

Interim report Q3 2019

October 25, 2019

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Growth in aftermarket, lower equipment demand

Key highlights Q3 2019

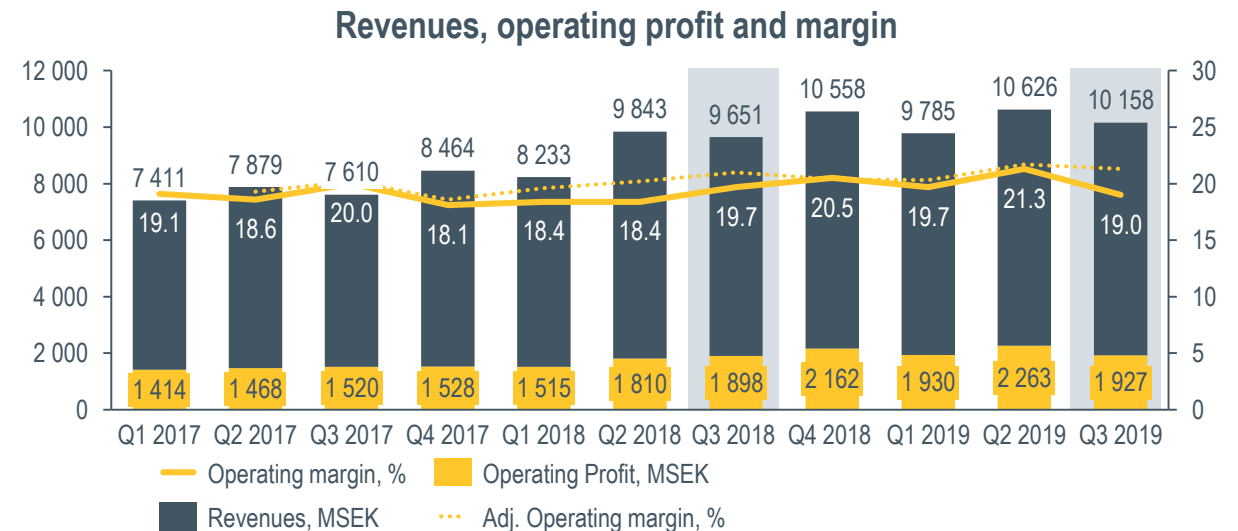
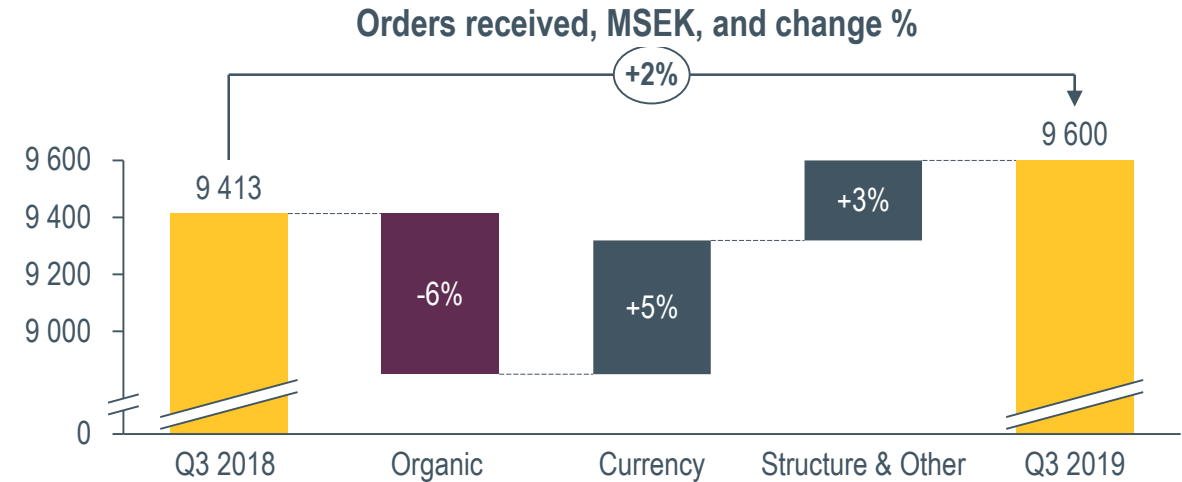


- Strong aftermarket - High customer activity
- Solid and improved underlying margin
 - Revenue mix positive
- Good cash flow
- High interest for automation and information management, and for battery-electric vehicles
- Order intake of equipment lower than expected
 - Infrastructure relatively weaker than mining
- Actions to improve resilience and safety
 - Restructuring in Tools & Attachments

Key financials Q3 2019



- Order intake up 2%, -6% organic
- Revenues up 5%, -3% organic
- Operating profit up 2%
 - Currency and acquisitions contributed positively
 - Restructuring costs of MSEK 179 in Tools & Attachments
- Margin at 19.0% (19.7)
 - Adjusted for restructuring costs and LTI at 21.3%
- Operating cash flow improved to MSEK 1 883 (777)



Leading the way in innovation

Q3 2019



- Strong market attention for the 6th Sense automation and information management solutions
- A large mining equipment service contract won in Chile with possible implementation of automation features
- No. of connected machines increasing rapidly
- Strong interest for battery-electric equipment
- Scooptram Automation Total
- Mobilaris Onboard™
- New Powerbit Underground



Scooptram ST14 Battery and Minetruck MT42 Battery at Agnico Eagle's Kittilä mine, Finland.

The batteries are supplied from Northvolt, aiming for minimal carbon footprint and the highest levels of recycling

Continuous strive to improve operational excellence

Q3 2019

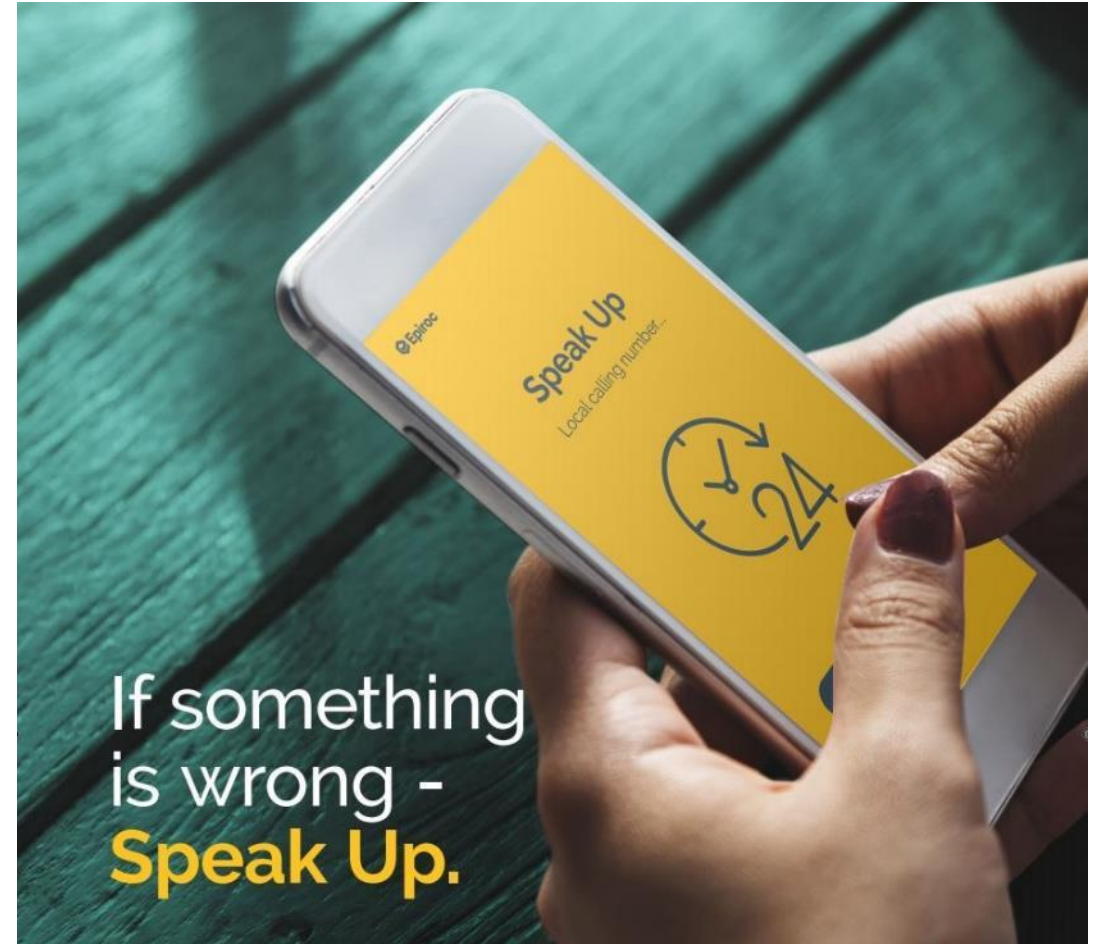
- Workforce reduced by 500 organically in 2019
- Further efficiency improvements will be carried out in the coming quarters and expected to give visible effects in the first half of 2020
- Divestment of geotechnical consumables product line in Tools & Attachments
- Restructuring of handheld rock drilling tools in China
- Supply chain program progressing according to plan
- Expansion of a production facility in Örebro, Sweden



Sustainability as a competitive advantage

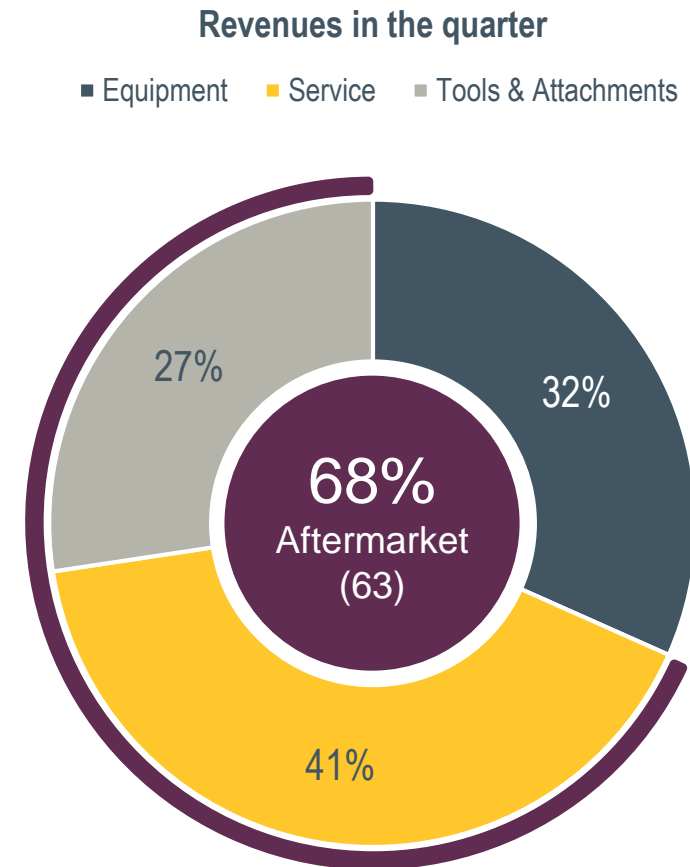
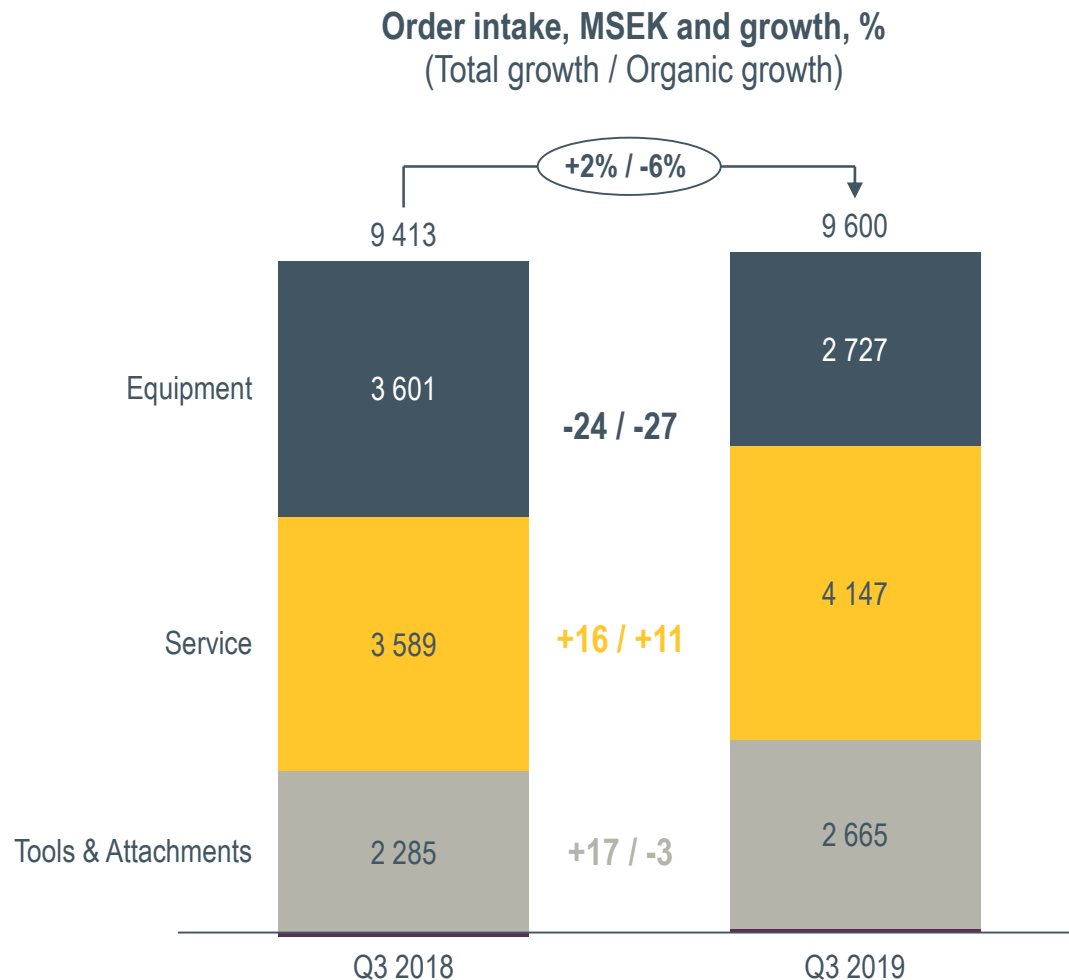
Q3 2019

- Safety and well-being
 - Positive trend in reducing work-related injuries
- Highest ethical standards
 - “Speak Up” launched
- Passionate people and courageous leaders
 - Epiroc Days – Leaders committed to value creation for all stakeholders
- Responsible use of resources
 - CO₂ emissions from transport improved
 - Energy/CoS decreased



High proportion of recurring business

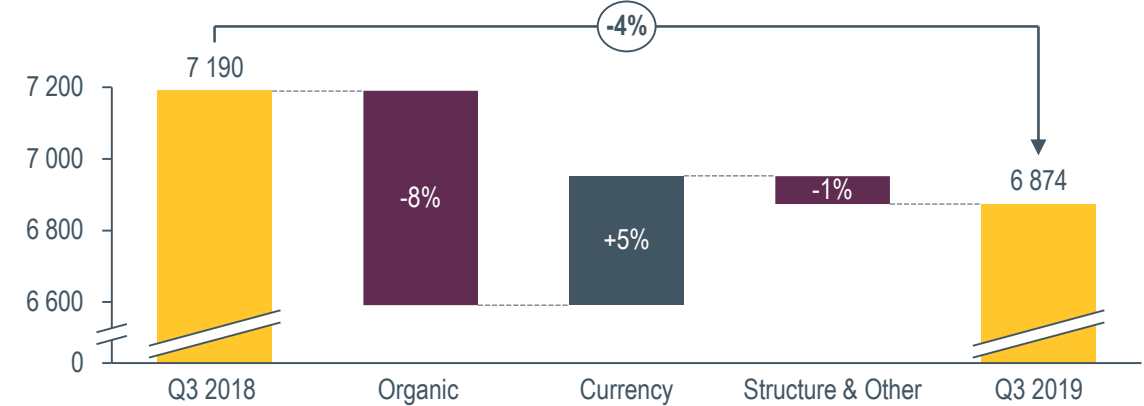
Per segment Q3 2019



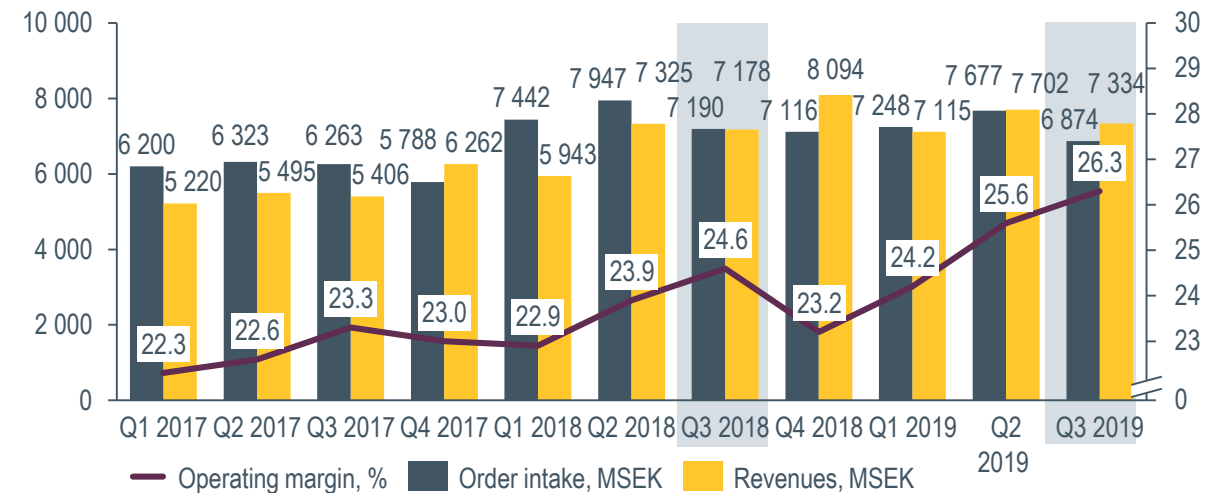
Segment: Equipment & Service

- Orders received down 4%, -8% organic
 - High customer activity
- Service orders up 11% organic
 - Investment decisions postponed
 - Cancellation of large order
- Revenues up 2%
 - Supported by currency
- Margin increased to 26.3% (24.6)
 - Positive revenue mix

Orders received, MSEK and change, %

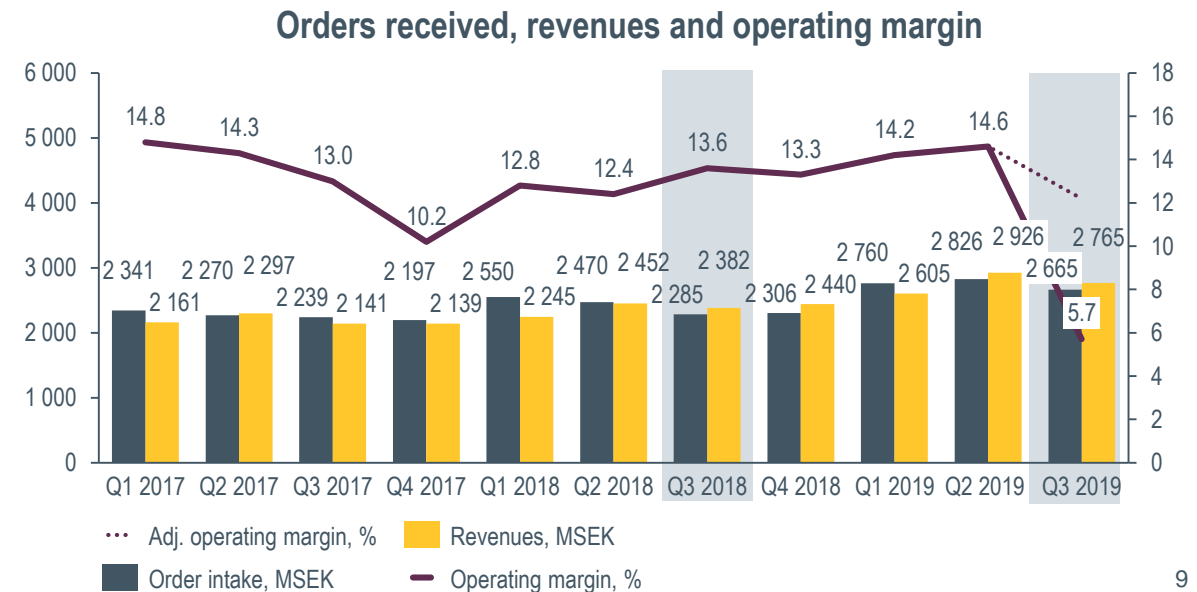
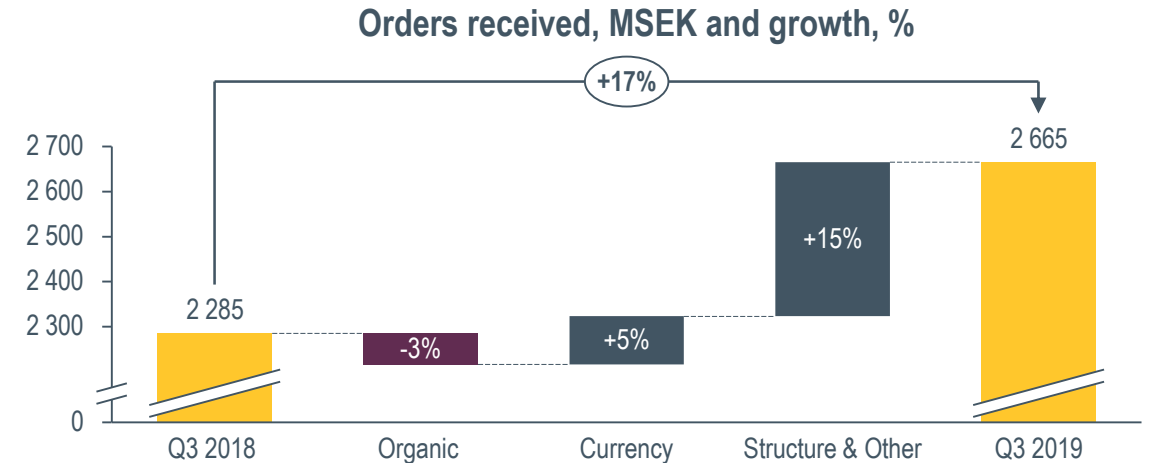


Orders received, revenues and operating margin



Segment: Tools & Attachments

- Orders received up 17%, -3% organic
 - Rock drilling tools orders negatively impacted by optimization of product offering
 - Hydraulic attachment tools decreased organically
- Revenues up 16%, -3% organic
- Margin of 5.7% (13.6)
 - Restructuring cost of MSEK 179
 - Handheld rock drilling tools in China
 - Divestment of geotechnical consumables
 - Adj. for restructuring, the margin was 12.2%
 - Collection claim towards distributor, provision of MSEK -41



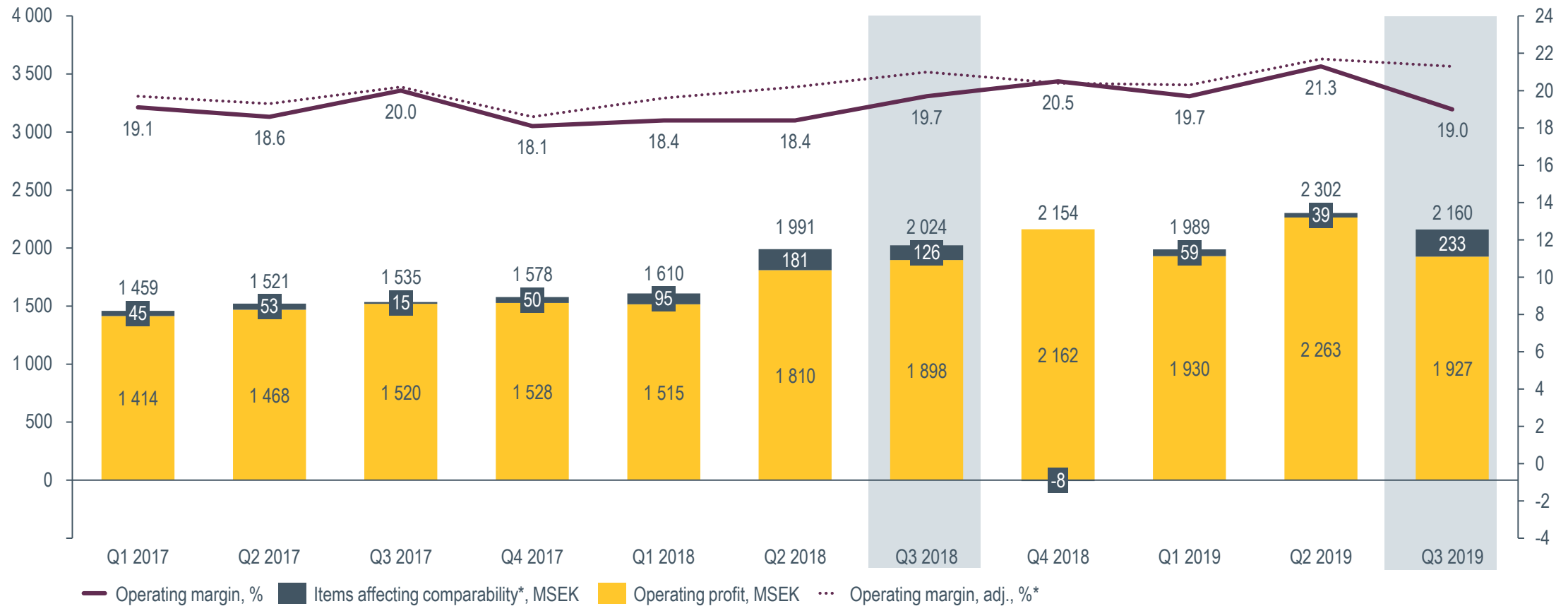
Financials



Profit impacted by restructuring costs

Q3 2019

Operating profit and margin



* Q1 2017-Q4 2018 includes costs related to the split from Atlas Copco.

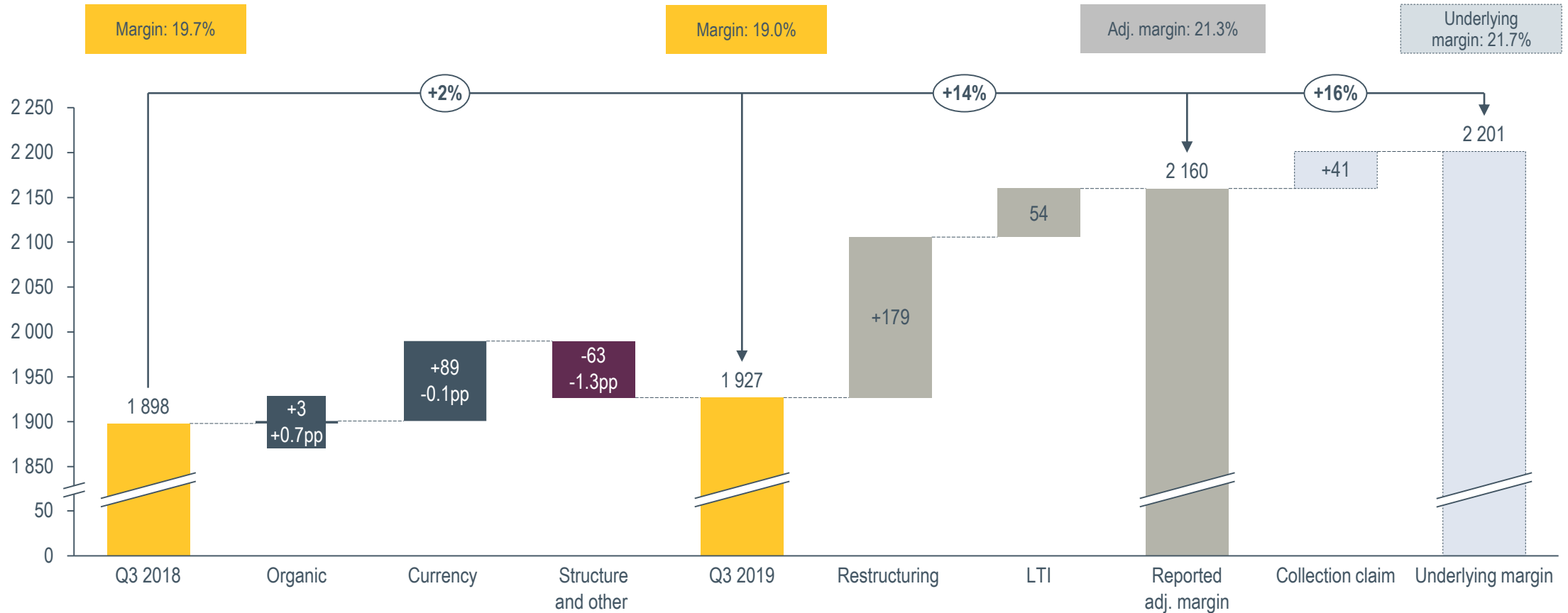
* Q1 2017-Q3 2019 includes change in provision for long-term incentive plans.

* Q3 2019 includes restructuring costs of MSEK 179 in Tools & Attachments.

Profit impacted by restructuring costs

Looking into the numbers

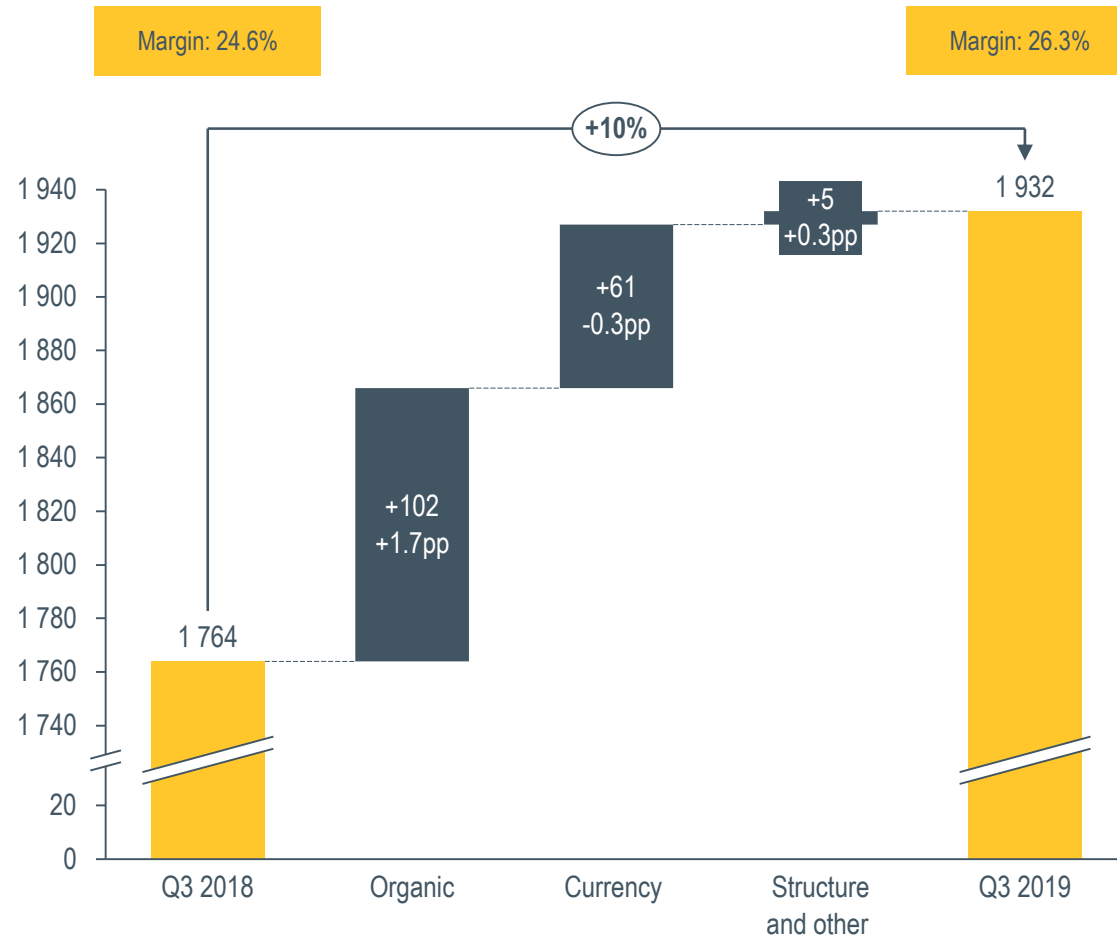
Operating profit and margin



"Structure and other" includes operating profit/loss from acquisitions and contract manufacturing MSEK 55, one-time items MSEK -120 (restructuring costs of -179 + net split costs of +59 = -11(-70), and change in provision for long-term incentive programs MSEK +2 = -54(-56) "Items affecting comparability" includes change in provision for long-term incentive programs MSEK -54 and restructuring costs of MSEK 179 in Tools & Attachments. Provision for collection claim of MSEK -41 is included in "Organic".

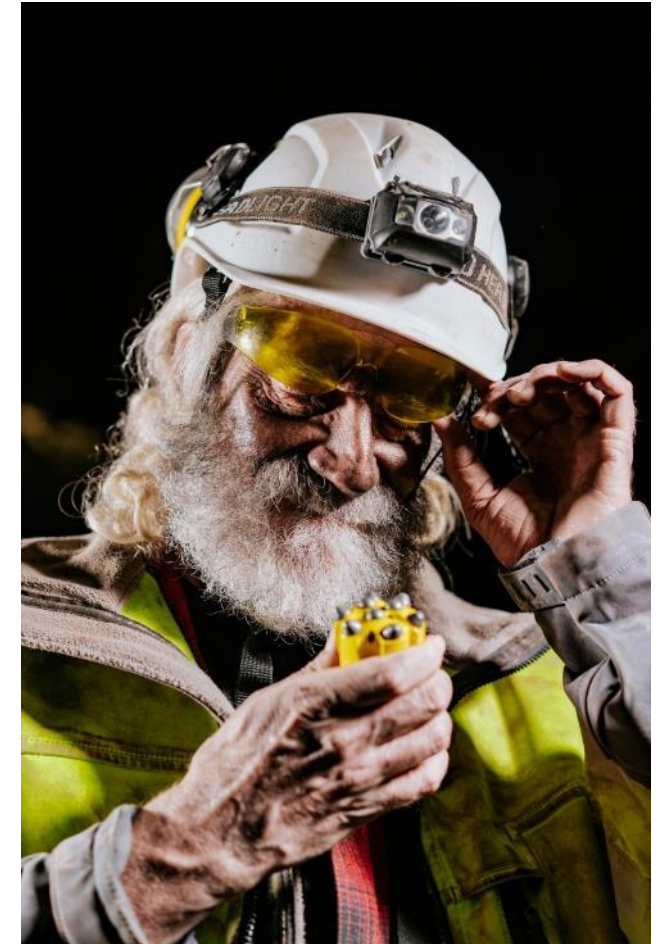
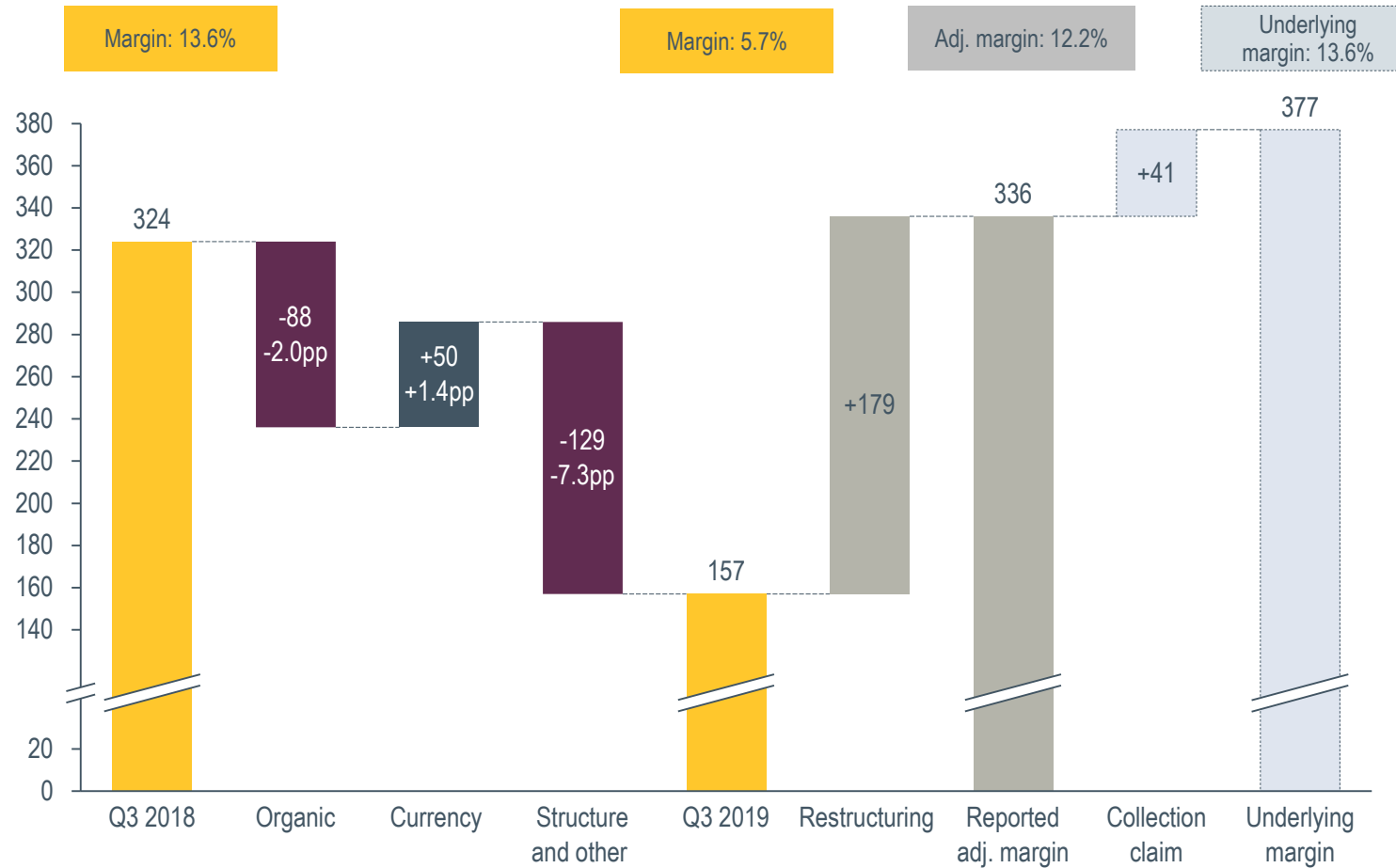
Equipment & Service: Profit bridge

Looking into the numbers



Tools & Attachments: Profit bridge

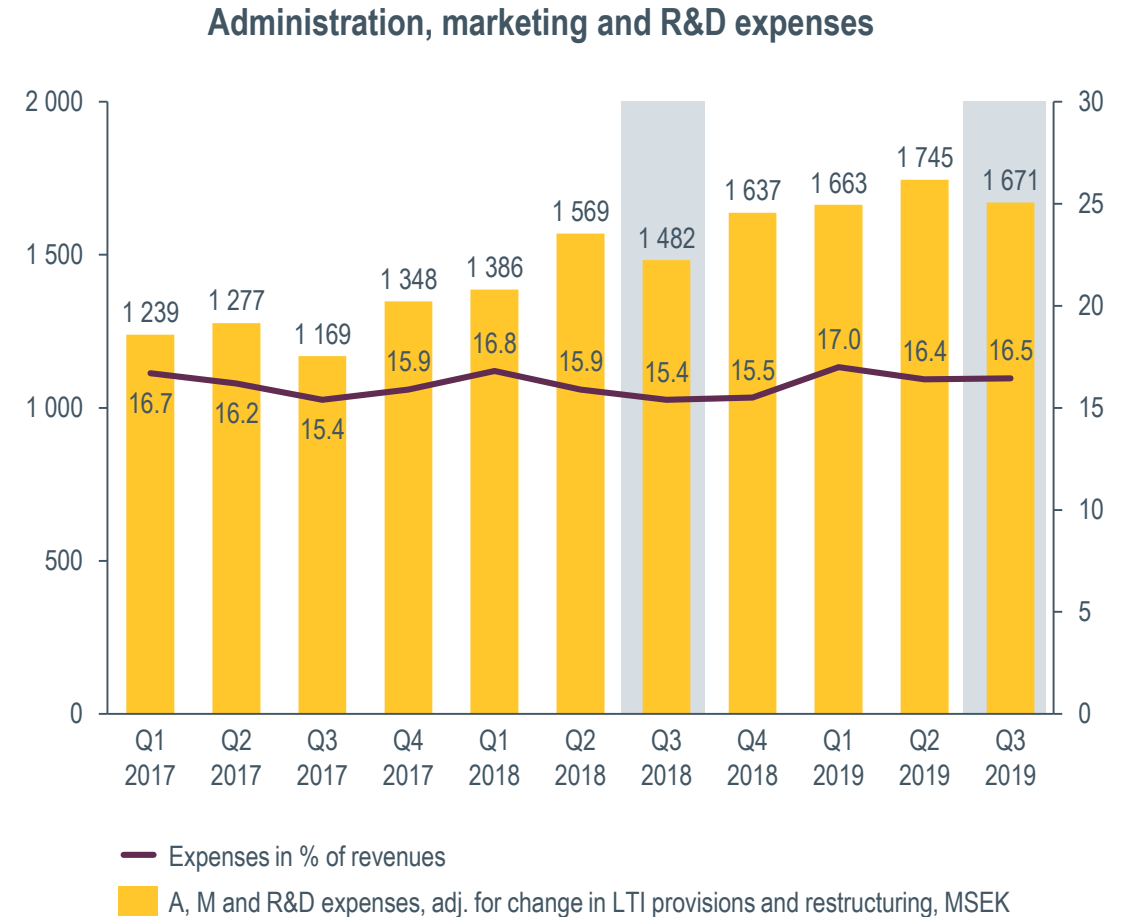
Looking into the numbers



Costs, net financials and tax

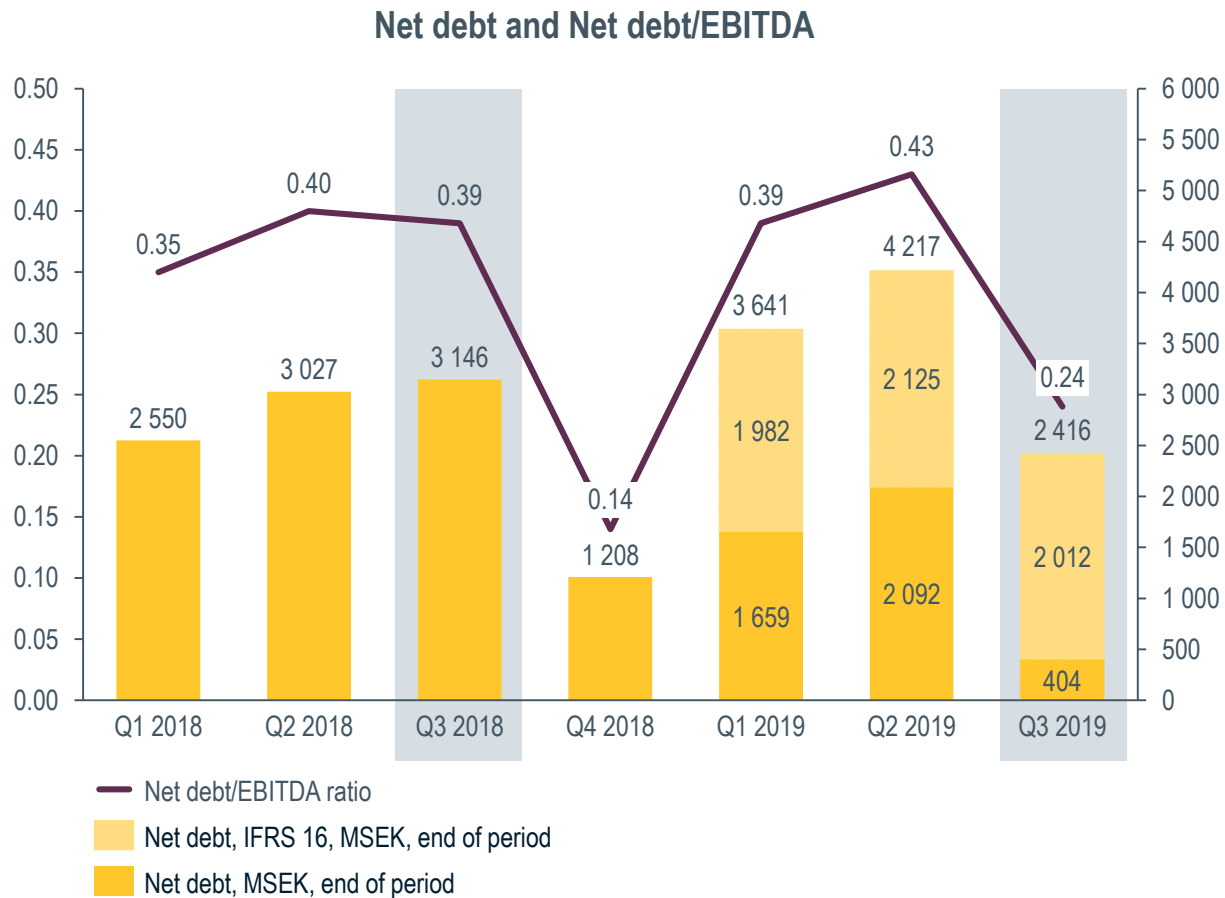
Q3 2019

- Marketing and administration expenses higher
 - Growth, but also some inefficiencies
 - Acquisitions and currency
 - Expenses adjusted for change in provision for LTI MSEK -54 (-56)
 - Expenses adjusted for restructuring costs MSEK 62
- Net financial items were MSEK -61 (-37)
 - Interest net was MSEK -54 (-34)
- Tax expense MSEK -525 (-449)
 - Effective tax rate 28.1% (24.1), affected negatively by the restructuring costs in Tools & Attachments
 - Guidance: below 25%



Capital structure

Q3 2019

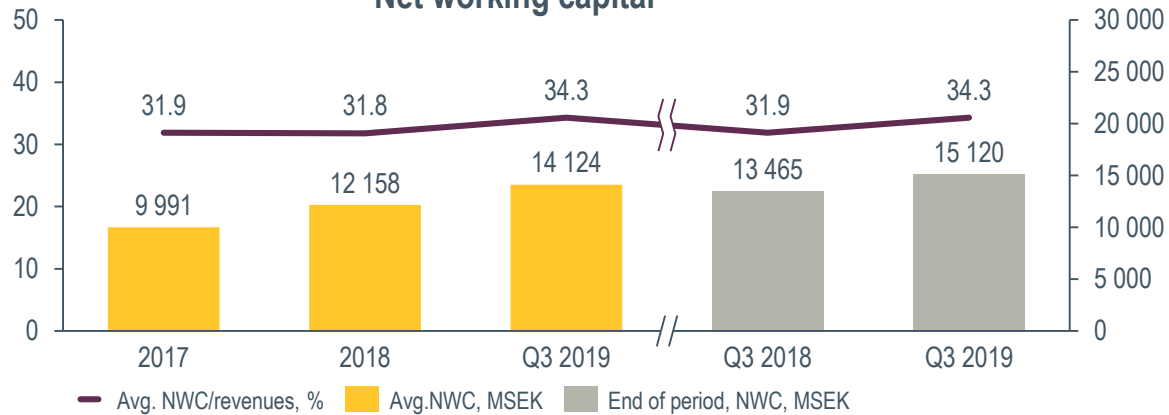


- Net debt was MSEK 2 416 (3 146)
 - Post-employment benefits MSEK 640 (212)
- IFRS 16 increased net debt by MSEK 2 012
- Net debt/EBITDA ratio at 0.24 (0.39)
- Net debt/equity ratio was 11.1% (18.1)
- Second part of the dividend will be paid in November
 - SEK 1.05 per share
 - Ex-date Oct. 29

Capital efficiency

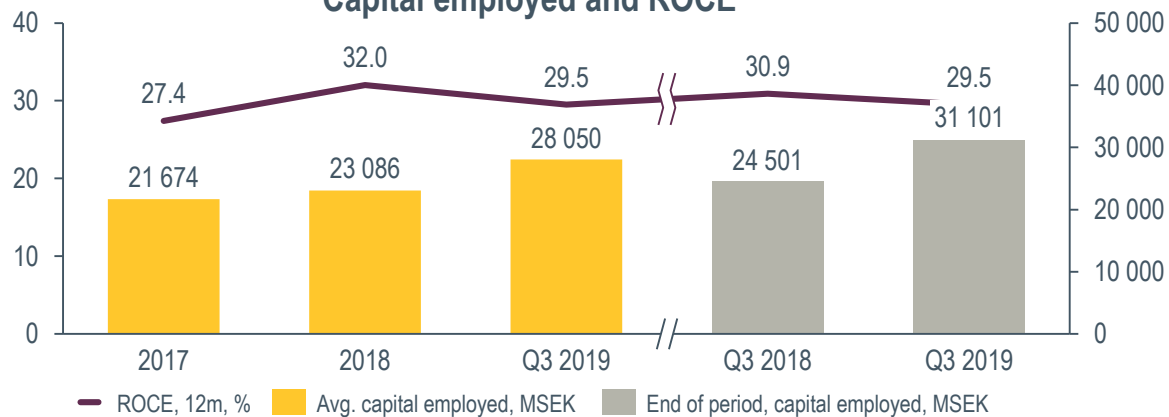
Q3 2019

Net working capital



- Net working capital up 12%
 - Increase of 11% due to currency and acquisitions
 - Both trade receivables and inventories decreased, while this improvement was more than offset by lower payables.

Capital employed and ROCE



- ROCE at 29.5% (30.9)
 - IFRS 16 impact 1.0 percentage points

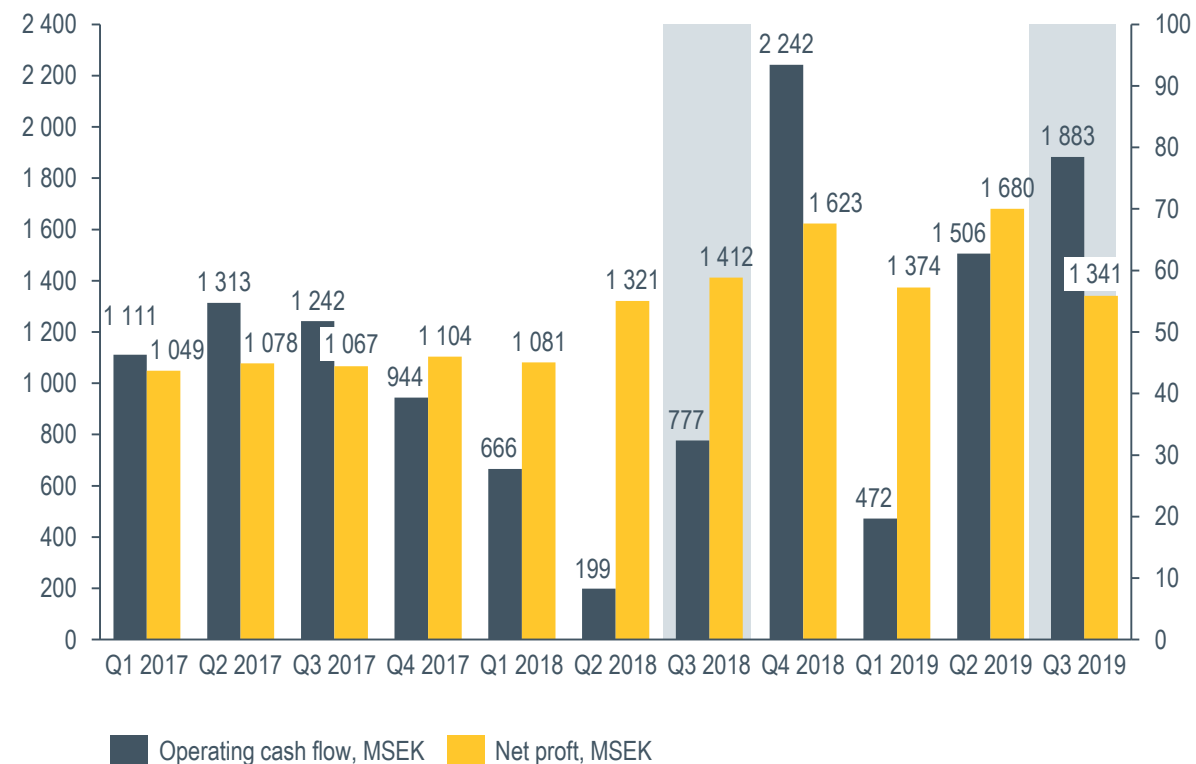
Operating cash flow

Q3 2019



MSEK	Q3 2019	Q3 2018
Operating profit	+1 927	+1 898
Depreciation, amortization and impairment	+556	+362
Capital gain/loss and other non-cash items	-104	+199
	2 379	2 459
Net financial items received/paid	-113	-88
Taxes paid	-559	-741
Change in working capital	+126	-599
Investments, incl. rental equipment*	-72	-39
Pension funding and other**	+122	-215
Operating cash flow	1 883	777
Acquisitions and divestments	+33	-

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.



Summary and outlook



Growth in aftermarket, lower equipment demand

Key highlights Q3 2019



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- Solid and improved underlying margin
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- High interest for automation and information management, and for battery-electric vehicles
- Order intake of equipment lower than expected
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Demand expectations

“In the near-term, we expect that the demand will remain largely at the level seen in the third quarter. That said, the economic environment continues to be uncertain.”

Capital Markets Day

November 14, 2019
Stockholm

Registration open!





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.

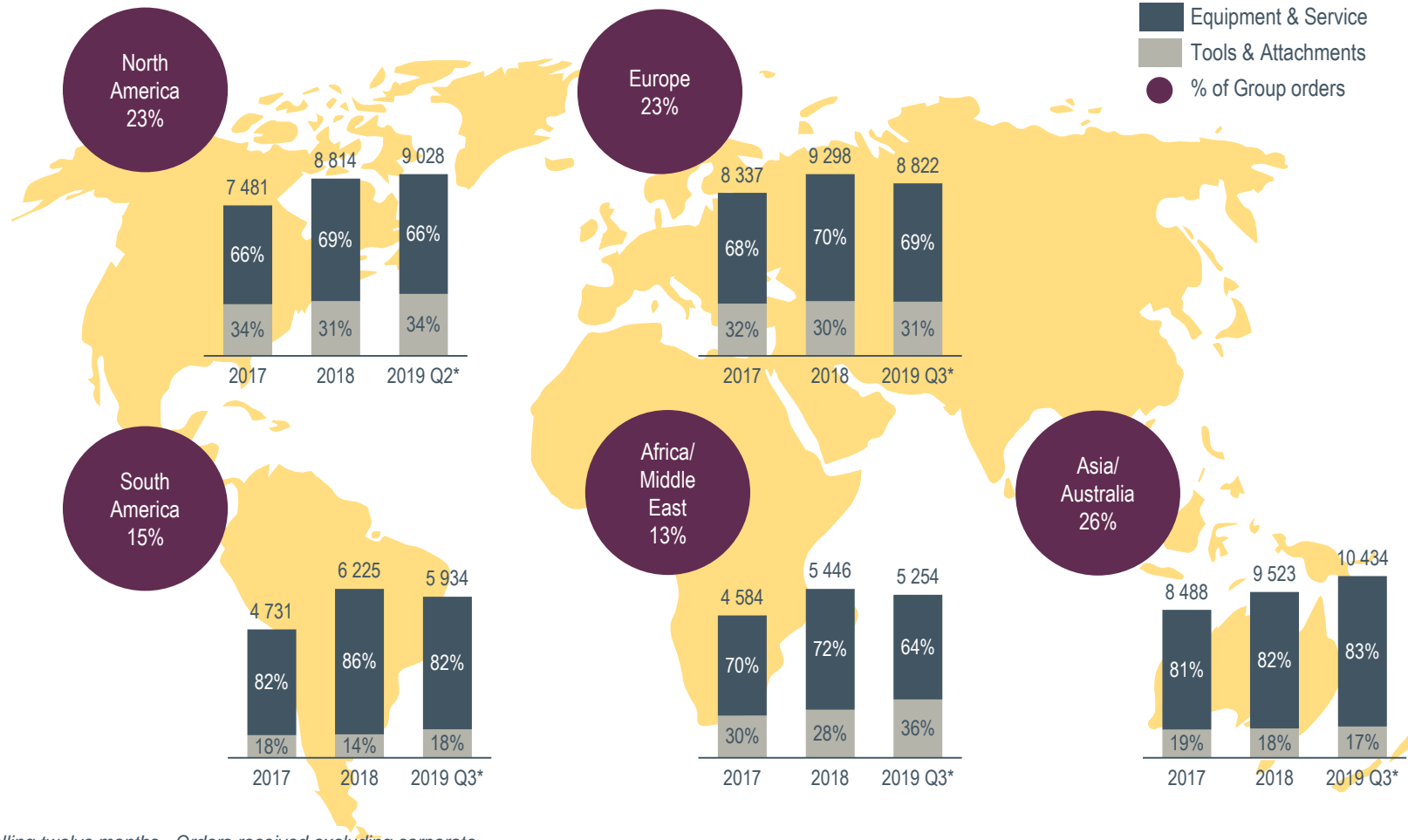


Appendix



Geographical overview

Orders received, MSEK 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



Q3 2019

MSEK	2017 Full year	2018 Full year	2019 Q3 12M Sep	2019 Q3	2018 Q3	2019 YTD	2018 YTD
Revenues	31 364	38 285	41 127	10 158	9 651	30 569	27 727
Cost of sales	-20 101	-24 317	-25 891	-6 431	-6 095	-19 170	-17 596
Gross profit	11 263	13 968	15 236	3 727	3 556	11 399	10 131
<i>Gross margin, %</i>	35.9%	36.5%	37.0%	36.7%	36.8%	37.3%	36.5%
Marketing expenses	-2 280	-2 574	-2 775	-734	-630	-2 107	-1 906
Administrative expenses	-2 121	-2 589	-3 034	-826	-691	-2 413	-1 968
Research and development expenses	-795	-977	-1 054	-227	-217	-773	-696
Other operating income and expenses	-136	-443	-71	-11	-120	25	-339
Share of profits of associates	-1	-8	-20	-2	-2	-11	1
Operating profit	5 930	7 385	8 282	1 927	1 898	6 120	5 223
<i>Operating profit margin, %</i>	18.9%	19.3%	20.1%	19.0%	19.7%	20.0%	18.8%
Net financial items	-137	-184	-245	-61	-37	-199	-138
<i>of which interest net</i>	-132	-137	-187	-54	-34	-150	-100
Profit before tax	5 793	7 201	8 037	1 866	1 861	5 921	5 085
<i>Profit margin, %</i>	18.5%	18.8%	19.5%	18.4%	19.3%	19.4%	18.3%
Income tax expense	-1 495	-1 271	-2 019	-525	-449	-1 526	-1 271
<i>Tax rate, %</i>	-25.8%	-24.5%	-25.1%	-28.1%	-24.1%	-25.8%	-25.0%
Profit for the period	4 298	5 437	6 018	1 341	1 341	4 395	3 814
Items affecting comparability in operating profit		-394	-323	-233	-126	-331	-402
Equipment & Service							
Tools & Attachments			-179	-179	-	-179	
Corporate items:		-394	-144	-54	-126	-152	-402
<i>Costs for split from Atlas Copco</i>		-328	-59	-	-70		-269
<i>Change in provision for share-based long-term incentive programs</i>		-66	-85	-54	-56	-152	-133
<i>Adj. operating profit margin, Epiroc Group, %</i>		20.3%	19.4%	21.3%	21.0%	21.1%	20.3%

Balance sheet

Q3 2019



	2017	2018	2018	2019	
MSEK	Dec. 31	Dec. 31	Sep. 30	Sep. 30	% of BS
Intangible assets	3 121	3 620	3 532	4 242	10%
Rental equipment	1 215	1 233	1 277	1 309	3%
Other property, plant and equipment	2 271	2 473	2 421	4 775	11%
Investments in associates and joint ventures	94	208	91	209	1%
Financial assets and other receivables	1 101	1 119	1 199	1 135	3%
Deferred tax assets	425	543	526	717	2%
Total non-current assets	8 227	9 196	9 046	12 387	30%
Inventories	8 440	10 516	10 789	11 392	27%
Trade receivables	6 271	8 005	7 821	8 068	19%
Other receivables	1 362	1 289	1 277	1 340	3%
Income tax receivables	287	333	576	472	1%
Financial assets	1 152	944	1 029	1 052	3%
Cash and cash equivalents	1 808	5 872	3 949	6 814	16%
Total current assets	19 320	26 959	25 441	29 138	70%
Total assets	27 547	36 155	34 487	41 525	100%

	2017	2018	2018	2019	
MSEK	Dec. 31	Dec. 31	Sep. 30	Sep. 30	% of BS
Share capital	21	500	500	500	1%
Retained earnings	12 020	18 297	16 859	21 282	51%
Equity attributable to owners of the parent	12 041	18 797	17 359	21 782	52%
Non-controlling interest	6	50	47	52	0%
Total equity	12 047	18 847	17 406	21 834	53%
Interest bearing liabilities	2 250	5 095	1 097	7 877	19%
Post-employment benefits	181	283	212	640	2%
Other liabilities and provisions	289	412	418	399	1%
Total non-current liabilities	2 720	5 790	1 727	8 916	21%
Interest bearing liabilities	4 808	1 702	5 786	750	2%
Trade payables	3 966	4 711	4 421	3 701	9%
Income tax liabilities	436	605	683	510	1%
Other liabilities and provisions	3 570	4 500	4 464	5 814	14%
Total current liabilities	12 780	11 518	15 354	10 775	26%
Total equities and liabilities	27 547	36 155	34 487	41 525	100%

Cash flow

Q3 2019



MSEK	2017 Full year	2018 Full year	2019 12M Sep	2018 Q3	2019 Q3
Cash flow from operating activities					
Operating profit	5 930	7 385	8 282	1 898	1 927
Depreciation, amortization and impairment	1 254	1 369	1 846	362	556
Capital gain/loss and other non-cash items	-134	101	-305	199	-104
Net financial items received/paid	-344	-483	-409	-88	-113
Taxes paid	-666	-1 747	-2 226	-741	-559
Pension funding and payment of pension to employees	-90	-52	-39	-10	-13
Change in working capital	-403	-1 875	-310	-599	126
Increase in rental equipment	-793	-896	-964	-215	-181
Sale of rental equipment	422	522	663	114	213
Net cash from operating activities	5 176	4 324	6 538	920	1 852
Cash flows from investing activities					
Investments in other property, plant and equipment	-424	-577	-537	-136	-111
Sale of other property, plant and equipment	70	26	45	8	18
Investments in intangible assets	-289	-459	-504	-102	-90
Sale of intangible assets	-	-	1	-	1
Acquisition of subsidiaries	-137	-546	-1 198	-	-107
Divestment of subsidiaries	-	-	140	-	140
Proceeds to/from other financial assets, net	6 323	219	150	292	78
Net cash from investing activities	5 543	-1 337	-1 903	62	-71
Cash flows from financing activities					
Dividends paid	-	-	-1 260	-	-
Dividends paid to non-controlling interest	-	-	-8	-	-1
Dividends paid to Atlas Copco	-5 178	-	-	-	-
Acquisition of non-controlling interest	6	-	-	-	-
Sale/ Repurchase of own shares	-	-1 307	88	-1 100	248
Change in interest-bearing liabilities	-889	2 367	-749	-92	-152
Net cash from financing activities	-6 061	1 060	-1 929	-1 192	95
Net cash flow for the period	4 658	4 047	2 706	-210	1 876
Cash and cash equivalents, beginning of the period	481	1 808	3 949	4 205	4 883
Exchange differences in cash and cash equivalents	-39	17	159	-46	55
Other cash flow from transactions with shareholders	-3 292	-	0	0	0
Cash and cash equivalents, end of the period	1 808	5 872	6 814	3 949	6 814

MSEK	2017 Full year	2018 Full year	2019 12M	2018 Q3	2019 Q3
Operating cash flow					
Net cash flow from operating activities	5 176	4 324	6 538	920	1 852
Net cash from investing activities	5 543	-1 337	-1 903	62	-71
Acquisition and divestments of subsidiaries	137	546	1 058	-	-33
Other adjustments	-6 246	351	410	-205	135
Operating cash flow	4 610	3 884	6 103	777	1 883

Key ratios

Q3 2019

	2017	2018	2019
MSEK	Full year	Full year	Q3
Basic earnings per share, SEK	3.55	4.50	1.11
Diluted earnings per share, SEK	-	4.49	1.11
Basic number of shares outstanding, millions	1 212	1 206	1 202
Diluted number of shares outstanding, millions	-	1 206	1 202
Equity per share, period end, SEK	9.94	15.63	18.19
Operating cash flow per share, SEK	3.80	0.30	1.57
EBITDA, MSEK	7 183	8 753	2 416
EBITDA margin, %	22.9%	22.9%	23.8%
Adjusted EBIT, MSEK	6 093	7 779	2 160
Adjusted EBIT margin, %	19.4%	20.3%	21.3%
Net working capital, end of period, MSEK	10 173	12 897	15 120
Average net working capital	9 991	12 158	14 124
Average net working capital/revenues, %	31.9	31.8	34.3
Average capital employed, MSEK	21 674	23 086	28 050
Return on capital employed, 12 month %	27.4	32.0	29.5
Capital employed turnover ratio	1.4	1.7	1.5
Return on equity, 12 month %	29.1	33.2	30.6
Net debt, MSEK	5 424	1 208	2 416
Net debt/EBITDA ratio	0.75	0.14	0.24
Debt/equity ratio, period end, %	45.0	6.4	11.1
Equity/assets ratio, period end, %	43.7	52.1	52.6
Number of workrelated accidents per million working hours	4.3	3.4	2.5
Sick leave, %	2.2	2.2	2.2
MWh energy from operations/Cost of sales (MSEK); 12M	8.5	7.6	7.1
Transport CO2 (tonnes)/Cost of sales (MSEK); 12M	6.2	5.6	4.7
Number of employees, period end	12 948	13 847	14 670
Additional workforce, period end	1 397	1 610	1 485



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