



# Nine-month report 2023

27 October 2023

## Q3 2023

- Net sales SEK 25,771 million (24,975).
- Organic growth -0.6% (11.0%).
- Adjusted operating profit SEK 2,956 million (2,131).
- Operating profit SEK 2,567 million (1,929).
- Adjusted operating margin 11.5% (8.5%).
  - Industrial 13.7% (10.8%).
  - Automotive 6.2% (3.1%).
- Operating margin 10.0% (7.7%).
  - Industrial 11.6% (9.7%).
  - Automotive 6.1% (2.9%).
- Net cash flow from operations SEK 3,435 million (1,268).
- Basic earnings per share SEK 3.64 (2.41).

## Nine-month 2023

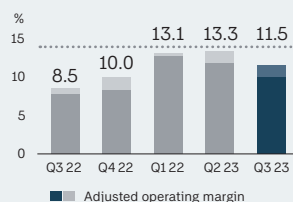
- Net sales SEK 79,443 million (71,572).
- Organic growth 5.7% (7.6%).
- Adjusted operating profit SEK 10,049 million (7,662).
- Operating profit SEK 9,159 million (6,463).
- Adjusted operating margin 12.6% (10.7%).
  - Industrial 15.5% (13.7%).
  - Automotive 5.7% (3.0%).
- Operating margin 11.5% (9.0%).
  - Industrial 14.0% (11.9%).
  - Automotive 5.5% (1.8%).
- Net cash flow from operations SEK 9,846 million (2,290).
- Basic earnings per share SEK 12.67 (7.85).

## Financial overview

MSEK unless otherwise stated	Q3 2023	Q3 2022	Jan-Sep 2023	Jan-Sep 2022
Net sales	25,771	24,975	79,443	71,572
Adjusted operating profit	2,956	2,131	10,049	7,662
Adjusted operating margin, %	11.5	8.5	12.6	10.7
Operating profit	2,567	1,929	9,159	6,463
Operating margin, %	10.0	7.7	11.5	9.0
Adjusted profit before taxes	2,582	1,820	8,855	6,799
Profit before taxes	2,193	1,618	7,965	5,600
Net cash flow from operating activities	3,435	1,268	9,846	2,290
Basic earnings per share	3.64	2.41	12.67	7.85
Adjusted earnings per share	4.49	2.86	14.62	10.49

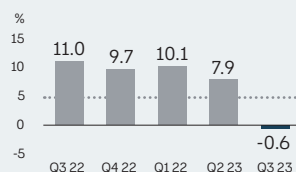
### Operating margin<sup>1)</sup>

TARGET 14%



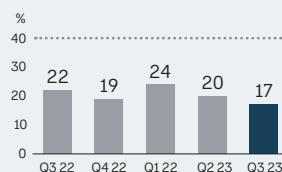
### Revenue growth<sup>2)</sup>

TARGET 5%



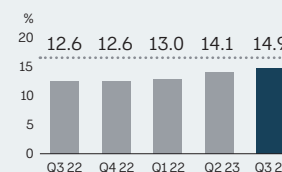
### Net debt/Equity<sup>3)</sup>

TARGET <40%



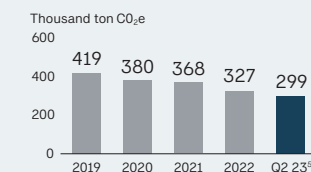
### ROCE<sup>1)</sup>

TARGET 16%



### Net zero by 2030<sup>4)</sup>

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 CO<sub>2</sub>e from all SKF manufacturing and logistics units.

5) 2023 figures relate to the latest 12 months period.

# Resilient margins and strong cash flow despite slowdown in demand

During the quarter we continued to see a slowdown in demand from a weakening economic sentiment and customers reducing their inventories. Despite this, our profitability was resilient, and our cash flow remained strong as we continued to manage costs, prune the portfolio and reduce working capital whilst continuing to invest in innovation and further improving our manufacturing footprint as part of our strategic transformation and new decentralized way of working.

## **Solid performance in a challenging market environment**

Net sales increased in the quarter to SEK 25.8 billion (25.0) with organic growth being relatively flat (-0.6%). Volumes turned negative in all regions and were compensated for by a maintained strong price and portfolio management.

Our Business in Europe, the Middle East and Africa remained resilient with organic sales growth of 4%, driven by a strong performance in Railway and Aerospace. India and Southeast Asia also continued to perform well with organic growth of 5% driven by strong demand in Mining. Organic growth in China and Northeast Asia declined 5% driven by a sharper than expected slowdown in Wind. In Americas, we noted a negative growth by 4% driven by OEM customers destocking and a phase out of lower profit businesses.

The adjusted operating profit in the third quarter was 3.0 billion (2.1) with a margin of 11.5% (8.5%). Pricing, cost management and continuing portfolio pruning actions contributed positively to profitability, offset by declining volumes and some negative business mix effects. As an example, we saw lower growth rates in our high margin Industrial businesses versus our Automotive business.

Our Industrial business remained resilient and delivered an adjusted operating margin of 14% (11%) despite negative organic growth. Our ongoing portfolio re-positioning within our Automotive business continues and the adjusted operating margin improved to 6% compared to 3% in the same quarter last year.

Cash flow from operations was a strong SEK 3.4 billion (1.3) as we continued our activities to improve net working capital, mainly through reduced inventories.

In the quarter we were also affected by the increased geopolitical tension in the world. In August our factory in Lutsk, Ukraine, was hit by a Russian missile attack. Three of our colleagues were killed and the factory was damaged. After the attack, production was suspended and alternative supply chain options and re-routing of production from Lutsk to other factories were quickly activated to mitigate any negative impact on our customers.

## **Continuing our strategic journey**

In the quarter we continued to implement and execute our strategy. Investments were made in technology and innovation where we have many interesting projects in the pipeline, contributing to the overall profitability and supporting several high-growth segments, such as Railway, Agriculture and Machine Tools.

We also continue to invest in sustainability and further regionalizing of our manufacturing footprint. As an example, our greenfield factory investments in Monterrey, Mexico, which now has been inaugurated, will make our customer offer and position in North America even stronger.

In many industries, effective monitoring of assets and predictive maintenance are key to unlocking financial and environmental benefits. We see a strong demand for our asset monitoring services, and we recently signed a five-year agreement with the international mining and mineral group, LKAB, to develop monitoring solutions for all their assets.

Previously we announced a strategic review of our Aerospace business. I am pleased to report back the conclusions and outcome from this review. The Aerospace Industry is a high-growth, high-tech industry, where we have a strong and unique position.

To leverage our full potential within this industry, we intend to put even more emphasis on our core segments, Aeroengine bearings and Aerostructures. We have already initiated numerous pricing and contract management actions, that will step up the profitability further in the near term. In addition, these areas, will be further strengthened through accelerated investments.

In our strategic review, we have also identified some high-quality business lines, with strong market positions in



their respective niches, but that fall outside of our core Aerospace offering. We will explore strategic options to exit these attractive but non-core business lines, representing annual sales of approximately SEK 1 billion, or some 20% of SKF's current Aerospace business.

I'm convinced, that by focusing on our core business, and seeking strategic options to areas outside of our core, we will unlock the full potential of our Aerospace business.

I would like to thank all SKF employees for their hard work and ability to mitigate the impact of the gradual weakening of demand and the attack on our Ukraine factory in the third quarter. Going into the final quarter of the year, we expect a continued lower demand scenario, and volatility and geopolitical uncertainty continue to impact the markets in which we operate.

## **Outlook**

Looking into the fourth quarter of 2023, we expect a low single-digit organic sales decline. For the full year, we expect a mid to low single-digit organic sales growth, compared to 2022. Beyond 2023, we expect continued volatility and geopolitical uncertainty where we are preparing the business for different scenarios to be able to act accordingly as the situation develops.

Rickard Gustafson  
President and CEO

# Financial performance

## Third quarter 2023

Operating profit for the third quarter was SEK 2,567 million (1,929). Operating profit included items affecting comparability of SEK -389 million (-202), whereof SEK -389 million (-154) related to on-going restructuring and cost reduction activities mainly in Europe, SEK -18 million (-48) related to impairments and SEK +18 million related to the divestment of business within lubrication.

The adjusted operating profit for the third quarter was SEK 2,956 million (2,131). The adjusted operating profit was positively impacted by price and customer mix which was partly offset by lower sales and manufacturing volumes. It was also positively impacted by cost decreases where energy and logistic costs were lower, material costs were flat while salaries and wages were higher than last year. The adjusted operating profit was negatively impacted by currency effects.

Adjusted operating profit bridge, MSEK	Q3
<b>2022</b>	<b>2,131</b>
Currency impact	-70
Divested businesses	–
Organic sales & Manufacturing volumes	387
Cost development	508
<b>2023</b>	<b>2,956</b>

- Financial income and expense, net, was SEK -374 million (-311). Interest expenses was higher in the third quarter 2023, compared to the third quarter 2022.
- Taxes in the quarter was SEK -460 million (-394) resulting in an effective tax rate of 21.0% (24.3%).
- Net cash flow from operating activities in the third quarter was SEK 3,435 million (1,268). 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 31.2% in the third quarter compared to 35.6% in the third quarter 2022. The ratio was positively affected by lower inventory levels in relation to sales compared to last year.
- Provisions for post-employment benefits, net, decreased by SEK -541 million (-707) driven by currency effects and actuarial gains on gross obligation due to higher discount rates.

## Nine-month 2023

Operating profit for the first nine months was SEK 9,159 million (6,463). Operating profit included items affecting comparability of SEK -889 million (-1,198), whereof SEK -889 million (-449) related to ongoing restructuring and cost reduction activities mainly in Europe, SEK -18 million (-74) related to impairments and customer settlements and SEK +18 million related to the divestment of business within lubrication. For 2022 it also included SEK -675 million related to the divestment of the business in Russia.

The adjusted operating profit for the first nine months was SEK 10,049 million (7,662). The adjusted operating profit was positively impacted by price, customer mix and currency effects. Adjusted operating profit was negatively impacted by sales and manufacturing volumes and cost increases, mainly related to wages and salaries and material costs, partly offset by decreases in energy and logistics costs.

Adjusted operating profit bridge, MSEK	2023
<b>2022</b>	<b>7,662</b>
Currency impact	61
Divested businesses	10
Organic sales & Manufacturing volumes	4,589
Cost development	-2,273
<b>2023</b>	<b>10,049</b>

- Financial income and expense, net, was SEK -1,194 million (-863). 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 nine months was SEK -1,911 million (-1,729) resulting in an effective tax rate of 24.0% (30.9%). The tax rate in 2022 was negatively impacted by the loss from divestment of business in Russia.
- Net cash flow from operating activities was SEK 9,846 million (2,290). 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 31.2% in September 2023 compared to 35.6% in September 2022. The ratio was positively affected by lower inventory levels in relation to sales compared to last year.
- Provisions for post-employment benefits, net, decreased by SEK -537 million (-4,197) in the first nine months driven by actuarial gains on gross obligation due to changed discount rates as well as payments.

Key figures	30 Sep 2023	30 June 2023	30 Sep 2022
Net working capital, % of 12 months rolling sales	31.2	32.7	35.6
ROCE for the 12-month period, % <sup>1)</sup>	14.9	14.1	12.6
Net debt/equity, %	30.8	35.4	35.2
Net debt/equity, excluding post-employment benefits, %	16.9	20.4	21.6
Net debt/EBITDA, %	1.2	1.4	1.5

1) Adjusted for items affecting comparability.

# Sales

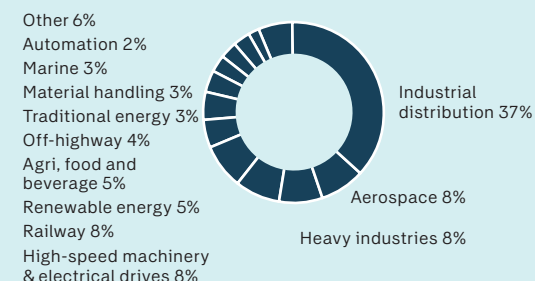
Net sales, change y-o-y, %	Q3				Jan-Sep 2023			
	Organic <sup>1)</sup>	Structure	Currency	Total	Organic <sup>1)</sup>	Structure	Currency	Total
SKF Group	-0.6	0.1	3.7	3.2	5.7	-0.6	6.0	11.1
Industrial	-2.1	0.1	4.0	2.0	4.3	-0.6	5.9	9.6
Automotive	3.1	0.0	2.8	5.9	9.4	-0.7	6.1	14.8

<sup>1)</sup> Price, mix and volume

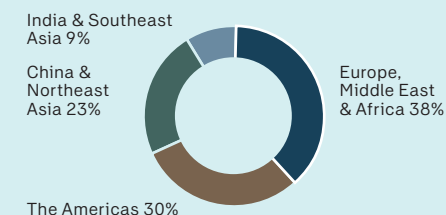
Organic sales in local currencies, change y-o-y, %	Q3				Jan-Sep 2023			
	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia
SKF Group	3.7	-3.6	-5.5	4.6	9.1	1.7	3.5	9.5
Industrial	+	-	--	+	++	+/-	+	+++
Automotive	+++	+/-	+/-	+++	+++	++	++	+++

Customer industries	Q3				Jan-Sep 2023			
	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	++	---	+++	-	+++	---	+++	--

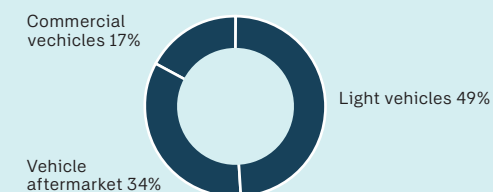
## Net sales by customer industry for Industrial Q3 2023



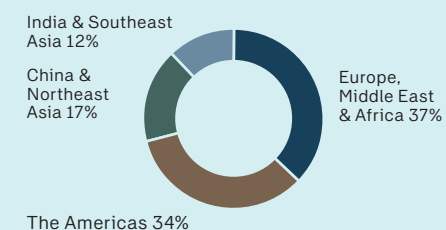
## Net sales by region for Industrial Q3 2023



## Net sales by customer industry for Automotive Q3 2023



## Net sales by region for Automotive Q3 2023



# Industrial

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

## Europe, Middle East & Africa

Overall, sales were slightly higher in the quarter. By industry, sales to aerospace, railway and traditional energy were significantly higher. Sales to other, off-highway and material handling were higher while sales to industrial distribution was relatively unchanged. Sales to heavy industries and marine were slightly lower while sales to high-speed machinery & electrical drives, renewable energy, agriculture, food & beverage, and automation were significantly lower compared to Q3 2022.

## The Americas

Overall, sales were slightly lower in the quarter. By industry, sales to aerospace were higher, to industrial distribution it was slightly higher and to heavy industries and off-highway it was relatively unchanged. To automation it was slightly lower and to railway, marine and traditional energy it was lower. Sales to high-speed machinery & electrical drives, other, renewable energy, agriculture, food & beverage, and material handling were all significantly lower compared to Q3 2022.

## China & Northeast Asia

Overall, sales were lower in the quarter. By industry, sales to industrial distribution, aerospace, railway and traditional energy were significantly higher while sales to marine were relatively unchanged. Sales to all other industrial segments were significantly lower compared to Q3 2022.

## India & Southeast Asia

Overall, sales were slightly higher in the quarter. By industry, sales to heavy industries, off-highway, material handling and automation were significantly higher. Sales to high-speed machinery & electrical drives were higher while sales to other and agriculture, food & beverage were slightly higher. To industrial distribution, aerospace, railway and marine it was relatively unchanged while sales to renewable energy and traditional energy were significantly lower compared to Q3 2022.

# Automotive

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

## Europe, Middle East & Africa

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

## The Americas

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

## China & Northeast Asia

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

## India & Southeast Asia

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

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

MSEK unless otherwise stated

	Industrial				Automotive			
	Q3 2023	Q3 2022	Jan-Sep 2023	Jan-Sep 2022	Q3 2023	Q3 2022	Jan-Sep 2023	Jan-Sep 2022
Net sales	18,102	17,735	56,250	51,369	7,669	7,240	23,193	20,203
Adjusted operating profit	2,480	1,907	8,735	7,054	476	224	1,314	608
Adjusted operating margin, %	13.7	10.8	15.5	13.7	6.2	3.1	5.7	3.0
Operating profit	2,100	1,716	7,889	6,102	467	213	1,270	360
Operating margin, %	11.6	9.7	14.0	11.9	6.1	2.9	5.5	1.8

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

### Third quarter 2023

The adjusted operating profit for the third quarter was SEK 2,480 million (1,907). The adjusted operating profit was positively impacted by price and customer mix and lower costs for energy and logistics. Adjusted operating profit was negatively impacted by lower sales and production volume and higher salaries and wages.

Adjusted operating profit bridge, MSEK	Q3
<b>2022</b>	1,907
Currency	-52
Divested businesses	–
Organic sales & Manufacturing volumes	130
Cost development	495
<b>2023</b>	2,480

### Nine-month 2023

The adjusted operating profit for the first nine months was SEK 8,735 million (7,054). The adjusted operating profit was positively impacted by price, customer mix and currency effects. Adjusted operating profit was negatively impacted by sales and production volume as well as wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	2023
<b>2022</b>	7,054
Currency	72
Divested businesses	8
Organic sales & Manufacturing volumes	2,815
Cost development	-1,214
<b>2023</b>	8,735

# Automotive

## Comments on adjusted operating profit 2023, compared to 2022

### Third quarter 2023

The adjusted operating profit for the third quarter was SEK 476 million (224). The adjusted operating profit was positively impacted by price and customer mix, lower costs for energy and logistics, offset by higher costs for material and salaries and wages.

Adjusted operating profit bridge, MSEK	Q3
<b>2022</b>	224
Currency	-18
Divested businesses	–
Organic sales & Manufacturing volumes	257
Cost development	13
<b>2023</b>	476

### Nine-month 2023

The adjusted operating profit for the first nine months was SEK 1,314 million (608). The adjusted operating profit was positively impacted by sales and manufacturing volumes, price and customer mix. Adjusted operating profit was negatively impacted by wages and salaries and material costs.

Adjusted operating profit bridge, MSEK	2023
<b>2022</b>	608
Currency	-11
Divested businesses	2
Organic sales & Manufacturing volumes	1,774
Cost development	-1,059
<b>2023</b>	1,314



# Outlook and Guidance

## **Demand for Q4 2023 compared to Q4 2022**

Looking into the fourth quarter of 2023, we expect a low single-digit organic sales decline.

## **Guidance for Q4 2023**

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

## **Guidance 2023**

- For the full year, we expect a mid to low single-digit organic sales growth, compared to 2022.
- Tax level excluding effects related to divested businesses: around 25%.
- Additions to property, plant and equipment: around SEK 5,5 billion.

# Previous outlook and guidance statement

## **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.



# Significant events

**12 July 2023**

**Divestment**

SKF has signed an agreement to divest Spandau Pumpen to EBARA Pumps Europe S.p.A. The divestment is a strategic realignment and part of SKF's decision to focus on its core lubrication business such as automatic lubrication systems and components, lubricants, and lubrication tools.

**28 August 2023**

**Agreement for data-driven maintenance**

The mining and mineral group LKAB has entered into an agreement with SKF regarding a collaboration to develop data-driven maintenance. The five-year agreement covers all the facilities within LKAB and is intended to build up operating data and decision-support systems for optimized maintenance in order to reduce costs, energy consumption and environmental impact.

**31 August 2023**

**New Head of Investor Relations**

Sophie Arnius has been appointed Head of Investor Relations, starting latest 24 February 2024. Sophie joins SKF from Electrolux and she succeeds Patrik Stenberg who will continue in his role as Director, Mergers & Acquisitions.

**4 October 2023**

**SKF inaugurates factory in Monterrey, Mexico**

SKF has inaugurated its new facility in Monterrey, Mexico, a greenfield factory investment totaling SEK 700 million. This will support SKF's strategic development in the Americas and meet customer needs as focus on electrification increases.

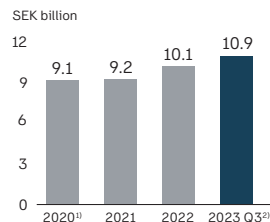
# Sustainability performance

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.

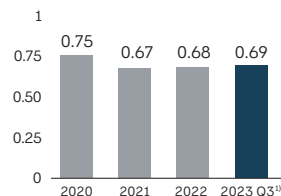
- 1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors in the EU Taxonomy.
- 2) 2023 figures relate to the latest 12 months period.



## Accident rate

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

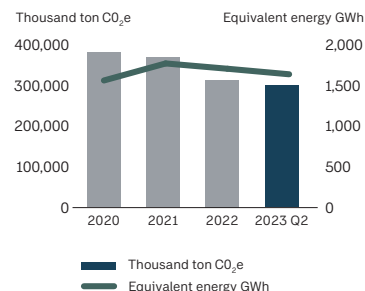
- 1) 2023 figures relate to the latest 12 months period.



## CO<sub>2</sub> emissions, Equivalent energy

CO<sub>2</sub> emissions<sup>1)</sup> 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 is main partner to Gothia Cup, the world's largest youth football tournament. SKF also arranges Meet the World, an initiative that gives hundreds of young people from around the world a chance to participate in the Gothia Cup every year through local qualification tournaments.



## Condensed consolidated income statements

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
Net sales	25,771	24,975	79,443	71,572
Cost of goods sold	-19,454	-19,223	-58,940	-53,453
<b>Gross profit</b>	<b>6,317</b>	<b>5,752</b>	<b>20,503</b>	<b>18,119</b>
Research and development expenses	-785	-779	-2,455	-2,350
Selling and administrative expenses	-2,920	-2,831	-8,939	-8,704
Other operating income/ expenses, net	-45	-213	50	-602
<b>Operating profit</b>	<b>2,567</b>	<b>1,929</b>	<b>9,159</b>	<b>6,463</b>
Financial income and expenses, net	-374	-311	-1,194	-863
<b>Profit before taxes</b>	<b>2,193</b>	<b>1,618</b>	<b>7,965</b>	<b>5,600</b>
Income taxes	-460	-394	-1,911	-1,729
<b>Net profit</b>	<b>1,733</b>	<b>1,224</b>	<b>6,054</b>	<b>3,871</b>
Net profit attributable to:				
Shareholders of AB SKF	1,657	1,099	5,771	3,576
Non-controlling interests	76	125	283	295
Basic earnings per share (SEK) <sup>1)</sup>	3.64	2.41	12.67	7.85

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	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
<b>Net profit</b>	<b>1,733</b>	<b>1,224</b>	<b>6,054</b>	<b>3,871</b>
Items that will not be reclassified to the income statement:				
Remeasurements (actuarial gains and losses)	295	696	667	4,907
Income taxes	-68	-52	-148	-1,136
	<b>227</b>	<b>644</b>	<b>519</b>	<b>3,771</b>
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-1,405	1,688	485	5,117
Assets at fair value through other comprehensive income	-63	10	-50	28
Income taxes	-	1	-	4
	<b>-1,468</b>	<b>1,699</b>	<b>435</b>	<b>5,149</b>
Other comprehensive income, net of tax	-1,241	2,343	954	8,920
<b>Total comprehensive income</b>	<b>492</b>	<b>3,567</b>	<b>7,008</b>	<b>12,791</b>
Shareholders of AB SKF	453	3,361	6,678	12,300
Non-controlling interests	39	206	330	491

## Condensed consolidated balance sheets

MSEK	September 2023	December 2022
Goodwill	12,766	12,351
Other intangible assets	5,526	5,842
Property, plant and equipment	27,638	24,897
Right-of-use asset leases	3,171	3,084
Deferred tax assets	3,028	3,173
Other non-current assets	2,049	1,781
<b>Non-current assets</b>	<b>54,178</b>	<b>51,128</b>
Inventories	25,345	26,052
Trade receivables	18,560	16,905
Other current assets	6,621	5,614
Other current financial assets	12,213	11,224
<b>Current assets</b>	<b>62,739</b>	<b>59,795</b>
<b>Total assets</b>	<b>116,917</b>	<b>110,923</b>
Equity attributable to shareholders of AB SKF	55,865	51,927
Equity attributable to non-controlling interests	2,313	2,116
Long-term financial liabilities	18,868	21,219
Provisions for post-employment benefits	8,349	8,748
Provisions for deferred taxes	1,387	1,365
Other long-term liabilities and provisions	1,597	1,108
<b>Non-current liabilities</b>	<b>30,201</b>	<b>32,440</b>
Trade payables	11,195	11,594
Short-term financial liabilities	4,272	916
Other short-term liabilities and provisions	13,071	11,930
<b>Current liabilities</b>	<b>28,538</b>	<b>24,440</b>
<b>Total equity and liabilities</b>	<b>116,917</b>	<b>110,923</b>

## Condensed consolidated statements of changes in shareholders' equity

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
<b>Opening balance 1 July/1 January</b>	<b>57,647</b>	<b>51,575</b>	<b>54,043</b>	<b>45,364</b>
Net profit	1,733	1,224	6,053	3,871
Hyperinflation adjustments	171	137	446	298
<b>Components of other comprehensive income</b>				
Currency translation adjustments	-1,405	1,688	485	5,117
Change in FV OCI assets and cash flow hedges	-63	10	-50	28
Remeasurements	295	696	667	4,907
Income taxes	-68	-51	-148	-1,132
Other	-	-	-	-
<b>Transactions with shareholders</b>				
Non-controlling interest	-	-	-	-
Cost for Performance Share Programmes, net	2	21	2	47
Dividends	-133	-45	-3,321	-3,244
Other	-1	-	1	-
<b>Closing balance 30 September</b>	<b>58,178</b>	<b>55,256</b>	<b>58,178</b>	<b>55,256</b>

# Condensed consolidated statements of cash flow

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
Operating activities:				
Operating profit	2,567	1,929	9,159	6,463
Non-cash items:				
Depreciation, amortization and impairment	1,079	977	3,018	2,735
Net loss/gain (-) on sales of PPE and businesses	-15	-12	-44	602
Other non-cash items	-19	112	707	545
Income taxes paid	-746	-645	-2,354	-1,898
Interest received	278	55	410	59
Interest paid	-333	-80	-626	-178
Other	-146	-646	-362	-1,673
Changes in working capital:	770	-422	-62	-4,365
Inventories	936	17	1,108	-3,254
Accounts receivable	798	26	-1,483	-2,588
Accounts payable	-1,040	-510	-530	1,138
Other operating assets/liabilities	76	45	843	339
<b>Net cash flow from operating activities</b>	<b>3,435</b>	<b>1,268</b>	<b>9,846</b>	<b>2,290</b>
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,135	-1,396	-4,280	-3,987
Sales of PPE, businesses and equity securities	27	65	95	17
<b>Net cash flow used in investing activities</b>	<b>-1,108</b>	<b>-1,331</b>	<b>-4,185</b>	<b>-3,970</b>
<b>Net cash flow after investments before financing</b>	<b>2,327</b>	<b>-63</b>	<b>5,661</b>	<b>-1,680</b>

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
Financing activities:				
Proceeds from short- and long-term loans	31	4,322	108	4,350
Repayments of short- and long-term loans	-26	-9	-120	-101
Repayment leases	-249	-163	-659	-549
Cash dividends	-133	-44	-3,320	-3,243
Other financing items	-212	-198	-212	-198
Investments in short-term financial assets	90	-107	-326	-202
Sales of short-term financial assets	5	18	311	79
<b>Net cash flow used in financing activities</b>	<b>-494</b>	<b>3,819</b>	<b>-4,218</b>	<b>136</b>
<b>Net cash flow</b>	<b>1,833</b>	<b>3,756</b>	<b>1,443</b>	<b>-1,544</b>
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 July/1 January	9,878	8,167	10,255	13,219
Cash effect excl. acquired/sold businesses	1,833	3,756	1,443	-1,405
Cash effect of acquired/sold businesses	-	-	-	-139
Exchange rate effect	-122	52	-109	300
<b>Cash and cash equivalents at 30 September</b>	<b>11,589</b>	<b>11,975</b>	<b>11,589</b>	<b>11,975</b>

	Closing balance 30 September 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	18,858	10	-	-12	514	18,346
Post-employment benefits, net	8,084	-115	-	-657	235	8,621
Lease liabilities	3,024	688	-	-659	74	2,921
Financial assets, others	-484	11	-	-23	127	-599
Cash and cash equivalents	-11,589	-	-	-1,443	109	-10,255
<b>Net debt</b>	<b>17,893</b>	<b>594</b>	<b>-</b>	<b>-2,794</b>	<b>1,059</b>	<b>19,034</b>

# Condensed consolidated financial information

MSEK unless otherwise stated

	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Net sales	20,986	22,942	23,655	24,975	25,361	26,549	27,123	25,771
Cost of goods sold	-15,310	-16,453	-17,777	-19,223	-19,012	-19,428	-20,058	-19,454
<b>Gross profit</b>	<b>5,676</b>	<b>6,489</b>	<b>5,878</b>	<b>5,752</b>	<b>6,349</b>	<b>7,121</b>	<b>7,065</b>	<b>6,317</b>
Gross margin, %	27.0	28.3	24.9	23.0	25.0	26.8	26.0	24.5
Research and development expenses	-766	-765	-806	-779	-827	-806	-864	-785
Selling and administrative expenses	-2,736	-2,779	-3,094	-2,831	-3,319	-2,941	-3,077	-2,920
- as % of sales	13.0	12.1	13.1	11.3	13.1	11.1	11.3	11.3
Other operating income/expenses, net	420	8	-397	-213	-134	5	89	-45
<b>Operating profit</b>	<b>2,594</b>	<b>2,953</b>	<b>1,581</b>	<b>1,929</b>	<b>2,069</b>	<b>3,379</b>	<b>3,213</b>	<b>2,567</b>
Operating margin, %	12.4	12.9	6.7	7.7	8.2	12.7	11.8	10.0
Adjusted operating profit	2,260	3,058	2,473	2,131	2,542	3,478	3,614	2,956
Adjusted operating margin, %	10.8	13.3	10.5	8.5	10.0	13.1	13.3	11.5
Financial net	-266	-68	-484	-311	-376	-437	-383	-374
<b>Profit before taxes</b>	<b>2,328</b>	<b>2,885</b>	<b>1,097</b>	<b>1,618</b>	<b>1,693</b>	<b>2,942</b>	<b>2,830</b>	<b>2,193</b>
Profit margin before taxes, %	11.1	12.6	4.6	6.5	6.7	11.1	10.4	8.5
Income taxes	-559	-824	-511	-394	-709	-783	-668	-460
<b>Net profit</b>	<b>1,769</b>	<b>2,061</b>	<b>586</b>	<b>1,224</b>	<b>984</b>	<b>2,159</b>	<b>2,162</b>	<b>1,733</b>
Net profit attributable to:								
Shareholders of AB SKF	1,705	1,984	493	1,099	893	2,073	2,042	1,657
Non-controlling interests	64	77	93	125	91	86	120	76

# Reconciliation of profit before taxes for the Group

MSEK	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Operating profit:								
Industrial <sup>1)</sup>	2,433	2,685	1,702	1,716	1,771	3,134	2,655	2,100
Automotive <sup>1)</sup>	161	268	-121	213	298	245	558	467
Financial net	-266	-68	-484	-311	-376	-437	-383	-374
<b>Profit before taxes for the Group</b>	<b>2,328</b>	<b>2,885</b>	<b>1,097</b>	<b>1,618</b>	<b>1,693</b>	<b>2,942</b>	<b>2,830</b>	<b>2,193</b>

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

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 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 20

	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
EBITDA, MSEK	3,479	3,814	2,478	2,906	3,118	4,377	4,154	3,645
EBITA, MSEK	2,742	3,104	1,741	2,094	2,234	3,541	3,377	2,732
Adjusted operating profit, MSEK	2,260	3,058	2,473	2,131	2,542	3,478	3,614	2,956
Adjusted operating margin, %	10.8	13.3	10.5	8.5	10.0	13.1	13.3	11.5
Basic earnings per share, SEK	3.74	4.36	1.08	2.41	1.96	4.55	4.48	3.64
Adjusted earnings per share, SEK	3.01	4.59	2.90	2.86	3.00	4.77	5.36	4.49
Dividend per share, SEK	–	7.00	–	–	–	7.00	–	–
Net worth per share, SEK	96	98	109	117	114	113	121	123
Share price at the end of the period, SEK	214.5	153.9	150.5	150.3	159.2	204.0	187.6	182.2
NWC, % of 12 months rolling sales	30.7	34.3	35.7	35.6	32.4	32.4	32.7	31.2
ROCE for the 12-month period, %	14.8	14.8	12.7	11.5	10.6	11.0	12.7	13.3
ROE for the 12-month period, %	18.8	18.3	13.8	11.7	9.5	9.4	12.0	12.6
Gearing, %	40.5	39.0	35.2	36.6	35.6	35.9	34.9	34.0
Equity/assets ratio, %	45.5	45.7	48.2	47.7	48.7	47.9	48.7	49.8
Additions to property, plant and equipment, MSEK	1,138	1,023	1,372	1,288	1,347	1,498	1,608	1,167
Net debt/equity, %	38.3	45.0	37.7	35.2	35.2	39.8	35.4	30.8
Net debt, MSEK	17,360	20,787	19,444	19,441	19,034	21,303	20,393	17,893
Net debt/EBITDA	1.2	1.4	1.5	1.5	1.5	1.7	1.4	1.2
Registered number of employees	42,602	42,763	42,602	42,885	42,641	42,083	41,675	41,141

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](https://investors.skf.com/en).

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

MSEK unless otherwise stated

Industrial	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Net sales	15,135	16,520	17,114	17,735	18,147	18,968	19,180	18,102
Adjusted operating profit	2,164	2,775	2,372	1,907	2,159	3,208	3,047	2,480
Adjusted operating margin, %	14.3	16.8	13.9	10.8	11.9	16.9	15.9	13.7
Operating profit	2,433	2,685	1,702	1,716	1,771	3,134	2,655	2,100
Operating margin, %	16.1	16.3	9.9	9.7	9.8	16.5	13.8	11.6
Assets and liabilities, net	43,410	47,426	49,450	52,016	50,469	53,584	56,318	54,622
Registered number of employees	35,539	35,700	35,845	36,166	35,991	35,571	35,443	34,872

Automotive	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Net sales	5,851	6,422	6,541	7,240	7,214	7,581	7,943	7,669
Adjusted operating profit	96	283	101	224	383	270	568	476
Adjusted operating margin, %	1.6	4.4	1.5	3.1	5.3	3.6	7.1	6.2
Operating profit	161	268	-121	213	298	245	558	467
Operating margin, %	5.0	4.2	-1.8	2.9	4.1	3.2	7.0	6.1
Assets and liabilities, net	10,591	12,236	14,852	15,951	15,177	15,288	15,948	15,706
Registered number of employees	3,989	3,983	4,027	4,063	4,023	4,002	3,919	3,931

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. In August there was an attack on the city of Lutsk in Ukraine and our factory was hit by a missile. The factory has not been producing since then and it is still not clear when the production can be resumed. An impairment of SEK -18 million of the assets destroyed in the attack has been included in the Q3 result.

Gothenburg, 27 October 2023

Aktiebolaget SKF (publ)

Rickard Gustafson  
President and CEO

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

## Parent Company condensed income statements

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
Net sales	1,617	1,077	5,956	4,731
Cost of goods sold	-1,457	-1,412	-4,607	-4,400
General management and administrative expenses	-486	-404	-1,503	-1,238
Other operating income/expenses, net	4	-1	3	11
<b>Operating profit</b>	<b>-322</b>	<b>-740</b>	<b>-151</b>	<b>-896</b>
Financial income and expenses, net	883	944	896	1,103
<b>Profit before taxes</b>	<b>561</b>	<b>204</b>	<b>745</b>	<b>207</b>
Appropriations	-	-	-	-
Income taxes	69	144	32	177
<b>Net profit</b>	<b>630</b>	<b>348</b>	<b>777</b>	<b>384</b>

## Parent Company condensed statements of comprehensive income

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022
Net profit	630	348	777	384
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-64	10	-51	28
<b>Other comprehensive income, net of tax</b>	<b>566</b>	<b>358</b>	<b>726</b>	<b>412</b>
<b>Total comprehensive income</b>	<b>566</b>	<b>358</b>	<b>726</b>	<b>412</b>

## Parent Company condensed balance sheets

MSEK	September 2023	December 2022
Intangible assets	1,077	1,234
Investments in subsidiaries	22,437	22,441
Receivables from subsidiaries	15,919	18,388
Other non-current assets	982	927
<b>Non-current assets</b>	<b>40,415</b>	<b>42,990</b>
Receivables from subsidiaries	4,912	5,555
Other receivables	489	358
<b>Current assets</b>	<b>5,401</b>	<b>5,913</b>
<b>Total assets</b>	<b>45,816</b>	<b>48,903</b>
Shareholders' equity	23,672	26,117
Provisions	753	666
Non-current liabilities	15,915	18,386
Current liabilities	5,476	3,734
<b>Total shareholders' equity, provisions and liabilities</b>	<b>45,816</b>	<b>48,903</b>

# 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.

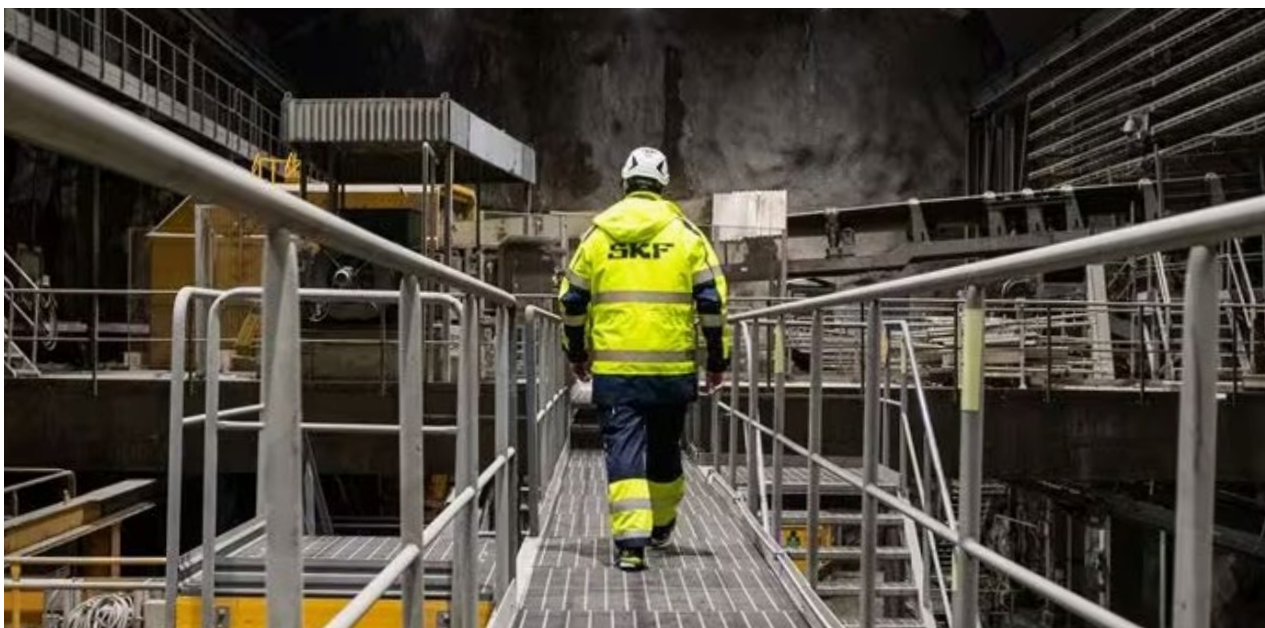
## **SKF demand outlook**

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](https://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](https://investors.skf.com/en)), including under the Administration Report; "Risk management" and in this report under "Risks and uncertainties in the business."



SKF and LKAB have been long-term partners, and the newly signed agreement will encompass advanced condition monitoring of around 12,000 measurement points in critical rotary mechanical equipment in all the facilities in Malmfälten. SKF's service technicians will analyze and provide feedback on deviations, with suggested improvements.

## Webcast

27 October at 08:15 (CEST),  
07.15 (UK BST)  
<https://investors.skf.com/en>

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## Calendar 2023

31 January 2024 Q4 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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The financial information in this report contains inside information that AB SKF is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons set out above, on 27 October 2023 at 07.00 CEST.