

Nine-month report 2020

Press release 27 October

Strategy implementation continues to drive strong results

SKF's transformation into a more customer-focused, innovative and lean business continues. Our strong results in the third quarter illustrate that we are delivering on the implementation of our strategy, including new ways of working, developing better, more attractive customer offers as well as making our manufacturing closer and more responsive to customer needs.

Despite an organic sales decline of 5.1% compared to last year, we improved our adjusted operating margin to a very strong 13.3% (11.3%).

Net sales at SEK 18.6 billion were lower than last year but illustrating a sequential rebound in demand since the significantly lower levels seen during the second quarter.

Cash flow during the quarter was SEK 2,266 million, driven mainly by reduced working capital.

Sales in Europe decreased by 12.5% organically. Sales in North America decreased by 11.9%, Latin America increased by 4.6% and Asia increased by 7.2%.

The Industrial business delivered an adjusted operating margin of 15.8% (13.9%), with organic sales down 6.9%. The Automotive business delivered an adjusted operating margin of 7.4% (4.6%), with organic sales down 0.7%.

We are accelerating our efforts to regionalize, consolidate and modernize our manufacturing footprint. During the quarter we announced an investment totalling SEK 550 million in North America, bringing world-class processes and automation to our slewing bearing facility in Sumter, as well as locating taper roller bearing manufacturing in Mexico, from China. These investments will make our offer and position in North America even stronger. The resulting improvements in flexibility and service levels enables us to consolidate the factories in Avon, Ohio and North Charleston, South Carolina into the Sumter factory.



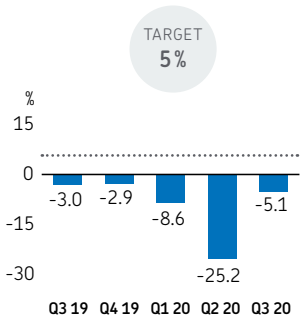
We also continue to adjust our ways of working and the structure of our business, resulting in restructuring costs of SEK 462 million during the quarter. However difficult these decisions are to make, this flexibility also enables us to adjust our business swiftly, whilst also investing in the competences needed for the future.

Uncertainty surrounding the near-term economic climate makes it difficult to provide a reliable demand outlook for the fourth quarter. As a result of this uncertainty in the economy, the Board has decided not to call for an Extraordinary General Meeting with the purpose of proposing an additional dividend for 2019.

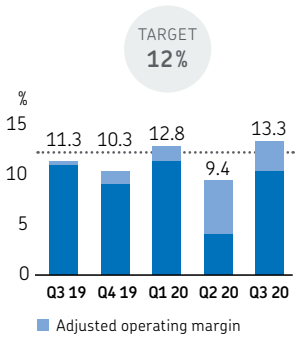
The transformed SKF of 2020 is well-positioned to respond to differing demand scenarios. We will continue to invest in making our offers stronger, our operations leaner and our innovation pace higher.

Alrik Danielson
President and CEO

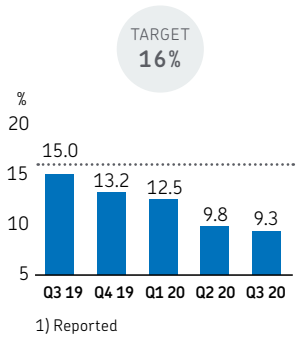
Organic sales growth



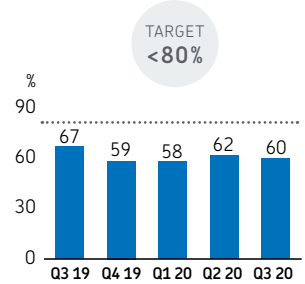
Operating margin



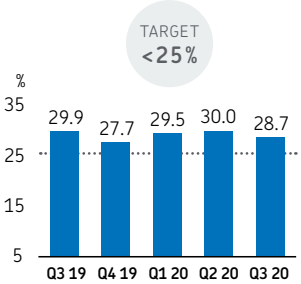
ROCE[1)]



Net debt/Equity



Net working capital/sales



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

Cover picture: A remanufactured spherical roller bearing from the factory in Steyr, Austria.

Key figures

MSEK unless otherwise stated	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	18,596	21,039	55,280	64,805
Adjusted operating profit	2,475	2,380	6,612	7,956
Adjusted operating margin, %	13.3	11.3	12.0	12.3
Operating profit	1,922	2,288	4,859	7,485
Operating margin, %	10.3	10.9	8.8	11.6
Adjusted profit before taxes	2,273	2,135	5,909	7,217
Profit before taxes	1,720	2,044	4,156	6,747
Net cash flow after investments before financing	2,266	2,120	3,358	4,252
Adjusted earnings per share	3.80	3.04	9.94	10.97
Basic earnings per share	2.59	2.84	6.09	9.93

Financial performance

Third quarter 2020

Operating profit for the third quarter was SEK 1,922 million (2,288). Operating profit was positively impacted by sales prices and cost reductions, including short-term government support of SEK 100 million. Operating profit was negatively impacted by sales and manufacturing volumes, restructuring costs and customer settlements. The operating profit included items affecting comparability of SEK -553 million (-92) whereof SEK -462 million (-106) related to ongoing restructuring activities and SEK -91 million (-166) related to customer settlements. Last year included a positive adjustment in items affecting comparability of SEK 180 million related to a VAT credit.

Adjusted operating profit bridge, MSEK	Q3
2019	2,380
Divested/acquired companies, ie net divestment	-0
Currency impact	-376
Organic sales & Manufacturing volumes	-624
Cost development	1,095
2020	2,475

- Financial income and expense, net in the third quarter was SEK -202 million (-244). The financial net was positively impacted by lower interest rates partly offset by exchange rate losses.
- Taxes in the quarter were SEK -487 million (-693) resulting in an effective tax rate of 28.3% (33.9%). The tax rate was negatively impacted by withholding taxes on dividends in both years, excluding this the effective tax rate was 27.2% (29.1%).
- Net cash flow after investment before financing in the third quarter was SEK 2,266 million (2,120). The lower operating profit was offset by lower working capital and lower investments.
- Net working capital in percent of annual sales was 28.7% in the third quarter compared to 29.9% in the third quarter last year. The decreased ratio is mainly explained by exchange rate development.
- Provisions for post-employment benefits net increased by SEK 636 million (2,027) in the third quarter mainly due to changes in discount rates partly offset by gains on plan assets and exchange rate effects.

Key figures	30 Sep 2020	30 June 2020	30 Sept 2019
Net working capital, % of 12 months rolling sales	28.7	30.0	29.9
ROCE for the 12-month period, %	9.3	9.8	15.0
Net debt/equity, %	59.8	62.5	67.0
Net debt/equity, excluding post-employment benefits and leasing, %	8.5	12.7	12.3
Net debt/EBITDA	2.1	2.1	1.8

Sales

	Q3				Jan-Sep 2020			
Net sales, change y-o-y, %	**Organic**	**Structure**	**Currency**	**Total**	**Organic**	**Structure**	**Currency**	**Total**
SKF Group	-5.1	–	-6.5	-11.6	-13.2	–	-1.5	-14.7
Industrial	-6.9	–	-6.2	-13.1	-10.3	–	-1.4	-11.7
Automotive	-0.7	–	-7.2	-7.9	-20.3	–	-2.0	-22.3

	Q3					Jan-Sep 2020				
Organic sales in local currencies, change y-o-y, %	**Europe**	**North America**	**Latin America**	**Asia-Pacific**	**Middle East & Africa**	**Europe**	**North America**	**Latin America**	**Asia-Pacific**	**Middle East & Africa**
SKF Group	-12.5	-11.9	4.6	7.2	-2.9	-17.6	-18.0	-10.6	-4.3	-3.4
Industrial	---	---	++	++	--	---	---	-	-	--
Automotive	---	--	++	+++	+++	---	---	---	---	+++

	Q3					Jan-Sep 2020				
Customer industries	**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 Q3 2020, compared to Q3 2019

Europe
Industrial: Overall, sales were significantly lower in the quarter. By industry, sales to the energy industry were relatively unchanged, to railway it was slightly lower while sales to industrial distribution, off-highway and to the agriculture, food and beverage industries were lower. Sales to aerospace, industrial drives, heavy industries, marine, electrical and other industrial were all significantly lower compared to Q3 2019.

Automotive: Sales in the quarter were significantly lower compared to last year with significantly lower sales to light vehicles and trucks. Sales to the vehicle aftermarket was higher compared to Q3 2019.

North America
Industrial: Sales were significantly lower in the quarter compared to Q3 2019. To the aerospace industry it was significantly higher, to railway it was relatively unchanged and to off-highway it was slightly lower. Sales to all other industries were significantly lower.

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

Asia-Pacific
Industrial: Sales were higher in the quarter. By industry, sales to energy, off-highway, marine and electrical industries were significantly higher and to industrial drives and industrial distribution it was relatively unchanged. Sales to the agriculture, food and beverage industries were slightly lower while it was significantly lower to heavy industries, railway and other industrial compared to Q3 2019.

Automotive: Sales were significantly higher in the quarter. To the truck industry it was significantly higher while it was relatively unchanged to light vehicles. To the vehicle aftermarket it was slightly lower compared to Q3 2019.

Latin America
Industrial: Overall, sales were higher in the quarter. By industry, sales to energy, heavy industries, off-highway and other industrial were all significantly higher. To industrial drives it was relatively unchanged and to industrial distribution it was lower compared to Q3 2019.

Automotive: Sales in the quarter were higher compared to last year with significantly higher sales to the vehicle aftermarket, relatively unchanged to light vehicles and significantly lower to trucks compared to Q3 2019.

Segment information[1)]

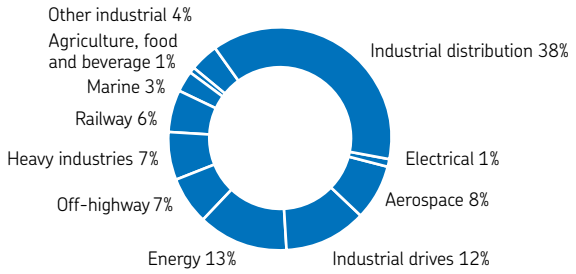
MSEK unless otherwise stated

Industrial	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	13,150	15,126	40,843	46,236
Adjusted operating profit	2,072	2,108	6,174	7,011
Adjusted operating margin, %	15.8	13.9	15.1	15.2
Operating profit	1,622	2,202	5,095	6,785
Operating margin, %	12.3	14.6	12.5	14.7

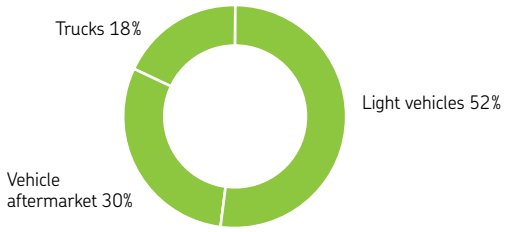
Automotive	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	5,446	5,913	14,437	18,569
Adjusted operating profit	403	272	438	945
Adjusted operating margin, %	7.4	4.6	3.0	5.1
Operating profit	300	86	-236	700
Operating margin, %	5.5	1.5	-1.6	3.8

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

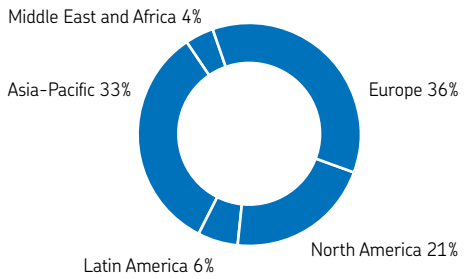
Net sales by customer industry for Industrial, Q3 2020



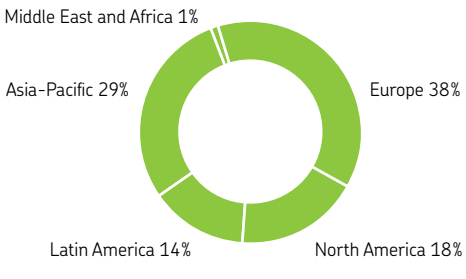
Net sales by customer industry for Automotive, Q3 2020



Net sales by region for Industrial, Q3 2020



Net sales by region for Automotive, Q3 2020



Outlook and Guidance

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 fourth quarter.

Guidance Q4 2020
- Financial net: SEK -200 million

Guidance 2020
- Tax level excluding effects related to divested businesses: around 29%.
- Additions to property, plant and equipment: around SEK 3,300 million.

Previous outlook statement

Demand for Q3 2020 compared to Q3 2019
The industries and regions in which SKF operates are being impacted by initiatives by authorities and by SKF's customers related to the spread of the Covid-19 virus.

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

Highlights

Fee-based partnership to improve performance
SKF is partnering with the Mexican steel manufacturer, Deacero, to improve performance and reduce downtime at their steel rolling mill in Celaya. The partnership is built on a fee-based set-up covering bearings, bearing remanufacturing, maintenance services and application engineering and tools.

Strengthened competitiveness in North America
SKF has announced an investment of around SEK 550 million to strengthening its manufacturing footprint and competitiveness in North America.

SKF joins the Renewable Energy 100 initiative
As part of SKF's goal to achieve Carbon Neutrality for its global manufacturing operations by 2030, the company has announced that it has joined the Renewable Energy 100 (RE100) initiative. RE100 is a global initiative bringing together the world's most influential businesses committed to using 100% renewable electricity.

New products and solutions

Electric-powered fin stabilizers
SKF has added a new category of fin stabilizers to its marine equipment range designed for yachts and ferries, measuring 55 metres or longer. The SKF EFZ type fin stabilizers has no hydraulic unit and as a result, its operation is virtually silent. It is also easier to install and has lower maintenance costs.

Accounting principles

The consolidated financial statements and the interim report of the SKF Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Parent company were prepared in accordance with the "Annual Accounts Act" and the RFR 2 "Accounting for legal entities". SKF Group and the Parent company applied the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2020. None of these have a material effect on the SKF Group's financial statements.

Risks and uncertainties in the business

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

Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations. The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the EUR, USD and CNY. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries.

SKF is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil.

Gothenburg, 27 October 2020
Aktiebolaget SKF (publ)
Alrik Danielson
President and CEO

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

Condensed consolidated income statements

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Net sales	18,596	21,039	55,280	64,805
Cost of goods sold	-14,312	-15,972	-43,085	-48,670
Gross profit	**4,284**	**5,067**	**12,195**	**16,135**
Selling and administrative expenses	-2,317	-2,918	-7,594	-8,826
Other operating income/expenses, net	-45	139	258	176
Operating profit	**1,922**	**2,288**	**4,859**	**7,485**
Operating margin, %	10.3	10.9	8.8	11.5
Financial income and expense, net	-202	-244	-703	-738
Profit before taxes	**1,720**	**2,044**	**4,156**	**6,747**
Taxes	-487	-693	-1,285	-2,036
Net profit	**1,233**	**1,351**	**2,871**	**4,711**
Net profit attributable to:				
Shareholders of the parent	1,179	1,293	2,771	4,522
Non-controlling interests	54	58	100	189

Condensed consolidated statements of comprehensive income

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Net profit	**1,233**	**1,351**	**2,871**	**4,711**
Items that will not be reclassified to the income statement:				
Remeasurements	-659	-1,795	-706	-3,713
Income taxes	209	466	179	1,024
	-450	**-1,329**	**-527**	**-2,689**
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-466	926	-1,401	2,126
Assets at fair value through other comprehensive income	30	12	-6	10
Income taxes	–	18	11	55
	-436	**956**	**-1,396**	**2,191**
Other comprehensive income, net of tax	-886	-373	-1,923	-498
Total comprehensive income	**347**	**978**	**948**	**4,213**
Shareholders of AB SKF	337	869	966	3,921
Non-controlling interests	10	109	-18	292

Condensed consolidated balance sheets

MSEK	September 2020	December 2019
Goodwill	10,995	11,251
Other intangible assets	6,568	7,146
Property, plant and equipment	18,649	18,420
Right of use asset leases	2,795	2,991
Deferred tax assets	5,133	4,437
Other non-current assets	1,873	2,019
Non-current assets	46,013	46,264
Inventories	16,753	18,051
Trade receivables	13,084	14,006
Other current assets	4,565	4,546
Other current financial assets	15,575	11,241
Current assets	49,977	47,844
Total assets	**95,990**	**94,108**
Equity attributable to shareholders of AB SKF	35,119	35,512
Equity attributable to non-controlling interests	1,440	1,854
Long-term financial liabilities	15,833	15,407
Provisions for post-employment benefits	15,969	15,366
Provisions for deferred taxes	909	960
Other long-term liabilities and provisions	2,199	1,869
Non-current liabilities	34,910	33,602
Trade payables	7,875	8,266
Short-term financial liabilities	5,937	3,610
Other short-term liabilities and provisions	10,709	11,264
Current liabilities	24,521	23,140
Total equity and liabilities	**95,990**	**94,108**

Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Sep 2020	Jan-Sep 2019
Opening balance 1 January	37,366	35,452
Total comprehensive income	948	4,213
Cost for performance share programmes, net	-50	-41
Other, including transactions with non-controlling interests	58	-204
Total cash dividends	-1,763	-2,790
Closing balance	**36,559**	**36,630**

Condensed consolidated statements of cash flow

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Operating activities:				
Operating profit	1,922	2,288	4,859	7,485
Depreciation, amortization and impairment	812	846	2,552	2,567
Net loss/gain (-) on sales of PPE and businesses	-1	6	-242	15
Taxes	-683	-702	-1,529	-1,548
Other including non-cash items	4	-135	339	-416
Changes in working capital:	943	774	-576	-843
Inventories	998	135	680	-194
Accounts receivables	-949	857	404	-436
Accounts payable	1,232	-58	-247	386
Other operating assets/liabilities	-338	-160	-1,413	-599
Net cash flow from operations	**2,997**	**3,077**	**5,403**	**7,260**
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-803	-979	-2,409	-2,974
Sales of PPE, businesses and equity securities	72	22	364	-34
Net cash flow used in investing activities	**-731**	**-957**	**-2,045**	**-3,008**
Net cash flow after investments before financing	**2,266**	**2,120**	**3,358**	**4,252**
Financing activities:				
Change in short- and long-term loans	80	-2,020	2,995	-1,979
Repayment leases	-195	-298	-602	-654
Cash dividends	-390	-42	-1,763	-2,790
Redemption of shares	–	–	–	-242
Investments in short-term financial assets	-40	-1,438	-398	-4,081
Sales of short-term financial assets	500	340	4,735	907
Net cash flow used in financing activities	**-45**	**-3,458**	**4,967**	**-8,839**
Net cash flow	**2,221**	**-1,338**	**8,325**	**-4,587**
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 July/1 January	12,250	7,286	6,430	10,390
Cash effect excl. acquired/sold business	2,221	-1,338	8,328	-4,587
Cash effect of acquired/sold businesses	–	–	-3	-2
Exchange rate effect	-66	123	-350	270
Cash and cash equivalents at 30 September	**14,405**	**6,071**	**14,405**	**6,071**

Change in Net debt	Closing balance 30 September 2020	Other non cash changes	Acquired/ sold businesses	Cash changes	Translation effect	Opening balance 1 January 2020
Loans, long- and short-term	18,061	5	–	2,995	91	14,970
Post-employment benefits, net	15,921	1,298	–	-639	-51	15,313
Lease liabilities	2,834	479	–	-602	-54	3,011
Financial assets, others	-543	-28	–	4,164	9	-4,688
Cash and cash equivalents	-14,405	–	3	-8,328	350	-6,430
Net debt	**21,868**	**1,754**	**3**	**-2,410**	**345**	**22,176**

Number of shares

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	32,256,712	32,689,668	32,256,712	32,689,668
- whereof B shares	423,094,356	422,661,400	423,094,356	422,661,400
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	455,638,007	455,951,332	455,623,117	455,793,586

Condensed consolidated financial information

MSEK unless otherwise stated

	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Net sales	21,192	21,278	22,488	21,039	21,208	20,085	16,599	18,596
Cost of goods sold	-16,490	-15,857	-16,841	-15,972	-16,401	-15,226	-13,547	-14,312
Gross profit	**4,702**	**5,421**	**5,647**	**5,067**	**4,807**	**4,859**	**3,052**	**4,284**
Gross margin, %	22.2	25.5	25.1	24.1	22.7	24.2	18.4	23.0
Selling and administrative expenses	-3,045	-2,805	-3,103	-2,918	-2,993	-2,708	-2,569	-2,317
- as % of sales	14.4	13.2	13.8	13.9	14.1	13.5	15.5	12.5
Other, net	1,245	42	-5	139	96	117	186	-45
Operating profit	**2,902**	**2,658**	**2,539**	**2,288**	**1,910**	**2,268**	**669**	**1,922**
Operating margin, %	13.7	12.5	11.3	10.9	9.0	11.3	4.0	10.3
Financial net	-266	-216	-278	-244	-188	-412	-89	-202
Profit before taxes	**2,636**	**2,442**	**2,261**	**2,044**	**1,722**	**1,856**	**580**	**1,720**
Profit margin before taxes, %	12.4	11.5	10.1	9.7	8.1	9.2	3.5	9.2
Taxes	-453	-661	-682	-693	-641	-549	-249	-487
Net profit	**2,183**	**1,781**	**1,579**	**1,351**	**1,081**	**1,307**	**331**	**1,233**
Net profit attributable to								
Shareholders of the parent company	2,107	1,718	1,511	1,293	1,035	1,250	342	1,179
Non-controlling interests	76	63	68	58	46	57	-11	54

Reconciliation to profit before tax for the Group

MSEK	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Operating profit:								
Industrial[1)]	2,808	2,328	2,255	2,202	1,904	2,172	1,301	1,622
Automotive[1)]	94	330	284	86	6	96	-632	300
Financial net	-266	-216	-278	-244	-188	-412	-89	-202
Profit before taxes for the Group	**2,636**	**2,442**	**2,261**	**2,044**	**1,722**	**1,856**	**580**	**1,720**

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

Key figures

Definitions, see page 15

	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
EBITDA, MSEK	3,656	3,493	3,425	3,134	2,840	3,134	1,543	2,734
EBITA, MSEK	3,041	2,811	2,691	2,443	2,063	2,421	822	2,069
Adjusted operating profit	2,197	2,720	2,856	2,380	2,181	2,572	1,565	2,475
Adjusted operating margin, %	10.4	12.8	12.7	11.3	10.3	12.8	9.4	13.3
Basic earnings per share, SEK	4.63	3.77	3.32	2.84	2.27	2.75	0.75	2.59
Adjusted earnings per share, SEK	3.55	3.91	4.02	3.04	2.86	3.41	2.72	3.80
Diluted earnings per share, SEK	4.62	3.77	3.32	2.84	2.27	2.74	0.75	2.59
Dividend per share, SEK	–	–	6.00	–	–	–	3.00	–
Net worth per share, SEK	74	78	74	76	78	83	76	77
Share price at the end of the period, SEK	134.5	154.4	170.8	162.7	189.4	136.7	173.2	185.7
NWC, % of 12 months rolling sales	27.8	30.0	30.1	29.9	27.7	29.5	30.0	28.7
ROCE for the 12-month period, %	17.6	17.1	16.0	15.0	13.2	12.5	9.8	9.3
ROE for the 12-month period, %	22.8	21.8	20.1	18.9	15.7	14.3	10.9	10.6
Gearing, %	45.0	47.2	49.3	48.9	47.1	47.4	49.7	50.2
Equity/assets ratio, %	40.7	39.5	37.6	37.8	39.7	39.4	38.7	38.1
Additions to property, plant and equipment, MSEK	833	656	684	967	1,154	917	670	796
Net debt/equity, %	49.1	57.1	67.6	67.0	59.3	57.6	62.5	59.8
Net debt, MSEK	17,400	21,431	24,103	24,548	22,176	22,877	22,866	21,868
Net debt/EBITDA	1.3	1.6	1.8	1.8	1.7	1.8	2.1	2.1
Registered number of employees	44,428	44,161	43,700	43,687	43,360	43,134	41,835	41,174

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 figures[1)]

MSEK unless otherwise stated

Industrial	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Net sales	15,253	15,049	16,061	15,126	15,361	14,501	13,192	13,150
Adjusted operating profit	1,982	2,373	2,530	2,108	2,046	2,251	1,851	2,072
Adjusted operating margin, %	13.0	15.8	15.7	13.9	13.3	15.5	14.0	15.8
Operating profit	2,808	2,328	2,255	2,202	1,904	2,172	1,301	1,622
Operating margin, %	18.4	15.5	14.0	14.6	12.4	15.0	9.9	12.3
Assets and liabilities, net	38,328	42,871	43,604	44,437	43,601	46,584	44,068	42,323
Registered number of employees	36,571	36,154	35,945	36,061	35,834	35,472	33,916	33,400

Automotive	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Net sales	5,939	6,229	6,427	5,913	5,847	5,584	3,407	5,446
Adjusted operating profit	215	347	326	272	135	321	-286	403
Adjusted operating margin, %	3.6	5.6	5.1	4.6	2.3	5.7	-8.4	7.4
Operating profit	94	330	284	86	6	96	-632	300
Operating margin, %	1.6	5.3	4.4	1.5	0.1	1.7	-18.5	5.5
Assets and liabilities, net	10,652	12,480	11,998	12,195	11,302	11,223	10,500	9,703
Registered number of employees	7,227	7,358	7,112	6,964	6,855	6,747	6,499	6,362

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

Parent company condensed income statements

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Revenue	608	870	2,797	4,066
Cost of revenue	-1,194	-1,289	-3,695	-3,733
General management and administrative expenses	-246	-368	-1,032	-1,251
Other operating income/expenses, net	16	-8	11	-16
Operating result	**-816**	**-795**	**-1,919**	**-934**
Financial income and expense, net	281	2,306	586	4,286
Profit before taxes	**-535**	**1,511**	**-1,333**	**3,352**
Taxes	188	178	427	232
Net profit	**-347**	**1,689**	**-906**	**3,584**

Parent company condensed statements of comprehensive income

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Net profit	-347	1,689	-906	3,584
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	30	12	-6	10
Other comprehensive income, net of tax	**30**	**12**	**-6**	**10**
Total comprehensive income	**-317**	**1,701**	**-912**	**3,594**

Parent company condensed balance sheets

MSEK	September 2020	December 2019
Intangible assets	1,476	1,611
Investments in subsidiaries	22,302	22,438
Receivables from subsidiaries	13,290	12,313
Other non-current assets	1,408	1,050
Non-current assets	**38,476**	**37,412**
Receivables from subsidiaries	6,012	6,585
Other receivables	140	151
Current assets	**6,152**	**6,736**
Total assets	**44,628**	**44,148**
Shareholders' equity	22,569	24,959
Provisions	495	384
Non-current liabilities	13,289	12,312
Current liabilities	8,275	6,493
Total shareholders' equity, provisions and liabilities	**44,628**	**44,148**

Definitions

Adjusted operating profit
Operating profit excluding items affecting comparability.

Adjusted operating margin
Operating profit margin excluding items affecting comparability.

Basic earnings/loss per share in SEK
Profit/loss after taxes less non-controlling interests divided by the ordinary number of shares.

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

Debt
Loans and net provisions for post-employment benefits.

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

EBITA
(Earnings before interest, taxes and amortization). Operating profit before amortizations.

EBITDA
(Earnings before interest, taxes, depreciation and amortization) Operating profit before depreciations, amortizations, and impairments.

Equity/assets ratio
Equity as a percentage of total assets.

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

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

Net debt
Debt less short-term financial assets excluding derivatives.

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

Net debt/equity
Net debt, as a percentage of equity.

Net worth per share (Equity per share)
Equity excluding non-controlling interests divided by the ordinary number of shares.

Net working capital as % of 12 month rolling sales (NWC)
Trade receivables plus inventory minus trade payables as a percentage of twelve months rolling net sales.

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

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

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

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

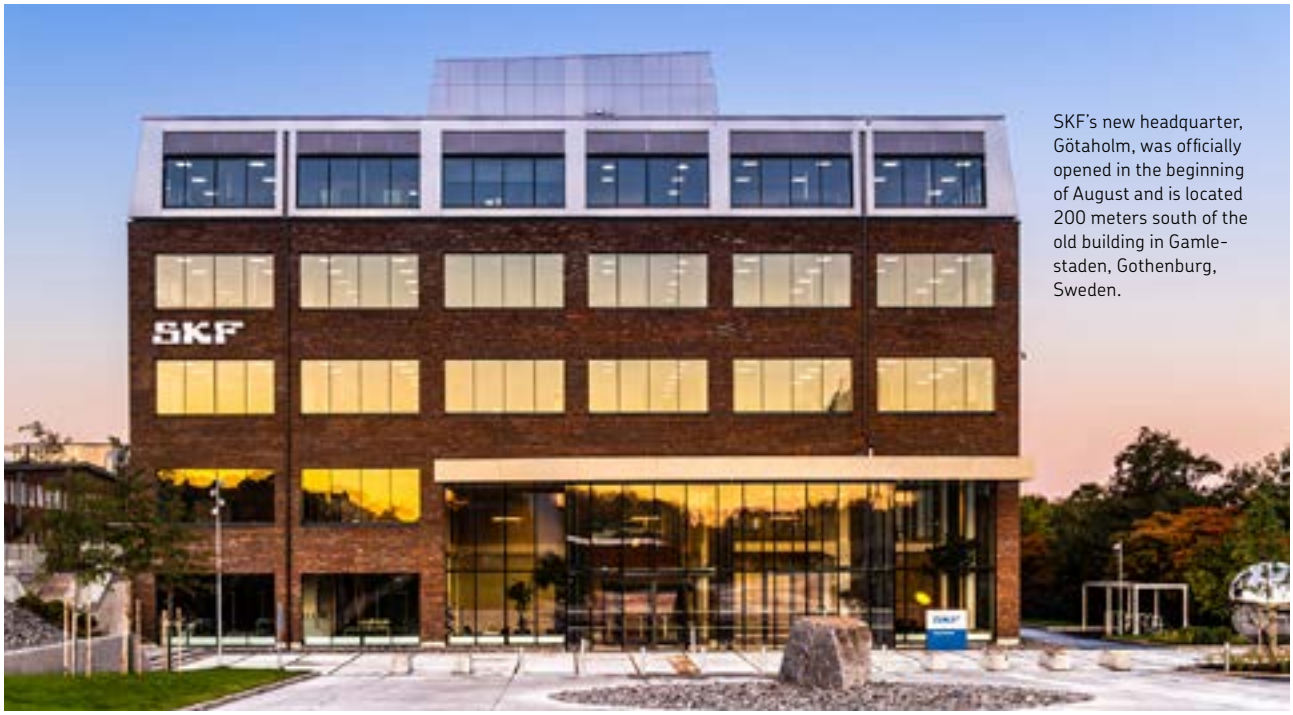
Return on capital employed (ROCE)
Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets less the average of non-interest bearing liabilities.

Return on equity (ROE)
Profit/loss after taxes as a percentage of twelve months rolling average of equity.

SKF demand outlook
The demand outlook for SKFs 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) under the Administration Report; "Risk management" and "Sensitivity analysis", and in this report under "Risks and uncertainties in the business."



SKF's new headquarter, Götaholm, was officially opened in the beginning of August and is located 200 meters south of the old building in Gamlestaden, Gothenburg, Sweden.

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

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

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 Investor Relations and Mergers & Acquisitions
tel: 46 31-337 2104; 46 705-472 104
e-mail: patrik.stenberg@skf.com

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

Webcast
27 October at 14:00 (CET), 13.00 (UK)
https://investors.skf.com/en

Calendar
4 November, Capital Markets Day (virtual)
2 February 2021, Year-end report 2020
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 27 October 2020.

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