



Year-end report 2023

31 January 2024

Q4 2023

- Net sales SEK 24,438 million (25,361).
- Organic growth -1.9% (9.7%).
- Adjusted operating profit SEK 2,929 million (2,542).
- Operating profit SEK 1,925 million (2,069).
- Adjusted operating margin 12.0% (10.0%).
 - Industrial 15.1% (11.9%).
 - Automotive 4.3% (5.3%).
- Operating margin 7.9% (8.2%).
 - Industrial 11.1% (9.8%).
 - Automotive -0.1% (4.1%).
- Net cash flow from operations SEK 3,937 million (3,351).
- Basic earnings per share SEK 1.37 (1.96).

Full year 2023

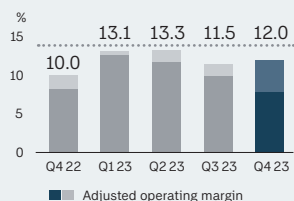
- Net sales SEK 103,881 million (96,933).
- Organic growth 3.7% (8.1%).
- Adjusted operating profit SEK 12,977 million (10,204).
- Operating profit SEK 11,084 million (8,532).
- Adjusted operating margin 12.5% (10.5%).
 - Industrial 15.4% (13.3%).
 - Automotive 5.3% (3.6%).
- Operating margin 10.7% (8.8%).
 - Industrial 13.3% (11.3%).
 - Automotive 4.2% (2.4%).
- Net cash flow from operations SEK 13,783 million (5,641).
- Basic earnings per share SEK 14.04 (9.81).

Financial overview

MSEK unless otherwise stated	Q4 2023	Q4 2022	2023	2022
Net sales	24,438	25,361	103,881	96,933
Adjusted operating profit	2,929	2,542	12,977	10,204
Adjusted operating margin, %	12.0	10.0	12.5	10.5
Operating profit	1,925	2,069	11,084	8,532
Operating margin, %	7.9	8.2	10.7	8.8
Adjusted profit before taxes	2,220	2,166	11,074	8,965
Profit before taxes	1,216	1,693	9,181	7,293
Net cash flow from operating activities	3,937	3,351	13,783	5,641
Basic earnings per share	1.37	1.96	14.04	9.81
Adjusted earnings per share	3.57	3.00	18.20	13.49

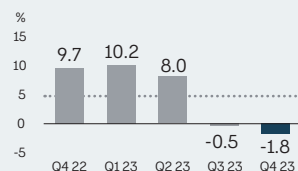
Operating margin¹⁾

TARGET 14%



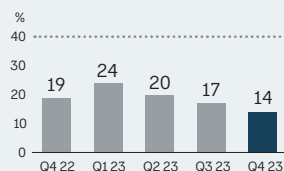
Revenue growth²⁾

TARGET 5%



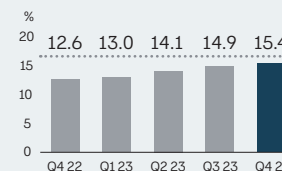
Net debt/Equity³⁾

TARGET <40%

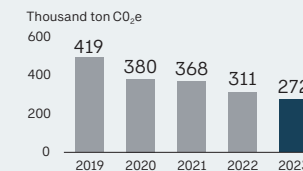


ROCE¹⁾

TARGET 16%



Decarbonized Operations^{4,5)}



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) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.
- 5) 2023 is pending final verification from external auditors.

Strategy execution yielding strong performance

We have diligently executed on our strategy throughout 2023 to further strengthen us as a company. This strategic transformation has made us more resilient and competitive also in the weaker demand environment that we faced in the second half of 2023. This is also reflected in our results for the full year 2023 where we, for the first time ever, delivered net sales over SEK 100 billion. This brings our organic growth to around 4%. The adjusted operating margin for 2023 came in at 12.5%, a significant improvement compared to 2022. Cash flow from operations was SEK 13.8 billion, which is one of our strongest performances ever.

Strong fourth quarter results despite lower demand

Net sales in the fourth quarter was SEK 24,438 million, representing an organic sales decline of -2% (+10%). In the quarter, we saw lower customer demand in all of our regions due to the economic slowdown, partially offset by effective price & mix management. Within our targeted high-growth segments we performed well in railway, industrial distribution and aerospace, fueled by our ability to develop innovative solutions together with our customers. To give just a few examples, in the fourth quarter we introduced new robust bearings for railway gearboxes and precision bearings for lithium battery production.

In the fourth quarter, the adjusted operating profit was SEK 2,929 million (2,542 million). The adjusted operating margin of 12% was significantly higher than in the fourth quarter last year (10%) despite a high single digit volume drop. Pricing, cost and continued portfolio management activities contributed positively to our profitability. Our decentralized operating model has further enhanced our ability to drive productivity and efficiency in our operations. As an example, we successfully completed the previously announced SEK 2 billion annual run-rate savings program including a reduction of more than 1,000 staff positions. Our increased transformation pace is also reflected in items affecting comparability, which is high in the quarter, driven by rapid progress in key strategic initiatives, e.g. Busan factory closure, Schweinfurt transformation and staff reductions.

Our Industrial business continued to perform well in the quarter and delivered a strong adjusted operating margin above 15% (12%) despite lower demand. Our efforts to prune the portfolio partly explains the lower growth, but it has also

helped to improve our profitability as we continue to focus on higher margin businesses. The adjusted operating margin for our Automotive business in the fourth quarter came in at 4% (5%), with Q4 typically being a lower margin quarter. We feel confident that our underlying Automotive business performance is on a positive trajectory as we shift the portfolio towards electrification and lower friction solutions.

The continued activities to improve our net working capital, mainly through reducing our inventories, has brought NWC below 28% of sales in the fourth quarter, contributing to the very strong cash flow from operations of SEK 3.9 billion (3.4 billion) in the quarter.

Rapid execution of our strategy in 2023

Last year, our performance was tested both in a strong demand economy in the first half, as well as in an economic slowdown in the second half. We can conclude that our strategy has helped us to navigate in both types of environments and made us more resilient and competitive.

Thanks to our investments in innovation and technology development, we have a strong product and services pipeline with several new products being launched in 2023, bringing significant customer value and thereby fueling profitable growth. This has enabled us to defend or increase our market share in many important industrial segments. The strong progress and double-digit growth in several of our targeted high-growth segments was maintained throughout 2023, with e.g. railway and aerospace businesses growing around 20%.

Regionalization and optimization of our manufacturing footprint are important parts of our strategy to be closer to our customers and thus shorten delivery times and reducing need for transportation. In 2023 we took some major steps in all our regions, for example the inauguration of our factory in Monterrey, Mexico, the announced closings of the factories in Luton, UK, and Busan, Korea, as well as the progress in the restructuring of our operations in Schweinfurt, Germany. We have also continued to actively work with portfolio management, both on a strategical and a tactical level, with the finalized strategic review of our Aerospace business as an example of the former.

By providing solutions to our customers to minimize friction and energy waste in their operations, we continue to contribute to the needed sustainability transformation.



For our own operations, we decided last year to allocate a total of SEK 3 billion over a 6-years period to meet our energy and decarbonization goal by 2030. Our leading and ambitious sustainability efforts are also recognized by EcoVadis in their latest sustainability rating, where we received a Platinum Medal and retained our position in the top 1% of all companies assessed.

All these, and other, achievements would not have been possible without the great work and dedication from our employees throughout the year. I'm very grateful for their commitment and how they support each other, our customers, and our business.

Outlook

In 2024, we will focus on successfully implementing our ongoing strategic initiatives. This includes, for example, continued activities related to optimizing our supply chain and footprint, managing and restructuring our portfolio, and strengthening our leadership position within sustainability and low-friction products and services.

In 2024, we expect to see continued market volatility and geopolitical uncertainty and the business is prepared to tackle different scenarios. Looking into the first quarter of 2024, we expect a mid-single-digit organic sales decline. For the full year, we expect a low single-digit organic sales decline, compared to 2023.

In recognition of the Group's solid financial position, the Board has decided to propose to the Annual General Meeting a dividend of SEK 7.50 per share.

Rickard Gustafson
President and CEO

Financial performance

Fourth quarter 2023

Operating profit for the fourth quarter was SEK 1,925 million (2,069). Operating profit included items affecting comparability of SEK -1,004 million (-473), whereof SEK -508 million (-401) related to ongoing restructuring, factory closures and cost reduction activities, SEK -338 million related to currency devaluation in Argentina and SEK -158 million (-72) related to impairments due to consolidation of factories.

The adjusted operating profit for the fourth quarter was SEK 2,929 million (2,542). The adjusted operating profit was positively impacted by price and customer mix. It was also positively impacted by cost decreases where material, energy and logistic costs were lower, and salaries and wages were higher than last year. The adjusted operating profit was negatively impacted by lower sales, manufacturing volumes and currency effects.

Adjusted operating profit bridge, MSEK	Q4
2022	2,542
Currency impact	-262
Divested businesses	–
Organic sales & Manufacturing volumes	436
Cost development	213
2023	2,929

- Financial income and expense, net, was SEK -709 million (-376). Exchange rate fluctuations had a more negative effect in the fourth quarter 2023, compared to the fourth quarter 2022, whereof SEK -250 million is related to the devaluation in Argentina.
- Taxes in the quarter was SEK -493 million (-709) resulting in an effective tax rate of 40.5% (41.9%). The tax rate in both 2023 and 2022 was negatively impacted by withholding tax on intra-group dividends, currency adjustments and changes to deferred tax assets.
- Net cash flow from operating activities in the fourth quarter was SEK 3,937 million (3,351). The improved cash flow is mainly driven by positive changes in working capital where the most positive impact is coming from changes in inventories and accounts payables.
- Net working capital in percent of annual sales was 27.7% in December 2023 compared to 32.4% in December 2022. The ratio was positively affected by lower inventory levels in relation to sales compared to last year.
- Provisions for post-employment benefits, net, increased by SEK 494 million (1,107) in the fourth quarter driven by actuarial losses on gross obligation due to lower discount rates, partly offset by payments and currency effects.

Full year 2023

Operating profit for the year was SEK 11,084 million (8,532). Operating profit included items affecting comparability of SEK -1,893 million (-1,672), whereof SEK -1,398 million (-851) related to ongoing restructuring, factory closures and cost reduction activities, SEK -338 million related to currency devaluation in Argentina, SEK -176 million (-125) related to impairments and SEK 18 million (3) related to gain on sale of business. For 2022 it also included SEK -675 million related to the divestment of the business in Russia and SEK -24 million related to customer settlements.

The adjusted operating profit for the year was SEK 12,977 million (10,204). The adjusted operating profit was positively impacted by price and customer mix. The adjusted operating profit was negatively impacted by sales and manufacturing volumes, currency effects and cost increases, mainly related to wages, salaries and material costs partly offset by decreases in energy and logistic costs.

Adjusted operating profit bridge, MSEK	2023
2022	10,204
Currency impact	-201
Divested businesses	10
Organic sales & Manufacturing volumes	5,024
Cost development	-2,060
2023	12,977

- Financial income and expense, net, was SEK -1,903 million (-1,239). Exchange rate fluctuations had a more negative effect in 2023 compared to 2022 whereof SEK -250 million is related to the devaluation in Argentina. In addition, interest expenses were significantly higher during 2023.
- Taxes in 2023 was SEK -2,404 million (-2,438) resulting in an effective tax rate of 26.2% (33.4%). 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 13,783 million (5,641). 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 27.7% in December 2023 compared to 32.4% in December 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 -43 million (-3,090) during 2023, driven by payments and currency effects offset by actuarial losses on gross obligation due to changed discount rates and expenses during the year.

Key figures	31 Dec 2023	30 Sep 2023	31 Dec 2022
Net working capital, % of 12 months rolling sales	27.7	31.2	32.4
ROCE for the 12-month period, % ¹⁾	15.4	14.9	12.6
Net debt/equity, %	29.5	30.8	35.2
Net debt/equity, excluding post-employment benefits, %	13.9	16.9	19.3
Net debt/EBITDA	1.1	1.2	1.5

1) Adjusted for items affecting comparability.

Dividend proposal

The Board has decided to propose a dividend of SEK 7.50 per share to the Annual General Meeting.

Sales

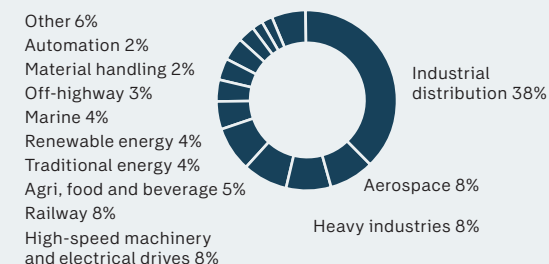
Net sales, change y-o-y, %	Q4				Full year 2023			
	Organic ¹⁾	Structure	Currency	Total	Organic ¹⁾	Structure	Currency	Total
SKF Group	-1.9	0.1	-1.8	-3.6	3.7	-0.5	3.9	7.1
Industrial	-3.0	0.1	-1.2	-4.1	2.3	-0.4	4.0	5.9
Automotive	0.7	0.0	-3.2	-2.5	7.1	-0.5	3.7	10.3

¹⁾ Price, mix and volume

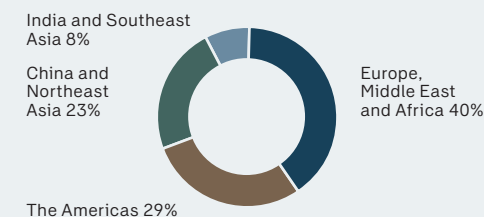
Organic sales in local currencies, change y-o-y, %	Q4				Full year 2023			
	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia	Europe, Middle East & Africa	The Americas	China & Northeast Asia	India & Southeast Asia
SKF Group	0.4	-5.3	-1.9	-1.0	6.7	0.0	2.0	6.7
Industrial	+/-	--	--	-	++	+/-	+/-	++
Automotive	+	--	++	++	+++	+	++	+++

Customer industries	Q4				Full year 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 and 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 Q4 2023



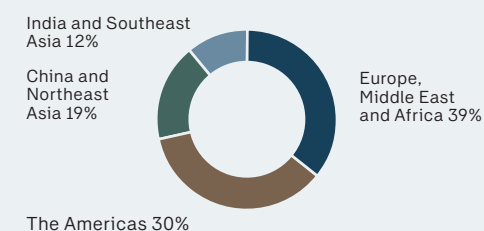
Net sales by region for Industrial Q4 2023



Net sales by customer industry for Automotive Q4 2023



Net sales by region for Automotive Q4 2023



Industrial

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

Europe, Middle East and Africa

Overall, sales were relatively unchanged in the quarter. By industry, sales to aerospace, railway and traditional energy were significantly higher. To marine it was higher and to industrial distribution and other it was relatively unchanged. To off-highway it was lower while it was significantly lower to high-speed machinery and electrical drives, renewable energy, heavy industries, agriculture, food and beverage, material handling and automation compared to Q4 2022.

The Americas

Overall, sales were lower in the quarter. By industry, sales to aerospace were significantly higher, to industrial distribution and traditional energy it was higher while it was slightly higher to automation. Sales to all other industrial segments were significantly lower compared to Q4 2022.

China and Northeast Asia

Overall, sales were lower in the quarter. By industry, sales to industrial distribution, heavy industries, aerospace, railway, marine, automation and traditional energy were all significantly higher. To material handling it was slightly lower and to high-speed machinery and electrical drives it was lower. To other, renewable energy, agriculture, food and beverage and off-highway it was significantly lower compared to Q4 2022.

India and Southeast Asia

Overall, sales were slightly lower in the quarter. By industry, sales to off-highway and automation were significantly higher. To material handling it was higher, to heavy industries it was slightly higher while sales to other, aerospace and railway were relatively unchanged. Sales to industrial distribution, high-speed machinery and electrical drives were slightly lower while sales to renewable energy, agriculture, food and beverage, marine and traditional energy were significantly lower compared to Q4 2022.

Automotive

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

Europe, Middle East and Africa

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

The Americas

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

China and Northeast Asia

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

India and Southeast Asia

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

Segment information¹⁾

MSEK unless otherwise stated

	Industrial				Automotive			
	Q4 2023	Q4 2022	2023	2022	Q4 2023	Q4 2022	2023	2022
Net sales	17,401	18,147	73,651	69,516	7,037	7,214	30,230	27,417
Adjusted operating profit	2,629	2,159	11,363	9,213	300	383	1,614	991
Adjusted operating margin, %	15.1	11.9	15.4	13.3	4.3	5.3	5.3	3.6
Operating profit	1,930	1,771	9,819	7,874	-5	298	1,265	658
Operating margin, %	11.1	9.8	13.3	11.3	-0.1	4.1	4.2	2.4

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

Fourth quarter 2023

The adjusted operating profit for the fourth quarter was SEK 2,629 million (2,159). The adjusted operating profit was positively impacted by price and customer mix as well as lower costs for material, energy, and logistics offset by higher costs for salaries and wages. The adjusted operating profit was negatively impacted by lower sales and manufacturing volumes and currency effects.

Adjusted operating profit bridge, MSEK	Q4
2022	2,159
Currency	-194
Divested businesses	–
Organic sales & Manufacturing volumes	425
Cost development	239
2023	2,629

Full year 2023

The adjusted operating profit for the year was SEK 11,363 million (9,213). The adjusted operating profit was positively impacted by price and customer mix. The adjusted operating profit was negatively impacted by sales and manufacturing volumes as well as wages and salaries, material costs and currency effects.

Adjusted operating profit bridge, MSEK	2023
2022	9,213
Currency	-122
Divested businesses	8
Organic sales & Manufacturing volumes	3,239
Cost development	-975
2023	11,363

Automotive

Comments on adjusted operating profit 2023, compared to 2022

Fourth quarter 2023

The adjusted operating profit for the fourth quarter was SEK 300 million (383). The adjusted operating profit was positively impacted by sales and manufacturing volumes. The adjusted operating profit was negatively impacted by currency effects and higher costs for material and salaries and wages, offset by lower costs for energy and logistics.

Adjusted operating profit bridge, MSEK	Q4
2022	383
Currency	-68
Divested businesses	–
Organic sales & Manufacturing volumes	11
Cost development	-26
2023	300

Full year 2023

The adjusted operating profit for the year was SEK 1,614 million (991). The adjusted operating profit was positively impacted by sales and manufacturing volumes, price and customer mix. The adjusted operating profit was negatively impacted by wages and salaries, material costs and currency effects.

Adjusted operating profit bridge, MSEK	2023
2022	991
Currency	-79
Divested businesses	2
Organic sales & Manufacturing volumes	1,785
Cost development	-1,085
2023	1,614

Outlook and Guidance

Demand for Q1 2024 compared to Q1 2023

Looking into the first quarter of 2024, we expect a mid-single-digit organic sales decline.

Guidance for Q1 2024

Currency impact on the operating profit is expected to be around SEK 400 million negative compared with the first quarter 2023, based on exchange rates per 31 December 2023.

Guidance 2024

- For the full year, we expect a low single-digit organic sales decline, compared to 2023.
- Tax level excluding effects related to divested businesses: around 26%.
- Additions to property, plant and equipment: around SEK 5,5 billion.

Previous outlook and guidance statement

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.

Significant events

17 October 2023

Confirmed closure of Luton factory

Following a consultation process with employees and union representatives, SKF has confirmed the proposed closure of its factory in Luton, UK. The proposal was made in May 2023 as part of a consolidation of the Group's spherical roller bearing manufacturing to secure the long-term competitiveness on the European markets.

27 October 2023

Strategic review of the Aerospace business

Following the completion of a strategic review of the Aero-space business, SKF is further strengthening and investing in its Aerospace core areas, but also exploring strategic options to fully or partially exit business lines that are non-core.

8 November 2023

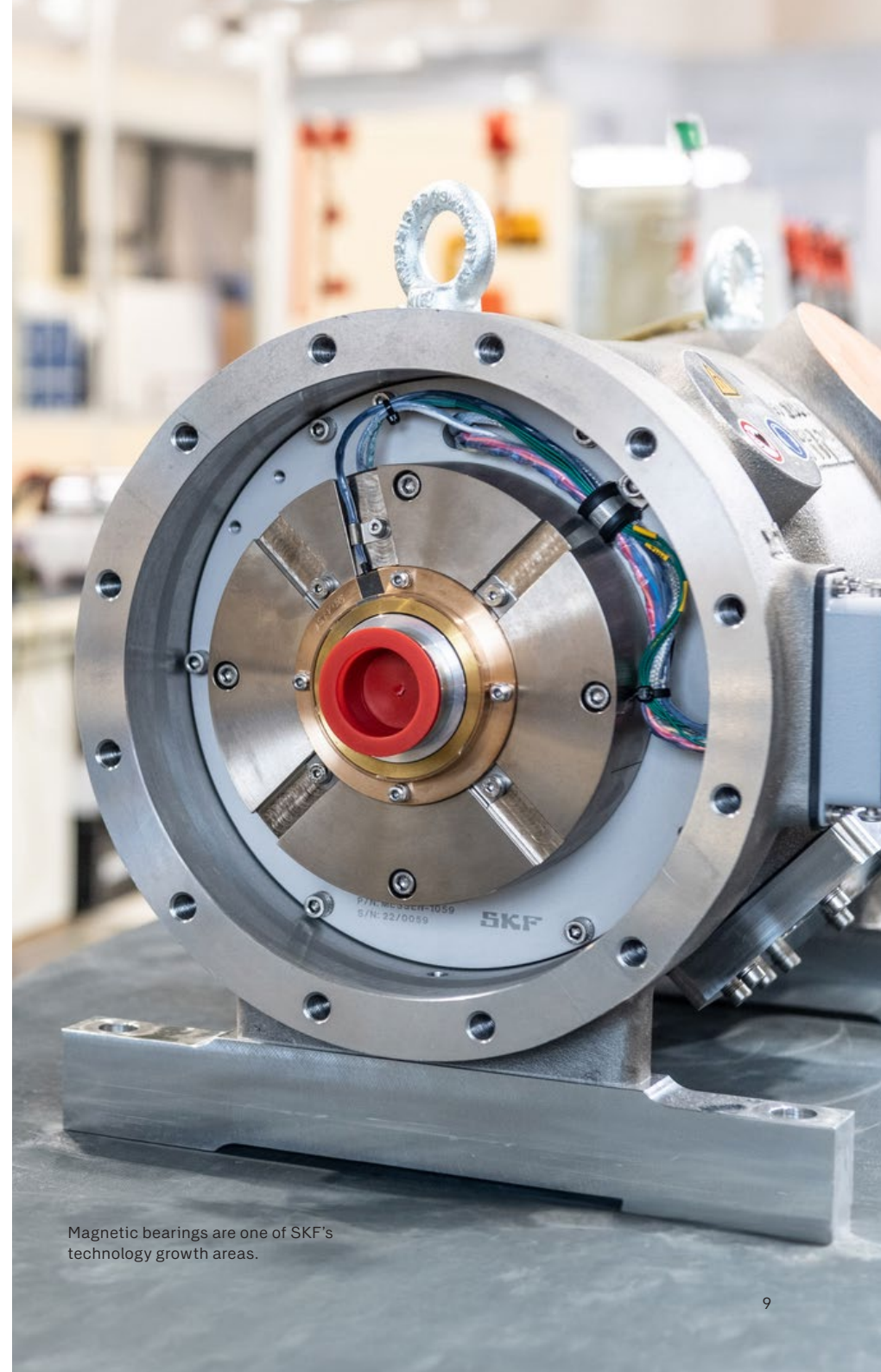
Strengthening the magnetic bearing offer by acquiring fibre composite company

SKF has signed an agreement to acquire 2C Composites, a German high-performance fibre composite supplier. Through the acquisition, SKF will secure the supply of a leading and unique technology of composite layers which will strengthen the Group's magnetic bearings offer.

1 December 2023

Increased localization rate in the Americas and Asia; closes factory in Busan, Korea

SKF has announced a transfer of the supply of products from the factory in Busan, Korea, to China, India and Mexico. Consequently, and after a thorough business review and consideration of alternative options, it has been decided that the manufacturing site in Busan will be ramped down, with a full closure anticipated in the first quarter of 2024.



Magnetic bearings are one of SKF's technology growth areas.

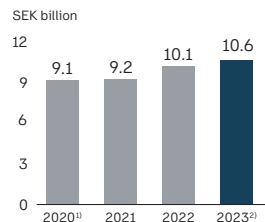
Sustainability performance

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.

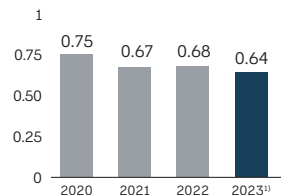
- 1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors in the EU Taxonomy.
2) 2023 figures relate to the latest 12 months period.



Accident rate

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

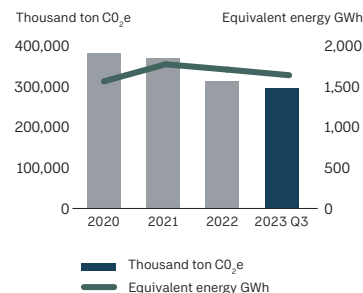
- 1) 2023 figures relate to the latest 12 months period.



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.



The demand for remanufactured bearings is constantly growing. Initially the driving forces were the need for lower costs and shorter lead times. Today, however, sustainability and circularity goals contribute to the demand.



Condensed consolidated income statements

MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	24,438	25,361	103,881	96,933
Cost of goods sold	-18,601	-19,012	-77,541	-72,465
Gross profit	5,837	6,349	26,340	24,468
Research and development expenses	-848	-827	-3,303	-3,177
Selling and administrative expenses	-3,119	-3,319	-12,057	-12,023
Other operating income/ expenses, net	55	-134	104	-736
Operating profit	1,925	2,069	11,084	8,532
Financial income and expenses, net	-709	-376	-1,903	-1,239
Profit before taxes	1,216	1,693	9,181	7,293
Income taxes	-493	-709	-2,404	-2,438
Net profit	723	984	6,777	4,855
Net profit attributable to:				
Shareholders of AB SKF	623	893	6,395	4,469
Non-controlling interests	100	91	382	386
Basic earnings per share (SEK) ¹⁾	1.37	1.96	14.04	9.81

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	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net profit	723	984	6,777	4,855
Items that will not be reclassified to the income statement:				
Remeasurements (actuarial gains and losses)	-964	-1,233	-297	3,674
Income taxes	230	237	83	-898
	-734	-996	-214	2,776
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	-3,621	-1,269	-3,136	3,846
Assets at fair value through other comprehensive income	-32	-44	-82	-16
Income taxes	-	-	-	4
	-3,653	-1,313	-3,218	3,834
Other comprehensive income, net of tax	-4,387	-2,309	-3,432	6,610
Total comprehensive income	-3,664	-1,325	3,345	11,465
Shareholders of AB SKF	-3,598	-1,302	3,082	10,998
Non-controlling interests	-66	-23	263	467

Condensed consolidated balance sheets

MSEK	December 2023	December 2022
Goodwill	11,962	12,351
Other intangible assets	5,045	5,842
Property, plant and equipment	26,820	24,897
Right-of-use asset leases	2,961	3,084
Deferred tax assets	3,107	3,173
Other non-current assets	2,091	1,781
Non-current assets	51,986	51,128
Inventories	23,194	26,052
Trade receivables	16,811	16,905
Other current assets	5,859	5,614
Other current financial assets	14,053	11,224
Current assets	59,917	59,795
Total assets	111,903	110,923
Equity attributable to shareholders of AB SKF	52,743	51,927
Equity attributable to non-controlling interests	2,213	2,116
Long-term financial liabilities	17,894	21,219
Provisions for post-employment benefits	8,797	8,748
Provisions for deferred taxes	1,220	1,365
Other long-term liabilities and provisions	1,422	1,108
Non-current liabilities	29,333	32,440
Trade payables	11,236	11,594
Short-term financial liabilities	4,060	916
Other short-term liabilities and provisions	12,318	11,930
Current liabilities	27,614	24,440
Total equity and liabilities	111,903	110,923

Condensed consolidated statements of changes in shareholders' equity

MSEK	Jan-Dec 2023	Jan-Dec 2022
Opening balance 1 January	54,043	45,365
Net profit	6,777	4,855
Hyperinflation adjustments	929	444
Components of other comprehensive income		
Currency translation adjustments	-3,136	3,846
Change in FV OCI assets and cash flow hedges	-82	-16
Remeasurements	-297	3,674
Income taxes	83	-894
Transactions with shareholders		
Non-controlling interest	-	-1
Cost for Performance Share Programmes, net	-5	27
Dividends	-3,357	-3,249
Other	1	-8
Closing balance 31 December	54,956	54,043

Condensed consolidated statements of cash flow

MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating activities:				
Operating profit	1,925	2,069	11,084	8,532
Non-cash items:				
Depreciation, amortization and impairment	1,279	1,049	4,297	3,784
Net loss/gain (-) on sales of PPE and businesses	46	-4	2	598
Other non-cash items	821	985	1,528	1,530
Income taxes paid	-239	-674	-2,593	-2,572
Interest received	-7	35	403	94
Interest paid	-173	-156	-799	-334
Other	-1,251	-412	-1,613	-2,085
Changes in working capital:	1,536	459	1,474	-3,906
Inventories	601	21	1,709	-3,233
Accounts receivable	827	688	-656	-1,900
Accounts payable	573	-148	43	990
Other operating assets/liabilities	-465	-102	378	237
Net cash flow from operating activities	3,937	3,351	13,783	5,641
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-1,680	-1,402	-5,960	-5,389
Sales of PPE, businesses and equity securities	-2	26	93	43
Net cash flow used in investing activities	-1,682	-1,376	-5,867	-5,346
Net cash flow after investments before financing	2,255	1,975	7,916	295

MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Financing activities:				
Proceeds from short- and long-term loans	14	52	122	4,402
Repayments of short- and long-term loans	-2	-3,257	-122	-3,358
Repayment leases	-204	-260	-863	-809
Cash dividends	-37	-6	-3,357	-3,249
Other financing items	-	-	-212	-198
Investments in short-term financial assets	-93	-102	-419	-304
Sales of short-term financial assets	28	37	339	116
Net cash flow used in financing activities	-294	-3,536	-4,512	-3,400
Net cash flow	1,961	-1,561	3,404	-3,105
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 October/1 January	11,589	11,975	10,255	13,219
Cash effect excl. acquired/sold businesses	1,961	-1,558	3,404	-2,963
Cash effect of acquired/sold businesses	-	-4	-	-143
Exchange rate effect	-239	-158	-348	142
Cash and cash equivalents at 31 December	13,311	10,255	13,311	10,255

	Closing balance 31 December 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	18,496	9	-	-	141	18,346
Post-employment benefits, net	8,578	1,339	-	-1,272	-110	8,621
Lease liabilities	2,836	864	-	-863	-86	2,921
Financial assets, others	-408	4	-	-106	293	-599
Cash and cash equivalents	-13,311	-	-	-3,404	348	-10,255
Net debt	16,191	2,216	-	-5,645	586	19,034

Condensed consolidated financial information

MSEK unless otherwise stated

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
Net sales	22,942	23,655	24,975	25,361	26,549	27,123	25,771	24,438
Cost of goods sold	-16,453	-17,777	-19,223	-19,012	-19,428	-20,058	-19,454	-18,601
Gross profit	6,489	5,878	5,752	6,349	7,121	7,065	6,317	5,837
Gross margin, %	28.3	24.9	23.0	25.0	26.8	26.0	24.5	23.9
Research and development expenses	-765	-806	-779	-827	-806	-864	-785	-848
Selling and administrative expenses	-2,779	-3,094	-2,831	-3,319	-2,941	-3,077	-2,920	-3,119
- as % of sales	12.1	13.1	11.3	13.1	11.1	11.3	11.3	12.8
Other operating income/expenses, net	8	-397	-213	-134	5	89	-45	55
Operating profit	2,953	1,581	1,929	2,069	3,379	3,213	2,567	1,925
Operating margin, %	12.9	6.7	7.7	8.2	12.7	11.8	10.0	7.9
Adjusted operating profit	3,058	2,473	2,131	2,542	3,478	3,614	2,956	2,929
Adjusted operating margin, %	13.3	10.5	8.5	10.0	13.1	13.3	11.5	12.0
Financial net	-68	-484	-311	-376	-437	-383	-374	-709
Profit before taxes	2,885	1,097	1,618	1,693	2,942	2,830	2,193	1,216
Profit margin before taxes, %	12.6	4.6	6.5	6.7	11.1	10.4	8.5	5.0
Income taxes	-824	-511	-394	-709	-783	-668	-460	-493
Net profit	2,061	586	1,224	984	2,159	2,162	1,733	723
Net profit attributable to:								
Shareholders of AB SKF	1,984	493	1,099	893	2,073	2,042	1,657	623
Non-controlling interests	77	93	125	91	86	120	76	100

Reconciliation of profit before taxes for the Group

MSEK	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
Operating profit:								
Industrial ¹⁾	2,685	1,702	1,716	1,771	3,134	2,655	2,100	1,930
Automotive ¹⁾	268	-121	213	298	245	558	467	-5
Financial net	-68	-484	-311	-376	-437	-383	-374	-709
Profit before taxes for the Group	2,885	1,097	1,618	1,693	2,942	2,830	2,193	1,216

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.

Number of shares

	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	29,306,933	29,403,933	29,306,933	29,403,933
- whereof B shares	426,044,135	425,947,135	426,044,135	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

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
EBITDA, MSEK	3,814	2,478	2,906	3,118	4,377	4,154	3,645	3,204
EBITA, MSEK	3,104	1,741	2,094	2,234	3,541	3,377	2,732	2,092
Adjusted operating profit, MSEK	3,058	2,473	2,131	2,542	3,478	3,614	2,956	2,929
Adjusted operating margin, %	13.3	10.5	8.5	10.0	13.1	13.3	11.5	12.0
Basic earnings per share, SEK	4.36	1.08	2.41	1.96	4.55	4.48	3.64	1.37
Adjusted earnings per share, SEK	4.59	2.90	2.86	3.00	4.77	5.36	4.49	3.57
Dividend per share, SEK	7.00	–	–	–	7.00	–	–	–
Net worth per share, SEK	98	109	117	114	113	121	123	116
Share price at the end of the period, SEK	153.9	150.5	150.3	159.2	204.0	187.6	182.2	201.3
NWC, % of 12 months rolling sales	34.3	35.7	35.6	32.4	32.4	32.7	31.2	27.7
ROCE for the 12-month period, %	14.8	12.7	11.5	10.6	11.0	12.7	13.3	13.3
ROE for the 12-month period, %	18.3	13.8	11.7	9.5	9.4	12.0	12.6	12.0
Gearing, %	39.0	35.2	36.6	35.6	35.9	34.9	34.0	35.2
Equity/assets ratio, %	45.7	48.2	47.7	48.7	47.9	48.7	49.8	49.1
Additions to property, plant and equipment, MSEK	1,023	1,372	1,288	1,347	1,498	1,608	1,167	1,478
Net debt/equity, %	45.0	37.7	35.2	35.2	39.8	35.4	30.8	29.5
Net debt, MSEK	20,787	19,444	19,441	19,034	21,303	20,393	17,893	16,191
Net debt/EBITDA	1.4	1.5	1.5	1.5	1.7	1.4	1.2	1.1
Registered number of employees	42,763	42,602	42,885	42,641	42,083	41,675	41,141	40,396

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	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
Net sales	16,520	17,114	17,735	18,147	18,968	19,180	18,102	17,401
Adjusted operating profit	2,775	2,372	1,907	2,159	3,208	3,047	2,480	2,629
Adjusted operating margin, %	16.8	13.9	10.8	11.9	16.9	15.9	13.7	15.1
Operating profit	2,685	1,702	1,716	1,771	3,134	2,655	2,100	1,930
Operating margin, %	16.3	9.9	9.7	9.8	16.5	13.8	11.6	11.1
Assets and liabilities, net	47,426	49,450	52,016	50,469	53,584	56,318	54,622	50,483
Registered number of employees	35,700	35,845	36,166	35,991	35,571	35,443	34,872	34,044

Automotive	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
Net sales	6,422	6,541	7,240	7,214	7,581	7,943	7,669	7,037
Adjusted operating profit	283	101	224	383	270	568	476	300
Adjusted operating margin, %	4.4	1.5	3.1	5.3	3.6	7.1	6.2	4.3
Operating profit	268	-121	213	298	245	558	467	-5
Operating margin, %	4.2	-1.8	2.9	4.1	3.2	7.0	6.1	-0.1
Assets and liabilities, net	12,236	14,852	15,951	15,177	15,288	15,948	15,706	14,548
Registered number of employees	3,983	4,027	4,063	4,023	4,002	3,919	3,931	4,062

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.

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 700 employees. Sales in Ukraine amounted to less than 0.1% of SKF's total sales in 2023. In August 2023 there was an attack on the city of Lutsk in Ukraine and our factory was hit by a bomb. The factory has not been producing during August to December but the production resumed in January 2024.

Gothenburg, 31 January 2024

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	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	1,826	1,927	7,782	6,658
Cost of goods sold	-1,445	-1,523	-6,052	-5,923
General management and administrative expenses	-416	-561	-1,919	-1,799
Other operating income/expenses, net	6	-3	9	8
Operating profit	-29	-160	-180	-1,056
Financial income and expenses, net	998	2,446	1,894	3,549
Profit before taxes	969	2,286	1,714	2,493
Appropriations	705	1,115	705	1,115
Income taxes	-73	-172	-41	5
Net profit	1,601	3,229	2,378	3,613

Parent Company condensed statements of comprehensive income

MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net profit	1,601	3,229	2,378	3,613
Items that may be reclassified to the income statement:				
Assets at fair value through other comprehensive income	-34	-43	-85	-15
Other comprehensive income, net of tax	1,567	3,186	2,293	3,598
Total comprehensive income	1,567	3,186	2,293	3,598

Parent Company condensed balance sheets

MSEK	December 2023	December 2022
Intangible assets	1,021	1,234
Investments in subsidiaries	22,431	22,441
Receivables from subsidiaries	15,281	18,388
Other non-current assets	857	927
Non-current assets	39,590	42,990
Receivables from subsidiaries	6,176	5,555
Other receivables	505	358
Current assets	6,681	5,913
Total assets	46,271	48,903
Shareholders' equity	25,254	26,117
Provisions	741	666
Non-current liabilities	15,278	18,386
Current liabilities	4,998	3,734
Total shareholders' equity, provisions and liabilities	46,271	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 has expanded its portfolio of Condition Monitoring solutions with the SKF Enlight Collect IMx-1-EX sensor. Wireless monitoring of assets helps predict machine failure before it can escalate into a serious problem, such as an unscheduled shutdown.

Webcast

31 January at 08:00 (CET),
07.00 (GMT)
<https://investors.skf.com/en>

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Calendar 2024

4 March	Annual Report 2023
26 March	Annual General Meeting
28 March	Proposed record date to be entitled to receive dividends
4 April	Expected date for distribution of dividend
26 April	Q1 report
18 July	Q2 report
30 October	Q3 report
31 January 2025	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 around 129 countries
Net sales in 2023: SEK 103,881 million
40,396 employees
> 17,000 distributors

AB SKF (publ)

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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 31 January 2024 at 07.00 CET.