



Interim report Q4 2018

February 5, 2019

Per Lindberg, President and CEO

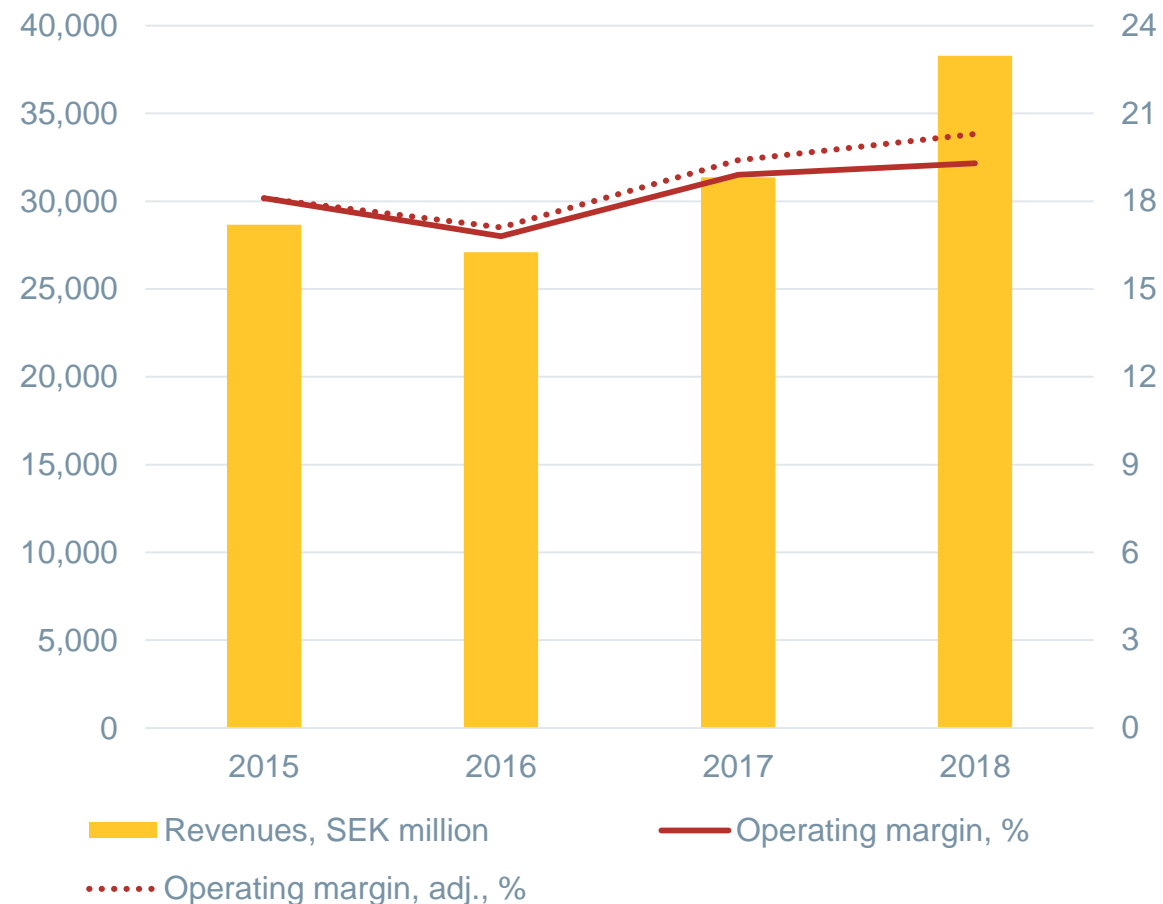
Anders Lindén, CFO



Key highlights

Full year 2018

- High demand and growth
 - Orders received +16%
 - Revenues +22%
 - Operating profit +25%
 - Adjusted operating margin 20.3%
- Increased pace of introducing new products
- Acquisitions to enhance customer offerings
 - Six acquisitions closed and two more agreed
- Establishment of Epiroc
 - Listing on Nasdaq in June



Key highlights

Q4 2018

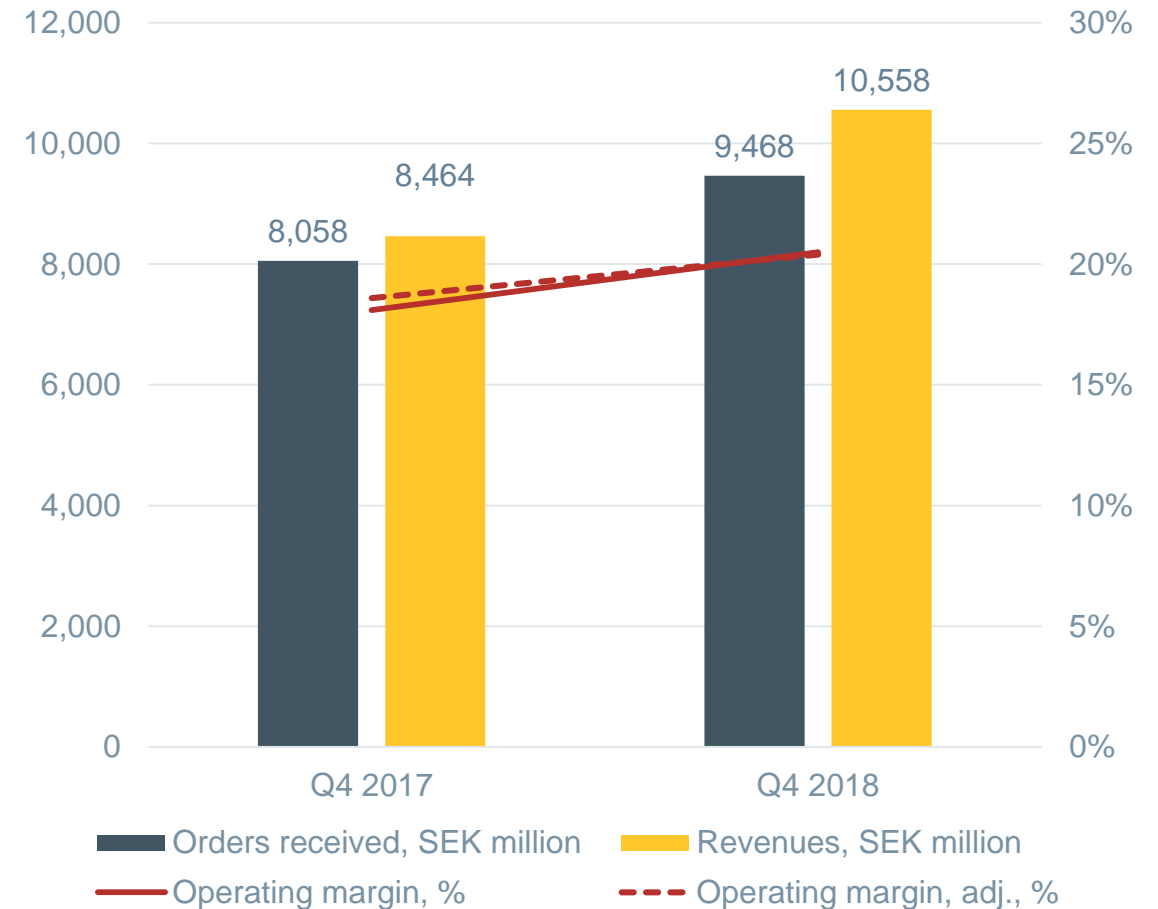
- A solid finish to a strong year
- Continued good customer demand
 - Organic growth vs. Q4 2017
 - Order intake at same level as Q3 2018
- Strong revenue and profit growth
- Improved operating margin
- Strong operating cash flow
 - Release of working capital
- Four acquisitions agreed in the quarter



Key financials

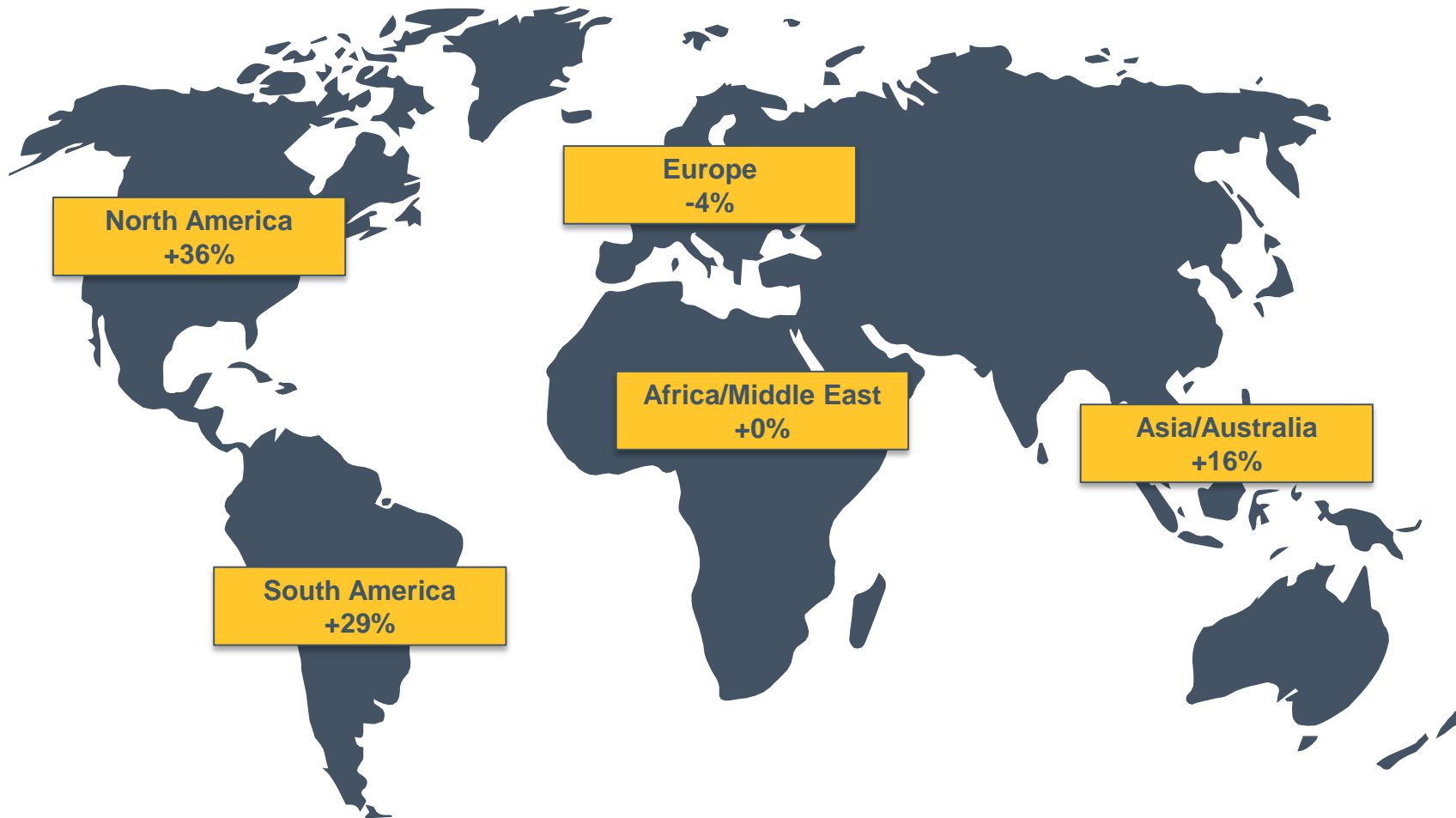
Q4 2018

- Organic order growth of 11%
- Organic revenue growth of 19%
- Reported operating profit SEK 2,162 million (1,528) – margin at 20.5% (18.1)
 - Effect of split cost and change in provision for incentive programs SEK +8 million (-50)
 - Adjusted operating margin 20.4% (18.6)
- Basic earnings per share SEK 1.35 (0.91)
- Operating cash flow SEK 2,242 million (944)
- Proposed dividend of SEK 2.10 per share

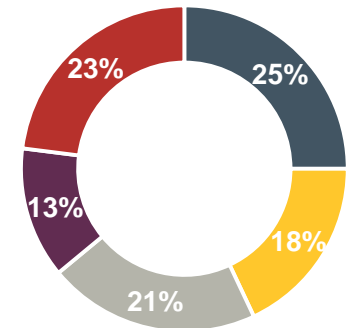


Orders received

Q4 2018 – change in local currency

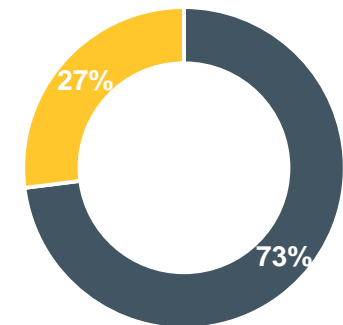


Orders received by region Q4 2018



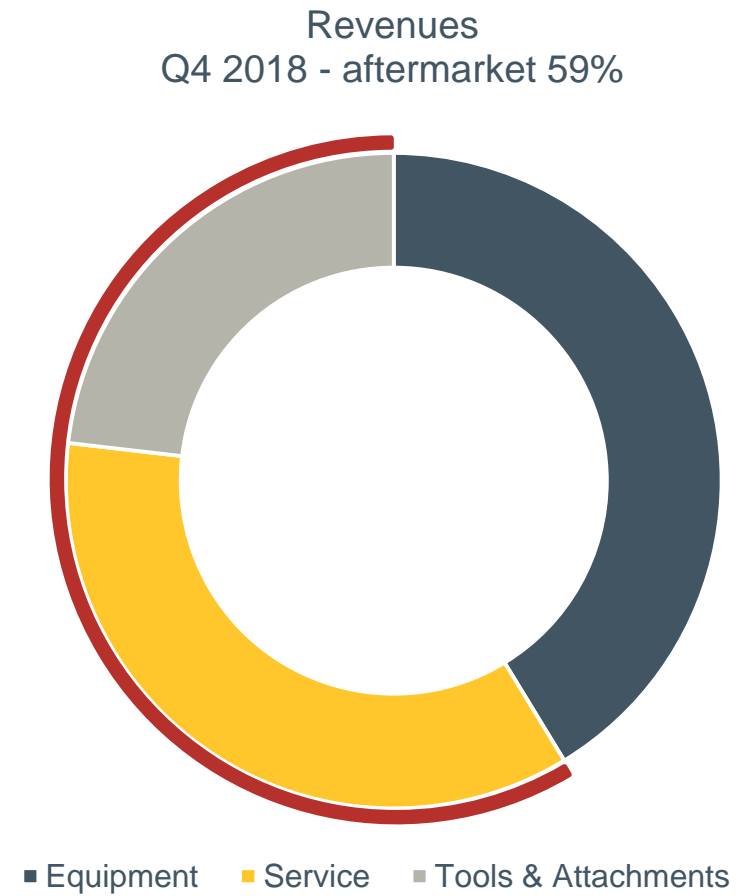
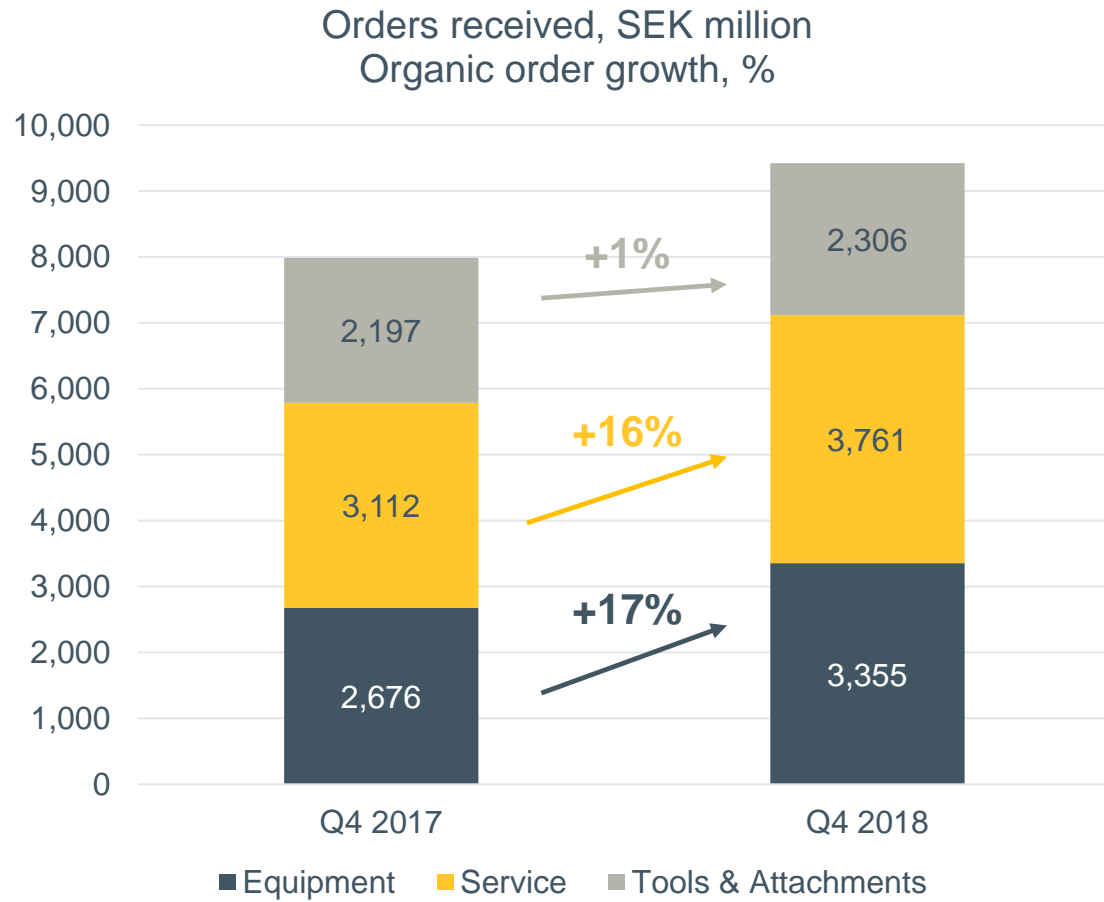
- North America
- South America
- Europe
- Africa/Middle East
- Asia/Australia

Orders received by customer type 2018



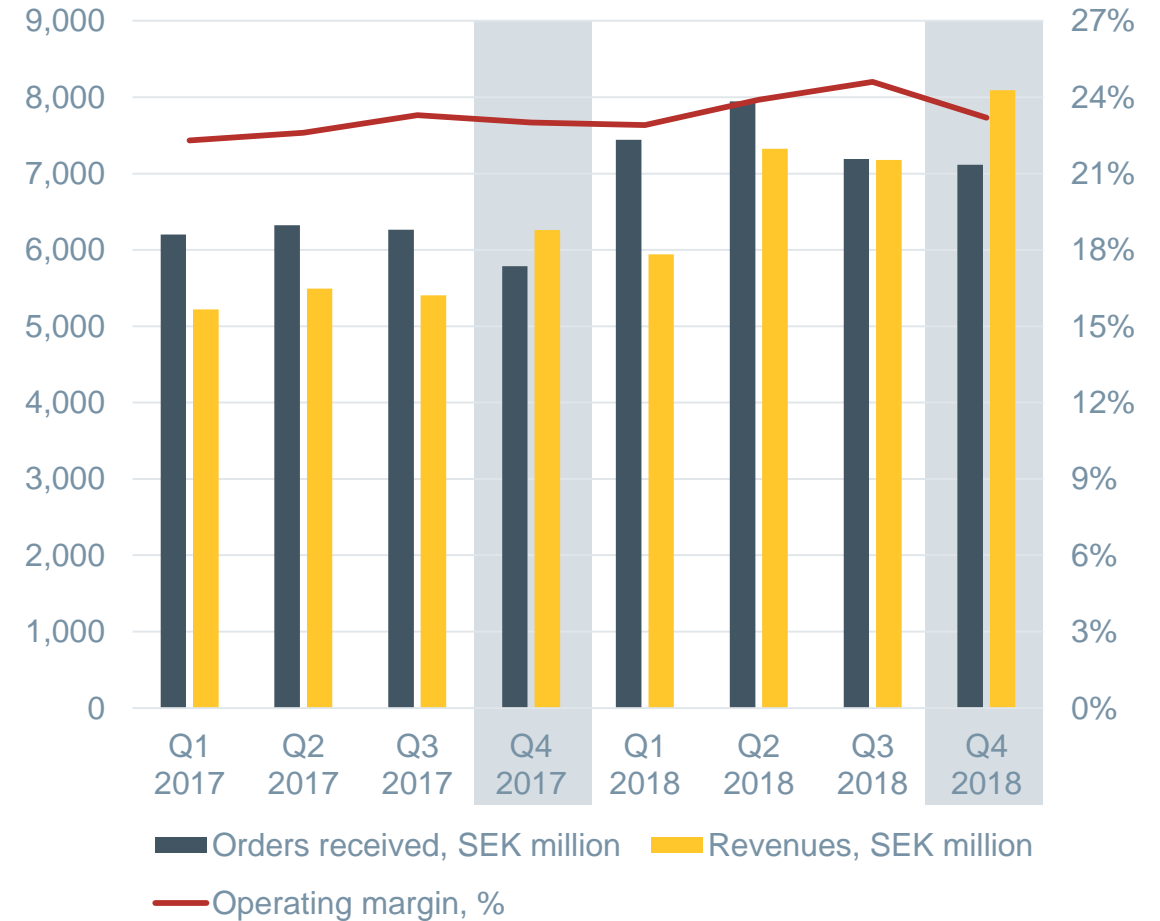
- Mining
- Infrastructure

Segments



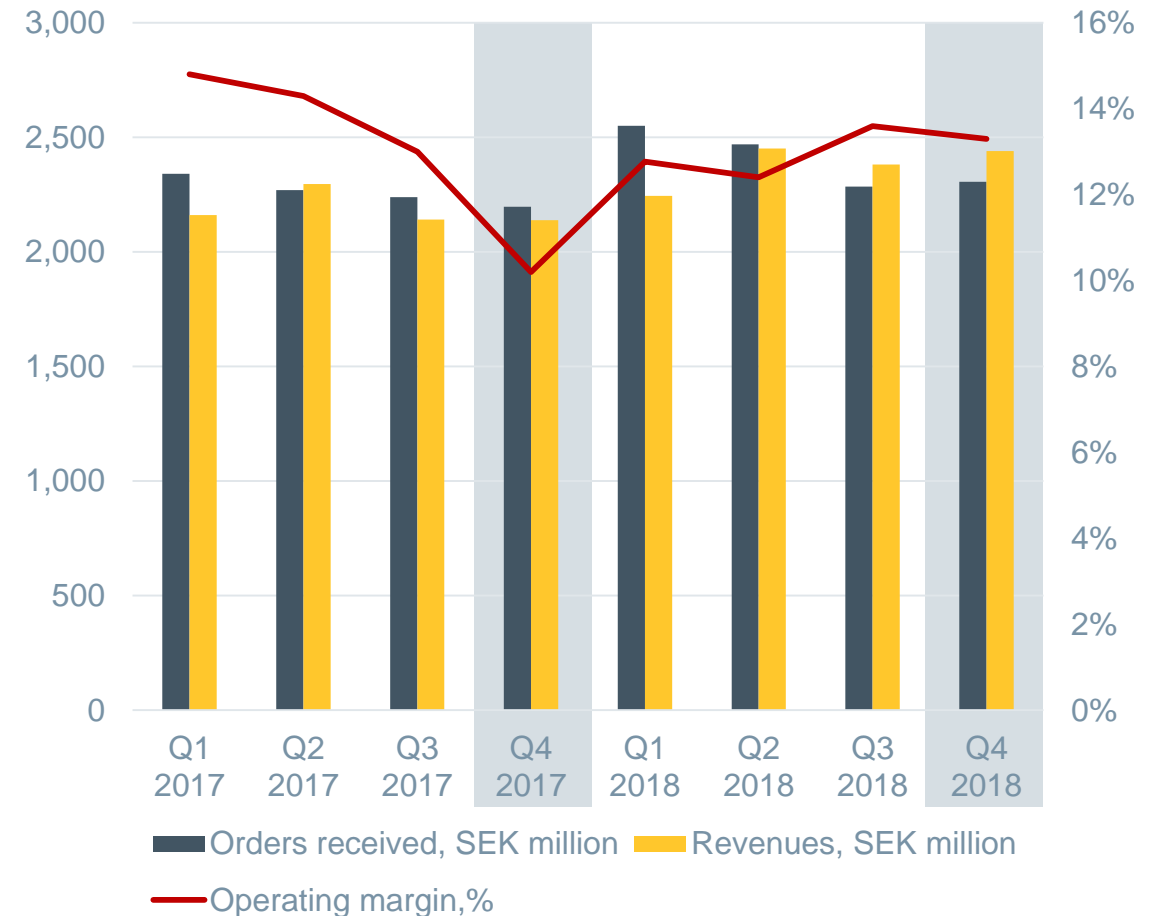
Equipment & Service

- Good sentiment in the market
- Organic order growth of 17%
 - Equipment +17%
 - Service +16%
- Organic revenue growth of 22%
- Operating margin increased to 23.2% (23.0)
- Acquisition of 34% in ASI Mining



Tools & Attachments

- Good business environment
- Organic order growth of 1%
 - Impact from measures to improve product mix and efficiency actions
- Organic revenue growth of 10%
- Operating margin improved to 13.3% (10.2)
- Agreement to acquire manufacturers of exploration drilling tools and rock reinforcement products
 - Total turnover of about SEK 1.2 billion



Business development / Innovations

Q4 2018

- Second generation battery equipment
 - Larger fossil-free machines
- Agreement with Ericsson
 - Ecosystem required for automation and digitalization
- New drum cutters strengthen our offering in hydraulic attachments





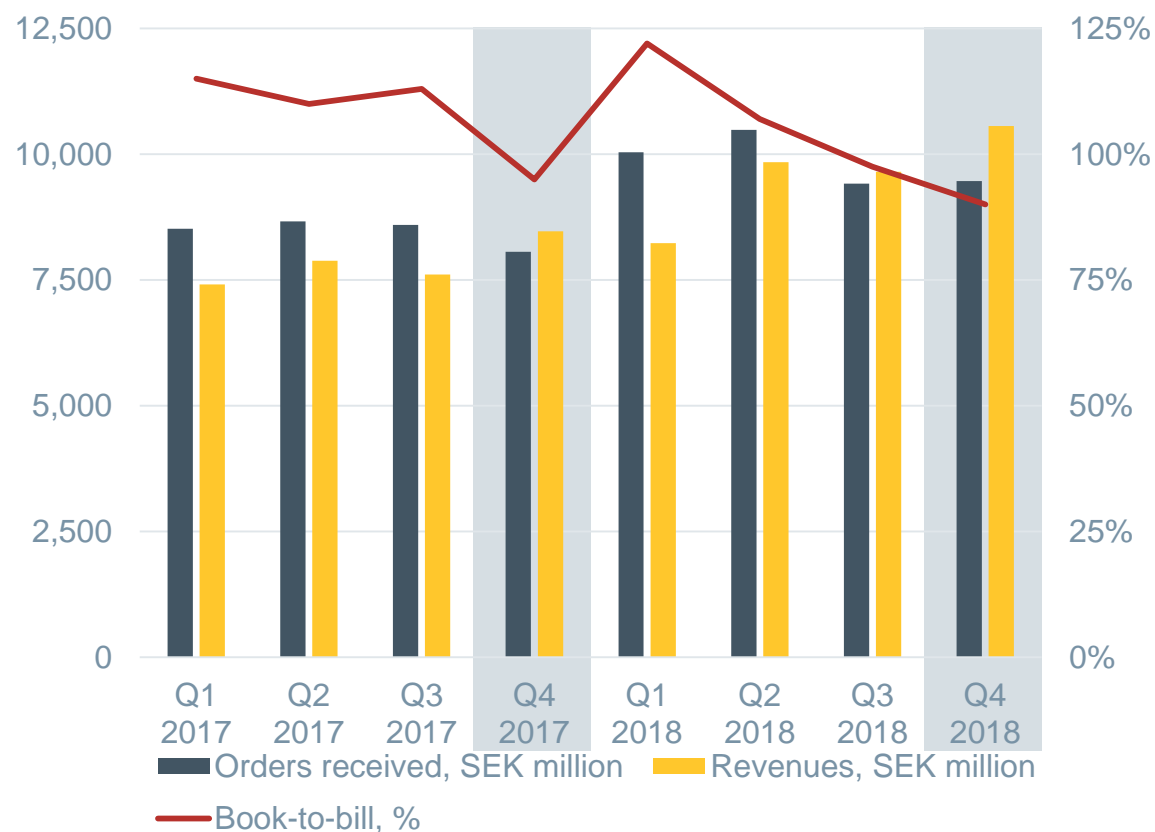
Financials



Orders received and revenues

Q4 2018

Trend



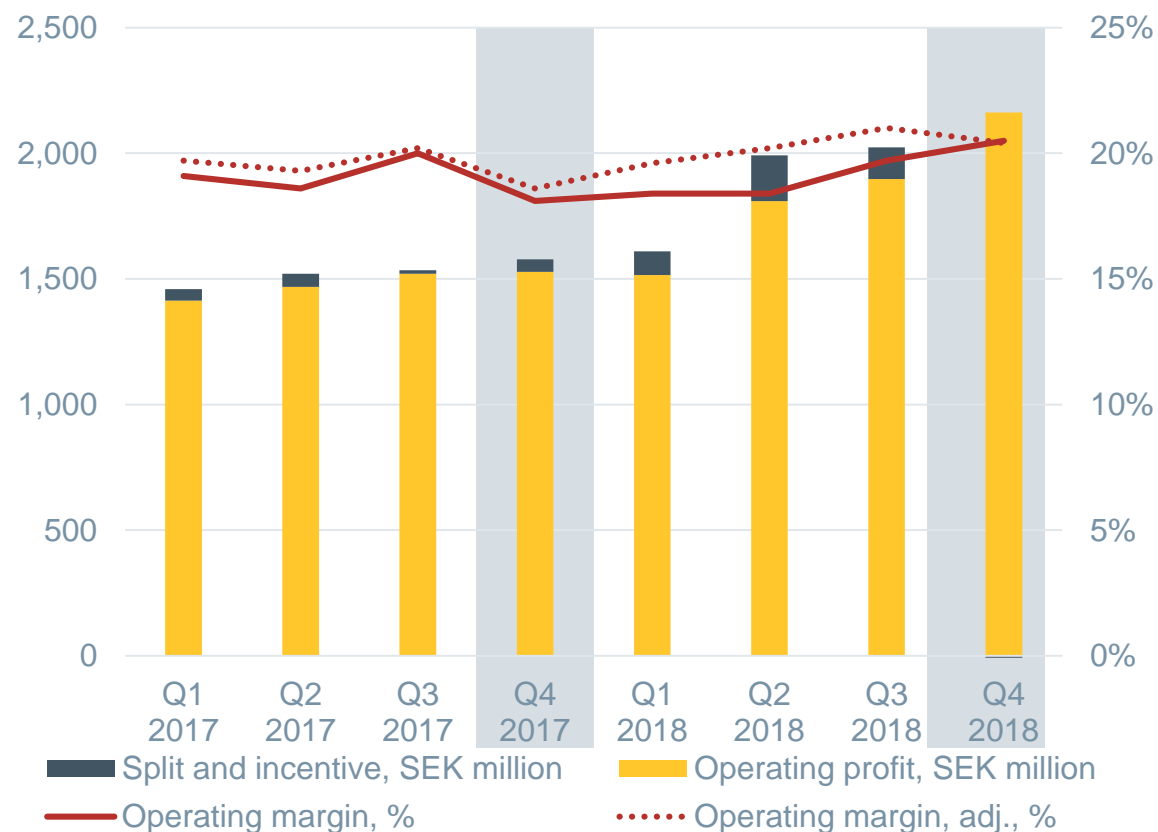
Sales bridge

	Orders received SEK million Δ, %	Revenues SEK million Δ, %
Q4 2017	8,058	8,464
Organic	+11	+19
Currency	+3	+3
Structure and other	+3	+3
Total	+17	+25
Q4 2018	9,468	10,558

Operating profit and margin

Q4 2018

Trend



*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
Q4 2017	1,528	18.1
Organic	+407	+1.0
Currency	+143	+1.0
Structure and other*	+84	+0.4
Total	+634	+2.4
Q4 2018	2,162	20.5

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

Income statement

SEK million	Q4 2018	Q4 2017*	2018	2017*
Revenues	10,558	8,464	38,285	31,364
Cost of sales	-6,721	-5,563	-24,317	-20,101
Gross profit	3,837	2,901	13,968	11,263
<i>Gross profit margin</i>	36.3%	34.3%	36.5%	35.9%
Marketing and administration expenses	-1,289	-1,166	-5,163	-4,401
Research and development expenses	-281	-232	-977	-795
Other expenses from operations	-105	25	-443	-137
Operating profit	2,162	1,528	7,385	5,930
<i>Operating margin</i>	20.5%	18.1%	19.3%	18.9%
Net financial items	-46	-85	-184	-137
- of which interest net	-37	-109	-137	-132
Profit before tax	2,116	1,443	7,201	5,793
<i>Profit margin</i>	20.0%	17.0%	18.8%	18.5%
Income tax expense	-493	-339	-1,764	-1,495
<i>Tax rate</i>	23.3%	23.5%	24.5%	25.8%
Profit for the period	1,623	1,104	5,437	4,298

Q4 2018

- Increased R&D expenses
- Tax rate 23.3% (23.5)
- Interest net SEK 37 million

2018

- Earnings per share SEK 4.50
- Board proposes a dividend of SEK 2.10 per share to be paid in two installments

*Financial statements prior to 2018 are combined.

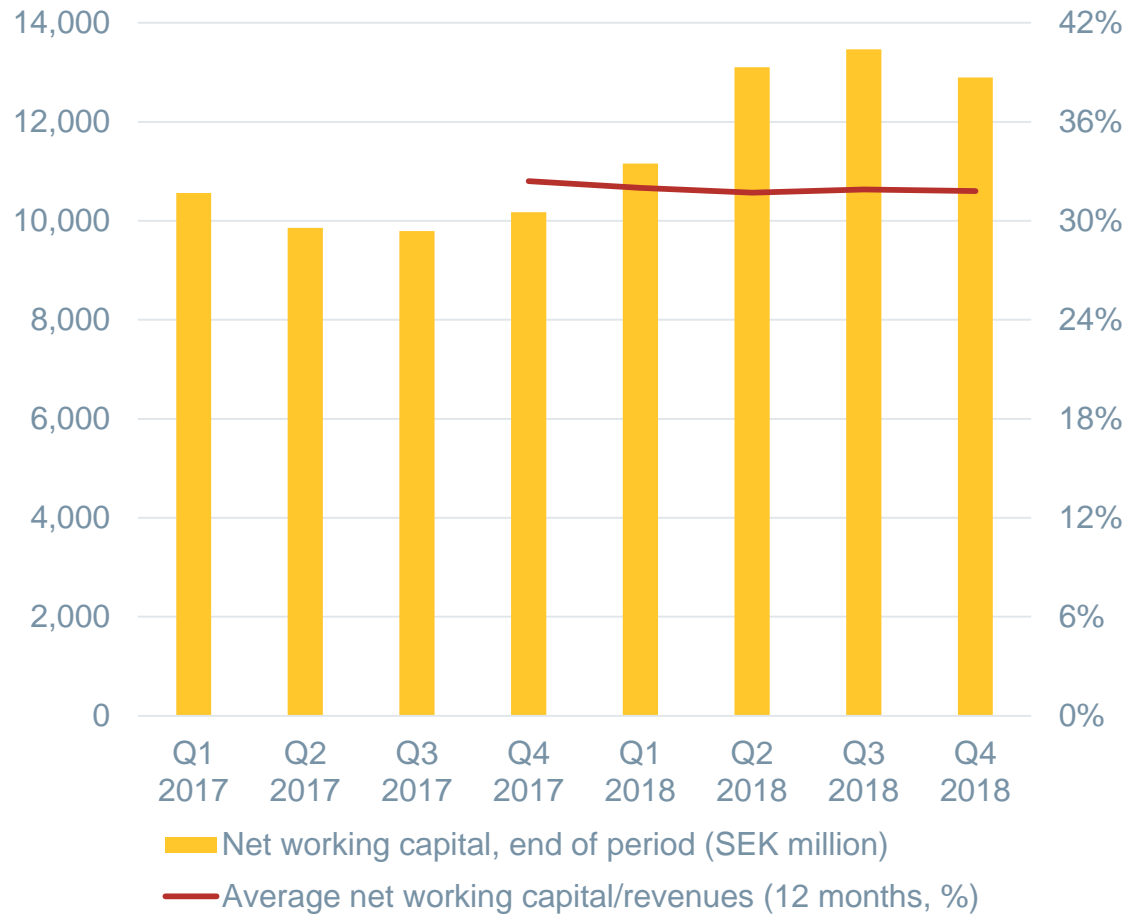
Balance sheet

SEK million	Dec 31, 2018	Dec. 31, 2017*
Intangible assets	3,620	3,121
Rental equipment	1,233	1,215
Other non-current assets	4,343	3,891
Inventories	10,516	8,440
Receivables	9,627	7,920
Current financial assets	944	1,152
Cash and cash equivalents	5,872	1,808
Total assets	36,155	27,547
Total equity	18,847	12,047
Interest bearing liabilities	7,080	7,239
Non-interest-bearing liabilities	10,228	8,261
Total equity and liabilities	36,155	27,547

*Financial statements prior to 2018 are combined.

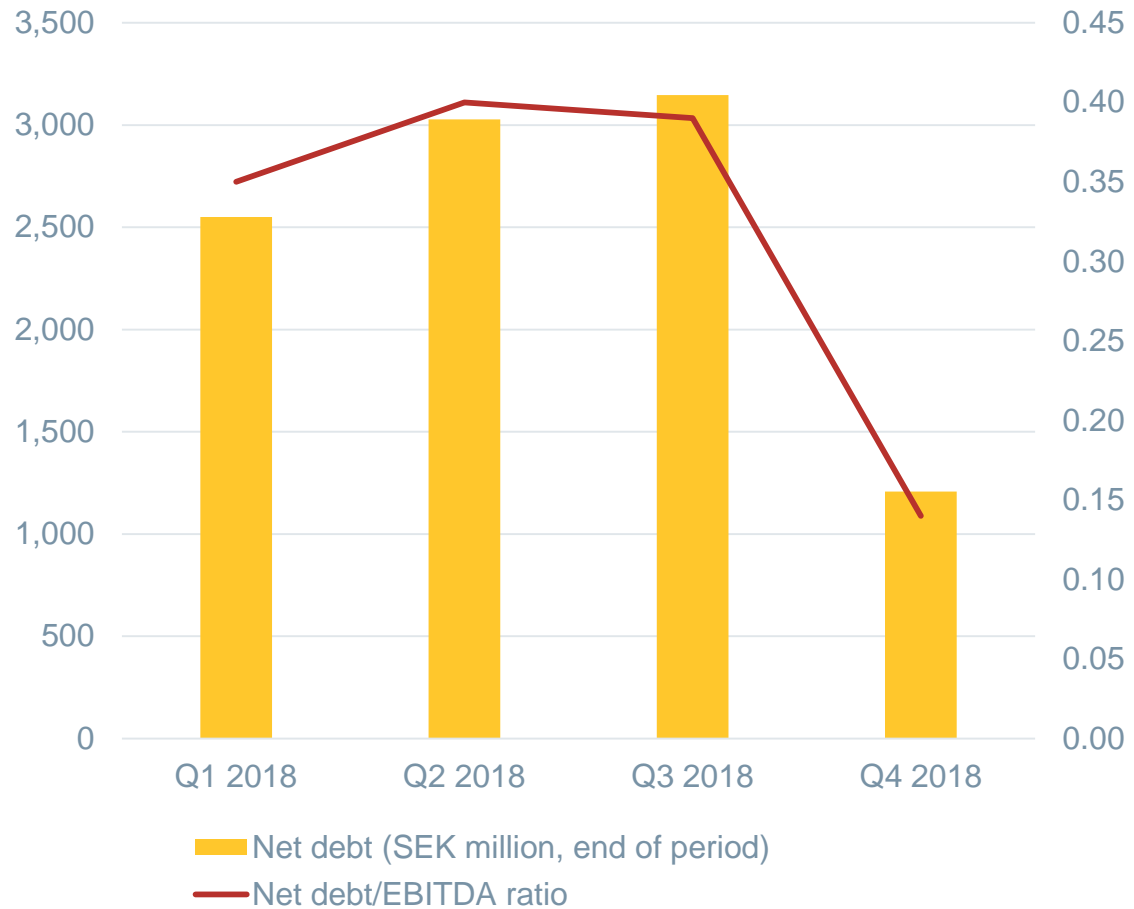
- Refinancing
 - S&P BBB+ long term issuer credit rating with stable outlook
- IFRS 16

Epiroc Group - Net working capital



- Working capital decreased sequentially
 - Average net working capital/revenues 31.8%
- Supply-chain program progressing according to plan

Epiroc Group - Net debt



- Net debt SEK 1,208 million
- Net debt/EBITDA 0.14
- IFRS 16
 - Net debt will increase with SEK 2.0 billion
- No impact on net debt from refinancing

Cash flow

SEK million	Q4 2018	Q4 2017*
Operating profit	2,162	1,528
Depreciation, amortization and impairment	350	341
Capital gain/loss and other non-cash items	-81	-112
	2,431	1,757
Net financial items received/paid	-24	-279
Taxes paid	-326	-180
Pension funding	4	-13
Change in working capital	415	-157
Increase in rental equipment, net	-13	-112
Net cash from operating activities	2,487	1,016
Investments in PPE, net	-149	-76
Investments in intangible assets	-146	-73
Other investments, net	118	3,011
Other adjustments	-68**	-2,934***
Operating cash flow	2,242	944
Acquisitions of subsidiaries	64	0

*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.

- Operating cash flow SEK 2,242 million
- Working capital decreased



Summary



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- Strong revenue and profit growth
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 - Release of working capital
- Four acquisitions agreed in the quarter
- Near-term demand expected to remain at current level





Q&A





Epiroc

United. Inspired.

Performance unites us, innovation inspires us,
and commitment drives us to keep moving forward.

Count on Epiroc to deliver the solutions you need
to succeed today and the technology to lead tomorrow.

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