

Half-year report 2020

Press release 21 July

Continued very strong operating result, despite sharp fall in demand



We have delivered another very strong operating result, despite sales falling by 25% during the second quarter. This performance allowed us to continue to build a stronger SKF, maintaining high levels of investments in our factories and new customer offerings whilst at the same time capitalizing on new ways of working. In June, we also announced that our manufacturing operations will be carbon neutral by 2030.

Net sales fell organically by 25% to SEK 16.6 billion. Sales in both Europe and North America decreased by about 30% while sales in Asia were 10% lower compared to last year. Sales continued to be impacted by both government-imposed restrictions and lower underlying demand.

Despite this significant drop in demand, we continued to improve our cost flexibility and were able to deliver an adjusted operating margin for the second quarter of 9.4% (12.7% last year), with an adjusted operating profit of SEK 1.6 billion. Items affecting comparability, including restructuring costs and customer settlements, totaled SEK 896 million.

The Industrial business delivered an adjusted margin of 14.0% (15.7%), despite a drop in organic sales of 17%. The Automotive business, which continued to be impacted by customer closures and lower underlying demand, delivered an adjusted margin of -8.4%, largely driven by a 45% drop in organic sales.

We continued to reduce costs and adjusted the size of the business, with the ambition to be even more flexible and to support customers in an even better way. Investments in modernizing and automating our factories, as well as increasing our regional manufacturing capacity continued. During the quarter we announced a further SEK 400 million investment in our Xinchang ball bearing factory in China.

During the first six months of the year, our efforts to reduce fixed costs regrettably resulted in a reduction of 1,350 permanent employees and 750 temporary /agency employees. This contributed to restructuring costs of SEK 657 million. These efforts will continue and, as a result, we expect to see a continued elevated level of restructuring costs during the second half of 2020. These are difficult but necessary steps that we need to take to protect the business and make sure we have the foundations in place from which to emerge from this crisis as an even stronger SKF.

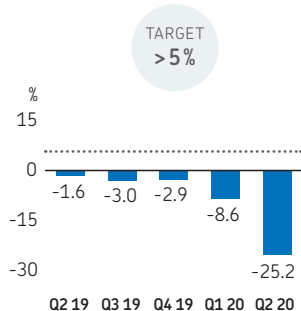
Cash flow during the quarter was SEK -838 million, as a result of the lower operating result and increased working capital, which in turn was driven by increased sales during the month of June.

Our colleagues around the world are doing a fantastic job keeping our factories and offices as safe as possible. "The new reality" brings a lot of challenges for our customers but it also makes the value of our connected monitoring and lubrication offers even more relevant. With our ability to offer remote analysis and AI-based maintenance, we continue to help customers' machines rotate, without the need for on-site support.

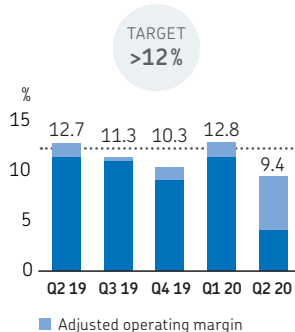
The uncertainty continues but we are taking action to make sure that we emerge as a stronger company. We continue to invest in innovation and automation, and we feel confident that we will be able to respond to different demand scenarios, continuing to support our customers and protecting our cash flow and financial strength.

Alrik Danielson
President and CEO

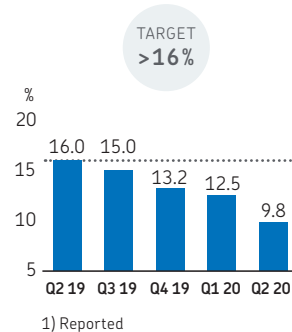
Organic sales growth



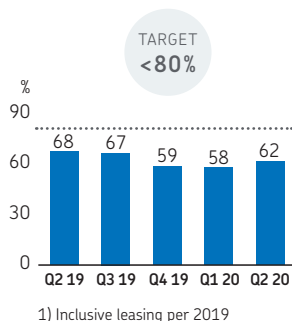
Operating margin



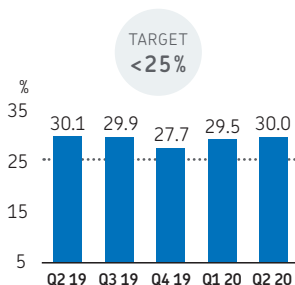
ROCE¹⁾



Net debt/Equity¹⁾



Net working capital/sales



SKF's financial targets are to be achieved over a business cycle.

Cover picture: SKF bearings at the factory in Steyr, Austria.

Key figures

MSEK unless otherwise stated	Q2 2020	Q2 2019	Half year 2020	Half year 2019
Net sales	16,599	22,488	36,684	43,766
Adjusted operating profit	1,565	2,856	4,137	5,576
Adjusted operating margin, %	9.4	12.7	11.3	12.7
Operating profit	669	2,539	2,937	5,197
Operating margin, %	4.0	11.3	8.0	11.9
Profit before taxes	580	2,261	2,436	4,703
Adjusted profit before taxes	1,476	2,578	3,635	5,082
Net cash flow after investments before financing	-838	1,448	1,092	2,132
Basic earnings per share	0.75	3.32	3.5	7.09
Adjusted earnings per share	2.72	4.02	6.13	7.93

Financial performance

Second quarter 2020

Operating profit for the second quarter was SEK 669 million (2,539). Operating profit was positively impacted by sales prices and cost reductions. It was negatively impacted by sales and manufacturing volumes, restructuring, settlements and impairments. Operating profit included items affecting comparability of SEK -896 million (-317) whereof SEK -657 million (-222) related to ongoing restructuring and cost reduction activities and SEK -227 million (0) related to customer settlements. Remaining amount is related to impairments of plant and property and divested companies.

Operating profit bridge, MSEK	Q2
2019	2,539
Items affecting comparability at 2019 exchange rates	-583
Operational performance ¹⁾	-1,149
Currency impact	-138
2020	669

1) Operational performance includes the effects on operating profit related to changes in: organic sales, manufacturing volumes, manufacturing cost, changes in selling and administrative expenses.

- Financial income and expense, net in the second quarter was SEK -89 million (-278). The financial net was positively impacted by lower interest rates.
- Taxes in the quarter were SEK -249 million (-682) resulting in an effective tax rate of 42.9% (30.1%). The tax rate was negatively affected by withholding tax on dividends, deferred tax not recognized and non-deductible expenses.
- Net cash flow after investment before financing in the second quarter was SEK -838 million (1,448). Excluding cash flow related to divestments and acquisitions during the second quarter it was SEK -854 million (1,849). The decrease is driven by the lower operating profit and higher working capital.
- Net working capital in percent of annual sales was 30.0% in the second quarter compared to 30.1% in the second quarter 2019.
- Provisions for post-employment benefits net decreased by SEK -1,550 million (increase by 1,020) in the second quarter mainly due to net actuarial gains on plan assets, changes in discount rates and exchange rate effects.

Key figures	30 June 2020	31 March 2020	30 June 2019
Net working capital, % of 12 months rolling sales	30.0	29.5	30.1
ROCE for the 12-month period, %	9.8	12.5	16.0
Net debt/equity, %	62.5	57.6	67.6
Net debt/equity, excluding post-employment benefits and leasing, %	12.7	7.5	17.2
Net debt/EBITDA	2.1	1.8	1.8

Sales

Net sales, change y-o-y, %	Q2				Half year			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
SKF Group	-25.2	–	-1.0	-26.2	-17.1	–	0.9	-16.2
Industrial	-17.1	–	-0.8	-17.9	-12.1	–	1.0	-11.1
Automotive	-45.4	–	-1.6	-47.0	-29.5	–	0.5	-29.0

Organic sales in local currencies, change y-o-y, %	Q2					Half year				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
SKF Group	-31.0	-29.8	-37.5	-10.4	-12.8	-19.9	-20.9	-18.2	-10.3	-3.7
Industrial	---	---	---	--	---	---	---	---	--	--
Automotive	---	---	---	---	---	---	---	---	---	---

Customer industries	Q2					Half year				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Light vehicles	---	---	---	---	---	---	---	---	---	---
Trucks	---	---	---	+++	---	---	---	---	+++	---
Vehicle aftermarket	---	---	---	---	---	---	---	---	---	--
Aerospace	---	--	---	---	---	---	-	---	---	---
Industrial drives	---	---	--	-	---	---	---	++	--	+++
Energy	---	---	+++	+++	---	---	---	+++	+++	+/-
Heavy industries	---	---	---	---	---	---	---	--	---	---
Off-highway	---	---	++	---	---	---	---	+++	---	++
Railway	---	---	---	---	---	+	---	---	---	+++
Agriculture, food and beverage	---	---	---	---	---	-	---	---	---	++
Marine	++	+++	---	+/-	---	-	++	---	+++	---
Electrical	---	---	---	---	---	---	---	---	---	---
Other industrial	---	+	+/-	---	---	---	+++	---	---	---
Industrial distribution	---	---	---	---	---	---	---	---	---	--

Comments on organic sales in local currencies in Q2 2020, compared to Q2 2019

Europe

Industrial: Overall, sales were significantly lower in the quarter. By industry, sales to the marine industry were higher while sales to all other industries were significantly lower compared to Q2 2019.

Automotive: Sales in the quarter were significantly lower compared to last year with significantly lower sales to both light vehicles, trucks and to the vehicle aftermarket.

North America

Industrial: Sales were significantly lower in the quarter compared to Q2 2019. Sales to the marine industry were significantly higher, sales to other industrial were slightly higher and sales to the aerospace industry were lower. Sales to all other industries were significantly lower.

Automotive: Sales in the quarter were significantly lower compared to last year with significantly lower sales to both light vehicles, trucks and to the vehicle aftermarket.

Asia-Pacific

Industrial: Sales were lower in the quarter. By industry, sales to energy were significantly higher and sales to the marine industry were relatively unchanged. Sales to industrial drives were slightly lower while sales to all other industries were significantly lower compared to Q2 2019.

Automotive: Sales were significantly lower in the quarter. Sales to the truck industry were significantly higher while sales to light vehicles and to the vehicle aftermarket were significantly lower compared to Q2 2019.

Latin America

Industrial: Overall, sales were significantly lower in the quarter. By industry, sales to the energy industry were significantly higher, sales to off-highway were higher and sales to other industrial were relatively unchanged. Sales to industrial drives were lower and sales to heavy industries and industrial distribution were significantly lower compared to Q2 2019.

Automotive: Sales in the quarter were significantly lower compared to last year with significantly lower sales to both light vehicles, trucks and to the vehicle aftermarket.

Segment information¹⁾

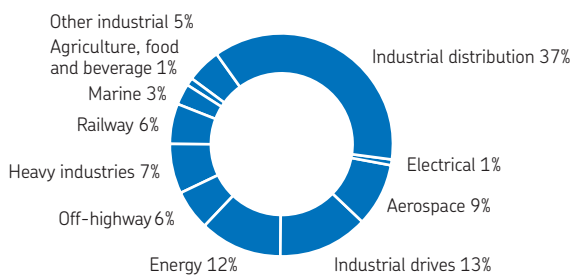
MSEK unless otherwise stated

Industrial	Q2 2020	Q2 2019	Half year 2020	Half year 2019
Net sales	13,192	16,061	27,693	31,110
Adjusted operating profit	1,851	2,530	4,102	4,903
Adjusted operating margin, %	14.0	15.7	14.8	15.8
Operating profit	1,301	2,255	3,473	4,583
Operating margin, %	9.9	14.0	12.5	14.7

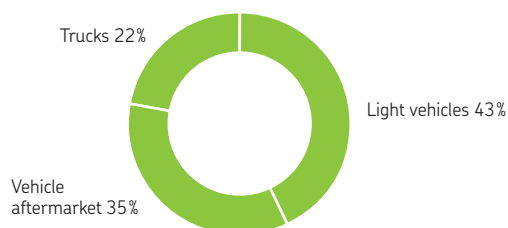
Automotive	Q2 2020	Q2 2019	Half year 2020	Half year 2019
Net sales	3,407	6,427	8,991	12,656
Adjusted operating profit	-286	326	35	673
Adjusted operating margin, %	-8.4	5.1	0.4	5.3
Operating profit	-632	284	-536	614
Operating margin, %	-18.5	4.4	-6.0	4.8

1) Previously published figures for 2019 have been restated to reflect a change in classification of customers between the segments.

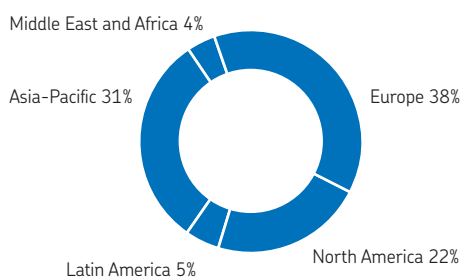
Net sales by customer industry for Industrial, Q2 2020



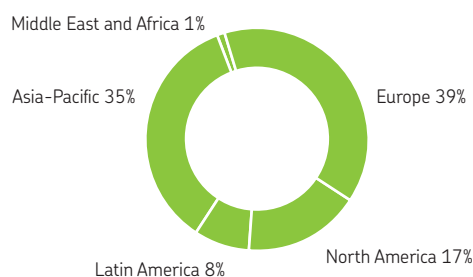
Net sales by customer industry for Automotive, Q2 2020



Net sales by region for Industrial, Q2 2020



Net sales by region for Automotive, Q2 2020



Outlook and Guidance

Demand for Q3 2020 compared to Q3 2019

The industries and regions in which SKF operates are being impacted by initiatives by authorities and by SKF's customers related to the spread of the Covid-19 virus.

As a result of this significant level of uncertainty, it is not feasible to provide a reliable demand guidance for the third quarter.

Guidance Q3 2020

- Financial net: SEK -225 million

Guidance 2020

- Tax level excluding effects related to divested businesses: around 29%.
- Additions to property, plant and equipment: around SEK 3,300 million.

Previous outlook statement

Demand for Q2 2020 compared to Q2 2019

The industries and regions in which SKF operates are being impacted by initiatives by authorities and by SKF's customers related to the spread of the Covid-19 virus.

As a result of this significant level of uncertainty, it is not feasible to provide a reliable demand guidance for the second quarter.

Highlights

SKF factories to be carbon neutral by 2030

The target covers SKF's own manufacturing operations, scope 1 and 2 emissions and will be achieved by process improvements, energy efficient machinery, and procurement and generation of renewable energy.

Further investments in ball bearing manufacturing in China

In June 2019, the Group announced a SEK 370 million investment in a new factory in Xinchang, China. A further SEK 400 million is being invested in expanding the site which is expected to be operational during the end of 2021.

Changes in Group Management

Bernd Stephan, President, Automotive and Aerospace, has stepped down from his role in Group Management for health reasons. Automotive sales and the Aerospace business unit will on an interim basis be headed by Alrik Danielson, President and CEO. Automotive manufacturing has been moved to Bearing Operations.

Bond

SKF has issued a bond of SEK 3 billion with a four-year maturity. The proceeds will be used for general corporate purposes, including refinancing of existing debt.

New products and solutions

New mobile app – simplifies bearing mounting

SKF has developed a new mobile app that simplifies mounting and replacing of bearings. It will minimize the problems of incorrect mounting, reduce installation time and cost, and help to extend the operating life of the bearings.

New 300 series for contaminated environments

With the new UC 300 series SKF has extended its UC range of ball bearing units and offers a comprehensive choice of reliable bearings and increased protection against contamination in heavy-duty applications.

Extended capability of Enlight ProCollect

The latest version of Enlight ProCollect helps organizations improve lubrication management by planning detailed manual lubrication routines for factory equipment.

HYDROCAM hydraulic bolt tensioners

HYDROCAM hydraulically operated bolt tensioners are designed to offer greater accuracy compared with alternative fixing methods. It saves time, reduces risks and damage to bolts and associated structures is avoided.

Collaboration with LumenRadio

Together with the specialist, LumenRadio, SKF has developed a new wireless sensor as part of a condition monitoring system for improving rotating equipment performance programs.

Collaboration with SMT

By combining SKF and SMT's technical analysis and optimization capabilities, engineers can have a seamless experience when designing transmission systems. SMT is a leader in mechanical and electromechanical transmission engineering services.

Accounting principles

The consolidated financial statements and the interim report of the SKF Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Parent company were prepared in accordance with the "Annual Accounts Act" and the RFR 2 "Accounting for legal entities". SKF Group and the Parent

company applied the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2020. None of these have a material effect on the SKF Group's financial statements.

Risks and uncertainties in the business

The SKF Group operates in many different industrial and geographical areas that are at different stages of the economic cycle. A general economic downturn at global level, for example caused by a pandemic, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets and natural disasters, could have a negative effect on the demand for the Group's products and services. There are also political and regulatory risks associated with the wide geographical presence.

Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations. The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the EUR, USD and CNY. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major

currencies. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries.

SKF is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers.

The Board of Directors and the CEO declare that the half-year report gives a fair view of the performance of the business, position and profit or loss of the company and the Group, and describes the principal risks and uncertainties that the company and the companies in the Group face.

Gothenburg, 21 July 2020
Aktiebolaget SKF
(publ)

Alrik Danielson
*President and CEO,
Board member*

Hans Stråberg
Chairman

Hock Goh
Board member

Ronnie Leten
Board member

Barb Samardzich
Board member

Colleen Replier
Board member

Geert Follens
Board member

Håkan Buskhe
Board member

Susanna Schneeberger
Board member

Jonny Hilbert
Board member

Zarko Djurovic
Board member

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of AB SKF (publ) as of 30 June 2020 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially

less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 21 July 2020
PricewaterhouseCoopers AB

Johan Rippe
*Authorized Public Accountant
Auditor in charge*

Karin Olsson
Authorized Public Accountant

Condensed consolidated income statements

MSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net sales	16,599	22,488	36,684	43,766
Cost of goods sold	-13,547	-16,841	-28,773	-32,698
Gross profit	3,052	5,647	7,911	11,068
Selling and administrative expenses	-2,569	-3,103	-5,277	-5,908
Other operating income/expenses, net	186	-5	303	37
Operating profit	669	2,539	2,937	5,197
Operating margin, %	4.0	11.3	8.0	11.9
Financial income and expense, net	-89	-278	-501	-494
Profit before taxes	580	2,261	2,436	4,703
Taxes	-249	-682	-799	-1,343
Net profit	331	1,579	1,637	3,360
Net profit attributable to:				
Shareholders of the parent	342	1,511	1,591	3,229
Non-controlling interests	-11	68	46	131

Condensed consolidated statements of comprehensive income

MSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net profit	331	1,579	1,637	3,360
Items that will not be reclassified to the income statement:				
Remeasurements	695	-992	-47	-1,918
Income taxes	-155	287	-29	557
	540	-705	-76	-1,361
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-2,641	3	-936	1,200
Assets at fair value through other comprehensive income	-6	-25	-36	-2
Income taxes	-4	13	11	37
	-2,651	-9	-961	1,235
Other comprehensive income, net of tax	-2,111	-714	-1,037	-126
Total comprehensive income	-1,780	865	600	3,234
Shareholders of AB SKF	-1,644	803	628	3,050
Non-controlling interests	-136	62	-28	184

Condensed consolidated balance sheets

MSEK	June 2020	December 2019
Goodwill	11,260	11,251
Other intangible assets	6,868	7,146
Property, plant and equipment	18,615	18,420
Right of use asset leases	2,887	2,991
Deferred tax assets	4,628	4,437
Other non-current assets	1,764	2,019
Non-current assets	46,022	46,264
Inventories	18,053	18,051
Trade receivables	12,359	14,006
Other current assets	4,620	4,546
Other current financial assets	13,409	11,241
Current assets	48,441	47,844
Total assets	94,463	94,108
Equity attributable to shareholders of AB SKF	34,783	35,512
Equity attributable to non-controlling interests	1,813	1,854
Long-term financial liabilities	15,827	15,407
Provisions for post-employment benefits	15,332	15,366
Provisions for deferred taxes	884	960
Other long-term liabilities and provisions	2,026	1,869
Non-current liabilities	34,069	33,602
Trade payables	6,696	8,266
Short-term financial liabilities	6,098	3,610
Other short-term liabilities and provisions	11,004	11,264
Current liabilities	23,798	23,140
Total equity and liabilities	94,463	94,108

Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Jun 2020	Jan-Jun 2019
Opening balance 1 January	37,366	35,452
Total comprehensive income	600	3,234
Cost for performance share programmes, net	-27	-48
Other, including transactions with non-controlling interests	30	-230
Total cash dividends	-1,373	-2,748
Closing balance	36,596	35,660

Condensed consolidated statements of cash flow

MSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Operating activities:				
Operating profit	669	2,539	2,937	5,197
Depreciation, amortization and impairment	874	887	1,740	1,721
Net loss/gain (-) on sales of PPE and businesses	-194	-	-241	9
Taxes	-536	-635	-846	-846
Other including non-cash items	-200	99	335	-281
Changes in working capital	-980	-176	-1,519	-1,617
Net cash flow from operations	-367	2,714	2,406	4,183
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-680	-1,191	-1,606	-1,995
Sales of PPE, businesses and equity securities	209	-75	292	-56
Net cash flow used in investing activities	-471	-1,266	-1,314	-2,051
Net cash flow after investments before financing	-838	1,448	1,092	2,132
Financing activities:				
Change in short- and long-term loans	2,991	-5	2,915	41
Repayment leases	-195	-177	-407	-356
Cash dividends	-1,372	-2,747	-1,373	-2,748
Redemption of shares	-	-	-	-242
Investments in short-term financial assets	-99	-2,397	-358	-2,643
Sales of short-term financial assets	447	275	4,235	567
Net cash flow used in financing activities	1,772	-5,051	5,012	-5,381
Net cash flow	934	-3,603	6,104	-3,249
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April/1 January	11,422	10,849	6,430	10,390
Cash effect excl. acquired/sold business	937	-3,603	6,107	-3,247
Cash effect of acquired/sold businesses	-3	-	-3	-2
Exchange rate effect	-106	40	-284	145
Cash and cash equivalents at 30 June	12,250	7,286	12,250	7,286

	Closing balance 30 June 2020	Other non cash changes	Acquired/ sold businesses	Cash changes	Translation effect	Opening balance 1 January 2020
Change in Net debt						
Loans, long- and short-term	17,950	2	-	2,915	63	14,970
Post-employment benefits, net	15,282	412	-	-432	-11	15,313
Lease liabilities	2,923	321	-	-407	-2	3,011
Financial assets, others	-1,039	-31	-	3,692	-12	-4,688
Cash and cash equivalents	-12,250	-	3	-6,107	284	-6,430
Net debt	22,866	704	3	-339	322	22,176

Number of shares

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	32,256,712	32,735,809	32,256,712	32,735,809
- whereof B shares	423,094,356	422,615,259	423,094,356	422,615,259
Weighted average number of shares in:				
- basic earnings per share	455,351,068	455,351,068	455,351,068	455,351,068
- diluted earnings per share	455,645,400	455,778,922	455,615,671	455,714,713

Condensed consolidated financial information

MSEK unless otherwise stated

	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Net sales	21,341	21,192	21,278	22,488	21,039	21,208	20,085	16,599
Cost of goods sold	-16,132	-16,490	-15,857	-16,841	-15,972	-16,401	-15,226	-13,547
Gross profit	5,209	4,702	5,421	5,647	5,067	4,807	4,859	3,052
Gross margin, %	24.4	22.2	25.5	25.1	24.1	22.7	24.2	18.4
Selling and administrative expenses	-2,753	-3,045	-2,805	-3,103	-2,918	-2,993	-2,708	-2,569
- as % of sales	12.9	14.4	13.2	13.8	13.9	14.1	13.5	15.5
Other, net	141	1,245	42	-5	139	96	117	186
Operating profit	2,597	2,902	2,658	2,539	2,288	1,910	2,268	669
Operating margin, %	12.2	13.7	12.5	11.3	10.9	9.0	11.3	4.0
Financial net	-253	-266	-216	-278	-244	-188	-412	-89
Profit before taxes	2,344	2,636	2,442	2,261	2,044	1,722	1,856	580
Profit margin before taxes, %	11.0	12.4	11.5	10.1	9.7	8.1	9.2	3.5
Taxes	-753	-453	-661	-682	-693	-641	-549	-249
Net profit	1,591	2,183	1,781	1,579	1,351	1,081	1,307	331
Net profit attributable to								
Shareholders of the parent company	1,524	2,107	1,718	1,511	1,293	1,035	1,250	342
Non-controlling interests	67	76	63	68	58	46	57	-11

Reconciliation to profit before tax for the Group

MSEK	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Operating profit:								
Industrial ¹⁾	2,202	2,808	2,328	2,255	2,202	1,904	2,172	1,301
Automotive ¹⁾	395	94	330	284	86	6	96	-632
Financial net	-253	-266	-216	-278	-244	-188	-412	-89
Profit before taxes for the Group	2,344	2,636	2,442	2,261	2,044	1,722	1,856	580

1) Previously published figures for 2018 and 2019 have been restated to reflect a change in classification of customers between the segments.

Key figures

Definitions, see page 17

	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
EBITDA, MSEK	3,173	3,656	3,493	3,425	3,134	2,840	3,134	1,543
EBITA, MSEK	2,717	3,041	2,811	2,691	2,443	2,063	2,421	822
Adjusted operating profit	2,683	2,197	2,720	2,856	2,380	2,181	2,572	1,565
Adjusted operating margin, %	12.6	10.4	12.8	12.7	11.3	10.3	12.8	9.4
Basic earnings per share, SEK	3.35	4.63	3.77	3.32	2.84	2.27	2.75	0.75
Adjusted earnings per share, SEK	3.53	3.55	3.91	4.02	3.04	2.86	3.41	2.72
Diluted earnings per share, SEK	3.34	4.62	3.77	3.32	2.84	2.27	2.74	0.75
Dividend per share, SEK	–	–	–	6.00	–	–	–	3.00
Net worth per share, SEK	71	74	78	74	76	78	83	76
Share price at the end of the period, SEK	175.4	134.5	154.4	170.8	162.7	189.4	136.7	173.2
NWC, % of 12 months rolling sales	29.0	27.8	30.0	30.1	29.9	27.7	29.5	30.0
ROCE for the 12-month period, %	16.5	17.6	17.1	16.0	15.0	13.2	12.5	9.8
ROE for the 12-month period, %	23.1	22.8	21.8	20.1	18.9	15.7	14.3	10.9
Gearing, %	45.4	45.0	47.2	49.3	48.9	47.1	47.4	49.7
Equity/assets ratio, %	39.8	40.7	39.5	37.6	37.8	39.7	39.4	38.7
Additions to property, plant and equipment, MSEK	656	833	656	684	967	1,154	917	670
Net debt/equity, %	59.9	49.1	57.1	67.6	67.0	59.3	57.6	62.5
Net debt, MSEK	20,368	17,400	21,431	24,103	24,548	22,176	22,877	22,866
Net debt/EBITDA	1.6	1.3	1.6	1.8	1.8	1.7	1.8	2.1
Registered number of employees	45,914	44,428	44,161	43,700	43,687	43,360	43,134	41,835

SKF applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs (Alternative Performance Measures). These key figures are not defined or specified in IFRS but provide complementary information to investors and other stakeholders on the company's

performance. The definition of each APM is presented at the end of the interim report. For the reconciliation of each APM against the most reconcilable line item in the financial statements, see investors.skf.com.

Segment information – quarterly figures¹⁾

MSEK unless otherwise stated

Industrial	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Net sales	15,249	15,253	15,049	16,061	15,126	15,361	14,501	13,192
Adjusted operating profit	2,275	1,982	2,373	2,530	2,108	2,046	2,251	1,851
Adjusted operating margin, %	14.9	13.0	15.8	15.7	13.9	13.3	15.5	14.0
Operating profit	2,202	2,808	2,328	2,255	2,202	1,904	2,172	1,301
Operating margin, %	14.4	18.4	15.5	14.0	14.6	12.4	15.0	9.9
Assets and liabilities, net	40,129	38,328	42,871	43,604	44,437	43,601	46,584	44,068
Registered number of employees	38,052	36,571	36,154	35,945	36,061	35,834	35,472	33,916
Automotive	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Net sales	6,092	5,939	6,229	6,427	5,913	5,847	5,584	3,407
Adjusted operating profit	408	215	347	326	272	135	321	-286
Adjusted operating margin, %	6.7	3.6	5.6	5.1	4.6	2.3	5.7	-8.4
Operating profit	395	94	330	284	86	6	96	-632
Operating margin, %	6.5	1.6	5.3	4.4	1.5	0.1	1.7	-18.5
Assets and liabilities, net	10,554	10,652	12,480	11,998	12,195	11,302	11,223	10,500
Registered number of employees	7,248	7,227	7,358	7,112	6,964	6,855	6,747	6,499

1) Previously published figures for 2018 and 2019 have been restated to reflect a change in classification of customers between the segments.

Parent company condensed income statements

MSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	989	1,657	2,189	3,196
Cost of revenue	-1,277	-1,203	-2,501	-2,444
General management and administrative expenses	-454	-504	-786	-883
Other operating income/expenses, net	4	-9	-5	-8
Operating result	-738	-59	-1,103	-139
Financial income and expense, net	322	717	305	1,980
Profit before taxes	-416	658	-798	1,841
Taxes	165	37	239	54
Net profit	-251	695	-559	1,895

Parent company condensed statements of comprehensive income

MSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net profit	-251	695	-559	1,895
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-6	-25	-36	-2
Other comprehensive income, net of tax	-6	-25	-36	-2
Total comprehensive income	-257	670	-595	1,893

Parent company condensed balance sheets

MSEK	June 2020	December 2019
Intangible assets	1,521	1,611
Investments in subsidiaries	22,252	22,438
Receivables from subsidiaries	13,270	12,313
Other non-current assets	1,227	1,050
Non-current assets	38,270	37,412
Receivables from subsidiaries	7,451	6,585
Other receivables	136	151
Current assets	7,587	6,736
Total assets	45,857	44,148
Shareholders' equity	22,910	24,959
Provisions	489	384
Non-current liabilities	13,269	12,312
Current liabilities	9,189	6,493
Total shareholders' equity, provisions and liabilities	45,857	44,148

Definitions

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating margin

Operating profit margin excluding items affecting comparability.

Basic earnings/loss per share in SEK

Profit/loss after taxes less non-controlling interests divided by the ordinary number of shares.

Currency impact on operating profit

The effects of both translation and transaction flows based on current assumptions and exchange rates compared to the corresponding period last year.

Debt

Loans and net provisions for post-employment benefits.

Diluted earnings per share

Diluted earnings per share is calculated using the weighted average number of shares outstanding during the period adjusted for all potential dilutive ordinary shares.

EBITA (Earnings before interest, taxes and amortization)

Operating profit before amortizations.

EBITDA (Earnings before interest, taxes, depreciation and amortization)

Operating profit before depreciations, amortizations, and impairments.

Equity/assets ratio

Equity as a percentage of total assets.

Gearing

Debt as a percentage of the sum of debt and equity.

Items affecting comparability

Significant income/expenses that affects comparability between accounting periods. This includes, but is not limited to, restructuring costs, impairments and write-offs, currency exchange rate effects caused by devaluations and gains and losses on divestments of businesses.

Net debt

Debt less short-term financial assets excluding derivatives.

Net debt/EBITDA

Net debt, as a percentage of twelve months rolling EBITDA.

Net debt/equity

Net debt, as a percentage of equity.

Net worth per share (Equity per share)

Equity excluding non-controlling interests divided by the ordinary number of shares.

Net working capital as % of 12 month rolling sales (NWC)

Trade receivables plus inventory minus trade payables as a percentage of twelve months rolling net sales.

Operating margin

Operating profit/loss, as a percentage of net sales.

Operational performance

Operational performance includes the effects on operating profit related to changes in organic sales, changes in manufacturing volumes and manufacturing cost and changes in selling and administrative expenses.

Organic sales

Sales excluding effects of currency and structure, i.e. acquired and divested businesses.

Registered number of employees

Total number of employees included in SKF's payroll at the end of the period.

Return on capital employed (ROCE)

Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets less the average of non-interest bearing liabilities.

Return on equity (ROE)

Profit/loss after taxes as a percentage of twelve months rolling average of equity.

SKF demand outlook

The demand outlook for SKF's products and services represents management's best estimate based on current information about the future demand from our customers. The demand outlook is the expected volume development in the markets where our customers operate.

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a

result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest annual report (available on investors.skf.com) under the Administration Report; "Risk management" and "Sensitivity analysis", and in this report under "Risks and uncertainties in the business."



Remanufacturing of bearings at SKF's site in Steyr, Austria.

This is SKF

SKF is a leading global supplier of bearings, seals, lubrication systems and services, which include technical support, maintenance and reliability services, engineering consulting and training.

Quick facts

Founded 1907
 Represented in more than 130 countries
 Net sales in 2019: SEK 86,013 million
 43,360 employees
 15 technical centers
 103 manufacturing sites
 More than 17,000 distributors

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 www.skf.com
 Company reg.no. 556007-3495

Vision

SKF works to reduce friction, make things run faster, longer, cleaner and more safely. Doing this in the most effective, productive and sustainable way contributes to the vision – A world of reliable rotation.

Mission

To be the undisputed leader in the bearing business.

Strategic focus areas

Based on SKF's vision and mission, the company focuses on six strategic areas:

1. Digital sales
2. New business models
3. Innovation
4. World-class manufacturing
5. Future workforce
6. Cleantech

For further information, please contact Investors and analysts

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Conference call

21 July at 08:30 (CEST), 07.30 (UK).

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Website: <http://investors.skf.com/en/reports-and-presentations>

Webcast access on mobile devices



Calendar

27 October, Nine-month report 2020
 2 February 2021, Year-end report 2020

This is information that AB SKF is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 07.30 CEST on 21 July 2020.