



AKTIEBOLAGET SKF

(a public company incorporated with limited liability in Sweden)

€300,000,000 0.250 per cent. Notes due 15 February 2031

Issue price: 98.562 per cent.

The €300,000,000 0.250 per cent. Notes due 15 February 2031 (the **Notes**) will be issued by Aktiebolaget SKF (the **Issuer**) on 15 February 2021 (the **Issue Date**).

The Notes are subject to redemption at the option of the Issuer, as further described in “*Conditions of the Notes – Redemption and Purchase – Redemption at the Option of the Issuer*”. Also, the Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described under the Conditions of the Notes. The Notes mature on 15 February 2031.

This Prospectus has been approved as a prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer.

Application has also been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**). This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from the date of approval of this Prospectus. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once the Notes are admitted to trading on the Luxembourg Stock Exchange and when the Prospectus is no longer valid.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

IMPORTANT - PRIIPs Regulation/Prohibition of Sales to EEA Retail Investors - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT - UK PRIIPs Regulation/Prohibition of Sales to UK Retail Investors - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA which were relied on immediately before 11.00 p.m. (London time) on 31 December 2020 to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 on markets in financial instruments (**UK MiFIR**) as it forms part of domestic law by virtue of EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR/product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**) and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufactures' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

The Notes will be rated Baa1 by Moody's Investor Service (Nordics) AB (**Moody's**) and BBB+ by Fitch Ratings Limited (**Fitch**). In accordance with Moody's ratings definitions available as at the date of this Prospectus on <https://www.moody.com/ratings-process/Ratings-Definitions/002002>, obligations rated 'Baa' are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. In accordance with Fitch's ratings definitions available as at the date of this Prospectus on https://www.fitchratings.com/site/definitions?rd_file=ltr#str, an obligation rated 'BBB' indicates that expectations of default risk are currently low; the capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Fitch is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). Fitch is not established in the European Union and has not applied for registration under the CRA Regulation. The ratings issued by Fitch have been endorsed by Fitch Ratings España S.A.U. in accordance with the CRA Regulation. Fitch Ratings España S.A.U. is established in the European Union and registered under the CRA Regulation. As such Fitch Ratings España S.A.U. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about the Issue Date with a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 27 March 2021 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes in bearer form, serially numbered in the denomination of €100,000 and integral

multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons attached on issue, only in certain limited circumstances - see "*Summary of Provisions relating to the Notes while represented by the Global Notes*". No Notes in definitive form will be issued with a denomination above €199,000.

An investment in Notes involves certain risks. Prospective investors should have regard to the risk factors described under the heading "Risk Factors" on page 4.

Joint Bookrunners

BofA Securities

Citigroup

HSBC

The date of this Prospectus is 11 February 2021

This Prospectus comprises a prospectus for the purposes of Article 6 of the Prospectus Regulation. When used in this Prospectus, **Prospectus Regulation** means Regulation (EU) 2017/1129.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CSSF.

Save for the Issuer, no party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Bookrunner accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Bookrunners.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Bookrunners that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Bookrunners to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Bookrunners do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Bookrunners which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the UK and the EEA (including in Belgium and Sweden), see "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Prospectus, see "*Subscription and Sale*" below.

PRESENTATION OF INFORMATION

All references in this Prospectus to **U.S. dollars**, **U.S.\$** and **\$** refer to the currency of the United States of America, to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and to **Swedish Kronor**, **SEK** refer to the currency of the Kingdom of Sweden and **CNY** refer to the currency of the People's Republic of China (**PRC**) which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

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RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of risk factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such risk factors or to determine which risk factors are most likely to occur, as the Issuer may not be aware of all relevant risk factors and certain risk factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus the following risk factors which could materially adversely affect its business and ability to make payments due under the Notes. The Issuer's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In addition, risk factors which are material for the purpose of assessing the market risks associated with the Notes are described below. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus.

The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Business risks in general

IT and digitalisation risks

The Issuer is the parent company of the SKF group of companies (the **Group**). The Group faces risks relating to cyber security threats such as intrusion by potential adversaries placing so-called ransomware on IT assets or gaining unauthorised access to the Group's information or computer systems, which could lead to loss, theft or manipulation of data, including intellectual property, manufacturing related data and financial data, infringement of personal data or violations of export control regulations. There are also increasing requirements from customers and governments to adhere to information security standards such as ISO (International Organisation for Standardisation, an international organisation promoting proprietary, industrial and commercial standards), NIST (National Institute of Standards and Technology, a United States non-regulatory agency promoting innovation and industrial competitiveness) and ITAR (International Traffic in Arms Regulations, a United States regulatory regime to restrict and control the export defence and military related technologies). Under certain circumstances the risks identified above could have a material adverse effect on the Group's ability to operate and on its competitive and financial position and could also be accompanied by risk of loss of reputation, litigation, penalties and other actions by authorities.

Due to the ongoing digitalisation of the industry, the Group's operations are increasingly dependent on electronically stored and processed data, computer systems and other technology solutions. There are increasing demands for a fully connected value chain applying digital techniques to align and update all parts of the business, such as marketing, sales, supply chain, manufacturing and service, and excellent digital customer experience, placing high demands on the speed of the digital transformation. Any inability to reach strategic objectives in this regard in the long term could lead to lower growth and lower financial performance as well as a risk of losing competitiveness and position in the market. The Group has initiated a

programme to replace its enterprise resource planning systems in order to create a new common IT infrastructure. The implementation and roll-out process has started and will be carried out over a number of years. Any unplanned interruption to the Group's computer systems with potential loss of production or delays in deliveries to customers or a major break-down of these systems with loss of information or delays or issues with the roll-out and implementation of the new IT infrastructure or any prolonged or severe disruptions to the Group's computer systems and solutions may have a material adverse effect on the Group's business which in turn could have a material adverse effect on the Group's financial position and results of operations. Further, any prolonged or severe disruptions to the Group's computer systems and solutions would have an adverse impact on the Group's business, financial position and results of operations.

General economic conditions and transitional risks

The Group operates in many different industrial and automotive segments, as well as in many geographical areas that are in different business cycles. A general economic downturn at a global level, or in one of the world's leading economies, or a change in the economic situation in any of the industry segments in which the Group operates, could affect customers' investment plans which in turn could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism, war, unrest and other hostilities, as well as potential impacts of climate change, global health pandemics, water availability, natural disasters (including but not limited to earthquakes, tsunamis and ash clouds) and disturbances in the worldwide financial markets, could have a negative impact on the availability and cost of raw materials and components necessary for the Group's manufacturing process and/or the demand for the Group's products and services.

For example, since January 2020, the global spread of Covid-19 and the mitigations and practices implemented by governments, such as restrictions on movement of people, temporary closure of businesses and/or public works stoppages has resulted in, and may continue to result in, a fall in demand for the Group's products, solutions and services. The degree to which Covid-19 will affect demand for the Group's products, solutions and services going forward is uncertain, and presents a significant risk to the Group.

Further, some of the Group's businesses are subject to transitional risks related to trends such as increased digitalisation, electrification or pressure to decarbonise industry sectors. Such developments may be driven by regulatory requirements, taxes, tariffs or other governmental policies. Under certain circumstances any of the risks identified above could have a material adverse effect on the Group's business, financial position and results of operations.

Property and product liability insurance and product functionality

Measures to limit the effect of damages arising from property and product liability are continually taken and standards for desired safeguard levels are established in order to reduce the probability of the Group incurring material damages and to ensure deliveries to customers are not disrupted. While the Group holds customary insurance programmes in the amounts the Issuer believes to be appropriate, there can be no assurances that the Group will be able to fully recover such amounts or that recovered amounts will be sufficient to cover the Group's losses.

The risk of product failure in customer applications may lead to warranty claims and/or loss of business which could have a material adverse effect on the Group's business, financial position and results of operations.

Political and regulatory risks

There are political and regulatory risks associated with the wide geographical presence of the Group. The global and diverse nature of the Group's business and operations means that the Group is required to adhere

to numerous laws and regulations related to all aspects of its activities. Failure to meet these requirements could lead to legal and financial consequences as well as damage to the Group's reputation. The Group is exposed to compliance risks mainly related to competition law, fraud, export control, data privacy (including, but not limited to, in relation to Regulation (EU) No 2016/679 (the General Data Protection Legislation)), corruption environmental and health and safety regulations. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit or otherwise negatively impact the Group's operations. The Group is also exposed to risks related to economic or political sanctions, or other trade embargoes in force. Sanction laws are adopted by various countries around the world, and each country's sanctions laws are unique, often driven by specific national policies or goals. Political or economic sanctions are imposed at an increasing rate, and change frequently. Restrictions range from extremely targeted measures to country-wide embargoes. Enforcement of these laws is increasing, notably in Europe, and certain enforcement actions can be taken against companies who cause another third party to violate applicable sanctions or companies who engage with a non-compliant third-party. Given their complexity, specificity and the fact that they are often imposed without much notice, there is a risk that the Group will not be fully compliant with all applicable political or economic sanctions laws at all times. Compliance with such laws may also expose the Group to contractual liability vis-à-vis third parties. Finally, there is a risk of loss of business in existing markets if they become prohibited or restricted by newly-imposed sanctions. For example, technology competition between USA and China may lead to sanctions resulting in the Group not being able to use certain IT-products in China, which would have a negative effect on the Group's ability to effectively conduct its business. Under certain circumstances any of the risks identified above could have a material adverse effect on the Group's business, financial position and results of operations.

Competition

In recent years, the global bearing market has been affected by digitalisation, changing customer requirements, pressure to decarbonise industry sectors and disruptive business models. The trend of disruptive technologies is an opportunity for entrepreneurial companies to win market shares, which could lead to an increase in the number of products and competitors in the Group's industry sector. These factors require that the Group will need to reposition and adapt its business and offering to meet the evolving requirements of the industry. If the Group fails with such repositioning, or adapting to new technology and new business models, or for any other reason fails to compete effectively, this could result in the Group losing market share or customers which could have a material adverse effect on the Group's business, financial position and results of operations.

Further, competitors may find better and more cost-efficient ways to produce and distribute products and services. They may also find ways to produce better functioning products. The Group may suffer losses as a result of new and disruptive technologies such as online channels to the aftermarket becoming available from companies which have not been regarded as competitors before. Competitive factors, including changes in market penetration, increased price competition, the development and introduction of new products, product designs and technologies by significant existing and new competitors and to a lesser extent small regional companies as well as changes in customer demand on sales, product mix, prices and service quality could have a material adverse effect on the Group's business, financial position and results of operations.

Also, the Issuer cannot give any assurance that its competitors do not or will not seek to utilise the Group's patents, trademarks and logos when they market their products. Such unauthorised use of the Group's intellectual property rights is an infringement of the Group's legal rights and may have a material adverse effect on the Group's business, financial position, results of operations and brand image.

Changes in manufacturing costs as well as issues affecting manufacturing and production facilities of the Group or its suppliers and its ability to distribute its products

Changes in the costs associated with the Group's various levels of operations including, but not limited to, the effects of unplanned work stoppages, severe interruptions in its production and damage to the equipment, the cost of labour, and the cost and availability of, for example, materials and energy supply from third party suppliers could have a material adverse effect on the Group's business, financial position and results of operations.

If critical equipment in the operating facilities is significantly damaged, or there are severe interruptions in its productions, the Group is likely to face setbacks in its ability to manufacture and distribute its products. Such circumstances, to the extent it is unable to find an alternative manufacturing and production facility or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's risk of production disruption is not only related to its own operations but also to disruption further upstream in the demand chain. External factors such as fires, extreme weather events, natural disasters, water scarcity, war, terrorism or pandemic illness might result in disruption of supplies to the Group and have a material adverse effect on the Group's business, financial position and results of operations.

Changes in costs for raw materials

Energy and the cost of carbon can have an impact on the Group in several ways, for example through the cost of energy and raw materials. In 2020, the cost of raw materials and components amounted to approximately SEK 24 billion of which steel-based products account for the majority. Consequently, an increase/decrease of 1 per cent. in the cost of raw materials and components would reduce/increase the operating profit by approximately SEK 240 million. In addition to raw materials and components, the Group uses a significant quantity of energy in its manufacturing, of which electricity makes up the absolute majority in terms of cost. Based on the conditions prevailing on 31 December 2019, an increase/decrease of +/- 10 per cent. in the energy costs would have affected the Group's operating profit by approximately SEK 130 million. A significant increase in the cost of energy, raw materials and/or components would have a material negative effect on the Group's results of operations.

Workforce

The Group has, and is dependent on, highly knowledgeable and skilled people and it works actively on its ability to attract and retain its employees. Global processes have been developed for recruitment, employee performance and the overall skills of employees. These processes will enable the Group to further develop the skills within the Group to even higher levels.

The Group's business requires key skills with respect to, among other things, digitalisation and automation. However, the competition for qualified employees within these areas is strong and as the industry is increasingly digitalised, more organisations are competing for the same skills and capabilities. These facts, in combination with changing demographics, means that there is a risk of scarcity of some of the key skills in the labour market. In turn, this may lead to increased remuneration levels, which would adversely affect the Group's business, financial position and results of operation.

Reorganisational measures may also present difficulties with retaining employees of the requisite competencies. As an example, the Group is currently taking major rightsizing steps, partly as a consequence of the Covid-19 pandemic, such as closure of sites, reducing the number of employees and increasing flexibility within the workforce. There is a risk that these activities will have an adverse impact on

employees' motivation, loyalty and optimism and may cause unwanted attrition and loss of key personnel and capabilities. Under certain circumstances any of the risks identified above could have a material adverse effect on the Group's business, financial position and results of operations.

Work stoppages or strikes

Many of the Group's employees are covered by collective bargaining agreements and the Group holds collective bargaining agreements with trade unions in 20 countries. The Issuer cannot provide any assurance that it will not encounter strikes or other disturbances occasioned by its unionised labour force, or that, upon the expiration of existing collective bargaining agreements, it will be able to reach new collective bargaining agreements on satisfactory terms or without work stoppages, strikes or similar industrial actions.

Non-satisfactory terms on any collective bargaining agreements could cause the Group's labour costs to increase, which would affect its profit margins negatively. In addition, it is required to consult and seek the advice of its Employee Works' Council in respect of a broad range of matters, which could delay or prevent the completion of certain corporate transactions. The Issuer cannot provide any assurance that it will not experience lengthier consultations or even strikes, work stoppages or other industrial actions in the future. Any industrial action could disrupt its operations, possibly for a significant period of time, and result in increased wages and benefits (an increase of 1 per cent. in wages and salaries (including social security charges) would reduce the operating profit by around SEK 230 million based on the position on 31 December 2020) or otherwise have a material adverse effect on the Group's business, financial position and results of operations.

Environmental matters

As an industrial company, the Group is subject to numerous international, national and local environmental, health and safety laws and regulations governing, among other things, the storage, handling, treatment, disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Any severe non-compliance with such environmental laws and regulations could result in the imposition of significant fines, penalties or liens, or give rise to civil or criminal liability, which would have a material adverse effect on the Group's reputation, business and results of operations. Authorities around the world require various permits and licenses related to environmental, health and safety matters. In the event of severe non-compliance with legislation, such permits or licences may be revoked and production activities stopped until sufficient rectification has been completed.

The direct risks to the Issuer related to the environmental impact of the Group's business occur primarily in the production processes, for example, through the use of materials and energy, emissions into the air and water, or through noise and waste. The areas which have the greatest impact on the environment include energy consumption at manufacturing units, related carbon dioxide emissions, generation of hazardous and non-hazardous waste and air, water and soil emissions. Recently, focus on environmental and climate issues has increased, both in the media and in politics. The Group has adopted certain non-financial targets attributable to its environmental impact (for example, to reduce carbon dioxide emissions from manufacturing by 40 per cent. per tonne of bearings sold and from goods transportation by 40 per cent. per tonne of shipped products to end customer (with 2015 as the base year and 2025 as the year for reaching the targets)). The Group's longer term target is to achieve carbon neutral manufacturing (scope 1 and 2) by 2030. If the Group fails to reach its non-financial targets attributable to the environment or does not drive improvement regarding for example energy and emissions in other parts of the value chain, this may result in adverse publicity, which would damage the Group's reputation.

As a long-established industrial company, the Issuer may further be held liable to investigate and rectify historical contamination and emissions at the Group's plants and on property which the Group, or companies

and businesses which the Group has acquired or with which it has merged, own or have previously owned, irrespective of whether the Group has caused the contamination or whether the operation which caused the contamination was lawful at the time the contamination occurred. Due to stricter laws and regulations, some with retroactive effect, relating to landfill disposal, some of the Group's companies are currently involved in the clean-up of old landfill sites that have not been used for many years, but at which the Group company was one of many companies contributing to waste disposal in the past. The majority of these cases concern so-called superfund sites designated by the U.S. Environmental Protection Agency and U.S. State agencies and the authorities in several other countries. A superfund site is an old landfill or plant site in the United States with soil or groundwater contamination, subject to a remediation programme according to federal law. In addition, a few on-going remedial activities are being carried out for soil and groundwater contamination. The ultimate resolution of these issues is not known at present, but presents a significant risk to the Group's results of operations and financial position.

In addition, stricter environmental laws and regulations, sometimes with retroactive effect, may lead to increased expenditure to comply with these laws and regulations. The Group may also be subject to claims from public authorities, private individuals, companies or other parties who request compensation for alleged personal injury, property damage or damage to nature caused for example by accidental environmental contamination from the Group's operations, which risk leading to large and unexpected costs. Risks of substantial costs and liabilities, including for the investigation and remediation of past or present contamination, are inherent in the Group's ongoing operations, and its ownership and occupation of industrial properties thus present a significant risk to the Group's results of operations.

Tax risks

The Group's operations are global with a presence in 130 countries, manufacturing operations in 24 countries and direct sales channels in 70 countries and the Group is thus subject to taxation and several tax laws and regulations worldwide. Its operations, including intra-group transactions, are conducted in accordance with the Group's interpretation of applicable tax law, tax treaties and regulations in those jurisdictions and the requirements of the relevant tax authorities. However, there is a risk that the Group's understanding and interpretation of the aforementioned laws, tax treaties and regulations, for example in relation to transfer pricing, is not correct in all respects. There is also a risk that the tax authorities in the relevant countries may make assessments and take decisions that differ from the Group's understanding and interpretation of the aforementioned laws, tax treaties and regulations which could result in unexpected tax liabilities. The occurrence of any of the foregoing may have an adverse effect on the Group's results of operations and financial position.

Reputational risk

The Issuer's brand name and reputation have significant commercial value and the Issuer relies on positive brand recognition as part of its overall business model. Any damage to the Issuer's brand image or reputation, whether owing to a single event or series of events, would typically have a negative impact on the Group's ability to market and sell its products and retain customers and employees. There are various events which risk causing damage to the Issuer's brand or reputation, such as non-compliance with laws and regulations, labour unrest, legal proceedings and investigations, poor working environments, operational disruptions and interruptions. Further, if the Group or one of the Group's suppliers, distributors or other partners take any action that is in conflict with its code of conduct or the values represented by its brands, the Group's reputation may be damaged. Any damage to the Issuer's brand image or reputation could have an adverse effect on the Group's business, financial position and results of operations.

Risks associated with acquired business

The ongoing digitalisation and driving trends of the industry may require the Group to strengthen sections of its business through acquisitions. However, there is a risk that in the future, the Group will be unable to carry

out such strategic acquisitions due to, for example, competition from other buyers or lack of suitable acquisition candidates. If the Group fails to carry out necessary strategic acquisitions, there is a risk that the Group's competitiveness and business will be adversely affected.

The Issuer cannot provide any assurance that it will not experience problems in relation to the integration of acquired companies or that the expected synergies will be achieved within planned timeframes. In addition, the Group may bear expenses and liabilities undisclosed in its due diligence and acquisition processes. The Group cannot guarantee that the integration of acquired entities will occur within the planned timeframes. Moreover, integration costs could be higher than initially anticipated and expected synergies may not be fully achieved. The occurrence of any of the foregoing may have an adverse effect on the Group's business, financial position and results of operations.

Litigation, arbitration, antitrust proceedings and unanticipated claims

The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant. Many of these disputes relate to claims arising in the ordinary course of business including, but not limited to, intellectual property, product warranty and product liability. Unanticipated claims could have a material adverse effect on the Group's business and results of operations.

The Issuer is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defence, 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 in the automotive aftermarket in Brazil. Moreover, the Issuer may face additional follow-on civil actions by both direct and indirect purchasers

There can be no assurance that the Group will not become subject to additional legal proceedings, which may have an adverse effect on the Group's business, financial position and results of operations.

Financial risks

The Group's operations are exposed to various types of financial risk. The Group's financial policy defines the main risks as currency, interest rate, credit and liquidity risks and defines responsibility and authority to manage them. The policy states that the objective is to eliminate or minimise risk and to contribute to a better return through active risk management. The responsibility for risk management and treasury operations are largely centralised to the SKF Treasury Centre, the Group's internal bank.

Currency risk

The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and forecasted transactions and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's accounts are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure.

- Translation effects: Translation exposure is defined as the Group's exposure to currency risk arising when translating the results and net assets of foreign subsidiaries to SEK. Based on 2020 operating profits in local currencies, a weakening/strengthening of 5 per cent of SEK versus all other relevant currencies would have caused an increase/decrease of approximately SEK 590 million in the Group's operating profit in 2020. To reduce the translation exposure of net assets, the Group has hedged some of its net investment in foreign subsidiaries.
- Transaction effects: With regard to commercial flows, the Group is primarily exposed to U.S.\$, EUR and CNY against SEK. Based on 2020's currency flows, the operating profit in 2020 would have increased/decreased by approximately SEK 212 million with a strengthening/weakening of 5 per

cent. of U.S.\$ versus SEK and by approximately SEK -360 million with a strengthening/weakening of 5 per cent. of EUR versus SEK. A strengthening/weakening of 5 per cent. of CNY versus SEK would have increased/decreased operating profit by approximately SEK 140 million.

Liquidity risk

Liquidity risk, also referred to as funding risk, is defined as the risk that the Group will encounter difficulties in raising funds to meet its commitments.

Group policy states that, in addition to current loan financing, the Group should have a payment capacity in the form of available liquidity and/or long-term committed credit facilities. As of 31 December 2020, in addition to its own liquidity, the Group had committed two credit facilities, one of EUR 500 million syndicated by ten banks that will expire in 2025, and one of EUR 250 million that will expire in 2022. Both of the committed credit facilities are currently unutilised.

Credit risk

Credit risk is defined as the Group's exposure to losses in the event that one party to a financial instrument fails to discharge an obligation. The Group is exposed to credit risk from its operating activities and certain financing activities. At operational level, the outstanding trade receivables are continuously monitored locally in each area. The Group's concentration of credit risk related to trade receivables is mitigated primarily due to its many geographically and industrially diverse customers. Trade receivables are subject to credit limit control and approval procedures in all subsidiaries. With regard to treasury related activities, the Group's policy states that only well-established financial institutions are approved as counterparties. The Group has signed ISDA (International Swaps and Derivatives Association, Inc.) agreements with nearly all of these approved counterparties. Transactions are made within fixed limits and credit exposure per counterparty is continuously monitored. As of 31 December 2020, the Group had derivative assets of around SEK 431 million and derivative liabilities of around SEK 525 million subject to enforceable master netting arrangements.

The maximum exposure to credit risk for the Group amounted to SEK 27,927 million as at 31 December 2020. The exposure is represented by total financial assets that are carried on the balance sheet with the exception of equity securities. As at 31 December 2020, no granting of significant financial guarantees increasing the credit risk and no significant collateral agreements reducing the maximum exposure to credit risk existed.

Interest rate risk

The Group defines interest rate risk as the risk of negative fluctuations in the Group's cash flow caused by changes in the interest rates. Liquidity and borrowing are managed at Group level. By matching the maturity dates of investments made by subsidiaries with the borrowings of other subsidiaries, the interest rate exposure of the Group can be reduced. A decrease/increase of 1 per cent. in interest rates would have a positive/negative effect on the Group's profit before tax of around SEK 130 million, based on the position on 31 December 2020. The Group had a net debt of SEK 18,460 million on 31 December 2020.

Holding company risk

The financial position of the Issuer, being the parent company of the Group, is dependent on the financial position and development of its 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 Issuer, as well as a need for writing down the values of the shares in the subsidiaries.

Price risks

As of 31 December 2020, the Group held investments in equity securities with quoted stock prices, amounting to SEK 253 million, which are categorised as fair value through other comprehensive income and is subject to risks associated with changes in stock exchange prices and indexes, which are in turn affected by the general economic climate. Consequently, the uncertainty in terms of the effects of the Covid-19 pandemic presents a significant risk with respect to the value of the Group's equity securities. If the market share prices had been 5 per cent. higher/lower as at 31 December 2020, the available-for-sale reserve in equity would have been SEK 13 million higher/lower.

General risks

Ratings downgrades may increase the Issuer's funding costs and substantially reduce the Issuer's earnings

The long-term rating of the Group by each of Moody's and Fitch is Baa1 with a stable outlook and BBB+ with a stable outlook respectively.

The Issuer's credit rating depends on many factors, some of which are outside of the Issuer's control. If the Issuer were to receive downgrades in its credit rating, it may become necessary to offer increased interest rates in the capital markets in order to obtain financing, which would likely substantially lower the Issuer's profit margins and earnings and negatively affect the Issuer's business and results of operations.

RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

Risks related to the Notes generally

Set out below is a description of material risks relating to the Notes generally.

Meetings of Noteholders, Modification and Substitution

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and including those Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Fiscal Agent may, without the consent of the Noteholders, agree to any modification of any of the provisions of the Notes subject to what is described in the Conditions of the Notes.

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any Subsidiary of the Issuer as principal debtor, in the circumstances described in Condition 13.

Redemption prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (Taxation)), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 February 2021 (as more fully set out in Condition 6.2 (Redemption for Taxation Reasons)), the Issuer may redeem all outstanding Notes in accordance with the terms and conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 6.3 (Redemption at the Option of the Issuer)) and the Issuer may choose to redeem the Notes at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Enforceability of judgments

As at the date of this Prospectus, the UK and Sweden are not bound by any agreement, treaty or other instrument on mutual recognition and enforcement of judgments applicable in relation to the Notes. The UK has applied to join the convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters made in Lugano on 30 October 2007 (the Lugano Convention), but the other contracting states have, as at the date of this Prospectus, not approved the application. As a result, a final judgment in civil or commercial matters relating to the Notes obtained in the courts of England against the Issuer, will, in principle, neither be recognised nor enforceable in Sweden. However if a Noteholder brings a new action in a competent court in Sweden, the final judgment rendered in an English court may be

submitted to the Swedish court, but will only be regarded as evidence of the outcome of the dispute to which it relates, and the Swedish court has full discretion to rehear the dispute ab initio. Any retrial on a judgment's merits could therefore significantly delay or prevent the enforcement by Noteholders of the Issuer's obligations under the Notes.

Investors who purchase Notes in denominations that are not an integral multiple in excess of €100,000 may be adversely affected if definitive Notes are subsequently required to be issued

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of €100,000 such that its holding amounts to a minimum of €100,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a minimum of €100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an Investor could sell his or her Notes

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, such investor will be exposed to movements in exchange rates adversely affecting the value of such investor's holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of

the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of the Notes may be adversely affected by movements in market interest rates

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of them.

Credit ratings assigned to the Notes may not reflect all the risks associated with an investment in the Notes

Fitch and Moody's have assigned credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Certain information with respect to the credit ratings agencies and ratings is set out on the cover of the Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2018 set out at the pages listed below of the Issuer's Annual Report 2018 (available at <https://investors.skf.com/sites/default/files/pr/201903065678-1.pdf>):

Consolidated Income Statements.....	Page 66
Consolidated Balance Sheets.....	Pages 68-79
Consolidated Statements of Cash Flow	Pages 70 – 72
Consolidated Statements of Changes in Equity	Page 73
Notes to the Consolidated Financial Statements.....	Pages 74-107
Auditor's Report.....	Pages 148-151

- the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2019 set out at the pages listed below of the Issuer's Annual Report 2019 (available at https://investors.skf.com/sites/default/files/pr/SKF_AR19_ENG_bookmarks_.pdf):

Consolidated Income Statements.....	Page 64
Consolidated Balance Sheets	Pages 66-67
Consolidated Statements of Cash Flow	Pages 68 – 70
Consolidated Statements of Changes in Equity	Page 71
Notes to the Consolidated Financial Statements.....	Pages 72-103
Auditor's Report.....	Pages 144-147

- the unaudited interim consolidated financial statements of the Issuer for the twelve months ended 31 December 2020 set out at the pages listed below of the Press Release dated 2 February 2021 (available at <https://investors.skf.com/sites/default/files/pr/202102020920-1.pdf>), including the information set out at the following pages:

Condensed Consolidated Income Statements.....	Page 9
Condensed Consolidated Balance Sheets	Page 10
Consolidated Statements of Cash Flow	Page 11
Consolidated Statements of Changes in Equity	Page 10

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document (which, for the avoidance of doubt, means any parts not listed in the cross-reference lists above) referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus. For the avoidance of doubt, information contained on the Issuer's website does not form part of the Prospectus.

FINANCIAL INFORMATION

The audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2019 and 31 December 2018 and the unaudited interim consolidated financial statements for the twelve months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**).

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:

The €300,000,000 0.250 per cent. Notes due 15 February 2031 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 and forming a single series with the Notes of Aktiebolaget SKF (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 15 February 2021 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Citibank, N.A., London Branch as fiscal agent and principal paying agent (the **Fiscal Agent** and, together with any further or other paying agents appointed from time to time under the Agency Agreement, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons attached on issue. No Notes in definitive form will be issued with a denomination above €199,000.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. **NEGATIVE PLEDGE**

3.1 **Negative Pledge**

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness of the Issuer or any of its Subsidiaries (as defined below) will be secured by any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future property, assets or revenues of the Issuer or any of its Subsidiaries unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of the Noteholders;

provided that the Issuer shall not be required to take such action where (i) the aggregate outstanding principal amount of the Relevant Indebtedness secured by such Security Interests shall not exceed 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, as calculated by reference to the then latest audited consolidated accounts of the Issuer or (ii) the Security Interest is on the present or future property, assets or revenues of any company becoming a Subsidiary after the date of issue of the Notes which Security Interest exists at the time of such company becoming a Subsidiary (other than any Security Interest created in contemplation thereof).

3.2 **Interpretation**

For the purposes of these Conditions:

- (a) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures or other securities which are for the time being quoted or listed on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness; and
- (b) **Subsidiary** means a subsidiary within the meaning of chapter 1, section 11 of the Swedish Companies Act (2005:551).

4. **INTEREST**

4.1 **Interest Rate and Interest Payment Dates**

The Notes bear interest from and including 15 February 2021 at the rate of 0.250 per cent. per annum, payable annually in arrear on 15 February (each an **Interest Payment Date**). The first payment (for the period from and including 15 February 2021 to but excluding 15 February 2022 and amounting to €2.50 per €1,000 principal amount of Notes) shall be made on 15 February 2022.

4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption or purchase unless, upon due presentation, payment of the principal in respect of the Note or any purchase money due under Condition 6.4 is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 0.250 per cent. per annum to each €1,000 principal amount of Notes (the **Calculation Amount**) and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

4.4 Change of Control Event

If there occurs (i) a Change of Control and within the Change of Control Period (if at the time that Change of Control occurs the Notes are rated by a Rating Agency) a Rating Downgrade in respect of that Change of Control occurs or (ii) a Change of Control (if at such time the Notes are not rated by a Rating Agency) (each a **Step-Up Event**), then from and including the date of the Step-Up Event the interest rate on the Notes shall be determined in Conditions 4.1, 4.2 and 4.3, except that the interest rate in Condition 4.1 shall instead be 5.250 per cent. per annum.

Rating Agency means Moody's Investor Service (Nordics) AB or Fitch Ratings Limited and their respective successors or any other rating agency or equivalent international standing specified by the Issuer.

A **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (a) withdrawn or (b) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (c) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Issuer) that any person or persons acting in concert or any person or persons acting on behalf of any such person(s) (the **Relevant Persons**), at any time acquire(s) (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person(s) are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) pro rata interest in the share capital of the Relevant Person(s) as such shareholders have, or as the case may be, had in the share capital of the Issuer.

Change of Control Period means the period ending 90 days after the public announcement of the Change of Control having occurred.

5. PAYMENTS

5.1 Payments in respect of Notes

Payments of principal, any purchase moneys due under Condition 6.4 and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee with or, at the option of the payee, by euro cheque.

5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 Payments subject to Applicable Laws

Payments in respect of principal, purchase moneys due under Condition 6.4 and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system is open.

5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 11.

6. REDEMPTION AND PURCHASE

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 15 February 2031.

6.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7), or any change in the application or official

interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 11 February 2021, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

6.3 Redemption at the Option of the Issuer

The Issuer may at any time on or after 15 November 2030, on giving not less than 10 nor more than 60 days' notice to Noteholders and the Fiscal Agent in accordance with Condition 11 (which notices shall be irrevocable and shall specify the date fixed for redemption and the applicable record date), redeem all (but not some only) of the Notes at their principal amount, together with interest accrued to the date fixed for redemption.

At any time prior to 15 November 2030, the Issuer may at its option having given not less than 10 nor more than 60 days' notice to the Noteholders and the Fiscal Agent in accordance with Condition 11 (which notices shall specify the date fixed for redemption (the **Make-Whole Redemption Date**) and the applicable record date), redeem all or, subject as provided in Condition 6.4 below, some only of the Notes at the Make-Whole Redemption Price together with interest accrued to the Make-Whole Redemption Date. Any such notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Make-Whole Redemption Date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Make-Whole Redemption Date, or by the Make-Whole Redemption Date so delayed. Any such redemption must be of a nominal amount not less than €100,000 and not more than €300,000,000.

The **Make-Whole Redemption Price** shall be either (i) par or, if higher (ii) the price per Note (as reported in writing to the Issuer and the Fiscal Agent by a financial adviser selected by the Issuer) at which the yield to 15 November 2030 of such Notes is equal to the sum of the prevailing yield of the Bundesrepublik Deutschland 0.000 per cent. due 15 August 2030 (ISIN: DE0001102507) and 0.150 per cent. as determined by such financial adviser, in accordance with generally accepted market practice, at 11.00 a.m. (CET) on the date three TARGET2 Settlement Days prior to the date fixed for redemption, provided, however that if a financial adviser approved by the Issuer advises the Issuer and the Fiscal Agent that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other issue of government securities as such financial adviser may recommend.

6.4 Provisions relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected individually by lot in such place and in such manner as the Fiscal Agent may decide not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 10 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

6.5 Purchases

The Issuer or any of its Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

6.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

6.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 6.2 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note or Coupon; or
- (b) presented for payment in Sweden; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5).

7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 11; and
- (b) **Relevant Jurisdiction** means Sweden or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal and purchase moneys due under Condition 6.4) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7.2) in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

9. EVENTS OF DEFAULT

9.1 Events of Default

The holder of any Note may give written notice to the Issuer, effective upon the date of receipt thereof by the Issuer, that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

- (a) if default is made in the payment of any principal, purchase moneys due under Condition 6.4, or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) (other than under the Notes) of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (subject to any originally applicable grace period therefor); (iii) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer in making any payment due (subject to any originally applicable grace period therefor) under any guarantee and/or

indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that any such event shall not constitute an Event of Default unless the aggregate amount of the relevant Indebtedness for Borrowed Money and any liability under the guarantee or indemnity concerned in respect of which one or more of the events mentioned above in this paragraph have occurred during the immediately preceding 6 month period exceeds 0.6 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, as calculated by reference to the then latest audited consolidated accounts of the Issuer; or

- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer otherwise than for the purpose of a merger, reconstruction or amalgamation on terms approved by an Extraordinary Resolution of Noteholders; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a merger, reconstruction or amalgamation complying with the terms of Condition 9.1(d) above, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the Issuer, is not discharged within 45 days; or
- (g) if the Issuer (or its respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

9.2 Interpretation

For the purposes of this Condition, **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money, including without limitation any notes, bonds, debentures, debenture stock, loan stock or other securities or any liability under or in respect of any acceptance or acceptance credit.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and

the Fiscal Agent or the Paying Agent, as the case may be, may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, and the rules of that exchange so require, published in one daily newspaper in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that publication in a newspaper will normally be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

12. MEETINGS OF NOTEHOLDERS AND MODIFICATION

12.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a Basic Terms Modification including the modification of certain of these Conditions (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

12.2 Modification

The Fiscal Agent may agree with the Issuer, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes or the Coupons which, in the reasonable opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Coupons which, in the reasonable opinion of the Issuer, is not prejudicial to the interests of the Noteholders.

The parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provisions thereof.

Any modification shall be binding on the Noteholders and the Couponholders and any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11.

13. SUBSTITUTION

13.1 Conditions Precedent to Substitution

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any Subsidiary of the Issuer as principal debtor (the **Substituted Debtor**) in respect of the Notes provided that:

- (a) a deed poll in or substantially in the form scheduled to the Agency Agreement and such other documents (if any) shall be executed by the Substituted Debtor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Conditions of the Notes and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and pursuant to which the Issuer shall irrevocably and unconditionally guarantee in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor substantially in the form of the guarantee contained in the deed poll;
- (b) without prejudice to the generality of subparagraph 13.1(a) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Sweden, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 with the substitution for the references to Sweden of references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;
- (c) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (i) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of a guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of its obligations under the Documents and that all such approvals and consents are in full force and effect and (ii) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all legal, valid and binding in accordance with their respective terms;

- (d) each stock exchange on which the Notes are listed shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed on such stock exchange;
- (e) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers in the jurisdiction of the Substituted Debtor to the effect that the documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent;
- (f) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Swedish lawyers to the effect that the Documents (including the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent;
- (g) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents (including the guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection during normal business hours by Noteholders at the specified office of the Fiscal Agent; and
- (h) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 15.3 or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

13.2 Assumption by Substitute Debtor

Upon execution of the Documents as referred to in paragraph 13.1 above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

13.3 Deposit of Documents

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder to production of the Documents for the enforcement of any of the Notes or the Documents.

13.4 Notice of Substitution

Not less than 15 days after execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 11.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

15.1 Governing Law

The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

15.2 Jurisdiction of English Courts

- (a) Subject to Condition 14.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons (a **Dispute**) and each of the Issuer and any Noteholders and Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent permitted by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

15.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints SKF (U.K.) Limited at its registered office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of SKF (U.K.) Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

15.4 Other Documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes. The Notes will be issued in new global note (NGN) form.*

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if (each of the following being an **Exchange Event**):

- (a) an event of default (as set out in Condition 9) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will, as a result of legislative changes in the domicile of the Issuer, become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. Thereupon, in the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (c) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in London.

In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. No Notes in definitive form will be issued with a denomination above €199,000. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

In the event that (a) the Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer, or (b) following an Exchange Event, the Permanent Global Note is not duly exchanged for definitive Notes by the day provided in the Permanent Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms set out in the Global Note and the bearer will have no further rights under the Global Note (but without prejudice to the rights any person may have under Global Note).

2. Payments

On and after 27 March 2021, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, purchase moneys under Condition 6.4 and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer who is for the time being shown in the records of Euroclear or Clearstream Luxembourg as the holder of such Global Note on the Business Day prior to the date for payment (the **Record Date**) and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 11, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notices shall also be published in accordance with the rules of the Luxembourg Stock Exchange. It is expected that publication will normally be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall, save in the case of manifest error, be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9) other than with respect to the payment of principal, purchase moneys due under Condition 6.4 and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look

solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer in respect of principal, purchase moneys due under Condition 6.4 and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by instruction to Euroclear or Clearstream, Luxembourg to make appropriate entries in their records in respect of all Notes which are cancelled.

7. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

USE OF PROCEEDS

The net proceeds of the issue of the Notes after deducting commissions, fees and other costs and expenses in connection with the issue and offering of the Notes are expected to amount to approximately EUR294,936,000 and will be applied by the Issuer for general corporate purposes.

DESCRIPTION OF THE ISSUER

All competitive statements made in this description of the Issuer in terms of SKF, are based on information included in publicly available financial statements, analyst reports, news media and certain internal SKF estimates.

History and Development of the Issuer

Aktiebolaget SKF (the **Issuer**) was incorporated with registration number 556007-3495 under the laws of Sweden on 16 February 1907 and is a limited liability company with an indefinite duration operating under Swedish law. The Issuer is headquartered and has its registered office in Göteborg, Sweden and its principal offices are located at Sven Wingquists Gata 2, SE-415 50 Göteborg, Sweden. The Issuer's Legal Entity Identifier (LEI) number is 549300B6HWYEE57O8J84. The website of the Issuer is www.skf.com and its telephone number is +46 (0) 31 337 10 00.

The Issuer is the parent company of the global SKF group of companies (**SKF**, the **SKF Group** or the **Group**).

From the outset the Issuer has focused intensively on quality, technical development and marketing. The Group's investment in research and development (**R&D**) has resulted in numerous innovations, new standards, products, solutions and services.

Organisational Structure

The Issuer is, directly or indirectly, the ultimate holding company of all companies in SKF, and its assets are substantially comprised of shares in such companies. The Issuer is the entrepreneur within the Group, entitled to the residual profit and taking costs for R&D and management services. The Issuer's revenues are comprised of residual profits from its subsidiaries.

The following operating subsidiaries have assets that exceed 10 per cent. of SKF's consolidated total assets or contribute more than 10 per cent. to SKF's net income.

<i>Company</i>	<i>Country</i>	<i>Holding per cent.</i>
SKF GmbH	Germany	100.0
SKF USA Inc.	USA	100.0

Business Overview

General Description

The SKF Group is a leading global supplier of products, solutions and services within bearings and units, seals, lubrication systems, condition monitoring equipment and services. Services include technical support, maintenance and reliability services, engineering consulting and training.

SKF groups its core technologies into the following technology areas: bearings and units, seals, lubrication systems, condition monitoring equipment and services. By utilising capabilities from all or some of these technology areas, SKF develops tailor-made offers for each industry, helping customers improve performance, reduce energy use and lower total costs. SKF works with its customers at every stage in the asset life cycle, providing solutions from design right through to maintenance and back to design upgrades.

SKF's operations are divided into the two segments, industrial and automotive.

SKF is present in nearly all industries, including light vehicles, trucks, marine, aerospace, energy, railway, heavy industries, agriculture and food and beverage.

SKF is represented in over 130 countries through its own sales companies and over 17,000 distributor locations. The Group has 103 manufacturing units and 15 technology centres.

The Group has global certification to ISO 14001 (environmental management system), ISO 50001 (energy management) and OHSAS 18001 (health and safety) standards. Its operations are also certified to either ISO 9001 or applicable customer industry standards, for example, ISO/TS 16949 (automotive), AS9100 (aviation) or IRIS (railway) for quality management systems.

SKF is committed to sustainability which is defined by the Group as SKF Care including business care, environmental care, employee care and community care.

SKF's technology areas

SKF offers bearings and units, seals, condition monitoring equipment, lubrication systems and services, to provide reliable rotation to customers. The strength of the business lies in the ability to keep developing new technologies that are used to create value-adding solutions offering competitive advantages to customers.

SKF has defined about 40 customer industries in which it operates. Examples of these industries include light vehicles, trucks, vehicle aftermarket, aerospace, industrial drives, energy, heavy industries, railway, agriculture, food and beverage, marine, electrical other industrial and industrial distribution. Based on a strong understanding of current and future customer needs and challenges, SKF utilises the capabilities of all, some of or only one of its technologies to develop tailor-made offers for each of its customer industries. In this way, SKF can offer its customers specific products and solutions with improved performance, reduced energy use and reduced total cost, while giving SKF greater added value and better price quality.

Bearings and units The broad range of bearing types produced globally by SKF offers customers an assortment of high-quality, high-performance, low-friction, standard and customised solutions to critical and standard applications. Units are product combinations integrated into solutions with unique performance, used in specific applications requiring a compact design, combined performance and light weight.

Seals SKF provides innovative solutions in elastomers or engineered plastics to meet the needs of various industries for static, rotating, reciprocating and bearing seals.

Services SKF delivers value by addressing the entire life cycle of a particular asset. The design phase is covered by different aspects of engineering consultancy and R&D services. The operation stage, which is the main part of the asset's life cycle, is covered by a variety of solutions including services and service-related products focusing on maintenance strategy, predictive maintenance, maintenance and logistic services.

The last part of the life cycle is covered by services and service-related products focusing on upgrades, refurbishment, bearing dismounting and mounting, alignment, balancing and post maintenance testing. A wide range of training is available for customers, on- and off-site, around the globe.

Lubrication systems SKF offers products, solutions and vast support within areas such as industrial lubricants, lubrication consultancy, lubricator equipment, lubrication assessment, lubricant analysis, lubricant recommendations and automatic lubrication systems.

Condition monitoring SKF's condition-based maintenance can monitor the operation of critical systems in real time and identify potential wear or faults in moving components as they develop. This allows for more convenient scheduling of service or repair intervals. In addition, condition monitoring provides information as to why an asset fails. SKF utilises that knowledge in developing the next generation of products and

services. Today, SKF monitors millions of customer bearings, and this is expected to increase exponentially in the years to come.

Global trends and industrial change drivers

SKF's strategy is developed and refined through an understanding of the external drivers and trends which impact, or have the potential to impact, the many markets, regions and industries in which the Group operates. SKF's business is highly diversified from a regional and industry perspective. Specific, detailed analysis of these drivers and SKF's approach is only possible at industry level.

Global trends

Population growth and increased wealth The global population is growing, especially in Asia and Africa, and wealth is increasing in all regions. This puts pressure on scarce or finite resources such as raw materials, minerals, food, land, energy and water; thereby generating strong demand for efficiency and productivity.

Urbanisation More than half the world's population lives in cities with 1.5 million people added to the global urban population every week. Over 90 per cent. of this growth in urban population is taking place in Asia and Africa. The rapid urbanisation places huge demands on infrastructure, services, job creation and the environment.

Digitalisation Digital transformation affects all parts of the value chain, from digital twins in design and manufacturing, through integrated planning, purchasing and customer use, to maintenance and condition monitoring. It also changes the way companies bring products to market. This means shorter lead times, faster development cycles, smaller inventories, and significant opportunity for resource efficiency.

Environmental concerns lead to new business models Increasing concern about the negative impacts of climate change and environmental degradation calls for action to reduce or avoid these impacts, through legal or other means. This calls for industries to adopt new efficient business models (enabled by digital technology) less dependent on physical resources.

Globalisation calls for close-to-customer approach Global trade of goods and services is under pressure while connectivity and information flows are increasing rapidly. Economic power continues to shift, particularly towards Asia. This calls for a region-by-region approach with manufacturing, sales and technical knowledge close to customers.

Industrial change drivers

Digitalisation and connectivity The 'connectivity' of data can be used in many ways. At its simplest, it connects a sensor to a remote diagnostics centre. However, the data – on the health of a bearing, for instance – can be fed right back to the design stage, and be used to help redesign a better product.

New manufacturing and technology Digital technologies are continuing to revolutionise the speed and flexibility of manufacturing. Industry 4.0, or the 4th industrial revolution, is about reliability, productivity, safety and bottom-line maximisation. It enables the elimination of process silos and the possibility to connect the entire value chain.

Electric and connected vehicles The automotive industry is going through rapid transformation driven by electrification, autonomous drive, connectivity and shared mobility. SKF is developing solutions to support next-generation powertrain platforms in partnership with customers.

Strategic focus areas

Driven by the vision of “A world of reliable rotation”, SKF strives to create value for its shareholders and other stakeholders by concentrating on six strategic focus areas. Sustainability is an integral part of the strategy, through the SKF Care framework.

Digital sales

In a traditional setting, industrial companies run a dated sales process without a fully connected value chain. This creates inefficiencies, since most processes and customer interactions are manual. SKF is developing a fully connected value chain, based on its digital platform. The aim is to reduce waste, for both the customer and for SKF, and improve customer experience. Management believes that this will enable SKF’s product sales to continue to be the backbone of the customer offering and Rotating Equipment Performance (**REP**) sales, whilst being delivered much more efficiently.

New business models

Management believes that a combination of environmental considerations, digitalisation and the shift from transactional to fee-based business models will revolutionise how SKF does business and provide value to customers, and that expanding the portfolio of fee-based REP contracts, and thereby achieving reliable and sustainable rotation, will help reduce the impact of commoditisation within the transactional, industrial component business.

The number of connected bearings is expected to increase as SKF’s REP business develops, which provides the Group with another benefit: data collected from customers provide additional insights which can be leveraged in combination with SKF’s application knowledge and expertise in bearing life models and lubrication.

Innovation

Historically, SKF’s bearings have been manufactured and sold via distributors. This means that the products could end up in machinery for which they were either over – or under – engineered, adding unnecessary cost or putting the customers’ machine performance at risk. There was minimal focused innovation targeting end users or considerations to use business models other than existing ones.

SKF’s R&D processes are now changing to ensure this does not happen in the future. The focus is on increasing the average times between failures and a seamless integration of bearing performance data into the customers’ and SKF’s own design processes. Management believes that these technologies not only will strengthen, but also enable the continued development of SKF’s value propositions.

World-class manufacturing

To become the undisputed leader in the bearing business, SKF believes it requires the cleanest, smartest, safest, most efficient and flexible factories in the world. Furthermore, these factories need to be close to the customer, to ensure short lead times and lighter transportation requirements.

SKF continues to invest in flexible, automated, connected factories, as well as localising its manufacturing following a region-for-region approach. Management Believes that investments in factories will enable cost reductions, both from a material and headcount perspective. The skills requirements and shift needed within SKF’s factory organisation is expected to create development opportunities and attract new types of workers.

Future workforce

Being a global company with a presence in nearly every industry offers great possibilities, but also makes SKF sensitive to global trends. SKF needs to adapt its ways of working, to ensure that it remains agile and can respond quickly to external change. SKF must invest in new skills and developing its people – its greatest competitive advantage.

SKF believes that the future will require continuous and proactive adaption of the workforce and investments in people. SKF must be a company that attracts the most creative and diverse talents and it believes that the workplace must be fun, positive and empowering. At the same time, SKF must leverage the opportunities of the circular economy and stay at the forefront of technology and digitalisation. To meet these future requirements, SKF needs the right leadership. Not just from the top, but at every level of the organisation.

Cleantech

SKF's journey to become a cleantech company has been reinforced as the Group continues to look for companies developing such technologies. As customers want help with reducing their environmental impact, SKF strives to continue to add technologies that have a natural fit with the REP and remanufacturing offers. REP is not just about production output, it is also about striving for a better green performance: using less oil, running equipment longer, reducing CO2 emissions and creating a safer working environment for customers and for SKF.

SKF's markets

SKF's operations are divided into the two segments, industrial and automotive.

Industrial

Offering SKF supplies more than 40 industries globally with products and services, both directly and indirectly, through a network of over 7,000 distributors. The offering includes developing and manufacturing a broad product range of bearings, seals and lubrication systems, as well as rotating shaft services and solutions for machine health assessment, reliability engineering and remanufacturing.

SKF's position SKF has a market leading position in certain industries, such as railway and certain other heavy industries. In other industries, SKF shares this position with other companies. The Group also has a clear leading position in the industrial distribution market, which primarily serves the aftermarket.

Drivers Reliable rotation is crucial for many industries. Other drivers vary from application to application, for example, low friction, low energy use, maintenance-free solutions and total cost of ownership. Digitalisation is a growth driver, enabling monitoring and predictive maintenance throughout the product life cycle.

Market characteristics The global industrial Original Equipment Manufacturer (**OEM**) market is fragmented, but in some industries, such as renewable energy and railway, a relatively small number of OEMs account for a large part of the market. The distributor channel is also globally fragmented and varies from country to country. Competitors are Schaeffler Group, Timken, NSK, NTN, JTEKT, Rothe Erde, Wafangdian Bearing Group, Minebea Mitsumi and C&U.

Automotive

Offering SKF provides customised bearings, seals and related products for wheel-end, driveline, engine, e-powertrain, suspension and steering applications to manufacturers of cars, light and heavy trucks, trailers, buses and two-wheeled vehicles. The vehicle aftermarket is supplied with spare parts, both directly and indirectly, through a network of more than 10,000 distributors.

SKF's position SKF holds a market leading position in wheel-end solutions and has a strong position in application-driven powertrain solutions. The Group is leading the development of components for automotive electrification. In the aftermarket, SKF has built up a strong global position with its extensive distribution network.

Drivers The light vehicle market is driven by energy efficiency, reduction of emissions and electrification. Total cost of ownership, connectivity and integrated systems drive the truck market. The aftermarket is influenced by changing buying patterns, new channels, product performance and cost optimisation.

Market characteristics The automotive OEM market is consolidated and is made up of a small number of large companies. By contrast, the vehicle aftermarket is fragmented. OEM manufacturers account for about 80 per cent. of the total bearings market, while the independent vehicle aftermarket accounts for the remainder. Competitors are Schaeffler Group, Timken, NSK, NTN, JTEKT, Iljin, C&U and Wanxiang Qianchao.

The tables below show net sales by customer location and by operating segment for the years ended 31 December 2020 and 2019.

<i>Net sales by customer location</i>		
<i>(SEK million calculated at the accumulated monthly average rates)</i>		
<i>Geographical area</i>	2020	2019
Sweden	1,680	2,000
Europe excl. Sweden	26,477	31,573
North America (incl. Mexico)	17,148	20,645
Asia Pacific	23,486	24,865
Middle East/Africa	2,139	2,264
Latin America	3,922	4,666
TOTAL	74,852	86,013

<i>Segment</i>	Net sales by operating segment <i>(SEK million calculated at the accumulated monthly average rates)</i>	
	2020	2019
Industrial	54,463	61,597
Automotive	20,389	24,416
TOTAL	74,852	86,013

Customers

SKF's customers can be found in various industries including distribution, industrial drives, aerospace, energy, heavy industries, off-highway, railway, marine, agriculture, food and beverage, electrical, cars and trucks. Supplying and servicing so many different industries enables SKF to develop specific products and services for each industry, and also to take knowledge from one industry and apply it to others.

Acquisitions and divestments

In 2020, SKF had a net cash outflow of SEK 4 million for the acquisition of a smaller lubrication business. In 2019, SKF had a total net cash outflow of SEK 696 million for the acquisition of RecondOil, Presenso Ltd, Form Automaton Solutions (FAS) and a metal stamping branch.

During 2020, the Group divested two smaller businesses in Asia and Sweden for a total cash flow of SEK 20 million resulting in a net gain of SEK 11 million. During 2019, the Group divested a smaller business in Asia for a total cash flow of SEK -3 million, resulting in a net loss of SEK -17 million. Additionally, the Group had a cash outflow of SEK -84 million for adjusted consideration to the divestment of the L&AT business to Triton Corporation in 2018.

Capital Expenditures

The Group's capital expenditures for property, plant and equipment amounted to SEK 3,327 million in 2020 and to SEK 3,461 million in 2019.

Sustainability

As at the date of this Prospectus, the full year 2020 data is under review and audit in preparation for the 2020 annual report. The figures below refer to the full year 2019 data.

SKF Care is SKF's framework for sustainability, which has four areas of focus; business care, environmental care, employee care and community care. For long-term success, these perspectives need to be carefully balanced and integrated into the Group's decision making process.

SKF has been effectively managing and driving down energy and CO2 emissions from its operations for nearly two decades and this focus has accelerated in recent years. Since 2015, CO2 emission from the Group's operations has fallen by 36 per cent. while revenue has grown by 13 per cent.¹ This "de-coupling" of CO2 from economic growth is crucial and it shows that sustainable growth is possible.

Climate objectives 2025

¹ The growth rate is based on 2019 net sales in comparison with 2015 net sales.

SKF's climate objectives for 2025 were determined in 2017 and are based on life-cycle thinking – to reduce impact over the entire value chain (including the below areas).

Raw material and components: SKF's target is to support its suppliers to reduce their CO2 emissions. By 2019, 83 per cent. of the Group's energy intensive major suppliers have been certified by third parties according to the ISO 50001 energy management standard and 42 global suppliers are in scope..

Bearing manufacturing: SKF's target is to have reduced the CO2 emissions from manufacturing per tonne of sold products by 40 per cent. by 2025 compared to 2015. By end of the 2019, CO2 emissions per tonne of bearings sold had decreased by 36 per cent. compared to 2015 levels. During 2019, SKF sharpened the energy targets for the factories and for the Group as a whole. A number of SKF factories are close to being CO2 neutral and some already are. SKF's factory in Steyr, Austria, has been CO2 neutral for several years, and in 2020 SKF's factory in Tudela, Spain, became the first of the Group's Automotive factories to achieve CO2 neutrality. In 2020, SKF announced the latest sustainability aim to make the Group's manufacturing operations carbon neutral by 2030.

Goods transport: SKF's target is to have reduced the CO2 emissions from goods transportation per tonne of shipped products to end customers by 40 per cent. by 2025 compared to 2015. By 2019, CO2 emission per tonne of shipped goods decreased by 2 per cent. compared to 2015 levels.

Customer solutions: SKF's target is to support its customers to reduce their CO2 emissions. By 2020, revenues from key areas such as renewable energy, electric vehicles, the recycling industry and bearings remanufacturing amounted to SEK 5.1 billion.

Business Care

The business care perspective is about customer focus, financial performance and shareholder returns with the highest standards of ethical behaviour.

Environmental Care

The environmental care perspective is about continually reducing the environmental impact from the Group's operations, as well as actions to significantly improve customers' environmental performance through the products, solutions and services that SKF supplies.

Employee Care

The employee care perspective is about ensuring a safe working environment and promoting health, personal development and well-being of employees at SKF as well as in the supply chain.

Community Care

The community care perspective is about making positive contributions to the communities in which the Group operates.

Directors and Senior Management

The Board of Directors of the Issuer shall, in addition to specially appointed members and deputies, according to the Articles of Association of the Issuer, comprise a minimum of five and a maximum of twelve Board members, with a maximum of five deputies. The Board members are elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting.

The Board of Directors currently comprises of nine Board members, including the chairman. In addition, the employees have appointed two Board members and two deputy Board members. No Board member, except for the President, is included in the management of the Issuer.

Board of Directors as at the date of this Prospectus

Elected by the Annual General Meeting

Hans Stråberg

Chairman, Board member since 2018

Born 1957

Positions/activities: Chairman of Atlas Copco AB, Roxtec AB and CTEK AB. Board member of Investor AB, Mellby Gård AB and Anocca AB.

Hock Goh

Board member since 2014

Born 1955

Positions/activities: Member of the Board of Stora Enso Oyj since 2012, Santos Australia since 2012 and Vesuvius PLC since 2015.

Alrik Danielson

Board member since 2015

Born 1962

Positions/activities: President and Chief Executive Officer of AB SKF. Board member of the Association of Swedish Engineering Industries since 2015.

Ronnie Leten

Board member since 2017

Born 1956

Positions/activities: Chairman of Ericsson, Epiroc and Piab AB.

Barb Samardzich

Board member since 2017

Born 1958

Positions/activities: Board member of Adient plc, Velodyne LidAR and Bombardier Recreational Products. Board of Trustee member of Lawrence Technological University.

Colleen Repplier

Board member since 2018

Born 1960

Positions/activities: Board member of Kimball Electronics and Triumph Group.

Geert Follens

Board member since 2019

Born 1959

Positions/activities: Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB.

Håkan Buskhe

Board member since 2020

Born 1963

Positions/activities: Chairman of IPCO AB, board member of FAM AB and Stora Enso Oyj.

Susanna Schneeberger

Board member since 2020

Born 1973

Positions/activities: Board member of Concentric AB and Hempel A/S.

Employee representatives (not elected by the Annual General Meeting)

Jonny Hilbert

Board member since 2015

Born 1981

Positions/activities: Chairman of Unionen, SKF, Gothenburg.

Zarko Djurovic

Board member since 2015

Born 1977

Positions/activities: Chairman of Metalworker's Union, SKF, Gothenburg.

Kennet Carlsson

Deputy board member since 2015

Born 1962

Positions/activities: Chairman of SKF World Union Council and chairman SKF European Works Council.

Claes Palm

Deputy board member since 2016

Born 1971

Positions/activities: Board member of Unionen at SKF in Gothenburg.

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Directors and their private interests or other duties.

Group Management as at the date of this Prospectus

Alrik Danielson

President and Chief Executive Officer of AB SKF

Born 1962

Employed since 2014 and 1987-2005

Previous positions within SKF: President SKF Industrial Division and several other positions within SKF

Board member: Association of Swedish Engineering Industries

Niclas Rosenlew

Chief Financial Officer and Senior Vice President

Born 1972

Employed since 2019

John Schmidt

President, Industrial Sales Americas

Born 1969

Employed since 2001 and 1993 – 1998

Previous positions within SKF: President and Chief Executive Officer of SKF USA Inc, Vice President Industrial Market NAM and several other positions within SKF.

Erik Nelander

President, Industrial Sales Europe and Middle East and Africa

Born 1963

Employed since 1987

Previous positions within SKF: Vice President SKF Industrial Market, President SKF China, Business Unit

Director SKF Aerospace and several other positions within SKF.

Patrick Tong

President, Industrial Sales Asia

Born 1962

Employed since 1989

Previous positions within SKF: President Specialty Business, President of SKF Second Brands Bearings and several other positions within SKF.

Kent Viitanen

President Bearing Operations

Born 1965

Employed since 1988

Previous positions within SKF: Senior Vice President People, Communication and Quality, Director Renewable Energy and several other positions within SKF.

Board member: Chalmers University of Technology.

Victoria Van Camp

CTO and President, SKF Technology

Born 1966

Employed since 1996

Previous positions within SKF: President Business and Product Development, Director Industrial Market Technology and Solutions, Director of Product Innovation Lubrication BU and several other positions within SKF.

Board member: BillerudKorsnäs AB and Amexci AB.

Mathias Lyon

General Counsel and Senior Vice President, Group Legal

Born 1975

Employed since 2012

Previous position within SKF: SKF Deputy General Counsel.

Ann-Sofie Zaks

Senior Vice President, Human Resources

Born 1976

Employed since 2001

Previous positions within SKF: HR Director Bearing Operations, Programme manager, Group People Transformation initiative and several other positions.

Thomas Fröst

President Industrial Technologies

Born 1962

Employed since 1988

Previous positions within SKF: Director Industrial Units, Head of Industrial Marketing, Head of Marine

and Head of Industrial Seals.

Board member: The Association of Exchange listed Companies

To the best of the Issuer's knowledge there are no conflicts of interest between the duties to the Issuer of the Issuer's Group Management and their private interests or other duties.

The business address of the Directors and Group Management is Sven Wingquists Gata 2, SE-415 50 Göteborg, Sweden.

Auditors

PricewaterhouseCoopers AB (**PwC**) authorised accountants and members of FAR SRS, have audited the Issuer's financial statements, without qualification, in accordance with IFRS for each of the financial years ended on 31 December 2018 and 31 December 2019. PwC's registered address is Torsgatan 21, 113 97 Stockholm, Sweden.

Employees

As at 31 December 2020, the Group had 40,963 registered employees

Temporary employees, if on the payroll of a SKF company, are included in the number of employees presented by the Group but are not significant in number. Temporary employees on subcontract from a temporary services firm are not included in the figures.

Geographic specification of average number of employees

	2019
Sweden	2,673
France	2,148
Italy	3,263
Germany	5,237
Other Western Europe excluding Sweden	3,459
Central/Eastern Europe	4,055
USA	4,238
Canada	225
Mexico	1,441
Latin America	2,916
China	6,205
India	2,580
Other Asian countries/Pacific	2,667
Middle East and Africa	452
Total	41,559

Registered number of employees by business area

	2020	2019
Industrial	33,157	35,861
Automotive	6,351	6,828

At the end of 2020, 94 per cent. of the Group's blue-collar workers were covered by trade union agreements. Most of SKF's employees are unionised. The right of all employees to form and join trade unions and to bargain collectively is expressed in the SKF Code of Conduct.

Major Shareholders

The following table sets forth, as of 31 December 2020, the largest shareholders known by SKF to be owners of any class of the Issuer's voting securities. The information in this table is based on information furnished to SKF by Modular Finance AB.

	The ten largest shareholders according to voting rights	Number of A shares	Number of B shares	In per cent. of voting rights	In per cent. of share capital
1	FAM AB	17,150,000	45,786,151	29.1	13.8
2	AFA Insurance	2,995,350	746,055	4.2	0.8
3	Harris Associates	0	22,675,860	3.0	5.0
4	Life Insurance Skandia	1,689,605	2,771,201	2.7	1.0
5	Swedbank Robur Funds	0	17,621,074	2.4	3.9
6	BlackRock	0	13,291,195	1.8	2.9
7	SEB-Stiftelsen	1,250,000	400,000	1.7	0.4
8	Handelsbanken Funds	0	11,822,349	1.6	2.6
9	Vanguard	84,286	10,796,119	1.6	2.4
10	JP Morgan Asset Management	4,926	10,130,982	1.4	2.2

Each A Share entitles the holder to one vote and each B Share to one-tenth of one vote. It was decided at SKF's annual general meeting on 18 April 2002 to insert a share conversion clause in the articles of association which allows owners of A Shares to convert A shares into B shares.

The total number of issued and outstanding A shares and B shares of the Issuer as of 31 December 2020 was 31,371,055 (6.9 per cent.) and 423,980,013 (93.1 per cent.) respectively. The total number of shares was 455,351,068.

Major Events After the Year Ended 31 December 2020

Alrik Danielsson, President and CEO of SKF, will leave his position in the Group Management during 2021. On 11 January 2021 Rickard Gustafsson was appointed new President and CEO of SKF and will be joining SKF during the first half of 2021.

TAXATION

Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisors concerning the tax consequences to any particular Noteholder.

The following summary describes tax consequences of the ownership of the Notes but does not purport to be comprehensive. Except where expressly stated, the summary relates only to the position of those persons who are the absolute beneficial owners of their Notes and the interest thereon and may not apply to special situations, such as those of dealers in securities.

A. SWEDISH TAXATION

The following summary outlines certain Swedish tax consequences of the acquisition, ownership and disposal of Notes. The summary is based on the laws of the Kingdom of Sweden as currently in effect and is intended to provide general information only. The summary is not exhaustive and does thus not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the Notes and is neither intended to be nor should be construed as legal or tax advice. In particular, the summary does not address the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies, not described below. In addition, the summary does not address Notes that are held on an "investment saving account" (Sw: investeringssparkonto) that are subject to a specific tax regime. Investors should consult their professional tax advisors regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.

(i) Non-resident holders of Notes

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of Notes should not be subject to Swedish income tax provided that such holder does not carry out business activities from a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of Notes.

Private individuals who are not resident in the Kingdom of Sweden for tax purposes may be liable to capital gains taxation in the Kingdom of Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in the Kingdom of Sweden or have lived permanently in the Kingdom of Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption.

(ii) Resident holders of Notes

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) that are resident holders of Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable.

If the Notes are registered with Euroclear Sweden AB or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by Euroclear Sweden AB or by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) that is a resident holder of any Notes.

B. LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

C. THE PROPOSED FINANCIAL TRANSACTION TAX

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, HSBC Continental Europe and BofA Securities Europe SA (the **Joint Bookrunners**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 11 February 2021, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 98.562 per cent. of the principal amount of Notes, less a combined selling concession and management and underwriting commission. The Issuer will also reimburse the Joint Bookrunners in respect of certain of their expenses, and has agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date of the Notes (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons, and, at or prior to confirmation of sale of the Notes, that it will have sent to each distributor, dealer or other person to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act.

Prohibition of sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA.

For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available any Notes to any retail investor in the UK.

For the purposes of this provision (a) the expression **retail investor** means a person who is one (or more) of the following:

- (a) retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of FSMA and any rules or regulations made under FSMA which were relied on immediately before 11.00 p.m. (London time) on 31 December 2020 to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR.

Other regulatory restrictions

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

The Kingdom of Sweden

Each Joint Bookrunner has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Prospectus Regulation.

Belgium

Each Joint Bookrunner has represented and agreed that the Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

No action has been taken by the Issuer or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other

document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

None of the Issuer and any of the Joint Bookrunners makes any representation that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 18 December 2020.

Listing and admission to trading

2. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The listing and admission to trading of the Notes is expected to be granted on 15 February 2021. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II. The estimated total expenses related to the admission to trading are €5,800.

Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2297204815 and the Common Code is 229720481. The Issuer's LEI number is 549300B6HWYEE57O8J84.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. The Notes are not, at the date of this Prospectus, intended to be held in a manner which would allow Eurosystem eligibility. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Global Note by which the Notes are at such time represented may then be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper. This does not necessarily mean that the Notes represented by the Global Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life, such recognition depending upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

No significant change

5. There has been no significant change in the financial performance or financial position of the Issuer or the Group since 31 December 2020 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2019.

Litigation

6. The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant.

The Issuer 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. Moreover, the Issuer may face additional follow-on civil actions by both direct and indirect purchasers.

Save as disclosed above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus with an outcome (or expected outcome) which is likely to have or has in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

U.S. tax

7. The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents Available

8. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the websites indicated below:
 - (a) the constitutional documents (with an English translation thereof) of the Issuer (<https://investors.skf.com/en/articles-association>); and
 - (b) the Agency Agreement (<https://www.skf.com/group/investors/debt>).

For the period of 10 years following the date of this Prospectus, a copy of this Prospectus together with any Supplement to this Prospectus will be available for inspection at (<https://www.skf.com/group/investors/debt>).

Yield

9. The yield relating to the Notes is 0.397 per cent. per annum based on the issue price of the Notes and the rate of interest applicable at the Issue Date.

Conflicts

10. In the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in

respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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