



Half-year report 2021

Press release 20 July

Record operating profit

The second quarter saw a record in adjusted operating profit of SEK 3,118 million (1,565 million) and an adjusted operating margin of 15.0% (9.4%).

The result was especially strong, given continued headwinds in the form of negative currency impact and rising input costs. Through mitigating actions we have been able to compensate for approximately 50% of this cost increase. We've done well to serve our customers under these circumstances, and we're doing our utmost to capture additional growth opportunities.

Organic sales development in the quarter was just above 33%, with net sales of SEK 20,735 million (SEK 16,599 million). Sales were significantly higher on all main geographical markets with organic growth of 91% in Latin America, 40% in EMEA, 27% in North America and 19% in APAC.

The Industrial business delivered a record set of results, with an adjusted operating margin of 18.0% (14.0%). The Automotive business delivered an adjusted operating margin of 7.6% (-7.6%).

Cash flow generation in the quarter was SEK 509 million (negative 838 million), an improvement compared to last year as well as the last quarter.

We continue to invest in and consolidate our manufacturing footprint. Since 2019 we have permanently closed six sites and are currently in the process of closing an additional 11. Regretfully, some of these initiatives have a negative impact on some employees which we try to mitigate to the extent possible. Nevertheless, they are necessary to align our presence and capabilities with customer demand and, thereby enabling growth opportunities.

Investments in our factories are expected to reach SEK 3.8 billion for the year, 200 million higher than our previous guidance. These investments make us more flexible and efficient as well as being an important foundation for

winning more business from customers in fast-growing segments and regions. These investments and consolidation efforts have, on an annual basis, realized SEK 1.1 billion of the 5 billion in savings we expect to generate by 2025.

We are moving towards a more sustainable future and we already have an ambitious net zero CO2 emissions target from our own operations by 2030. By also committing to the Science Based Targets Initiative, we're now taking steps to further increase our ambition and transparency levels throughout our supply chain. This will also ensure that our efforts are fully aligned with the ambitions of the Paris Agreement.

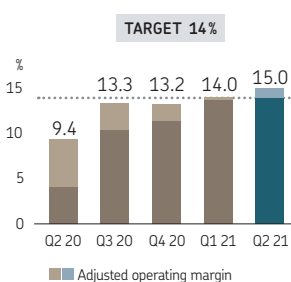
The record high operating result for the quarter is a proof point on SKF's ability to drive efficiency and effectiveness in a volatile and demanding market environment. Together with opportunities to further capitalize on our strong market position and industrializing new offerings and business models, we have a solid platform to fuel future growth. I'm thrilled and eager to embark on the exciting journey that lies ahead of us!

Looking ahead, demand is expected to remain strong but there is also uncertainty related to both Covid and to the supply situation. For the third quarter we expect an organic growth of about 10 percent compared to Q3 2020.

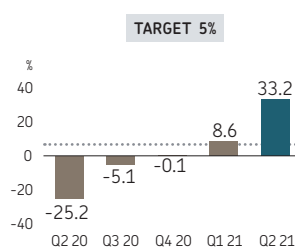


Rickard Gustafson
President and CEO

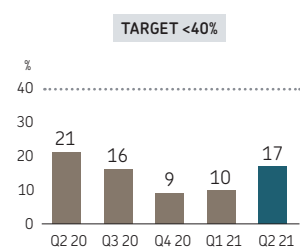
Operating margin¹⁾



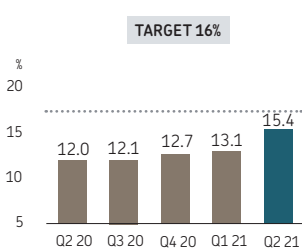
Revenue growth²⁾



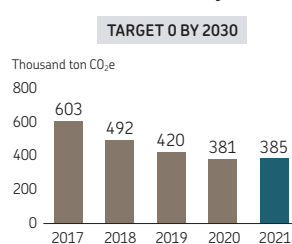
Net debt/Equity³⁾



ROCE¹⁾



Carbon Neutral by 2030⁴⁾



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 CO₂e from all SKF manufacturing and logistics units.

Cover picture:
Production of a sensor roller bearing at SKF world-class manufacturing site in Gothenburg.

Key figures

MSEK unless otherwise stated	Q2 2021	Q2 2020	Half year 2021	Half year 2020
Net sales	20,735	16,599	40,600	36,684
Adjusted operating profit	3,118	1,565	5,907	4,137
Adjusted operating margin, %	15.0	9.4	14.5	11.3
Operating profit	2,878	669	5,577	2,937
Operating margin, %	13.9	4.0	13.7	8.0
Adjusted profit before taxes	3,040	1,476	5,626	3,635
Profit before taxes	2,801	580	5,296	2,436
Net cash flow after investments before financing	509	-838	-193	1,092
Basic earnings per share	4.59	0.75	8.50	3.50
Adjusted earnings per share	5.11	2.72	9.23	6.13

Financial performance

Second quarter 2021

Operating profit for the second quarter was SEK 2,878 million (669). Operating profit included items affecting comparability of SEK -238 million (-896) whereof -238 (-657) related to ongoing restructuring and cost reduction activities and SEK 0 million (-227) related to customer settlements.

The adjusted operating profit for the second quarter was SEK 3,118 million (1,565). The adjusted operating profit was positively impacted by sales and manufacturing volumes, sales prices and customer mix as well as cost reductions. Adjusted operating profit was negatively impacted by currency effects, material costs and logistics costs.

Adjusted operating profit bridge, MSEK	Q2
2020	1,565
Currency impact	-586
Organic sales & Manufacturing volumes	2,824
Cost development	-685
2021	3,118

- Financial income and expense, net in the second quarter was SEK -77 million (-89).
- Taxes in the quarter were SEK -661 million (-249) resulting in an effective tax rate of 23.6% (42.9%). The tax rate in last year was negatively affected by withholding tax on dividends, deferred tax not recognized and non-deductible expenses.
- Net cash flow after investments before financing in the second quarter was SEK 509 million (-838). Excluding cash flow related to divestments and acquisitions during the second quarter it was SEK 509 million (-854). The increase is driven by the higher operating profit partly offset by higher working capital.
- Net working capital in percent of annual sales was 30.7% in the second quarter compared to 30.0% in the second quarter 2020. The ratio was negatively affected by exchange rate fluctuations.
- Provisions for post-employment benefits decreased by SEK -251 million (-1,550) in the second quarter mainly due to net payments and exchange rate effects. No material effect from actuarial gains and losses in the quarter due to stable discount rates since last quarter.

Key figures	30 June 2021	31 March 2021	30 June 2020
Net working capital, % of 12 months rolling sales	30.7	30.2	30.0
ROCE for the 12-month period, % ¹⁾	15.4	13.1	12.0
Net debt/equity, %	50.1	43.2	62.5
Net debt/equity, excluding post-employment benefits, %	16.8	10.2	20.7
Net debt/EBITDA	1.5	1.6	2.1

1) Adjusted for items affecting comparability.

Sales

Net sales, change y-o-y, %	Q2				Half year			
	Organic ¹⁾	Structure	Currency	Total	Organic ¹⁾	Structure	Currency	Total
SKF Group	33.2	–	-8.3	24.9	19.6	–	-8.9	10.7
Industrial	21.7	–	-7.9	13.8	13.1	–	-8.6	4.5
Automotive	75.9	–	-9.8	66.1	39.2	–	-10.2	29.0

¹⁾ Price, mix and volume

Organic sales in local currencies, change y-o-y, %	Q2				Half year			
	Europe, Middle East and Africa	North America	Latin America	Asia-Pacific	Europe, Middle East and Africa	North America	Latin America	Asia-Pacific
SKF Group	39.8	27.2	91.0	19.1	18.0	11.8	42.9	22.4
Industrial	+++	+++	+++	+++	+++	+++	+++	+++
Automotive	+++	+++	+++	+++	+++	+++	+++	+++

Customer industries	Q2				Half year			
	Europe, Middle East and Africa	North America	Latin America	Asia-Pacific	Europe, Middle East and Africa	North America	Latin America	Asia-Pacific
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 2021, compared to Q2 2020

Europe, Middle East and Africa

Industrial: Sales were significantly higher in the quarter. By industry, sales to all industrial segments, except Marine and Aerospace, were significantly higher compared to Q2 2020. Sales to the aerospace industry were higher and sales to the marine industry were significantly lower compared to Q2 last year.

Automotive: Sales in the quarter were significantly higher compared to last year with significantly higher sales to light vehicles, trucks and to the vehicle aftermarket compared to Q2 2020.

North America

Industrial: Sales were significantly higher in the quarter compared to Q2 2020. By industry, sales to most industrial segments were significantly higher. The exceptions were, railway and industrial drives where sales were higher compared to Q2 2020, aerospace where sales were relatively unchanged and energy where sales were significantly lower compared to Q2 last year.

Automotive: Sales in the quarter were significantly higher compared to last year with significantly higher sales to light vehicles, trucks and to the vehicle aftermarket compared to Q2 2020.

Asia-Pacific

Industrial: Sales were significantly higher in the quarter. Sales were significantly higher to all industrial segments except for energy which saw higher sales and railway and heavy industries where sales were lower compared to Q2 2020.

Automotive: Sales were significantly higher in the quarter. Sales were significantly higher to trucks, light vehicles as well as to the vehicle aftermarket compared to Q2 2020.

Latin America

Industrial: Overall, sales were significantly higher in the quarter. Sales to all relevant industrial segments were significantly higher compared to Q2 2020.

Automotive: Sales in the quarter were significantly higher compared to last year with significantly higher sales to light vehicles, trucks and to the vehicle aftermarket compared to Q2 2020.

Segment information¹⁾

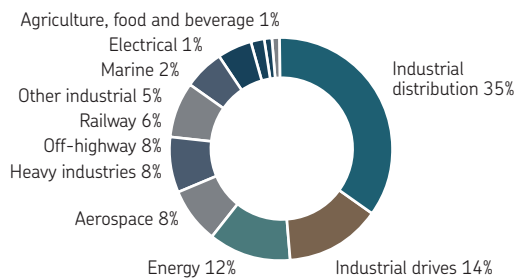
MSEK unless otherwise stated

Industrial	Q2 2021	Q2 2020	Half year 2021	Half year 2020
Net sales	14,889	13,080	28,677	27,444
Adjusted operating profit	2,674	1,832	4,921	4,062
Adjusted operating margin, %	18.0	14.0	17.2	14.8
Operating profit	2,405	1,282	4,582	3,433
Operating margin, %	16.2	9.8	16.0	12.5

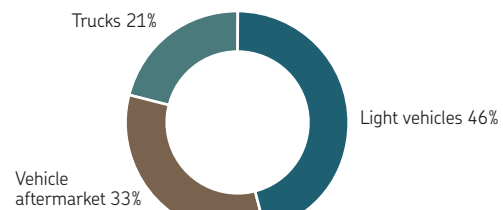
Automotive	Q2 2021	Q2 2020	Half year 2021	Half year 2020
Net sales	5,846	3,519	11,923	9,240
Adjusted operating profit	444	-267	986	75
Adjusted operating margin, %	7.6	-7.6	8.3	0.8
Operating profit	473	-613	995	-496
Operating margin, %	8.1	-17.4	8.3	-5.4

1) Previously published figures for 2020 have been restated to reflect a change in classification of customers between the segments.

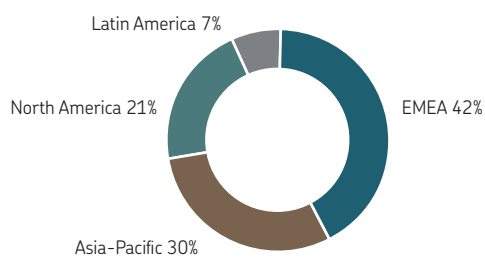
Net sales by customer industry for Industrial Q2 2021



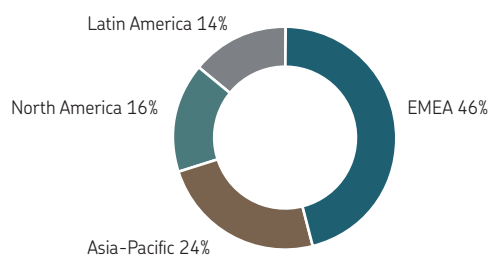
Net sales by customer industry for Automotive Q2 2021



Net sales by region for Industrial Q2 2021



Net sales by region for Automotive Q2 2021



Outlook and Guidance

Demand for Q3 2021 compared to Q3 2020

Demand is expected to continue to grow and we expect an organic growth of about 10% for the third quarter compared to Q3 2020.

Guidance Q3 2021

Currency impact on the operating profit is expected to be around SEK -150 million compared with Q3 2020, based on exchange rates per 30 June 2021.

Guidance 2021

- Tax level excluding effects related to divested businesses: around 28%.
- Additions to property, plant and equipment: around SEK 3,800 million. Previous guidance was around SEK 3,600 million.

Previous outlook statement

Demand for Q2 2021 compared to Q2 2020

Demand has improved gradually since the trough in the second quarter of 2020. Net sales is expected to continue to grow, reaching pre-COVID levels in the second quarter of 2021, i.e. in line with levels reported in the second quarter of 2019.

Highlights

Rickard Gustafson, President and CEO

Rickard Gustafson joined SKF as President and CEO on 1 June 2021.

SKF's oil regeneration service available in Mexico

Molecular Oil Technology (MOT) has purchased, and will operate under license, a RecondOil Double Separation Technology (DST) stand-alone unit from SKF. The full capacity of the DST unit purchased by MOT is approximately 2.5 million litres/year.

Ovako extends service agreement with SKF

SKF has signed a new five-year service agreement that will help Swedish steelmaker Ovako further improve its preventive maintenance regime.

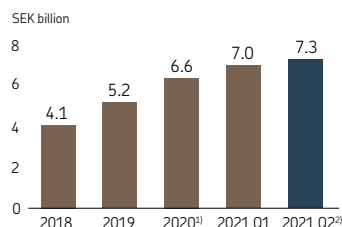
Sustainability performance

SKF has been publicly reporting on sustainability performance for many years in the Group's annual report, on skf.com and in various other forums. Reflecting the increasing operational and strategic importance of these issues, the Group is now including certain related KPI's also in the quarterly report. It is anticipated that the scope and depth of this reporting will increase over time.

Cleantech revenues

Cleantech revenues are the aggregated sales to acknowledged cleantech sectors such as renewable energy, electric vehicles, recycling industry and bearing remanufacturing. The growth of these sectors has far outstripped the organic growth of SKF as a whole – indicating the successful execution of SKF's cleantech strategy.

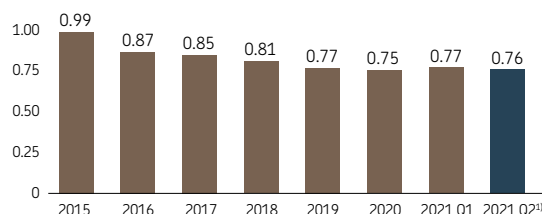
- 1) Previously published figures for 2020 have been restated to reflect a change in classification.
- 2) 2021 figures relate to the latest 12 months period.



Accident rate

The Accident rate measures the number of recordable accidents per 100 employees per year. There has been a considerable reduction in the accident rate over the past 5 years.

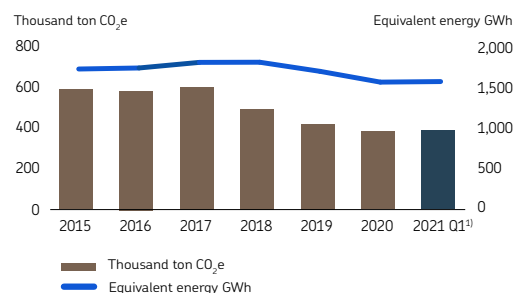
- 1) 2021 figures relate to the latest 12 months period.



CO₂ emissions, Equivalent energy

CO₂ emissions¹⁾ for SKF's operations (Scope 1 and 2 according to the Greenhouse Gas protocol) and total energy use for the same scope are presented in the graph. SKF continues to make good progress towards the Group's goal to be Carbon Neutral for these aspects by 2030.

- 1) Due to external reporting constraints, this data is presented for the end of the previous quarter.



Accounting principles

The consolidated financial statements of the SKF Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interim report was prepared in accordance with IAS 34 Interim Financial Reporting. 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 2021. None of these have a material effect on the SKF Group's financial statements.

This report has been reviewed by AB SKF's auditors.

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 an investigation in Brazil by the General Superintendence of the Administrative Council for Economic Defense, regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil.

The Board of Directors and the CEO declare that the half-year report gives a true and 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, 20 July 2021
Aktiebolaget SKF
(publ)

Rickard Gustafson
*President and CEO,
Board member*

Hans Stråberg
Chairman

Hock Goh
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 interim report of AB SKF (publ) for the period January 1-June 30, 2021. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the 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 Financial Information 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 has a different focus and is substantially less in scope than an audit

conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Gothenburg, 20 July 2021
Deloitte AB

Hans Warén
Authorized Public Accountant

Condensed consolidated income statements

MSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net sales	20,735	16,599	40,600	36,684
Cost of goods sold	-14,441	-12,895	-28,565	-27,471
Gross profit	6,294	3,704	12,035	9,213
Research and development cost	-683	-652	-1,336	-1,302
Selling and administrative expenses	-2,706	-2,569	-5,129	-5,277
Other operating income/expenses, net	-27	186	7	303
Operating profit	2,878	669	5,577	2,937
Financial income and expense, net	-77	-89	-281	-501
Profit before taxes	2,801	580	5,296	2,436
Taxes	-661	-249	-1,307	-799
Net profit	2,140	331	3,989	1,637
Net profit attributable to:				
Shareholders of AB SKF	2,089	342	3,871	1,591
Non-controlling interests	51	-11	118	46
Basic earnings per share (SEK)	4.59	0.75	8.50	3.50
Diluted earnings per share (SEK)	4.59	0.75	8.50	3.49

Condensed consolidated statements of comprehensive income

MSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net profit	2,140	331	3,989	1,637
Items that will not be reclassified to the income statement:				
Remeasurements (actuarial gains and losses)	74	695	2,164	-47
Income taxes	-15	-155	-550	-29
	59	540	1,614	-76
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-504	-2,641	1,114	-936
Assets at fair value through other comprehensive income	6	-6	17	-36
Income taxes	21	-4	1	11
	-477	-2,651	1,132	-961
Other comprehensive income, net of tax	-418	-2,111	2,746	-1,037
Total comprehensive income	1,722	-1,780	6,735	600
Shareholders of AB SKF	1,713	-1,644	6,584	628
Non-controlling interests	9	-136	151	-28

Condensed consolidated balance sheets

MSEK	June 2021	December 2020
Goodwill	10,415	10,117
Other intangible assets	6,017	6,125
Property, plant and equipment	19,344	18,161
Right of use asset leases	2,498	2,517
Deferred tax assets	4,364	4,800
Other non-current assets	1,791	1,939
Non-current assets	44,429	43,659
Inventories	18,393	15,733
Trade receivables ¹⁾	15,064	12,286
Other current assets	4,844	4,242
Other current financial assets ¹⁾	12,229	14,637
Current assets	50,530	46,898
Total assets	94,959	90,557
Equity attributable to shareholders of AB SKF	37,965	34,309
Equity attributable to non-controlling interests	1,543	1,403
Long-term financial liabilities ¹⁾	18,134	15,089
Provisions for post-employment benefits	13,214	15,170
Provisions for deferred taxes	825	792
Other long-term liabilities and provisions	1,552	2,150
Non-current liabilities	33,725	33,201
Trade payables ¹⁾	9,271	8,459
Short-term financial liabilities ¹⁾	862	3,260
Other short-term liabilities and provisions	11,593	9,925
Current liabilities	21,726	21,644
Total equity and liabilities	94,959	90,557

1) Valuation principles and classifications of the financial instruments, as described in SKF Annual report 2020, have been consistently applied throughout the reporting period. There are no major changes in fair value during the period.

Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Jun 2021	Jan-Jun 2020
Opening balance 1 January	35,712	37,366
Total comprehensive income	6,735	600
Cost for performance share programmes, net	3	-27
Transaction with non-controlling interests, other	-	-
Other	30	30
Dividend to shareholders ¹⁾	-2,972	-1,373
Closing balance	39,508	36,596

1) Dividend to ordinary shares has been paid during the period.

Condensed consolidated statements of cash flow

MSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Operating activities:				
Operating profit	2,878	669	5,577	2,937
Non-cash items:				
Depreciation, amortization and impairment	972	874	1,768	1,740
Net loss/gain (-) on sales of PPE and businesses	-33	-194	-33	-241
Other non-cash items	119	735	-557	1,082
Income taxes paid	-583	-536	-1,036	-846
Other	-256	-935	-702	-747
Changes in working capital:				
Inventories	-1,658	226	-2,256	-318
Accounts receivable	-399	1,644	-2,442	1,353
Accounts payable	156	-2,114	622	-1,479
Other operating assets/liabilities	176	-736	562	-1,075
Net cash flow from operations	1,372	-367	1,503	2,406
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-903	-680	-1,738	-1,606
Sales of PPE, businesses and equity securities	40	209	42	292
Net cash flow used in investing activities	-863	-471	-1,696	-1,314
Net cash flow after investments before financing	509	-838	-193	1,092
Financing activities:				
Proceeds from short- and long-term loans	1	2,988	3,080	3,162
Repayments of short- and long-term loans	-23	3	-2,134	-247
Repayment leases	-173	-195	-356	-407
Cash dividends	-2,972	-1,372	-2,972	-1,373
Investments in short-term financial assets	-9	-99	-29	-358
Sales of short-term financial assets	34	447	86	4,235
Net cash flow used in financing activities	-3,142	1,772	-2,325	5,012
Net cash flow	-2,633	934	-2,518	6,104
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April/1 January	14,455	11,422	14,050	6,430
Cash effect excl. acquired/sold business	-2,633	937	-2,518	6,107
Cash effect of acquired/sold businesses	-	-3	-	-3
Exchange rate effect	-66	-106	224	-284
Cash and cash equivalents at 30 June	11,756	12,250	11,756	12,250

Change in Net debt	Closing balance 30 June 2021	Other non- cash changes	Acquired/sold businesses	Cash changes	Translation effect	Opening balance 1 January 2021
Loans, long- and short-term	16,232	-48	-	946	94	15,240
Post-employment benefits, net	13,182	-1,756	-	-414	216	15,136
Lease liabilities	2,570	276	-	-356	66	2,584
Financial assets, others	-419	7	-	36	-12	-450
Cash and cash equivalents	-11,756	-	-	2,518	-224	-14,050
Net debt	19,809	-1,521	-	2,730	140	18,460

Number of shares

	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	30,819,375	32,256,712	30,819,375	32,256,712
- whereof B shares	424,531,693	423,094,356	424,531,693	423,094,356
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	455,499,097	455,645,400	455,469,634	455,615,671

Condensed consolidated financial information

MSEK unless otherwise stated

	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
Net sales	21,039	21,208	20,085	16,599	18,596	19,572	19,865	20,735
Cost of goods sold	-15,330	-15,717	-14,575	-12,895	-13,759	-14,118	-14,124	-14,441
Gross profit	5,709	5,491	5,510	3,704	4,837	5,454	5,741	6,294
Gross margin, %	27.1	25.9	27.4	22.3	26.0	27.9	28.9	30.4
Research and development cost	-642	-684	-651	-652	-553	-660	-653	-683
Selling and administrative expenses	-2,918	-2,993	-2,708	-2,569	-2,317	-2,659	-2,423	-2,706
- as % of sales	13.9	14.1	13.5	15.5	12.5	13.6	12.2	13.1
Other, net	139	96	117	186	-45	75	34	-27
Operating profit	2,288	1,910	2,268	669	1,922	2,210	2,699	2,878
Operating margin, %	10.9	9.0	11.3	4.0	10.3	11.3	13.6	13.9
Adjusted operating profit	2,380	2,181	2,572	1,565	2,475	2,582	2,789	3,118
Adjusted operating margin, %	11.3	10.3	12.8	9.4	13.3	13.2	14.0	15.0
Financial net	-244	-188	-412	-89	-202	-66	-204	-77
Profit before taxes	2,044	1,722	1,856	580	1,720	2,144	2,495	2,801
Profit margin before taxes, %	9.7	8.1	9.2	3.5	9.2	11.0	12.6	13.5
Taxes	-693	-641	-549	-249	-487	-541	-646	-661
Net profit	1,351	1,081	1,307	331	1,233	1,603	1,849	2,140
Net profit attributable to								
Shareholders of AB SKF	1,293	1,035	1,250	342	1,179	1,527	1,782	2,089
Non-controlling interests	58	46	57	-11	54	76	67	51

Reconciliation of profit before taxes for the Group

MSEK	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
Operating profit:								
Industrial ¹⁾	2,172	1,879	2,151	1,282	1,595	1,663	2,177	2,405
Automotive ¹⁾	116	31	117	-613	327	547	522	473
Financial net	-244	-188	-412	-89	-202	-66	-204	-77
Profit before taxes for the Group	2,044	1,722	1,856	580	1,720	2,144	2,495	2,801

1) Previously published figures for 2019 and 2020 have been restated to reflect a change in classification of customers between the segments.

Key figures

Definitions, see page 17

	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
EBITDA, MSEK	3,134	2,840	3,134	1,543	2,734	3,059	3,494	3,852
EBITA, MSEK	2,443	2,063	2,421	822	2,069	2,369	2,841	3,024
Adjusted operating profit	2,380	2,181	2,572	1,565	2,475	2,582	2,789	3,118
Adjusted operating margin, %	11.3	10.3	12.8	9.4	13.3	13.2	14.0	15.0
Basic earnings per share, SEK	2.84	2.27	2.75	0.75	2.59	3.36	3.91	4.59
Adjusted earnings per share, SEK	3.04	2.86	3.41	2.72	3.80	4.17	4.11	5.11
Diluted earnings per share, SEK	2.84	2.27	2.74	0.75	2.59	3.35	3.91	4.59
Dividend per share, SEK	–	–	–	3.00	–	–	–	6.50
Net worth per share, SEK	76	78	83	76	77	75	86	83
Share price at the end of the period, SEK	162.7	189.4	136.7	173.2	185.7	213.4	248.2	217.9
NWC, % of 12 months rolling sales	29.9	27.7	29.5	30.0	28.7	26.1	30.2	30.7
ROCE for the 12-month period, %	15.0	13.2	12.5	9.8	9.3	9.8	10.5	13.6
ROE for the 12-month period, %	18.9	15.7	14.3	10.9	10.6	12.1	13.7	18.4
Gearing, %	48.9	47.1	47.4	49.7	50.2	48.0	44.4	44.7
Equity/assets ratio, %	37.8	39.7	39.4	38.7	38.1	39.4	42.4	41.6
Additions to property, plant and equipment, MSEK	967	1,154	917	670	796	949	819	895
Net debt/equity, %	67.0	59.3	57.6	62.5	59.8	51.7	43.2	50.1
Net debt, MSEK	24,548	22,176	22,877	22,866	21,868	18,460	17,576	19,809
Net debt/EBITDA	1.8	1.7	1.8	2.1	2.1	1.8	1.6	1.5
Registered number of employees	43,687	43,360	43,134	41,835	41,174	40,963	41,151	41,433

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.

Segment information – quarterly figures¹⁾

MSEK unless otherwise stated

Industrial	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
Net sales	14,971	15,232	14,364	13,080	12,979	13,489	13,788	14,889
Adjusted operating profit	2,078	2,022	2,230	1,832	2,045	1,963	2,247	2,674
Adjusted operating margin, %	13.9	13.3	15.5	14.0	15.8	14.6	16.3	18.0
Operating profit	2,172	1,879	2,151	1,282	1,595	1,663	2,177	2,405
Operating margin, %	14.5	12.3	15.0	9.8	12.3	12.3	15.8	16.2
Assets and liabilities, net	43,717	42,949	45,898	43,384	41,713	38,508	41,472	41,643
Registered number of employees	36,067	35,839	35,478	33,916	33,400	33,157	33,446	33,572

Automotive	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
Net sales	6,068	5,976	5,721	3,519	5,617	6,083	6,077	5,846
Adjusted operating profit	303	159	342	-267	430	619	542	444
Adjusted operating margin, %	5.0	2.7	6.0	-7.6	7.7	10.2	8.9	7.6
Operating profit	116	31	117	-613	327	547	522	473
Operating margin, %	1.9	0.5	2.0	-17.4	5.8	9.0	8.6	8.1
Assets and liabilities, net	12,915	11,954	11,909	11,184	10,313	9,358	10,645	10,936
Registered number of employees	6,958	6,850	6,741	6,499	6,362	6,351	6,292	6,416

1) Previously published figures for 2019 and 2020 have been restated to reflect a change in classification of customers between the segments.

Parent company condensed income statements

MSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Revenue	1,485	989	3,017	2,189
Cost of goods sold	-1,339	-1,277	-2,554	-2,501
General management and administrative expenses	-374	-454	-734	-786
Other operating income/expenses, net	-2	4	-1	-5
Operating result	-230	-738	-272	-1,103
Financial income and expense, net	231	322	226	305
Profit before taxes	1	-416	-46	-798
Taxes	69	165	81	239
Net profit	70	-251	35	-559

Parent company condensed statements of comprehensive income

MSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
Net profit	70	-251	35	-559
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	6	-6	17	-36
Other comprehensive income, net of tax	6	-6	17	-36
Total comprehensive income	76	-257	52	-595

Parent company condensed balance sheets

MSEK	June 2021	December 2020
Intangible assets	1,431	1,528
Investments in subsidiaries	21,999	22,496
Receivables from subsidiaries	15,857	12,750
Other non-current assets	1,062	970
Non-current assets	40,349	37,744
Receivables from subsidiaries	2,671	5,971
Other receivables	152	163
Current assets	2,823	6,134
Total assets	43,172	43,878
Shareholders' equity	22,845	25,801
Provisions	485	468
Non-current liabilities	15,857	12,750
Current liabilities	3,985	4,859
Total shareholders' equity, provisions and liabilities	43,172	43,878

Alternative performance measures and 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 affect 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 costs 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.

For reconciliations of other Key Ratios, see investors.skf.com/en.

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), including under the Administration Report; "Risk management" and in this report under "Risks and uncertainties in the business."



Oskar "Oski" Rosenberg Hallberg is double World Champion, Tokyo Olympian and SKF bearing user.

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)
Postal address: SE-415 26 Gothenburg, Sweden
Visiting address: Sven Wingquists Gata 2
tel. +46 31 337 10 00
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:

INVESTOR RELATIONS: Patrik Stenberg, Director,
SKF Group Investor Relations and Mergers & Acquisitions
tel: 46 31-337 2104; 46 705-472 104
e-mail: patrik.stenberg@skf.com

PRESS: Theo Kjellberg, Director, SKF Group Communication
tel: 46 31 337 6576, mobile: 46 725-776576
e-mail: theo.kjellberg@skf.com

Webcast

20 July at 08:00 (CEST), 07.00 (UK)
<https://investors.skf.com/en>
Sweden +46 10 884 8016
UK / International +44 20 3936 2999
Passcode: 302722

Calendar

26 October, Q3 report 2021

The financial information in this press release is information which AB SKF is required to disclose under the EU Market Abuse Regulation (EU) No 596/2014. The information was provided by the above contact persons for publication on 20 July 2021 at 07.00 CEST.