



Interim report Q3 2018

October 25, 2018

Per Lindberg, President and CEO

Anders Lindén, CFO



Key highlights

Q3 2018

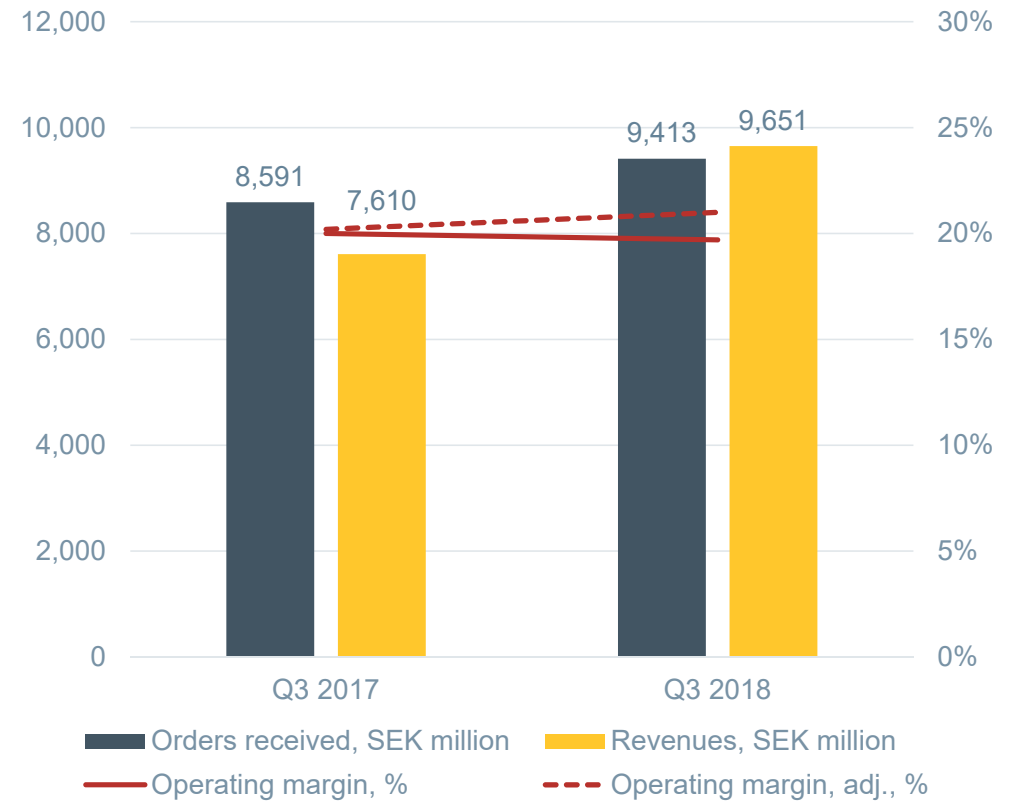
- A solid quarter
- Continued good customer demand
 - Organic growth vs. Q3 2017, but lower order intake than the past two record quarters
- Strong revenue and profit growth
- Improved underlying operating margin
- Operating cash flow
 - Sequential improvement but not satisfying
- Agreement to acquire Canadian manufacturer of exploration drilling tools



Key financials

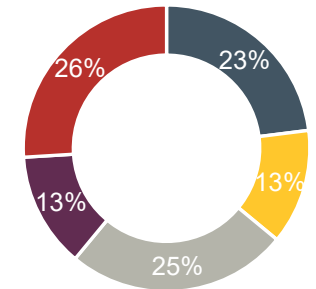
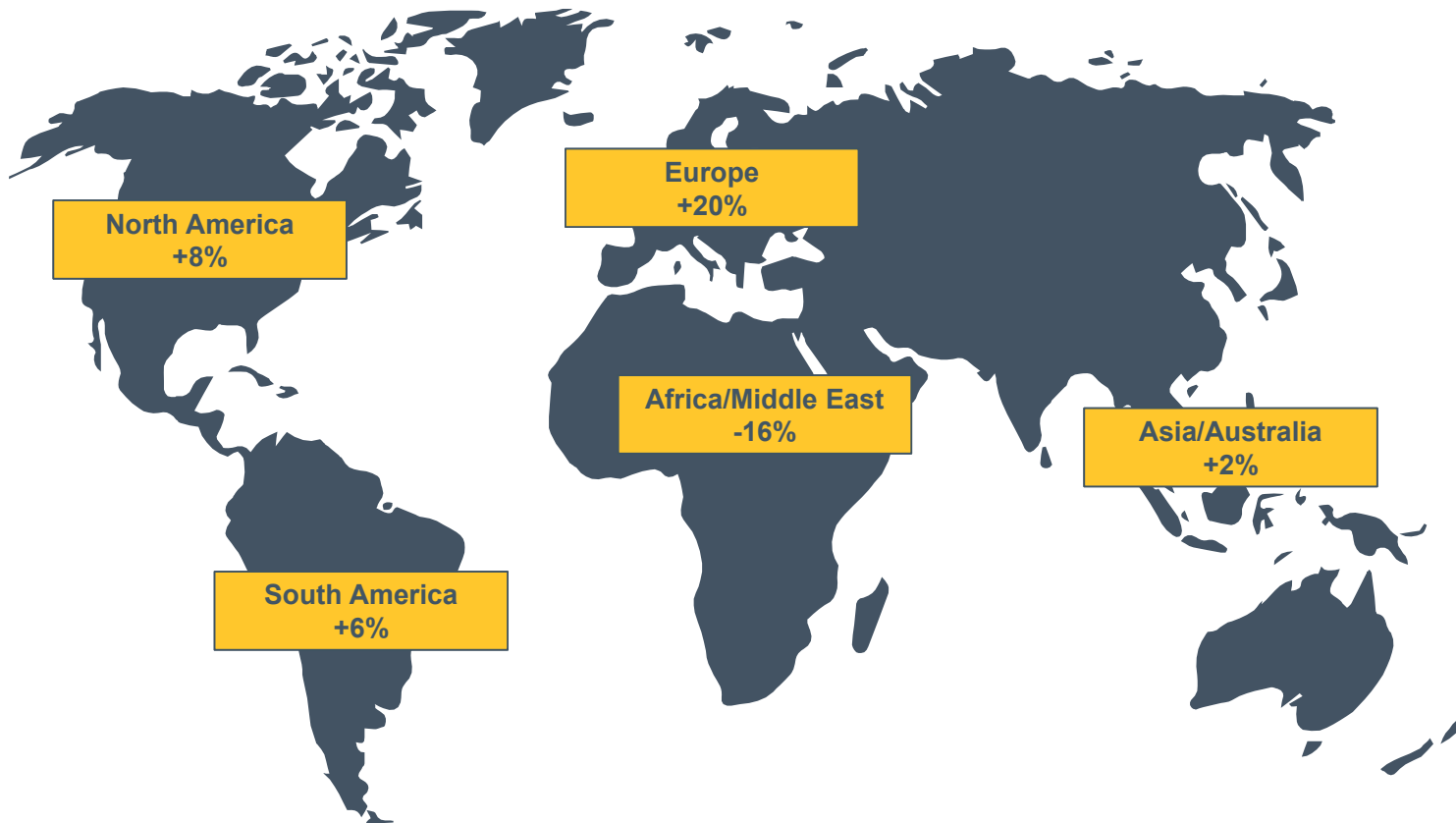
Q3 2018

- Organic order growth of 3%
- Organic revenue growth of 19%
- Book to bill 98%
- Reported operating profit SEK 1,898 million (1,520) – margin 19.7% (20.0)
 - Costs for split and change in provision for incentive programs SEK 126 million (15)
 - Adjusted operating margin 21.0% (20.2)
- Basic earnings per share SEK 1.18 (0.88)
- Operating cash flow SEK 777 million (1,242)

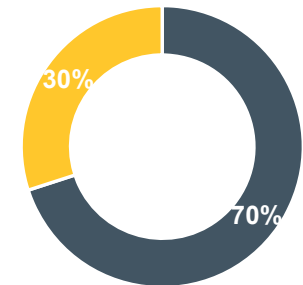


Orders received

Q3 2018 – change in local currency

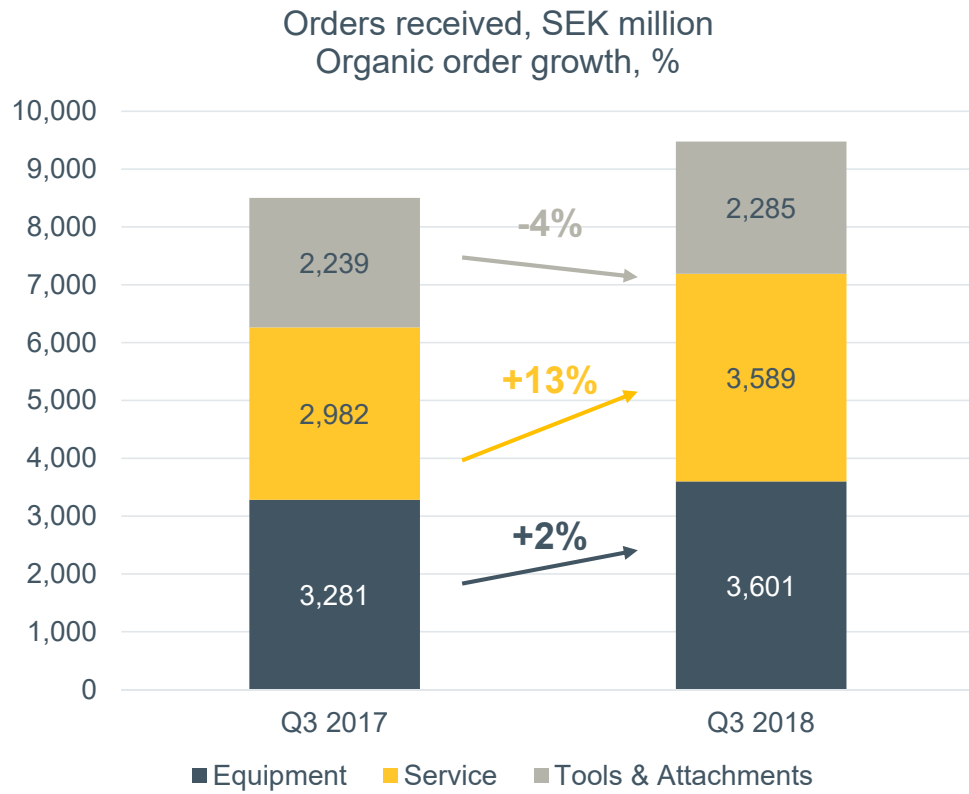


- North America
- South America
- Europe
- Africa/Middle East
- Asia/Australia

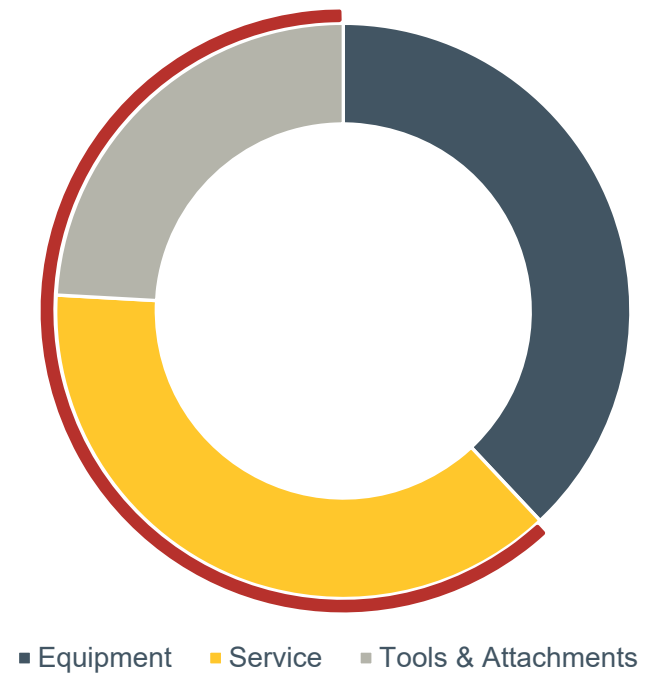


- Mining
- Infrastructure and other

Segments

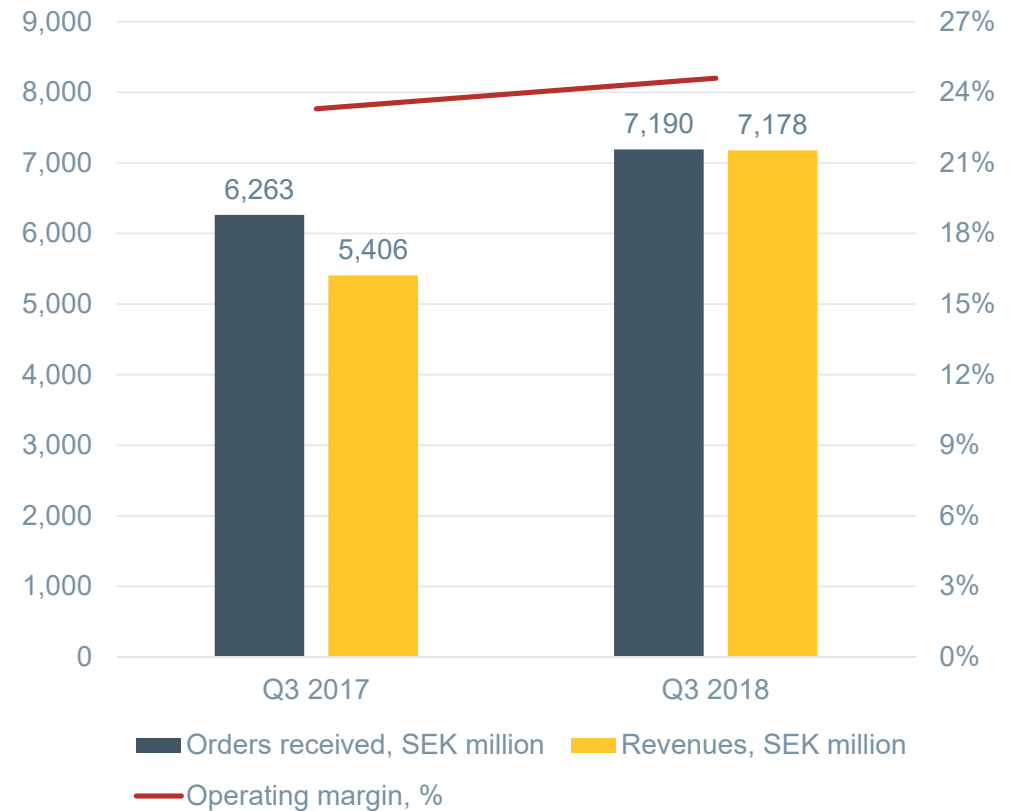


Orders received
Q3 2018 - aftermarket 62%



Equipment & Service

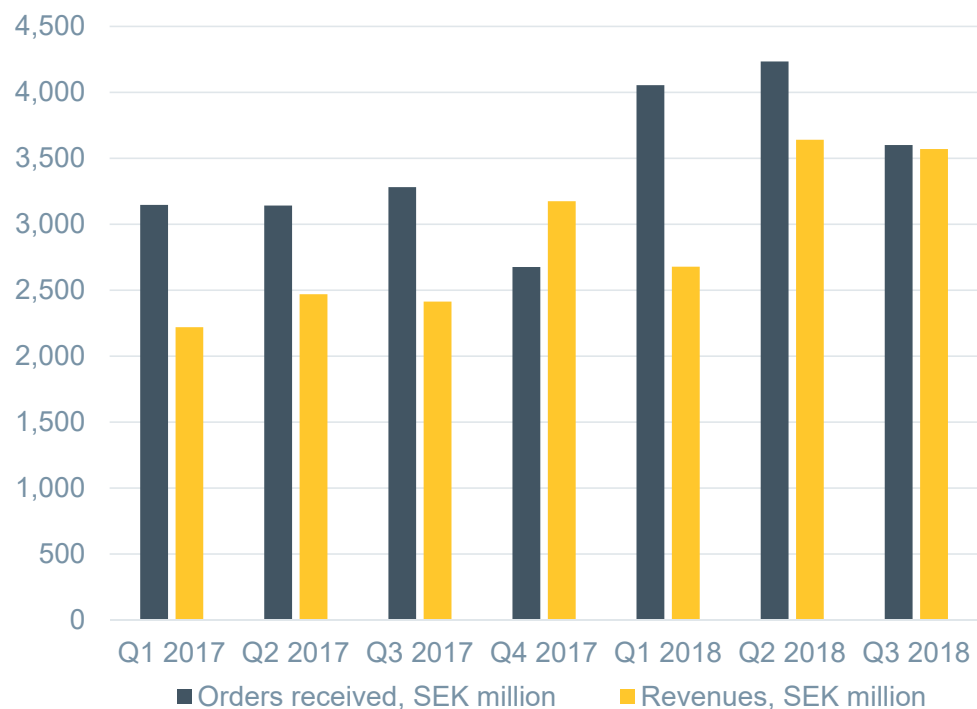
- Good sentiment in the market
- Organic order growth of 7%
 - Equipment +2%
 - Service +13%
- Organic revenue growth of 25%
- Book to bill at 100%
- Operating margin increased to 24.6% (23.3)



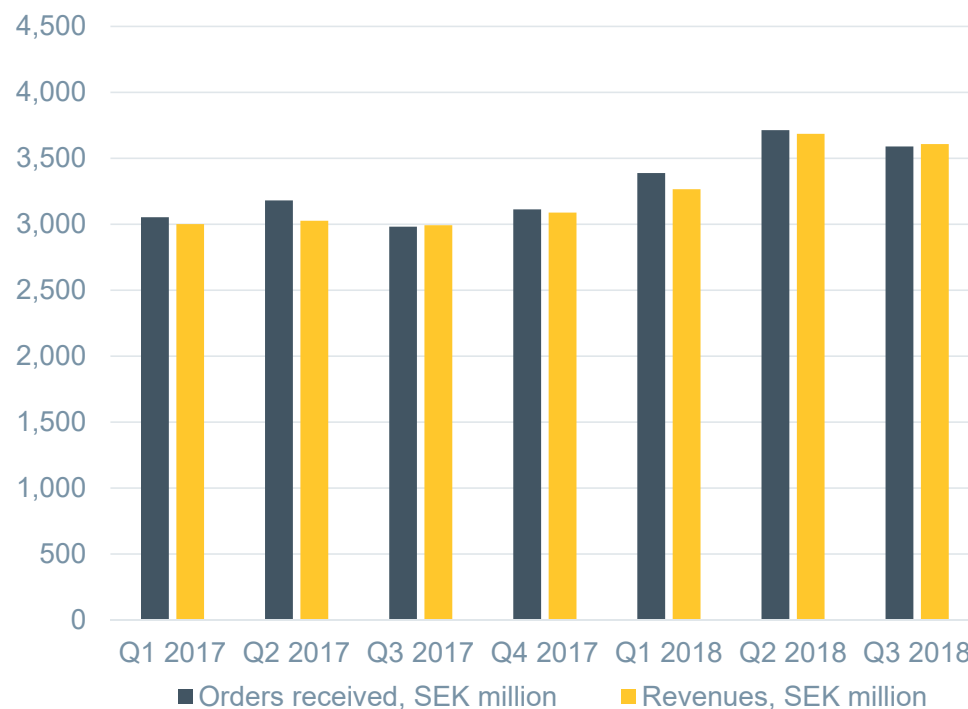
Equipment & Service



Equipment



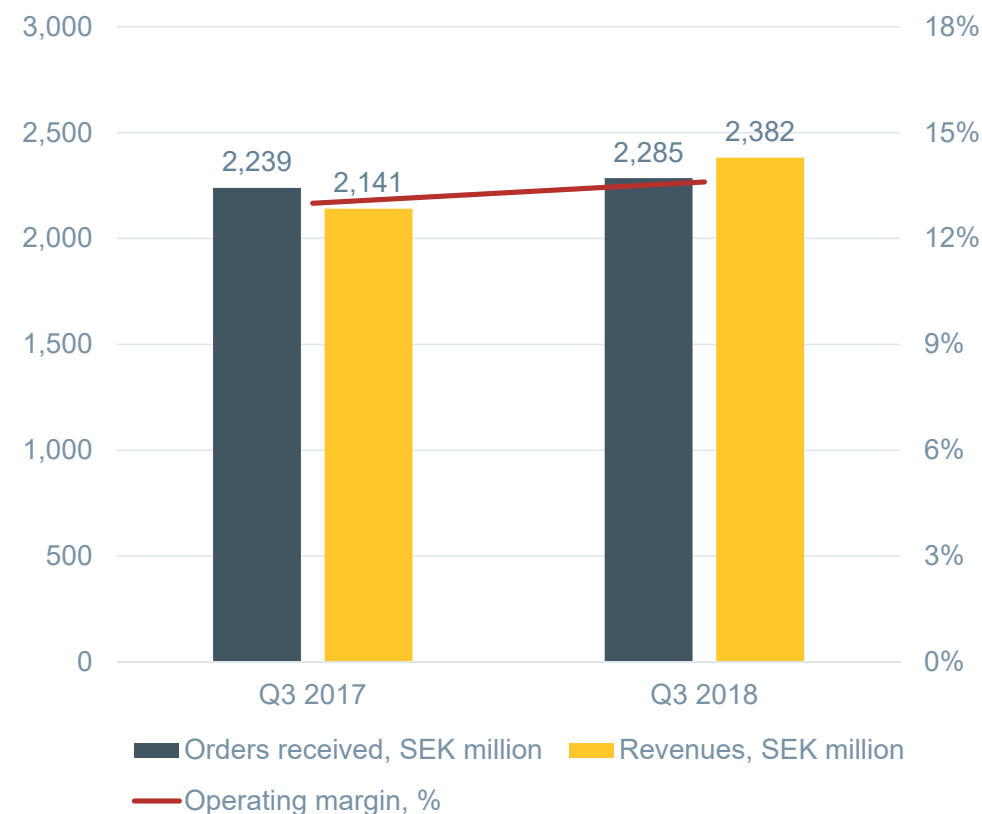
Service



Tools & Attachments



- Good business environment
- Organic order decline of 4%
 - Strong 2017 comparisons, impact from measures to improve product mix and efficiency actions
- Organic revenue growth of 5%
- Book to bill at 96%
- Operating margin was 13.6% (13.0)
- Agreement to acquire Canadian manufacturer of exploration drilling tools



Business development / Innovations



Q3 2018

- Continued strong interest in automation
 - Control Tower in Örebro
- Innovations
 - Minetruck 2200
 - New range of reverse circulation drill pipes
 - Second generation of battery-powered equipment to be presented in Q4





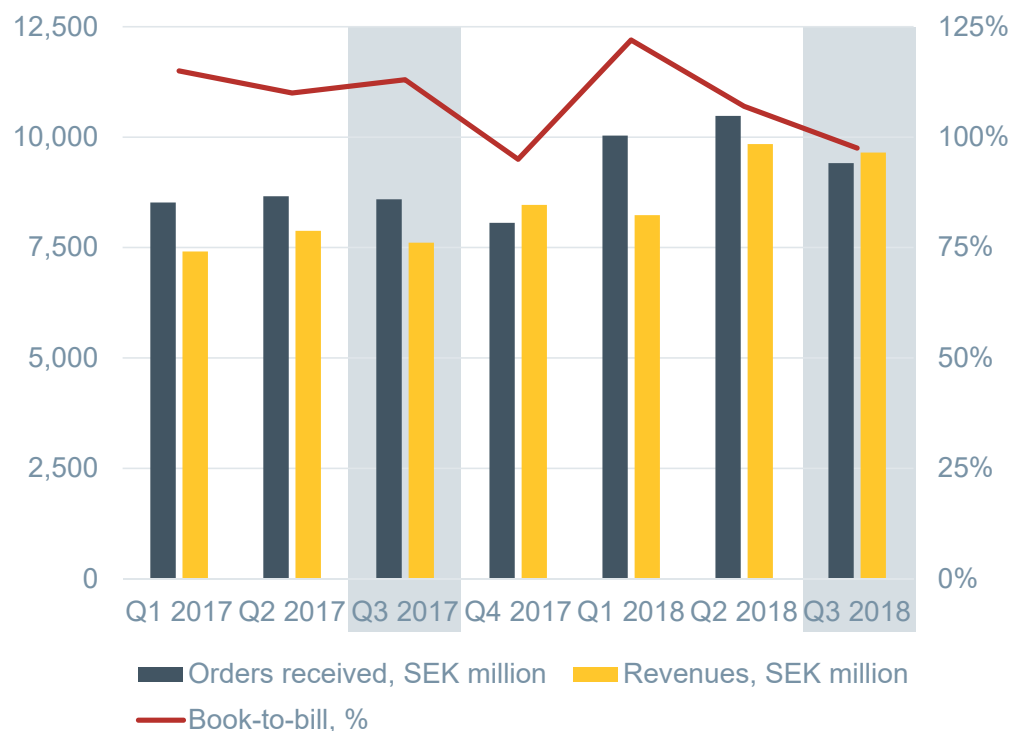
Financials



Orders received and revenues

Q3 2018

Trend



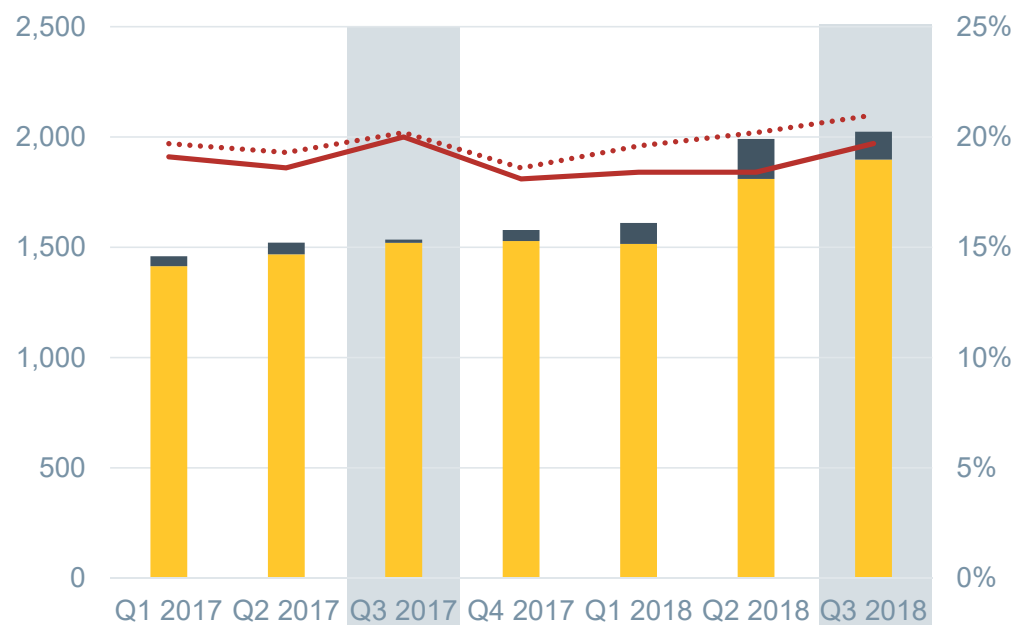
Sales bridge

	Orders received SEK million Δ , %	Revenues SEK million Δ , %
Q3 2017	8,591	7,610
Organic	+3	+19
Currency	+5	+5
Structure and other	+2	+3
Total	+10	+27
Q3 2018	9,413	9,651

Operating profit and margin

Q3 2018

Trend



Split and incentive*, SEK million
 Operating profit, SEK million
 Operating margin, %
 Operating margin, adj., %

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

Profit bridge

	Operating profit SEK million	Margin, % Δ, pp
Q3 2017	1,520	20.0
Organic	+309	+0.2
Currency	+168	+1.0
Structure and other	-99*	-1.5
Total	+378	-0.3
Q3 2018	1,898	19.7

*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and changes in provision for share-based long-term incentive programs.

Profit bridges – segments

Q3 2018

Equipment & Service

	Operating profit SEK million	Margin, % Δ, pp
Q3 2017	1,261	23.3
Organic	+348	+0.5
Currency	+145	+1.2
Structure and other	+10*	-0.4
Total	+503	+1.3
Q3 2018	1,764	24.6

*Includes operating profit/loss from acquisitions and contract manufacturing.

Tools & Attachments

	Operating profit SEK million	Margin, % Δ, pp
Q3 2017	279	13.0
Organic	+17	+0.1
Currency	+25	+0.5
Structure and other	+3*	+0.0
Total	+45	+0.6
Q3 2018	324	13.6

*Includes operating profit/loss from acquisitions.

Income statement



SEK million	Q3 2018	Q3 2017*
Revenues	9,651	7,610
Cost of sales	-6,095	-4,874
Gross profit	3,556	2,736
<i>Gross profit margin</i>	36.8%	36.0%
Marketing and administration expenses	-1,321	-995
Research and development expenses	-217	-189
Other expenses from operations	-120	-32
Operating profit	1,898	1,520
<i>Operating margin</i>	19.7%	20.0%
Net financial items	-37	-19
- of which interest net	-34	-13
Profit before tax	1,861	1,501
<i>Profit margin</i>	19.3%	19.7%
Income tax expense	-449	-434
<i>Tax rate</i>	24.1%	28.9%
Profit for the period	1,412	1,067

*Financial statements prior to 2018 are combined.

- Costs for split and long-term incentive programs SEK 126 million (15)
- Corporate costs SEK 63 million
- Interest net impacted by hedging
- Tax rate 24.1%

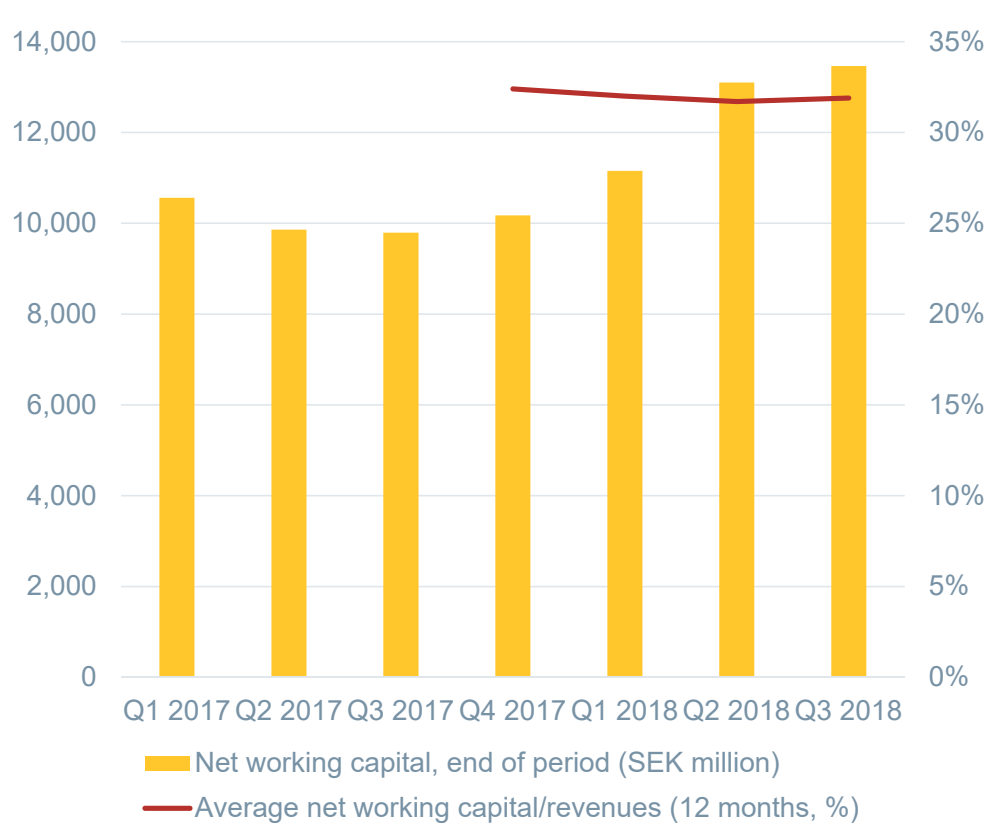
Balance sheet

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 liabilities	7,095	7,104	7,239
Non-interest-bearing liabilities	9,986	7,997	8,261
Total equity and liabilities	34,487	27,622	27,547

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- Increase in working capital

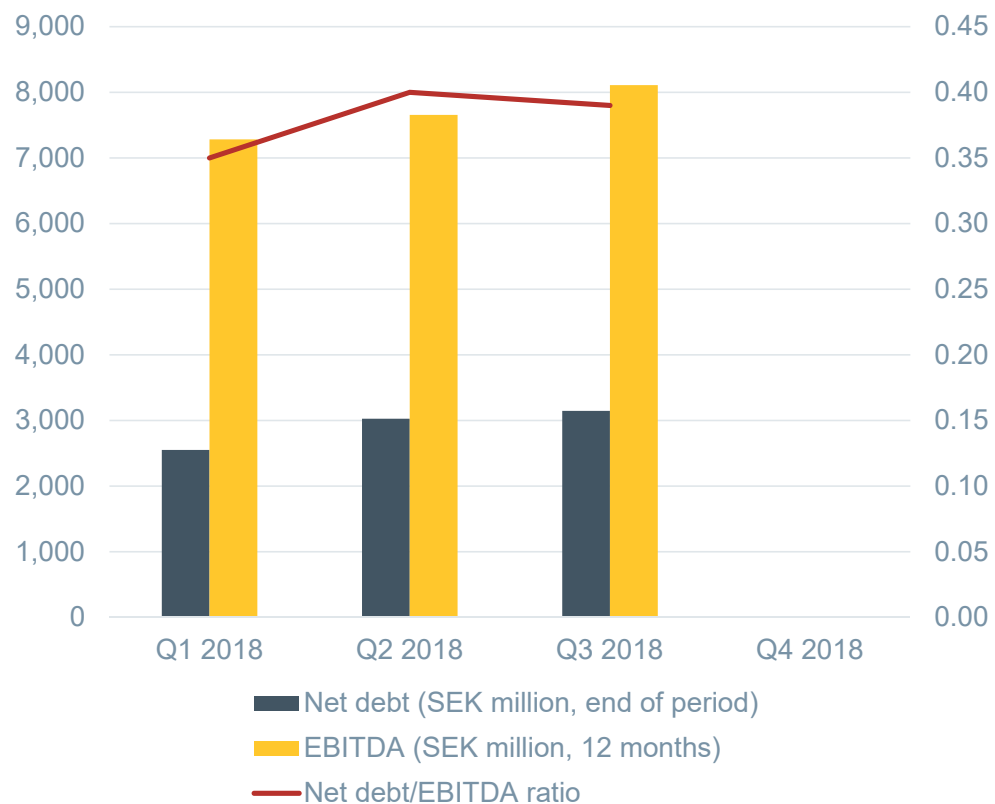
Epiroc Group - Net working capital



*Financial statements prior to 2018 are combined.

- Average net working capital/revenues 31.9%
- Strong volume growth increased customer receivables and inventories
- Supply-chain program progressing according to plan

Epiroc Group - Net debt



- Net debt SEK 3,146 million
- Net debt/EBITDA 0.39
- Share repurchases of SEK 1,1 billion, net, in the quarter

Cash flow



SEK million	Q3 2018	Q3 2017*
Operating profit	1,898	1,520
Depreciation, amortization and impairment	362	285
Capital gain/loss and other non-cash items	199	3
	2,459	1,808
Net financial items received/paid	-88	27
Taxes paid	-741	-210
Pension funding	-10	-26
Change in working capital	-599	-114
Increase in rental equipment, net	-101	-66
Net cash from operating activities	920	1,419
Investments in PPE, net	-128	-69
Investments in intangible assets	-102	-108
Other investments, net	292	3,043
Other adjustments	-205**	-3,043***
Operating cash flow	777	1,242
Acquisitions of subsidiaries	-	6

*Financial statements prior to 2018 are combined.

**Mainly currency hedges of loans and divestment of Payment Solutions credit portfolios.

***Mainly changes in cash-pool with Atlas Copco and currency hedges of loans.

- Increased profit
- Higher taxes paid
- Working capital increased
- Net financial items paid/received impacted by payments related to currency hedges
 - Hedges not part of operating cash flow
- Divestment of some Payment Solutions credit portfolios



Summary



Summary

- A solid quarter
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- Strong revenue and profit growth
- Improved underlying operating margin
- Operating cash flow
 - Sequential improvement but not satisfying
- Agreement to acquire Canadian manufacturer of exploration drilling tools
- Near-term demand expected to remain at current level





Q&A





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Performance unites us, innovation inspires us,
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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