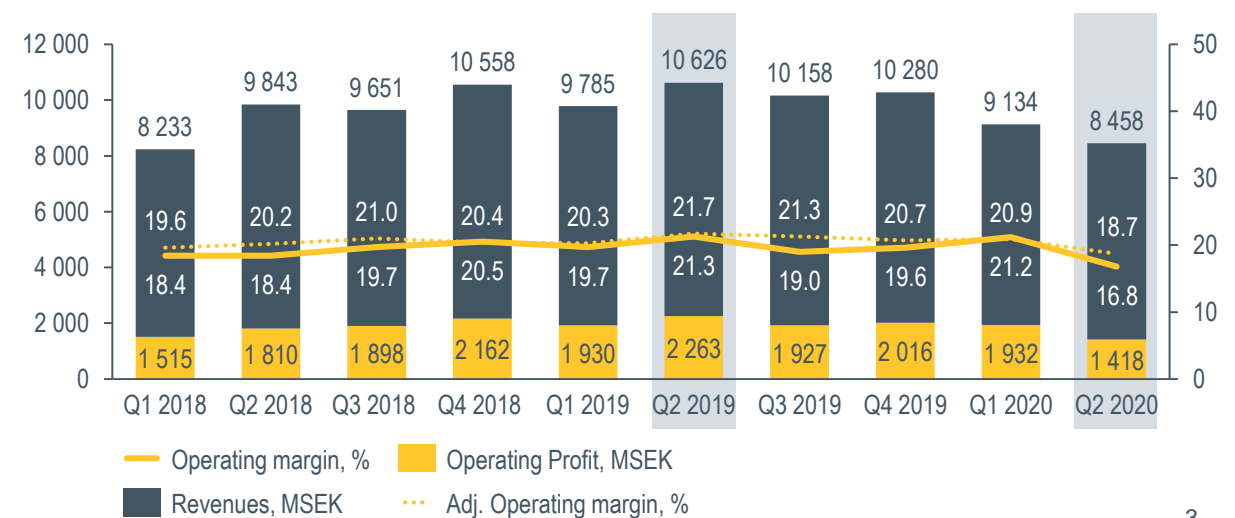
Key financials Q2 2020

- Order intake declined 23%, -17% organic
 - Service proving resilience, down 3%
- Revenues declined 20%, -15% organic
- Operating profit was MSEK 1 418
 - Items affecting comparability of MSEK -165; restructuring costs -74 and LTI -91
- Margin at 16.8% (21.3)
 - Adjusted margin 18.7% (21.7)
 - Margin diluted by lower revenues
- Strong operating cash flow at MSEK 1 963 (1 506)

Orders received, MSEK and change, %

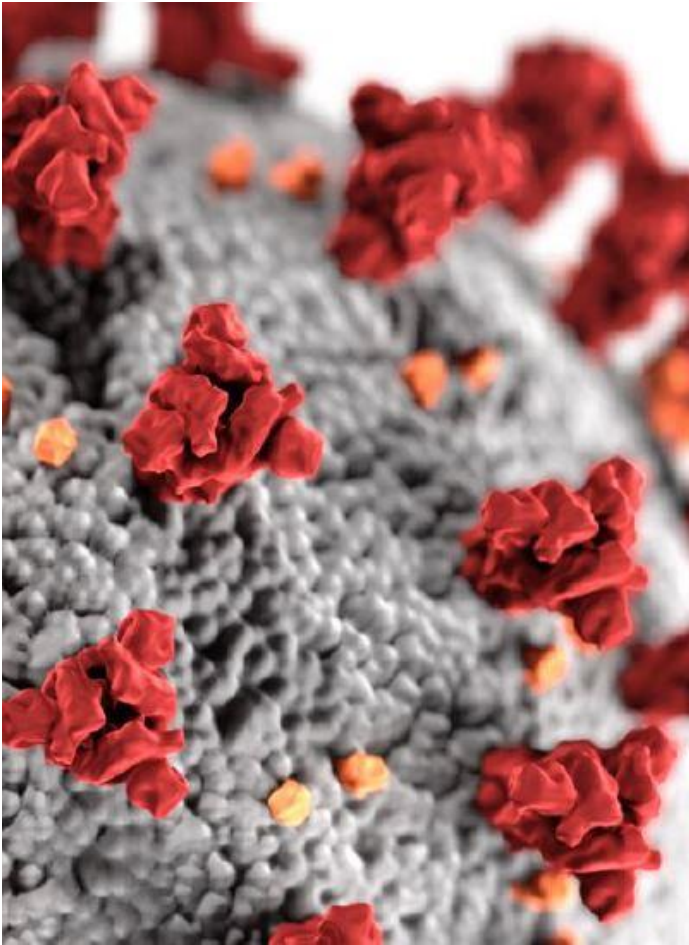


Revenues, operating profit and margin



Covid-19

Current status



- Covid-19-related restrictions vary among countries, which results in large differences in activities
- Fewer customers are temporarily closed or work with reduced capacity today compared to April and May
- All distribution centers and manufacturing facilities are operational and capacity is being adapted to the demand

Efficiency improvement activities

Quick adaptation to the Covid-19 situation

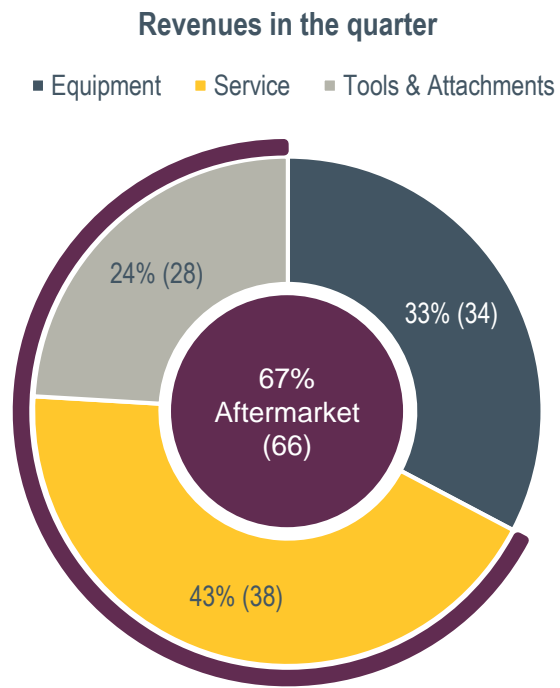
- Cost-savings program
 - Long-term actions with expected savings of more than MSEK 500 annually as from Q3 2020
 - Restructuring costs of MSEK 74 in Q2
- Additional savings expected from year end, including savings from planned layoffs
- Short-term actions have been implemented successfully
- Supply-chain program continues according to plan



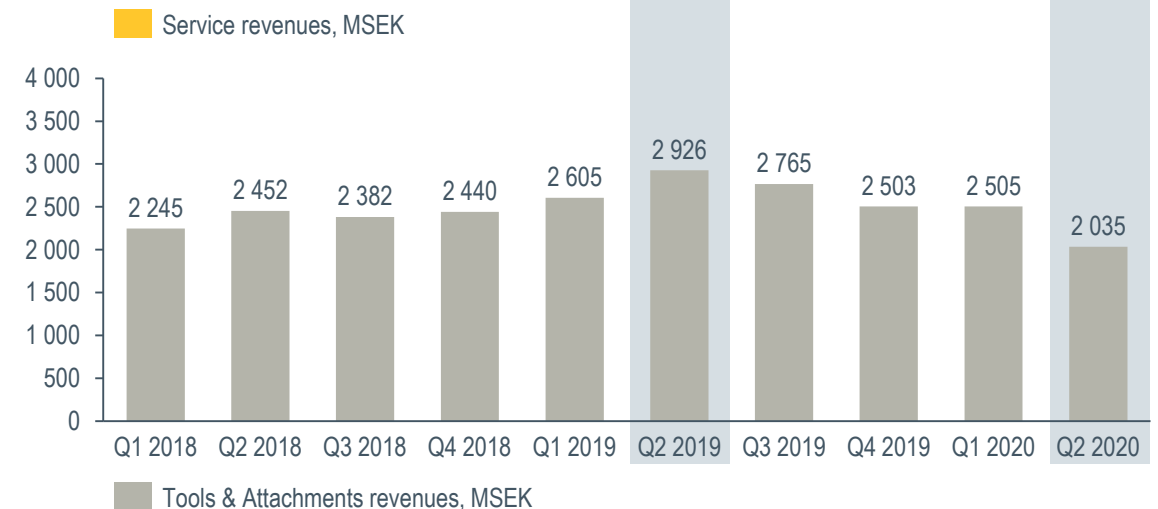
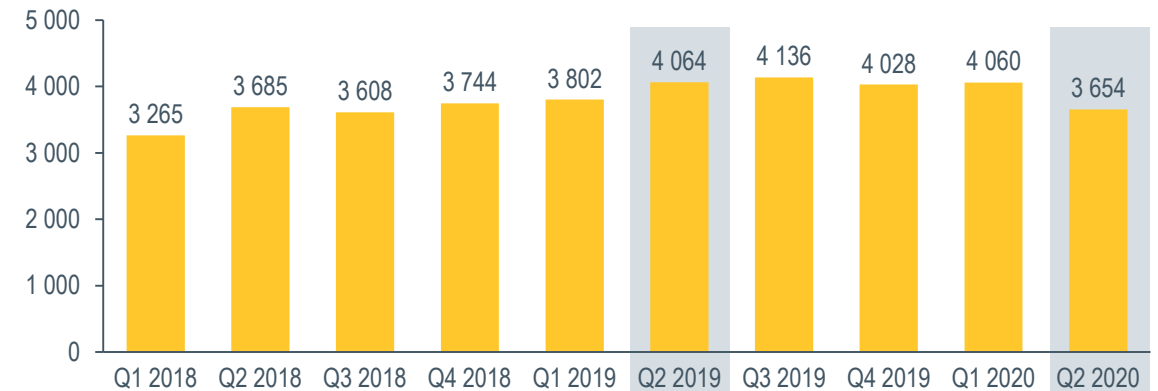
Mixed picture in a resilient service business

Q2 2020

- Activity-driven business impacted by restrictions
- Large variations among countries



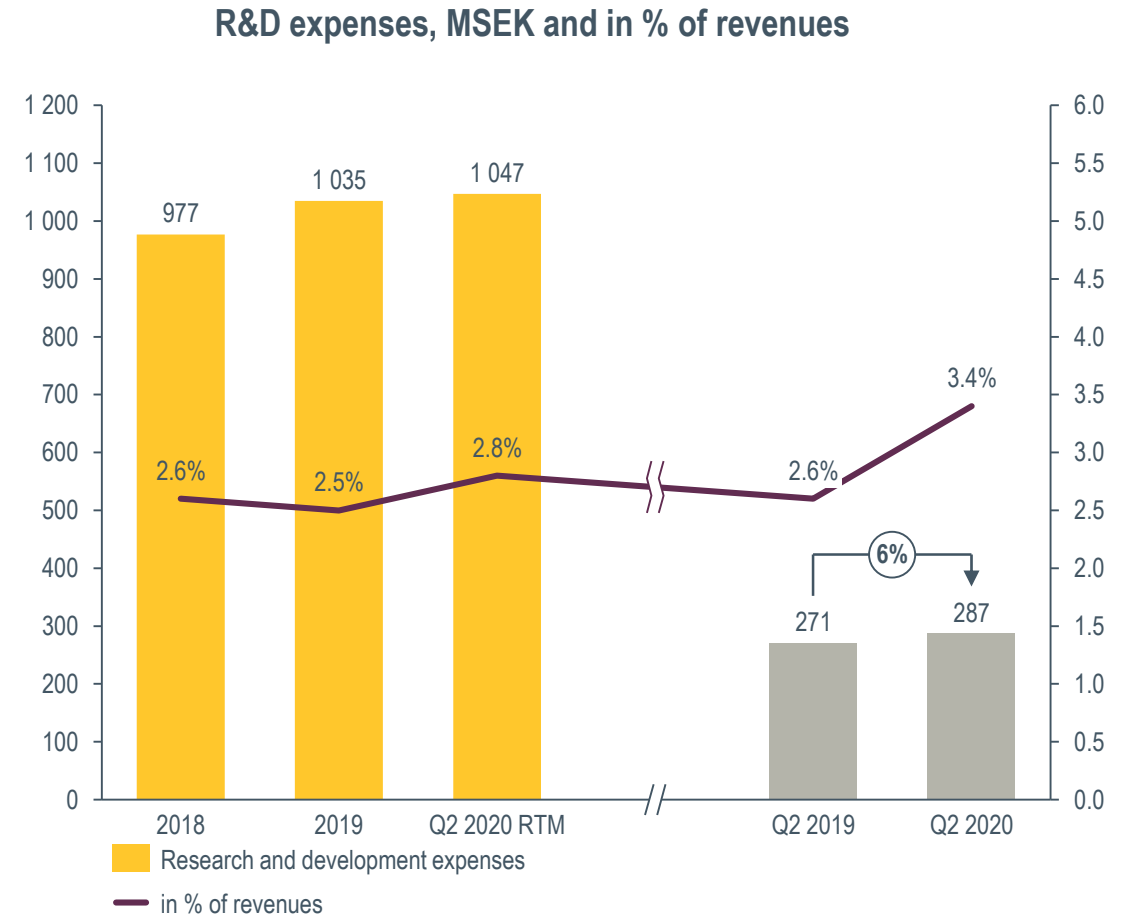
Aftermarket revenues



Leading the way in innovation

Q2 2020

- Increased interest in solutions for automation and connectivity
- Large order from Codelco in Chile
 - Order value: > MUSD 20 (MSEK 190)
 - Multiple underground units with 6th Sense, Rig Control System and Certiq
- Strong interest also for battery-electric vehicles
- New generation mobile core-drilling rigs
- Extended range of concrete busters



Sustainability

Q2 2020

- Continued focus on safety
 - Decreased number of work-related injuries
 - Sick leave low despite Covid-19
- CO₂ emissions from transport decreased
 - Lower volumes and higher share sea freight
- MWh energy from operations decreased
- Sustainability goals for 2030 announced



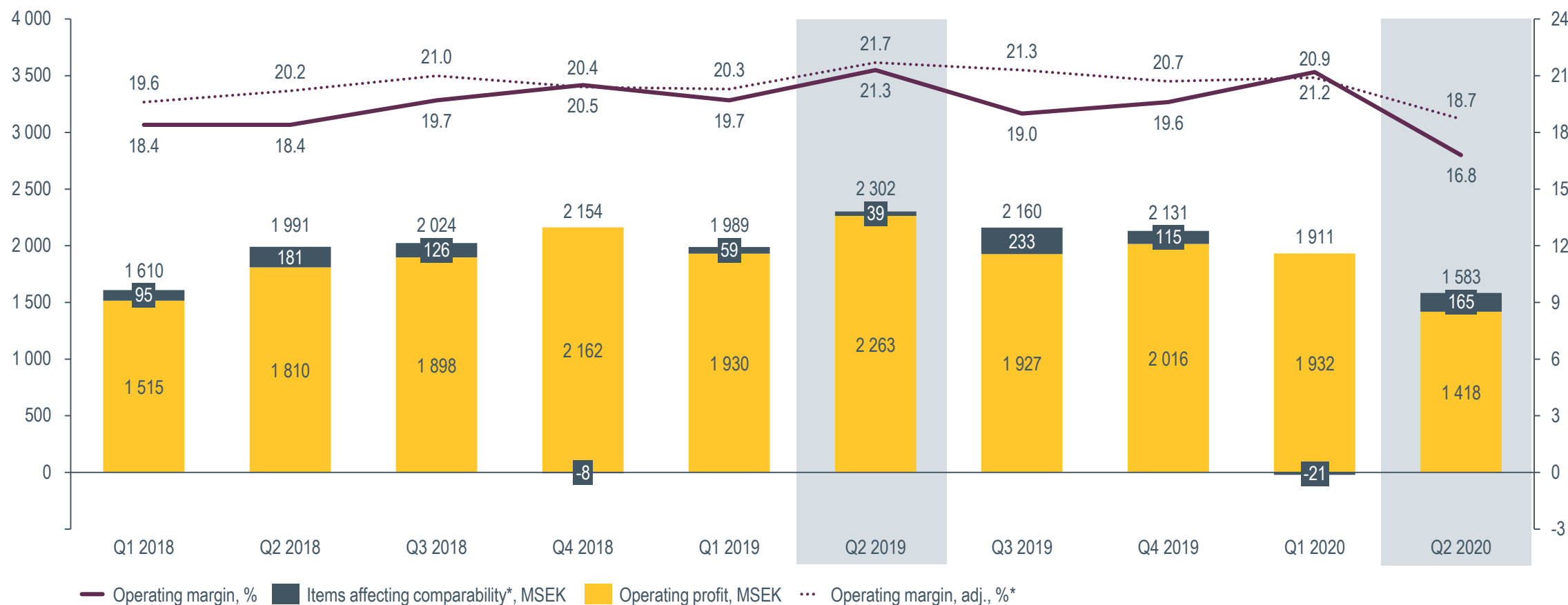
Financials



Operating profit and margin

Q2 2020

Operating profit and margin



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

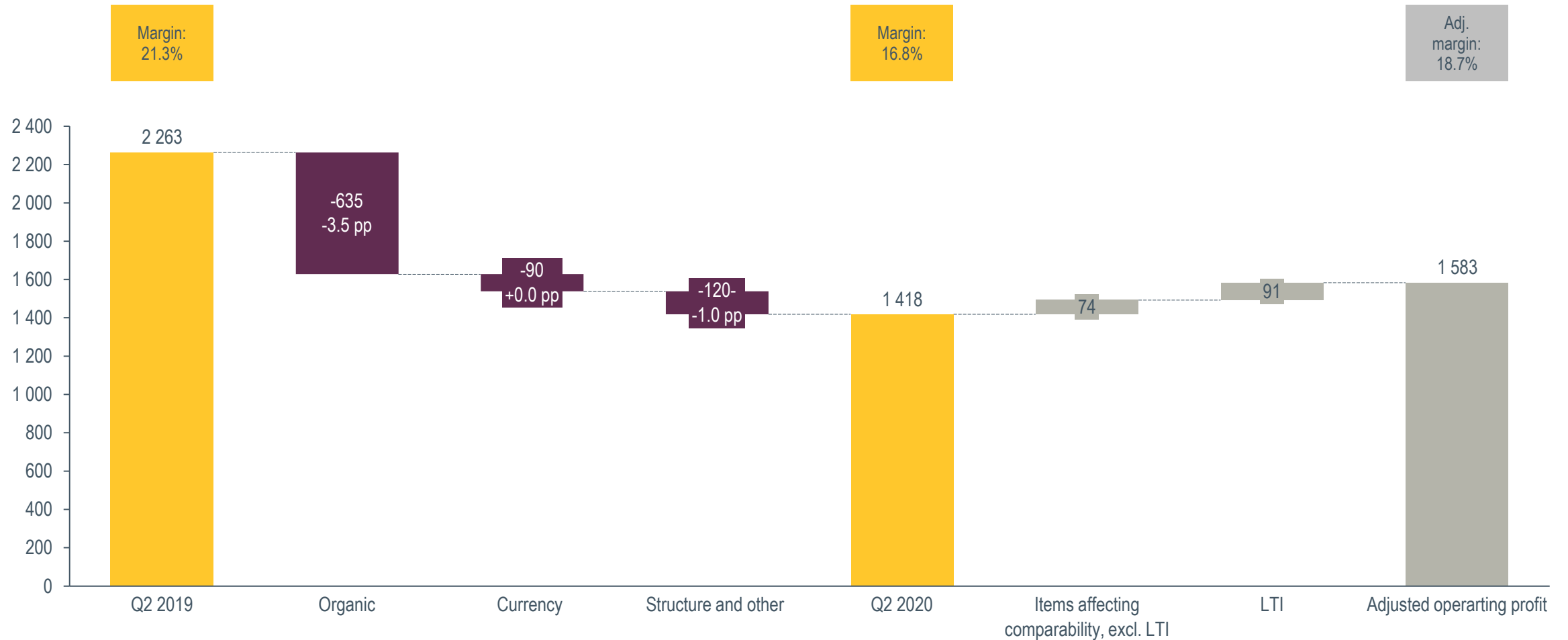
* Q2 2020 includes items affecting comparability of MSEK -165. Restructuring costs of MSEK -74 and change in provision for long-term incentive plans of MSEK -91.

All details can be found in the quarterly report.

Epiroc Group – Profit bridge



Looking into the numbers

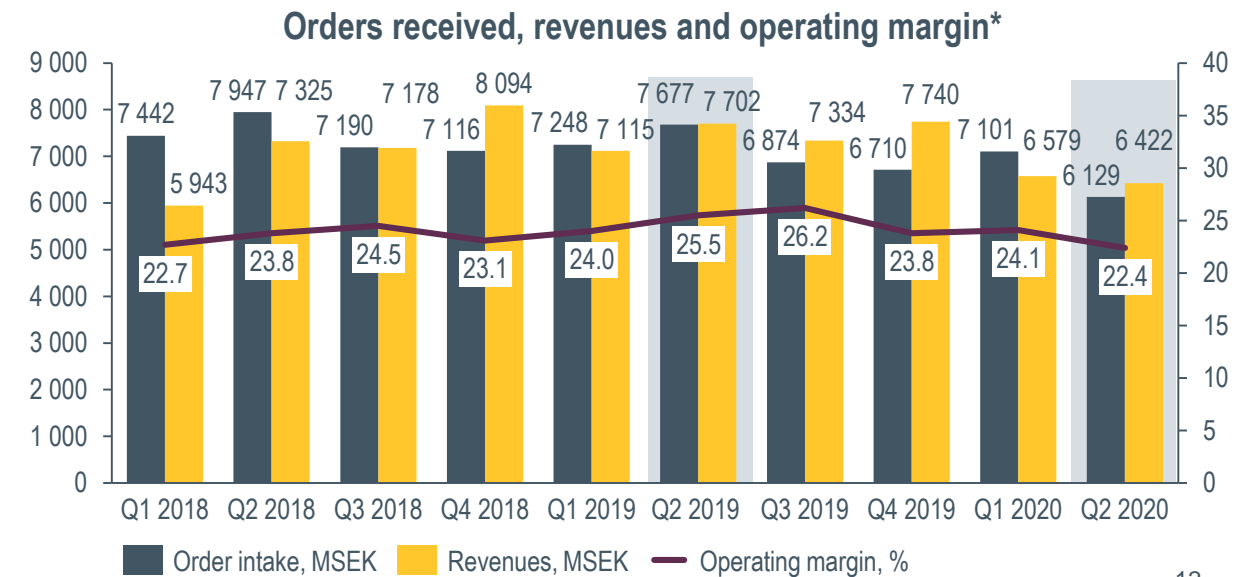
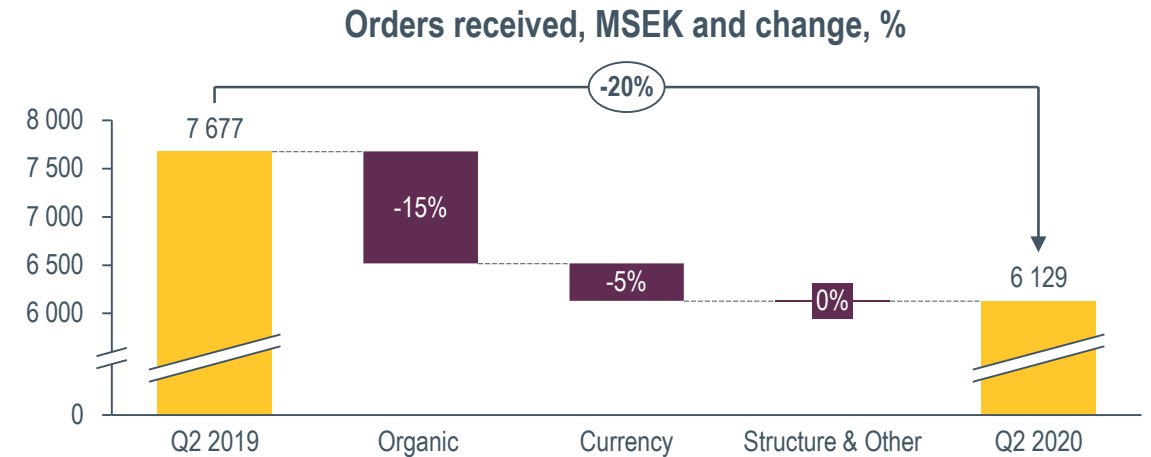


*"Structure and other" includes operating profit/loss from acquisitions and divestments, items affecting comparability, one-time items, and change in provision for share-based long-term incentive programs. *Items affecting comparability" includes change in provision for long-term incentive programs MSEK 74 and restructuring costs of MSEK 91.*

Segment: Equipment & Service

Q2 2020

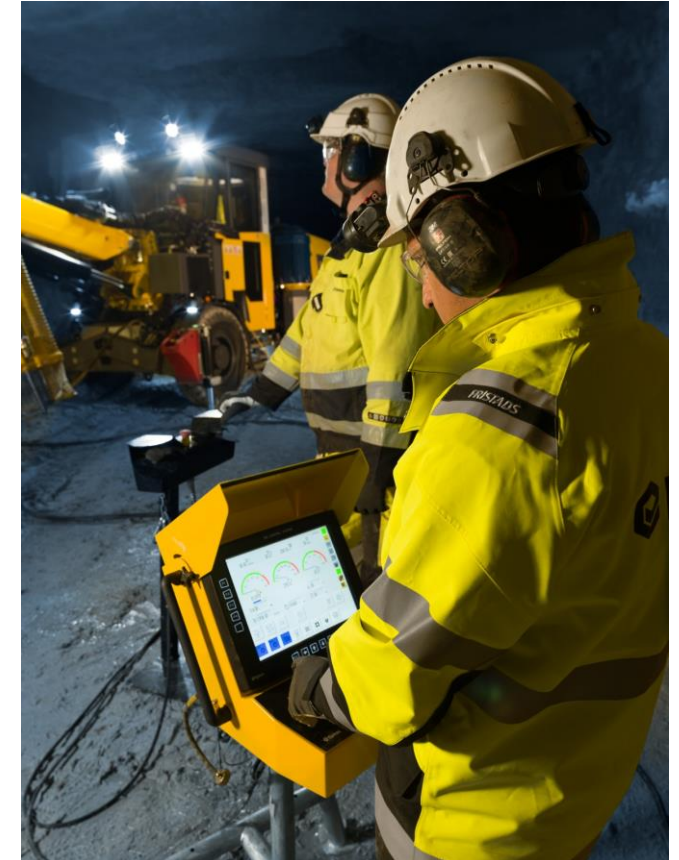
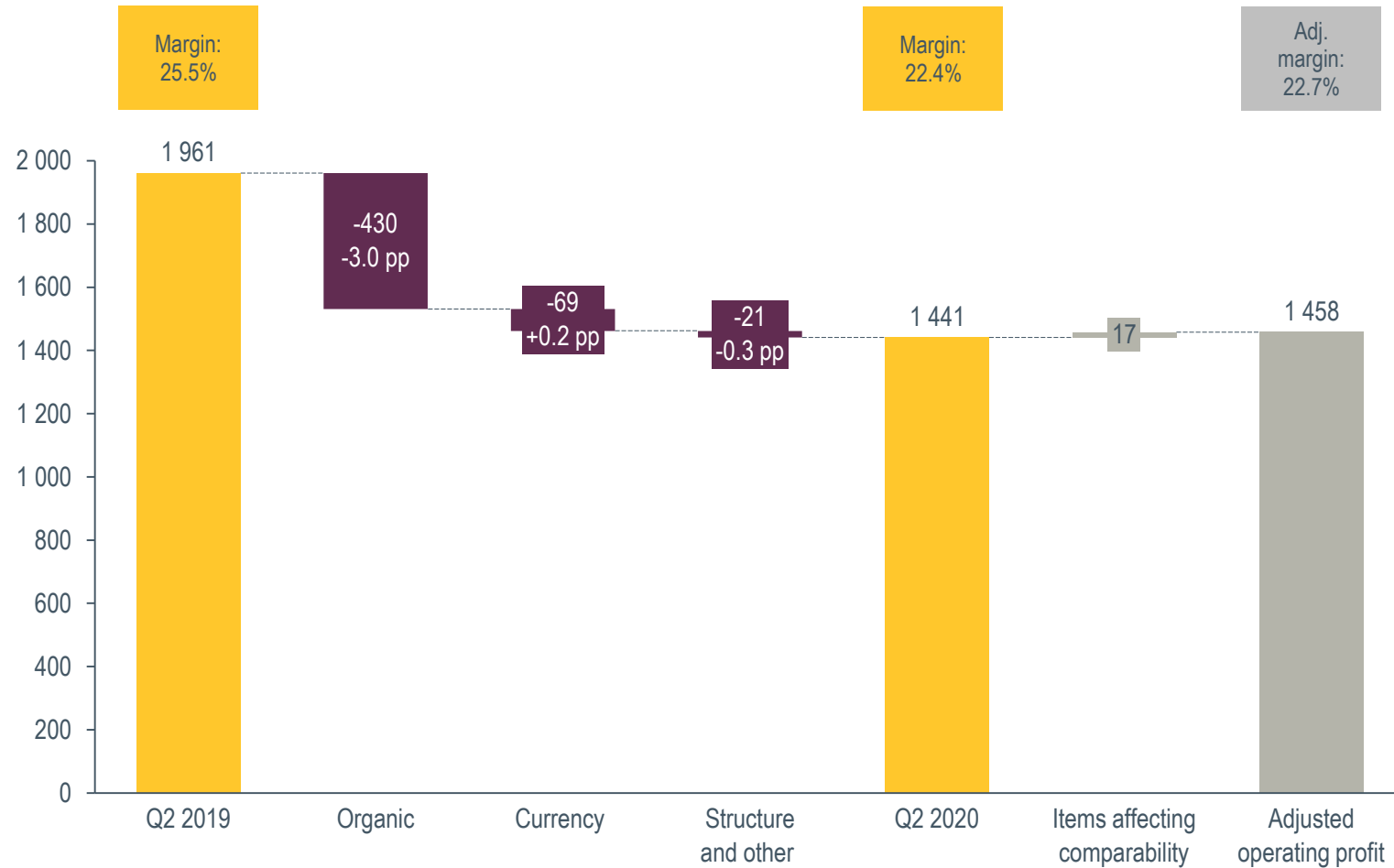
- Orders received -15% organic
 - Service orders -3% organic
 - Activity-driven demand impacted by restrictions
 - Equipment orders -29% organic
 - Large order from Codelco in Chile
- Revenues -13% organic
- Operating profit at MSEK 1 441 (1 961)
 - Reported margin of 22.4% (25.5)
 - Negative impact from lower volumes and restructuring costs of MSEK -17
 - Adjusted margin at 22.7%



As from Q2 2020, the Epiroc IT-function is included in the segment E&S instead of in common group functions. Figures for 2019 have been restated and are not material.

Equipment & Service – Profit bridge

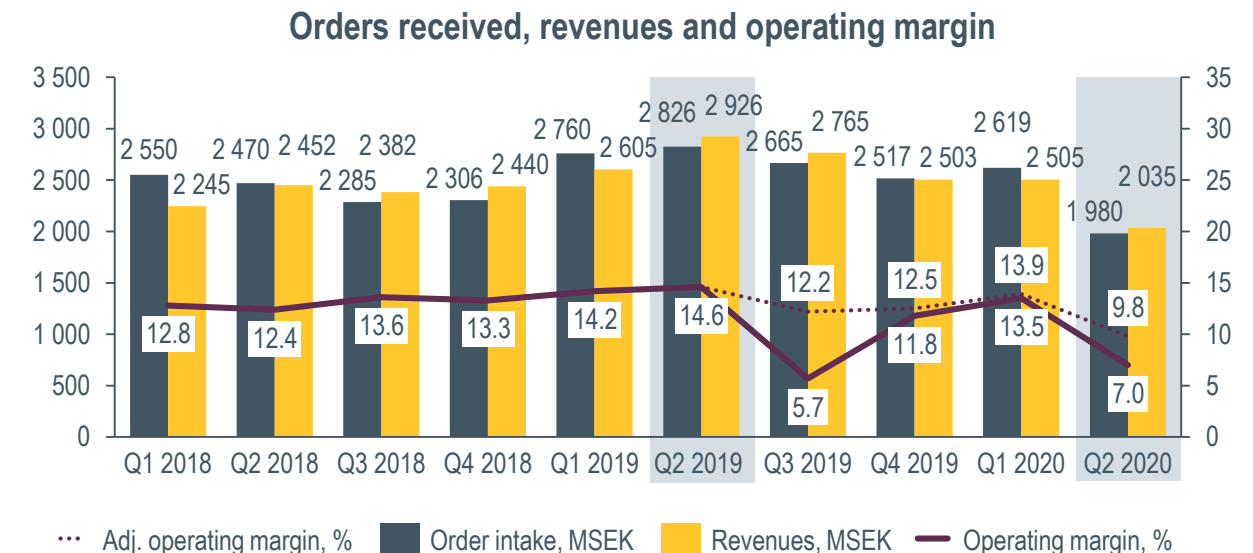
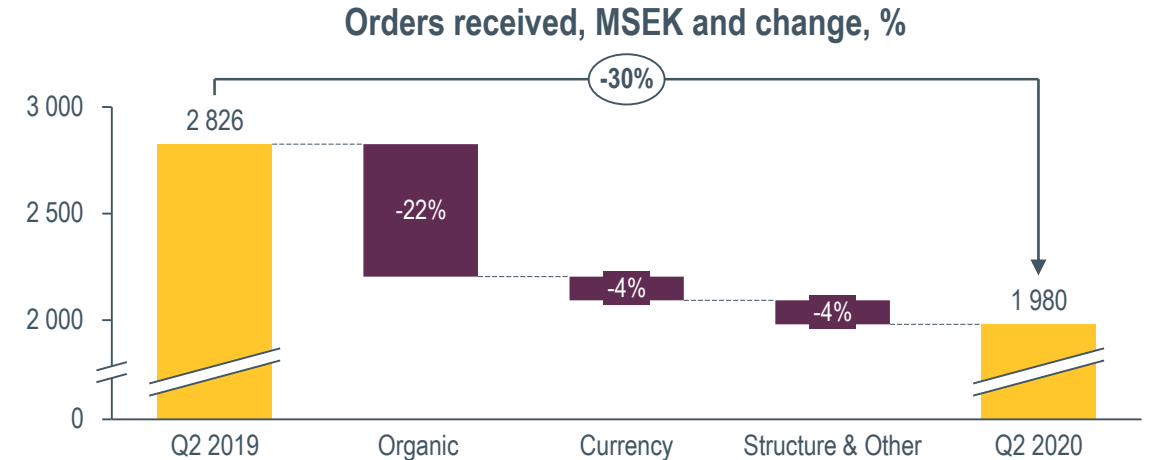
Looking into the numbers



Segment: Tools & Attachments

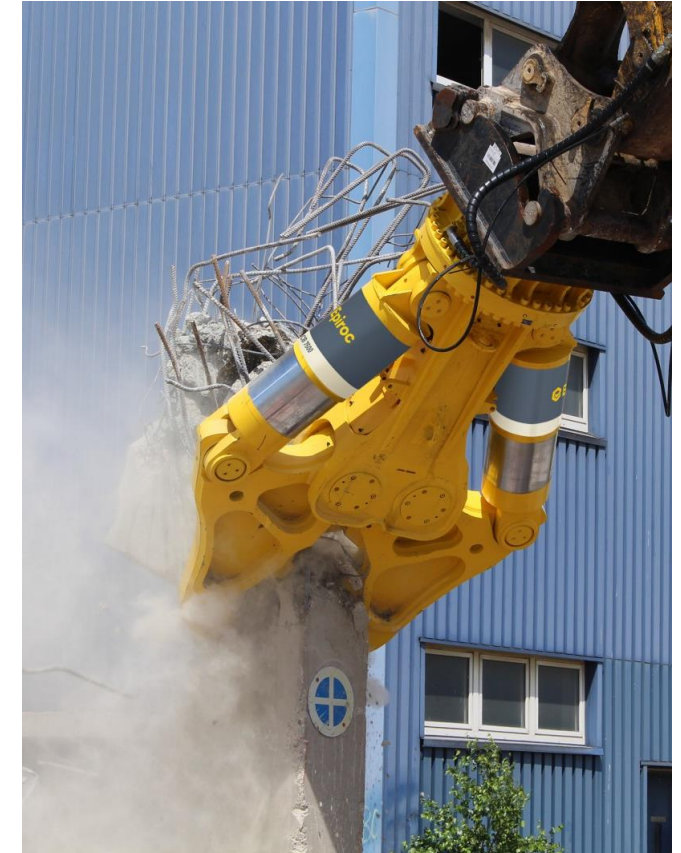
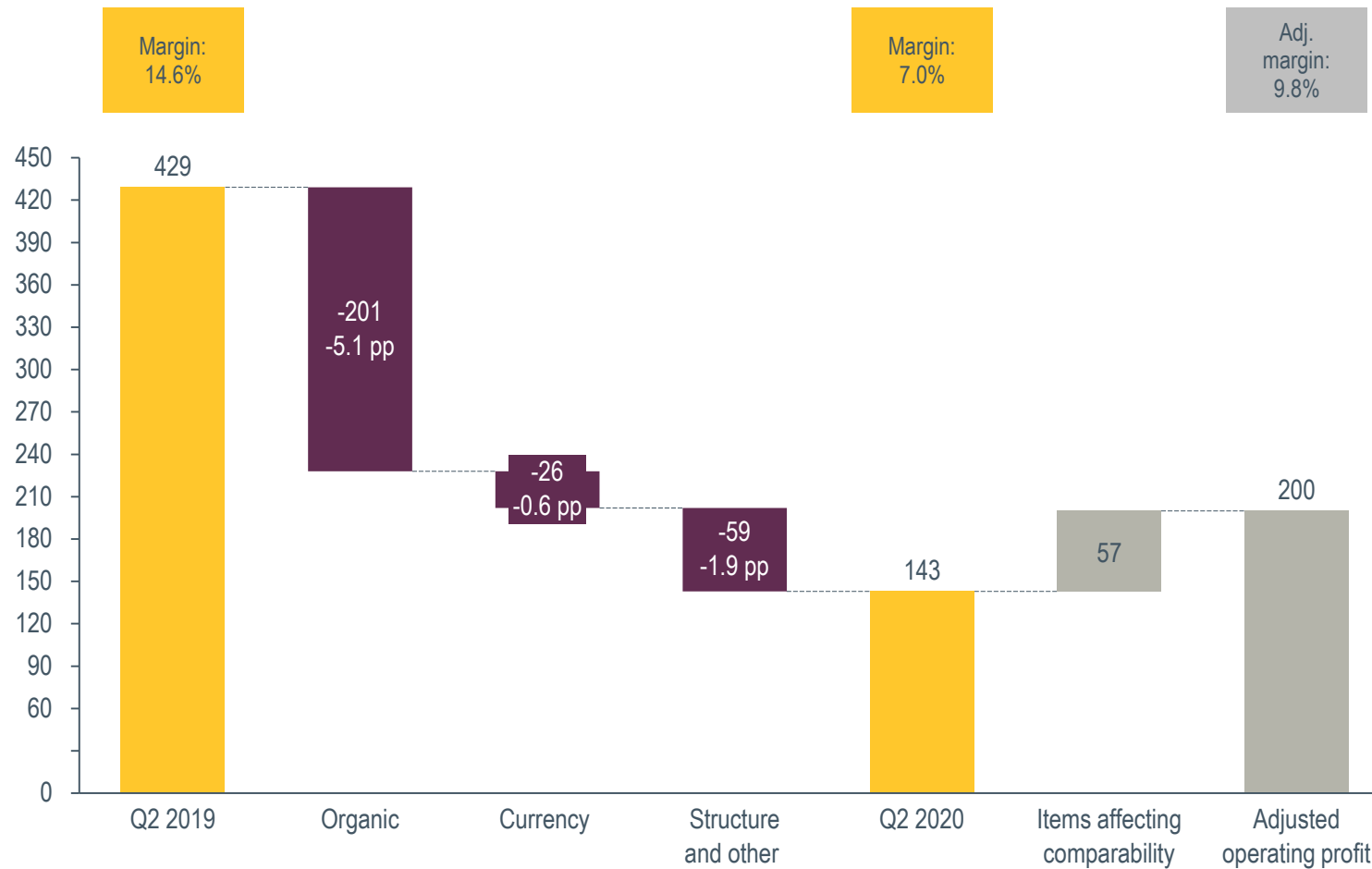
Q2 2020

- Orders received -22% organic
 - Decline relatively larger for hydraulic attachments
 - Large variations among countries depending on restrictions
- Revenues -22% organic
- Operating profit at MSEK 143 (429)
 - Reported margin of 7.0% (14.6)
 - Negative impact from lower volumes, underabsorption in manufacturing and restructuring costs of MSEK -57
 - Adjusted margin 9.8%



Tools & Attachments – Profit bridge

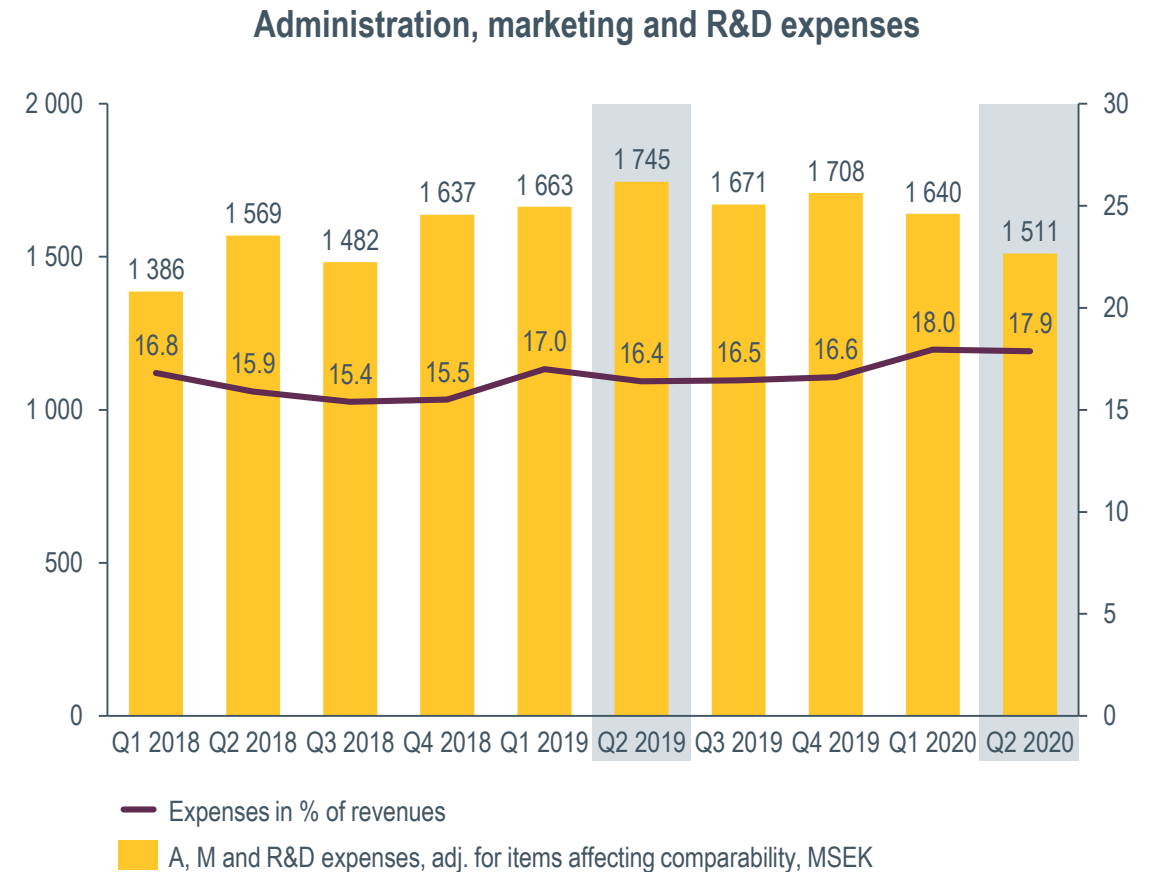
Looking into the numbers



Costs, net financials and tax

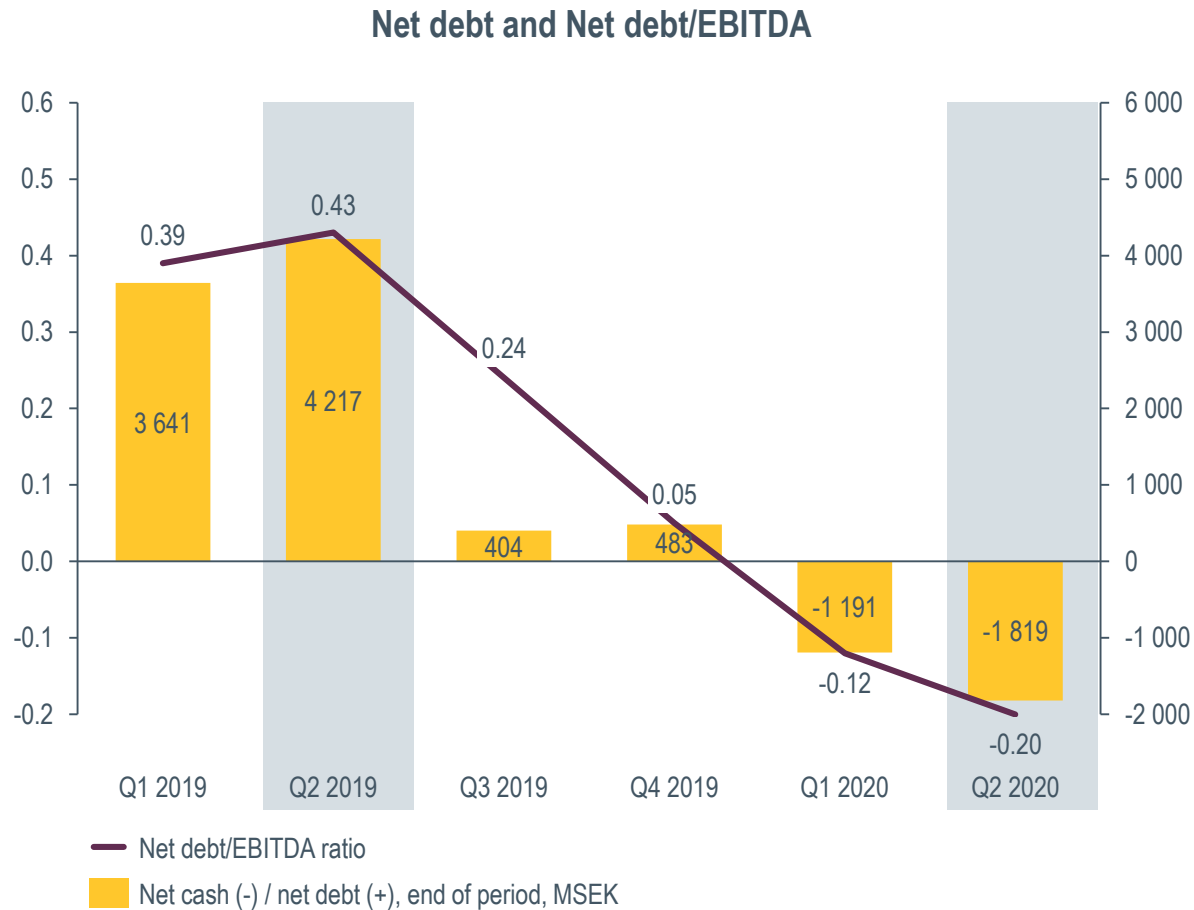
Q2 2020

- Lower costs
 - Quick adjustment to the situation
- Net financial items MSEK -51 (-38)
 - Interest net MSEK -19 (-57)
- Tax expense MSEK -340 (-545)
 - Effective tax rate 24.8% (24.5)
 - Guidance: below 25%



Capital structure

Q2 2020

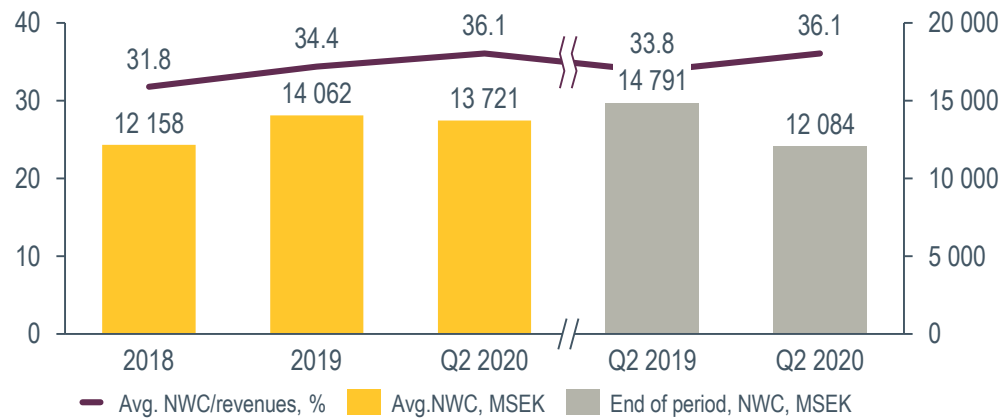


- Strong financial position
 - Net cash position of MSEK 1 819 (net debt position of MSEK 4 217)
 - Dividend paid: MSEK 1 445 (1.20 per share)
 - In response to Covid-19 uncertainty funding increased by MSEK 2 000
- Net debt/EBITDA ratio at -0.20 (0.43)

Capital efficiency

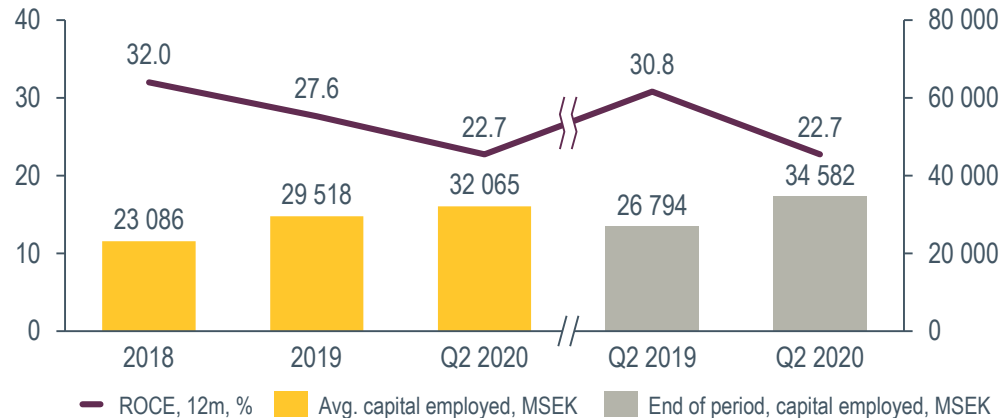
Q2 2020

Net working capital



- Net working capital decreased 12% ex. currency
 - Reduction in trade receivables and inventories
 - Trade payables also lower, which partly offset the improvement year-on-year

Capital employed and ROCE



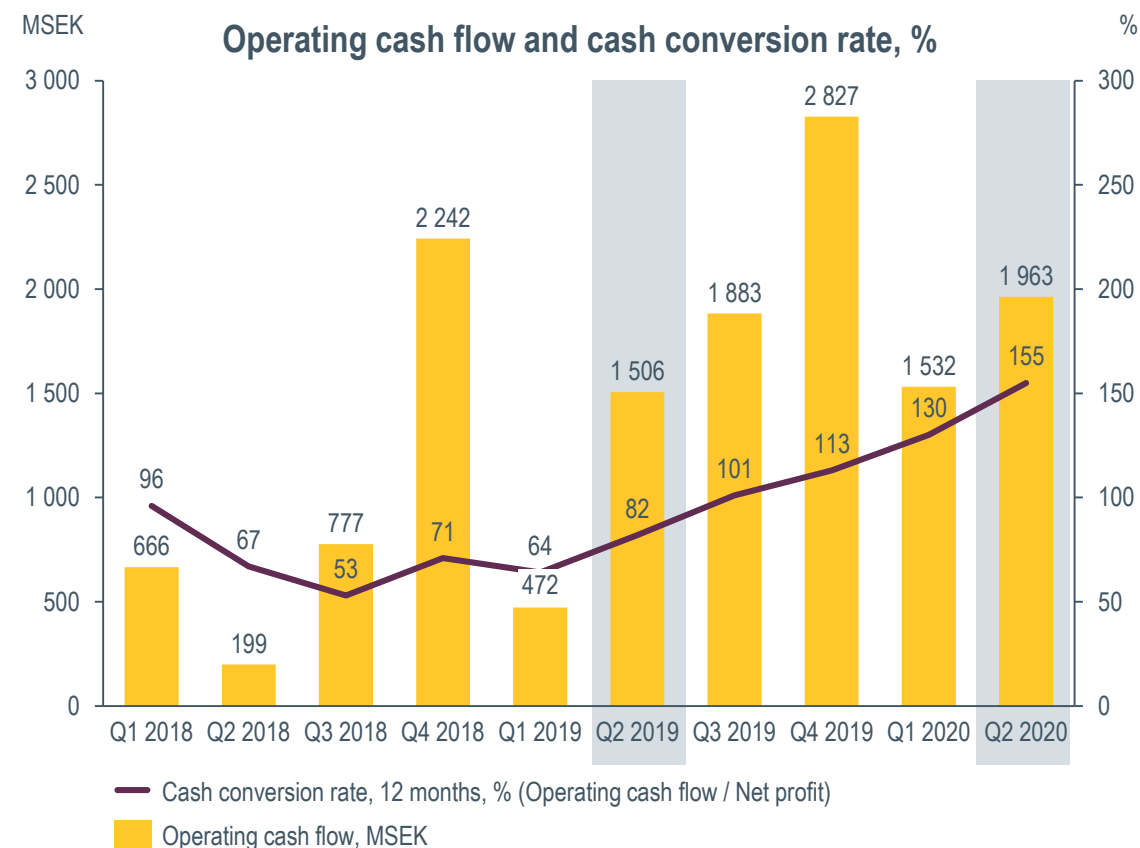
- ROCE at 22.7% (30.8)
 - Ratio impacted by lower profit and increased capital employed due to accumulation of cash, acquisitions, and IFRS 16 Leases

Strong operating cash flow

Q2 2020



MSEK	Q2 2020	Q2 2019
Operating profit	1 418	2 263
Depreciation, amortization and impairment	441	468
Capital gain/loss and other non-cash items	49	-36
	1 908	2 695
Net financial items received/paid	-32	-115
Taxes paid	-344	-690
Change in working capital	985	-131
Investments, incl. rental equipment*	-336	-397
Pension funding and other**	-218	144
Operating cash flow	1 963	1 506
Acquisitions and divestments	-28	-578



* 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



Agility in challenging times

Q2 summary

- Big impact from Covid-19
- Fast response
- Efficiency actions
- Service proving resilience
- Safeguarding innovation
- High sustainability ambition
- Strong cash flow and financial position





“We expect that the demand, both for equipment and for aftermarket, will continue to be negatively impacted by the pandemic in the near term.”



Q&A



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and commitment drives us to keep moving forward.
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to succeed today and the technology to lead tomorrow.

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