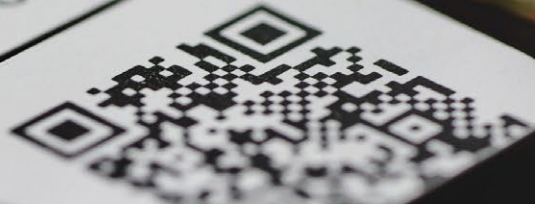


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# Year-end report 2020

Press release 2 February

# Very strong end to a challenging year, strategy continues to deliver

I would like to thank everyone in SKF for contributing to making 2020 the year in which we delivered on our strategy in earnest, a fact which is reflected in yet another very strong set of results, not least during the fourth quarter. This achievement is so much more impressive given the exceptional external circumstances faced during the last 12 months.

We delivered a very strong underlying operating profit of SEK 2,582 million (2,181 last year), representing an adjusted operating margin of 13.2% (10.3%), despite flat demand and a negative currency impact of SEK 645 million.

Organic sales development in the quarter was -0.1%, with net sales of SEK 19.6 billion (SEK 21.2 billion last year). Sales were significantly higher in Latin America, higher in Asia, and lower in both North America and Europe.

The Industrial business delivered an adjusted operating margin of 14.5% (13.3%), despite an organic sales drop of 4.4%. The Automotive business delivered a very strong adjusted operating margin of 10.1% (2.3%), driven by continued ability to control costs as well as an organic sales increase of 11.1%.

Since coming back to SKF in 2015, I have highlighted our ability to generate strong cash flow as one of our key strengths and the fourth quarter was no exception.

Cash flow during the quarter was SEK 1,901 million (SEK 701 million), driven mainly by a strong operating income and reduction of working capital. We continue to invest in the business, with a total of SEK 3.3 billion invested in our factories (up from SEK 1.9 billion in 2016) and pay down our debt, positioning the business well for the future.

Capitalizing on new ways of working, ensuring we create and maintain simplified organizational structures and always keep

the customer's needs at heart has enabled us to continually reduce our headcount during the year, with a further headcount reduction in the quarter of 200.

Investments in and consolidation of our factories continued during the quarter, including the announcement of a consolidation of our slewing bearing manufacturing and supporting functions in France.

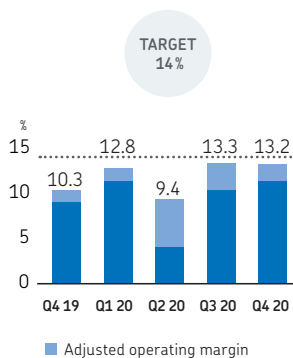
SKF has over 110 years of history of innovation around the rotating shaft. The pace of innovation has never been faster, especially when it comes to artificial intelligence and the ability to analyze and act based on the vast amounts of data generated by machines. This competence – which we are leading the development of – in combination with our existing offers around the rotating shaft, puts us in a very strong position to help customers get better performance from their machines and at the same time reduce waste and environmental impact. This is the true differentiator of SKF's offer.

Our solid performance during the year is reflected in the Board's proposal of a SEK 6.50 dividend (SEK 3.00)

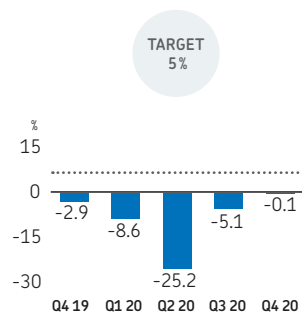
Alrik Danielson  
President and CEO



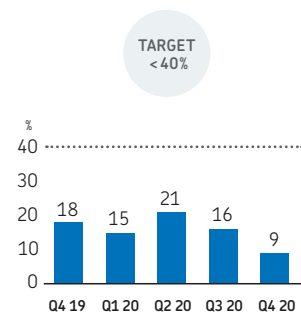
Operating margin<sup>1)</sup>



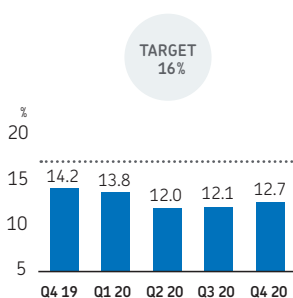
Revenue growth<sup>2)</sup>



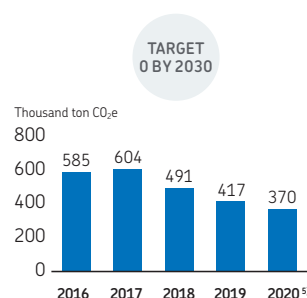
Net debt/Equity<sup>3)</sup>



ROCE<sup>4)</sup>



Carbon Neutral by 2030<sup>4)</sup>



SKF's long-term targets shall be achieved over a business cycle

- 1) Adjusted for items affecting comparability.
- 2) Including acquisitions, adjusted for divestments.
- 3) Excluding pension liabilities.
- 4) Scope 1 & 2 CO<sub>2</sub>e from all SKF manufacturing and logistics units.
- 5) Figures for 2020 is preliminary.

Cover picture: SKF Multilog on-line systems IMx-8.

# Key figures

MSEK unless otherwise stated	Q4 2020	Q4 2019	2020	2019
Net sales	19,572	21,208	74,852	86,013
Adjusted operating profit	2,582	2,181	9,194	10,136
Adjusted operating margin, %	13.2	10.3	12.3	11.8
Operating profit	2,210	1,910	7,069	9,395
Operating margin, %	11.3	9.0	9.4	10.9
Adjusted profit before taxes	2,515	1,992	8,424	9,210
Profit before taxes	2,144	1,722	6,300	8,469
Net cash flow after investments before financing	1,901	701	5,259	4,953
Adjusted earnings per share	4.17	2.86	14.11	13.8
Basic earnings per share	3.36	2.27	9.44	12.2

## Financial performance

### Fourth quarter 2020

Operating profit for the fourth quarter was SEK 2,210 million (1,910). The operating profit was positively impacted by sales price, customer mix, and costs reductions. Operating profit was negatively impacted by currency effects and sales volumes. Operating profit included items affecting comparability of SEK -372 million (-271) whereof SEK -472 million (-205) related to ongoing restructuring and cost reduction activities mainly in Europe and SEK +100 million (-66) related to customer settlements offset by a VAT credit.

Adjusted operating profit bridge, MSEK	Q4
<b>2019</b>	2,181
Currency impact	-645
Organic sales & Manufacturing volumes	-14
Cost development	1,060
<b>2020</b>	2,582

- Financial income and expense, net was SEK -66 million (-188). In 2019 costs related to the repayment of the loan amounted to SEK -137 million in the quarter.
- Taxes in the quarter were SEK -541 million (-641) resulting in an effective tax rate of 25% (37%). The tax rate in 2019 was negatively affected by an adjustment related to the US tax reform as well as other tax effects related to prior years, adjusted for this the tax rate would have been 26%.
- Net cash flow after investment before financing in the fourth quarter was SEK 1,901 million (701). Excluding cash flow related to divestments and acquisitions during the quarter it was SEK 1,901 million (947). The difference against last year is mainly driven by working capital development.
- Net working capital in percent of annual sales was 26.1% in the fourth quarter compared to 27.7% in the fourth quarter 2019. The ratio was positively affected by exchange rate fluctuations.
- Provisions for post-employment benefits net decreased by SEK -784 million (-1,693) in the fourth quarter mainly as a result of exchange rate fluctuations.

### Full year 2020

Operating profit for the year was SEK 7,069 million (9,395). Operating profit was positively impacted by sales price, customer mix, and costs reductions. Operating profit was negatively impacted by sales and manufacturing volumes and currency effects. Operating profit included items affecting comparability of SEK -2,124 million (-741) whereof SEK 1,683 (-571) related to the restructuring and cost reduction program and SEK -442 million net (-170) related to settlements and impairments offset by a VAT credit.

Adjusted operating profit bridge, MSEK	2020
<b>2019</b>	10,136
Currency impact	-1,012
Organic sales & Manufacturing volumes	-3,612
Cost development	3,682
<b>2020</b>	9,194

- The financial net amounted to SEK -769 million (-926). 2019 included costs related to the repayment of the loan amounting to SEK -137 million.
- Taxes in 2020 were SEK -1,826 million (-2,677) giving an effective tax rate of 29% (32%). The tax rate was negatively impacted by withholding tax on intra-group dividends of SEK -128 million, adjusted for this the tax rate would have been 27%. The tax rate in 2019 was negatively impacted by an adjustment related to the US tax reform as well as other tax effects related to prior years and withholding tax on dividend, adjusted for this the tax rate would have been 28%.
- Cash flow after investments before financing was 5,259 million (4,953) and excluding acquisitions and divestments it was 5,243 million (5,736). The lower operating profit was partly offset by working capital development and lower investment activities.
- Provisions for post-employment benefits net decreased by SEK -177 million (increase of +2,480) mainly as a result of currency fluctuations and pension payments.

Key figures	31 Dec 2020	30 Sept 2020	31 Dec 2019
Net working capital, % of 12 months rolling sales	26.1	28.7	27.7
ROCE for the 12-month period, %	9.8	9.3	13.2
Net debt/equity, %	51.7	59.8	59.3
Net debt/equity, excluding post-employment benefits, %	9.3	16.3	18.3
Net debt/EBITDA	1.8	2.1	1.7

**Dividend proposal** The Board has decided to propose an increased dividend of SEK 6.50 per share to the Annual General Meeting.

# Sales

Net sales, change y-o-y, %	Q4				Full year 2020			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
SKF Group	-0.1	0.0	-7.6	-7.7	-10.0	0.0	-3.0	-13.0
Industrial	-4.4	0.0	-6.9	-11.3	-8.8	0.0	-2.8	-11.6
Automotive	11.1	0.0	-9.3	1.8	-12.8	0.0	-3.7	-16.5

Organic sales in local currencies, change y-o-y, %	Q4					Full year 2020				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
SKF Group	-6.5	-4.3	12.3	7.7	3.8	-15.0	-14.8	-4.9	-1.1	-1.6
Industrial	---	---	+++	+	++	---	---	+/-	+/-	-
Automotive	++	++	+++	+++	+	---	---	---	-	+++

Customer industries	Q4					Full year 2020				
	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 Q4 2020, compared to Q4 2019

### Europe

Industrial: Overall, sales were significantly lower in the quarter. By industry, sales to the energy industry were significantly higher and to off-highway it was higher. Sales to industrial distribution were slightly lower while to other industrial segments it was significantly lower compared to Q4 2019.

Automotive: Sales in the quarter were higher compared to last year with significantly higher sales to light vehicles and trucks. To the vehicle aftermarket it was significantly lower compared to Q4 2019.

### North America

Industrial: Sales were significantly lower in the quarter compared to Q4 2019. Sales to marine and electrical industries were higher while to off-highway and to other industrial it was slightly higher. Sales to the aerospace industry were slightly lower while to all other industries it was significantly lower.

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

### Asia-Pacific

Industrial: Sales were slightly higher in the quarter. By industry, sales to energy, off-highway and electrical were significantly higher. To industrial drives, and other industrial it was higher while to industrial distribution it was relatively unchanged. To heavy industries it was lower and to the aerospace, railway, marine and agriculture, food and beverage industries it was significantly lower compared to Q4 2019.

Automotive: Sales were significantly higher in the quarter. Sales were significantly higher to trucks, light vehicles and to the vehicle aftermarket compared to Q4 2019.

### Latin America

Industrial: Overall, sales were significantly higher in the quarter. By industry, sales to energy, off-highway and industrial drives were all significantly higher. To heavy industries and other industrial it was higher while to industrial distribution it was slightly higher compared to Q4 2019.

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

# Segment information<sup>1)</sup>

MSEK unless otherwise stated

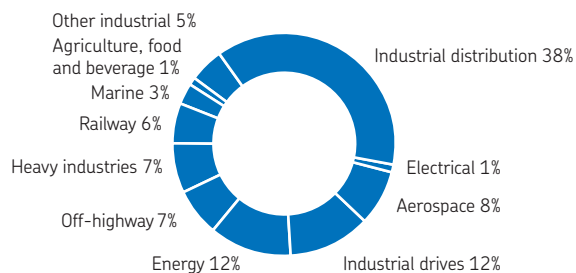
Industrial	Q4 2020	Q4 2019	2020	2019
Net sales	13,620	15,361	54,463	61,597
Adjusted operating profit	1,979	2,045	8,153	9,054
Adjusted operating margin, %	14.5	13.3	15.0	14.7
Operating profit	1,678	1,902	6,773	8,686
Operating margin, %	12.3	12.4	12.4	14.1

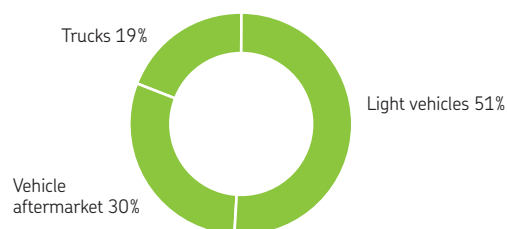
Automotive	Q4 2020	Q4 2019	2020	2019
Net sales	5,952	5,847	20,389	24,416
Adjusted operating profit	603	134	1,041	1,082
Adjusted operating margin, %	10.1	2.3	5.1	4.4
Operating profit	532	7	296	709
Operating margin, %	8.9	0.1	1.5	2.9

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

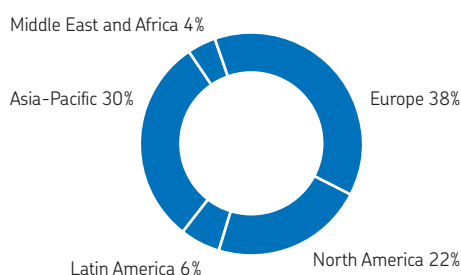
Full year net sales by customer industry for Industrial 2020



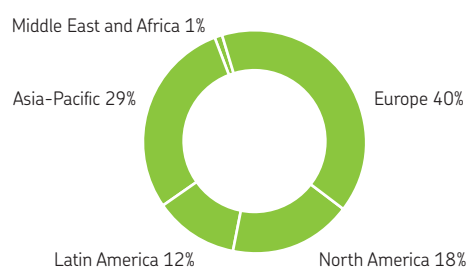
Full year net sales by customer industry for Automotive 2020



Full year net sales by region for Industrial 2020



Full year net sales by region for Automotive 2020



# Outlook and Guidance

## **Demand for Q1 2021 compared to Q1 2020**

We expect to see mid-single digit growth in organic sales in the first quarter of 2021 compared to the first quarter of 2020.

The industries and regions in which SKF operates are still impacted by the effects related to the spread of COVID-19.

## **Guidance Q1 2021**

Currency impact on the operating profit is expected to be around SEK -600 million compared with Q1 2020, based on exchange rates per 31 December 2020.

## **Guidance 2021**

- Tax level excluding effects related to divested businesses: around 28%.
- Additions to property, plant and equipment: around 3,600 SEK million.

# Previous outlook statement

## **Demand for Q4 2020 compared to Q4 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 uncertainty, it is not feasible to provide a reliable demand guidance for the third quarter.

# Highlights

## **First major order for SKF BlueSonic**

SKF has won its first order for its new SKF BlueSonic ballast water management system (BWMS). The order has been placed by commercial cargo vessel operator F&L Schifffahrt GmbH & Co. The company has a fleet of seven vessels and operates in Mediterranean and Northern European waters.

## **Consolidation and restructuring in France**

SKF has announced a consolidation and restructuring of various manufacturing, business and administrative functions in France. Consequently, manufacturing of slewing bearings will be moved from Avallon to St-Cyr-sur-Loire, resulting in the proposed closure of the Avallon factory.

## **Alrik Danielson to step down as President and CEO**

The Board of AB SKF and Alrik Danielson have jointly agreed that Alrik Danielson will leave his role as President and CEO in 2021, a role he has held since January 2015.

## **Rickard Gustafson appointed new President and CEO**

On 11 January 2021 it was announced that Rickard Gustafson has been appointed new President and CEO of the SKF Group. Rickard Gustafson comes from SAS Group where he has been President & CEO since 2011. Before joining SAS, he was the CEO of the insurance company Codan/Trygg Hansa and he has held several positions within General Electric. He is born 1964 and holds an MSc from the Institute of Technology at Linköping University, Sweden.

# New products and solutions

## **SKF BlueSonic BWMS**

SKF BlueSonic BWMS treats ballast water using ultrasound technology, to prevent invasive species such as microbes being transferred from one shipping region to another. It is efficient, resists cavitation and corrosion and eliminates the need of any chemicals or byproducts.

## **SKF Lincoln grease injector**

The latest addition to SKF's single-line lubricant injector range contributes to increased productivity in tough applications. The new SKF Lincoln SL-6 injector is easy to use, has outstanding leak protection and service life, even with harsh extreme pressure greases.

# 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.

## SKF's Performance Share Programme

In order to continue to link the interests of the participants and the shareholders long-term, the Board proposes, that a decision be taken at the Annual General Meeting 2021 on SKF's Performance Share Programme 2021. The terms and conditions for the proposed SKF's Performance Share Programme 2021 are the same as for SKF's Performance Share Programme 2020, which was decided by the Annual General Meeting 2020.

It is proposed that the programme covers a maximum of 225 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF B shares.

The number of shares that may be allotted must be related to the degree of achievement of the Total Value Added (TVA) target level, as defined by the Board, for the TVA development

for the financial years 2021–2023 compared to the financial year 2020. Under the programme, not more than 1,000,000 SKF B shares may be allotted.

SKF's Performance Share Programme 2018, which was decided by the Annual General Meeting 2018, will be settled in the first quarter 2021. The outcome is that about 160 managers of the SKF Group will receive around 393,000 SKF class B shares (around 64% of the maximum number of shares approved by the Annual General Meeting), based on the degree of achievement of the TVA target level, as defined by the Board of Directors, for the financial years 2018–2020 compared to the financial year 2017. The total cost for the SKF's Performance Share Programme 2018 amounted to around SEK 100 million including administrative costs and social charges.

## 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.

Gothenburg, 2 February 2021  
Aktiebolaget SKF (publ)  
Alrik Danielson  
President and CEO

This report has not been reviewed by AB SKF's auditors



# Condensed consolidated income statements

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	19,572	21,208	74,852	86,013
Cost of goods sold	-14,778	-16,401	-57,863	-65,071
<b>Gross profit</b>	<b>4,794</b>	<b>4,807</b>	<b>16,989</b>	<b>20,942</b>
Selling and administrative expenses	-2,659	-2,993	-10,253	-11,819
Other operating income/expenses, net	75	96	333	272
<b>Operating profit</b>	<b>2,210</b>	<b>1,910</b>	<b>7,069</b>	<b>9,395</b>
Operating margin, %	11.3	9.0	9.4	10.9
Financial income and expense, net	-66	-188	-769	-926
<b>Profit before taxes</b>	<b>2,144</b>	<b>1,722</b>	<b>6,300</b>	<b>8,469</b>
Taxes	-541	-641	-1,826	-2,677
<b>Net profit</b>	<b>1,603</b>	<b>1,081</b>	<b>4,474</b>	<b>5,792</b>
Net profit attributable to:				
Shareholders of the parent	1,527	1,035	4,298	5,557
Non-controlling interests	76	46	176	235

# Condensed consolidated statements of comprehensive income

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<b>Net profit</b>	<b>1,603</b>	<b>1,081</b>	<b>4,474</b>	<b>5,792</b>
Items that will not be reclassified to the income statement:				
Remeasurements	-144	1,243	-850	-2,469
Income taxes	24	-304	203	719
	<b>-120</b>	<b>939</b>	<b>-647</b>	<b>-1,750</b>
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-2,325	-1,291	-3,726	835
Assets at fair value through other comprehensive income	-33	-23	-39	-13
Income taxes	-3	-1	8	54
	<b>-2,361</b>	<b>-1,315</b>	<b>-3,757</b>	<b>876</b>
Other comprehensive income, net of tax	-2,481	-376	-4,404	-874
<b>Total comprehensive income</b>	<b>-878</b>	<b>705</b>	<b>70</b>	<b>4,918</b>
Shareholders of AB SKF	-855	745	111	4,666
Non-controlling interests	-23	-40	-41	252

# Condensed consolidated balance sheets

MSEK	December 2020	December 2019
Goodwill	10,117	11,251
Other intangible assets	6,125	7,146
Property, plant and equipment	18,161	18,420
Right of use asset leases	2,517	2,991
Deferred tax assets	4,800	4,437
Other non-current assets	1,939	2,019
<b>Non-current assets</b>	<b>43,659</b>	<b>46,264</b>
Inventories	15,733	18,051
Trade receivables	12,286	14,006
Other current assets	4,242	4,546
Other current financial assets	14,637	11,241
<b>Current assets</b>	<b>46,898</b>	<b>47,844</b>
<b>Total assets</b>	<b>90,557</b>	<b>94,108</b>
Equity attributable to shareholders of AB SKF	34,309	35,512
Equity attributable to non-controlling interests	1,403	1,854
Long-term financial liabilities	15,089	15,407
Provisions for post-employment benefits	15,170	15,366
Provisions for deferred taxes	792	960
Other long-term liabilities and provisions	2,150	1,869
<b>Non-current liabilities</b>	<b>33,201</b>	<b>33,602</b>
Trade payables	8,459	8,266
Short-term financial liabilities	3,260	3,610
Other short-term liabilities and provisions	9,925	11,264
<b>Current liabilities</b>	<b>21,644</b>	<b>23,140</b>
<b>Total equity and liabilities</b>	<b>90,557</b>	<b>94,108</b>

# Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Dec 2020	Jan-Dec 2019
Opening balance 1 January	37,366	35,452
Total comprehensive income	70	4,918
Cost for performance share programmes, net	-95	-62
Other, including transactions with non-controlling interests	149	-152
Total cash dividends	-1,778	-2,790
<b>Closing balance</b>	<b>35,712</b>	<b>37,366</b>

# Condensed consolidated statements of cash flow

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating activities:				
Operating profit	2,210	1,910	7,069	9,395
Depreciation, amortization and impairment	849	929	3,401	3,496
Net loss/gain (-) on sales of PPE and businesses	-3	-3	-245	12
Taxes	-711	-566	-2,240	-2,114
Other including non-cash items	-1,289	-580	-950	-996
Changes in working capital:	1,806	460	1,230	-383
Inventories	862	471	1,542	277
Accounts receivables	698	613	1,102	177
Accounts payable	643	-60	396	326
Other operating assets/liabilities	-397	-564	-1,810	-1,163
<b>Net cash flow from operations</b>	<b>2,862</b>	<b>2,150</b>	<b>8,265</b>	<b>9,410</b>
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-971	-1,444	-3,380	-4,418
Sales of PPE, businesses and equity securities	10	-5	374	-39
<b>Net cash flow used in investing activities</b>	<b>-961</b>	<b>-1,449</b>	<b>-3,006</b>	<b>-4,457</b>
<b>Net cash flow after investments before financing</b>	<b>1,901</b>	<b>701</b>	<b>5,259</b>	<b>4,953</b>
Financing activities:				
Change in short- and long-term loans	-2,147	433	848	-1,546
Other financing items	-	-137	-	-137
Repayment leases	-197	-180	-799	-834
Cash dividends	-15	-	-1,778	-2,790
Redemption of shares	-	-	-	-242
Investments in short-term financial assets	-11	-4,599	-409	-8,680
Sales of short-term financial assets	94	4,325	4,829	5,232
<b>Net cash flow used in financing activities</b>	<b>-2,276</b>	<b>-158</b>	<b>2,691</b>	<b>-8,997</b>
<b>Net cash flow</b>	<b>-375</b>	<b>543</b>	<b>7,950</b>	<b>-4,044</b>
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 October/1 January	14,405	6,071	6,430	10,390
Cash effect excl. acquired/sold business	-375	534	7,953	-4,051
Cash effect of acquired/sold businesses	-	9	-3	7
Exchange rate effect	20	-184	-330	84
<b>Cash and cash equivalents at 31 December</b>	<b>14,050</b>	<b>6,430</b>	<b>14,050</b>	<b>6,430</b>

	Closing balance 31 December 2020	Other non cash changes	Acquired/ sold businesses	Cash changes	Translation effect	Opening balance 1 January 2020
<b>Change in Net debt</b>						
Loans, long- and short-term	15,240	9	-	848	-587	14,970
Post-employment benefits, net	15,136	921	-	-888	-210	15,313
Lease liabilities	2,584	602	-	-799	-230	3,011
Financial assets, others	-450	-21	-	4,225	34	-4,688
Cash and cash equivalents	-14,050	-	3	-7,953	330	-6,430
<b>Net debt</b>	<b>18,460</b>	<b>1,511</b>	<b>3</b>	<b>-4,567</b>	<b>-663</b>	<b>22,176</b>

## Number of shares

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	31,371,055	32,460,528	31,371,055	32,460,528
- whereof B shares	423,980,013	422,890,540	423,980,013	422,890,540
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	455,781,182	456,146,132	455,662,633	455,881,722

# Condensed consolidated financial information

MSEK unless otherwise stated

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
Net sales	21,278	22,488	21,039	21,208	20,085	16,599	18,596	19,572
Cost of goods sold	-15,857	-16,841	-15,972	-16,401	-15,226	-13,547	-14,312	-14,778
<b>Gross profit</b>	<b>5,421</b>	<b>5,647</b>	<b>5,067</b>	<b>4,807</b>	<b>4,859</b>	<b>3,052</b>	<b>4,284</b>	<b>4,794</b>
Gross margin, %	25.5	25.1	24.1	22.7	24.2	18.4	23.0	24.5
Selling and administrative expenses	-2,805	-3,103	-2,918	-2,993	-2,708	-2,569	-2,317	-2,659
- as % of sales	13.2	13.8	13.9	14.1	13.5	15.5	12.5	13.6
Other, net	42	-5	139	96	117	186	-45	75
<b>Operating profit</b>	<b>2,658</b>	<b>2,539</b>	<b>2,288</b>	<b>1,910</b>	<b>2,268</b>	<b>669</b>	<b>1,922</b>	<b>2,210</b>
Operating margin, %	12.5	11.3	10.9	9.0	11.3	4.0	10.3	11.3
Financial net	-216	-278	-244	-188	-412	-89	-202	-66
<b>Profit before taxes</b>	<b>2,442</b>	<b>2,261</b>	<b>2,044</b>	<b>1,722</b>	<b>1,856</b>	<b>580</b>	<b>1,720</b>	<b>2,144</b>
Profit margin before taxes, %	11.5	10.1	9.7	8.1	9.2	3.5	9.2	11.0
Taxes	-661	-682	-693	-641	-549	-249	-487	-541
<b>Net profit</b>	<b>1,781</b>	<b>1,579</b>	<b>1,351</b>	<b>1,081</b>	<b>1,307</b>	<b>331</b>	<b>1,233</b>	<b>1,603</b>
Net profit attributable to								
Shareholders of the parent company	1,718	1,511	1,293	1,035	1,250	342	1,179	1,527
Non-controlling interests	63	68	58	46	57	-11	54	76

## Reconciliation to profit before tax for the Group

MSEK	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
Operating profit:								
Industrial <sup>1)</sup>	2,328	2,255	2,202	1,904	2,172	1,301	1,622	1,678
Automotive <sup>1)</sup>	330	284	86	6	96	-632	300	532
Financial net	-216	-278	-244	-188	-412	-89	-202	-66
<b>Profit before taxes for the Group</b>	<b>2,442</b>	<b>2,261</b>	<b>2,044</b>	<b>1,722</b>	<b>1,856</b>	<b>580</b>	<b>1,720</b>	<b>2,144</b>

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

# Key figures

Definitions, see page 15

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
EBITDA, MSEK	3,493	3,425	3,134	2,840	3,134	1,543	2,734	3,059
EBITA, MSEK	2,811	2,691	2,443	2,063	2,421	822	2,069	2,369
Adjusted operating profit	2,720	2,856	2,380	2,181	2,572	1,565	2,475	2,582
Adjusted operating margin, %	12.8	12.7	11.3	10.3	12.8	9.4	13.3	13.2
Basic earnings per share, SEK	3.77	3.32	2.84	2.27	2.75	0.75	2.59	3.36
Adjusted earnings per share, SEK	3.91	4.02	3.04	2.86	3.41	2.72	3.80	4.17
Diluted earnings per share, SEK	3.77	3.32	2.84	2.27	2.74	0.75	2.59	3.35
Dividend per share, SEK	–	6.00	–	–	–	3.00	–	–
Net worth per share, SEK	78	74	76	78	83	76	77	75
Share price at the end of the period, SEK	154.4	170.8	162.7	189.4	136.7	173.2	185.7	213.4
NWC, % of 12 months rolling sales	30.0	30.1	29.9	27.7	29.5	30.0	28.7	26.1
ROCE for the 12-month period, %	17.1	16.0	15.0	13.2	12.5	9.8	9.3	9.8
ROE for the 12-month period, %	21.8	20.1	18.9	15.7	14.3	10.9	10.6	12.1
Gearing, %	47.2	49.3	48.9	47.1	47.4	49.7	50.2	48.0
Equity/assets ratio, %	39.5	37.6	37.8	39.7	39.4	38.7	38.1	39.4
Additions to property, plant and equipment, MSEK	656	684	967	1,154	917	670	796	949
Net debt/equity, %	57.1	67.6	67.0	59.3	57.6	62.5	59.8	51.7
Net debt, MSEK	21,431	24,103	24,548	22,176	22,877	22,866	21,868	18,460
Net debt/EBITDA	1.6	1.8	1.8	1.7	1.8	2.1	2.1	1.8
Registered number of employees	44,161	43,700	43,687	43,360	43,134	41,835	41,174	40,963

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/en](http://investors.skf.com/en).

## Segment information – quarterly figures<sup>1)</sup>

MSEK unless otherwise stated

<b>Industrial</b>	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
Net sales	15,049	16,061	15,126	15,361	14,501	13,192	13,150	13,620
Adjusted operating profit	2,373	2,530	2,108	2,046	2,251	1,851	2,072	1,979
Adjusted operating margin, %	15.8	15.7	13.9	13.3	15.5	14.0	15.8	14.5
Operating profit	2,328	2,255	2,202	1,904	2,172	1,301	1,622	1,678
Operating margin, %	15.5	14.0	14.6	12.4	15.0	9.9	12.3	12.3
Assets and liabilities, net	42,871	43,604	44,437	43,601	46,584	44,068	42,323	38,511
Registered number of employees	36,154	35,945	36,061	35,834	35,472	33,916	33,400	33,157
<b>Automotive</b>	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
Net sales	6,229	6,427	5,913	5,847	5,584	3,407	5,446	5,952
Adjusted operating profit	347	326	272	135	321	-286	403	603
Adjusted operating margin, %	5.6	5.1	4.6	2.3	5.7	-8.4	7.4	10.1
Operating profit	330	284	86	6	96	-632	300	532
Operating margin, %	5.3	4.4	1.5	0.1	1.7	-18.5	5.5	8.9
Assets and liabilities, net	12,480	11,998	12,195	11,302	11,223	10,500	9,703	9,355
Registered number of employees	7,358	7,112	6,964	6,855	6,747	6,499	6,362	6,351

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

## Parent company condensed income statements

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Revenue	2,470	2,007	5,267	6,073
Cost of revenue	-1,124	-1,335	-4,819	-5,068
General management and administrative expenses	-457	-410	-1,489	-1,661
Other operating income/expenses, net	2	12	13	-4
<b>Operating result</b>	<b>891</b>	<b>274</b>	<b>-1,028</b>	<b>-660</b>
Financial income and expense, net	1,685	2,224	2,271	6,510
<b>Profit before taxes</b>	<b>2,576</b>	<b>2,498</b>	<b>1,243</b>	<b>5,850</b>
Appropriations	1,070	1,487	1,070	1,487
Taxes	-397	-334	30	-102
<b>Net profit</b>	<b>3,249</b>	<b>3,651</b>	<b>2,343</b>	<b>7,235</b>

## Parent company condensed statements of comprehensive income

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit	3,249	3,651	2,343	7,235
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-34	-24	-40	-14
<b>Other comprehensive income, net of tax</b>	<b>-34</b>	<b>-24</b>	<b>-40</b>	<b>-14</b>
<b>Total comprehensive income</b>	<b>3,215</b>	<b>3,627</b>	<b>2,303</b>	<b>7,221</b>

## Parent company condensed balance sheets

MSEK	December 2020	December 2019
Intangible assets	1,528	1,611
Investments in subsidiaries	22,496	22,438
Receivables from subsidiaries	12,750	12,313
Other non-current assets	970	1,050
<b>Non-current assets</b>	<b>37,744</b>	<b>37,412</b>
Receivables from subsidiaries	5,971	6,585
Other receivables	163	151
<b>Current assets</b>	<b>6,134</b>	<b>6,736</b>
<b>Total assets</b>	<b>43,878</b>	<b>44,148</b>
Shareholders' equity	25,801	24,959
Provisions	468	384
Non-current liabilities	12,750	12,312
Current liabilities	4,859	6,493
<b>Total shareholders' equity, provisions and liabilities</b>	<b>43,878</b>	<b>44,148</b>

# 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.

## **Revenue growth**

Sales excluding effects of currency 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.

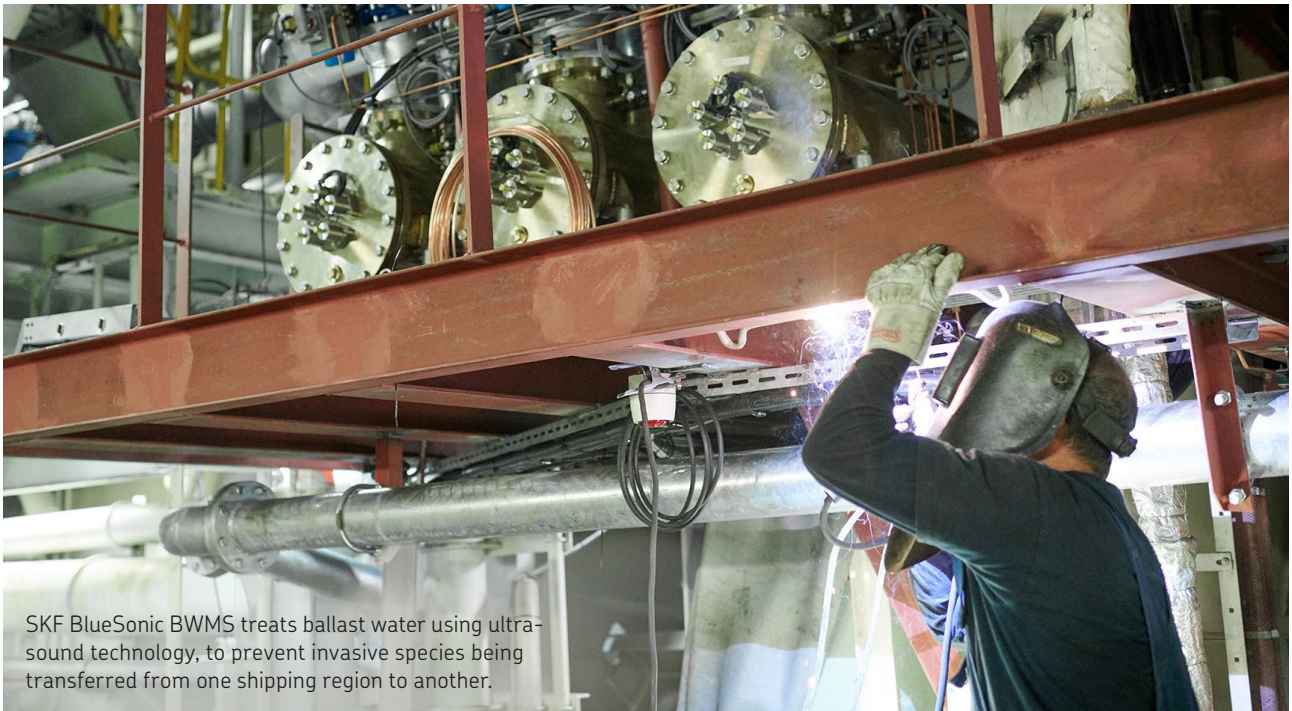
## **SKF demand outlook**

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/en](http://investors.skf.com/en)) under the Administration Report; "Risk management" and "Sensitivity analysis", and in this report under "Risks and uncertainties in the business."



SKF BlueSonic BWMS treats ballast water using ultra-sound technology, to prevent invasive species being transferred from one shipping region to another.

#### **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 2020: SEK 74,852 million  
 40,963 employees  
 15 technical centers  
 91 manufacturing sites  
 More than 17,000 distributors

#### **AB SKF (publ)**

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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:**

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#### **Webcast**

2 February at 14:00 (CET), 13.00 (UK)  
<https://investors.skf.com/en>

#### **Calendar**

25 March, Annual General Meeting 2021  
 22 April, Q1 report 2021  
 20 July, Q2 report 2021  
 26 October, Q3 report 2021

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 13.00 CET on 2 February 2021.