

Half-year report 2022

Press release 20 July

Q2 2022

- Net sales of SEK 23,655 million (20,735).
- Organic growth 5.4%.
- Adjusted operating profit of SEK 2,473 million (3,118).
- Operating profit SEK 1,581 million (2,878).
- Adjusted operating margin 10.5% (15.0%).
 - Industrial 13.8% (17.4%).
 - Automotive 1.7% (9.1%).
- Operating margin 6.7% (13.9%).
 - Industrial 9.9% (15.6%).
 - Automotive -1.7% (9.6%).
- Net cash flow from operations SEK 1,293 million (1,372).
- Basic earnings per share SEK 1.08 (4.59).

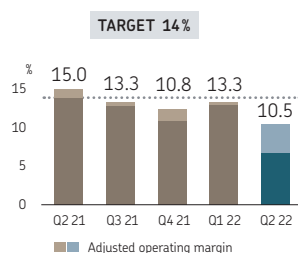
Half year 2022

- Net sales of SEK 46,597 million (40,600).
- Organic growth 6.1%.
- Adjusted operating profit of SEK 5,531 million (5,907).
- Operating profit SEK 4,534 million (5,577).
- Adjusted operating margin 11.9% (14.5%).
 - Industrial 15.3% (16.9%).
 - Automotive 3.0% (8.8%).
- Operating margin 9.7% (13.7%).
 - Industrial 13.0% (15.8%).
 - Automotive 1.1% (8.9%).
- Net cash flow from operations SEK 1,022 million (1,503).
- Basic earnings per share SEK 5.44 (8.50).

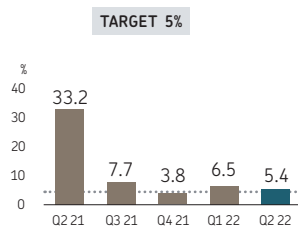
Financial overview

MSEK unless otherwise stated	Q2 2022	Q2 2021	Half year 2022	Half year 2021
Net sales	23,655	20,735	46,597	40,600
Adjusted operating profit	2,473	3,118	5,531	5,907
Adjusted operating margin, %	10.5	15.0	11.9	14.5
Operating profit	1,581	2,878	4,534	5,577
Operating margin, %	6.7	13.9	9.7	13.7
Adjusted profit before taxes	1,990	3,040	4,979	5,626
Profit before taxes	1,097	2,801	3,982	5,296
Net cash flow from operating activities	1,293	1,372	1,022	1,503
Basic earnings per share	1.08	4.59	5.44	8.50
Adjusted earnings per share	2.90	5.11	7.49	9.23

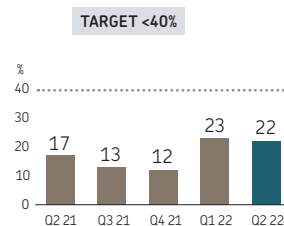
Operating margin¹⁾



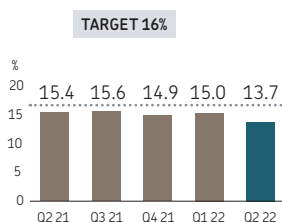
Revenue growth²⁾



Net debt/Equity³⁾



ROCE¹⁾



Net zero 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.

Solid growth and increasing price realization helping to mitigate high cost inflation

Review of the second quarter

In the second quarter we saw organic revenue growth above 5%, driven by a general strong demand in most regions, especially within targeted high-growth segments, a somewhat higher automotive sales than anticipated and continued price realization.

Growth in Industrial was 6%, with Automotive delivering growth of 3%. Sales to targeted high-growth segments including railway, automation, agriculture, food and beverage continue to develop at a fast pace, with double-digit organic growth.

Net sales were SEK 23,655 million (20,735), on relatively flat sales volumes.

Our adjusted operating profit fell to SEK 2,473 million (3,118), with an adjusted operating margin of 10.5% (15.0%). The Industrial margin was 13.8% (17.4%) and the Automotive margin was 1.7% (9.1%).

The margin development in the quarter was largely a consequence of exceptionally challenging circumstances in April and May. In these two months, the war in Ukraine and the Chinese lockdown impacted our earnings negatively. As a result of these circumstances, material, utilities and logistics costs increased by approximately SEK 600 million compared to Q1. Market conditions in June were more normalized. This, in combination with further price increase realization, resulted in more stable earnings towards the end of the quarter.

Going forward, we maintain our emphasis on controlling costs and increasing prices, delivering continued stronger price realization quarter by quarter.

Cash flow from operations improved sequentially and was SEK 1,293 million (1,372).

Delivering on our strategy

We continue to focus on creating a more customer centric profitable, faster growing and leaner SKF. In addition to investing in our targeted growth areas and increasing the pace of automation of our factories, we are also making progress in pruning our portfolio. As an example, within Automotive, we have already decided to exit margin-dilutive business with total sales of over SEK 1,200 million, with further pruning to take place as long-term contracts come up for renewal.

The second quarter saw the launch of the RecondOil Box, making our technology available to a wider market. We have already recorded sales of 400 units, with a fast-growing orderbook, especially within heavy industries and energy.

When it comes to factory consolidation, we have announced a further two site closures during the first half of the year. We also completed our previously announced controlled exit from Russia.



To further strengthen and complement our existing industrial seals offer, we have signed an agreement to acquire Tenute, an Italian seals manufacturer.

As we move to the next phase of executing on our strategy, two changes to Group Management have been announced this morning. Patrick Tong (President, Industrial Sales China and Northeast Asia) and Kent Viitanen (President, Industrial Sales EMEA), both of whom have played significant roles in SKF's development in recent years, will be leaving SKF during the third quarter. On behalf of everyone in SKF, I wish them well in the future.

Outlook

Looking into the third quarter of 2022, we expect a high single-digit organic sales growth, with an expected recovery in Automotive demand compared to the same quarter last year.

We expect that the high level of volatility in the markets continues with the ongoing war in Europe, high inflation, a risk for Covid-19 related restrictions across many geographies, supply chain bottlenecks and a volatile demand. For the full year 2022, we maintain our outlook of an organic sales growth of about 4-8%.

Rickard Gustafson
President and CEO

Financial performance

Second quarter 2022

Operating profit for the second quarter was SEK 1,581 million (2,878). Operating profit included items affecting comparability of SEK -892 million (-238), whereof SEK -675 million related to the divestment of the business in Russia, SEK -191 million (-238) related to ongoing restructuring and cost reduction activities mainly in Europe and SEK -27 million (0) related to customer settlements and impairments.

The adjusted operating profit for the second quarter was SEK 2,473 million (3,118). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Operating profit was negatively impacted by cost increases, mainly related to material, logistics and energy costs.

Adjusted operating profit bridge, MSEK	Q2
2021	3,118
Currency impact	241
Divested businesses	-71
Organic sales & Manufacturing volumes	1,259
Cost development	-2,074
2022	2,473

- Financial income and expense, net was SEK -484 million (-77). Exchange rate fluctuations had a negative effect in the second quarter 2022, while it was positive in 2021.
- Taxes in the quarter was SEK -511 million (-661) resulting in an effective tax rate of 46.6% (23.6%). The tax rate was negatively impacted by the loss from divestment of the business in Russia. Tax rate excluding the impact from the divestment was 28.9%.
- Net cash flow from operating activities in the second quarter was SEK 1,293 million (1,372). The change is mainly driven by the lower operating profit offset by lower increase in working capital.
- Net working capital in percent of annual sales was 35.7% in the second quarter compared to 30.7% in the second quarter 2021. The ratio was negatively affected by higher inventory levels and currency effects.
- Provisions for post-employment benefits, net decreased by SEK -2,146 million (-251) driven by actuarial gains on gross obligation due to increased discount rates.

Half year 2022

Operating profit for the half year was SEK 4,534 million (5,577). Operating profit included items affecting comparability of SEK -997 million (-329), whereof SEK -675 million related to the divestment of the business in Russia, SEK -296 million (-329) related to ongoing restructuring and cost reduction activities mainly in Europe and SEK -27 million (0) related to customer settlements and impairments.

The adjusted operating profit for the first half year was SEK 5,531 million (5,907). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Operating profit was negatively impacted by cost increases, mainly related to material, logistics and energy costs.

Adjusted operating profit bridge, MSEK	2022
2021	5,907
Currency impact	529
Divested businesses	-71
Organic sales & Manufacturing volumes	2,635
Cost development	-3,469
2022	5,531

- Financial income and expense, net was SEK -552 million (-281). Exchange rate fluctuations had a more negative effect in 2022 compared to 2021.
- Taxes in the first half year was SEK -1,335 million (-1,307) resulting in an effective tax rate of 33.5% (24.7%). The tax rate was negatively impacted by the loss from divestment of the business in Russia. Tax rate excluding the impact from the divestment was 28.7%.
- Net cash flow from operating activities was SEK 1,022 million (1,503). The change is mainly driven by the lower operating profit.
- Net working capital in percent of annual sales was 35.7% in June 2022 compared to 30.7% in June 2021. The ratio was negatively affected by higher inventory levels and currency effects.
- Provisions for post-employment benefits, net decreased by SEK -3,491 million (-1,955) driven by actuarial gains on gross obligation due to increased discount rates.

Key figures	30 June 2022	31 March 2022	30 June 2021
Net working capital, % of 12 months rolling sales	35.7	34.3	30.7
ROCE for the 12-month period, % ¹⁾	13.7	15.0	15.4
Net debt/equity, %	37.7	45.0	50.1
Net debt/equity, excluding post-employment benefits, %	21.8	22.5	16.8
Net debt/EBITDA, %	1.5	1.4	1.5

1) Adjusted for items affecting comparability.

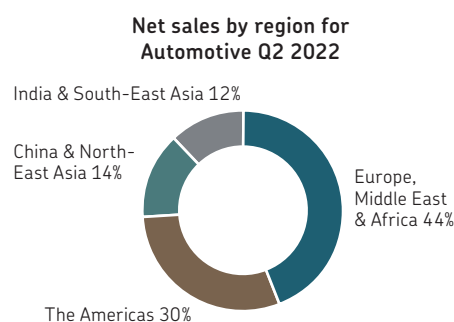
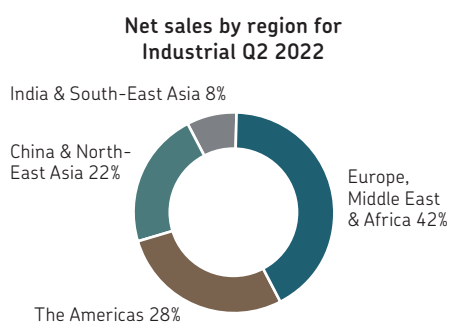
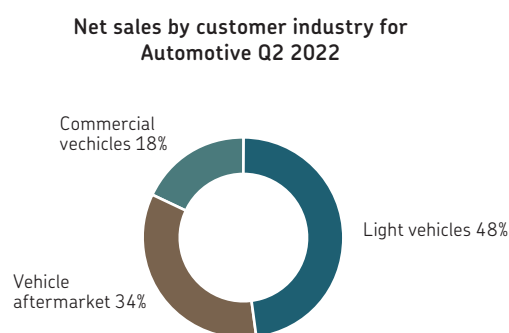
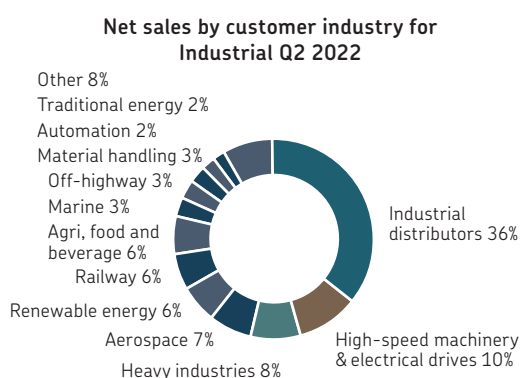
Sales

Net sales, change y-o-y, %	Q2				Half year			
	Organic ¹⁾	Structure	Currency	Total	Organic ¹⁾	Structure	Currency	Total
SKF Group	5.4	-1.9	10.6	14.1	6.1	-1.2	9.8	14.7
Industrial	6.4	-1.9	10.5	15.0	8.7	-1.3	9.9	17.3
Automotive	2.7	-1.9	11.1	11.9	0.0	-1.0	9.7	8.7

¹⁾ Price, mix and volume

Organic sales in local currencies, change y-o-y, %	Q2				Half year			
	Europe, Middle East & Africa	The Americas	China & North-East Asia	India & South-East Asia	Europe, Middle East & Africa	The Americas	China & North-East Asia	India & South-East Asia
SKF Group	5.6	8.7	-8.3	34.7	8.9	8.1	-8.4	24.7
Industrial	+++	++	--	+++	+++	+++	-	+++
Automotive	-	++	---	+++	+/-	++	---	+++

Customer industries	Q2				Half year			
	Europe, Middle East & Africa	The Americas	China & North-East Asia	India & South-East Asia	Europe, Middle East & Africa	The Americas	China & North-East Asia	India & South-East Asia
Organic sales in local currencies, change y-o-y:								
Industrial distributors	+++	+++	+	+++	+++	+++	+++	+++
High-speed machinery & electrical drives	+++	+++	-	+++	+++	+++	+	+++
Other	+++	+++	--	+++	+++	+++	-	+++
Renewable energy	---	---	---	++	---	---	---	+/-
Heavy industries	+++	--	+++	+++	+++	--	+++	+++
Aerospace	--	+/-	---	+/-	--	--	---	+/-
Railway	++	+++	+++	+++	+	+++	+++	+++
Agriculture, food and beverage	+++	+++	+++	+++	+++	+++	+++	--
Off-highway	+/-	---	---	+++	+	--	---	+++
Marine	+++	+++	---	+++	+++	+++	---	+++
Material handling	+++	+++	---	+	+++	+++	---	---
Automation	+++	+++	++	+/-	+++	+++	---	+++
Traditional energy	---	+++	+++	+/-	---	+++	+++	---
Light vehicles	---	+/-	++	+++	---	+/-	+	+++
Vehicle aftermarket	++	++	--	+++	+++	+++	++	+++
Commercial vehicles	-	++	---	+++	-	+	---	+++



Segment information¹⁾

MSEK unless otherwise stated

	Industrial				Automotive			
	Q2 2022	Q2 2021	Half year 2022	Half year 2021	Q2 2022	Q2 2021	Half year 2022	Half year 2021
Net sales	17,114	14,889	33,634	28,677	6,541	5,846	12,963	11,923
Adjusted operating profit	2,360	2,588	5,145	4,859	113	530	386	1,048
Adjusted operating margin, %	13.8	17.4	15.3	16.9	1.7	9.1	3.0	8.8
Operating profit	1,689	2,319	4,385	4,520	-108	559	149	1,057
Operating margin, %	9.9	15.6	13.0	15.8	-1.7	9.6	1.1	8.9

1) Previously published figures for 2020, 2021 and Q1 2022 have been restated to reflect change in responsibilities for factories and Group functions in accordance with new organizational structure.

Industrial

Comments on organic sales in local currencies in the second quarter 2022, compared to second quarter 2021

Europe, Middle East & Africa

Overall, sales were significantly higher in the quarter. By industry, sales to most industrial segments were significantly higher. The exceptions were, railway where it was higher, off-highway that was relatively unchanged, renewable and traditional energy, where it was significantly lower and aerospace where sales were lower compared to Q2 2021.

The Americas

Sales were higher in the quarter. By industry, sales to most industrial segments were significantly higher. Except for aerospace where sales were relatively unchanged, heavy industries where it was lower and to renewable energy and off-highway where sales were significantly lower compared to Q2 2021.

China & North-East Asia

Overall, sales were lower in the quarter. It was significantly higher to heavy industries, railway, agriculture, food and beverage and traditional energy. To automation it was higher and to industrial distributors it was slightly higher. To renewable energy, aerospace, off-highway, marine and material handling it was significantly lower. To other it was lower and to high-speed machinery & electrical drives it was slightly lower compared to Q2 2021.

India & South-East Asia

Overall, sales were significantly higher in the quarter. By industry, sales to most industrial segments were significantly higher. The exceptions were renewable energy with higher sales and aerospace, automation and traditional energy with relatively unchanged sales compared to Q2 2021.

Automotive

Comments on organic sales in local currencies in the second quarter 2022, compared to second quarter 2021

Europe, Middle East & Africa

Sales in the quarter were slightly lower compared to last year with higher sales to the vehicle aftermarket, slightly lower sales to commercial vehicles and significantly lower sales to light vehicles.

The Americas

Sales in the quarter were higher compared to last year, with higher sales to the vehicle aftermarket and commercial vehicles and to light vehicles it was relatively unchanged.

China & North-East Asia

Sales were significantly lower in the quarter with higher sales to light vehicles, lower sales to the vehicle aftermarket and significantly lower sales to commercial vehicles.

India & South-East Asia

Sales in the quarter were significantly higher compared to last year with significantly higher sales to all automotive segments.

Industrial

Comments on operating profit 2022, compared to 2021

Second quarter 2022

The adjusted operating profit for the second quarter was SEK 2,360 million (2,588). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Operating profit was negatively impacted by material cost and logistics.

Adjusted operating profit bridge, MSEK	Q2
2021	2,588
Currency	178
Divested businesses	-51
Organic sales & Manufacturing volumes	1,057
Cost development	-1,412
2022	2,360

Half year 2022

The adjusted operating profit for the first half year was SEK 5,145 million (4,859). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Operating profit was negatively impacted by material cost and logistics.

Adjusted operating profit bridge, MSEK	2022
2021	4,859
Currency	391
Divested businesses	-51
Organic sales & Manufacturing volumes	2,360
Cost development	-2,414
2022	5,145

Automotive

Comments on operating profit 2022, compared to 2021

Second quarter 2022

The adjusted operating profit for the second quarter was SEK 113 million (530). The adjusted operating profit was positively impacted by price, customer mix and currency effects. Operating profit was negatively impacted by sales volumes, material cost and logistics.

Adjusted operating profit bridge, MSEK	Q2
2021	530
Currency	63
Divested businesses	-20
Organic sales & Manufacturing volumes	202
Cost development	-662
2022	113

Half year 2022

The adjusted operating profit for the first half year was SEK 386 million (1,048). The adjusted operating profit was positively impacted by price, customer mix and currency effects. Operating profit was negatively impacted by sales volumes, material cost and logistics.

Adjusted operating profit bridge, MSEK	2022
2021	1,048
Currency	138
Divested businesses	-20
Organic sales & Manufacturing volumes	275
Cost development	-1,055
2022	386

Outlook and Guidance

Demand for Q3 2022 compared to Q3 2021

Looking into the third quarter of 2022, we expect a high single-digit organic sales growth, with an expected recovery in Automotive demand compared to the same quarter last year.

We expect that the high level of volatility in the markets continues with the ongoing war in Europe, high inflation, a risk for Covid-19 related restrictions across many geographies, supply chain bottlenecks and a volatile demand.

Guidance for Q3 2022

Currency impact on the operating profit is expected to be around SEK 350 million positive compared with the third quarter 2021, based on exchange rates per 30 June 2022.

Guidance 2022

- For the full year 2022, we expect an organic sales growth of about 4-8%.
- Tax level excluding effects related to divested businesses: around 28%.
- Additions to property, plant and equipment: around SEK 5 billion.

Previous outlook and guidance statement

Demand for Q2 2022 compared to Q2 2021

We expect organic sales for the second quarter to be relatively unchanged compared to previous year. However, there are significant uncertainties in the market including Covid-related lock-downs in China.

Guidance for Q2 2022

Currency impact on the operating profit is expected to be around SEK 200 million positive compared with the second quarter 2021, based on exchange rates per 31 March 2022.

Guidance 2022

- For the full year 2022, we expect an organic sales growth of about 4-8%.
- Tax level excluding effects related to divested businesses: around 26%.
- Additions to property, plant and equipment: around SEK 5 billion.

Significant events

22 April 2022 – SKF to exit Russia

SKF announced the decision to cease all business and operations in Russia. The Russian business was divested in the second quarter.

26 April 2022 – Collaboration with Amazon Web Services

SKF and Amazon Web Services, Inc. (AWS), an Amazon.com, Inc. company have announced a collaboration to reinvent the field of industrial machine reliability and predictive maintenance with a joint solution. The engagement will deliver an easy-to-use and easy-to-scale condition monitoring and analysis solution that makes the ability to collect and analyze data using machine learning technologies available to a wider range of applications and customers.

Subsequent events

7 July 2022 – SKF and ABB increase collaboration

SKF and ABB have entered into a Memorandum of Understanding (MoU) to explore the possibilities for a collaboration in the automation of manufacturing processes. The MoU was signed at ABB's Robotics Experience Center in Västerås, Sweden, by SKF CEO Rickard Gustafson and ABB CEO Björn Rosengren.

19 July 2020 – Acquisition

SKF has signed an agreement to acquire Tenute, an Italian seals manufacturer. The acquisition is subject to certain regulatory approvals and is expected to be completed during 2022

20 July 2022 – Changes to Group Management

Patrick Tong, President Industrial Region China and North-East Asia and Kent Viitanen, President, Industrial Region Europe Middle East and Africa, will be leaving SKF during the third quarter 2022.

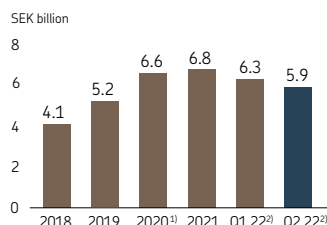
Sustainability performance

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.

Cleantech revenues

Cleantech revenues are the aggregated sales to acknowledged cleantech sectors such as renewable energy, electric vehicles, recycling industry and bearing remanufacturing. The decline in clean-tech revenues is due to a general decline in the wind industry.

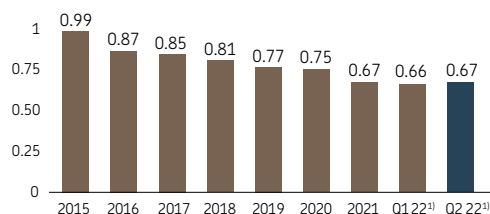
- 1) Previously published figures for 2020 have been restated to reflect a change in classification.
- 2) 2022 figures relate to the latest 12 months period.



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.

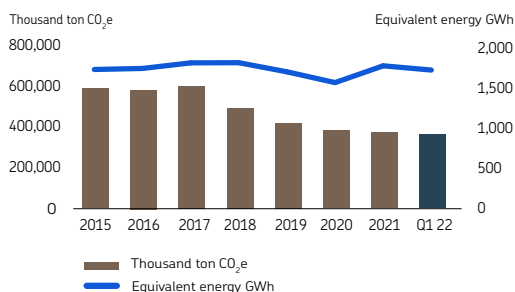
- 1) 2022 figures relate to the latest 12 months period.



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 net zero for these aspects by 2030.

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



Notes

Note 1 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.

Disclosure as required by IAS 34 p. 16 A is provided in the notes to the financial statements as well as in other parts of the interim report. 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 2022. None of these have a material effect on the SKF Group's financial statements.

Valuation principles and classifications of the financial instruments, as described in SKF Annual report 2021, have been consistently applied throughout the reporting period. There are no major changes in fair value during the period.

Note 2 Transactions with related parties

No significant change is present for transactions with related parties in relation to disclosure provided in Annual Report 2021.

Note 3 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.

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.

SKF's operations are affected by the ongoing conflict in Ukraine. SKF operates in Ukraine with approximately 1,100 employees. Sales in Ukraine amounted to less than 0.5% of SKF's total sales in 2021. SKF's factory in Lutsk, Ukraine, accounted for a production volume of approximately 1% of SKF's total production volume in 2021. The factory in Ukraine has been producing whenever possible due to prevailing circumstances however at lower level than normal.

For a more detailed description of risks and uncertainties, please see the Risk Management section on pages 42-44 in the SKF Annual Report 2021.

Note 4 Divestment of business

As previously announced, SKF decided to cease all business and operations in Russia.

The Russian business was divested in the second quarter and a loss of SEK 675 million was recognized. The loss from the divestment is included in the operating profit as other operating expense and has been allocated between the Industrial and Automotive segments based on the business exposure. The majority has been reported in the Industrial segment. The difference between the previously communicated amount of SEK 500 million and SEK 675 million is due to currency. The business was sold to the local management in Russia.

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 2022
Aktiebolaget SKF
(publ)

Rickard Gustafson
*President and CEO,
Board member*

Hans Stråberg
Chair

Hock Goh
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

The half-year report has been reviewed by the company's auditor.

Auditor's report

Introduction

We have reviewed the interim report of AB SKF (publ) for the period January 1-June 30, 2022. 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 2022
Deloitte AB

Hans Warén
Authorized Public Accountant

Condensed consolidated income statements

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Net sales	23,655	20,735	46,597	40,600
Cost of goods sold	-17,777	-14,441	-34,230	-28,565
Gross profit	5,878	6,294	12,367	12,035
Research and development cost	-806	-683	-1,571	-1,336
Selling and administrative expenses	-3,094	-2,706	-5,873	-5,129
Other operating income/expenses, net	-397	-27	-389	7
Operating profit	1,581	2,878	4,534	5,577
Financial income and expense, net	-484	-77	-552	-281
Profit before taxes	1,097	2,801	3,982	5,296
Taxes	-511	-661	-1,335	-1,307
Net profit	586	2,140	2,647	3,989
Net profit attributable to:				
Shareholders of AB SKF	493	2,089	2,477	3,871
Non-controlling interests	93	51	170	118
Basic earnings per share (SEK) ¹⁾	1.08	4.59	5.44	8.50

1) Shares from the Performance Share Programme are not considered dilutive, therefore diluted earnings per share is equal to basic earnings per share.

Condensed consolidated statements of comprehensive income

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Net profit	586	2,140	2,647	3,989
Items that will not be reclassified to the income statement:				
Remeasurements (actuarial gains and losses)	2,681	74	4,211	2,164
Income taxes	-690	-15	-1,084	-550
	1,991	59	3,127	1,614
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	2,610	-504	3,429	1,114
Assets at fair value through other comprehensive income	41	6	18	17
Income taxes	2	21	3	1
	2,653	-477	3,450	1,132
Other comprehensive income, net of tax	4,644	-418	6,577	2,746
Total comprehensive income	5,230	1,722	9,224	6,735
Shareholders of AB SKF	5,039	1,713	8,939	6,584
Non-controlling interests	191	9	285	151

Condensed consolidated balance sheets

MSEK	June 2022	December 2021
Goodwill	11,997	10,924
Other intangible assets	6,334	6,018
Property, plant and equipment	23,238	20,723
Right of use asset leases	2,778	2,661
Deferred tax assets	3,020	3,839
Other non-current assets	1,761	1,674
Non-current assets	49,128	45,839
Inventories	25,885	20,997
Trade receivables	17,529	13,972
Other current assets	5,831	5,163
Other current financial assets	8,737	13,657
Current assets	57,982	53,789
Total assets	107,110	99,628
Equity attributable to shareholders of AB SKF	49,581	43,645
Equity attributable to non-controlling interests	1,993	1,720
Long-term financial liabilities	16,399	15,472
Provisions for post-employment benefits	8,296	11,781
Provisions for deferred taxes	1,359	1,040
Other long-term liabilities and provisions	1,101	1,445
Non-current liabilities	27,155	29,738
Trade payables	12,090	9,881
Short-term financial liabilities	4,153	3,864
Other short-term liabilities and provisions	12,138	10,780
Current liabilities	28,381	24,525
Total equity and liabilities	107,110	99,628

Condensed consolidated statements of changes in shareholders' equity

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Opening balance 1 April/1 January	46,221	40,713	45,364	35,712
Net profit	586	2,140	2,647	3,989
Hyperinflation adjustments	108	27	161	53
Components of other comprehensive income				
Currency translation adjustments	2,609	-503	3,427	1,114
Change in FV OCI assets and cash flow hedges	41	6	18	17
Remeasurements	2,681	74	4,211	2,164
Income taxes	-687	6	-1,080	-549
Other	-1	-3	-1	-23
Transactions with shareholders				
Non-controlling interest	-	-	-	-
Cost for Performance Share Programmes, net	17	20	26	3
Dividends	-1	-2,972	-3,199	-2,972
Closing balance 30 June	51,574	39,508	51,574	39,508

Condensed consolidated statements of cash flow

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Operating activities:				
Operating profit	1,581	2,878	4,534	5,577
Non-cash items:				
Depreciation, amortization and impairment	898	972	1,758	1,768
Net loss/gain (-) on sales of PPE and businesses	615	-33	614	-33
Other non-cash items	245	119	433	-557
Income taxes paid	-764	-583	-1,253	-1,036
Interest received	3	-1	4	-4
Interest paid	-33	-29	-98	-92
Other	-770	-226	-1,027	-606
Changes in working capital:				
Inventories	-1,358	-1,658	-3,271	-2,256
Accounts receivable	-404	-399	-2,614	-2,442
Accounts payable	937	156	1,648	622
Other operating assets/liabilities	343	176	294	562
Net cash flow from operating activities	1,293	1,372	1,022	1,503
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,481	-903	-2,591	-1,738
Sales of PPE, businesses and equity securities	-51	40	-48	42
Net cash flow used in investing activities	-1,532	-863	-2,639	-1,696
Net cash flow after investments before financing	-239	509	-1,617	-193
Financing activities:				
Proceeds from short- and long-term loans	12	1	28	3,080
Repayments of short- and long-term loans	-40	-23	-92	-2,134
Repayment leases	-206	-173	-386	-356
Cash dividends	-1	-2,972	-3,199	-2,972
Other financing items:				
Investments in short-term financial assets	-79	-9	-95	-29
Sales of short-term financial assets	38	34	61	86
Net cash flow used in financing activities	-276	3,142	-3,683	-2,325
Net cash flow	-515	-2,633	-5,300	-2,518
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April/1 January	8,454	14,455	13,219	14,050
Cash effect excl. acquired/sold businesses	-368	-2,633	-5,161	-2,518
Cash effect of acquired/sold businesses	-147	-	-139	-
Exchange rate effect	228	-66	248	224
Cash and cash equivalents at 30 June	8,167	11,756	8,167	11,756

Change in Net debt	Closing balance 30 June 2022	Other non- cash changes	Acquired/sold businesses	Cash changes	Translation effect	Opening balance 1 January 2022
Loans, long- and short-term	16,915	7	8	-64	510	16,454
Post-employment benefits, net	8,220	-3,689	-	-372	570	11,711
Lease liabilities	2,904	349	-44	-386	227	2,758
Financial assets, others	-428	1	-	-60	-25	-344
Cash and cash equivalents	-8,167	-	139	5,161	-248	-13,219
Net debt	19,444	-3,332	103	4,279	1,034	17,360

Condensed consolidated financial information

MSEK unless otherwise stated

	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22
Net sales	18,596	19,572	19,865	20,735	20,146	20,986	22,942	23,655
Cost of goods sold	-13,759	-14,118	-14,124	-14,441	-14,582	-15,310	-16,453	-17,777
Gross profit	4,837	5,454	5,741	6,294	5,564	5,676	6,489	5,878
Gross margin, %	26.0	27.9	28.9	30.4	27.6	27.0	28.3	24.9
Research and development cost	-553	-660	-653	-683	-648	-766	-765	-806
Selling and administrative expenses	-2,317	-2,659	-2,423	-2,706	-2,385	-2,736	-2,779	-3,094
- as % of sales	12.5	13.6	12.2	13.1	11.8	13.0	12.1	13.1
Other, net	-45	75	34	-27	57	420	8	-397
Operating profit	1,922	2,210	2,699	2,878	2,588	2,594	2,953	1,581
Operating margin, %	10.3	11.3	13.6	13.9	12.8	12.4	12.9	6.7
Adjusted operating profit	2,475	2,582	2,789	3,118	2,672	2,260	3,058	2,473
Adjusted operating margin, %	13.3	13.2	14.0	15.0	13.3	10.8	13.3	10.5
Financial net	-202	-66	-204	-77	-148	-266	-68	-484
Profit before taxes	1,720	2,144	2,495	2,801	2,440	2,328	2,885	1,097
Profit margin before taxes, %	9.2	11.0	12.6	13.5	12.1	11.1	12.6	4.6
Taxes	-487	-541	-646	-661	-618	-559	-824	-511
Net profit	1,233	1,603	1,849	2,140	1,822	1,769	2,061	586
Net profit attributable to								
Shareholders of AB SKF	1,179	1,527	1,782	2,089	1,756	1,705	1,984	493
Non-controlling interests	54	76	67	51	66	64	77	93

Reconciliation of profit before taxes for the Group

MSEK	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22
Operating profit:								
Industrial ¹⁾	1,607	1,706	2,201	2,319	2,384	2,386	2,696	1,689
Automotive ¹⁾	315	504	498	559	204	208	257	-108
Financial net	-202	-66	-204	-77	-148	-266	-68	-484
Profit before taxes for the Group	1,720	2,144	2,495	2,801	2,440	2,328	2,885	1,097

1) Previously published figures for 2020, 2021 and Q1 2022 have been restated to reflect change in responsibilities for factories and Group functions in accordance with new organizational structure.

Number of shares

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	29,403,933	30,819,375	29,403,933	30,819,375
- whereof B shares	425,947,135	424,531,693	425,947,135	424,531,693
Weighted average number of shares in:				
- basic earnings per share	455,351,068	455,499,097	455,351,068	455,469,634

Key figures

Definitions, see page 19

	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22
EBITDA, MSEK	2,734	3,059	3,494	3,852	3,239	3,479	3,814	2,478
EBITA, MSEK	2,069	2,369	2,841	3,024	2,733	2,742	3,104	1,741
Adjusted operating profit	2,475	2,582	2,789	3,118	2,672	2,260	3,058	2,473
Adjusted operating margin, %	13.3	13.2	14.0	15.0	13.3	10.8	13.3	10.5
Basic earnings per share, SEK	2.59	3.36	3.91	4.59	3.86	3.74	4.36	1.08
Adjusted earnings per share, SEK	3.80	4.17	4.11	5.11	4.04	3.01	4.59	2.90
Dividend per share, SEK	–	–	–	6.50	–	–	7.00	–
Net worth per share, SEK	77	75	86	83	89	96	98	109
Share price at the end of the period, SEK	185.7	213.4	248.2	217.9	207.6	214.5	153.9	150.5
NWC, % of 12 months rolling sales	28.7	26.1	30.2	30.7	30.5	30.7	34.3	35.7
ROCE for the 12-month period, %	9.3	9.8	10.5	13.6	14.5	14.8	14.8	12.7
ROE for the 12-month period, %	10.6	12.1	13.7	18.4	19.3	18.8	18.3	13.8
Gearing, %	50.2	48.0	44.4	44.7	43.1	40.5	39.0	35.2
Equity/assets ratio, %	38.1	39.4	42.4	41.6	43.2	45.5	45.7	48.2
Additions to property, plant and equipment, MSEK	796	949	819	895	969	1,138	1,023	1,372
Net debt/equity, %	59.8	51.7	43.2	50.1	44.0	38.3	45.0	37.7
Net debt, MSEK	21,868	18,460	17,576	19,809	18,541	17,360	20,787	19,444
Net debt/EBITDA	2.1	1.8	1.6	1.5	1.4	1.2	1.4	1.5
Registered number of employees	41,174	40,963	41,151	41,433	42,139	42,602	42,763	42,602

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	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22
Net sales	12,979	13,489	13,788	14,889	14,747	15,135	16,520	17,114
Adjusted operating profit	2,058	2,006	2,271	2,588	2,430	2,166	2,785	2,360
Adjusted operating margin, %	15.8	14.9	16.5	17.4	16.5	14.0	16.9	13.8
Operating profit	1,607	1,706	2,201	2,319	2,384	2,386	2,696	1,689
Operating margin, %	12.4	12.6	16.0	15.6	16.2	15.8	16.3	9.9
Assets and liabilities, net	46,813	38,681	42,430	42,489	42,417	44,127	46,385	48,974
Registered number of employees	34,766	34,590	34,890	35,124	35,797	36,136	36,342	36,556
Automotive	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22
Net sales	5,617	6,083	6,077	5,846	5,399	5,851	6,422	6,541
Adjusted operating profit	417	576	518	530	242	144	273	113
Adjusted operating margin, %	7.4	9.5	8.5	9.1	4.5	2.5	4.2	1.7
Operating profit	315	504	498	559	204	208	257	-108
Operating margin, %	5.6	8.3	8.2	9.6	3.8	3.6	4.0	-1.7
Assets and liabilities, net	8,805	8,776	10,374	10,857	11,106	10,885	12,436	14,340
Registered number of employees	3,479	3,399	3,409	3,400	3,359	3,392	3,341	3,316

1) Previously published figures for 2020, 2021 and Q1 2022 have been restated to reflect change in responsibilities for factories and Group functions in accordance with new organizational structure.

Parent Company condensed income statements

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Revenue	1,751	1,485	3,654	3,017
Cost of goods sold	-1,474	-1,339	-2,988	-2,554
General management and administrative expenses	-445	-374	-834	-734
Other operating income/expenses, net	-3	-2	12	-1
Operating result	-171	-230	-156	-272
Financial income and expense, net	152	231	159	226
Profit before taxes	-19	1	3	-46
Taxes	60	69	33	81
Net profit	41	70	36	35

Parent Company condensed statements of comprehensive income

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Net profit	41	70	36	35
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	41	6	18	17
Other comprehensive income, net of tax	41	6	18	17
Total comprehensive income	82	76	54	52

Parent Company condensed balance sheets

MSEK	June 2022	December 2021
Intangible assets	1,291	1,371
Investments in subsidiaries	21,946	22,074
Receivables from subsidiaries	13,558	13,022
Other non-current assets	992	891
Non-current assets	37,787	37,358
Receivables from subsidiaries	5,900	6,958
Other receivables	377	273
Current assets	6,277	7,231
Total assets	44,064	44,589
Shareholders' equity	22,548	25,683
Provisions	582	445
Non-current liabilities	13,556	13,023
Current liabilities	7,378	5,438
Total shareholders' equity, provisions and liabilities	44,064	44,589

Alternative performance measures and definitions

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating margin

Operating profit margin excluding items affecting comparability.

Adjusted earnings/loss per share in SEK

Basic earnings per share excluding items affecting comparability.

Basic earnings/loss per share in SEK (as defined by IFRS)

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.

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."



RecondOil Box launched in spring 2022, suitable for a broader range of industries and applications. It separates nano-sized impurities and reduces CO2 emissions by up to 96% compared with conventional oil cycle.

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 2021: SEK 81,732 million
42,602 employees
15 technical centers
87 manufacturing sites
More than 17,000 distributors

AB SKF (publ)

Postal address: SE-415 50 Gothenburg, Sweden
Visiting address: Sven Wingquists Gata 2
tel. +46 31 337 10 00
www.skf.com
Company reg.no. 556007-3495

For further information, please contact:

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

PRESS: Carl Bjernstam, Corporate Communication
tel: 46 31 337 2517 mobile: 46 722 201 893
e-mail: carl.bjernstam@skf.com

Webcast

20 July at 09:00 (CEST), 08.00 (UK)
<https://investors.skf.com/en>
Sweden +46 10 884 80 16
UK / International +44 203 936 2999
Passcode: 371618

Calendar 2022

25 October, Q3 report
2 February 2023, Q4 report

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 2022 at 08.00 CEST.