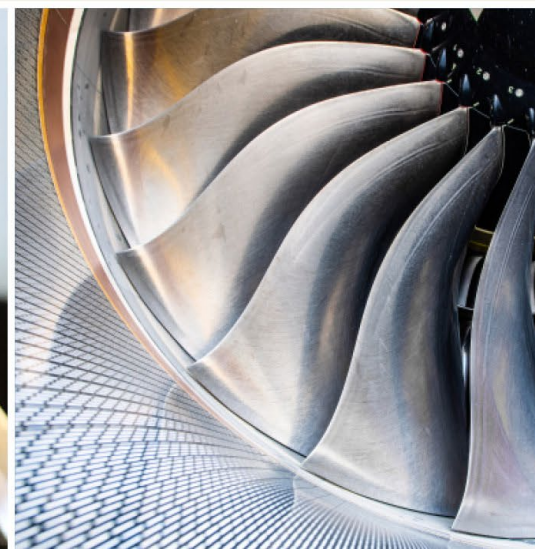




Half-year report 2019

Press release 17 July



Strong operating performance on lower sales volumes

Our efforts to keep costs under control are showing results, in a market with lower demand. Operating profit for the second quarter was SEK 2,539 million, including costs for restructuring and impairments of 317 million. The reported operating margin was 11.3% (12.9% last year), with an underlying operating margin of 12.7% excluding costs for restructuring and impairments, the sixth straight quarter above 12%.

Net sales were SEK 22.5 billion, a drop in organic sales of 1.6% compared to last year. Sales were relatively unchanged in Europe, slightly lower in Asia and North America and significantly higher in Latin America.

Our operating performance was positively impacted by cost reductions and price. Restructuring and impairment costs on the other hand had a negative impact of SEK 317 million. Cash flow from operations was in line with last year.

The industrial business had yet another strong quarter with an operating margin of 13.9% (14.7% last year) and an organic growth of 0.6% (10.7% last year). The underlying operating margin was higher than last year, with restructuring costs and impairments impacting the reported result negatively. Sales in Europe, Asia and North America were relatively unchanged but increased in Latin America.

The automotive business contributed with an operating margin of 4.8% (8.7% last year). Organic growth was negative 6.8% (+5.2% last year) with significantly lower sales volumes in North America and Asia, lower sales volumes in Europe and significantly higher sales in Latin America.

During the second quarter we continued to invest in regionalizing and automating our manufacturing footprint. An investment of SEK 450 million was announced for deep-groove ball bearings.

This investment supports our ambitions to adopt a full value chain approach in Asia, where our global product development for deep-groove ball bearings is based.

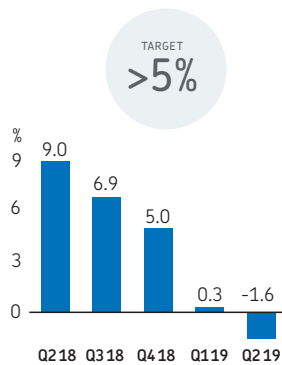
During the quarter we also acquired RecondOil, a cleantech start-up that has developed a unique chemical filtration and reconditioning process that enables a drastic reduction in the consumption of lubrication fluids and oil. RecondOil is a perfect strategic fit with our Rotating Equipment Performance offer and supports our efforts to help customers reduce the environmental impact of their operations.

Entering the third quarter of 2019, we expect to see slightly lower volumes for the Group, relatively unchanged for Industrial and lower for Automotive.

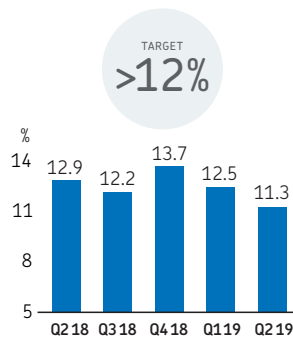


Alrik Danielson
President and CEO

Organic sales growth

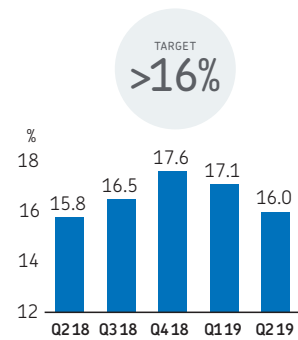


Operating margin¹⁾

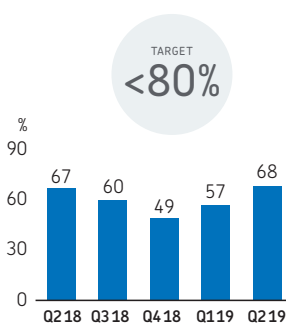


¹⁾ Including restructuring costs and impairments

ROCE

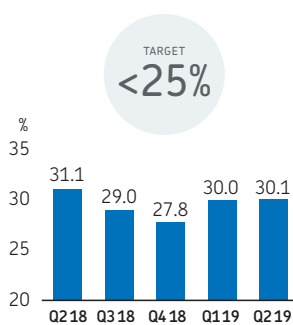


Net debt/Equity¹⁾



¹⁾ Including leasing as of 2019

Net working capital/sales



Cover pictures are showing:

1. International Paris Air Show 2019.
2. Gothia Cup, Meet The World.
3. RecondOil Sweden AB.
4. International Paris Air Show 2019.

Key figures

MSEK unless otherwise stated	Q2 2019	Q2 2018	Half year 2019	Half year 2018
Net sales	22,488	22,620	43,766	43,180
Operating profit ¹⁾	2,539	2,925	5,197	5,550
Operating margin ¹⁾ , %	11.3	12.9	11.9	12.9
Profit before taxes	2,261	2,783	4,703	5,208
Net cash flow after investments before financing	1,448	2,182	2,132	2,441
Basic earnings per share	3.32	4.25	7.09	8.02

¹⁾ Including restructuring costs and impairments.

Financial performance

Second quarter 2019

Operating profit for the second quarter was MSEK 2,539 (2,925). It was positively impacted by sales prices and cost reductions. Operating profit was negatively impacted by restructuring and impairments, sales and manufacturing volumes, general inflation, material cost increases and divested companies. The operating profit included MSEK -317 related to ongoing restructuring activities and impairments. The acquisition of RecondOil did not have a material effect on the financial statements.

Operating profit bridge, MSEK	Q2
2018	2,925
Operational performance ¹⁾	-430
Currency impact	112
Divested/acquired companies, incl. gain/loss	-68
2019	2,539

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

- Financial income and expense, net in the second quarter was MSEK -278 (-142). The financial net was negatively impacted by exchange rate fluctuation. It was also negatively impacted by the accounting for leases according to IFRS 16 with MSEK -40.
- Taxes in the quarter were MSEK -682 (-759) resulting in an effective tax rate of 30.1% (27.3%).
- Net cash flow after investment before financing in the second quarter was MSEK 1,448 (2,182). Excluding cash flow related to divestments and acquisitions during the second quarter it was MSEK 1,849 (2,182). The decrease is mainly due to lower operating profit and higher investments.
- Net working capital in percent of annual sales was 30.1% in the second quarter compared to 31.1% in the second quarter 2018. The decreased ratio is mainly explained by exchange rate development, divestments and lower inventory levels.
- Provisions for post-employment benefits net increased by MSEK 1,020 (decrease by -179) in the second quarter mainly due to changes in discount rates.

Key figures

	30 June 2019	31 March 2019	30 June 2018
Net working capital, % of 12 months rolling sales	30.1	30.0	31.1
ROCE for the 12-month period, %	16.0	17.1	15.8
Net debt/equity, %	67.6	57.1	66.9
Net debt/EBITDA	1.8	1.6	1.9

Sales

Net sales, change y-o-y, %	Q2				Half year			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
SKF Group	-1.6	-2.6	3.5	-0.7	-0.7	-2.6	4.6	1.3
Industrial	0.6	-3.8	3.8	0.6	1.7	-3.6	4.8	2.9
Automotive	-6.8	0.2	3.0	-3.6	-6.3	0.0	4.1	-2.2

Organic sales in local currencies, change y-o-y, %	Q2					Half year				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
SKF Group	-1.7	-3.2	8.8	-2.2	-5.4	-0.5	-1.7	5.4	-1.2	-6.8
Industrial	+/-	+/-	++	+/-	---	+	+/-	++	+/-	--
Automotive	--	---	+++	--	+++	--	---	+++	--	+++

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

Comments on organic sales in local currencies in Q2 2019, compared to Q2 2018

Europe

Industrial: Overall, sales were relatively unchanged in the quarter. By industry, sales to the aerospace and energy industries were significantly higher. Sales to railway were higher and sales to industrial distribution, other industrial and heavy industries were relatively unchanged while sales to the agricultural, food and beverage industries were slightly lower compared to Q2 2018. Sales to industrial drives and off-highway were lower and sales to marine and electrical were significantly lower.

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

North America

Industrial: Sales were relatively unchanged in the quarter compared to Q2 2018. By industry, sales to the energy industry were significantly higher, sales to industrial distribution were higher and sales to heavy industries were slightly higher. Sales to aerospace and industrial drives were relatively unchanged. Sales to electrical were slightly lower while sales to railway, off-highway, marine, as well as other industrial were significantly lower.

Automotive: Sales in the quarter were significantly lower. Sales to trucks, light vehicles as well as to the vehicle aftermarket were significantly lower.

Asia-Pacific

Industrial: Sales were relatively unchanged in the quarter. By industry, sales to energy, railway and the agricultural, food and beverage industries were significantly higher. Sales to electrical and industrial distribution were relatively unchanged while sales to heavy industries and marine were lower and sales to industrial drives, aerospace, off-highway and other industrial were significantly lower compared to Q2 2018.

Automotive: Sales were lower compared to Q2 2018. Sales to light vehicles were significantly lower, sales to trucks were relatively unchanged while sales to the vehicle aftermarket were higher in the quarter.

Latin America

Industrial: Overall, sales were higher in the quarter. By industry, sales to heavy industries, industrial drives and off-highway were significantly higher. Sales to industrial distribution were higher while sales to other industrial were relatively unchanged. Sales to the energy industry were significantly lower compared to Q2 2018.

Automotive: Sales were significantly higher in the quarter. Sales to light vehicles were significantly higher, sales to the vehicle aftermarket were slightly higher while sales to the truck industry were lower compared to Q2 2018.

Segment information¹⁾

MSEK unless otherwise stated

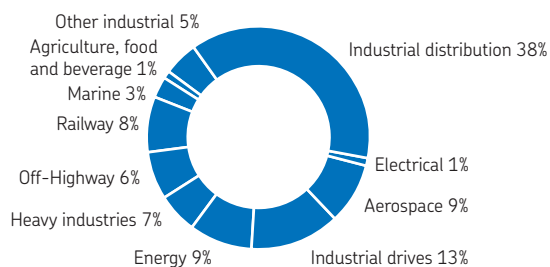
Industrial	Q2 2019	Q2 2018	Half year 2019	Half year 2018
Net sales	16,061	15,962	31,110	30,234
Operating profit ²⁾	2,229	2,344	4,547	4,487
Operating margin, %	13.9	14.7	14.6	14.8

Automotive	Q2 2019	Q2 2018	Half year 2019	Half year 2018
Net sales	6,427	6,658	12,656	12,945
Operating profit ²⁾	310	581	650	1,063
Operating margin, %	4.8	8.7	5.1	8.2

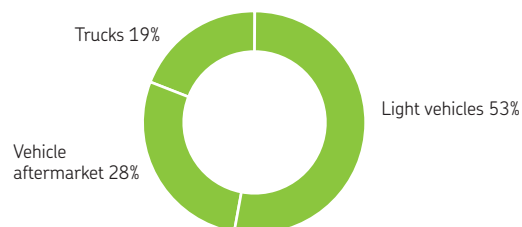
¹⁾ Previously published figures for 2018 have been restated to reflect a change in classification of customers between the segments.

²⁾ Including restructuring costs and impairments.

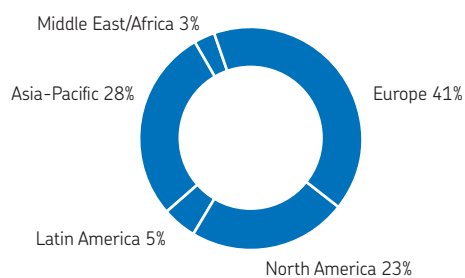
Net sales by customer industry for Industrial, Q2 2019



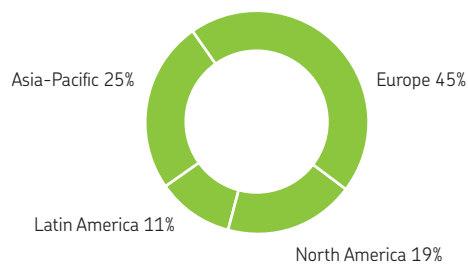
Net sales by customer industry for Automotive, Q2 2019



Net sales by region for Industrial, Q2 2019



Net sales by region for Automotive, Q2 2019



Outlook and Guidance

Demand for Q3 2019 compared to Q3 2018

The demand for SKF's products and services is expected to be slightly lower for the Group, including relatively unchanged demand for Industrial and lower demand for Automotive. Demand is expected to be relatively unchanged in Asia, slightly lower in Europe and North America and slightly higher in Latin America.

Guidance Q3 2019

- Financial net: SEK -245 million
- Currency impact on the operating profit is expected to be around SEK +130 million compared with 2018, based on exchange rates per 30 June 2019.

Previous outlook statement

Demand for Q2 2019 compared to Q2 2018

The demand for SKF's products and services is expected to be slightly lower for the Group, including relatively unchanged demand for Industrial and lower demand for Automotive. Demand is expected to be slightly lower in Europe, Asia and in North America and higher in Latin America.

Guidance 2019

- Tax level excluding effects related to divested businesses: around 28%
- Additions to property, plant and equipment: around SEK 2,800 million

Highlights

RecondOil Sweden AB

SKF has acquired RecondOil Sweden AB, a Swedish cleantech start-up that has developed a chemical filtration and rejuvenation process for industrial lubrication fluid and slop oil. This will strengthen the Group's lubrication management business and rotating equipment performance offer.

Invests in deep groove ball bearing manufacturing

SKF is investing around SEK 450 million to improve the competitiveness of its deep groove ball bearing (DGBB) offering. This includes shifting some production from Bari, Italy to Asia and Eastern Europe. DGBB manufacturing in China will be consolidated into a new factory and an automated production channel will be implemented in Bari.

Innovations for improving the efficiency of aero engines

At the International Paris Air Show in May, SKF showed its latest technological innovations for fixed-wing, helicopter, engine and gearbox applications. With the latest hybrid bearing technology and composite materials, SKF has developed a range of products that help improve engine performance, reduce fuel consumption and reduce emissions as well as costs.

Extends sponsorship of Gothia Cup

SKF has extended its sponsorship of the world's largest youth football tournament - Gothia Cup and will continue as main partner until 2022. In addition, SKF arranges Meet the World tournaments that gives children from different backgrounds the opportunity to travel to Sweden and play football. This is SKF's largest company-wide social responsibility project and this year, around 420 children from 23 countries will participate in Gothia Cup as part of the SKF Meet the World initiative.

Confirmed closure of Stonehouse factory

The proposal was made in December 2018 as a part of a wider consolidation of the Group's aerospace manufacturing footprint in Europe. The factory employs 185 people and will be closed 31 December 2021.

Niclas Rosenlew was appointed SVP and CFO

Niclas was recruited externally from Basware where he was CFO. His previous roles include senior positions within Microsoft, Nokia and Deutsche Bank. Niclas started at SKF on 17 June.

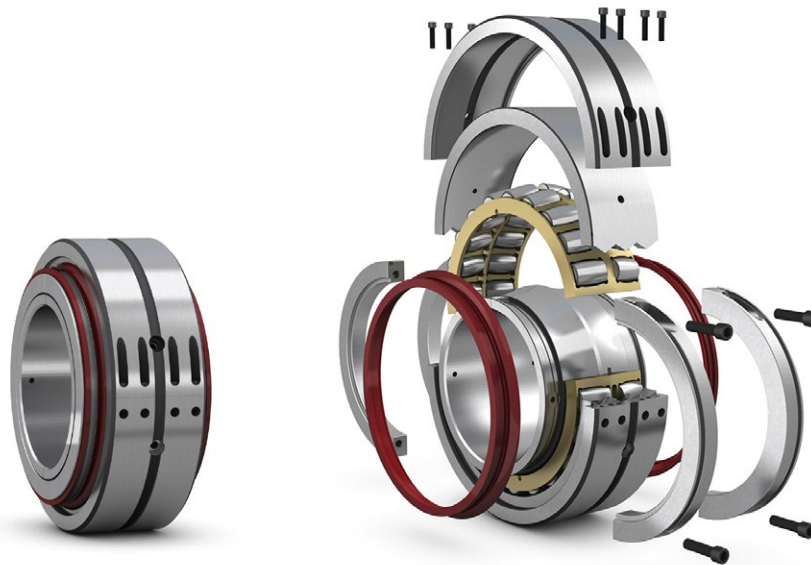
New products and solutions

New range of split spherical roller bearings

SKF Cooper has introduced a range of split spherical roller bearings that offers multiple customer benefits. They are ideal for use in the 'trapped' bearing position of machines and will reduce maintenance and boost safety.

The world's first hybrid bearing life model from SKF

SKF has unveiled a pioneering model that, for the first time, enables the working life of hybrid bearings to be determined more realistically.



Split spherical roller bearing

Accounting principles

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 financial statements of the Parent company were prepared in accordance with the "Annual Accounts Act" and the RFR 2 "Accounting for legal entities". With the exceptions below, SKF Group applied the same

accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. IASB issued and endorsed several new and amended accounting standards, effective date 1 January 2019, of which only IFRS 16 Leases have an impact on the SKF Groups financial statements. New accounting principles and the effect on the opening balance for Leases are explained in note 1 of the Annual report 2018.

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, 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. An enquiry has been initiated by the Competition Commission of India against several different companies, including SKF, regarding an alleged violation of antitrust rules in India. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers.

Fiat Chrysler Automobiles N.V., and several of its group companies, have initiated a lawsuit, with a claim for damages, against bearing manufacturers, including SKF, that were part of the settlement decision by the European Commission for violation of European competition rules. Bosch AG has initiated a lawsuit against SKF with a claim for damages as a consequence of said settlement decision.

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

Gothenburg, 17 July 2019
Aktiebolaget SKF
(publ)

Alrik Danielson
*President and CEO,
Board member*

Hans Stråberg
Chairman

Lars Wedenborn
Board member

Hock Goh
Board member

Nancy Gougarty
Board member

Ronnie Leten
Board member

Barb Samardzich
Board member

Colleen Repplier
Board member

Geert Follens
Board member

Jonny Hilbert
Board member

Zarko Djurovic
Board member

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of AB SKF (publ) as of 30 June 2019 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

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

Conclusion

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

Gothenburg, 17 July 2019
PricewaterhouseCoopers AB

Peter Clemedtson
*Authorized Public Accountant
Auditor in charge*

Bo Karlsson
Authorized Public Accountant

Condensed consolidated income statements

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Net sales	22,488	22,620	43,766	43,180
Cost of goods sold	-16,841	-16,895	-32,698	-32,207
Gross profit	5,647	5,725	11,068	10,973
Selling and administrative expenses	-3,103	-2,829	-5,908	-5,529
Other operating income/expenses, net	-5	29	37	106
Operating profit	2,539	2,925	5,197	5,550
Operating margin, %	11.3	12.9	11.9	12.9
Financial income and expense, net	-278	-142	-494	-342
Profit before taxes	2,261	2,783	4,703	5,208
Taxes	-682	-759	-1,343	-1,397
Net profit	1,579	2,024	3,360	3,811
Net profit attributable to:				
Shareholders of the parent	1,511	1,935	3,229	3,654
Non-controlling interests	68	89	131	157

Condensed consolidated statements of comprehensive income

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Net profit	1,579	2,024	3,360	3,811
Items that will not be reclassified to the income statement:				
Remeasurements	-992	56	-1,918	243
Income taxes	287	-27	557	-61
	-705	29	-1,361	182
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	3	700	1,200	1,826
Assets at fair value through other comprehensive income	-25	56	-2	52
Cash-flow hedges	-	5	-	9
Income taxes	13	14	37	70
	-9	775	1,235	1,957
Other comprehensive income, net of tax	-714	804	-126	2,139
Total comprehensive income	865	2,828	3,234	5,950
Shareholders of AB SKF	803	2,699	3,050	5,737
Non-controlling interests	62	129	184	213

Condensed consolidated balance sheets

MSEK	June 2019	December 2018
Goodwill	10,982	10,347
Other intangible assets	7,396	7,375
Property, plant and equipment	17,532	16,688
Right of use asset leases	2,997	–
Deferred tax assets	4,497	3,563
Other non-current assets	2,073	1,964
Non-current assets	45,477	39,937
Inventories	18,800	17,826
Trade receivables	15,589	13,842
Other current assets	4,298	3,912
Other current financial assets	10,675	11,656
Current assets	49,362	47,236
Total assets	94,839	87,173
Equity attributable to shareholders of AB SKF	33,831	33,536
Equity attributable to non-controlling interests	1,829	1,916
Long-term financial liabilities	17,703	14,850
Provisions for post-employment benefits	15,042	12,894
Provisions for deferred taxes	1,064	1,118
Other long-term liabilities and provisions	1,751	1,972
Non-current liabilities	35,560	30,834
Trade payables	8,453	7,831
Short-term financial liabilities	3,099	2,307
Other short-term liabilities and provisions	12,067	10,749
Current liabilities	23,619	20,887
Total equity and liabilities	94,839	87,173

Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Jun 2019	Jan-Jun 2018
Opening balance 1 January	35,452	29,823
Total comprehensive income	3,234	5,950
Cost for performance share programmes, net	–48	23
Other, including transactions with non-controlling interests	–230	–
Total cash dividends	–2,748	–2,550
Closing balance	35,660	33,246

Condensed consolidated statements of cash flow

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Operating activities:				
Operating profit	2,539	2,925	5,197	5,550
Depreciation, amortisation and impairment	887	575	1,721	1,143
Net loss/gain (-) on sales of PPE and businesses	-	-	9	-52
Taxes	-635	-582	-846	-1,179
Other including non-cash items	99	129	-281	305
Changes in working capital	-176	-256	-1,617	-2,160
Net cash flow from operations	2,714	2,791	4,183	3,608
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,191	-610	-1,995	-1,270
Sales of PPE, businesses and equity securities	-75	1	-56	104
Net cash flow used in investing activities	-1,266	-609	-2,051	-1,166
Net cash flow after investments before financing	1,448	2,182	2,132	2,441
Financing activities:				
Change in short- and long-term loans	-5	-2,486	41	-2,384
Other financing items	-	1	-	-2
Repayment leases	-177	-	-356	-
Cash dividends	-2,747	-2,550	-2,748	-2,550
Redemption of shares	-	-	-242	-
Investments in short-term financial assets	-2,397	-268	-2,643	-462
Sales of short-term financial assets	275	274	567	359
Net cash flow used in financing activities	-5,051	-5,029	-5,381	-5,039
Net cash flow	-3,603	-2,847	-3,249	-2,598
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April/1 January	10,849	7,408	10,390	7,112
Cash effect excl. acquired/sold business	-3,603	-2,847	-3,247	-2,598
Cash effect of acquired/sold businesses	-	-	-2	-
Exchange rate effect	40	33	145	80
Cash and cash equivalents at 30 June	7,286	4,594	7,286	4,594

	Closing balance 30 June 2019	Other non cash changes	Acquired/ sold businesses	Cash changes	Translation effect	Opening balance 1 January 2019
Change in Net debt						
Loans, long- and short-term	16,757	-3	-9	41	579	16,149
Post-employment benefits, net	14,978	2,210	16	-426	345	12,833
Lease liabilities	2,977	7	-1	-356	97	3,230
Financial assets, others	-3,323	2	-	-2,092	-41	-1,192
Cash and cash equivalents	-7,286	-	2	3,247	-145	-10,390
Net debt	24,103	2,216	8	414	835	20,630

Financing activities to hedge short and long term loans using derivatives are reported as Other financing items. The opening balances amounted to SEK -508 million as of 1 April 2019 and the closing balance as of 30 June 2019 amounted to SEK -457 million. Of the change in the quarter, SEK 0 million affected cash and SEK +51 million was a non cash change.

Number of shares

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	32,735,809	35,055,803	32,735,809	35,055,803
- whereof B shares	422,615,259	420,295,265	422,615,259	420,295,265
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	455,778,922	455,873,639	455,714,713	455,812,309

Condensed consolidated financial information

MSEK unless otherwise stated

	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Net sales	18,627	19,481	20,560	22,620	21,341	21,192	21,278	22,488
Cost of goods sold	-14,066	-14,691	-15,312	-16,895	-16,132	-16,490	-15,857	-16,841
Gross profit	4,561	4,790	5,248	5,725	5,209	4,702	5,421	5,647
Gross margin, %	24.5	24.6	25.5	25.3	24.4	22.2	25.5	25.1
Selling and administrative expenses	-2,583	-2,762	-2,700	-2,829	-2,753	-3,045	-2,805	-3,103
- as % of sales	13.9	14.2	13.1	12.5	12.9	14.4	13.2	13.8
Other, net	-13	-11	77	29	141	1,245	42	-5
Operating profit	1,965	2,017	2,625	2,925	2,597	2,902	2,658	2,539
Operating margin, %	10.5	10.4	12.8	12.9	12.2	13.7	12.5	11.3
Financial net	-273	-233	-200	-142	-253	-266	-216	-278
Profit before taxes	1,692	1,784	2,425	2,783	2,344	2,636	2,442	2,261
Profit margin before taxes, %	9.1	9.2	11.8	12.3	11.0	12.4	11.5	10.1
Taxes	-586	179	-638	-759	-753	-453	-661	-682
Net profit	1,106	1,963	1,787	2,024	1,591	2,183	1,781	1,579
Net profit attributable to								
Shareholders of the parent company	1,044	1,878	1,719	1,935	1,524	2,107	1,718	1,511
Non-controlling interests	62	85	68	89	67	76	63	68

Reconciliation to profit before tax for the Group

MSEK	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Operating profit:								
Industrial ¹⁾	1,830	1,843	2,143	2,344	2,184	2,794	2,317	2,229
Automotive ¹⁾	135	174	482	581	413	108	341	310
Financial net	-273	-233	-200	-142	-253	-266	-216	-278
Profit before taxes for the Group	1,692	1,784	2,425	2,783	2,344	2,636	2,442	2,261

1) Previously published figures for 2017 and 2018 have been restated to reflect a change in classification of customers between the segments.

Key figures

(Definitions, see page 17)

	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
EBITA, MSEK	2,076	2,132	2,739	3,044	2,717	3,041	2,811	2,691
EBITDA, MSEK	2,508	2,641	3,193	3,500	3,173	3,656	3,493	3,425
Basic earnings per share, SEK	2.29	4.12	3.77	4.25	3.35	4.63	3.77	3.32
Diluted earnings per share, SEK	2.29	4.12	3.77	4.25	3.34	4.62	3.77	3.32
Dividend per share, SEK	–	–	–	5.50	–	–	–	6.00
Net worth per share, SEK	58	62	68	69	71	74	78	74
Share price at the end of the period, SEK	177.5	182.2	170.5	166.7	175.4	134.5	154.4	170.8
NWC, % of 12 months rolling sales	29.4	29.0	31.7	31.1	29.0	27.8	30.0	30.1
ROCE for the 12-month period, %	13.2	14.2	15.0	15.8	16.5	17.6	17.1	16.0
ROE for the 12-month period, %	17.3	20.4	21.0	22.7	23.1	22.8	21.8	20.1
Gearing, %	50.9	49.9	48.3	46.0	45.4	45.0	47.2	49.3
Equity/assets ratio, %	35.5	36.7	38.2	38.7	39.8	40.7	39.5	37.6
Additions to property, plant and equipment, MSEK	531	632	621	537	656	833	656	684
Net debt/equity, %	79.4	71.3	66.4	66.9	59.9	49.1	57.1	67.6
Net debt, MSEK	22,143	21,274	21,889	22,238	20,368	17,400	21,431	24,103
Net debt/EBITDA	2.1	1.9	1.9	1.9	1.6	1.3	1.6	1.8
Registered number of employees	45,554	45,678	45,964	45,862	45,914	44,428	44,161	43,700

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 skf.com/group/investors/.

Segment information – quarterly figures¹⁾

MSEK unless otherwise stated

Industrial	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Net sales	12,969	13,492	14,272	15,962	15,234	15,236	15,049	16,061
Operating profit	1,830	1,843	2,143	2,344	2,184	2,794	2,317	2,229
Operating margin, %	14.1	13.7	15.0	14.7	14.3	18.3	15.4	13.9
Assets and liabilities, net	36,731	37,780	40,849	42,272	40,591	38,903	43,811	44,602
Registered number of employees	37,979	38,099	38,247	38,174	38,134	36,657	36,181	35,973
Automotive	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Net sales	5,658	5,989	6,288	6,658	6,107	5,956	6,229	6,427
Operating profit	135	174	482	581	413	108	341	310
Operating margin, %	2.4	2.9	7.7	8.7	6.8	1.8	5.5	4.8
Assets and liabilities, net	9,332	9,232	9,938	10,257	10,092	10,077	11,540	11,000
Registered number of employees	7,042	7,035	7,094	7,080	7,166	7,141	7,331	7,084

1) Previously published figures for 2017 and 2018 have been restated to reflect a change in classification of customers between the segments.

Parent company condensed income statements

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Revenue	1,657	1,830	3,196	3,971
Cost of revenue	-1,203	-1,155	-2,444	-2,295
General management and administrative expenses	-504	-337	-883	-679
Other operating income/expenses, net	-9	4	-8	-4
Operating result	-59	342	-139	993
Financial income and expense, net	717	1,987	1,980	1,956
Profit before taxes	658	2,329	1,841	2,949
Taxes	37	-64	54	-199
Net profit	695	2,265	1,895	2,750

Parent company condensed statements of comprehensive income

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Net profit	695	2,265	1,895	2,750
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-25	57	-2	53
Other comprehensive income, net of tax	-25	57	-2	53
Total comprehensive income	670	2,322	1,893	2,803

Parent company condensed balance sheets

MSEK	June 2019	December 2018
Intangible assets	1,744	1,775
Investments in subsidiaries	21,937	21,934
Receivables from subsidiaries	14,138	13,724
Other non-current assets	1,235	1,171
Non-current assets	39,054	38,604
Receivables from subsidiaries	4,718	5,217
Other receivables	187	133
Current assets	4,905	5,350
Total assets	43,959	43,954
Shareholders' equity	19,599	20,535
Untaxed reserves	24	24
Provisions	551	552
Non-current liabilities	14,137	13,723
Current liabilities	9,648	9,120
Total shareholders' equity, provisions and liabilities	43,959	43,954

Definitions

Average number of employees

Total number of working hours of registered employees, divided by the normal total working time for the period.

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.

Net debt

Debt less short-term financial assets excluding derivatives.

Net debt/EBITDA

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

Net debt/equity

Net debt, as a percentage of equity.

Net worth per share (Equity per share)

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

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

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

Operating margin

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

Operational performance

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

Organic sales

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

Registered number of employees

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

Return on capital employed (ROCE)

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

Return on equity (ROE)

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

SKF demand outlook

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

Cautionary statement

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

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



Opening ceremony Gothia Cup 2019

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 fact

Founded 1907
Represented in more than 130 countries
Net sales in 2018 were SEK 85,713 million and the number of employees were 44,428
15 technical centers
94 manufacturing sites
More than 17,000 distributors

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

Vision

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

Mission

To be the undisputed leader in the bearing business.

Strategic priorities

Based on SKF's vision and mission, the company focuses on five strategic priorities:

1. Create and capture customer value
2. Application driven innovation
3. World-class manufacturing
4. Cost competitiveness
5. Maximizing cash flow over time

For further information, please contact Investors and analysts

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Conference call

17 July at 09.00 (CEST), 08.00 (UK).

Conference ID: SKF or 3588786

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Webcast access on mobile devices



Calendar

22 October, Nine-month report
4 February 2020, Year-end report 2019

The 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 17 July 2019 at 08.00 CEST.