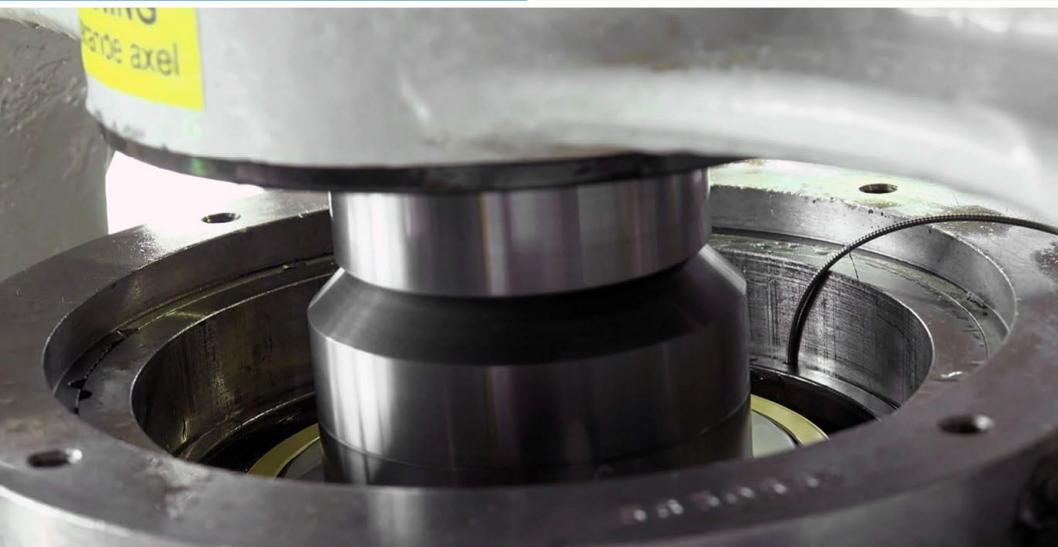




# Year-end report 2019

Press release 4 February



# Strong result in a weaker market

2019 has been a solid year for SKF. We saw stable demand during the first half of the year. During the last six months, we maintained a strong operating result, despite falling demand. A consistent focus on cost reduction, especially during the fourth quarter, where cost reductions more than compensated for cost inflation, has allowed us to continue to deliver solid results, whilst continuing to invest in our factories and in R&D.

During the fourth quarter, we delivered a strong underlying operating margin of 10.3% (10.4% last year) and an underlying operating profit of SEK 2,181 million (2,197).

We saw a drop in organic sales of 2.9%, with net sales of SEK 21.2 billion. Sales were higher in Asia, driven by strong demand in China, slightly lower in Europe, significantly lower in North America and significantly higher in Latin America.

The industrial business delivered an underlying margin of 13.3%, higher than last year (12.9%), despite a drop in organic sales of 1.2%. Sales were significantly higher in Asia, relatively unchanged in Europe and Latin America and significantly lower in North America.

The automotive business delivered an underlying margin of 2.4% (3.8% last year), due to a fall in organic sales of 7.5%. Sales were significantly lower in Europe and North America, lower in Asia and significantly higher in Latin America.

During the fourth quarter we have taken steps to create a more efficient structure for our support functions. The new way of working and resulting organizational changes are being

implemented during 2020-2021 and will see the creation of regional centers of excellence.

Investments supporting our regional manufacturing strategy continue as planned and the recently announced ball bearing factory in Xinchang is ramping up production during the first quarter, as announced in June 2019.

The testing of our bearings with fibre optical load sensors has moved over to the next stage, with equipped large-size bearings soon to be deployed to a mine in northern Sweden. These bearings analyze loads in real-time, giving customers and SKF even more insights into the performance of rotating machinery.

In the first quarter of 2020, we expect to see lower volumes for the Group, slightly lower for Industrial and lower for Automotive, compared to Q1 2019.

SKF is well-positioned for the future. We have a track record of strong financial performance, which has enabled us to pay down debt and increase investments in manufacturing and R&D during 2019. In recognition of this, the Board has proposed to increase the dividend to SEK 6.25 per share.



Alrik Danielson  
President and CEO

Organic sales growth



Operating margin



ROCE



Net debt/Equity<sup>1)</sup>



<sup>1)</sup> Including leasing as of 2019

Net working capital/sales



**Cover pictures are showing:**

1. SKF Agri Hub for seeding.
2. SKF TWIM 15 – portable induction heater.
3. SKF Rotating Equipment Performance (REP) Center in Gothenburg, Sweden.
4. Load Sensing Bearings – for pumps and compressors.
5. SKF stroboscope TKRS 31.

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

# Key figures

MSEK unless otherwise stated	Q4 2019	Q4 2018	2019	2018
Net sales	21,208	21,192	86,013	85,713
Operating profit	1,910	2,902	9,395	11,049
Operating margin, %	9.0	13.7	10.9	12.9
Profit before taxes	1,722	2,636	8,469	10,188
Net cash flow after investments before financing	701	4,259	4,953	8,326
Basic earnings per share	2.27	4.63	12.2	16.0

## Financial performance

### Fourth quarter 2019

Operating profit for the quarter was SEK 1,910 million (2,902). In 2018, operating profit was positively impacted by the gain from the divestment of the L&AT business by SEK 1,261 million. The operating profit was positively impacted by sales price, currency effects and cost reductions. Operating profit was negatively impacted by sales and manufacturing volumes and material cost increases. Operating profit included SEK -205 million (-274) related to ongoing restructuring and cost reduction activities mainly in Americas and Europe and SEK -66 million (-282) related to impairments and customer settlements partly offset by a VAT credit. The underlying operating profit was SEK 2,181 million (2,197).

Operating profit bridge, MSEK	Q4
<b>2018</b>	<b>2,902</b>
Operational performance <sup>1)</sup>	181
Currency impact	101
Divested/acquired companies, incl. gain/loss	-1,274
<b>2019</b>	<b>1,910</b>

<sup>1)</sup> 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.

- Financial income and expense, net was SEK -188 million (-266). Exchange rate fluctuations had a positive effect in the fourth quarter 2019, while it was negative in 2018. Adjustment for hyperinflation in Argentina amounted to SEK -42 million and costs related to the repayment of the loan amounted to SEK -137 million in the quarter.
- Taxes in the quarter were SEK -641 million (-453) resulting in an effective tax rate of 37% (17%). The tax rate was negatively affected by an adjustment related to the US tax reform as well as other tax effects related to prior years, adjusted for this the tax rate would have been 26%. Last years' tax rate was positively impacted by the divestment of the L&AT business, adjusted for this the tax rate would have been 25%.
- Net cash flow after investment before financing in the fourth quarter was SEK 701 million (4,259). Excluding cash flow related to divestments and acquisitions during the quarter it was SEK 947 million (1,937). The difference against last year is mainly driven by higher investments in the quarter and higher reduction of working capital last year.
- Net working capital in percent of annual sales was 27.7% in the fourth quarter compared to 27.8% in the fourth quarter 2018.
- Provisions for post-employment benefits net decreased by SEK -1,693 million (+1,095) in the fourth quarter mainly as a result of increases in discount rates in Germany and in the US.

### Full year 2019

Operating profit for the year was SEK 9,395 million (11,049). In 2018, operating profit was positively impacted by the gain from the divestment of the L&AT business by SEK 1,261 million. Operating profit was positively impacted by sales price and cost reductions. Operating profit was negatively impacted by sales and manufacturing volumes, general inflation, material cost increases and divested companies. Operating profit included SEK -571 million (-369) related to restructuring and cost reduction activities and SEK -170 million net (-283) related to impairments and customer settlements partly offset by a VAT credit. The underlying operating profit was SEK 10,136 million (10,493).

Operating profit bridge, MSEK	2019
<b>2018</b>	<b>11,049</b>
Operational performance <sup>1)</sup>	-730
Currency impact	539
Divested/acquired companies, incl. gain/loss	-1,463
<b>2019</b>	<b>9,395</b>

<sup>1)</sup> 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.

- The financial net amounted to SEK -926 million (-861). The financial net of this year was negatively impacted by the accounting for leases according to IFRS 16 with SEK -126 million.
- Taxes in 2019 were SEK -2,677 million (-2,603) giving an effective tax rate of 32% (26%). The tax rate in 2019 was negatively impacted by an adjustment related to the US tax reform as well as other tax effects related to prior years and withholding tax on dividend, adjusted for this the tax rate would have been 28%. Last years' tax rate was positively impacted by the divestments, adjusted for this the tax rate would have been 28%.
- Cash flow after investments before financing was SEK 4,953 million (8,326) and excluding acquisitions and divestments it was SEK 5,736 million (5,966). The difference against previous year is mainly explained by higher investments positively offset by higher cash flow from operations. Net cash flow used for financing activities in 2019 was impacted by SEK -137 (-378) million related to costs for buy-back of loans.
- Provisions for post-employment benefits net increased by SEK +2,480 million (+604) mainly as a result of decreases in discount rates in Germany, US and Sweden

### Key figures

	31 Dec 2019	30 Sept 2019	31 Dec 2018
Net working capital, % of 12 months rolling sales	27.7	29.9	27.8
ROCE for the 12-month period, %	13.2	15.0	17.6
Net debt/equity, %	59.3	67.0	49.1
Net debt/equity, excluding post-employment benefits and leasing, %	10.2	12.3	12.9
Net debt/EBITDA	1.7	1.8	1.3

**Dividend proposal** The Board has decided to propose an increased dividend of SEK 6.25 per share to the Annual General Meeting.

# Sales

Net sales, change y-o-y, %	Q4				Full year 2019			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
SKF Group	-2.9	-1.8	4.8	0.1	-2.0	-2.3	4.7	0.4
Industrial	-1.2	-2.6	4.6	0.8	0.1	-3.3	4.7	1.5
Automotive	-7.3	0.2	5.3	-1.8	-6.8	0.1	4.3	-2.4

Organic sales in local currencies, change y-o-y, %	Q4					Full year 2019				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
SKF Group	-3.0	-15.9	8.2	4.3	13.4	-1.9	-7.8	5.6	0.7	1.8
Industrial	+/-	---	+/-	+++	+++	+/-	--	+/-	+	+/-
Automotive	---	---	+++	--	+++	--	---	+++	--	+++

Customer industries	Q4					Full year 2019				
	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa	Europe	North America	Latin America	Asia-Pacific	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Light vehicles	--	---	+++	---		--	---	+++	---	
Trucks	---	---	---	++		---	---	---	--	
Vehicle aftermarket	++	--	+++	+++	+++	-	---	++	+++	+++
Aerospace	++	--		---		+++	+/-		---	
Industrial drives	---	---	+++	+/-	+++	--	--	+++	--	++
Energy	--	---	++	+++		+	--	---	+++	---
Heavy industries	+/-	+/-	+/-	+++	--	+/-	+/-	++	+++	--
Off-highway	---	---	+/-	++		--	---	+++	---	+/-
Railway	+++	---		---		+++	---	---	++	
Agriculture, food and beverage	---			-		--	+++	+	++	---
Marine	+++					+++	+		++	
Electrical	---	---		---		--	---	++	--	
Other industrial	---	+/-		---		--	---	---	---	++
Industrial distribution	+/-	---	--	+++	+++	+/-	--	+/-	++	+

## Comments on organic sales in local currencies in Q4 2019, compared to Q4 2018

### Europe

Industrial: Overall, sales were relatively unchanged in the quarter. By industry, sales to the marine and railway industries were significantly higher. Sales to aerospace were higher and sales to heavy industries and industrial distribution were relatively unchanged while sales to the energy industry were lower compared to Q4 2018. Sales to agricultural, food and beverage industries, industrial drives, off-highway, electrical and to other industrial were significantly lower.

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

### North America

Industrial: Sales were significantly lower in the quarter compared to Q4 2018. By industry, sales to other industrial and to heavy industries were relatively unchanged. Sales to aerospace were lower while sales to most other industrial segments were significantly lower.

Automotive: Sales in the quarter were significantly lower. Sales to the vehicle aftermarket were lower while sales to trucks and light vehicles were significantly lower.

### Asia-Pacific

Industrial: Sales were significantly higher in the quarter. By industry, sales to energy, heavy industries and industrial distribution were significantly higher while sales to off-highway were higher. Sales to industrial drives were relatively unchanged while sales to agricultural, food and beverage industries were slightly lower. Sales to electrical, railway, aerospace and to other industrial were significantly lower compared to Q4 2018.

Automotive: Sales were lower in the quarter. Sales to the vehicle aftermarket were significantly higher. Sales to trucks were higher while sales to light vehicles were significantly lower compared to Q4 2018.

### Latin America

Industrial: Overall, sales were relatively unchanged in the quarter. By industry, sales to industrial drives were significantly higher. Sales to energy were higher while sales to off-highway and heavy industries were relatively unchanged. Sales to industrial distribution were lower compared to Q4 2018.

Automotive: Sales were significantly higher in the quarter. Sales to light vehicles and to the vehicle aftermarket were significantly higher, sales to trucks were significantly lower compared to Q4 2018.

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

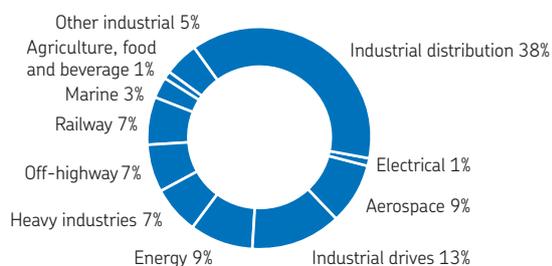
MSEK unless otherwise stated

Industrial	Q4/2019	Q4/2018	2019	2018
Net sales	15,361	15,236	61,597	60,704
Operating profit	1,897	2,794	8,664	9,465
Operating margin, %	12.3	18.3	14.1	15.6

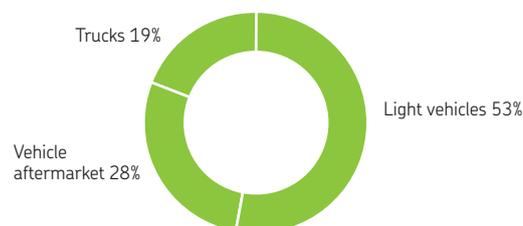
Automotive	Q4/2019	Q4/2018	2019	2018
Net sales	5,847	5,956	24,416	25,009
Operating profit	13	108	731	1,584
Operating margin, %	0.2	1.8	3.0	6.3

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

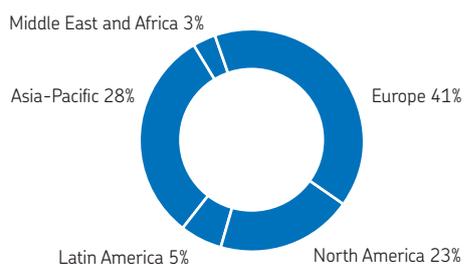
Full year net sales by customer industry for Industrial 2019



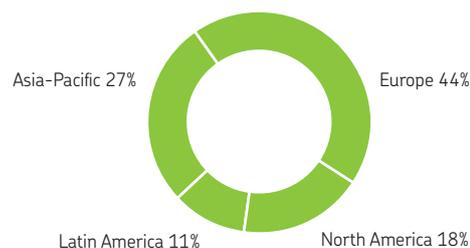
Full year net sales by customer industry for Automotive 2019



Full year net sales by region for Industrial 2019



Full year net sales by region for Automotive 2019



# Outlook and Guidance

## Demand for Q1 2020 compared to Q1 2019

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

## Guidance Q1 2020

- Financial net: SEK -225 million
- Currency impact on the operating profit is expected to be around SEK +60 million compared with Q1 2019, based on exchange rates per 31 December 2019.

## Guidance 2020

- Tax level excluding effects related to divested businesses: around 28%.
- Additions to property, plant and equipment: around SEK 3,300 million.

# Previous outlook statement

## Demand for Q4 2019 compared to Q4 2018

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

# Highlights

## SKF technology for world's most powerful tidal turbine

SKF has developed a power train for the world's most powerful tidal turbine, capable of generating 2MW, being developed by Scotland-based Orbital Marine Power.

## Completed acquisitions

Previously announced acquisition of Presenso Ltd. has been completed. SKF has also completed the acquisition of Form Automation Solutions, a US-based software development start-up company.

## SKF partner with BillerudKorsnäs for improved performance

BillerudKorsnäs and SKF are partnering to reduce maintenance costs and improve production output and sustainability performance at Karlsborg Mill in Kalix, Sweden.

## SKF consolidates slewing bearing footprint

SKF's slewing bearing manufacturing footprint in North America is being consolidated. As a result, the Group's factory in Kalos, Mexico, was closed during the fourth quarter of 2019.

## Fee-based agreement with Gerdau

Gerdau and SKF have signed a fee-based agreement to increase productivity and reduce unplanned downtime at Gerdau's Charqueadas and Araçariquama steel mills in Brazil. SKF provides a full range of products, remanufacturing, lubrication systems and connected condition monitoring units.

## Green financing

SKF has launched a Green Finance Framework and also issued a green bond that will raise EUR 300 million. The proceeds from the bond will finance green investments that reduce CO2 emissions and impact from SKF's own operations as well as supporting customers to reduce their emissions.

## Completed buy-back of bonds

SKF has completed the buy-back of EUR 51 million and EUR 204 million of outstanding bonds maturing in 2020 and 2022 respectively.

## New products and solutions

### Bearing with fibre optical load sensors – for pumps and compressors

Based on its proprietary technology, SKF has released the world's first commercial bearing with fibre optical load sensors. It enables real-time measurement of bearing loads and will help to speed up the design and verification process.

### Easy-to-use stroboscopes

SKF has unveiled a range of hand-held, easy-to-use stroboscopes that enable visual inspections to be carried out on equipment while it is rotating.

### Additions to the Agri Hub range

SKF has launched new additions to the Agri Hub range for tillage, seeding and disc plough. All hubs are solutions with bearing and seal integrated in one housing that can extend the service life of machines.

### Dual Compound fork seal

SKF has unveiled its new Dual Compound fork seal that provide a longer lasting seal and reliable protection for the interior fork mechanism. It also enhances rider control and performance of the motorcycle by minimizing friction around the fork area.

### New portable and easy-to-use induction heater

A new portable induction heater from SKF makes hot-mounting of bearings and similar parts, fast and safe. Temperature is increased through magnetic fields causing the material to expand, allowing the bearing to be mounted without any friction or force.



SKF TWIM 15 – portable induction heater.



SKF Dual Compound fork seal.



SKF Agri Hubs for tillage.

# 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". 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.

## SKF's Performance Share Programme

In order to continue to link the interests of the participants and the shareholders long-term, the Board proposes, that a decision be taken at the Annual General Meeting 2020 on SKF's Performance Share Programme 2020. The terms and conditions for the proposed SKF's Performance Share Programme 2020 are the same as for SKF's Performance Share Programme 2019, which was decided by the Annual General Meeting 2019.

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

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

for the financial years 2020–2022 compared to the financial year 2019. Under the programme, not more than 1,000,000 SKF B shares may be allotted.

SKF's Performance Share Programme 2017, which was decided by the Annual General Meeting 2017, will be settled in the first quarter 2020. The outcome is that about 170 managers of the SKF Group will receive around 650,000 SKF class B shares (around 65% of the maximum number of shares approved by the Annual General Meeting), based on the degree of achievement of the TVA target level, as defined by the Board of Directors, for the financial years 2017–2019 compared to the financial year 2016. The total cost for the SKF's Performance Share Programme 2017 amounted to around SEK 140 million including administrative costs and social charges.

## Risks and uncertainties in the business

The SKF Group operates in many different industrial and geographical areas that are at different stages of the economic cycle. A general economic downturn at global level, 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.

Bosch AG has initiated a lawsuit against SKF with a claim for damages as a consequence of the settlement decision by the European Commission for violation of European competition rules.

Gothenburg, 4 February 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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	21,208	21,192	86,013	85,713
Cost of goods sold	-16,401	-16,490	-65,071	-64,829
<b>Gross profit</b>	<b>4,807</b>	<b>4,702</b>	<b>20,942</b>	<b>20,884</b>
Selling and administrative expenses	-2,993	-3,045	-11,819	-11,327
Other operating income/expenses, net	96	1,245	272	1,492
<b>Operating profit</b>	<b>1,910</b>	<b>2,902</b>	<b>9,395</b>	<b>11,049</b>
Operating margin, %	9.0	13.7	10.9	12.9
Financial income and expense, net	-188	-266	-926	-861
<b>Profit before taxes</b>	<b>1,722</b>	<b>2,636</b>	<b>8,469</b>	<b>10,188</b>
Taxes	-641	-453	-2,677	-2,603
<b>Net profit</b>	<b>1,081</b>	<b>2,183</b>	<b>5,792</b>	<b>7,585</b>
Net profit attributable to:				
Shareholders of the parent	1,035	2,107	5,557	7,285
Non-controlling interests	46	76	235	300

# Condensed consolidated statements of comprehensive income

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<b>Net profit</b>	<b>1,081</b>	<b>2,183</b>	<b>5,792</b>	<b>7,585</b>
Items that will not be reclassified to the income statement:				
Remeasurements	1,243	-1,180	-2,469	-529
Income taxes	-304	203	719	36
	<b>939</b>	<b>-977</b>	<b>-1,750</b>	<b>-493</b>
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-1,291	339	835	1,115
Assets at fair value through other comprehensive income	-23	-67	-13	-63
Cash-flow hedges	-	-3	-	1
Income taxes	-1	-4	54	56
	<b>-1,315</b>	<b>265</b>	<b>876</b>	<b>1,109</b>
Other comprehensive income, net of tax	-376	-712	-874	616
<b>Total comprehensive income</b>	<b>705</b>	<b>1,471</b>	<b>4,918</b>	<b>8,201</b>
Shareholders of AB SKF	745	1,334	4,666	7,881
Non-controlling interests	-40	137	252	320

# Condensed consolidated balance sheets

MSEK	December 2019	December 2018
Goodwill	11,251	10,347
Other intangible assets	7,146	7,375
Property, plant and equipment	18,420	16,688
Right of use asset leases	2,991	–
Deferred tax assets	4,437	3,563
Other non-current assets	2,019	1,964
<b>Non-current assets</b>	<b>46,264</b>	<b>39,937</b>
Inventories	18,051	17,826
Trade receivables	14,006	13,842
Other current assets	4,546	3,912
Other current financial assets	11,241	11,656
<b>Current assets</b>	<b>47,844</b>	<b>47,236</b>
<b>Total assets</b>	<b>94,108</b>	<b>87,173</b>
Equity attributable to shareholders of AB SKF	35,512	33,536
Equity attributable to non-controlling interests	1,854	1,916
Long-term financial liabilities	15,407	14,850
Provisions for post-employment benefits	15,366	12,894
Provisions for deferred taxes	960	1,118
Other long-term liabilities and provisions	1,869	1,972
<b>Non-current liabilities</b>	<b>33,602</b>	<b>30,834</b>
Trade payables	8,266	7,831
Short-term financial liabilities	3,610	2,307
Other short-term liabilities and provisions	11,264	10,749
<b>Current liabilities</b>	<b>23,140</b>	<b>20,887</b>
<b>Total equity and liabilities</b>	<b>94,108</b>	<b>87,173</b>

# Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Dec 2019	Jan-Dec 2018
Opening balance 1 January	35,452	29,823
Total comprehensive income	4,918	8,201
Cost for performance share programmes, net	-62	36
Other, including transactions with non-controlling interests	-152	13
Total cash dividends	-2,790	-2,621
<b>Closing balance</b>	<b>37,366</b>	<b>35,452</b>

# Condensed consolidated statements of cash flow

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating activities:				
Operating profit	1,910	2,902	9,395	11,049
Depreciation, amortization and impairment	929	754	3,496	2,472
Net loss/gain (-) on sales of PPE and businesses	-3	-1,313	12	-1,518
Taxes	-566	-655	-2,114	-2,711
Other including non-cash items	-580	-429	-996	-483
Changes in working capital	460	1,452	-383	-464
<b>Net cash flow from operations</b>	<b>2,150</b>	<b>2,712</b>	<b>9,410</b>	<b>8,345</b>
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,444	-876	-4,418	-2,834
Sales of PPE, businesses and equity securities	-5	2,423	-39	2,815
<b>Net cash flow used in investing activities</b>	<b>-1,449</b>	<b>1,547</b>	<b>-4,457</b>	<b>-19</b>
<b>Net cash flow after investments before financing</b>	<b>701</b>	<b>4,259</b>	<b>4,953</b>	<b>8,326</b>
Financing activities:				
Change in short- and long-term loans	433	-520	-1,546	-2,101
Other financing items	-137	-101	-137	-482
Repayment leases	-180	-	-834	-
Cash dividends	-	-22	-2,790	-2,621
Redemption of shares	-	-	-242	-
Investments in short-term financial assets	-4,599	-407	-8,680	-1,387
Sales of short-term financial assets	4,325	804	5,232	1,508
<b>Net cash flow used in financing activities</b>	<b>-158</b>	<b>-246</b>	<b>-8,997</b>	<b>-5,083</b>
<b>Net cash flow</b>	<b>543</b>	<b>4,013</b>	<b>-4,044</b>	<b>3,243</b>
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 October/1 January	6,071	6,364	10,390	7,112
Cash effect excl. acquired/sold business	534	4,166	-4,051	3,396
Cash effect of acquired/sold businesses	9	-153	7	-153
Exchange rate effect	-184	13	84	35
<b>Cash and cash equivalents at 31 December</b>	<b>6,430</b>	<b>10,390</b>	<b>6,430</b>	<b>10,390</b>

Change in Net debt	Closing balance 31 December 2019	Other non cash changes	Acquired/ sold businesses	Cash changes	Translation effect	Opening balance 1 January 2019
Loans, long- and short-term	14,970	-9	5	-1,546	371	16,149
Post-employment benefits, net	15,313	3,088	16	-917	293	12,833
Lease liabilities	3,011	416	-1	-730	96	3,230
Financial assets, others	-4,688	-22	14	-3,488	-	-1,192
Cash and cash equivalents	-6,430	-	-7	4,051	-84	-10,390
<b>Net debt</b>	<b>22,176</b>	<b>3,473</b>	<b>27</b>	<b>-2,630</b>	<b>676</b>	<b>20,630</b>

## Number of shares

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	32,460,528	33,355,803	32,460,528	33,355,803
- whereof B shares	422,890,540	421,995,265	422,890,540	421,995,265
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	456,146,132	456,300,966	455,881,722	456,009,654

# Condensed consolidated financial information

MSEK unless otherwise stated

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net sales	20,560	22,620	21,341	21,192	21,278	22,488	21,039	21,208
Cost of goods sold	-15,312	-16,895	-16,132	-16,490	-15,857	-16,841	-15,972	-16,401
<b>Gross profit</b>	<b>5,248</b>	<b>5,725</b>	<b>5,209</b>	<b>4,702</b>	<b>5,421</b>	<b>5,647</b>	<b>5,067</b>	<b>4,807</b>
Gross margin, %	25.5	25.3	24.4	22.2	25.5	25.1	24.1	22.7
Selling and administrative expenses	-2,700	-2,829	-2,753	-3,045	-2,805	-3,103	-2,918	-2,993
- as % of sales	13.1	12.5	12.9	14.4	13.2	13.8	13.9	14.1
Other, net	77	29	141	1,245	42	-5	139	96
<b>Operating profit</b>	<b>2,625</b>	<b>2,925</b>	<b>2,597</b>	<b>2,902</b>	<b>2,658</b>	<b>2,539</b>	<b>2,288</b>	<b>1,910</b>
Operating margin, %	12.8	12.9	12.2	13.7	12.5	11.3	10.9	9.0
Financial net	-200	-142	-253	-266	-216	-278	-244	-188
<b>Profit before taxes</b>	<b>2,425</b>	<b>2,783</b>	<b>2,344</b>	<b>2,636</b>	<b>2,442</b>	<b>2,261</b>	<b>2,044</b>	<b>1,722</b>
Profit margin before taxes, %	11.8	12.3	11.0	12.4	11.5	10.1	9.7	8.1
Taxes	-638	-759	-753	-453	-661	-682	-693	-641
<b>Net profit</b>	<b>1,787</b>	<b>2,024</b>	<b>1,591</b>	<b>2,183</b>	<b>1,781</b>	<b>1,579</b>	<b>1,351</b>	<b>1,081</b>
Net profit attributable to								
Shareholders of the parent company	1,719	1,935	1,524	2,107	1,718	1,511	1,293	1,035
Non-controlling interests	68	89	67	76	63	68	58	46

## Reconciliation to profit before tax for the Group

MSEK	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Operating profit:								
Industrial <sup>1)</sup>	2,143	2,344	2,184	2,794	2,317	2,229	2,221	1,897
Automotive <sup>1)</sup>	482	581	413	108	341	310	67	13
Financial net	-200	-142	-253	-266	-216	-278	-244	-188
<b>Profit before taxes for the Group</b>	<b>2,425</b>	<b>2,783</b>	<b>2,344</b>	<b>2,636</b>	<b>2,442</b>	<b>2,261</b>	<b>2,044</b>	<b>1,722</b>

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

# Key figures

Definitions, see page 15

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
EBITA, MSEK	2,739	3,044	2,717	3,041	2,811	2,691	2,443	2,063
EBITDA, MSEK	3,193	3,500	3,173	3,656	3,493	3,425	3,134	2,840
Basic earnings per share, SEK	3.77	4.25	3.35	4.63	3.77	3.32	2.84	2.27
Diluted earnings per share, SEK	3.77	4.25	3.34	4.62	3.77	3.32	2.84	2.27
Dividend per share, SEK	–	5.50	–	–	–	6.00	–	–
Net worth per share, SEK	68	69	71	74	78	74	76	78
Share price at the end of the period, SEK	170.5	166.7	175.4	134.5	154.4	170.8	162.7	189.4
NWC, % of 12 months rolling sales	31.7	31.1	29.0	27.8	30.0	30.1	29.9	27.7
ROCE for the 12-month period, %	15.0	15.8	16.5	17.6	17.1	16.0	15.0	13.2
ROE for the 12-month period, %	21.0	22.7	23.1	22.8	21.8	20.1	18.9	15.7
Gearing, %	48.3	46.0	45.4	45.0	47.2	49.3	48.9	47.1
Equity/assets ratio, %	38.2	38.7	39.8	40.7	39.5	37.6	37.8	39.7
Additions to property, plant and equipment, MSEK	621	537	656	833	656	684	967	1,154
Net debt/equity, %	66.4	66.9	59.9	49.1	57.1	67.6	67.0	59.3
Net debt, MSEK	21,889	22,238	20,368	17,400	21,431	24,103	24,548	22,176
Net debt/EBITDA	1.9	1.9	1.6	1.3	1.6	1.8	1.8	1.7
Registered number of employees	45,964	45,862	45,914	44,428	44,161	43,700	43,687	43,360

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

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

MSEK unless otherwise stated

<b>Industrial</b>	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net sales	14,272	15,962	15,234	15,236	15,049	16,061	15,126	15,361
Operating profit	2,143	2,344	2,184	2,794	2,317	2,229	2,221	1,897
Operating margin, %	15.0	14.7	14.3	18.3	15.4	13.9	14.7	12.3
Assets and liabilities, net	40,849	42,272	40,591	38,903	43,811	44,602	45,571	44,802
Registered number of employees	38,247	38,174	38,134	36,657	36,181	35,973	36,088	35,861
<b>Automotive</b>	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net sales	6,288	6,658	6,107	5,956	6,229	6,427	5,913	5,847
Operating profit	482	581	413	108	341	310	67	13
Operating margin, %	7.7	8.7	6.8	1.8	5.5	4.8	1.1	0.2
Assets and liabilities, net	9,938	10,257	10,092	10,077	11,540	11,000	11,061	10,101
Registered number of employees	7,094	7,080	7,166	7,141	7,331	7,084	6,937	6,828

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

## Parent company condensed income statements

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Revenue	2,007	1,621	6,073	7,011
Cost of revenue	-1,335	-1,301	-5,068	-5,729
General management and administrative expenses	-410	-546	-1,661	-1,572
Other operating income/expenses, net	12	-23	-4	-27
<b>Operating result</b>	<b>274</b>	<b>-249</b>	<b>-660</b>	<b>-317</b>
Financial income and expense, net	2,224	590	6,510	3,492
<b>Profit before taxes</b>	<b>2,498</b>	<b>341</b>	<b>5,850</b>	<b>3,175</b>
Appropriations	1,487	550	1,487	550
Taxes	-334	-45	-102	29
<b>Net profit</b>	<b>3,651</b>	<b>846</b>	<b>7,235</b>	<b>3,754</b>

## Parent company condensed statements of comprehensive income

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit	3,651	846	7,235	3,754
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-24	-67	-14	-63
<b>Other comprehensive income, net of tax</b>	<b>-24</b>	<b>-67</b>	<b>-14</b>	<b>-63</b>
<b>Total comprehensive income</b>	<b>3,627</b>	<b>779</b>	<b>7,221</b>	<b>3,691</b>

## Parent company condensed balance sheets

MSEK	December 2019	December 2018
Intangible assets	1,611	1,775
Investments in subsidiaries	22,438	21,934
Receivables from subsidiaries	12,313	13,724
Other non-current assets	1,050	1,171
<b>Non-current assets</b>	<b>37,412</b>	<b>38,604</b>
Receivables from subsidiaries	6,585	5,217
Other receivables	151	133
<b>Current assets</b>	<b>6,736</b>	<b>5,350</b>
<b>Total assets</b>	<b>44,148</b>	<b>43,954</b>
Shareholders' equity	24,959	20,535
Untaxed reserves	-	24
Provisions	384	552
Non-current liabilities	12,312	13,723
Current liabilities	6,493	9,120
<b>Total shareholders' equity, provisions and liabilities</b>	<b>44,148</b>	<b>43,954</b>

# Definitions

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

SKF's TKRS stroboscopes enable visual inspections to be carried out on equipment while it is rotating.



## 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 were SEK 86,013 million and the number of employees were 43,360

15 technical centers

94 manufacturing sites

More than 17,000 distributors

AB SKF (publ)

Postal address: SE-415 50 Gothenburg, Sweden

Visiting address: Hornsgatan 1

tel. +46 31 337 10 00

[www.skf.com](http://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

Patrik Stenberg, Director of SKF Group Investor Relations

tel: +46 31 337 21 04 or mobile: +46 705 472104

e-mail: [patrik.stenberg@skf.com](mailto:patrik.stenberg@skf.com)

### Press and media

Theo Kjellberg, Director Corporate Communication, Head of Media Relations

tel: +46 31 337 65 76 or mobile: +46 725 776576

e-mail: [theo.kjellberg@skf.com](mailto:theo.kjellberg@skf.com)

### Conference call

4 February at 14:00 (CET), 13.00 (UK).

### Conference ID: SKF or 3662219

International: +44 (0) 2071 928000

Sweden: +46 (0)8 5069 2180

United States: +1 631 510 7495

Website: <http://investors.skf.com/en/result-centre>

Webcast access on mobile devices



### Calendar

4 March, Annual Report 2019

26 March, Annual General Meeting

23 April, First-quarter report 2020

21 July, Half-year report 2020

27 October, Nine-month report 2020

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 4 February 2020 at 13.00 CET.