



Half-year report 2023

19 July 2023

Q2 2023

- Net sales SEK 27,123 million (23,655)
- Organic growth 7.9% (5.4%)
- Adjusted operating profit SEK 3,614 million (2,473)
- Operating profit SEK 3,213 million (1,581)
- Adjusted operating margin 13.3% (10.5%)
 - Industrial 15.9% (13.9%)
 - Automotive 7.1% (1.5%)
- Operating margin 11.8% (6.7%)
 - Industrial 13.8% (9.9%)
 - Automotive 7.0% (-1.8%)
- Net cash flow from operations SEK 3,664 million (1,293)
- Basic earnings per share SEK 4.48 (1.08)

Half year 2023

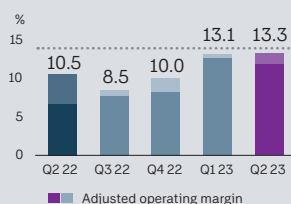
- Net sales SEK 53,672 million (46,597)
- Organic growth 9.0% (6.1%)
- Adjusted operating profit SEK 7,093 million (5,531)
- Operating profit SEK 6,592 million (4,534)
- Adjusted operating margin 13.2% (11.9%)
 - Industrial 16.4% (15.3%)
 - Automotive 5.4% (3.0%)
- Operating margin 12.3% (9.7%)
 - Industrial 15.2% (13.0%)
 - Automotive 5.2% (1.1%)
- Net cash flow from operations SEK 6,411 million (1,022)
- Basic earnings per share SEK 9.03 (5.44)

Financial overview

MSEK unless otherwise stated	Q2 2023	Q2 2022	Half year 2023	Half year 2022
Net sales	27,123	23,655	53,672	46,597
Adjusted operating profit	3,614	2,473	7,093	5,531
Adjusted operating margin, %	13.3	10.5	13.2	11.9
Operating profit	3,213	1,581	6,592	4,534
Operating margin, %	11.8	6.7	12.3	9.7
Adjusted profit before taxes	3,231	1,990	6,272	4,979
Profit before taxes	2,830	1,097	5,772	3,982
Net cash flow from operating activities	3,664	1,293	6,411	1,022
Basic earnings per share	4.48	1.08	9.03	5.44
Adjusted earnings per share	5.36	2.90	10.13	7.63

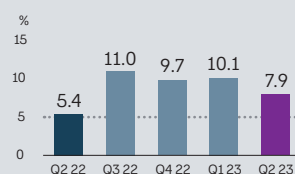
Operating margin¹⁾

TARGET 14%



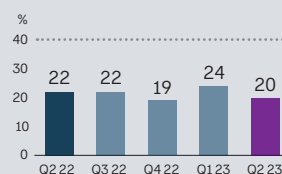
Revenue growth²⁾

TARGET 5%



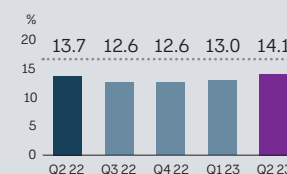
Net debt/Equity³⁾

TARGET <40%



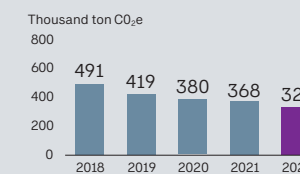
ROCE¹⁾

TARGET 16%



Net zero by 2030⁴⁾

TARGET 0 BY 2030



SKF's long-term targets shall be achieved over a business cycle

1) Adjusted for items affecting comparability.

2) Including acquisitions, adjusted for divestments.

3) Excluding pension liabilities.

4) Scope 1 & 2 CO₂e from all SKF manufacturing and logistics units.

Strong sales, profit, and cash flow

I'm pleased to report that our strategic transformation continues at a high pace, clearly reflected by a strong set of numbers in the second quarter. In the quarter, we saw record high net sales, adjusted operating profit, and cash flow.

Strong results in the second quarter

Net sales were SEK 27.1 billion (23.7), which is a record high quarterly number. The organic sales growth came in at 8%, representing the ninth consecutive quarter with an organic growth rate above 5%.

We saw strong demand in Europe and Asia with an organic growth of around 10%. Demand was particularly strong in several of our targeted high-growth segments, for example aerospace, electrical vehicles, and railway. In our railway business, we have secured orders from three large OEMs covering the wide range of our portfolio on various train platforms.

We delivered a record strong result with an adjusted operating profit of SEK 3.6 billion (2.5). The adjusted operating margin was 13.3% (10.5%), which is another step towards our target of 14%. The main drivers behind the profitability uplift are the relentless pricing and portfolio management activities conducted in all business areas.

For our Industrial business, the adjusted operating profit came in significantly stronger than last year at SEK 3,047 million (2,372) corresponding to an adjusted operating margin of 15.9% (13.9). The Automotive adjusted operating profit was SEK 568 million (101), which represents an adjusted operating margin of 7.1% (1.5%), demonstrating our progress towards the 8% annual target in 2025 from the ongoing portfolio re-positioning.

Cash flow from operations was SEK 3.7 billion (1.3). This record strong performance was, besides the operating profit, driven by active work across all business areas to further improve net working capital performance with special focus on inventory reduction.

Progressing our strategic transformation

Naturally, rapid execution of our strategy is crucial, and we are making good progress across key operational levers, such as innovation, efficiency, and portfolio management.

Ceramic bearings is one of several interesting technology and innovation areas where we see a strong demand from customers in many industries, such as aircraft engines, electrical vehicles, cleantech, hydrogen and green energy. To strengthen our offering and to meet a rapidly growing demand, we are further investing in our supply chain. One example being the recently announced joint venture with Sinoma Nitride that we signed to secure long-term access to high quality ceramic rolling elements.

We are relentlessly working on improving the productivity and efficiency in our operations and way of working. As part of our strive towards lean, clean, and digital manufacturing, we intend to consolidate our spherical roller bearing manufacturing in Europe, by proposing to move the current production from Luton, UK, to our factory in Poznan, Poland.

We are also continuing our portfolio management efforts to further strengthen our business and market position. An example from our Industrial business is the recently announced divestment of our coolant pumps operations Spandau Pumpen. In our Automotive business, we have now completed the previously communicated decision to exit SEK 1.2 billion of unprofitable customer contracts. In half of these we have concluded to step out of the business, while the other half of the contracts have been renegotiated on favorable terms.

In addition, we have also made some significant progress in our sustainability journey. One example is the Virtual Power Purchase Agreement (VPPA) that we signed to secure and accelerate access to renewable energy in our operations. In the agreement we will purchase guarantees of origin for a period of 15 years from an upcoming solar plant in Spain. This commitment is, on a yearly basis, equivalent to the electricity used by one third of our European operation in 2022. Another example is our decision to phase out fossil gas use in our own operations, backed by a SEK 3 billion investment frame over 6 years, to meet our energy and decarbonization goals by 2030.



The rapid progress in our strategic transformation and our strong results in the second quarter would not have been possible without the efforts from our employees and partners throughout the organization. I would like to take this opportunity to thank them all for their hard work and contribution during the first half of 2023. Together, we re-imagine rotation for a better tomorrow!

Outlook

Going into the second half of the year, we expect the normal third quarter seasonality pattern in our results. We also expect continued volatility and geopolitical uncertainty impacting the markets in which we operate. Looking into the third quarter of 2023, we expect mid single-digit organic sales growth. For the full year, we maintain our outlook of high single-digit organic sales growth, compared to 2022.

Rickard Gustafson
President and CEO

Financial performance

Second quarter 2023

Operating profit for the second quarter was SEK 3,213 million (1,581). Operating profit included items affecting comparability of SEK -401 million (-892), mainly related to ongoing restructuring and cost reduction activities in Europe (-191) and for 2022 it also included SEK -675 million related to the divestment of the business in Russia and SEK -27 million related to customer settlements and impairments.

The adjusted operating profit for the second quarter was SEK 3,614 million (2,473). The adjusted operating profit was positively impacted by sales volumes, price and customer mix. Adjusted operating profit was negatively impacted by cost increases, mainly related to wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	Q2
2022	2,473
Currency impact	-4
Divested businesses	5
Organic sales & Manufacturing volumes	1,928
Cost development	-788
2023	3,614

- Financial income and expense, net, was SEK -383 million (-484). Exchange rate fluctuations had a less negative effect in 2023 compared to the second quarter 2022.
- Taxes in the quarter was SEK -668 million (-511) resulting in an effective tax rate of 23.6% (46.6%). The tax rate last year was negatively impacted by the loss from divestment of the business in Russia.
- Net cash flow from operating activities in the second quarter was SEK 3,664 million (1,293). The improved cash flow is mainly driven by higher operating profit as well as positive changes in working capital where the most positive impact is coming from changes in inventories.
- Net working capital in percent of annual sales was 32.7% in the second quarter compared to 35.7% in the second quarter 2022. The ratio was positively affected by lower accounts receivable and inventory levels in relation to sales, compared to last year.
- Provisions for post-employment benefits, net, increased by SEK 159 million (-2,146) in the second quarter.

Half year 2023

Operating profit for the first half year was SEK 6,592 million (4,534). Operating profit included items affecting comparability of SEK -501 million (-997) related to ongoing restructuring and cost reduction activities mainly in Europe (-295) and for 2022 it also included SEK -675 million related to the divestment of the business in Russia and SEK -27 million related to customer settlements and impairments.

The adjusted operating profit for the first half year was SEK 7,093 million (5,531). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Adjusted operating profit was negatively impacted by cost increases, mainly related to wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	2023
2022	5,531
Currency impact	131
Divested businesses	10
Organic sales & Manufacturing volumes	4,202
Cost development	-2,781
2023	7,093

- Financial income and expense, net, was SEK -820 million (-552). Exchange rate fluctuations had a more negative effect in 2023 compared to 2022 and interest expenses was significantly higher during 2023.
- Taxes in the first half year was SEK -1,451 million (-1,335) resulting in an effective tax rate of 25.1% (33.5%). The tax rate in 2022 was negatively impacted by the loss from divestment of the business in Russia.
- Net cash flow from operating activities was SEK 6,411 million (1,022). The improved cash flow is mainly driven by higher operating profit as well as positive changes in working capital where the most positive impact is coming from changes in inventories.
- Net working capital in percent of annual sales was 32.7% in June 2023 compared to 35.7% in June 2022. The ratio was positively affected by lower accounts receivable and inventory levels in relation to sales, compared to last year.
- Provisions for post-employment benefits, net, increased by SEK 4 million (-3,491) in the first half year.

Key figures	30 June 2023	31 March 2023	30 June 2022
Net working capital, % of 12 months rolling sales	32.7	32.4	35.7
ROCE for the 12-month period, % ¹⁾	14.1	13.0	13.7
Net debt/equity, %	35.4	39.8	37.7
Net debt/equity, excluding post-employment benefits, %	20.4	24.0	21.8
Net debt/EBITDA, %	1.4	1.7	1.5

1) Adjusted for items affecting comparability.

Sales

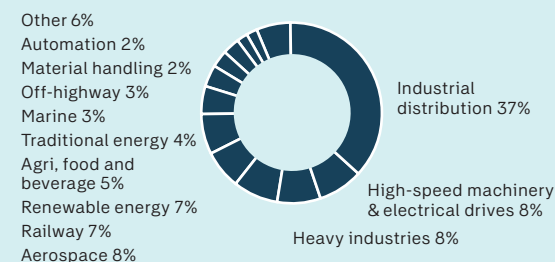
Net sales, change y-o-y, %	Q2				Half year			
	Organic ¹⁾	Structure	Currency	Total	Organic ¹⁾	Structure	Currency	Total
SKF Group	7.9	-0.1	6.9	14.7	9.0	-1.0	7.2	15.2
Industrial	5.7	0.0	6.4	12.1	7.5	-1.0	6.9	13.4
Automotive	13.8	-0.2	7.8	21.4	12.9	-1.1	8.0	19.8

¹⁾ Price, mix and volume

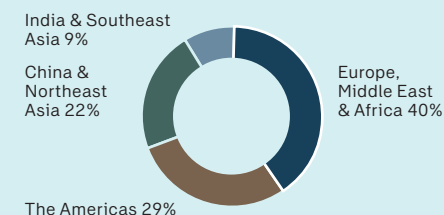
Organic sales in local currencies, change y-o-y, %	Q2				Half year			
	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia
SKF Group	10.5	2.9	9.5	10.0	11.5	4.6	9.0	12.2
Industrial	+++	+	++	+++	+++	+	+++	+++
Automotive	+++	++	+++	+++	+++	+++	+++	+++

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

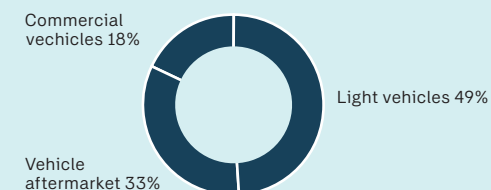
Net sales by customer industry for Industrial Q2 2023



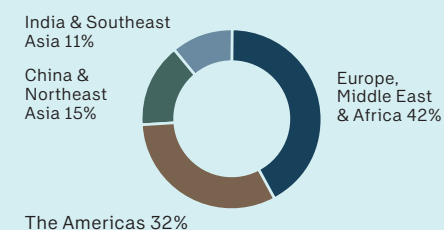
Net sales by region for Industrial Q2 2023



Net sales by customer industry for Automotive Q2 2023



Net sales by region for Automotive Q2 2023



Industrial

Comments on organic sales in local currencies in the second quarter 2023, compared to the second quarter 2022

Europe, Middle East & Africa

Overall, sales were significantly higher in the quarter. By industry, sales to most industrial segments were significantly higher with some exceptions. Sales to industrial distribution and agriculture, food & beverage were relatively unchanged. Sales to high-speed machinery & electrical drives, material handling and automation were lower compared to Q2 2022.

The Americas

Overall, sales were slightly higher in the quarter. By industry, sales to industrial distribution, heavy industries, railway and traditional energy were significantly higher. To off-highway it was higher and to renewable energy, aerospace and automation it was relatively unchanged. Sales to material handling were lower and to high-speed machinery & electrical drives, agriculture, food & beverage and marine it was significantly lower compared to Q2 2022.

China & Northeast Asia

Overall, sales were higher in the quarter. By industry, sales were significantly higher to industrial distribution, renewable energy, railway, marine and material handling. To aerospace and automation it was higher. Sales to traditional energy were lower while sales to high-speed machinery & electrical drives, heavy industries, agriculture, food & beverage and off-highway were all significantly lower compared to Q2 2022.

India & Southeast Asia

Overall, sales were significantly higher in the quarter. By industry, sales to railway, agriculture, food & beverage, off-highway, material handling and automation were significantly higher. To industrial distribution and renewable energy it was higher while it was slightly higher to heavy industries. Sales to high-speed machinery & electrical drives, aerospace, marine and traditional energy were relatively unchanged compared to Q2 2022.

Automotive

Comments on organic sales in local currencies in the second quarter 2023, compared to the second quarter 2022

Europe, Middle East & Africa

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

The Americas

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

China & Northeast Asia

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

India & Southeast Asia

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

Segment information¹⁾

MSEK unless otherwise stated

	Industrial				Automotive			
	Q2 2023	Q2 2022	Half year 2023	Half year 2022	Q2 2023	Q2 2022	Half year 2023	Half year 2022
Net sales	19,179	17,114	38,148	33,634	7,943	6,541	15,524	12,963
Adjusted operating profit	3,047	2,372	6,255	5,147	568	101	838	384
Adjusted operating margin, %	15.9	13.9	16.4	15.3	7.1	1.5	5.4	3.0
Operating profit	2,655	1,702	5,789	4,386	558	-121	803	147
Operating margin, %	13.8	9.9	15.2	13.0	7.0	-1.8	5.2	1.1

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

Industrial

Comments on adjusted operating profit 2023, compared to 2022

Second quarter 2023

The adjusted operating profit for the second quarter was SEK 3,047 million (2,372). The adjusted operating profit was positively impacted by price and customer mix. Adjusted operating profit was negatively impacted by wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	Q2
2022	2,372
Currency	-3
Divested businesses	4
Organic sales & Manufacturing volumes	1,156
Cost development	-482
2023	3,047

Half year 2023

The adjusted operating profit for the first half year was SEK 6,255 million (5,147). The adjusted operating profit was positively impacted by sales volumes, price, customer mix and currency effects. Adjusted operating profit was negatively impacted by wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	2023
2022	5,147
Currency	124
Divested businesses	8
Organic sales & Manufacturing volumes	2,685
Cost development	-1,709
2023	6,255

Automotive

Comments on adjusted operating profit 2023, compared to 2022

Second quarter 2023

The adjusted operating profit for the second quarter was SEK 568 million (101). The adjusted operating profit was positively impacted by sales volumes, price and customer mix. Adjusted operating profit was negatively impacted by wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	Q2
2022	101
Currency	-1
Divested businesses	1
Organic sales & Manufacturing volumes	772
Cost development	-305
2023	568

Half year 2023

The adjusted operating profit for the first half year was SEK 838 million (384). The adjusted operating profit was positively impacted by sales volumes, price and customer mix. Adjusted operating profit was negatively impacted by wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	2023
2022	384
Currency	7
Divested businesses	2
Organic sales & Manufacturing volumes	1,517
Cost development	-1,072
2023	838

Outlook and Guidance

Demand for Q3 2023 compared to Q3 2022

Looking into the third quarter of 2023, we expect mid single-digit organic sales growth.

Guidance for Q3 2023

Currency impact on the operating profit is expected to be around SEK 150 million negative compared with the third quarter 2022, based on exchange rates per 30 June 2023.

Guidance 2023

- For the full year, we expect high single-digit organic sales growth, compared to 2022.
- Tax level excluding effects related to divested businesses: around 27%.
- Additions to property, plant and equipment: around SEK 5,5 billion.

Previous outlook and guidance statement

Demand for Q2 2023 compared to Q2 2022

Looking into the second quarter of 2023, we expect high single-digit organic sales growth.

Guidance for Q2 2023

Currency impact on the operating profit is expected to be around SEK 100 million negative compared with the second quarter 2022, based on exchange rates per 31 March 2023.

Guidance 2023

- For the full year, we expect high single-digit organic sales growth, compared to 2022.
- Tax level excluding effects related to divested businesses: around 28%.
- Additions to property, plant and equipment: around SEK 5 billion.

Significant events

22 May

SKF invests in magnetic bearing manufacturing

To meet increasing demand, SKF is increasing its technical and manufacturing capabilities within magnetic bearings through an investment totaling SEK 50 million in a new manufacturing site in Tangier, Morocco.

25 May

Changes to Group Management

Three new appointments are made in SKF Group Management aiming to further strengthen its commercial focus. A new position is also created to drive strategic sales and portfolio management.

SKF has announced the appointments of David Johansson as President, Industrial Region Europe, Middle East & Africa, Kerstin Enochsson as President, Automotive, and Hans Landin as Senior Vice President, Group Commercial Excellence Bearings.

31 May

SKF consolidates manufacturing in Europe, proposes to close factory in Luton

SKF has announced a consolidation of its spherical roller bearing manufacturing to secure the long-term competitiveness on the European markets. Consequently, SKF proposes to cease its bearing manufacturing site in Luton, UK. The proposal is subject to consultation with employees and union representatives. The Luton factory currently employs approximately 300 people.

9 June

SKF to phase out its own fossil gas use

SKF has decided to allocate SEK 3 billion to meet its energy and decarbonization goal by 2030, which is a key element of the Group's strategy. The Group has also decided to ban any fossil fuel investments in its own operations, as well as to replace direct fossil gas use with renewable energy or approved non-fossil fuel alternatives by 2029.

16 June

EUR 800 million credit facility

SKF has successfully signed a EUR 800 million multicurrency revolving credit facility. The facility has a tenor of five years with two one-year extension options, and it will serve as a back-up liquidity facility for general corporate purposes.

22 June

Virtual Power Purchase Agreement to support renewable energy in Europe

SKF has signed a Virtual Power Purchase Agreement (VPPA) in the next step towards its target of 100% renewable electricity by 2030. Under the long-term agreement with the global energy company Enel, SKF will purchase guarantees of origin for a period of 15 years, equivalent to the electricity used by one third of its European operation in 2022, from Enel's upcoming solar project in Spain.

29 June

SKF and Sinoma Nitride accelerate large-scale application of hybrid ceramic ball bearings

SKF and Sinoma Nitride, an industry-leading developer and producer of silicon nitride materials and ceramic balls, have entered into a Joint Venture contract to deepen their cooperation within hybrid ceramic ball bearings.

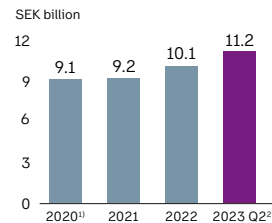
Sustainability performance

SKF has been publicly reporting on sustainability performance for many years in the Group's annual report, on skf.com and in various other forums. Reflecting the increasing operational and strategic importance of these issues, the Group is now including certain related KPI's also in the quarterly report.

Cleantech revenues

Cleantech includes revenues from key areas, such as: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions.

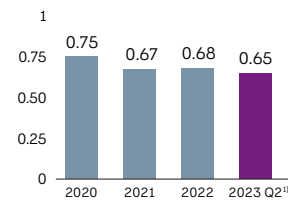
- 1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors in the EU Taxonomy.
- 2) 2023 figures relate to the latest 12 months period.



Accident rate

The accident rate measures the number of recordable accidents per 100 employees per year.

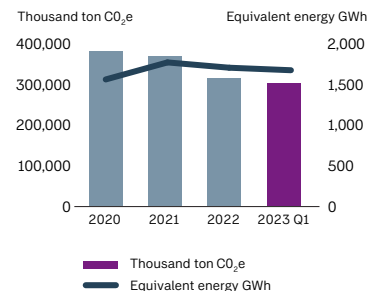
- 1) 2023 figures relate to the latest 12 months period.



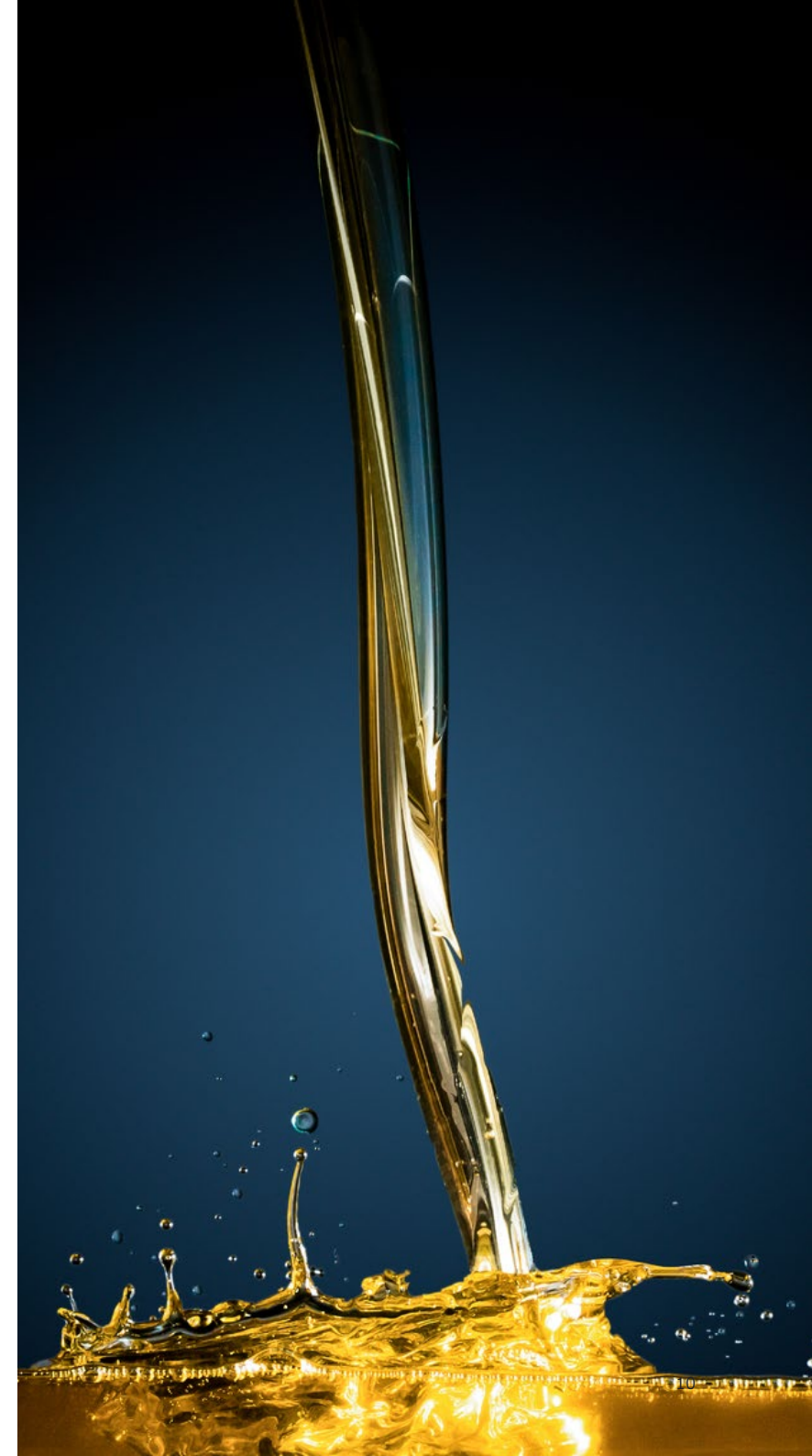
CO₂ emissions, Equivalent energy

CO₂ emissions¹⁾ for SKF's operations (Scope 1 and 2 according to the Greenhouse Gas protocol) and total energy use for the same scope are presented in the graph. SKF continues to make good progress towards the Group's goal to have decarbonized operations by 2030.

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



SKF RecondOil Double Separation Technology is a patented combination of chemical and mechanical filtration that removes nano-size particles without damaging oils or their additives.



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

Gothenburg, 19 July 2023
Aktiebolaget SKF
(publ)

Rickard Gustafson
President and CEO
Board member

Hans Stråberg
Chair

Håkan Buskhe
Board member

Hock Goh
Board member

Geert Follens
Board member

Susanna Schneeberger
Board member

Beth Ferreira
Board member

Therese Friberg
Board member

Richard Nilsson
Board member

Niko Pakalén
Board member

Jonny Hilbert
Board member

Zarko Djurovic
Board member

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

Auditor's report

Independent Auditor's Report on the review of half-year financial information. To the Board of Directors of AB SKF (publ) Corp. ID No. 556007-3495.

Introduction

We have reviewed the interim report of AB SKF (publ) for the period January 1-June 30, 2023. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Gothenburg, 19 July 2023
Deloitte AB

Hans Warén
Authorized Public Accountant

Condensed consolidated income statements

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Net sales	27,123	23,655	53,672	46,597
Cost of goods sold	-20,058	-17,777	-39,486	-34,230
Gross profit	7,065	5,878	14,186	12,367
Research and development cost	-864	-806	-1,670	-1,571
Selling and administrative expenses	-3,077	-3,094	-6,018	-5,873
Other operating income/ expenses, net	89	-397	94	-389
Operating profit	3,213	1,581	6,592	4,534
Financial income and expense, net	-383	-484	-820	-552
Profit before taxes	2,830	1,097	5,772	3,982
Taxes	-668	-511	-1,451	-1,335
Net profit	2,162	586	4,321	2,647
Net profit attributable to:				
Shareholders of AB SKF	2,042	493	4,115	2,477
Non-controlling interests	120	93	206	170
Basic earnings per share (SEK) ¹⁾	4.48	1.08	9.03	5.44

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

Condensed consolidated statements of comprehensive income

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Net profit	2,162	586	4,321	2,647
Items that will not be reclassified to the income statement:				
Remeasurements (actuarial gains and losses)	162	2,681	372	4,211
Income taxes	-39	-690	-80	-1,084
	123	1,991	292	3,127
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	1,774	2,610	1,889	3,429
Assets at fair value through other comprehensive income	-4	41	14	18
Income taxes	-	2	-	3
	1,770	2,653	1,903	3,450
Other comprehensive income, net of tax	1,893	4,644	2,195	6,577
Total comprehensive income	4,055	5,230	6,516	9,224
Shareholders of AB SKF	3,845	5,039	6,226	8,939
Non-controlling interests	210	191	290	285

Condensed consolidated balance sheets

MSEK	June 2023	December 2022
Goodwill	12,855	12,351
Other intangible assets	5,769	5,842
Property, plant and equipment	27,706	24,897
Right of use asset leases	3,200	3,084
Deferred tax assets	3,254	3,173
Other non-current assets	1,897	1,781
Non-current assets	54,681	51,128
Inventories	26,814	26,052
Trade receivables	19,726	16,905
Other current assets	6,443	5,614
Other current financial assets	10,731	11,224
Current assets	63,714	59,795
Total assets	118,395	110,923
Equity attributable to shareholders of AB SKF	55,240	51,927
Equity attributable to non-controlling interests	2,407	2,116
Long-term financial liabilities	19,205	21,219
Provisions for post-employment benefits	8,764	8,748
Provisions for deferred taxes	1,266	1,365
Other long-term liabilities and provisions	1,524	1,108
Non-current liabilities	30,759	32,440
Trade payables	12,483	11,594
Short-term financial liabilities	3,965	916
Other short-term liabilities and provisions	13,541	11,930
Current liabilities	29,989	24,440
Total equity and liabilities	118,395	110,923

Condensed consolidated statements of changes in shareholders' equity

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Opening balance 1 April/1 January	53,460	46,221	54,043	45,364
Net profit	2,162	586	4,320	2,647
Hyperinflation adjustments	138	108	275	161
Components of other comprehensive income				
Currency translation adjustments	1,774	2,609	1,890	3,427
Change in FV OCI assets and cash flow hedges	-4	41	14	18
Remeasurements	162	2,681	372	4,211
Income taxes	-39	-687	-80	-1,080
Other	-	-1	-	-1
Transactions with shareholders				
Non-controlling interest	-	-	-	-
Cost for Performance Share Programmes, net	-6	17	-	26
Dividends	-	-1	-3,187	-3,199
Other	-	-	-	-
Closing balance 30 June	57,647	51,574	57,647	51,574

Condensed consolidated statements of cash flow

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Operating activities:				
Operating profit	3,213	1,581	6,592	4,534
Non-cash items:				
Depreciation, amortization and impairment	941	898	1,939	1,758
Net loss/gain (-) on sales of PPE and businesses	–	615	-29	614
Other non-cash items	378	245	726	433
Income taxes paid	-972	-764	-1,608	-1,253
Interest received	77	3	132	4
Interest paid	-139	-33	-293	-98
Other	39	-770	-216	-1,027
Changes in working capital:	127	-482	-832	-3,943
Inventories	230	-1,358	172	-3,271
Accounts receivable	-517	-404	-2,281	-2,614
Accounts payable	-88	937	510	1,648
Other operating assets/liabilities	502	343	767	294
Net cash flow from operating activities	3,664	1,293	6,411	1,022
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,643	-1,481	-3,145	-2,591
Sales of PPE, businesses and equity securities	–	-51	68	-48
Net cash flow used in investing activities	-1,643	-1,532	-3,077	-2,639
Net cash flow after investments before financing	2,021	-239	3,334	-1,617

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Financing activities:				
Proceeds from short- and long-term loans	50	12	77	28
Repayments of short- and long-term loans	-28	-40	-94	-92
Repayment leases	-220	-206	-410	-386
Cash dividends	–	-1	-3,187	-3,199
Other financing items:				
Investments in short-term financial assets	-187	-79	-416	-95
Sales of short-term financial assets	203	38	306	61
Net cash flow used in financing activities	-182	-276	-3,724	-3,683
Net cash flow	1,839	-515	-390	-5,300
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April/1 January	7,954	8,454	10,255	13,219
Cash effect excl. acquired/sold businesses	1,839	-368	-390	-5,161
Cash effect of acquired/sold businesses	–	-147	–	-139
Exchange rate effect	85	228	13	248
Cash and cash equivalents at 30 June	9,878	8,167	9,878	8,167

	Closing balance 30 June 2023	Other non-cash changes	Acquired/sold businesses	Cash changes	Translation effect	Opening balance 1 January 2023
Change in Net debt						
Loans, long- and short-term	19,243	-8	–	-17	922	18,346
Post-employment benefits, net	8,625	90	–	-480	394	8,621
Lease liabilities	3,048	424	–	-410	113	2,921
Financial assets, others	-645	12	–	-114	56	-599
Cash and cash equivalents	-9,878	–	–	390	-13	-10,255
Net debt	20,393	518	–	-631	1,472	19,034

Condensed consolidated financial information

MSEK unless otherwise stated

	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	20,146	20,986	22,942	23,655	24,975	25,361	26,549	27,123
Cost of goods sold	-14,582	-15,310	-16,453	-17,777	-19,223	-19,012	-19,428	-20,058
Gross profit	5,564	5,676	6,489	5,878	5,752	6,349	7,121	7,065
Gross margin, %	27.6	27.0	28.3	24.9	23.0	25.0	26.8	26.0
Research and development cost	-648	-766	-765	-806	-779	-827	-806	-864
Selling and administrative expenses	-2,385	-2,736	-2,779	-3,094	-2,831	-3,319	-2,941	-3,077
- as % of sales	11.8	13.0	12.1	13.1	11.3	13.1	11.1	11.3
Other, net	57	420	8	-397	-213	-134	5	89
Operating profit	2,588	2,594	2,953	1,581	1,929	2,069	3,379	3,213
Operating margin, %	12.8	12.4	12.9	6.7	7.7	8.2	12.7	11.8
Adjusted operating profit	2,672	2,260	3,058	2,473	2,131	2,542	3,478	3,614
Adjusted operating margin, %	13.3	10.8	13.3	10.5	8.5	10.0	13.1	13.3
Financial net	-148	-266	-68	-484	-311	-376	-437	-383
Profit before taxes	2,440	2,328	2,885	1,097	1,618	1,693	2,942	2,830
Profit margin before taxes, %	12.1	11.1	12.6	4.6	6.5	6.7	11.1	10.4
Taxes	-618	-559	-824	-511	-394	-709	-783	-668
Net profit	1,822	1,769	2,061	586	1,224	984	2,159	2,162
Net profit attributable to:								
Shareholders of AB SKF	1,756	1,705	1,984	493	1,099	893	2,073	2,042
Non-controlling interests	66	64	77	93	125	91	86	120

Reconciliation of profit before taxes for the Group

MSEK	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Operating profit:								
Industrial ¹⁾	2,439	2,433	2,685	1,702	1,716	1,771	3,134	2,655
Automotive ¹⁾	149	161	268	-121	213	298	245	558
Financial net	-148	-266	-68	-484	-311	-376	-437	-383
Profit before taxes for the Group	2,440	2,328	2,885	1,097	1,618	1,693	2,942	2,830

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

Number of shares

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	29,383,933	29,403,933	29,383,933	29,403,933
- whereof B shares	425,967,135	425,947,135	425,967,135	425,947,135
Weighted average number of shares in:				
- basic earnings per share	455,351,068	455,351,068	455,351,068	455,351,068

Key figures

Definitions, see page 21

	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
EBITDA, MSEK	3,239	3,479	3,814	2,478	2,906	3,118	4,377	4,154
EBITA, MSEK	2,733	2,742	3,104	1,741	2,094	2,234	3,541	3,377
Adjusted operating profit, MSEK	2,672	2,260	3,058	2,473	2,131	2,542	3,478	3,614
Adjusted operating margin, %	13.3	10.8	13.3	10.5	8.5	10.0	13.1	13.3
Basic earnings per share, SEK	3.86	3.74	4.36	1.08	2.41	1.96	4.55	4.48
Adjusted earnings per share, SEK	4.04	3.01	4.59	2.90	2.86	3.00	4.77	5.36
Dividend per share, SEK	–	–	7.00	–	–	–	7.00	–
Net worth per share, SEK	89	96	98	109	117	114	113	121
Share price at the end of the period, SEK	207.6	214.5	153.9	150.5	150.3	159.2	204.0	187.6
NWC, % of 12 months rolling sales	30.5	30.7	34.3	35.7	35.6	32.4	32.4	32.7
ROCE for the 12-month period, %	14.5	14.8	14.8	12.7	11.5	10.6	11.0	12.7
ROE for the 12-month period, %	19.3	18.8	18.3	13.8	11.7	9.5	9.4	12.0
Gearing, %	43.1	40.5	39.0	35.2	36.6	35.6	35.9	34.9
Equity/assets ratio, %	43.2	45.5	45.7	48.2	47.7	48.7	47.9	48.7
Additions to property, plant and equipment, MSEK	969	1,138	1,023	1,372	1,288	1,347	1,498	1,608
Net debt/equity, %	44.0	38.3	45.0	37.7	35.2	35.2	39.8	35.4
Net debt, MSEK	18,541	17,360	20,787	19,444	19,441	19,034	21,303	20,393
Net debt/EBITDA, %	1.4	1.2	1.4	1.5	1.5	1.5	1.7	1.4
Registered number of employees	42,139	42,602	42,763	42,602	42,885	42,641	42,083	41,675

SKF applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs (Alternative Performance Measures). These key figures are not defined or specified in IFRS but provide complementary information to investors and other stakeholders on the company's performance. The definition of each APM is presented at the end of the interim report. For the reconciliation of each APM against the most reconcilable line item in the financial statements, see investors.skf.com/en.

Segment information – quarterly figures¹⁾

MSEK unless otherwise stated

Industrial	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	14,747	15,135	16,520	17,114	17,735	18,147	18,968	19,180
Adjusted operating profit	2,485	2,164	2,775	2,372	1,907	2,159	3,208	3,047
Adjusted operating margin, %	16.9	14.3	16.8	13.9	10.8	11.9	16.9	15.9
Operating profit	2,439	2,433	2,685	1,702	1,716	1,771	3,134	2,655
Operating margin, %	16.5	16.1	16.3	9.9	9.7	9.8	16.5	13.8
Assets and liabilities, net	41,893	43,410	47,426	49,450	52,016	50,469	53,584	56,318
Registered number of employees	35,215	35,539	35,700	35,845	36,166	35,991	35,571	35,443

Automotive	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	5,399	5,851	6,422	6,541	7,240	7,214	7,581	7,943
Adjusted operating profit	187	96	283	101	224	383	270	568
Adjusted operating margin, %	3.5	1.6	4.4	1.5	3.1	5.3	3.6	7.1
Operating profit	149	161	268	-121	213	298	245	558
Operating margin, %	2.8	5.0	4.2	-1.8	2.9	4.1	3.2	7.0
Assets and liabilities, net	10,828	10,591	12,236	14,852	15,951	15,177	15,288	15,948
Registered number of employees	3,941	3,989	3,983	4,027	4,063	4,023	4,002	3,919

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

Notes

Note 1 Accounting principles

The consolidated financial statements of the SKF Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

Disclosures as required by IAS 34 p. 16 A are provided in the notes to the financial statements as well as in other parts of the interim report. The financial statements of the Parent Company were prepared in accordance with the "Annual Accounts Act" and the RFR 2 "Accounting for legal entities". SKF Group and the Parent Company applied the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2023. None of these have a material effect on the SKF Group's financial statements.

Valuation principles and classifications of the financial instruments, as described in SKF Annual report 2022, have been consistently applied throughout the reporting period. There are no major changes in fair value during the period.

Note 2 Transactions with related parties

No significant change is present for transactions with related parties in relation to disclosure provided in Annual Report 2022.

Note 3 Risks and uncertainties in the business

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

The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the EUR, USD and CNY. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies.

The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries.

SKF is subject to an investigation in Brazil by the General Superintendence of the Administrative Council for Economic Defense, regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil.

SKF's operations are affected by the ongoing conflict in Ukraine. SKF operates in Ukraine with approximately 1,000 employees. Sales in Ukraine amounted to less than 0.1% of SKF's total sales in 2022. SKF's factory in Lutsk, Ukraine, accounted for a production volume of approximately 0.5% of SKF's total production volume in 2022. The factory in Ukraine has been producing whenever possible due to prevailing circumstances however at a lower level than normal.

For a more detailed description of risks and uncertainties, please see the Risk Management section on pages 37-39 in the SKF Annual Report 2022.

Parent Company condensed income statements

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Revenue	2,380	1,751	4,339	3,654
Cost of goods sold	-1,499	-1,474	-3,150	-2,988
General management and administrative expenses	-606	-445	-1,017	-834
Other operating income/expenses, net	-5	-3	-1	12
Operating result	270	-171	171	-156
Financial income and expense, net	9	152	13	159
Profit before taxes	279	-19	184	3
Appropriations	-	-	-	-
Taxes	-41	60	-37	33
Net profit	238	41	147	36

Parent Company condensed statements of comprehensive income

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022
Net profit	238	41	147	36
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-5	41	13	18
Other comprehensive income, net of tax	233	82	160	54
Total comprehensive income	233	82	160	54

Parent Company condensed balance sheets

MSEK	June 2023	December 2022
Intangible assets	1,130	1,234
Investments in subsidiaries	22,437	22,441
Receivables from subsidiaries	16,324	18,388
Other non-current assets	977	927
Non-current assets	40,868	42,990
Receivables from subsidiaries	5,188	5,555
Other receivables	358	358
Current assets	5,546	5,913
Total assets	46,414	48,903
Shareholders' equity	23,084	26,117
Provisions	768	666
Non-current liabilities	16,320	18,386
Current liabilities	6,242	3,734
Total shareholders' equity, provisions and liabilities	46,414	48,903

Alternative performance measures and definitions

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating margin

Operating profit margin excluding items affecting comparability.

Adjusted earnings/loss per share in SEK

Basic earnings per share excluding items affecting comparability.

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

Profit/loss after taxes less non-controlling interests divided by the ordinary number of shares.

Currency impact on operating profit

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

Debt

Loans and net provisions for post-employment benefits.

EBITA

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

EBITDA

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

Equity/assets ratio

Equity as a percentage of total assets.

Gearing

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

Gross margin

Gross income as a percentage of net sales.

Items affecting comparability

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

Net debt

Debt less short-term financial assets excluding derivatives.

Net debt/EBITDA

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

Net debt/equity

Net debt, as a percentage of equity.

Net worth per share (Equity per share)

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

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

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

Operating margin

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

Organic growth

Sales excluding effects of currency and acquired and divested businesses.

Revenue growth

Sales excluding effects of currency and divested businesses.

Registered number of employees

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

Return on capital employed (ROCE)

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

Return on equity (ROE)

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

SKF demand outlook

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

For reconciliations of other Key Ratios,
see investors.skf.com/en

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest annual report (available on investors.skf.com/en), including under the Administration Report; "Risk management" and in this report under "Risks and uncertainties in the business."



SKF's climate targets are approved by the Science Based Targets initiative. In its targets, SKF has committed to reducing its absolute scope 1 and 2 GHG emissions by 95% by 2030 from a 2019 base year and to reduce its scope 3 emissions by at least 31% by 2030. SKF has also committed to reach net-zero GHG emissions across the value chain by 2050.

Webcast

19 July at 08:15 (CEST), 07:15 (UK BST)
<https://investors.skf.com/en>

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Calendar 2023

27 October Q3 report

This is SKF

SKF is a world-leading provider of innovative solutions that help industries become more competitive and sustainable. By making products lighter, more efficient, longer lasting, and repairable, we help our customers improve their rotating equipment performance and reduce their environmental impact. Our offering around the rotating shaft includes bearings, seals, lubrication management, condition monitoring, and services.

Quick facts

Founded 1907
 Represented in more than 129 countries
 Net sales in 2022: SEK 96,933 million
 42,641 employees
 15 technical centers
 77 manufacturing sites
 >17,000 distributors

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This half year report contains financial and inside information that AB SKF is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication through the agency of the contact person set out in the press release concerning this report, on 19 July 2023 at 07:00 CEST.