SKF

ANNUAL AND SUSTAINABILITY REPORT 2024

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ADMINISTRATION REPORT

The Administration Report has been audited by SKF's external auditors. See the Auditor's Report on pages 79–80.

SUSTAINABILITY REPORT

Sustainability disclosures in the Annual Report have undergone limited assurance engagement by SKF's auditors. See the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report on page 149. The definition of the Statutory Sustainability Report is presented on page 83.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report examined by the auditors can be found on pages 150–160. The Auditor's Report on the Corporate Governance Report can be found on page 161.

REMUNERATION REPORT

The Remuneration Report can be found on pages 168–174.

AROUND 20% OF ALL ENERGY PRODUCED IS USED TO OVERCOME FRICTION.

Today, around 20% of all energy is spent overcoming friction. At SKF, we fight friction to reduce energy waste and make the most of the resources around us.

As a leading technology and engineering company, we deliver value at every step of our customers' journey. From the design phase, integrating our solutions into customers' products, to ongoing support throughout their lifecycle, we provide peace of mind.

Built on a century of expertise and a profound understanding of our customer applications, we've established a global presence and a brand trusted across industries. This allows us to offer tailored solutions – whether optimizing for speed, durability or efficiency – paving the way for a sustainable, resource-efficient future.

Our offering

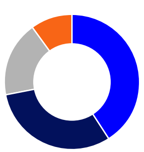
With hands-on experience in over 40 industries, we provide a comprehensive portfolio and knowledge built on our core technology platforms: bearings and bearing units, seals, lubrication systems, intelligent solutions, such as condition monitoring, and services. By integrating these platforms, we deliver customized solutions that combine products, technologies, and services with flexible new business models to meet each customer's unique needs.

Bearings and bearing units
Seals
Lubrication systems
Intelligent solutions
Services

Our presence

In 1907, SKF patented the double row self-aligning ball bearing and became a global company in just ten years. Today, SKF is a trusted and leading global industrial brand with a presence in 130 countries. We operate across four regions, to serve customers with speed and responsiveness.

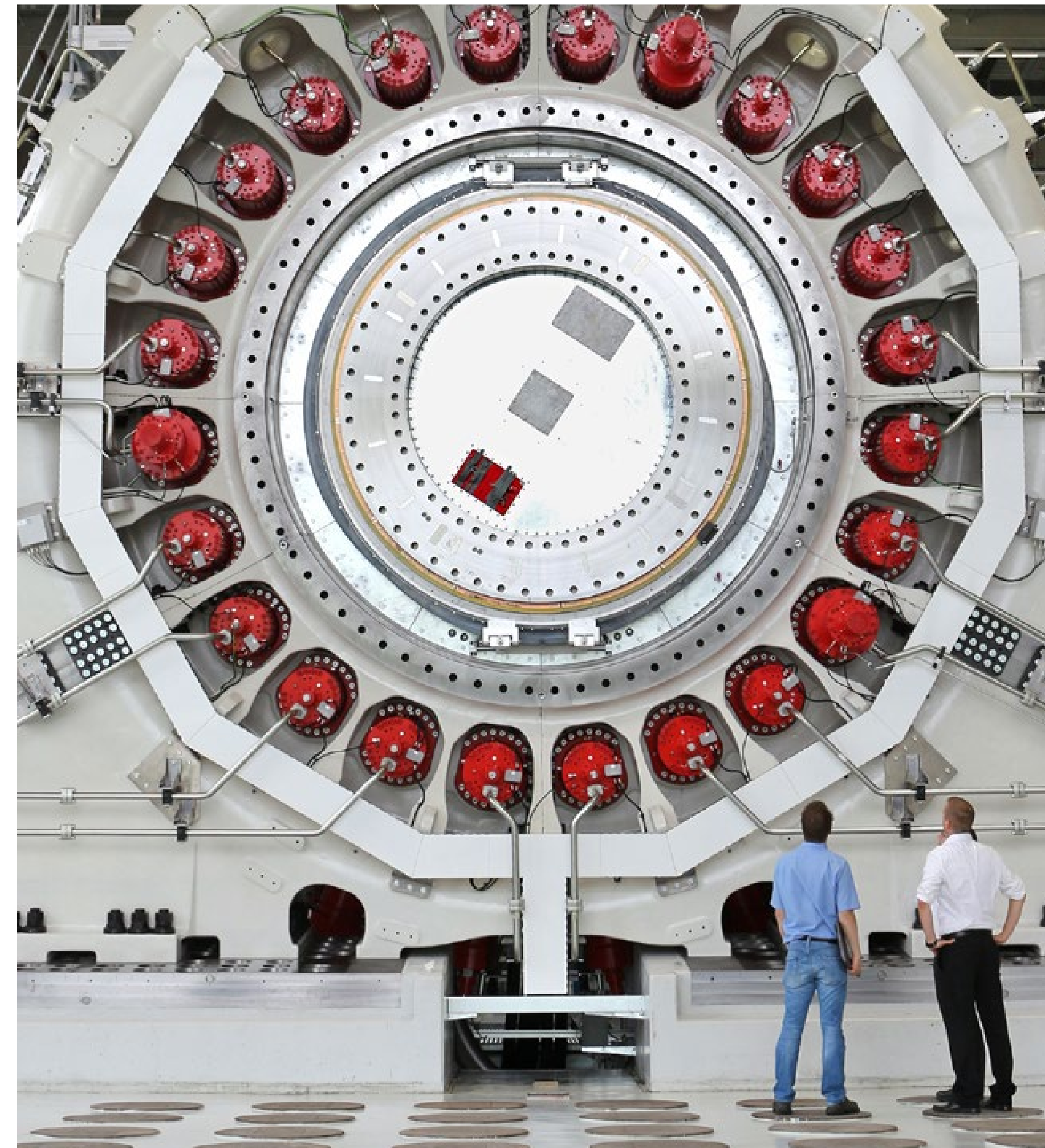
Share of Group net sales



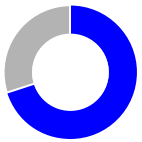
38,743
employees

130
countries

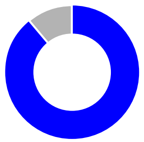
>17,000
distributors



The Industrial business



70%
of net sales



89%
of operating profit[1]

Our offering

- Supplying more than 40 industries globally with products and services, both directly and indirectly through a network of more than 7,000 distributors.
- Broad product range of bearings, seals, lubrication systems and power transmission products.
- Rotating shaft services and solutions for machine health assessment, reliability engineering and circular solutions such as remanufacturing and the Infinium product offering (bearings designed for circular performance).

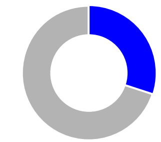
Our position

A leading position in industries such as railway, aerospace, heavy industries and industrial distribution markets, and a prominent position in other industries.

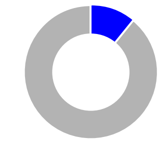
The industrial bearings market 2024[2]

Estimated value	310–330 SEK bn
Development	−5 to −7%

The Automotive business



30%
of net sales



11%
of operating profit[1]

Our offering

- Customized bearings, seals and related products for e-powertrain, driveline, engine, wheel-end, suspension, and steering applications to manufacturers of electrical vehicles and commercial vehicles.
- Supplying the vehicle aftermarket with spare parts, both directly and indirectly through a network of more than 10,000 distributors.

Our position

One of the leaders in innovative bearing products to drive the shift to electrification and ensure the highest efficiency in electric and commercial vehicles. A strong global position in the aftermarket with an extensive product assortment and distribution network.

The automotive bearings market 2024[2]

Estimated value	155–175 SEK bn
Development	−3 to −5%

1) Adjusted for items affecting comparability.
2) Total value of accessible bearings market translated to SEK.

2024 in brief

Net sales, SEK billion

98.7

Operating margin[1], %

12.3

Cash flow[2], SEK billion

10.8

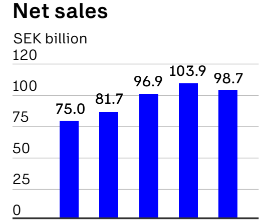
Resilient margin in a soft market
We upheld a resilient adjusted operating margin of 12.3%, driven by solid cost management and robust price/mix actions. This was despite declining volumes in a weak market environment and significant negative currency effects. Net sales declined by 5.4%.

Continued strong financial position
We maintained our solid financial position with a robust balance sheet and strong cash flows. This enabled us to continue investing in long-term profitable growth initiatives, including innovation, enhancing our value chain and more actively exploring smaller acquisition opportunities. As of 31 December, net debt/EBITDA was 1.1 and our cash flow from operations was SEK 10.8 billion.

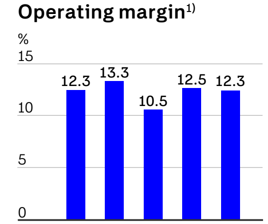
Innovation is key to profitable growth
We invested approximately 3.4% of our revenue in R&D. Moreover, we presented technologically innovative solutions tailored for customers in focused industrial segments at our first virtual Tech & Innovation Summit. This summit will now be a yearly event introducing new innovations bringing further value add to our customers. Innovation is a cornerstone in developing our leading customer value proposition and one of the most important enablers for long-term, profitable organic growth.

Sustainability is in our DNA
We reduced our CO_2 Scope 1 & 2 emissions by 59% vs 2019. The main driver has been a significant progress in the amount of renewable electricity sourced, with the biggest contribution from China. Also, our energy management programme continues to contribute to reduced energy demand. We are on track towards our goal, to significantly cut our emissions by 2030 and achieve net-zero greenhouse gas emissions in our supply chain by 2050.

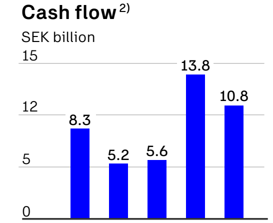
Net sales



Operating margin[1]



Cash flow[2]



1) Adjusted for items affecting comparability. 2) Net cash flow from operating activities.

More about SKF's long-term targets, see pages 19–20.

SKF divests non-core Aerospace operation for SEK 2.3 billion
An agreement was signed to divest our ring and seal operation in Hanover, USA, representing annual sales of approximately SEK 700 million, for a total value of approximately SEK 2.3 billion. Aerospace will remain as one of our largest customer industries and we will continue to invest and strengthen our position in core Aerospace segments related to the aeroengine and aero structure bearing offers.

SKF initiates a separation of its Automotive business
The Board of Directors of SKF has decided to initiate a separation of SKF's Automotive business with the objective of a separate listing on Nasdaq Stockholm through a Lex Asea distribution to SKF's shareholders. Read more in the President's letter, pages 7–9 and on page 11.

CEO Rickard Gustafson

"WE ARE WELL POSITIONED TO CAPTURE PROFITABLE GROWTH"

Thanks to our diligent strategy execution in 2024, we maintained a resilient adjusted operating margin despite challenging market conditions. A key strategic initiative was the decision to initiate the establishment of Automotive as an independent business. This, along with other value-adding activities, is positioning us to capitalize on profitable growth opportunities as demand recovers.

How has SKF navigated the dynamic market conditions in 2024?
"The world continued to be characterized by geo-political uncertainty and a turbulent macroeconomic environment, leading to decreasing volumes across most geographies and industrial verticals. In this context, I am very pleased, that for the full year 2024, we were able to uphold a resilient adjusted operating margin of 12.3% despite a negative organic growth of 5.4%.

While many of the external factors are out of our control, I am pleased that we continued to improve on what we can influence–our active and diligent strategy execution. This includes staying close to our customers through a decentralized organization and active portfolio management where we work across customer industries and product lines to improve our operational performance and focus on higher margin businesses. It also includes the ongoing regionalization of our value chains where our regionalization rates in Asia and Americas increased by five and three percentage points respectively, reaching almost 70% in 2024. Finally, I would also like to emphasize our customer driven innovation and diligent cost management which also contributed to our earnings resilience. With a proven track record within areas such as regionalization, portfolio and cost management, we will continue to actively drive our strategic agenda also going forward.

All in all, we have managed to improve our competitiveness and re-enforce our position as one of the true leaders in the bearing industry. Our ability to manage short-term challenges while, at the same time, continuing to invest in our future, makes us well positioned to capture profitable growth once demand bounces back."

Why should the Automotive business become independent?
"Our ambition is to create a stand-alone Automotive business and list it on Nasdaq Stockholm. This is a natural next step from our decision in 2022 to make the Automotive business more autonomous to ensure greater strategic flexibility. Both our Industrial and Automotive businesses are amongst the global leaders in their respective fields, but they are in many ways different in terms of business dynamics, end markets and success drivers.

As stand-alone businesses, both Industrial and Automotive will be able to have a clearer focus on distinct opportunities enabling increased customer value and transformation speed, as well as improved efficiency and competitiveness. By establishing two focused and independent businesses, tailored to their specific needs, we expect to unlock long-term value and to accelerate profitable growth in both Industrial and Automotive."

What other strategic activities did you implement last year?
"We have achieved a lot, but one key example is our investment in regionalization, where we have worked hard on optimizing our footprint, and on creating competitive and resilient local value chains. This, in combination with our decentralized organizational structure, increases the agility and accountability throughout the organization, enabling an enhanced performance in a volatile external market environment.

Another important strategic area is our ongoing portfolio transformation. Apart from the Board of Directors' decision to initiate the creation of a separate Automotive business, last year we also signed an agreement to divest our ring and seal operation in Hanover, USA, which was identified as non-strategic in the strategic review of our Aerospace business in 2023. Aerospace will remain one of our largest industrial verticals and we will continue to invest to further strengthen our position in core Aerospace segments to optimize our business potential.

But portfolio management is not just about carve outs and divestments. We are also targeting to gradually accelerate profitable growth through smaller bolt-on acquisitions and we have started to build a pipeline of interesting M&A prospects. The acquisition of John Sample Group in October exemplifies this, as it further strengthens our lubrication offering and position in the key markets Indonesia and Australia."

What else have you done to gear up for intelligent and clean growth?
"Our strategy is designed to create significant customer value in targeted markets through sustained innovation leadership and increased agility. To support this, we have better aligned our innovation portfolio to focus on customer needs in targeted segments, leveraging mega trends such as electrification and sustainability. Working closely with our customers enables us to accelerate profitable growth and re-enforce our position as one of the true leaders in the bearing industry.

Innovation and technology development are at the core of SKF, and it makes me proud every time I hear customers explain the value they gain from our products and solutions, and how we contribute to their success. We are not just bringing innovations and new solutions to established and mature industries, like high-speed ceramic bearings to enhance railway fleet efficiency and reliability. We are also enabling new industries and technologies to flourish, like renewable sources as tidal energy.

To gear up for intelligent and clean growth, we are also investing in decarbonization, high-speed rotation, and low-friction products and services. As an example, last year, we developed a bearing tailored for the robotics industry with a 70% reduction in

> Our strategy is designed to create significant customer value in targeted markets through sustained innovation leadership and increased agility.

manufacturing CO_2 footprint, enabling an additional 20% reduction in the end customer application. In another project, together with the Austrian company Voestalpine, we successfully produced the first prototype bearing made from steel containing hydrogen direct reduced iron. A true breakthrough in our efforts to decarbonize the entire bearing production process.

We are on track and fully committed to achieving our target to have decarbonized global operations by 2030. I am encouraged by the recognition we receive for our efforts, including the Platinum Medal in the sustainability rating EcoVadis for the fifth consecutive year and the highest Climate Change rating from CDP. We also continue to support the UN Global Compact initiative, its principles and the Global Goals for 2030."

What roles do your people and culture play in the strategy execution?
"Strategy and culture are deeply interconnected, and our culture, leadership and people are fundamental to the successful execution of our strategy. For example, we are now a more forward-thinking organization, enabling us to act with greater innovation and ambition. This mindset will be essential moving forward, not least in our task to initiate the establishment of Industrial and Automotive as two fit-for-purpose independent businesses. Innovation also demands bold thinking and our engineering expertise keeps us at the forefront. I am also encouraged by our progress in gender diversity, as diverse perspectives enhance innovation, competitiveness and our employer value proposition. In 2024, we increased women-in-leadership positions by 4%, and we were also recognized as a "Leader in Diversity" by Financial Times.

Since establishing our purpose in 2023, we have made substantial progress in embedding it into our global operations. Visiting our facilities worldwide, I am continually impressed by how our purpose is locally integrated into our operations and daily practices. This does not only bring our purpose to life but also helps us to develop as individuals and as a company.

These examples show that success ultimately depends on people. At SKF, we are fortunate to have exceptional individuals and I would like to extend my heartfelt gratitude to all our dedicated employees for your efforts throughout 2024 in managing the business cycle, discovering breakthrough innovations and effectively executing our strategic transformation. These achievements would not have been possible without your commitment and hard work."

> "In 2025, we will remain focused on making SKF even more innovative, agile and competitive.

What will be most important for SKF in 2025?
"2025 will be another year of execution. Our primary focus will, as always, be on working closely with our customers and supporting them with their business needs and sustainability efforts. We will continue to develop our business and execute on our strategy, with a focus on finalizing initiated activities rather than adding new ones. One key strategic initiative will naturally be the establishment of two independent businesses.

In 2025, we will remain focused on making SKF even more innovative, agile and competitive, ready to capitalize on profitable growth opportunities as demand improves. Together with our customers, partners and suppliers we will continue to re-imagine rotation for a better tomorrow."

Why invest in SKF?

As one of the global leaders in bearing technology and industrial solutions, SKF combines a century of engineering expertise with a trusted brand and strong customer relationships. Our strategy focuses on creating significant customer value in targeted markets by leveraging megatrends to drive growth and margin expansion. With a commitment to innovation and operational and commercial excellence, we have a strong platform to progress towards our targets and deliver sustainable, long-term value.

Targeting markets leveraging megatrends
Our competitive edge lies in an integrated approach, combining advanced technology with deep industry-specific expertise to deliver customized solutions across more than 40 industries. As a trusted partner to our diverse customer base, we address critical customer needs in key industries – from electric vehicles, mining and railway to food and beverage, and renewable energy. We have a targeted approach to establish leadership in markets where megatrends such as electrification and sustainability drive demand, while leveraging our strong position in large-scale industries where uptime is critical. Our extensive geographical reach, combined with our first mover advantage in major markets like China and India, positions us strongly to capitalize on growth in emerging markets.

Aftermarket a prioritized area
A key focus is to further strengthen our strong service and aftermarket position, where our robust network with distributors and operations across 130 countries caters for recurring replacement cycles in diverse industrial sectors. Additionally, we deliver value to our customers through services like condition monitoring, which optimize maintenance processes while providing SKF with growing and profitable revenue streams.

Accelerating technology development
Building on a strong track record in cutting-edge technology and with extensive application expertise, we accelerate technology development to sustain our leadership in innovation. Reducing friction and improving energy efficiency addresses a pressing global need, as nearly 20%[1] of all energy is used to overcome friction. In recent years, we have transformed our innovation portfolio, with over 90% of the projects focusing on selected key segments and all these projects target an adjusted operating margin well above the Group's financial target of 14%.

Our tailored solutions add value to customers by improving performance, reducing downtime and increasing cost efficiency, all of which build customer loyalty and grow the aftermarket. Backed by a robust balance sheet, we continue to invest in new technology and smaller bolt-on acquisitions, keeping us at the forefront in areas like materials science, condition monitoring, and lubrication management.

Delivering shareholder value
Operational resilience and strong commercial execution are essential to succeeding in our targeted segments. With the ongoing regionalization of the manufacturing footprint and supply chains closer to our customers, we can serve them better and faster, as well as improve adaptability to global shifts and cost-effectiveness. Our decentralized organization, formed in 2022, reinforces agility and accountability to faster adapt to changing market dynamics. In 2024, we have further strengthened our commercial execution through focused portfolio management with reduced complexity and improved service, as well as implementation of value-based pricing initiatives.

In short, our strategy is designed to deliver on our financial targets, i.e. driving margin improvement and pursuing profitable growth, which reinforces our ability to deliver long-term shareholder value. It remains effective even in a softer market, as shown in 2024, when we almost maintained our margin despite significantly lower volumes.

Building on our strengths

Extensive innovation track-record

Global customer reach

Strong brand reputation

Financial strength

We have set a clear direction

Increased focus and shifting exposure to attractive markets, leveraging mega trends

Accelerating technology development for sustained innovation leadership

Enhancing commercial and operational efficiency

For margin expansion and long-term profitable growth

Prioritizing margin expansion and improve quality of sales

Once margin target is reached, grow profitably in selected markets

14% **Adjusted operating margin 14%[2]**

5% **Revenue growth 5%[2,3]**

1) Source: Review article on "Influence of tribology on global energy consumption, costs and emissions" by Kenneth Holmberg and Ali Erdemir
2) Financial targets to be achieved over a business cycle.
3) Sales excluding effects of currency and divested businesses.

STRATEGIC FOCUS Separation of our Automotive business

UNLOCKING THE FULL POTENTIAL FOR TWO GLOBAL LEADERS

The business environments, customer bases, and growth drivers for our Industrial and Automotive businesses require focused strategies. By establishing two fit-for-purpose independent businesses, we expect to accelerate profitable growth in both.

SKF's Board of Directors has decided to initiate a separation of SKF's Automotive business with the objective to list it on Nasdaq Stockholm, aiming to unlock the full potential in the Automotive and Industrial businesses. Both businesses are amongst the global leaders in their respective fields and, with a clearer focus, will increase customer value and leverage their strategies as stand-alone businesses.

For the Automotive business, independence will bring increased agility, adapting faster to the transforming global automotive market. By making its own strategic decisions and investments, the business will better capture growth opportunities and accelerate ongoing profitability improvements. The decision to initiate the establishment of a standalone business is a natural progression after we, in 2022, began developing a more autonomous Automotive business to enable greater strategic flexibility.

The separation also strengthens our Industrial business's position as a globally focused industrial technology leader, delivering customer value through high-quality and sustainable solutions.

By connecting operations closer to industrial customers' needs, the aim is to accelerate growth, improve efficiency, increase responsiveness and improve end-user experiences. With a sharper focus, the Industrial business is better positioned to grow faster across core sectors such as aerospace, railway, food and beverage, and high-speed machinery.

Preliminary separation timetable

The Board of Directors intends to present a proposal for the distribution and listing of the Automotive business at a shareholder meeting during 2026. If approved, shareholders of AB SKF will receive shares in the newly independent Automotive business in proportion to their shareholding in AB SKF. The intention is then to list this business on Nasdaq Stockholm. The separation is expected to meet the Lex Asea requirements, allowing a share distribution exempt from Swedish tax. More information on the ambitions for both our Industrial and Automotive businesses will be provided at the Capital Markets Day on 11 November 2025.

STRATEGY AND VALUE CREATION

Our strategy focuses on creating significant customer value in targeted markets by leveraging megatrends to drive growth and margin expansion. With a commitment to innovation and operational and commercial excellence, we have a strong platform to progress towards our targets and deliver sustainable, long-term value.

Fighting friction

Did you know that SKF's solutions help fighting friction in the railway industry? Our low friction railway bearings can reduce the total energy consumption of a train by at least 1%, making each train not only more efficient but also cleaner, saving thousands of kWh annually.

Drivers for long-term sustainable growth

Long-term global shifts driven by technology, societal changes, economic factors and environmental concerns are transforming the world significantly. Adapting to these megatrends and key shifts is crucial for shaping our strategy and achieving sustainable, profitable growth.

Sustainability

Leading decarbonization efforts

Addressing climate change and environmental protection is a critical global challenge, driving shifts in energy, transportation and consumption, as well as influencing more regulations. At SKF, we support the transition to a sustainable economy with an extensive offering, including remanufacturing and intelligent solutions that help our customers reduce waste and extend product life. We are also committed to decarbonizing our operations, reducing greenhouse gas emissions in the value chain and continuously improving sustainability practices across our processes, meeting evolving regulations and environmental demands.

Electrification

Cleaner, more effective industries

Electrification is crucial for reducing carbon emissions in transportation, with electric vehicles (EVs) and trains offering additional societal benefits such as improved urban air quality and noise reduction. The demand for electrification is transforming industries, especially with the rise of EVs and electric drives in industrial sectors. At SKF, we are responding to this shift by providing a portfolio of innovative solutions, including low-friction, current isolating, low-weight bearings that improve E-powertrain efficiency and increase vehicle range. As a market leader in railway solutions, we are also driving fleet efficiency and reliability with cutting-edge technologies and services.

Digitalization

Building intelligent value chains

The rapid advancement of technologies like artificial intelligence (AI) and automation is transforming industries and reshaping the value chain. At SKF, we invest in digitalization to streamline business interactions and enable smarter decision-making within our operations. By integrating AI, we aim to boost operational efficiency and enhance customer value. Our focus is on building intelligent, clean value chains that enhance both how we operate the customer experience.

Regionalization

Adapting operations for a global shift

Geopolitical power shifts and conflicts are putting pressure on global trade, making it necessary to adopt a competitive region-for-region approach in sourcing, manufacturing and sales. This strategy strengthens supply chain resilience and ensures shorter lead times, improved service and better availability for our customers. For several years, we have been accelerating investments in regionalizing our value chain and operations, bringing our footprint closer to customers. This transformation strengthens our competitiveness, enables us to capture profitable growth and ensures a more resilient and adaptable supply chain.

Our strategy: Intelligent and clean

SKF's strategy is centred around two key concepts: intelligent and clean. Intelligent reflects our commitment to providing connected and customized solutions for customers while utilizing technology to improve operational efficiency. Clean emphasizes our role in driving a more sustainable industry and conducting our business transparently and responsibly.

Capturing profitable growth

Our approach to capturing profitable growth focuses on several strategic priorities. First, we aim to strengthen our position in high-growth segments where SKF already has a strong foothold. We are also reviewing our portfolio to concentrate on our most profitable segments, customers and products. In addition, we are developing solutions for emerging industries that leverage new technologies, as well as strengthening our service offering.

Identified growth enablers

To achieve these ambitions, we have identified several growth enablers. One is increasing the pace and impact of technology development, which is critical for maintaining our competitive edge. We are also digitalizing the entire value chain to improve efficiency and connectivity across operations. Continued investment in automation and regionalization helps us stay agile and close to our customers, while a more efficient organizational structure supports these efforts.

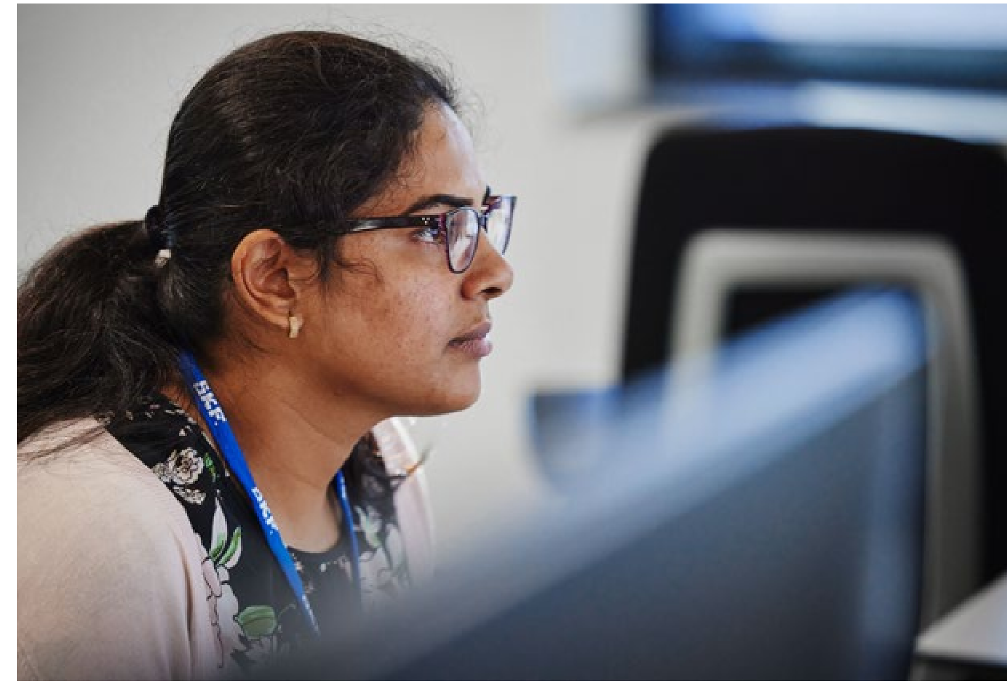
Resilience and adaptability

By operating close to our customers, our strategy ensures resilience and adaptability. This approach enables us to respond more swiftly to shifts in market conditions. At the same time, we continue to strengthen our foundation through investments in competitive, resilient value chains, strategic and tactical portfolio management, and positioning ourselves as leaders in intelligent, sustainable innovation – all of which set SKF on a path toward long-term success.

Our focused commitment to innovation, portfolio management and operational excellence is key in driving margin expansion. These priorities, aligned with our broader strategy, bolster our resilience in softer market conditions and lay the foundation for sustainable, profitable growth in the years ahead.

2024 – A year of improved resilience in a soft market

- Focus on productivity and cost efficiency
- Strengthening the foundation to capture industrial profitable growth
- Creating competitive and resilient value chains
- Managing and restructuring our portfolio on strategic and tactical levels
- Gearing up for intelligent and clean leadership



Growth areas, pages 15–16

High-growth segments	New technologies
Services and Aftermarket	Portfolio management

Growth enablers, page 17

- Accelerate technology development
- Digitalize the full value chain
- Regionalized and competitive supply chain
- Operate more efficiently – closer to customers

High-growth segments

Positioned for growth in high-impact industries

SKF is amongst the leaders in several high-growth industries, where structural expansion aligns with our core strengths. We are focused on sectors where we add significant value through our advanced engineering capabilities, and where growth potential is substantial. Key industries include high-speed machinery, electrical drives, agriculture and food & beverage, all of which benefit from trends like automation and electrification.

Driving a sustainable future

Furthermore, we show our leadership in clean and intelligent applications, including railway sectors. We are well aligned with global megatrends linked to sustainability, such as electrification, and strategically positioned to contribute to industries focused on cleaner energy and smarter, more efficient operations.

Growth through innovation

Our strengths in innovation, quality, performance and product range ensure we are well positioned to outpace market growth. Recent investments in technology and innovation have boosted profitability, particularly in high-growth segments like railway, agriculture and machine tools. We are expanding our global leadership in railway, continuing to drive growth through tailored, application-specific solutions designed for critical and demanding industrial applications.

With a strong customer focus combined with outlined strategic initiatives, we are laying a solid foundation at SKF to capture industrial profitable growth and reinforce our leadership in key sectors, ensuring we remain at the forefront of innovation and value creation in the markets we serve.

SKF is driving a sustainable future through leadership in clean and intelligent applications, including railway sectors.

New technologies

Advancing sustainable innovation for emerging industries

We are actively developing offerings to support emerging industries such as hydrogen processing and carbon capture, where our existing technologies, like magnetic bearings, are unlocking new business opportunities. Magnetic bearings, a key growth area, are ideal for high-speed, low-vibration applications, making them critical for industries that demand precision and efficiency. These bearings minimize energy loss and reduce the need for maintenance, supporting the long-term efficiency required in cutting-edge applications such as hydrogen production.

Environmental benefits

Another example of our innovation is RecondOil, our smart oil regeneration technology. RecondOil provides tailored solutions across various industries, delivering both financial and environmental benefits by reducing waste and enhancing sustainability. Additionally, our advancements in connectivity enable customers to easily access data on machine performance, leveraging AI to predict bearing failure and improve operational efficiency.

A leader in energy efficiency

With the rise of electric applications demanding higher voltages, frequencies, and operational speeds, our ceramic bearings have emerged as the optimal choice. These bearings reduce friction, extend component life and significantly boost energy efficiency, catering to the needs of industries transitioning towards electrified systems, from electric vehicles to renewable energy infrastructure.

By channelling our R&D efforts into high-growth, high-margin segments, we are strategically transforming our portfolio to reinforce our position as a leader in advanced, energy-efficient solutions. Our commitment is to help customers stay competitive while ensuring our technologies contribute meaningfully to a cleaner, more efficient future for both people and the planet.

17.9 kilotonnes of CO2 emissions were saved using our RecondOil solutions.

17.9
KILOTONNES

Services and Aftermarket

Expanding excellence in aftermarket solutions

SKF's service and aftermarket business, representing approximately 47% of total sales, is a key area of focus for growth and profitability. With over 17,000 distributors worldwide, we are amongst the market leaders, supported by strong partnerships and our expertise in application engineering, artificial intelligence and machine learning.

Growing recurring revenues
Our goal is to expand this segment further, increasing both sales and profitability by refocusing on growing recurring revenues and appealing to a broader market. New technologies and partnerships will provide greater scale and easier access to our data analysis and machine performance capabilities, strengthening customer value.

A full-cycle support
Our comprehensive service portfolio is designed to support customers at every stage of their equipment's lifecycle – from design and installation to operation, maintenance and eventual reuse. This full-cycle support includes predictive maintenance, remanufacturing, engineering, mechanical services, and training, ensuring that customers achieve maximum performance and extended asset life. To add further value to our services, we integrate cutting-edge technologies such as condition monitoring equipment and AI-enabled solutions. These advancements allow customers to continuously monitor their machinery and predict potential issues before they occur, optimizing performance, reducing downtime and lowering maintenance costs.

In line with our commitment to sustainability, SKF's remanufacturing services play a significant role in supporting cleaner industries. By extending the life of components, particularly in industrial and railway applications, we help customers reduce their CO_2 emissions and minimize waste, contributing to a circular economy and global environmental goals.

6.6% growth in reliability services and solutions, leveraging cutting-edge condition monitoring technologies.

+6.6%

Portfolio management

Portfolio realignment for profitable transformation

Effective portfolio management is a critical component of SKF's strategy. This involves refining and reshaping our portfolio of products, customers, and segments to align with our strategic goals, with the ultimate aim of improving profitability. We are shifting our portfolio, focusing on growing profitable areas and addressing or exiting less profitable ones. This approach puts stricter performance requirements on each business segment, especially in Automotive, where we are building strong positions in growth areas like electric vehicles, commercial vehicles, and aftermarket services.

A more resilient portfolio
To drive this portfolio shift, we are leveraging internal repositioning, focused innovation efforts and acquisitions to strengthen profitable segments while phasing out or optimizing less lucrative ones. In aerospace, we have refocused our portfolio on core areas such as aeroengine and aerostructure, concentrating on high-value, growth-oriented segments. Meanwhile, bolt-on acquisitions in the lubrication systems business during 2024 have strengthened our offerings with advanced technologies that support operational efficiency and sustainability for our clients. This approach generates a more resilient and profitable portfolio, enabling us to remain agile and responsive to changing market demands.

The right business mix
Our commitment to growth also includes tactical portfolio evaluation efforts, ensuring we target the right mix of products, customers, and services across all divisions. By combining data-driven insights with improving commercial capabilities, we are strengthening our leadership in industrial applications and positioning ourselves as a preferred provider for advanced, sustainable solutions. Aligning our operations with global megatrends in sustainability and electrification, we aim to set new standards in industrial innovation, strengthening our competitiveness and resilience for the future.

> Our active portfolio management efforts have had a significant positive contribution to our margins.
>
> Rickard Gustafson, CEO

Growth enablers

Accelerate technology development

Increased investments in technology and innovation are central to strengthening SKF's customer value proposition and driving profitable growth. By working with R&D throughout the entire value chain, we can bring new products to market faster, particularly in high-growth segments in line with our long-term strategic goals. Our external collaborations and partnerships also provide a technological edge, accelerating our time to market and strengthening our competitiveness.

A strong R&D foundation
With over 100 years of innovation, SKF has built a strong technological foundation and established a leadership position in the industry. To maintain and reinforce this position, we are increasing investments in key areas such as predictability, advanced materials, applied AI and manufacturing technologies. These investments enable us to continue shifting our innovation portfolio toward high-growth industries and high-margin opportunities, ensuring we stay ahead of emerging trends.

Together with our innovation partners, we are becoming stronger and more agile, positioning ourselves to meet the future needs of our customers and drive long-term growth.

More than 90% of the innovation portfolio projects are focused on our high-growth segments.

90%

Regionalized and competitive supply chain

To further improve our competitiveness and support our growth ambitions, we are continuously improving and regionalizing our manufacturing and supply base. We are continuously investing in optimizing our global footprint through strategic investments in automation, regionalization and rationalization. These initiatives are designed to boost efficiency and meet the evolving needs of our customers more effectively.

Focus on costs and the value proposition
In addition to manufacturing, we have increased our ambitions within purchasing, focusing on design-to-value, regionalizing our supply chain, and unlocking areas with untapped potential. By driving these initiatives, we are not only reducing costs but also strengthening our overall value proposition.

In 2024, we made progress with several major projects aimed at driving cost competitiveness and improving lead times for customers. Examples include the extensive downsizing actions in Germany and the regionalization efforts in key markets such as India, China and Southeast Asia. These are significant steps to ensure SKF's long-term resilience and leadership in the market.

3.8 SEK billion in business benefits from our World Class Manufacturing initiative launched in 2019.

3.8 SEK BILLION

Digitalize the full value chain

As part of our journey to become even more relevant for our customers, we are investing in the digitalization of our full value chain. This will enable growth, reduce working capital and increase cost competitiveness. With the ambition of becoming a data-driven company, we are allocating significant efforts to gain actionable insights across the value chain through advanced analytics. Before digitalizing, we are re-engineering processes to ensure they are efficient and effective, while also advancing automation and robotics in our operations.

In the past year, we have focused on executing our new digital strategy, with ownership of the digital transformation moving closer to the business and customers. This has enabled the development of customer facing digital tools tailored to local market needs. Our AI Center of Excellence plays a key role in using AI to further improve process efficiency.

Operate more efficiently–closer to customers

We are continuously developing our business and ways of working to remain competitive and relevant. Our strategy focuses on turning synergies and priorities into greater efficiency and lower fixed costs. In 2022, we implemented a decentralized operating model with full operational and financial accountability placed closer to our customers, improving both service and relationships. In 2024, we have continued to fine-tune this model, streamlining our organization to enhance service to our customers. A key step in this journey is the decision to initiate the separation of Automotive, enabling it to operate more independently, which strengthens both the Automotive and Industrial business.

Additionally, our drive for efficiency is supported by regionalization, digital transformation, strong cost management and a clear set of strategic priorities. Together, these initiatives position us to better serve our customers and drive sustainable growth.

STRATEGIC FOCUS Innovation

VALUE THROUGH INNOVATION LEADERSHIP

With technology development at the core, our strategy is designed to create significant value in targeted markets through innovation, efficiency and agility.

For customers, SKF's innovations deliver tailored solutions that improve operational efficiency, sustainability and cost-effectiveness. New products, such as intelligent monitoring systems, low-maintenance seals and high-precision bearings, cater to industry-specific needs across sectors like railway, machine tools and heavy industries such as pulp and paper, metals and mining. These solutions increase reliability, extend service life and provide safer work environments, directly addressing the demands for energy efficiency and high performance as well as environmental responsibility.

As a global leader within railway, we are committed to developing cutting-edge solutions that address the demands of challenging track conditions but also the need for more efficient drive lines, helping the rail sector to continue its journey toward greater efficiency and sustainability. In 2024, we introduced advanced bearings specifically designed for railway gearboxes, addressing the demands of aging rail infrastructure and challenging track conditions. These new bearings withstand twice as many load cycles and feature reduced weight and friction, improving high-speed performance and energy efficiency. With up to 20% less friction in single shaft positions, they enable lighter, more efficient gearbox designs, improving overall reliable performance in the rail sector.

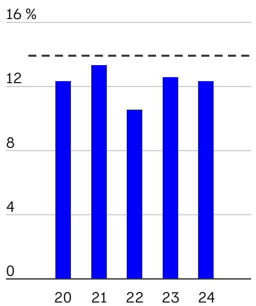
In 2024, SKF invested 3.3 BSEK in research and development, resulting in a strong product and services pipeline, bringing significant customer value and driving profitable growth. Additionally, SKF works closely with various universities and start-up companies across the world to strengthen research, develop new technologies and accelerate innovation. By providing solutions to customers to minimize friction and energy waste in their operations, SKF continues to support the global transition toward sustainability.

90%

In recent years we have transformed our innovation portfolio so that more than 90% of the projects are focused on our high-growth segments. All these projects target an adjusted operating margin well above our target of 14%.

Long-term targets

Adjusted operating margin



--- Target **14%**

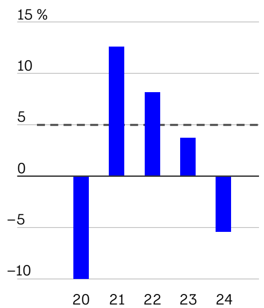
2024 outcome **12.3%**

2020–2024 average **12.2%**

Key levers to reach the target
- Optimizing the value chain including increased cost-competitiveness and regionalization of our manufacturing footprint
- Enhanced commercial excellence including portfolio and price management
- Shifting exposure to attractive markets as well as products and solutions underpinned by innovation leadership

2024 outcome
The adjusted operating margin was 12.3%. Positive impact from price and customer mix as well as from cost development. Negative impact from sales and manufacturing volumes and currency effects.

Revenue growth[1)]



--- Target **5%**

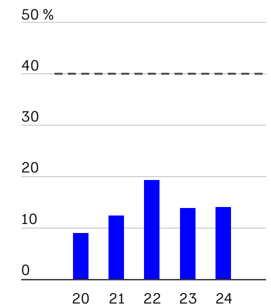
2024 outcome **–5.4%**

2020–2024 average **1.8%**

Key levers to reach the target
- Shifting exposure to attractive markets, leveraging mega trends
- Enhanced commercial excellence including portfolio and price management
- Selected acquisitions

2024 outcome
Organic sales declined by –5.4% compared to 2023, driven by challenging market conditions. Sales grew in India and Southeast Asia and declined in all other geographies. Industrial sales declined by –5.7% and Automotive sales declined by –4.9%.

Net debt[2)]/equity



--- Target **<40%**

2024 outcome **14.1%**

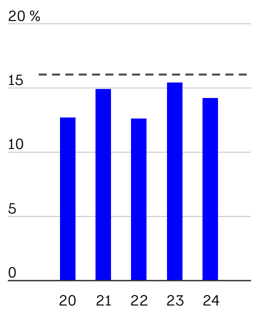
2020–2024 average **13.8%**

2024 outcome
Net debt/equity increased from 13.9% to 14.1% in 2024. Financial assets decreased by SEK 2.4 billion driven by repayment of loans and financial liabilities decreased by SEK 2.1 billion.

SKF's long-term targets shall be achieved over a business cycle.
1) Sales excluding effects of currency and divested businesses.
2) Excluding pension liabilities.

Long-term targets cont.

Adjusted ROCE



--- Target **16%**

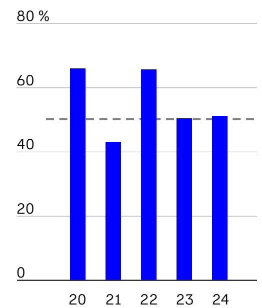
2024 outcome **14.2%**

2020–2024 average **14%**

Key levers to reach the target
- Improved profitability
- More efficient working capital management through digitalized value chain and regionalization

2024 outcome
Return on capital employed decreased to 14.2% in 2024. Capital employed decreased due to lower adjusted operating profit as well as higher tangible assets.

Dividend pay-out ratio



--- Target **50%**

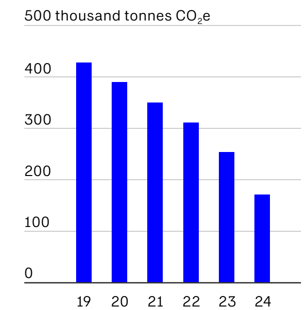
2024 outcome **51.2%**

2020–2024 average **55%**

Dividend policy
The ordinary dividend should amount to around one half of SKF's average net profit

2024 outcome[1]
The pay-out ratio in 2024 was 51.2% and the five-year average was 55%.

Decarbonized operations by 2030[2]



2024 outcome **–59%**

How to reach the target
- Process improvements
- Energy efficient machinery
- Usage of renewable energy
- Phase out of fossil fuel use

2024 outcome
59% reduction vs 2019 base year – well ahead of the 2030 goal trajectory.

SKF's long-term targets shall be achieved over a business cycle.
1) According to the Board's proposal for the year 2024.
2) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.

THE BEARING MARKET

The global bearing market, valued to nearly SEK 500 billion, is a critical segment of the machinery industry. The market is led by SKF, along with other major international players like Schaeffler, Timken, NSK, NTN, and JTEKT. Asia-Pacific is the largest and fastest-growing region.

Fighting friction

Did you know that SKF's innovative and co-created solutions help fight friction in the aerospace industry by addressing customer challenges and optimizing performance?

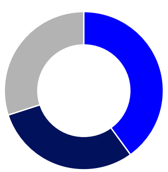
Growth, consolidation, innovation, and sustainability

The global bearing market is experiencing steady long-term growth, driven by demand from automotive, aerospace, and industrial sectors, as well as emerging applications in renewable energy, electric vehicles (EVs), and smart infrastructure. In 2024, the market faced negative growth. Despite this setback, the long-term growth potential remains robust, with key players such as SKF, Schaeffler, Timken, NSK, NTN, and JTEKT driving innovation in high-performance and sensor-enabled bearings.

Importance of global brands

Today's bearing industry shows a clear trend of consolidation, with fewer, larger, and increasingly globalized manufacturers and distributors dominating the space. This shift underscores the importance of recognized global brands and high-quality products.

Market value by customer industries[1]



- Industrial original equipment bearing markets ~40%
  Including manufacturers of light and heavy industrial machines and equipment, as well as aerospace, off-highway and railway vehicles.
- Automotive OEM ~30%
- Distribution business ~30%
  Industrial distribution and vehicle independent aftermarket.

1) Total world demand of bearings 2024.

The top six manufacturers account for about 55% of the global rolling bearing market. Chinese manufacturers hold about 25%, primarily in Asia-Pacific. The remaining 20% is comprised of smaller regional and niche bearing companies.

Largest market in Asia-Pacific

Geographically, the Asia-Pacific region stands as the largest market, with a robust manufacturing base and growth in automotive production, especially in China and India. Meanwhile, Europe and North America are seeing increased demand in aerospace, railway, and renewable energy applications, which is also driving innovation. SKF's business is structured across four key regions: the Americas; Europe, Middle East, and Africa; India and Southeast Asia; and China and Northeast Asia.

Rapid technology development

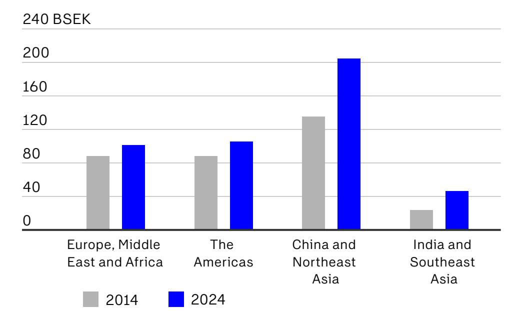
Technological advancements are reshaping the bearing market. Industry 4.0 and IoT integration are enabling sensor-equipped bearings with real-time monitoring of critical parameters like temperature, vibration, and load. This technology improves performance and extends the lifespan of bearings in applications like heavy industry and precision manufacturing. As the shift to electrification intensifies, demand is growing for low-friction, high-efficiency bearings designed to reduce energy losses. Growing environmental concerns is also pushing for energy-efficient bearing solutions and the use of sustainable materials in manufacturing.

The bearing market, by region

SKF region	Market characteristics	Largest markets	Largest customer industries
Europe, Middle East and Africa Approximate share of the total world bearing market **24%** Market value **SEK 110–120 bn** Market growth 2024 **Large decline** Market growth 2014–2024 **Low**	Western Europe is the largest sub-region by size but has shown a relatively weaker long-term growth. Here, important OEM industries are light vehicles, renewable energy, industrial drives and trucks. Eastern Europe and Middle East and Africa sub-regions are highly dependent on industrial and automotive aftermarkets. These sub-regions are smaller in size but have shown a relatively higher long-term growth.	Germany, Italy, France.	Industrial distribution, light vehicles, trucks, vehicle aftermarket, industrial drives, aerospace, and renewable energy.
The Americas Approximate share of the total world bearing market **25%** Market value **SEK 115–125 bn** Market growth 2024 **Medium decline** Market growth 2014–2024 **Low**	The market in the Americas is highly dependent on the U.S. market, which is the second largest bearing market in the world. Here, OEM segments as light vehicles, off-highway and aerospace are large. Latin American sub-region shows higher long-term growth than North America. Latin America is largely depending on the industrial and automotive aftermarket since few global OEMs are present.	USA (~75% of regional market), Mexico, Brazil.	Light vehicles, industrial distribution, vehicle aftermarket, off-highway, aerospace, and industrial drives.
China and Northeast Asia Approximate share of the total world bearing market **42%** Market value **SEK 190–210 bn** Market growth 2024 **Medium decline** Market growth 2014–2024 **Medium**	This region mainly consists of three of the top-5 bearing countries globally: China, Japan and Korea. Together, they represent ~40% of global bearings demand. The Chinese market represents ~30% of global demand. The region is by far the single most important market for electrical demand. In addition, the region has the highest global bearing demand e.g. for light vehicles, industrial drives, heavy industries, renewable, lifts and escalators.	China (~70% of regional market), Japan, Korea.	Light vehicles, industrial distribution, industrial drives, electrical, and renewable energy.
India and Southeast Asia Approximate share of the total world bearing market **9%** Market value **SEK 40–50 bn** Market growth 2024 **Medium** Market growth 2014–2024 **High**	This region is the smallest by size. However, it has the highest global bearings demand for the two-wheeler market. India and Southeast Asia is largely dependent on the Indian market, with ~55% of the regional demand and ~5% of global demand. The Southeast Asia sub-region is largely dependent on the industrial and automotive aftermarket.	India (55% of regional market).	Industrial distribution, vehicle aftermarket, light vehicles, and two-wheeler.

Please note that the total value of accessible bearings market has been translated to SEK.

Market value and growth by region



During the last 10 years, the highest market growth is seen in China and Northeast Asia and India and Southeast Asia with growth rates around 50% and 100% respectively. More limited growth is seen in Europe, Middle East and Africa, around 35% and the Americas, around 35%.

SKF's global presence

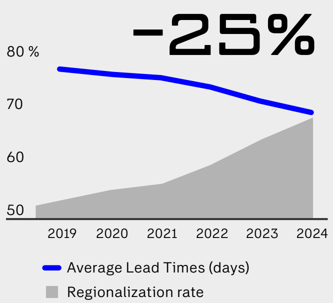
SKF region	Net sales	Share of group net sales	Employees[1]	SKF's position
Europe, Middle East and Africa	2022 2023 2024 2024 **39,776 MSEK** Change **−6%**	41%	18,766 78% Men 22% Women	One of the leaders with strong presence in all industry segments, especially in aerospace, industrial distribution, railway, off-highway, and heavy industries.
The Americas	2022 2023 2024 2024 **30,758 MSEK** Change **−1%**	31%	8,013 77% Men 23% Women	Strong position in most industry segments; industrial distribution, vehicle aftermarket, industrial drives, aerospace, and off-highway.
China and Northeast Asia	2022 2023 2024 2024 **18,158 MSEK** Change **−11%**	18%	7,621 66% Men 34% Women	A growing position with a strong presence in certain industry segments; industrial distribution, renewable energy, railway, heavy industries, trucks, and industrial drives.
India and Southeast Asia	2022 2023 2024 2024 **10,030 MSEK** Change **+2%**	10%	3,331 88% Men 12% Women	One of the leaders in many of the larger industry segments, especially in industrial distribution, two-wheelers and vehicle aftermarket. Strong position also in railway, off-highway, heavy industries and industrial drives.

1) Average, full time employees.

STRATEGIC FOCUS Regionalization

INCREASED REGIONALIZATION FOR THE BENEFIT OF OUR CUSTOMERS

Regionalization is transforming SKF into a more agile, efficient and resilient organization, bringing tangible benefits directly to our customers. By relocating production closer to key markets, we are ensuring faster deliveries, improved service and ready access to critical spare parts.



Lead time shortened by 25% since 2019 in China.

Our strategy is grounded in a competitive and customer-centric approach. In recent years, production has shifted from Europe to Asia, particularly China, with expansions into India and Southeast Asia. In China, for example, regionalization has reduced lead times by 25% in five years, demonstrating how we are improving service levels and responsiveness for our customers. At the core of our regionalization initiative is a strong commitment to shorter lead times and improved product availability. These advancements allow us to respond swiftly and reliably to customer demands, while keeping abreast of market fluctuations and regulations.

In addition to improving service, localizing production reduces emissions and transportation costs, supporting sustainability and boosting competitiveness through regional opportunities in Eastern Europe and Asia. This approach combines responsiveness, efficiency and sustainability, and enabling us to build a supply chain that is faster, smarter and more environmentally responsible. With global reach and local roots, we are well positioned to deliver value and help our customers to succeed in an ever-changing world.

RISKS AND THE SHARE

SKF's overall financial objective is to create value for its shareholders. To support this, we have applied an integrated approach to risk mitigation and implemented an enterprise risk management process that covers all parts of the Group.

Fighting friction

Did you know that SKF's solutions help fight friction in the pulp and paper industry? With cutting-edge, innovative, highly efficient bearings and automated lubrication systems, we tackle critical cost, sustainability, and digital transformation challenges.

Risk management

The SKF Group considers risk management to be essential and takes an integrated approach to risk mitigation through inclusion in strategy execution, business planning and operations. The SKF Group operates in many different industries and geographical areas. As a result, the SKF Group is exposed to various types of risks.

SKF appreciates that there are risks associated with the macro environment such as the geopolitical landscape, the state of global markets and significant industry and technological shifts. There are also business risks including supply chain disruptions, information and cybersecurity threats, and challenges in attracting talent in a competitive labour market. Additionally, there are legal and compliance risks arising from the increased regulatory demands and internal governance and coordination within the Group as well as ongoing regulatory investigations and processes.

SKF has implemented an enterprise risk management (ERM) process that covers all parts of the Group, see illustration below. The risk impact includes impact on strategy, long term financial performance, as well as brand and reputation. The Group Risk Manager[1], who is part of the central group functions and reports to the CFO and to the Audit Committee, is overall responsible for the ERM process and consolidates the risks and the mitigating activities. The risks highlighted on the next page are the main risks identified during the 2024 Group ERM process. The main areas of opportunity are described on pages 12–17. For information about financial risks including currency risks, interest risks, liquidity risks and credit risks, see Note 26 on pages 66–68. For information about ongoing compliance related investigations, see Note 19 on page 59.

As with other risks, SKF applies an integrated approach to the identification and management of risks related to sustainability. The sustainability risks have been identified through the double materiality assessment (DMA). More information on the DMA on pages 89 and 95.

SKF Group ERM process

The result is shared yearly with Group Management and the Audit Committee. There is also a half-year internal assessment to monitor changes and make sure mitigation actions are in place and delivering expected result which is presented to Group Management.

Risk assessments

Assessments are made by the six business areas, Technology Development and other Group functions.

Risk consolidation

Business area representatives consolidate the risks. Discussions are facilitated by the Group Risk Manager[1].

Group Management review

Group Management reviews the consolidated assessment.

Audit Committee	The consolidated risk assessment is shared with the Audit Committee.
SKF strategy development and execution	The Business areas risk assessments are used as input to strategy development and execution.
Risk owners	Risk owners manage risk mitigation and follow-up.
Annual Report	A high level overview is shared externally in the Annual Report.

1) Director, Global Finance Sustainability and Operations

Main risks

Risk	Trend	Mitigation
Geopolitical tensions War and other major events, sanctions, tariffs and other trade barriers.	↗	Regionalize and create more flexible supply chains.
Information and cyber security Increasing legal and customer requirements to adhere to information security standards such as NIS2, NIST, RED and TISAX. A general increase in risks of information and cyber security breaches and threats.	↗	Continuous training and awareness of information security. Enhance the cyber defence and resilience of SKF's manufacturing sites, supply chain continuity, critical digital solutions including supplier and third-party deliveries.
Cost increase and cost volatility Volatility in material, logistics and energy prices are rapidly changing the cost structure of the company. Volatility in volumes put further pressure on cost flexibility.	→	Portfolio management and pricing activities in all regions to offset cost increases. SKF is accelerating the work to increase flexibility and reduce fixed costs by adjusting our organization in line with the new operating model, reallocating production volumes for optimization.
Speed of digitalization Increasing demands for a fully connected value chain and excellent digital customer experience, as well as the rapid development of AI-based solutions are placing high demands on the speed of the digital transformation.	→	Strategic initiatives in place to ramp up digitalization including strengthening capabilities, investing in digital talents, modernizing, harmonizing and simplifying the IT landscape.
Supply chain effectiveness Risk of disruption, or increasing lead times, due to supplier/regional dependencies. Additionally, inventory management and demand forecasting inefficiencies may arise from market demand uncertainties.	→	Review of supplier localization, footprint, increase dual sourcing alternatives, consolidation, inventory optimization and digitalization of the supply chain.

Risk	Trend	Mitigation
Speed of innovation Introduction of disruptive and quickly changing new technologies.	→	Technology strategy with Technology radar to monitor new and emerging technologies defined, populated and implemented. Strengthening and clarifying our Innovation portfolio, including open innovation with external parties, where we have established a network of start-up platforms in several geographies. Clear portfolio follow-up to ensure pipeline.
People and leadership There is a fierce competition in the labour market, where the success of companies is dependent on the ability to attract, develop and retain critical competences and capabilities.	→	SKF is committed to being the employer of choice by prioritizing the employee experience. Key elements include purpose, culture, engagement, leadership, competence and work methods. Additionally, diversity and inclusion are emphasized to attract a broader recruitment base and build a more dynamic workforce.
Manufacturing footprint and regionalization Risk of regional economic shifts impacting competitiveness of global supply chains. High levels of footprint regionalization still required to offset risks of regional crises.	↘	Updated manufacturing strategy and governance, including prioritised investment planning, competence planning and regional supplier development. Development of step-up manufacturing technologies for scalable deployment.
Legal compliance Antitrust risks in relation with distributors. Regulatory requirements within trade compliance, export control and international sanctions. New and enforced legal requirements within information security, environmental sustainability and human rights. Increased expectations for due diligence.	↗	Continuous training and awareness in key risk areas. Third party risk due diligence and monitoring including ESG compliance. Operational ownership of compliance, management commitment including comprehensive compliance risk assessments.
Governance and internal coordination Unclear responsibilities, mandate and insufficient global alignment.	→	Strategic initiatives to clarify mandates, responsibilities as well as creating forums for strategic coordination, alignment and decision making.

The SKF share

SKF's A and B shares are listed on the Nasdaq Stockholm, Large Cap stock exchange and are included in several indexes.

In 2024, the share price increased by 2% for the SKF A share and 3% for the SKF B share. The total number of SKF shares traded on Nasdaq Stockholm was 311,541,518. SKF's B shares are also traded on other markets outside Nasdaq Stockholm. The total number of shares traded on these marketplaces combined in 2024 was 933,797,027. (Source: Modular Finance AB). SKF's American Depositary Receipts (ADRs) are traded on the OTC market.

As per 31 December 2024, the Company's share capital amounted to SEK 1,138,377,670 and the total number of shares amounted to 28,983,999 shares of Series A and 426,367,069 shares of Series B. The number of votes in the Company amounted to 71,620,705.9. Rights associated with the different share types are further elaborated in the Corporate Governance Report on pages 150–160.

Share conversion

Owners of A shares have an option to convert these to B shares. In 2024, 322,934 shares were converted. As of 31 December 2024, A shares were 6.4% (6.4) of the total number of shares.

Dividend and total return

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 7.75 per share be paid for 2024. The total return from investing in the SKF A share over the past three years was 5.0% and for the SKF B share 8.3%. (Source: Modular Finance AB).

Ownership structure

As per 31 December 2024, SKF had 78,082 shareholders. Around 33.6% of the share capital was owned by foreign investors, around 43.0% by Swedish companies, institutions and mutual funds and around 8.8% by private Swedish investors (Source: Modular Finance AB). Most of the shares owned by foreign investors are registered through trustees, which means that the actual shareholders are not officially registered.

FAM AB, which is wholly owned by Wallenberg Investments AB, in its turn owned by the three largest Wallenberg Foundations, is the only shareholder with a shareholding representing more than 10% of the voting rights in SKF. Per 31 December 2024 the company owned none of its own shares.

Information to shareholders

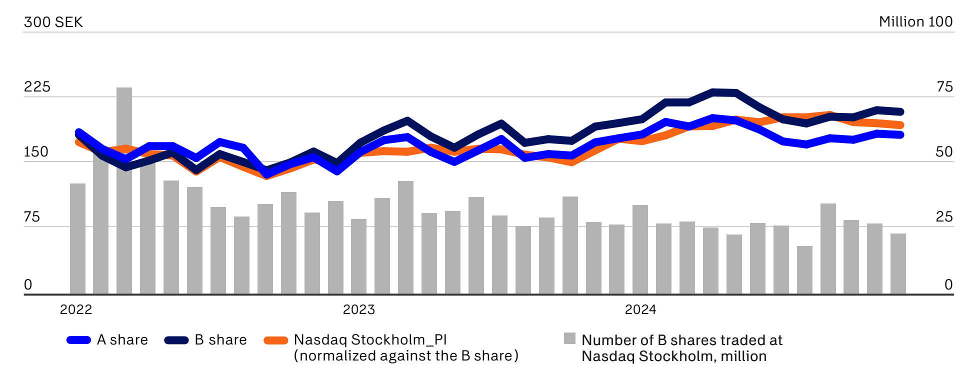
Financial reports and further information about the share can be found at investors/skf.com. A list of analysts following SKF and the opportunity to subscribe to information from SKF is also available on the website.

Sustainability indexes

Based on the 2024 submission, SKF has been rated A- within the CDP rating system which signifies that SKF is taking coordinated action on climate issues.

SKF is also evaluated as Platinum (in the top 1% of companies in its sector) via the EcoVadis supplier sustainability evaluation platform which is used by many of the Group's global customers to understand supplier sustainability performance.

Share development 2022–2024



Data per share[1)]

SEK per share unless otherwise stated	2024	2023
Earnings per share	14.22	14.04
Dividend per A and B share	7.75[2)]	7.50
Total dividends, MSEK	3,529[2)]	3,415
Purchase price of B shares at year-end on Nasdaq Stockholm	207.6	201.3
Equity per share	131	116
Yield (B), %	3.7[2)]	3.7
P/E ratio, B (share price/earnings per share)	14.6	14.3
Cash flow from operations, per share	23.7	30.3
Cash flow after investments before financing, per share	11.4	17.4

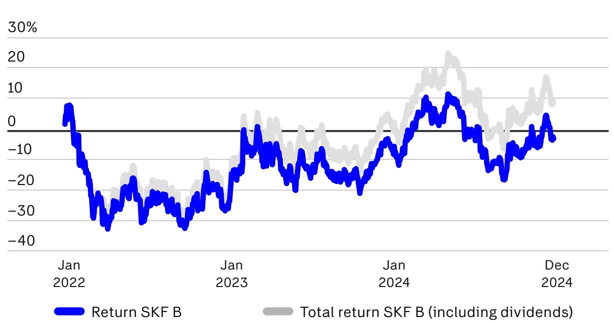
1) See page 164 for definitions
2) According to the Board's proposal for the year 2024.

The ten largest shareholders sorted by voting rights

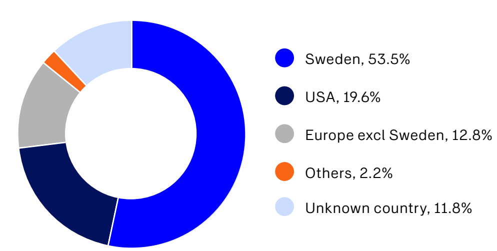
	Number of shares	Share capital, %	Voting rights, %
FAM AB	68,317,539	15.0%	29.1%
Cevian Capital	36,124,429	7.9%	5.0%
AFA Försäkring	3,846,138	0.8%	4.0%
Livförsäkringsbolaget Skandia	4,019,722	0.9%	2.6%
BlackRock	13,979,116	3.1%	2.0%
Harris Associates	13,722,429	3.0%	1.9%
Vanguard	13,650,212	3.0%	1.9%
SEB-Stiftelsen	1,650,000	0.4%	1.8%
Handelsbanken Fonder	10,686,860	2.3%	1.5%
Swedbank Robur Fonder	9,947,219	2.2%	1.4%

Source: Modular Finance AB as of 31 December 2024.

Total return 2022–2024



Geographic ownership 2024



Source: Modular Finance AB as of 31 December 2024.

ADDITIONAL INFORMATION

There are no regulations under Swedish law or under the Articles of Association limiting the transferability of SKF shares. Furthermore, to the best of SKF's knowledge, no agreements exist between shareholders limiting the right to transfer SKF shares (e.g. by pre-emption or first refusal clauses). No restrictions exist limiting the number of votes that each shareholder may cast at a shareholders' meeting. There are no existing agreements between SKF and any board member or employee, allowing them to receive special compensation in the event of resignation, dismissal without cause, or termination of employment as a consequence of a public takeover bid for the shares in AB SKF.

Capital structure, financing, credit rating and dividend policy

Capital structure

The capital structure target is a net debt/equity ratio, excluding pension liabilities, below 40%. This together with the self-funding principle in the strategic framework, operating cash flow to fund investments and shareholder distribution underpins the Group's financial flexibility and its ability to execute on the strategy, while maintaining a strong credit rating. On 31 December 2024, the net debt/equity ratio, excluding pension liabilities was 14.1% (13.9).

Financing

SKF's policy is to have long-term financing of its operations.

As of 31 December 2024, the average maturity of SKF's loans was approximately four years. SKF has four notes issued on the European bond market. EUR 300 million per 2025, EUR 400 million per 2028, EUR 300 million per 2029, and one with an outstanding amount of EUR 300 million, due in 2031. The bonds maturing in 2028 and 2029 are both issued under SKF's Green Finance Framework. According to the conditions of the notes, the notes' interest rate may increase by 5% in case of a change of control of the company in combination with a rating downgrade to a non-investment grade as a consequence of this. Change of control meaning any party/concerted parties acquiring more than 50% of SKF's share capital or SKF's shares carrying more than 50% of the voting rights.

In addition to the bonds mentioned before, SKF also has one bilateral loan of USD 100 million due in 2027. Furthermore, SKF has signed a long-term credit facility of EUR 430 million, with the European Investment Bank, which by the year end was unutilized. In addition to its own liquidity, AB SKF has one unutilized committed credit facility of MEUR 800, syndicated with ten banks that will expire in 2029, with one 1-year extension option.

Credit rating

On 31 December 2024, the Group had a Baa1 rating from Moody's Investors Service and a BBB+ rating from Fitch Ratings, both with a stable outlook. SKF intends to keep a strong credit rating, which is reflected in its capital structure targets.

Dividend policy

SKF's dividend and distribution policy is based on the principle that the total dividend should be adapted to the trend for earnings and cash flow, while considering the Group's development potential and financial position. The Board of Directors' view is that the ordinary dividend pay-out ratio should amount to around one half of SKF's average net profit calculated over a business cycle, which is reflected in SKF's long-term financial targets. If the financial position of the SKF Group exceeds the targets for the capital structure an additional distribution to the ordinary dividend could be made in the form of a higher dividend, a redemption scheme or a repurchase of the company's own shares. On the other hand, in periods of more uncertainty a lower dividend ratio could be appropriate.

Based on the operating performance, cash generation capacity and outlook, the Board has decided to propose to the Annual General Meeting a dividend of SEK 7.75 (7.50) per share. This proposal is subject to a resolution by the Annual General Meeting in April 2025, see page 78, Proposed distribution of surplus.

Remuneration to Group Management

The principles of remuneration for Group Management members were adopted at the annual general meeting in 2020 and revised in 2022 and are summarized in the Annual Report 2024, Consolidated Financial Statements, Note 23.

NOMINATION OF BOARD MEMBERS AND NOTICE OF ANNUAL GENERAL MEETING

In addition to specially appointed members and deputies, the company's Board of Directors shall according to the Articles of Association, comprise a minimum of five and a maximum of twelve members, with a maximum of five deputies. The Annual General Meeting shall, inter alia, determine the number of Board members and deputy Board members, and preside over the elections of Board members and deputy Board members.

Notice to attend an Annual General Meeting and notice to attend an Extra General Meeting where an issue relating to a change in the Articles of Association will be dealt with, shall be issued no earlier than six weeks and no later than four weeks prior to the General Meeting. Notice to attend an Extra General Meeting for other matters shall be issued no earlier than six weeks and no later than three weeks prior to the General Meeting.

FINANCIAL STATEMENTS

Fighting friction

Our innovative solutions for the food and beverage industry help you secure contamination-free food processing and achieve more energy efficient production. So come dinnertime, people can enjoy what's served knowing it's both safe and responsibly produced with minimal environmental impact.

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Amounts in MSEK unless otherwise stated. Amounts in parentheses refer to comparable figures for 2023.

The Administration Report is presented on pages 12–78. It has been audited by SKF's external auditors. See the **Auditor's Report** on pages 79–80.

According to the Swedish Annual Accounts Act chapter 6, §11, SKF's Statutory Sustainability Report is prepared as a separate report. The scope of this **Sustainability Report** is presented on page 81.

Consolidated income statements

MSEK	Note	January–December 2024	2023
Net sales	2	98,722	103,881
Cost of goods sold	6	–71,349	–77,541
Gross profit		**27,373**	**26,340**
Research and development expenses	5	–3,326	–3,303
Selling expenses	6	–12,763	–11,450
Administrative expenses	6	–601	–607
Other operating income	7	1,263	2,696
Other operating expenses	7	–1,645	–2,652
Income from associated companies		38	60
Operating profit		**10,339**	**11,084**
Financial income	8	479	413
Financial expenses	8	–1,729	–2,316
Profit before taxes		**9,089**	**9,181**
Income tax	9	–2,202	–2,404
Net profit		**6,887**	**6,777**
Net profit attributable to:			
Shareholders of AB SKF		6,474	6,395
Non-controlling interests		413	382
Basic earnings per share (SEK), before and after dilution	17	14.22	14.04

Consolidated statements of comprehensive income

MSEK	Note	January–December 2024	2023
Net profit		**6,887**	**6,777**
Items that will not be reclassified to the income statement			
Remeasurements of post-employment benefits	18	731	–297
Assets at fair value through other comprehensive income	14	80	—
Income tax	9	–150	83
		661	**–214**
Items that may be reclassified to the income statement			
Currency translation adjustments		2,914	–3,136
Assets at fair value through other comprehensive income	14	—	–82
Income tax	9	—	—
		2,914	**–3,218**
Other comprehensive income, net of tax		**3,575**	**–3,432**
Total comprehensive income		**10,462**	**3,345**
Total comprehensive income attributable to			
Shareholders of AB SKF		9,938	3,082
Non-controlling interests		524	263

Comments on the consolidated income statements

General
The Group's income statement for 2024 included the result of the acquired John Sample Group's Lubrication and Flow Management business for the period 1 November–31 December. It also included the result for two of the minor acquired businesses within magnetic bearings for the period 1 January–31 December and 1 May–31 December.

Net sales
In 2024, net sales amounted to MSEK 98,722 (103,881) corresponding to a decrease of −4.9% compared to 2023. The change of the Swedish krona towards other currencies had a positive impact in 2024 of +0.4%. Structural changes accounted for +0.1%. Net sales in local currencies decreased with −5.4%.

Sales development y-o-y, %	Q1	Q2	Q3	Q4	Full year
Organic	−7.0	−6.6	−4.4	−3.1	−5.4
Structure	0.1	0.1	0.0	0.3	0.1
Currency	0.0	0.9	−3.6	3.9	0.4
Total	**−6.9**	**−5.6**	**−8.0**	**1.1**	**−4.9**

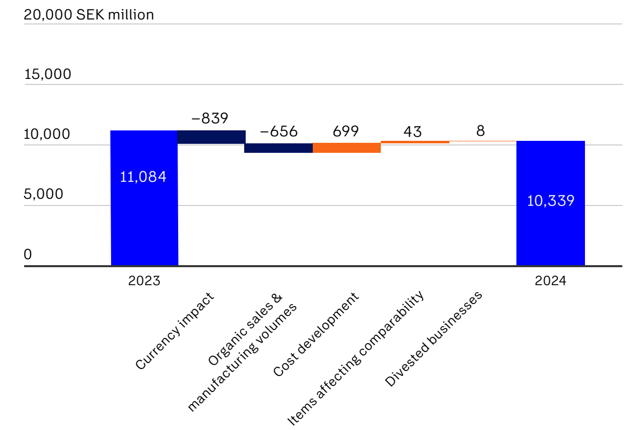
Operating profit
Operating profit for the year was MSEK 10,339 (11,084). Operating profit included items affecting comparability of MSEK −1,844 (−1,893), whereof MSEK −1,497 (−1,398) related to ongoing restructuring and cost reduction activities, factory closures and expenses related to the separation of the Automotive business, and MSEK −347 (−176) related to impairment of assets. 2023 also included MSEK 18 related to the divestment of business within lubrication and MSEK −338 related to currency devaluation in Argentina.

Financial income and expenses, net
The financial income and expenses, net for 2024 was MSEK −1,250 (−1,903). Exchange rate fluctuations had a more negative effect in 2023, compared to 2024, whereof MSEK −250 related to the devaluation in Argentina in December 2023. For more information about the changes year-over-year, see Note 8.

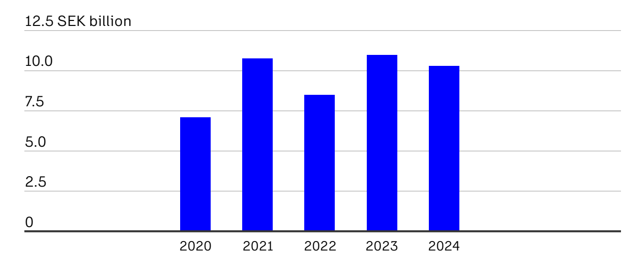
Taxes
The effective tax rate for the year was 24.2% (26.2). For more information, see Note 9.

Values by quarter MSEK	Q1	Q2	Q3	Q4	Full year
Net sales	24,699	25,606	23,692	24,725	98,722
Operating profit	2,993	2,489	2,526	2,331	10,339
Profit before taxes	2,722	2,112	2,241	2,014	9,089
Basic earnings per share (SEK)	4.15	3.36	3.40	3.31	14.22

Operating profit development y-o-y



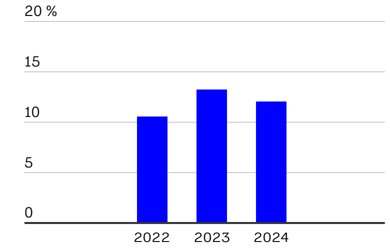
Operating profit



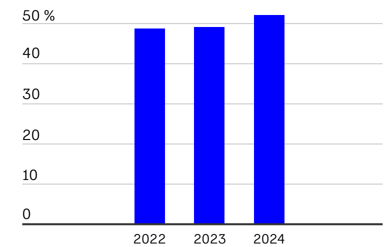
Consolidated balance sheets

MSEK	Note	As of 31 December 2024	2023
ASSETS			
Non-current assets			
Goodwill	10	12,574	11,962
Other intangible assets	10	4,671	5,045
Property, plant and equipment	11	30,470	26,820
Right-of-use assets	12	3,564	2,961
Long-term financial assets	14	1,424	1,170
Deferred tax assets	9	3,369	3,107
Investments in joint ventures and associated companies	22	565	467
Other long-term assets		982	454
		57,619	**51,986**
Current assets			
Inventories	13	26,182	23,194
Trade receivables	14	16,600	16,811
Other short-term assets	15	6,057	5,859
Other short-term financial assets	14	330	742
Cash and cash equivalents	14	11,031	13,311
		60,200	**59,917**
Assets classified as held for sale	28	1,594	—
Total assets		**119,413**	**111,903**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of AB SKF		59,649	52,743
Equity attributable to non-controlling interests	27	2,320	2,213
		61,969	**54,956**
Non-current liabilities			
Long-term financial liabilities	20	12,685	15,687
Long-term lease liabilities	12, 20	2,714	2,207
Provisions for post-employment benefits	18	8,502	8,797
Deferred tax provisions	9	1,905	1,220
Other long-term provisions	19	1,424	1,339
Other long-term liabilities		80	83
		27,310	**29,333**
Current liabilities			
Trade payables	20	12,553	11,236
Short-term provisions	19	1,157	1,245
Short-term lease liabilities	12, 20	802	629
Other short-term financial liabilities	20	4,559	3,431
Other short-term liabilities	21	10,930	11,073
		30,001	**27,614**
Liabilities classified as held for sale	28	133	—
Total equity and liabilities		**119,413**	**111,903**

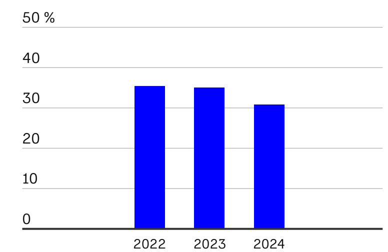
Return on capital employed



Equity/assets



Gearing



Comments on the consolidated balance sheets

Net working capital
On 31 December 2024, net working capital as percentage of sales was 30.6% (27.7) consisting of the following components:

- Inventories amounted to MSEK 26,182 (23,194) corresponding to 26.5% (22.3) of annual sales. The increase in inventories was attributed to volumes by MSEK 2,345, net of divestments and acquisitions, and to currencies by MSEK 1,305.
- Trade receivables amounted to MSEK 16,600 (16,811) corresponding to 16.8% (16.2) of annual sales. The change in trade receivables was attributable to volume decrease with MSEK –783, net of divestments and acquisitions, and to currencies with MSEK 572. The average days of outstanding trade receivables were 67 days (64).
- Trade payables amounted to MSEK 12,553 (11,236) corresponding to 12.7% (10.8) of annual sales. The change attributable to volume was MSEK 884, net of divestments and acquisitions, and the remaining MSEK 433 was attributable to currencies.

Property, Plant and Equipment
On 31 December 2024, property, plant and equipment amounted to MSEK 30,470 (26,820) corresponding to 30.9% (25.8) of annual sales. The change attributable to currencies was MSEK 4,972.

Net debt
Net debt amounted to MSEK 16,472 (16,191) at the end of 2024.

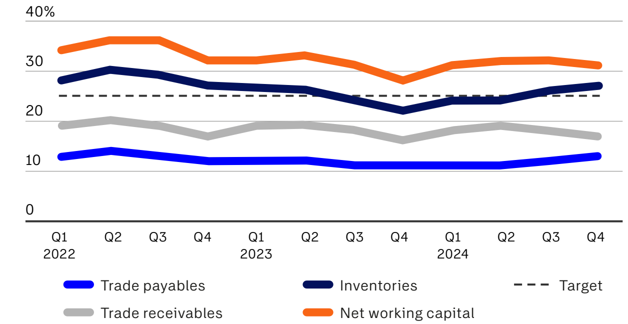
Post-employment benefit provisions totalled MSEK 7,729 (8,578) at year-end, representing a net decrease of MSEK 848 (net decrease of 43), which was attributable to:

- Cash payments of MSEK –1,411 (–1,272)
- Actuarial gains and losses of MSEK –731 (297)
- Expenses of MSEK 945 (1,025)
- Acquired/divested businesses of MSEK 0 (0)
- The remainder was attributable to currency translation differences.

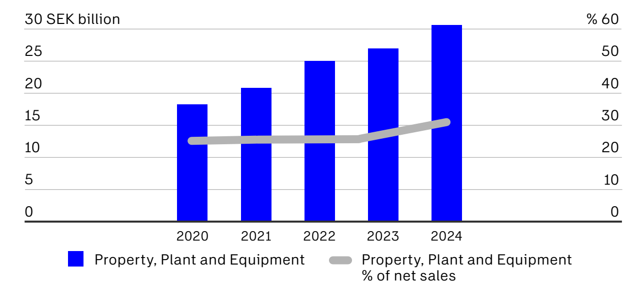
Loans totalled MSEK 16,526 (18,496), at the end of 2024, representing a decrease of MSEK –1,970. The change was primarily attributable to the repayment of matured bonds of MSEK –2,689.

Equity
During the year, equity increased from MSEK 54,956 to MSEK 61,969. Net profit amounted to MSEK 6,887 (6,777) and dividends were MSEK 3,833 (3,357). Currency translation had a positive effect of MSEK 2,914 (–3,136). Remeasurements had a positive net of tax effect of MSEK 732 (–214). The capital structure target is a net debt/equity ratio, excluding pension liabilities, below 40%. This together with the self-funding principle in the new strategic framework, operating cash flow to fund investments and dividends, underpins the Group's financial flexibility and its ability to execute on the strategy, while maintaining a strong credit rating. On 31 December 2024, the net debt/equity ratio, excluding pension liabilities was 14.1% (13.9).

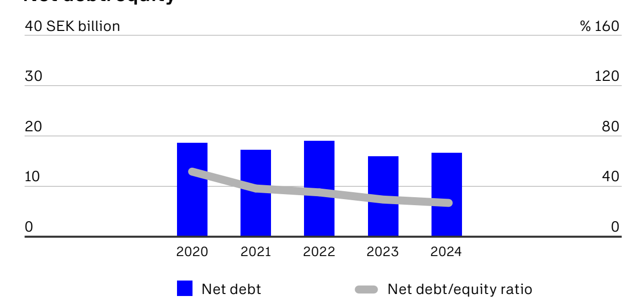
Net working capital as % of annual sales



Property, Plant and Equipment as % of net sales



Net debt/equity



Consolidated statements of cash flow

MSEK	Note	January–December 2024	2023
Operating activities			
Operating profit		10,339	11,084
Adjustments for			
Depreciation, amortization and impairment	6	4,432	4,297
Net gain/loss on sales of businesses and property, plant and equipment		–15	2
Other non-cash items		961	1,528
Income taxes paid		–2,357	–2,593
Contributions to and payments under post-employment defined benefit plans	18	–1,206	–1,060
Associated companies		–23	–98
Changes in working capital			
Inventories		–2,224	1,709
Trade receivables		872	–656
Trade payables		850	43
Other operating assets and liabilities, net		–302	378
Interest and other financial items		–535	–851
Net cash flow from operating activities		**10,792**	**13,783**
Investing activities			
Additions to intangible assets	10	–14	–11
Additions to property, plant and equipment	11	–5,077	–5,749
Sales of property, plant, equipment, and intangible assets	10, 11	80	68
Acquisitions of businesses, net of cash and cash equivalents	3	–587	—
Divestments of businesses, net of cash and cash equivalents	4	—	25
Investment in/sale of equity securities		–4	–200
Net cash flow used in investing activities		**–5,602**	**–5,867**
Net cash flow after investments before financing		**5,190**	**7,916**

MSEK	Note	January–December 2024	2023
Financing activities			
Proceeds from medium- and long-term loans		464	122
Repayments of medium- and long-term loans		–3,153	–122
Payments of leases		–885	–863
Cash dividends to shareholders of AB SKF and non-controlling interests		–3,832	–3,357
Funding of post-employment benefits		–210	–212
Investments in financial assets		–30	–419
Sales of financial assets		73	339
Net cash flow used in/from financing activities		**–7,573**	**–4,512**
Net cash flow		**–2,383**	**3,404**
Cash and cash equivalents at 1 January		13,311	10,255
Cash effect excluding acquired/sold businesses		–2,493	3,404
Cash effect from acquired/sold businesses		110	—
Translation effect		103	–348
Cash and cash equivalents on 31 December		**11,031**	**13,311**

Comments on the consolidated statements of cash flow

The consolidated statements of cash flow have been adjusted for exchange rate effects arising upon the translation of foreign subsidiaries' balance sheets to SEK, as these do not represent cash flows. Cash and cash equivalents comprises of cash free, cash on time deposits at banks and debt securities maturing within three months at the time of the investment.

Cash flow from operating activities

Net cash flow from operating activities, which is the primary cash flow measure used in the Group, amounted to MSEK 10,792 (13,783) in 2024. Other non-cash items included expenses for which the cash flow has not yet occurred. The decline in cash flow from operating activities is mainly driven by lower operating profit as well as negative changes in working capital where the most negative impact is coming from changes in inventories. Interest and other financial items included interest paid of MSEK –786 (–799), interest received of MSEK 443 (403), and the remainder related primarily to realized derivatives on commercial flows between Group companies.

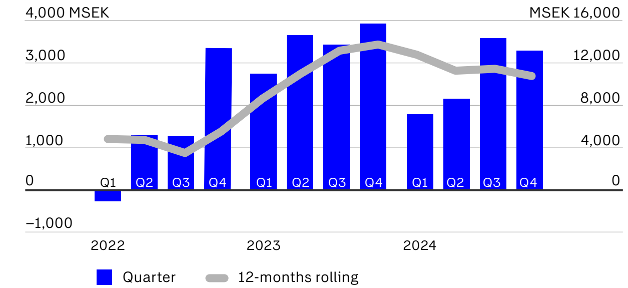
Cash flow after investments before financing

Cash flow after investments before financing reached MSEK 5,190 (7,916) in 2024. Adjusted for acquisitions and divestments of businesses, the cash flow amounted to MSEK 5,777 (7,891). During the year the Group acquired the John Sample Group and two smaller businesses within magnetic bearings which generated a net cash outflow of MSEK –587 (25).

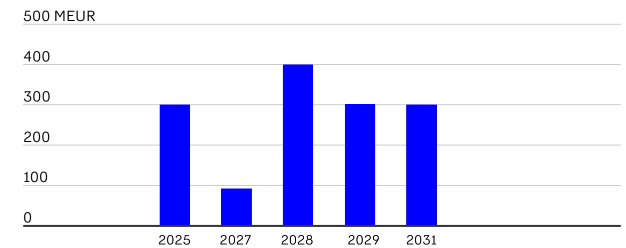
Cash flow used in financing activities

Cash flow used in financing activities included a payment of MSEK –210 (–212), net of taxes, related to contribution to the defined benefit retirement plan in the USA.

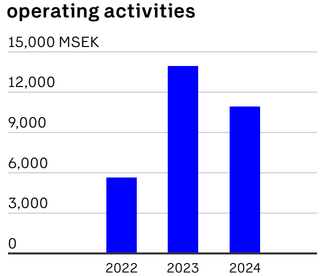
Cash flow from operating activities



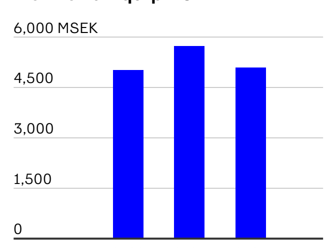
Debt structure



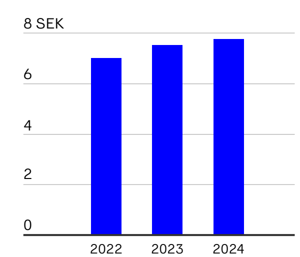
Cash flow from operating activities



Additions to Property, Plant and Equipment



Paid dividend per A and B share



The Board of Directors' proposed distribution of surplus for the year 2024, which is subject to approval at the Annual General Meeting in April 2025, includes an ordinary dividend of SEK 7.75 per share, see Note 16.

Comments on the consolidated statements of cash flow, cont.

Change in net debt

MSEK	2024 Closing balance	Cash changes	Businesses acquired/sold	Other non-cash changes	Translation effect	2024 Opening balance
Loans[1]	16,526	–2,689	5	23	691	18,496
Post-employment benefits, net[2]	7,729	–1,416	—	237	330	8,578
Lease liabilities	3,516	–885	26	1,355	184	2,836
Other short-term financial assets[3]	–268	8	—	152	–20	–408
Cash and cash equivalents	–11,031	2,493	–110	—	–103	–13,311
Net debt	**16,472**	**–2,489**	**–79**	**1,767**	**1,082**	**16,191**
Derivatives[4] included in Other financing items	—	—	—	—	—	—

MSEK	2023 Closing balance	Cash changes	Businesses acquired/sold	Other non-cash changes	Translation effect	2023 Opening balance
Loans[1]	18,496	—	—	9	141	18,346
Post-employment benefits, net[2]	8,578	–1,272	—	1,339	–110	8,621
Lease liabilities	2,836	–863	—	864	–86	2,921
Other short-term financial assets[3]	–408	–106	—	4	293	–599
Cash and cash equivalents	–13,311	–3,404	—	—	348	–10,255
Net debt	**16,191**	**–5,645**	**—**	**2,216**	**586**	**19,034**
Derivatives[4] included in Other financing items	—	—	—	—	—	—

1) Excludes derivatives, see Note 20.
2) Other non-cash changes include remeasurements as well as expenses on defined benefit plans, see Note 18.
3) Other short-term financial assets exclude derivatives, see Note 14. Cash changes of MSEK 8 (–106) is explained by investment in financial assets of MSEK –7 (–402) and sale of financial assets of MSEK 15 (296).
4) Financing activities to hedge short- and long-term loans. Other financing items in cash flow include cash flow from derivatives as stated in the table and interest premium for the repayment of loans.

Consolidated statements of changes in equity

	Equity attributable to owners of AB SKF							
MSEK	Share capital	Share premium	FV OCI reserve	Translation reserve	Retained earnings	Subtotal	Non-controlling interests[1]	Total
Opening balance 1 January 2023	**1,138**	**564**	**171**	**5,139**	**44,915**	**51,927**	**2,116**	**54,043**
Net profit	—	—	—	—	6,395	6,395	382	6,777
Hyperinflation adjustment[3]	—	—	—	—	929	929	—	929
Components of other comprehensive income								
Currency translation adjustments	—	—	—	−3,020	—	−3,020	−116	−3,136
Change in FV OCI assets	—	—	−82	—	—	−82	—	−82
Remeasurements of post-employment benefits	—	—	—	—	−297	−297	—	−297
Income taxes	—	—	—	—	82	82	1	83
Transactions with shareholders								
Non-controlling interests	—	—	—	—	—	—	—	—
Cost for Performance Share Programmes, net[2]	—	—	—	—	−5	−5	—	−5
Dividends	—	—	—	—	−3,187	−3,187	−170	−3,357
Other	—	—	—	—	1	1	—	1
Closing balance 31 December 2023	**1,138**	**564**	**89**	**2,119**	**48,833**	**52,743**	**2,213**	**54,956**
Net profit	—	—	—	—	6,474	6,474	413	6,887
Hyperinflation adjustment[3]	—	—	—	—	389	389	—	389
Components of other comprehensive income								
Currency translation adjustments	—	—	—	2,803	—	2,803	111	2,914
Change in FV OCI assets	—	—	80	—	—	80	—	80
Remeasurements of post-employment benefits	—	—	—	—	731	731	—	731
Income taxes	—	—	—	—	−150	−150	—	−150
Transactions with shareholders								
Non-controlling interests	—	—	—	—	—	—	—	—
Cost for Performance Share Programmes, net[2]	—	—	—	—	−20	−20	—	−20
Dividends	—	—	—	—	−3,416	−3,416	−417	−3,833
Other	—	—	—	—	15	15	—	15
Closing balance 31 December 2024	**1,138**	**564**	**169**	**4,922**	**52,856**	**59,649**	**2,320**	**61,969**

1) See Note 27 for details.
2) See Note 23 for details.
3) See Note 1 for details.

Fair value through other comprehensive income reserve
The fair value through other comprehensive income (FV OCI) reserve accumulates changes in the fair value of assets recognized directly in other comprehensive income, net of tax, with the exception of any dividends and any impairment losses. See Note 14 for details on FV OCI assets.

Translation reserve
Exchange differences relating to the translation from the functional currencies of the SKF Group's foreign subsidiaries into SEK are accumulated in the translation reserve. Upon the sale of a foreign operation, the accumulated translation amounts are recycled to the income statement and included in the gain or loss on the disposal. Additionally, gains and losses on hedging instruments meeting the criteria for hedges of net investments in foreign operations are recognized in the translation reserve net of tax. See Note 26 for details.

Notes to the consolidated financial statements

1 Accounting policies

Basis of presentation
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Furthermore, the Group is in compliance with the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, as well as their interpretations (UFR).

The Annual Report of the Parent Company, AB SKF, has been signed by the Board of Directors on 7 March 2025. The income statement and balance sheet, and the consolidated income statement and consolidated balance sheets are subject to adoption at the Annual General Meeting on 1 April 2025.

The consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below or in respective note.

Basis of consolidation
The consolidated financial statements include the Parent Company, AB SKF and those companies in which it directly or indirectly exercises control, and hereafter is referred to as "the Group", "SKF" or "the SKF Group". Control exists when the Group has the right to direct the relevant activities of a company, is exposed to variable returns and canuse those rights to affect those returns. For the vast majority of the Group's subsidiaries control exists via 100% ownership. There is also a very limited number of subsidiaries controlled by SKF where ownership is between 50–100%. The largest of such companies is SKF India Ltd. that is a publicly listed company in India of which the Group has control via ownership of 52.6% of the voting rights. For the subsidiaries where less than 100% is owned, the non-controlling interests are shown separately within equity.

Translation of foreign financial statements and items denominated in foreign currency
AB SKF's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency.

All foreign subsidiaries report in their functional currency, being the currency of the primary economic environment in which the subsidiary operates. Upon consolidation, all balance sheet items are translated to SEK based on the year-end exchange rates. Income statement items are translated at average exchange rates, with an exception for those mentioned below in hyperinflation reporting. The accumulated exchange differences arising from these translations are recognized via other comprehensive income to the translation reserve in equity. Such translation differences are reclassified into the income statement upon the disposal of the foreign operation.

Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at the respective transaction date.

Assets and liabilities denominated in a foreign currency, primarily receivables, payables and loans, have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains and losses related to trade receivables and payables, and other operating receivables and payables, are included in other operating income and other operating expenses. The exchange gains and losses relating to other financial assets and liabilities are included in financial income and financial expenses.

Exchange rates
The following exchange rates have been used when translating the financial statements of foreign subsidiaries operating in the countries into SEK:

			Average rates		Year-end rates	
Country	Unit	Currency	2024	2023	2024	2023
Argentina	1	ARS	0.01	0.04	0.01	0.01
China	1	CNY	1.47	1.50	1.51	1.41
EMU countries	1	EUR	11.44	11.47	11.46	11.06
India	100	INR	12.63	12.84	12.87	12.02
Brazil	1	BRL	1.97	2.12	1.78	2.06
United Kingdom	1	GBP	13.53	13.20	13.83	12.74
USA	1	USD	10.57	10.61	11.01	10.00

Hyperinflation reporting
Argentina is classified as a hyperinflation economy since 2018 and since 2022 Turkey is classified as a hyperinflation economy. Since SKF has operations in these countries, the Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies and restated the financial statements accordingly. The Argentinian index used in the restatement is the Argentinian Consumer Price Index published by the Argentinian Statistical Institute and amounted to 7,694.0 (3,533.2) as per 31 December 2024. The Turkish index used in the restatement is the Consumer Price Index published by the Turkish Statistical Institute and amounted to 2,684.6 (1,859.4) as per 31 December 2024.

Revenue
Revenue consists of sales of products or services to both end customers and distributors in the normal course of business. Service revenues are defined as business activities, billed to a customer, that do not include physical products or where the supply of any product is subsidiary to the fulfilment of the contract. Any products that are included in service contracts are reported as separate performance obligations and classified as revenue from products.

Revenue is recognized when the control has been transferred to the customer. Sales are recorded net of allowances for volume rebates, sales returns and other variable considerations if it is highly probable that they will occur.

Revenues from products are recognized at a point in time. Revenues from service and/or maintenance contracts are either recognized at a point in time or over time. In those contracts where the service is delivered to the customer over time, the revenue is accounted for over the duration of the contract with the use of either the input or output methods. These are different methods to measure the progress towards a complete satisfaction of a performance obligation. Revenue from all other service contracts is accounted for at a point in time.

Any anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable.

For revenue presented per customer industry, segment and geographic area, see Note 2.

Critical accounting estimates and judgements
Management believes that the following areas contain the most key judgements and the most significant sources of estimation uncertainty used in the preparation of the financial statements, where a different opinion or estimate could lead to significant changes to the Group's financial statements in the upcoming year.

- Judgement on the realizability of deferred tax assets (Note 9).
- Judgements in recoverability of the carrying value of internally developed software (Note 10).
- Estimates and key assumptions used in impairment testing of intangible assets (Note 10).
- Judgements used in determening extension options for right of use assets (Note 12).
- Significant assumptions used in the calculation of the post-employment benefit obligations (Note 18).
- Judgements used in the recognition and disclosure of provisions and contingent liabilities (Note 19).
- Climate risks are taken into consideration in investing decisions and impairment testing.

1 Accounting policies, cont.

Climate risk assessment

SKF sees both risks and opportunities related to climate, but no known material climate related risks affecting the financial statements of 2024 for the SKF Group have been identified. SKF's core business is based on well-established technology and the Group is diversified in terms of products, customers, geographic markets and industries. Based on this diversification, SKF does not anticipate that climate related business risks will have substantive financial or strategic impact on Group level. Some specific market sectors will be negatively affected, such as the demand for SKF products for diesel and gasoline engines. However, other sectors will be positively affected, such as the market demand for SKF products for electric motors. Overall, SKF believes that the climate-related business opportunities outweigh the risks.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar 2 income taxes.

On 13 December 2023, the government in Sweden, where the parent company is incorporated, enacted the Pillar 2 income taxes legislation effective from 1 January, 2024. Under the legislation, the Parent Company will be required to pay top-up tax on profit of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. SKF Group has analyzed the 2024 financial figures and concluded that the Group is not expecting any additional material top-up tax. The Group is continuing to assess the impact of Pillar 2 income taxes legislation on its future financial performance. statements.

New accounting principles

New accounting principles 2024

IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2024. None of these had a material effect on the SKF Group's financial statements.

New accounting principles 2025

IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2025. None of these are expected to have a material effect on the SKF Group's financial.

2 Segment information

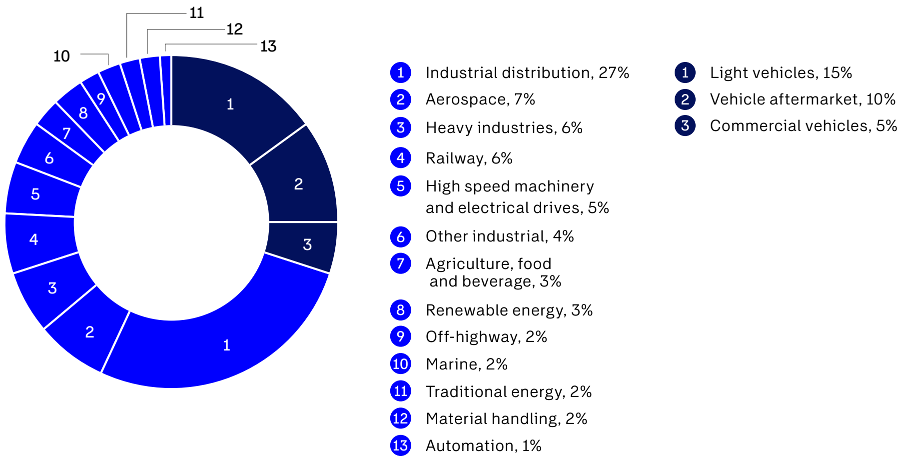
Each operating segment is defined as those business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. In the case of SKF, the CODM is defined as Group Management which makes decisions about allocation of resources to the segments and also to assess their performance on a regular basis. The internal reporting package comprises two segments, Industrial and Automotive.

This segment information includes sales and operating profit related to all significant industrial and automotive customers. Segment profit represents the business result generated by the capital employed of the segment and includes allocated corporate expenses and eliminations.

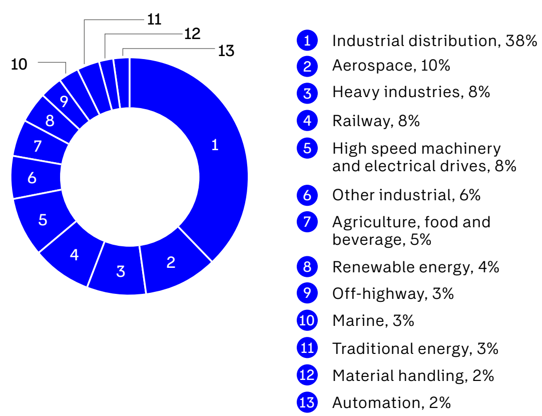
Segment assets include all operating assets used and controlled by a segment and consists principally of property, plant and equipment, intangible assets, external trade receivables and inventories. Segment liabilities include all operating liabilities used and controlled by a segment and

2 Segment information, cont.

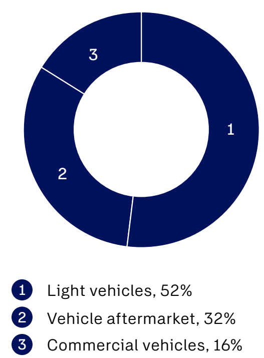
Net sales by customer industry – Total



Net sales by customer industry – Industrial



Net sales by customer industry – Automotive



2 Segment information, cont.

consists principally of external trade payables, other provisions as well as accruals. Reconciling items to the Group's reported assets and liabilities include consolidation eliminations, all tax-related balances as well as items of a financial interest bearing nature, including post-employment benefit assets and provisions.

Asymmetrical allocations affecting the segments relate primarily to post-employment benefits where non-financial expenses are allocated to the segments although the related provisions are not.

Additionally, receivables and payables related to sales between segments are not allocated to the segments. Such items are sold to and settled directly with SKF Treasury Centre, the Group's internal bank, thereby becoming financial in nature.

Industrial is structured according to a regional approach and is managed as one segment comprising of four regions: Europe, Middle East and Africa, The Americas, China and Northeast Asia, India and Southeast Asia.

Industrial sells to customers in the global industrial market, directly and indirectly through SKF's worldwide distributor network. Key customers are companies within industrial drives, heavy industry (such as metals, mining, cement, and pulp and paper), other industrial (such as automation and machine tool), railway, marine, energy (such as wind and solar) and aerospace. These customer industries are served both directly to OEMs and end-users as well as indirectly through SKF's network of industrial distributors.

Automotive sells to customers in the global automotive market, directly or indirectly through SKF's distributor network. Key customers are manufacturers of cars, light and heavy trucks, trailers, buses, two-wheelers and the vehicle aftermarket.

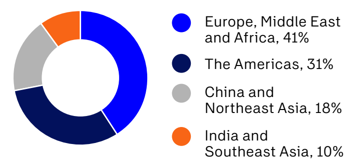
For more information about the segments and their related products, see page 5.

Previously published segment figures for 2023 have been restated to reflect current organizational structure.

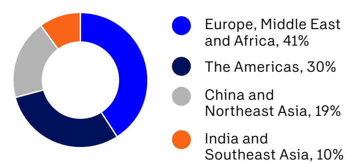
Net sales are allocated according to the location of the respective customer. Of the Group's total net sales by customer location, 19% (19) were located in USA, 15% (17) in China, and 8% (9) in Germany.

Non-current assets exclude financial assets, deferred tax assets and post-employment benefit assets. Non-current assets are allocated according to the location of the subsidiaries. Of the Group's total non-current assets as defined above, 27% (27) were located in USA, 12% (13) in Germany, and 12% (13) in China.

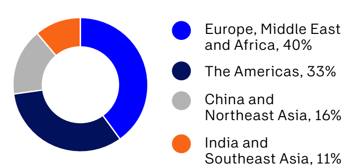
Net sales by geographic area – total



Net sales by geographic area – Industrial



Net sales by geographic area – Automotive



	Net sales by customer industri		Contribution to profit before tax	
MSEK	2024	2023	2024	2023
Industrial	69,475	73,393	9,285	9,735
Automotive	29,247	30,488	1,054	1,349
Subtotal operating segments	**98,722**	**103,881**	**10,339**	**11,084**
Financial net	—	—	–1,250	–1,903
Total	**98,722**	**103,881**	**9,089**	**9,181**

	Depreciation and amortization		Impairments		Additions to property, plant and equipment, intangible assets and right-of-use assets	
MSEK	2024	2023	2024	2023	2024	2023
Industrial	3,580	3,591	310	150	5,039	5,350
Automotive	506	556	36	—	987	949
Total	**4,086**	**4,147**	**346**	**150**	**6,026**	**6,299**

	Assets		Liabilities	
MSEK	2024	2023	2024	2023
Industrial	70,089	65,444	15,427	15,036
Automotive	22,719	20,242	6,568	5,631
Subtotal operating segments	**92,808**	**85,686**	**21,995**	**20,667**
Financial and tax items	17,710	19,596	30,113	30,996
Eliminations and other unallocated items	8,895	6,621	5,337	5,284
Total	**119,413**	**111,903**	**57,445**	**56,947**

Geographic disclosure	Net sales by customer location		Non-current assets	
MSEK	2024	2023	2024	2023
Sweden	2,248	2,440	3,354	3,615
Europe, Middle East and Africa excl. Sweden	37,528	39,859	18,262	16,716
The Americas	30,758	31,193	17,826	15,706
China and Northeast Asia	18,158	20,509	10,316	9,292
India and Southeast Asia	10,030	9,880	2,491	1,558
Eliminations	—	—	–196	603
Total	**98,722**	**103,881**	**52,053**	**47,490**

3 Acquisitions

Accounting policy
All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, when control is obtained, the acquired assets, liabilities and contingent liabilities (net identifiable assets) are measured at fair value.

Any excess of the cost of acquisition over fair values of net identifiable assets of the acquired business is recognized as goodwill.

Companies acquired during the year are included in the financial statements as of acquisition date.

In 2024, SKF had a cash outflow of MSEK 565 for the acuqisition of John Sample Group's Lubrication and Flow Management businesses. See table below. This acquisition strengthens SKF's regional capabilities in Southeast Asia, with a particular focus on customers in engineered solutions, heavy industries and mobile equipment. In 2024, SKF also had a cash outflow of MSEK 22 for the acquisition of two smaller businesses within the magnetic bearing business in Europe.

In 2023, SKF had no acquisition of businesses.

MSEK	2024	2023
Total fair value of net assets acquired		
Intangible assets, excluding goodwill	239	–
Property, plant and equipment	5	–
Right-of-use assets	26	–
Non-current assets	14	–
Current assets	327	–
Non-current liabilities	–78	–
Current liabilities	–105	–
Fair value net assets acquired	**428**	**–**
Goodwill	240	–
Total acquisition cost	**668**	**–**
Cash and cash equivalents acquired	–103	–
Cash outflow	**565**	**–**

4 Divestment of businesses

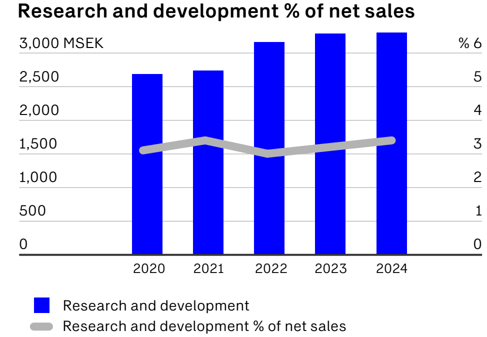
During 2024, the Group has no divestment of businesses.

During 2023, the Group divested Spandau Pumpen, a smaller business within lubrication, resulting in a total cash in-flow of MSEK 25.

MSEK	2024	2023
Goodwill	–	–
Other intangible assets	–	–
Property, plant and equipment	–	7
Deferred tax assets	–	–
Other non-current assets	–	–
Current assets	–	–
Deferred tax provisions	–	–
Non-current liabilities	–	–
Current liabilities	–	–
Non-controlling interest	–	–
Net assets disposed of	**–**	**7**
Profit/loss	–	18
Total consideration	**–**	**25**
Cash and cash equivalents divested	–	–
Cash outflow for previous years divestments	–	–
Total cashflow	**–**	**25**

5 Research and development

Research and development % of net sales



Research and development expenditure, excluding developing IT solutions, totalled MSEK 3,326 (3,303), corresponding to 3.4% (3.2) of annual sales.

6 Expenses by nature

MSEK	2024	2023
Employee benefit expenses including social charges	28,023	29,242
Raw material and components consumed including traded products	32,972	36,446
Change in work in process and finished goods	–1,347	880
Depreciation, amortization and impairments	4,432	4,297
Other expenses, primarily purchased services, shop supplies and utilities	23,959	22,036
Total operating expenses	**88,039**	**92,901**

Depreciation, amortization and impairments are accounted for as (MSEK)	2024				2023			
	Depreciation	Amortization	Impairments	Total	Depreciation	Amortization	Impairments	Total
Cost of goods sold	3,014	84	196	3,294	3,037	97	146	3,280
Selling expenses	432	556	150	1,138	453	560	4	1,017
Total	**3,446**	**640**	**346**	**4,432**	**3,490**	**657**	**150**	**4,297**

7 Other operating income and expenses

MSEK	2024	2023
Other operating income		
Exchange gains on trade receivables/payables	1,042	2,472
Profit from sale of property, plant and equipment	81	105
Profit from divestment of businesses	—	18
Other	140	101
Total	**1,263**	**2,696**
Other operating expenses		
Exchange losses on trade receivables/payables	–1,316	–2,743
Loss from sale of property, plant and equipment	–59	–80
Other	–271	171
Total	**–1,645**	**–2,652**
Other operating income and expenses, net	**–382**	**44**

8 Financial income and financial expenses

MSEK	2024	2023
Interest income	436	562
Interest expenses	–816	–943
Net gains/losses:		
Net interest cost on post-employment benefits	–273	–357
Exchange differences, net	–396	–1,088
Other financial income including dividends	66	56
Other financial expenses[1]	–267	–133
Financial net	**–1,250**	**–1,903**

1) Includes costs for Treasury Function.

Other financial expenses includes costs related to unwinding the discount on provisions, bank charges and other transactional related costs.

The below table specifies which category of financial instrument that gave rise to the financial income and expenses as described above. For a specification of the underlying financial assets and financial liabilities to these categories, see Note 14 and Note 20.

Financial net specified by category of financial instruments (MSEK)	2024			2023		
	Interest income	Interest expenses	Net gains/ losses	Interest income	Interest expenses	Net gains/ losses
Financial assets/liabilities at fair value through profit or loss						
Designated upon initial recognition	264	—	—	238	—	—
Derivatives held for trading	—	–274	–50	—	–233	146
Financial assets classified as amortized cost	172	—	–264	324	—	–445
Financial assets classified as fair value through other comprehensive income	—	—	1	—	—	2
Other financial liabilities, primarily loans	—	–542	–17	—	–710	–735
Other liabilities including post-employment benefits	—	—	–541	—	—	–490
Total	**436**	**–816**	**–870**	**562**	**–943**	**–1,522**

Derivatives classified as held for trading are mainly used for economic hedging, which mitigate the effect of certain items in the categories loans, receivables and other liabilities. Net gains/losses are mainly exchange differences and changes in fair value for all the categories except for other liabilities, which includes primarily net interest costs on post-employment benefits and other financial expenses.

9 Taxes

Accounting policy
Taxes include current taxes on profits, deferred taxes and other taxes such as taxes on capital, actual or potential withholding taxes on current and expected transfers of income from Group companies and tax adjustments relating to prior years. Income taxes are recognized in the income statement, except to the extent that they relate to items directly taken to other comprehensive income or to equity, in which case they are recognized in other comprehensive income or directly in equity.

All the companies within the Group calculate current income taxes in accordance with the tax rules and regulations of the countries where the income is taxable.

The Group applies the required balance sheet approach for measuring deferred taxes, where deferred tax assets and provisions are recorded based on enacted tax rates for the expected future tax consequences when the asset is realized or debt regulated. These tax rates are applied on existing differences between accounting and tax reporting bases of assets and liabilities, as well as for tax loss and tax credit carry-forwards. Such tax loss and tax credit carry-forwards can be used to offset future income.

For information regarding Pillar 2 see Note 1 Accounting policies.

Accounting estimates and judgements
Significant management judgment is required in determining current tax liabilities and assets as well as deferred tax provisions and assets. The process involves estimating the current tax together with assessing temporary differences arising from differing treatment of items for tax and accounting purposes. The process also involves judgements when there is uncertainty over income tax treatments.

In particular, management assesses the likelihood that deferred tax assets will be recoverable from future taxable income. Deferred tax assets are recorded to the extent that it is probable in management's opinion that sufficient future taxable income will be available to allow the recognition of such benefits.

Realizability of net deferred tax assets are assessed by management based on the individual company's profitability history, forecasts of taxable profits as well as length to expiry of the asset. The assessment regarding the possibility of utilizing deferred tax assets attributable to tax loss carry-forwards includes climate-related risks and its impact on future expected taxable profits.

The SKF Group had total unrecognized deferred tax assets of MSEK 108 (88), whereof MSEK 60 (33) related to tax loss carry-forwards and MSEK 48 (55) related to other deductible temporary differences. These were not recognized due to the uncertainty of future profit streams.

Unrecognized deferred tax assets of MSEK 50 (6) related to tax losses and will expire during the period 2025 to 2029. The remaining unrecognized assets will expire after 2029 and/or may be carried forward indefinitely.

The change in the balance of unrecognized deferred tax assets that reduced current tax expense was MSEK 8 (21) mainly relating to the use of tax loss carry-forwards. The change in the balance of unrecognized deferred tax assets that impacted deferred tax expense was MSEK –28 (96) which resulted from a revised judgement on the realizability of certain tax assets in future years.

Gross value of tax loss carry-forwards
As of 31 December 2024, the Group had tax loss carry-forwards amounting to MSEK 4,052 (4,088) recognized in the balance sheet, which are available for offset against taxable future profits. Such tax loss carry-forwards expire as follows:

2025–2029	658
2030 and thereafter	149
Never	3,245

	2024			2023		
Tax expenses (MSEK)	Income statement	Other comprehensive income	Total taxes	Income statement	Other comprehensive income	Total taxes
Current taxes	–2,077	—	–2,077	–2,373	—	–2,373
Deferred taxes	–125	–150	–275	–31	83	52
Total	**–2,202**	**–150**	**–2,352**	**–2,404**	**83**	**–2,321**

Taxes charged to other comprehensive income included MSEK –150 (83) related to remeasurements of post-employment benefits and MSEK 0 (0) related to net investment hedges.

Reconciliation of the statutory tax in Sweden to the actual tax (MSEK)	2024	2023
Tax calculated using statutory tax rate in Sweden	–1,872	–1,891
Difference between statutory tax rate in Sweden and foreign subsidiaries	253	–403
Other taxes	–50	–88
Tax credits and similar items	49	34
Non-deductible/Non-taxable profit items	–914	127
Changes in tax rates	—	—
Tax loss carry-forwards	95	–76
Current tax referring to previous years	150	122
Other	87	–229
Tax expense in the Income Statement	**–2,202**	**–2,404**

The corporate statutory income tax rate in Sweden was 20.6% (20.6). The actual tax rate on profit before taxes was 24.2% (26.2).

	2024		2023	
Gross deferred taxes per type (MSEK)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangibles and other assets	289	1,365	151	1,322
Property, plant and equipment	111	1,388	72	1,209
Right of use assets	52	239	—	—
Inventories	743	622	643	499
Trade receivables	109	3	71	3
Provisions for post-employment benefits	1,559	140	1,667	196
Other accruals and liabilities	1,324	41	1,310	99
Tax loss carry-forwards	690	—	828	—
Tax credit carry-forwards	339	—	349	—
Other	137	92	179	55
Gross deferred taxes	**5,353**	**3,890**	**5,270**	**3,383**
Net deferred taxes presented in the Consolidated balance sheet	3,369	1,905	3,107	1,220

10 Intangible assets

Accounting policy
Intangible assets are stated at initial cost less any accumulated amortization and any impairment. Amortization is made on a straight line basis over the estimated useful lives and begins once the asset is ready for its intended use. The useful lives are based to a large extent on historical experience, the expected application, as well as other individual characteristics of the asset.

The useful lives are:
- Patents and similar rights up to 11 years
- Software in use 4–12 years
- Customer relationships 10–15 years
- Product development expenditures 3–7 years
- Technology acquired in business combinations 15–18 years
- Other intangibles 3–5 years
- Strategic tradenames indefinite
- Goodwill indefinite.

Amortization and impairments are included in cost of goods sold, selling expenses or administrative expenses depending on where the assets have been used.

Internally developed intangibles
The Group's most significant internally developed intangibles are software in use, developed for internal purposes, and to a minor extent product development. The amortization plan for SKF ERP Programme (SEP) is based on a useful life of 10 years.

Intangible assets with definite useful lives
Intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The determination is usually performed at the cash generating unit (CGU) level but could also be at the individual asset level.

Factors that are considered important are:
- Underperformance relative to historical and forecasted operating results
- Significant negative industry or economic trends
- Significant changes relative to the asset including plans to discontinue or restructure the operation to which the asset belongs.

When there is an indication that the carrying value may not be recoverable based on the above indicators, the profitability of the CGU to which the asset belongs is analyzed to further confirm the nature and extent of the indication. If an indication is confirmed, an impairment loss is recognized to the extent that the carrying amount of the affected assets exceeds its recoverable amount.

Intangible assets with indefinite useful lives
Goodwill and other intangible assets with indefinite useful lives have been allocated to CGUs, and are tested for impairment annually and whenever an indication of impairment exists. The impairment test is carried out at the lowest level at which these assets are monitored by management. The lowest CGU level used for impairment test is the segment level, Industrial and Automotive.

Accounting estimates and judgements
Significant management judgement is required in determining if development expenditures should be capitalized. Such expenses are only capitalized when it is probable that they will result in future economic benefits for the Group and the expenditures during the development phase can be reliably measured. The Group applies stringent criteria before a development project results in the recording of an asset, which include the ability to complete the project, evidence of technical feasibility, intention and ability to use or sell the asset. When evaluating software for internal use, management specifically considers new functionality and/or increased standard of performance to be strong evidence that future economic benefits will be achieved. In evaluating product development projects, management considers the existence of a customer order as significant evidence of technological and economic feasibility. All other research expenditures as well as development expenditures not meeting the capitalization criteria are charged to research and development expenses in the income statement when incurred.

When there is an indication that the carrying value may not be recoverable, the carrying amount of the asset is compared against its recoverable amount. The recoverable amount is the greater of the estimated fair value less costs to sell and value in use. In assessing value in use, a discounted cash flow model (DCF) is used. This assessment contains a key source of estimation uncertainty because the estimates and assumptions used in the DCF model encompass uncertainty about future events and market conditions. The actual outcomes may be significantly different. However, estimates and assumptions are reviewed by management and are consistent with internal forecasts and business outlook.

The DCF model involves the forecasting of future operating cash flows over a five-year period and includes estimates of revenues, production costs and working capital requirements, as well as a number of assumptions, the most significant being the revenue growth rates and the discount rate. These forecasts of future operating cash flows are built up from business strategic plans representing management's best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts including climate related risks and other currently available information. Estimates are extrapolated using growth rates determined on an individual CGU basis, reflecting a combination of product, industry and country growth factors. A terminal value is then calculated based on the Gordon Growth model, which includes a terminal growth factor representing an outlook not exceeding the market growth for the industry.

Forecasts of future operating cash flows are adjusted to present value by an appropriate discount rate derived from the Group's cost of capital, considering the long-term government bond rate, the corporate spread, the market risk premium, the country risk premium where applicable, and the systematic risk of the CGU at the date of evaluation. Management determines the discount rate to be used based on the risk inherent in the related activity's current business model and industry comparisons.

10 Intangible assets, cont.

MSEK	2024 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1)]	Translation effects	2024 Opening balance
Acquisition cost								
Goodwill	13,148	—	263	—	—	–694	1,000	12,579
Patents, tradenames and similar rights	3,377	1	1	—	—	–189	283	3,281
Internally developed software	2,717	10	2	—	—	27	–1	2,679
Customer relationships	5,113	—	80	—	—	–406	400	5,039
Leaseholds	93	—	2	—	—	–1	7	85
Product development	231	—	—	—	—	—	8	223
Technology	1,388	1	—	—	—	–133	112	1,408
Other intangible assets	319	2	154	—	—	–29	–8	200
Total	**26,386**	**14**	**502**	**—**	**—**	**–1,425**	**1,801**	**25,494**

MSEK	2024 Closing balance	Amorti-zations	Businesses acquired/sold	Disposals	Impairments	Other[1)]	Translation effects	2024 Opening balance
Accumulated amortization and impairments								
Goodwill	574	—	—	—	—	–106	63	617
Patents, tradenames and similar rights	580	26	—	—	—	–45	21	578
Internally developed software	2,049	171	—	—	127	6	–1	1,746
Customer relationships	4,370	309	—	—	—	–317	323	4,055
Leaseholds	28	—	—	—	—	—	2	26
Product development	207	7	—	—	—	—	7	193
Technology	1,176	105	—	—	—	–131	93	1,109
Other intangible assets	157	22	—	—	—	–25	–3	163
Total	**9,141**	**640**	**—**	**—**	**127**	**–618**	**505**	**8,487**
Net book value	**17,245**							**17,007**

1) Includes reclassification between categories and assets held for sale related to Aerospace operations in the USA (see note 28).

MSEK	2023 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1)]	Translation effects	2023 Opening balance
Acquisition cost								
Goodwill	12,579	—	—	—	—	—	–420	12,999
Patents, tradenames and similar rights	3,281	4	—	—	—	1	–119	3,395
Internally developed software	2,679	3	—	–16	—	–6	–3	2,701
Customer relationships	5,039	—	—	–8	—	–16	–158	5,221
Leaseholds	85	—	—	—	—	2	–6	89
Product development	223	—	—	—	—	–79	–5	307
Technology	1,408	—	—	—	—	77	–40	1,371
Other intangible assets	200	4	—	—	—	3	2	191
Total	**25,494**	**11**	**—**	**–24**	**—**	**–18**	**–749**	**26,274**

MSEK	2023 Closing balance	Amorti-zations	Businesses acquired/sold	Disposals	Impairments	Other[1)]	Translation effects	2023 Opening balance
Accumulated amortization and impairments								
Goodwill	617	—	—	—	—	—	–31	648
Patents, tradenames and similar rights	578	24	—	—	—	–14	–5	573
Internally developed software	1,746	180	—	–13	4	–8	–3	1,586
Customer relationships	4,055	302	—	–8	—	–25	–129	3,915
Leaseholds	26	—	—	—	—	–1	–2	29
Product development	193	7	—	—	—	–28	–3	217
Technology	1,109	105	—	–3	—	41	–36	1,002
Other intangible assets	163	39	—	—	—	15	–2	111
Total	**8,487**	**657**	**—**	**–24**	**4**	**–20**	**–211**	**8,081**
Net book value	**17,007**							**18,193**

1) Includes reclassification between categories.

10 Intangible assets, cont.

Impairment losses
Impairments amounted to MSEK –127 (–4) in 2024 and are related to SKF ERP Programme (SEP).

Intangibles with indefinite useful lives
Certain tradenames and trademarks are considered to have indefinite useful lives as the Group anticipates to continue to promote these brands in the foreseeable future. This includes the tradenames and trademarks in Lincoln MSEK 1,453 (1,320), Kaydon MSEK 705 (772), Peer MSEK 237 (215), GBC MSEK 251 (228) and others MSEK 81 (84). Part of Kaydon trademarks are classified as held for sales (see note 28).

Significant intangibles
Internally generated software related primarily to the development of SEP to create and deploy improved processes and solutions across the Group. The balance of capitalized expenditures was MSEK 634 (924), including amortizations of MSEK –163 (–188) and impairments of MSEK –127 (0) made during 2024. Remaining useful life is four years.

Other individual intangible assets that are material for the Group include the customer relationships for Lincoln amounting to MSEK 158 (293) having a remaining useful life of two years, and for Kaydon amounting to MSEK 340 (488) having a remaining useful life of four years.

CGUs with significant intangibles
The CGUs follow the segment reporting. The table shows goodwill and other intangibles with indefinite useful lives allocated to the CGUs Industrial and Automotive, as well as some crucial rates that were used for the DCF calculation.

	2024		2023	
	Industrial	Automotive	Industrial	Automotive
Goodwill, MSEK	12,189	385	11,571	391
Tradenames, MSEK	2,406	238	2,307	228
Average revenue growth rate, %	7.1	3.9	4.9	5.0
Discount rate, pre tax, %	10.6	11.1	12.7	13.3
Terminal growth factor, %	2.5	2.5	2.5	2.5

The recoverable amounts used in the testing of the CGUs have been calculated based on value in use using the DCF model as described in Accounting estimates and judgements. The most significant assumptions are the discount rate and the growth rates, being both the revenue growth rates and the terminal growth factor. Revenue growth rates are expressed in the above table as the average growth rate over the five-year forecast period. The same discount rate is applied to all cash flows in the five-year forecast period. Additional information on the forecast period as well as the discount rate and growth rates and how they are calculated is described in accounting estimates and judgements above.

A number of sensitivity analyzes were performed to evaluate if any reasonable possible adverse changes in assumptions would lead to impairment. The analyzes focused around decreasing the revenue growth rates to zero, increasing the discount rate by two percentage points and decreasing the operating margin by two percentage points. Each taken individually and while holding all other assumptions constant. No impairment needs were indicated.

11 Property, plant and equipment

Accounting policy
Machinery and supply systems, land, buildings, tools, office equipment and vehicles are stated in the balance sheet at cost, less accumulated depreciation and any impairment loss. A component approach to depreciation is applied. This means that where items of property, plant and equipment are comprised of different components having a cost significant in relation to the total cost of the items, such components are depreciated separately. Depreciation is provided on a straight-line basis and is calculated based on cost. The rates of depreciation are based on the estimated useful lives of the assets, which are subject to annual review.

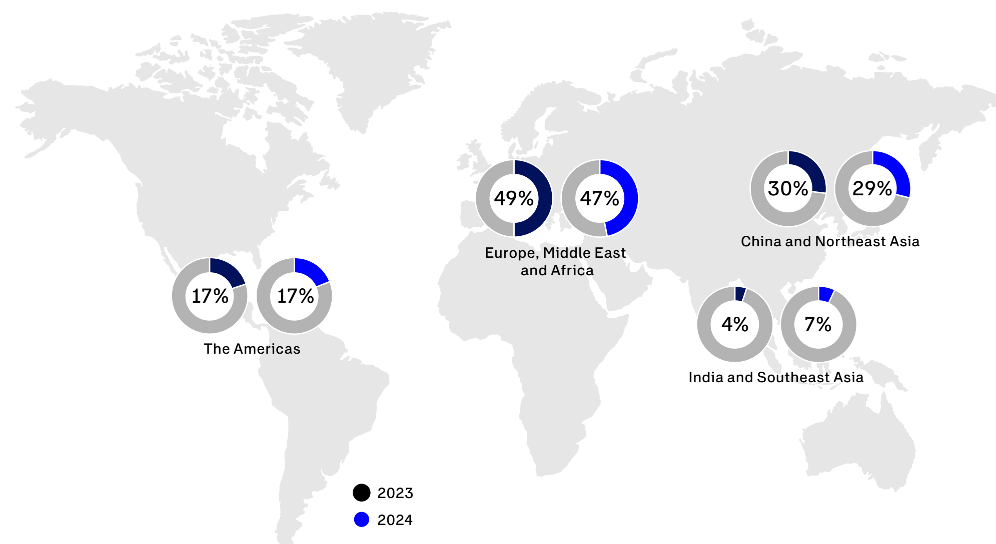
The useful lives are:
- 33 years for buildings and installations
- 10–20 years for machinery and supply systems
- 10 years for control systems within machinery and supply systems
- 4–5 years for tools, office equipment and vehicles.

Depreciation and impairments are included in cost of goods sold, selling expenses or administrative expenses depending on where the assets have been used.

Accounting estimates and judgments
The useful lives are based upon estimates of the periods during which the assets will generate revenue and are based to a large extent on historical experience of usage and technological development. It also includes estimates related to investments connected to the green transition as part of SKF's strategy.

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicates that the carrying value may not be recoverable.

Geographical distribution of property, plant and equipment 2023–2024



11 Property, plant and equipment, cont.

MSEK	2024 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1]	Translation effects	2024 Opening balance
Acquisition cost								
Buildings	13,723	981	—	–43	—	84	540	12,161
Land and land improvements	832	87	—	–3	—	15	28	705
Machinery and supply systems	44,197	2,800	—	–577	—	–268	1,981	40,261
Machine tooling and factory fittings	5,979	364	6	–191	—	–129	263	5,666
Assets under construction including advances[2]	7,239	845	—	—	—	–930	372	6,952
Total	**71,970**	**5,077**	**6**	**–814**	**—**	**–1,228**	**3,184**	**65,745**

MSEK	2024 Closing balance	Depreciation	Businesses sold	Disposals	Impairments	Other	Translation effects	2024 Opening balance
Accumulated depreciation and impairments								
Buildings	6,434	352	—	–10	–20	–152	265	5,999
Land improvements	129	10	—	—	18	–196	18	279
Machinery and supply systems	29,976	1,910	—	–584	207	–1,361	1,341	28,463
Machine tooling and factory fittings	4,961	376	—	–155	12	380	164	4,184
Total	**41,500**	**2,648**	**—**	**–749**	**217**	**–1,329**	**1,788**	**38,925**
Net book value	**30,470**							**26,820**

MSEK	2023 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1]	Translation effects	2023 Opening balance
Acquisition cost								
Buildings	12,161	809	—	–41	—	163	–239	11,469
Land and land improvements	705	1	—	–12	—	26	–342	1,032
Machinery and supply systems	40,261	2,243	–26	–592	—	–88	–1,140	39,864
Machine tooling and factory fittings	5,666	575	–12	–72	—	–181	–137	5,493
Assets under construction including advances[2]	6,952	2,121	–1	–1	—	–322	–503	5,658
Total	**65,745**	**5,749**	**–39**	**–718**	**—**	**–402**	**–2,361**	**63,516**

MSEK	2023 Closing balance	Depreciation	Businesses sold	Disposals	Impairments	Other[1]	Translation effects	2023 Opening balance
Accumulated depreciation and impairments								
Buildings	5,999	299	—	–7	96	–26	–156	5,793
Land improvements	279	6	—	–1	—	–5	–11	290
Machinery and supply systems	28,463	1,985	–21	–542	42	–737	–681	28,417
Machine tooling and factory fittings	4,184	363	–11	–81	7	49	–262	4,119
Total	**38,925**	**2,653**	**–32**	**–631**	**145**	**–719**	**–1,110**	**38,619**
Net book value	**26,820**							**24,897**

1) Includes reclassification between categories and assets held for sale related to Aerospace operations in the USA.
2) Contractual commitments for acquisition of property, plant and equipment not yet booked amounted to MSEK 2 (0).

12 Right-of-use assets

Accounting policy
All lease contracts are recognized in the balance sheet, at commencement date, as a right-of-use asset and a lease liability. A contract is or contains a lease if it conveys, to the Group, the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability is recognized for all leases with a term of more than 12 months unless the underlying asset is of low value. The right-of-use asset is subsequently accounted for with the same regulations as Property, plant and equipment.

The lease liability is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. The incremental borrowing rate is established by SKF Treasury Centre based on currency and maturity of lease contracts. The lease term is determined as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group also applies the practical expedient for fixed non-lease components and includes them together with any lease component in the contract.

Any future lease modification not registered as a separate contract, is recognized as a remeasurement of the lease liability and an adjustment to the right-of-use asset. For more information on lease liabilities, see Note 20.

Accounting estimates and judgments
Management judgement and assumptions are required to determine the value of the right-of-use assets and the present value of the lease liability. Such judgement and assumptions involve identifying a lease, defining the lease term and defining the discount rate.

Lease expenses for short-term leases, low-value assets and variable lease payments amounted to MSEK 395 (408). The lease expenses correspond in all material aspects to the cash flow for those leases.

During 2024, total cash outflow related to leases amounted to MSEK 1,048 (989), of which interest expenses related to leases amounted to MSEK 163 (126).

MSEK	2024	2023
Short-term lease expenses	310	329
Low-value asset lease expenses	66	68
Variable lease payments not included in lease liability	14	14
Other	5	–3
Total	**395**	**408**

MSEK	2024 Closing balance	Additions	Modifications	Impairments	Reclassification[1]	Translation effects	2024 Opening balance
Acquisition cost							
Premises	5,086	703	246	—	–253	263	4,127
Vehicles	1,040	189	41	—	–37	28	819
Forklifts	345	41	13	—	–16	8	299
Machinery	36	1	—	—	5	—	30
Office equipment	7	—	—	—	—	—	7
Other	375	1	–7	—	–16	25	372
Total	**6,889**	**935**	**293**	**—**	**–317**	**324**	**5,654**

MSEK	2024 Closing balance	Depreciation	Modifications	Impairments	Reclassification	Translation effects	2024 Opening balance
Accumulated depreciation and impairments							
Premises	2,210	536	11	2	–223	110	1,774
Vehicles	714	187	1	—	–59	17	568
Forklifts	253	59	—	—	–15	6	203
Machinery	43	4	1	—	–6	1	43
Office equipment	12	1	—	—	–1	—	12
Other	93	11	–5	—	–10	4	93
Total	**3,325**	**798**	**8**	**2**	**–314**	**138**	**2,693**
Net book value	**3,564**						**2,961**

1) Includes reclassification for assets held for sale related to Aerospace operations in the USA.

12 Right-of-use assets, cont.

MSEK	2023 Closing balance	Additions	Modifications	Impairments	Reclassi-fication	Translation effects	2023 Opening balance
Acquisition cost							
Premises	4,127	333	114	—	–356	–118	4,154
Vehicles	819	138	40	—	–98	–6	745
Forklifts	299	38	12	—	–24	–7	280
Machinery	30	4	—	—	–2	—	28
Office equipment	7	—	—	—	–13	—	20
Other	372	26	—	—	2	–24	368
Total	**5,654**	**539**	**166**	**—**	**–491**	**–155**	**5,595**

MSEK	2023 Closing balance	Depreciation	Modifications	Impairments	Reclassi-fication	Translation effects	2023 Opening balance
Accumulated depreciation and impairments							
Premises	1,774	576	–132	—	–322	–54	1,706
Vehicles	568	159	–1	—	–90	–2	502
Forklifts	203	51	—	—	–23	–9	184
Machinery	43	7	—	—	–2	—	38
Office equipment	12	8	—	—	–12	—	16
Other	93	36	—	1	–1	6	65
Total	**2,693**	**837**	**–133**	**1**	**–464**	**–59**	**2,511**
Net book value	**2,961**						**3,084**

13 Inventories

Accounting policy

Inventories are stated at the lower of cost (first-in, first-out basis) or market value (net realizable value). Initially raw materials and purchased finished goods are valued at actual purchase costs, and work in process and manufactured finished goods are valued at actual production costs. Production costs include direct costs such as material and labour, as well as manufacturing overhead as appropriate.

Accounting estimates and judgements

Adjustments to the cost of inventory may be necessary when the cost exceeds net realizable value. Net realizable value is defined as selling price less costs to complete and costs to sell. The estimates used in determining net realizable value are a source of estimation uncertainty. As future selling prices and selling costs are not known at the time of assessment, management's best estimates are used based on current price and cost levels. Adjustments to net realizable value also include estimates of technical and commercial obsolescence on an individual subsidiary basis. Commercial obsolescence is assessed by the rate of turnover and ageing as risk indicators.

MSEK	2024	2023
Finished goods	14,573	12,709
Raw materials and supplies	9,294	8,390
Work in process	2,315	2,095
Total	**26,182**	**23,194**

Inventory values are stated net of a provision for net realizable value of MSEK 1,849 (1,599). The amount charged to expense for net realizable provisions during the year was MSEK 252 (207). Reversals of net realizable provisions during the year were MSEK 26 (86).

14 Financial assets

Accounting policy
Financial assets are classified in three categories and are based on the Groups business model for managing the asset and the asset's contractual cash flow characteristics. The assets can be measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are initially measured at fair value, which is normally equal to cost. Settlement day recognition is applied for purchases and sales of financial assets.

Financial assets measured at amortized cost are calculated using the effective interest method. For disclosure purpose, fair values have been calculated using valuation techniques, mainly discounted cash flow analysis based on observable market data. For current receivables, such as trade receivables, the carrying amount is considered to correspond to fair value.

Equity securities are measured at fair value. The Group have elected to classify Equity securities at FVOCI since these investments are held as long-term strategic investments. There is no reclassification of fair value gain or loss when the investments are derecognized and the dividends from those investments are recognized in profit or loss when the Group have the right to receive the payments.

Debt securities are valued at fair value based on the current bid price for the securities and they are classified as either at FVPL or at FVOCI depending on the Group's model for managing those securities and on the characteristics of the cash flows.

Derivatives are categorized as held for trading unless they are subject to hedge accounting. Derivatives classified as held for trading are mainly derivatives used in economic hedges where the changes in fair value are taken directly through profit or loss.

Financial assets and allowance for doubtful accounts are recognized with the use of a forward-looking 'expected-loss' impairment model which indicates when the asset may not be recovered. The forward-looking information should capture changes in the market that the customers operate in.

Financial assets are derecognized when the contractual rights to the cash flow have expired or been transferred together with substantially all risks and rewards.

Accounting estimates and judgements
An allowance for doubtful accounts for expected losses on trade receivables is maintained. When evaluating the need for an allowance, management considers the aging of trade receivable balances, and historical write-off experience of customer with similar characteristics. Management also makes an estimation of expected credit losses based on market conditions.

Where discounted cash flow techniques are used the future cash flows are determined (if not stated explicit in the contract) based on the best assessment by management and discounted using the market interest rate for similar instruments.

Financial assets per category 2024

			Fair value through profit or loss			
MSEK	Amortized cost	Fair value through other comprehensive income	At initial recognition	Trading	Total	Of which current
Trade receivables	16,600	—	—	—	16,600	16,600
Cash and cash equivalents	6,619	—	4,412	—	11,031	11,031
Equity securities	—	400	—	—	400	—
Marketable securities	—	—	—	918	918	—
Trading derivatives	—	—	—	62	62	62
Debt securities	—	26	—	—	26	—
Other loans and receivables	348	—	—	—	348	268
Carrying amount	**23,567**	**426**	**4,412**	**980**	**29,385**	**27,961**
Fair value	**23,567**	**426**	**4,412**	**980**		

Financial assets per category 2023

			Fair value through profit or loss			
MSEK	Amortized cost	Fair value through other comprehensive income	At initial recognition	Trading	Total	Of which current
Trade receivables	16,811	—	—	—	16,811	16,811
Cash and cash equivalents	8,803	—	4,508	—	13,311	13,311
Equity securities	—	313	—	—	313	—
Marketable securities	—	—	—	769	769	—
Trading derivatives	—	—	—	333	333	333
Debt securities	—	30	—	—	30	6
Other loans and receivables	467	—	—	—	467	403
Carrying amount	**26,081**	**343**	**4,508**	**1,102**	**32,034**	**30,864**
Fair value	**26,081**	**343**	**4,508**	**1,102**		

Financial assets categorized as amortized cost are assets held to collect contractual cash flows. These include trade receivables, loans granted, funds held with banks and deposits comprising principally of funds held with landlords and other service providers, for which substantially all initial investment is expected to be recovered.

Debt securities and strategic investments in equity securities are categorised as FVOCI. The exception is debt securities held by SKF Treasury Centre which are categorised as FVPL.

Financial instruments are at FVPL when the Group manages such investments and makes purchase and sale decisions based on their fair value. Derivatives are categorized as trading derivatives unless they are subject to hedge accounting.

14 Financial assets, cont.

Fair value hierarchy for financial assets at fair value (MSEK)	Level 1	Level 2	Level 3	2024	Level 1	Level 2	Level 3	2023
Fair value through other comprehensive income								
Equity securities	400	—	—	400	313	—	—	313
Debt securities	26	—	—	26	30	—	—	30
Fair value through profit or loss								
Trading securities	—	—	918	918	—	—	769	769
Cash and cash equivalents	4,412	—	—	4,412	4,508	—	—	4,508
Hedging derivatives	—	62	—	62	—	—	—	—
Trading derivatives	—	—	—	—	—	333	—	333
Total	**4,838**	**62**	**918**	**5,818**	**4,851**	**333**	**769**	**5,953**

Financial assets recorded at fair value, which include the columns Fair value through other comprehensive income and Fair value through profit or loss, are disclosed above according to the hierarchy that shows the significance of the inputs used in the fair value measurements as defined in IFRS 13. The carrying amount is a reasonable approximation of fair value. Level 1 includes financial instruments with a quoted price in an active market. Level 2 bases fair value on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Such observable data may be market interest rates and yield curves. Level 3 bases fair value on a valuation model, whereby significant input is based on unobservable market data.

Cash and cash equivalents includes cash free and cash on time deposits at banks and debt securities maturing within three months at the the time of the investment. Cash and cash equivalents are measured at amortized cost and fair value through profit and loss.

Cash and Cash equvialents (MSEK)	2024	2023
Cash	6,434	6,200
Cash Equivalents	4,597	7,110
	11,031	**13,311**

Trade receivables by due date (MSEK)	Carrying amount	Not yet due	Past due, net of allowance: 1–30 days	31–60 days	61–90 days	> 91 days
2024	16,600	14,448	1,528	371	150	103
2023	16,811	14,191	1,677	485	199	259

The average days outstanding of trade receivables in 2024 were 67 days (64). Trade receivables as a percentage of annual net sales totalled 16.8% (16.2). Trade receivables included receivables sold with recourse and amounted to MSEK 49 (74). The risk of customer default for these receivables has not been transferred in such a way that the financial assets qualify for derecognition.

The table shows the development of the reserve for credit losses on trade receivables.

Specification of reserve for credit losses (MSEK)	2024	2023
Opening balance 1 January	**403**	**446**
Additions	474	115
Reversals	–382	–115
Changes through the income statement	**92**	**—**
Allowances used to cover write-offs	–69	–25
Acquired/Divested companies	3	2
Currency translation adjustments	15	–20
Closing balance 31 December	**445**	**403**

15 Other short-term assets

MSEK	2024	2023
Value added tax receivables, net	2,364	2,326
Income tax receivables	1,555	1,265
Prepaid expenses	897	951
Accrued income	231	208
Advances to suppliers	316	467
Other current receivables	694	642
Total	**6,057**	**5,859**

16 Share capital

	Number of shares authorized and outstanding			
	A Shares	B Shares	Total	Share capital (MSEK)
Opening balance 1 January 2023	29,403,933	425,947,135	455,351,068	1,138
Conversion of A shares to B shares	−97,000	97,000	–	–
Closing balance 31 December 2023	**29,306,933**	**426,044,135**	**455,351,068**	**1,138**
Conversion of A shares to B shares	−322,934	322,934	–	–
Closing balance 31 December 2024	**28,983,999**	**426,367,069**	**455,351,068**	**1,138**

An A share has one vote and a B share has one-tenth of a vote. At the Annual General Meeting on 18 April 2002, it was decided to insert a share conversion clause in the Articles of Association which allows owners of A shares to convert those to B shares. Since the decision was taken, 197,952,748 A shares have been converted to B shares. The quota value for all shares is SEK 2.50.

Dividend policy
The SKF Group's dividend and distribution policy is based on the principle that the total dividend should be adapted to the trend for earnings and cash flow while taking account of the Group's development potential and financial position. The Board of Directors' view is that the ordinary dividend should amount to around one half of the SKF Group's average net profit calculated over a business cycle.

If the financial position of the SKF Group exceeds the target for capital structure, which is described in Note 26, an additional distribution to the ordinary dividend could be made in the form of a higher dividend, a redemption scheme or as a repurchase of the company's own share. On the other hand, in periods of more uncertainty a lower dividend ratio could be appropriate.

Dividend payments
The total surplus of the Parent Company amounted to MSEK 22,839 (23,198), see page 78. The Board has decided to propose to the Annual General Meeting, on 1 April 2025, a dividend of SEK 7.75 per share to be paid to the shareholders. The proposed dividend for 2024 is payable to all shareholders on the Euroclear Sweden AB's public share register as of 3 April 2025. The total proposed dividend to be paid is MSEK 3,529 (3,415). The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the balance sheet. On 4 April 2024, a dividend of SEK 7.50 per share was paid to the shareholders.

17 Earnings per share

	2024	2023
Net profit attributable to owners of AB SKF (MSEK)	6,474	6,395
Weighted average number of ordinary shares outstanding	455,351,068	455,351,068
Basic earnings per share (SEK)	**14.22**	**14.04**
Dilutive shares from Performance Share Programmes	–	–
Weighted average diluted number of shares	455,351,068	455,351,068
Diluted earnings per share (SEK)	**14.22**	**14.04**

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares outstanding during the period adjusted for all potential dilutive ordinary shares. Performance shares are considered dilutive if vesting conditions are fulfilled on the balance sheet date.

Shares from the Performance Share Programme are not considered dilutive.

18 Provisions for post-employment benefits

Accounting policy
The post-employment provisions and assets arise from defined benefit obligations in plans which are either unfunded or funded. For the unfunded plans, benefits paid out under these plans come from the all-purpose assets of the company sponsoring the plan. The related provisions carried in the balance sheet represent the present value of the defined benefit obligation. For funded defined benefit plans, the assets of the plans are held in trusts legally separated from the Group. The related balance sheet provision or asset represents the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation. However, an asset is recognized only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of reductions in future contributions or refunds from the plan. When such excess is not available it is not recognized, but it is disclosed in the note as an asset ceiling adjustment.

The projected unit credit method is used to determine the present value of all defined benefit obligations and the related current service cost. Valuations are carried out quarterly for the most significant plans and annually for other plans. External actuarial experts are used for these valuations and estimating the obligations and costs involves the use of assumptions. Remeasurements arise from changes in actuarial assumptions and experience adjustments, being differences between actuarial assumptions and what has actually occurred. They are recognized immediately in other comprehensive income and are never reclassified to the income statement.

For all defined benefit plans the cost charged to the income statement consists of current service cost, net interest cost and when applicable past service cost, curtailments and settlements. Any past service cost is recognized immediately. Net interest cost is classified as financial expense while all other expenses are allocated to the operations based on the employee's function as manufacturing, selling or administrative.

18 Provisions for post-employment benefits, cont.

The defined benefit accounting described before is applied only in the consolidated accounts. Subsidiaries, as well as the Parent Company, continue to use the local statutory pension calculations to determine pension costs, provisions and assets in the stand-alone statutory reporting, and when applicable, funding requirements.

Some post-employment benefits are also provided by defined contribution schemes, where the Group has no obligation to pay benefits after payment of an agreed-upon contribution to the third party responsible for the plan. Such contributions are recognized as expense when incurred.

Accounting estimates and judgements
Significant judgements and assumptions are required to determine the present value of all defined benefit obligations and the related costs. Such assumptions vary according to the economic conditions of the country in which the plan is located and are adjusted to reflect market conditions at valuation point. However, the actual costs and obligations that in fact arise under the plans may be materially different from the estimates based on the assumptions due to changing market and economic conditions.

The most significant assumptions can vary per plan but in general include discount rate, pension increase rate, salary growth rate and longevity. These assumptions are established for each plan separately. The discount rate for each plan is determined by reference to yields on high quality corporate bonds (AA-rated corporate bonds as well as mortgage bonds for the plans in Sweden) having maturities matching the duration of the obligation. The pension increase rate assumption is relevant mainly for retired plan members, and refers to the indexation of pension payments tied primarily to inflation. The salary growth rate is relevant for active plan members and reflect the long-term actual experience, the near term outlook and assumed inflation. Longevity reflects the life expectancy of plan members and is established based on mortality tables used for each plan.

	2024						
Amounts recognized in the consolidated balance sheet (MSEK)	USA pension	USA medical	Germany pension	United Kingdom pension	Sweden pension	Other	Total
Present value of unfunded defined benefit obligation	315	519	633	—	280	793	2,540
Present value of funded defined benefit obligation	7 ,007	—	9,608	2,984	2,403	1,750	23,752
Less: Fair value of plan assets	–6,479	—	–5,927	–3,677	–884	– 1,601	–18,568
Impact of asset ceiling	—	—	—	—	—	5	5
Total	**843**	**519**	**4,314**	**–693**	**1,799**	**947**	**7,729**
Reflected as:							
Other long-term assets	—	—	—	—	—	–773	–773
Provisions for post-employment benefits	843	519	4,314	–693	1,799	1,720	8,502
Total	**843**	**519**	**4,314**	**–693**	**1,799**	**947**	**7,729**

	2023						
Amounts recognized in the consolidated balance sheet (MSEK)	USA pension	USA medical	Germany pension	United Kingdom pension	Sweden pension	Other	Total
Present value of unfunded defined benefit obligation	367	518	627	—	288	733	2,533
Present value of funded defined benefit obligation	6,958	—	9,039	3,205	2,431	1,547	23,180
Less: Fair value of plan assets	–6,399	—	–5,201	–3,378	–772	–1,375	–17,125
Impact of asset ceiling	—	—	—	—	—	–10	–10
Total	**926**	**518**	**4,465**	**–173**	**1,947**	**895**	**8,578**
Reflected as:							
Other long-term assets	—	—	—	—	—	–219	–219
Provisions for post-employment benefits	926	518	4,465	–173	1,947	1,114	8,797
Total	**926**	**518**	**4,465**	**–173**	**1,947**	**895**	**8,578**

The Group sponsors post-employment defined benefit plans in a number of subsidiaries. The most significant plans are the pension plans in USA, Germany, U.K., and Sweden, which supplement the social security pensions in these countries.

USA
The major USA pension plans represent around 89% of the total USA obligation. Benefits are based on length of service and average final salary, or a years of service multiplier. All these plans are closed for new entrants, who instead are covered by defined contribution pension solutions. The salary and non-Union defined benefit pension plans have been frozen as of December 2016 and in 2021 the remaining active accruing plans were frozen, hence no additional service cost will be accrued for these plans.

Governance of the plans lies with a benefit board whose members are chosen by the board of directors of the USA subsidiary. The plans are subject to regulatory minimum funding requirements based on an adjusted statutory pension formula, which in the case of funding deficits require contributions to achieve full funding in seven years.

The USA subsidiary also sponsors post-retirement health care plans which are closed for new entrants. The plans provide health care and life insurance benefits for eligible retired employees. The company is entitled to receive a subsidy under the U.S. Medicare Program Part D, for prescription drug costs for certain plan participants. On 31 December 2024, this reimbursement right totalled MSEK 1 (1).

Germany
The major German pension plans represent around 92% of the total German obligation. Benefits are based on length of service and final salary, and are indexed when paid. The majority of entitlement conditions are determined in accordance with a governmental pensions act. A plan change affecting around 75% of the participants of the major German pension plan occurred from 1 January 2018. For these participants defined contributions are made, and the value of the contributions is guaranteed to the participants as required by German law. Thus, this plan also qualifies as a defined benefit plan even if the benefit for the participants is equal to the contributions made into the plan.

18 Provisions for post-employment benefits, cont.

United Kingdom
The major plans in the U.K. represent around 92% of the total U.K. obligation. Benefits under these plans are based on length of service and a career average revalued earnings basis, and are indexed when paid. As of April 2012, these plans are closed to new entrants, who instead are entitled to defined contribution pension solutions. Responsibility for the governance of the plan lies jointly with the subsidiary and a board of trustees comprised of representatives of the subsidiary as well as plan participants in accordance with the Plan constitution. The plan is subject to statutory funding objectives based on the local pension calculation, which in the case of funding deficits have an agreed recovery plan to achieve full funding in ten years.

Sweden
The major plan in Sweden is the ITP plan and it represents around 90% of the total Swedish obligation. Benefits are based on final salary and are indexed when paid. Benefits are established in accordance with a collective agreement established between participating Swedish companies. The plan is closed for employees born after 1978, who instead are entitled to a defined contribution pension solution. The Swedish subsidiaries are required to have credit insurance which covers all pension obligations in case of insolvency. For the Swedish subsidiaries, the portions of the ITP pension financed through insurance premiums to Alecta only cover family pension, health insurance and TGL and as such are immaterial. There are no regulatory funding requirements, however, voluntary funding has been provided for the plans through a foundation, which is governed jointly by the company and employee representatives. The foundation must comply with government regulations.

Other
The most significant plans include the funded pension plans in Switzerland, Canada and Belgium. Additionally, there are retirement indemnity plans in France and termination indemnity plans in Italy, where lump sum payments are made upon retirement and termination respectively.

	2024			2023		
MSEK	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance 1 January	**25,713**	**–17,135**	**8,578**	**25,719**	**–17,098**	**8,621**
Interest expenses/(income)	980	–707	273	1,092	–735	357
Current service cost	492	—	492	460	—	460
Past service cost	2	—	2	42	—	42
Settlements	–3	2	–1	–4	2	–2
Other	160	19	179	153	15	168
Subtotal expenses	**1,631**	**–686**	**945**	**1,743**	**–718**	**1,025**
Difference between actual return and interest (income)/expenses	—	–897	–897	—	–336	–336
Actuarial (gains)/losses – demographic assumptions	70	—	70	–129	—	–129
Actuarial (gains)/losses – financial assumptions	28	—	28	694	—	694
Experience adjustments (gains)/losses	89	—	89	74	—	74
Change in asset ceiling	—	–21	–21	—	–6	–6
Subtotal remeasurements in OCI	**187**	**–918**	**–731**	**639**	**–342**	**297**
Employer contribution	—	–686	–686	—	–578	–578
Employee contribution	42	–6	36	21	4	25
Benefit payments	–1,676	910	–766	–2,005	1,286	–719
Subtotal cash flow[1]	**–1,634**	**218**	**–1,416**	**–1,984**	**712**	**–1,272**
Other	61	–25	36	–34	51	17
Translation differences	334	–17	317	–370	260	–110
Closing balance 31 December	**26,292**	**–18,563**	**7,729**	**25,713**	**–17,135**	**8,578**

1) Cash outflows for 2025 are expected to be some MSEK 876 which include contributions to funded plans as well as payments made directly by the companies under unfunded plans and partially funded plans.

Components of total post-employment benefit expenses (MSEK)	2024	2023
Post-employment defined benefit expenses	945	1,025
Post-employment defined contribution expenses	693	555
Total post-employment benefit expenses	**1,638**	**1,580**
Whereof amounts charged to:		
Cost of goods sold	736	731
Selling expenses	498	394
Administrative expenses	131	98
Financial expenses	273	357
Total	**1,638**	**1,580**

18 Provisions for post-employment benefits, cont.

Plan asset composition (MSEK)	2024 Quoted	2024 Unquoted	2024 Total	2023 Quoted	2023 Unquoted	2023 Total
Government bonds	4,600	—	4,600	1,535	—	1,535
Corporate bonds	6,356	—	6,356	6,193	—	6,193
Equity instruments	3,237	1,837	5,074	3,739	229	3,968
Real estate	260	827	1,087	205	2,497	2,702
Other, primarily cash and other financial receivables	373	1,078	1,451	1,600	1,127	2,727
Total	**14,826**	**3,742**	**18,568**	**13,272**	**3,853**	**17,125**

To enable consistent, proactive and effective management of the post-employment benefits in line with its business strategy and values, the SKF Group established a Global Pension Committee, a governance body who is responsible to align post-employment benefits to SKF Global Pension Policy. SKF Global Pension Policy sets out principles for managing SKF's pension and other long-term employee benefits within SKF globally.

The SKF Group strives to balance risk in the investments of plan assets by aiming for a range of 30–50% in equity instruments, with the remainder in lower risk/fixed income investments such as corporate and government bonds.

The investment positions for the major pension plans are managed within the asset-liability matching framework. Within this framework, the Group's objective is to match plan assets to the pension obligations by investing in securities with maturities that align with the benefit payments as they fall due, and in the appropriate currency. SKF Treasury Centre regularly monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Final investment decisions are taken by the local subsidiary/trustee together with SKF Treasury Centre.

Significant weighted-average assumptions at end of year	2024 USA pension	USA medical	Germany pension	U.K. pension	Sweden pension	Other
Discount rate	5.4	5.4	3.4	5.7	3.5	3.1
Pension increase rate[1]	n/a	n/a	2.0	3.2	2.0	n/a
Salary growth rate[2]	n/a	n/a	2.2	3.2	3.4	4.4
Longevity male/female[3]	20.8/22.5	20.7/22.7	20.8/24.2	21.5/23.4	20.0/24.3	19.7/23.1
Weighted average duration of the plan (in years)[4]	8.2	7.1	14.6	13.5	17.5	8.5

Significant weighted-average assumptions at end of year	2023 USA pension	USA medical	Germany pension	U.K. pension	Sweden pension	Other
Discount rate	4.9	4.9	3.4	4.3	3.2	2.9
Pension increase rate[1]	n/a	n/a	2.0	3.0	2.0	n/a
Salary growth rate[2]	n/a	n/a	2.3	3.0	3.4	6.6
Longevity male/female[3]	20.7/22.6	20.6/22.6	20.7/24.1	21.9/23.9	20.0/25.0	18.9/22.3
Weighted average duration of the plan (in years)[4]	8.7	7.5	15.1	16.0	18.4	5.9

1) Pension increase rate refers to indexation primarily tied to inflation.
2) Salary growth rate for the U.S. pension is n/a as no additional service cost will be accrued for these plans.
3) Longevity is expressed as the life expectancy of a current 65 year old in number of years.
4) Represents the average number of years remaining until the obligation is paid out.
n/a = assumptions not applicable or not significant for the plan.

Sensitivity analysis of significant assumptions	Change in actuarial assumption	Impact on defined benefit obligations, MSEK
Discount rate	+1%	–2,451
	–1%	3,052
Salary growth rate	+0.5%	224
	–0.5%	–211
Pension increase rate	+0.5%	893
	–0.5%	–801
Longevity	+1 year	819
	–1 year	–632

The sensitivity analysis is based on the change in one assumption while holding all other assumptions constant, see notes to previous table. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity analysis of the defined benefit obligations to changes in assumptions the same method has been applied as when calculating the pension liability recognized within the obligation.

The sensitivity analysis considers the most significant plans in USA, Germany, U.K. and Sweden, and it has been prepared consistently with prior years.

19 Other provisions and contingent liabilities

Accounting policy

In general, a provision is recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as provisions is management's best estimate of the future cash flows necessary to settle the obligations at the balance sheet date, and the timing of settlement is uncertain.

Claims include both provisions for litigation and warranties, and represent management's best estimate of the future cash flows necessary to settle obligations. Claims that, according to management's best estimate, are too uncertain or judged not to give rise to future cash out, are not included in the amounts set out below, even though such claims may be material. Other long-term employee benefits refer to benefits earned and expected to be settled before employment ends. These provisions are calculated using the projected unit credit method and remeasurements (actuarial gains and losses) are recognized immediately in the income statement.

Restructuring programmes are defined as activities that materially change the way a unit does business. Any related restructuring provisions are recognized when a detailed formal plan has been established and a public announcement of the plan has occurred thereby creating a valid expectation that the plan will be carried out.

When an obligation does not meet the criteria for recognition it may be considered a contingent liability and disclosed. Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. They also include existing obligations where it is not probable that an outflow of resources is required, or the outflow cannot be reliably quantified.

Accounting estimates and judgements

Significant management judgement is required in determining the existence and amount of provisions. As the estimates may involve uncertainty about future events outside the control of the Group, the actual outcomes may be significantly different.

Claims include both provisions for litigation and warranties, and represent management's best estimate of the future cash flows necessary to settle obligations, although the timing of the settlement is uncertain. Provisions for litigation are based on the nature of the litigation, the legal process in the applicable jurisdiction, the progress of the cases, the opinions of internal and external legal counsel and advisers regarding the outcome of the case and experience with similar cases. Tax claims in different countries and in different stages of the claim that do not meet the definition of tax liability are recognized as contingent liabilities.

SKF is part of investigations regarding possible violations of anti-trust rules, class action claims and lawsuits. 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. As per management judgement, these investigations did not qualify for recognition as other provisions or contingent liabilities.

Warranty provisions involve estimates of the outcome of claims resulting from defective products, which include estimates for potential liability for damages caused by such defects to the Group's customers. Assumptions are required for anticipated returns and costs replacing defective products and/or compensating customers for damage caused by the Group's products. These assumptions consider historical claims statistics, expected costs to remedy and the average time lag between faults occurring and claims against the Group.

Restructuring provisions involve estimates of the timing and costs of the planned future activities where the most significant estimates relates to the costs necessary to settle employee severance/separation obligations, as well as the costs involved in contract cancellations and other exit costs. These estimates are based on historical experience as well as the current status of negotiations with the affected parties and/or their representatives.

Claims increased during 2024 with MSEK 14, related to warranty claims.

In 2024, the total restructuring costs amounted to MSEK 1,497, whereof MSEK 1,363 refers to provisions, and includes closure and consolidation of factories as well as a general reduction in headcount driven by new ways of working and simplified organizational structures. This cost includes voluntary and involuntary termination benefits spread over several countries. The majority of the remaining restructuring provisions are expected to be settled in 2025.

The largest items in other employee benefits are pension provisions in Italy, worker's compensation in USA and special payroll tax in Sweden.

Other provisions primarily include insurance, contractual-, and environmental commitments.

MSEK	2024 Closing balance	Provisions for the year	Utilized amounts	Reversal unutilized amounts	Other	Translation effect	2024 Opening balance
Claims	267	164	–103	–56	1	8	253
Other employee benefits	687	138	–203	–3	–33	32	756
Restructuring	1,037	1,363	–1,376	–23	–31	47	1,057
Other	590	242	–86	–110	8	18	518
Total	**2,581**	**1,907**	**–1,768**	**–192**	**–55**	**105**	**2,584**

MSEK	2023 Closing balance	Provisions for the year	Utilized amounts	Reversal unutilized amounts	Other	Translation effect	2023 Opening balance
Claims	253	123	–76	–6	–21	–5	238
Other employee benefits	756	420	–325	57	34	–10	580
Restructuring	1,057	1,171	–1,020	–44	—	–9	959
Other	518	151	–67	–62	–24	–8	528
Total	**2,584**	**1,865**	**–1,488**	**–55**	**–11**	**–32**	**2,305**

MSEK	2024 Of which current
Claims	204
Other employee benefits	55
Restructuring	622
Other	276
Total	**1,157**

MSEK	2023 Of which current
Claims	166
Other employee benefits	146
Restructuring	690
Other	243
Total	**1,245**

Contingent liabilities at nominal values (MSEK)	2024	2023
Guarantees	45	61
Tax claims	2,203	874
Other contingent liabilities	52	19
Total	**2,300**	**954**

20 Financial liabilities

Accounting policy
Financial liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are initially recorded at fair value, which is normally equal to acquisition cost. Transaction costs are included in the initial measurement of financial liabilities that are not subsequently measured at fair value through the income statement. Derivatives are recognized at trade date.

Financial liabilities, excluding derivatives, are classified as Other financial liabilities measured at amortized cost. Amortized cost is measured using the effective interest method. The carrying amount of liabilities that are hedged items, for which fair value hedge accounting is applied, are adjusted for gains or losses attributable to the hedged risks. Derivatives are classified into the category Fair value through profit or loss. Financial liabilities are derecognized when they are settled.

Accounting estimates and judgements
For disclosure purposes, fair values of financial liabilities have been calculated using valuation techniques, mainly discounted cash flow analyses based on observable market data.

Derivatives are measured at fair value and fall into Level 2 of the fair value hierarchy. See Note 14 for a description of the fair value hierarchy.

The maturities for bonds and loans stated in the table below are based on the earliest date on which they can be required to be repaid.

Two of the loans are subject to fair value hedging. The fixed EUR interest on the MEUR 300 loan, due in 2025, has been swapped into floating USD interest rate and the fixed EUR interest on the MEUR 400 loan, due in 2028, has been swapped into floating EUR interest rate.

More information regarding financial risk management and hedge accounting can be found in Note 26. Methods used for establishing fair value are described in Note 14. Interest rates for the loans are disclosed in Note 11 of the Parent Company.

The Group does not have any pledged assets to secure financial liabilities.

		2024		2023	
MSEK	Maturity	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial liabilities					
MUSD 3	2025	—	—	3	3
MEUR 300	2025	—	—	3,177	3,192
MUSD 100	2027	1,101	1,128	1,000	1,033
MEUR 400	2028	4,557	4,617	4,363	4,422
MEUR 300	2029	3,429	3,224	3,307	3,051
MEUR 300	2031	3,307	3,048	3,275	2,865
Long-term lease liabilities	2026 and thereafter	2,714	2,714	2,207	2,207
Other long-term loans	2026–2030	200	200	200	201
Derivatives held for hedge accounting		91	91	362	362
Derivatives held for trading		—	—	—	—
Subtotal long-term financial liabilities		**15,399**	**15,022**	**17,894**	**17,336**
Short-term financial liabilities					
MSEK 900	2024	—	—	900	894
MSEK 2,100	2024	—	—	2,100	2,116
MUSD 3	2025	3	3	13	13
MEUR 300	2025	3,444	3,400	—	—
Trade payables	2025	12,553	12,553	11,236	11,236
Of which trade payable under vendor financing arrangement		1,546	1,546	1,806	1,806
Short-term lease liabilities	2025	802	802	629	629
Short-term loans	2025	485	485	158	158
Derivatives held for hedge accounting	2025	—	—	—	—
Derivatives held for trading	2025	627	627	260	260
Subtotal short-term financial liabilities		**17,914**	**17,870**	**15,296**	**15,306**
Total		**33,313**	**32,892**	**33,190**	**32,642**

Supply chain financing arrangement
SKF has supply chain financing arrangement (SCF) with a bank under which the bank offers suppliers the option to receive earlier payments. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the suppliers to receive payments from the bank before the invoice due date.

Due dates for the trade payables within SCF are 60–150 days after invoice date. Trade payables not part of the arrangement have payment due dates of 30–180 days after invoice date.

As of 31 December 2024, trade payables under SCF amounted to MSEK 1,546 (1,806) whereof MSEK 1,089 have already been received by the suppliers.

There were no material business combinations or foreign exchange differences or other non-cash transfers relating to the carrying amount of liabilities subject to SCF.

21 Other short-term liabilities

MSEK	2024	2023
Employee related accruals	3,700	4,144
Accrual for rebates	1,728	1,577
Income tax payables	949	965
Deferred income	449	368
Customer advances	415	434
Value added taxes payables, net	659	916
Other current liabilities	925	795
Other accrued expenses	2,105	1,874
Total	**10,930**	**11,073**

22 Related parties including associated companies

FAM is a privately owned holding company that manages assets as an active owner with a long-term ownership horizon. FAM is owned by Wallenberg Investments AB, which is owned by the three largest Wallenberg foundations the Knut and Alice Wallenberg Foundation, the Marianne and Marcus Wallenberg Foundation and the Marcus and Amalia Wallenberg Foundation. The Foundations have, since 1917, granted funding to excellent researchers and research projects beneficial to Sweden, primarily to Swedish universities.

The SKF Group has had no indication that FAM has obtained its ownership interest in the Group for other than investment purposes. No significant transactions have been identified between the parties with the exception of dividend paid during the year to FAM. At the end of 2024 FAM is the major shareholder of the Parent Company, holding 29.0% (29.0) of the voting rights and 15.0% (15.0) of the share capital.

Investments in associated companies include a 27% shareholding of Sunstrength Renewables Pvt. Ltd. in India, a 26% shareholding in Clean Max Taiyo Pvt. Ltd. in India, a 42% shareholding of Ningbo Hyatt Roller Co. Ltd. in China, a 30% shareholding in Sinoma Precision Bearings Co. Ltd. in China, a 20% shareholding of Colinx, LLC. in USA, a 50% shareholding of Wuhan Economos seals technology Co. Ltd. in China, a 5% sharholding in Hunan SUND Technologies Co. Ltd. in China and a 25% shareholding of Schwarz GmbH Technischer Großhandel in Germany.

Transactions with Associated companies (MSEK)	2024	2023
Sales of goods and services	41	39
Purchases of goods and services	528	511
Receivables as of 31 December	92	95
Liabilities as of 31 December	17	4

Other related party transactions include remuneration to key management as specified in Note 23. For a list of significant subsidiaries, see Note 8 to the financial statements of the Parent Company. No other significant transactions with related parties have occurred.

23 Remuneration to key management

Salaries and other remunerations for SKF Board of Directors, President and Group Management

Principles of remuneration for Group Management
In March 2022, the Annual General Meeting adopted the Board of Director's proposal for principles of remuneration for Group Management, which are summarized below.

Group Management is defined as the President and the other members of the management team. The principles shall apply to remuneration agreed and amendments to remuneration already agreed, after the adoption of the principles by the Annual General Meeting 2022, and, in other cases, to the extent permitted under existing agreements.

The objective of the principles is to ensure that the SKF Group can attract and retain the best people in order to contribute to the SKF Group's mission and business strategy, its long-term interests and sustainability. Remuneration for Group Management shall be based on market competitive conditions and at the same time support the shareholders' best interests.

The total remuneration package for a Group Management member shall consist of the following components: fixed salary, variable salary, pension benefits, conditions for notice of termination and severance pay, and other benefits such as a company car. The components shall create a well-balanced remuneration reflecting individual performance and responsibility as well as the SKF Group's overall performance.

Additionally, the Annual General Meeting 2024, irrespective of the principles of remuneration for Group Management, resolved on SKF's Performance Share Programme 2024 for senior managers and key employees, where Group Management is included. For more information on SKF's Performance Share Programme 2024, see page 63.

Fixed salary
The fixed salary of a Group Management member shall be at a market competitive level. It shall be based on competence, responsibility, experience and performance. The SKF Group shall use an internationally well-recognized evaluation system in order to evaluate the scope and responsibility of the position. Market benchmarks shall be conducted on a yearly basis.

The performance of Group Management members shall be continuously monitored during the year and shall be used as a basis for annual reviews of fixed salaries.

Variable salary
The variable salary of a Group Management member shall run according to a performance-based programme. The purpose of the programme shall be to motivate and compensate value-creating achievements in order to support operational, financial and sustainability targets and thereby promote the SKF Group's business strategy, sustainability and long-term interests.

The performance-based programme shall have predetermined and measurable criteria which can be both financial and non-financial and which contribute to the company's longterm and sustainable development. The criteria shall primarily be based on the annual financial performance of the SKF Group, such as financial result, growth and capital efficiency, and shall promote sustainability targets of the SKF Group.

The satisfaction of criteria for awarding variable salary shall be measured over a period of one year.

The maximum variable salary shall vary between 50% to 70% of the accumulated annual fixed salary of Group Management members.

Other benefits
The SKF Group may provide other benefits to Group Management members in accordance with local practice. Premiums and other costs relating to such benefits shall depend on and follow local conditions and local practice but shall represent, as a general rule, a limited value and may amount to not more than 10% of the accumulated annual fixed salary of the members of Group Management.

Other benefits can for instance be a company car or health and medical insurance.

23 Remuneration to key management, cont.

Pension
The SKF Group shall strive to establish pension plans based on defined contribution models, which means that a premium is paid amounting to a certain percentage of the employee's annual salary. The commitment in these cases is limited to the payment of an agreed premium to an insurance company offering pension insurance.

A Group Management member shall normally be covered by, in addition to the basic pension (for Swedish members usually the ITP pension plan), a supplementary defined contribution pension plan. By offering this supplementary defined contribution plan, it is ensured that Group Management members are entitled to earn pension benefits based on the fixed annual salary above the level of the basic pension. The normal retirement age for Group Management members shall be 65 years.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of the principles. For employments governed by Swedish rules, the premium for the supplementary pension plan shall be linked to age and amount to a maximum of 40% of the accumulated annual fixed salary not covered by any other pension plan.

Notice of termination and severance pay
A Group Management member may terminate his/her employment by giving six months' notice. In the event of termination of employment at the request of the company, employment shall cease immediately. The Group Management member shall, however, receive a severance payment related to the number of years' of service, provided that it shall always be maximized to two years' fixed salary.

Salary and terms of employment for employees
When preparing the principles, the Board of Directors has paid regard to the salary and terms of employment of the employees of the company. Information about employees' total remuneration, the components of the remuneration and the growth and growth rate over time have been part of the basis for the Board of Director's and the Remuneration Committee's evaluation of the fairness of the principles of remuneration and the limitations which the principles entail.

The decision-making process to determine, review and implement the principles
The Board of Directors has established a Remuneration Committee. The Committee consists of a maximum of four Board members. The Remuneration Committee prepares all matters relating to the principles of remuneration for Group Management, as well as the terms of employment for the President.

The principles of remuneration for Group Management are presented by the Remuneration Committee to the Board of Directors that, at least every fourth year, submits a proposal for such principles to the Annual General Meeting for approval. The principles of remuneration shall be valid until new principles have been adopted by the Annual General Meeting. The Board of Directors must approve the terms of employment for the President. The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration for Group Management, the application of the principles of remuneration for Group Management and applicable remuneration structures and levels of the SKF Group.

The members of the Remuneration Committee are independent of the SKF Group and Group Management. The President and other members of Group Management shall not be present when the Board of Directors process and resolve on remuneration related matters in so far as they are affected by such matters.

The Board of Directors' right to derogate from the principles of remuneration
The Board of Directors may derogate from the principles of remuneration decided by the Annual General Meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the SKF Group's long-term interests, including its sustainability, or to ensure the SKF Group's financial viability.

As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters. This includes any resolutions to derogate from the guidelines.

During 2024 the Board of Director's decided to derogate from the principles of remuneration during one occasion. More information under the heading "Incentive program in connection with the creation of two robust and high-performing businesses" further down on this page.

President and Chief Executive Officer
Rickard Gustafson, President and Chief Executive Officer of AB SKF has received remuneration from the company during 2024 governed by the remuneration principles decided upon by the Annual General Meeting; salary and other remunerations amounted to a total of 24,906,228 SEK of which 15,997,871 SEK was fixed annual salary and other benefits.

The pension arrangement for Rickard Gustafson is a combination of the ITP scheme and a defined contribution of 40% of the annual fixed salary above 30 income base amounts. The retirement age for the President and Chief Executive Officer is 65 years.

Rickard Gustafson's shareholdings (own and/or held by related parties) in the company is listed in the Corporate Governance Report.

Group Management
The SKF's Group Management, consisting of 12 people at the end of the year, received in 2024 (exclusive of the President) salary and other remunerations amounting to a total of SEK 95,287,924 of which SEK 67,904,423 was fixed annual salary, SEK 27,383,501 was variable salary related to 2023 year's performance, and SEK 11,564,178 was allotment of shares under the Performance Share Programme 2021.

The variable salary for Group Management was according to a short-term performance-based programme primarily based on the financial performance of the SKF Group with criteria such as operating profit and cash flow.

SKF's Performance Share Programmes are further described on page 63.

In the event of termination of employment at the request of the company of a person in Group Management, that person will receive a severance payment amounting to a maximum of two years' salary.

For Group Management the Board has decided on a defined contribution supplementary pension plan. The plan entitles Group Management members covered to receive an additional pension over and above the basic pension (for Swedish members usually the ITP pension plan). The contributions paid for Group Management members covered by the defined contribution plan are based on each individual's pensionable salary (normally the fixed monthly salary excluding holiday pay, converted to yearly salary) exceeding the level of the basic pension (for Swedish members 30 income base amounts). Group Management members are never covered by both defined benefit pension and defined contribution pension for the same part of their pension entitlements. The normal retirement age is 65 years.

Incentive program in connection with the creation of two robust and high-performing businesses
As communicated in September 2024, the Board of Directors of AB SKF has decided to initiate a separation of the Group's Automotive business with the objective of a separate listing on Nasdaq Stockholm. In order to incentivize sustained dedication, focus and commitment from Group Management to reach the ambitious goals to timely, efficiently and successfully create two robust and high-performing businesses and at the same time drive business result and growth, the Board of Directors has decided to implement a separate incentive programme. The carrying out of a transformative project as described above while at the same time drive business result is deemed by the Board of Directors to constitute a special cause to motivate a deviation from the principles of remuneration and introduce an additional remuneration component to meet SKF's long-term interests.

By investing in this programme, SKF creates a powerful motivator to, as far as possible, ensure successful execution of the separation and listing initiatives as well as the

23 Remuneration to key management, cont.

highest level of engagement from Group Management in reaching the ambitious goals and identified critical objectives key to the Group's long-term success.The incentive programme offers the opportunity to be awarded a cash contribution in the form of a multiple of the monthly fixed salary. The performance period runs from 17th of September 2024 until a successful listing on Nasdaq Stockholm of the Automotive business. Listing on Nasdaq Stockholm is subject to the approval of the shareholders at a general meeting. Payout will be made, following a decision by the Board of Directors, in the months following the potential listing on Nasdaq Stockholm. The level of achievement and hence the level of payout under the programme is measured against certain pre-determined performance criteria. Provided that the performance criteria are fully met, a group management member may be awarded a maximum cash contribution equal to an amount set between six and twelve months of fixed salary. The performance criteria are Timeline; the objective of following the listing timeline including that the Automotive business is successfully listed on Nasdaq Stockholm, Target Delivery; an assessment based on the achievement of key deliverables in the project, and Cost Reduction; targets to identify and mitigate stranded costs and dis-synergies. The three performance criteria are weighted as follows: Timeline 50%, Target delivery 25% and Cost reduction 25%.

A precondition for payout under the programme is that the participants employment has not been terminated. The awarded cash payment is not included in pensionable salary. The Board of Directors may modify or terminate the programme. The Board of Directors will also, before final payout is determined, examine whether payout is reasonable considering the Group's financial results and position, the conditions on the stock market as well as other circumstances, and if not, as determined by the Board of Directors, reduce the cash contributions to be awarded to a lower amount deemed appropriate by the Board of Directors. The estimated maximum cost of the incentive programme, including social charges, is MSEK 72. This amount will be recognized as an operating expense over the performance period, adjusted in relation to the forecasted outcome.

SKF's Performance Share Programme

Performance Shares

The Annual General Meeting 2024 decided on the introduction of SKF's Performance Share Programme 2024. The programme covers senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF shares of series B. Under the programme, no more than 1,000,000 SKF shares of series B may be allotted.

The allotment of shares shall be related to the level of achievement of the total value added (TVA) target level, as defined by the Board of Directors, and the SKF Group's CDP Climate Change score. The TVA performance measure is weighted 80% and the CDP Climate Change score performance measure is weighted 20%. The performance period is three years. Over the three-year programme period, the TVA performance target range is set annually by the Board against the baseline of the actual TVA achieved in the previous year.

In order for allocation of shares to take place the average TVA development must exceed a certain minimum level (the threshold level). In addition to the threshold level a target level is set. Maximum allotment is awarded if the target level is reached or exceeded.

The CDP Climate Change score performance achievement is the weighted average of the annual performance achievement, based on the criteria in the below table.

CDP Climate Change score	Performance achievement
A	100%
A–	75%
B	50%
<B	0%

Provided that the performance measures of the programme are fully met, the participants of the programme may be allotted the following maximum number of shares per person within the various key groups:

- CEO and President: shares corresponding to a value of 75% of the fixed base salary
- Other members of Group Management: shares corresponding to 55% of the fixed base salary, or 13,000 shares, whichever is higher
- Managers of large business units and similar: 4,500 shares
- Other senior managers: 3,000 shares
- Other key persons: 1,250 shares

Before the number of shares to be allotted is finally determined, the Board shall examine whether the allotment is reasonable considering SKF's financial results and position, the conditions on the stock market as well as other circumstances, and if not, as determined by the Board, reduce the number of shares to be awarded to the lower number of shares deemed appropriate by the Board.

If the total outcome of the programme exceeds the threshold level for allotment of shares but the final allotment is below 5% of the target level, payment will be made in cash instead of shares, whereupon the amount of the cash payment shall correspond to the value of the shares calculated on the basis of the closing price for SKF's B share the day before settlement.

The share-based compensation programmes of the Group are mainly equity-settled through the SKF Group's Performance Share programmes.

The fair value of the SKF B share at grant date is calculated as the market value of the share excluding the present value of expected dividend payments for the next three years.

The estimated cost for these programmes, which is based on the fair value of the SKF B share at grant date and the number of shares expected to vest, is recognized as an operating expense with a corresponding offset in equity. The fair value of the SKF shares of series B at grant date was determined as SEK 208 for SKF's Performance Share Programme 2024.

The dividend compensation amount is recognized as employee benefit expense separate from the share-based compensation expense. The cost for the programmes is adjusted annually for changes to the number of shares expected to vest and for the forfeitures of the participants' rights that no longer satisfy the programme conditions. Provisions for social costs to be paid by the employer in connection with share-based compensation programmes are calculated based on the fair value of the SKF B share at each reporting date and expensed over the vesting period.

Allotment of shares under SKF's Performance Share Programme 2024 requires that the employment of a person covered by the programme is not terminated before the end of the programme period.

SKF's Performance Share Programme 2021

Allotment of shares was made in February 2024. In total 561,145 SKF class B shares were allotted pursuant to the terms of the programme, based on the degree of achievement of TVA during the three year period 2021–2023.

SKF's Performance Share Programme 2022

Allotment of shares was made in February 2025: In total 263,877 SKF class B shares were allotted pursuant to the terms of the programme, based on the degree of achievement of the TVA during the three year period 2022–2024.

SKF's Performance Share Programme 2023

Allotment of shares may be made following the expiry of the three year calculation period, i.e. during 2026, if all the conditions of the programme are met and the allotment is approved by the Board.

SKF's Performance Share Programme 2024

Allotment of shares may be made following the expiry of the the three year calculation period, i.e. during 2027, if all the conditions of the programme are met and the allotment is approved by the Board.

Amounts expensed 2024 for all programmes were MSEK 34 (77) excluding social charges.

23 Remuneration to key management, cont.

Board of Directors
The Chair of the Board and the Board members are remunerated in accordance with the decision taken at the Annual General Meeting. At the Annual General Meeting of AB SKF held in 2024 it was decided that the Board should be paid fees according to the following: – an allotment of SEK 2,750,000 to the Chair of the Board, of SEK 1,375,000 to the Vice Chair of the Board and with SEK 900,000 to each of the other Board members; and – an allotment of SEK 350,000 to the Chair of the Audit Committee, with SEK 250,000 to each of the other members of the Audit Committee, with SEK 200,000 to the Chair of the Remuneration Committee and with SEK 150,000 to each of the other members of the Remuneration Committee, with SEK 200,000 to the Chair of the Sustainability and Ethics Committee and with SEK 150,000 to each of the other members of the Sustainability and Ethics Committee. A prerequisite for obtaining an allotment is that the Board member is elected by the Annual General Meeting and not employed by the company.

	Fixed salary and other benefits[1]/ fixed Board remuneration		Short-term variable salary		Performance Share Programmes		Remuneration for committee work		Gross pension costs[2]		
Amounts in SEK	Amounts paid in 2024[3]	Amounts expensed in 2024[3]	Amounts paid in 2024 related to 2023[3]	Amounts expensed in 2024[3]	Amounts paid in 2024 related to prior years[3]	Amounts expensed in 2024[3]	Amounts paid in 2024[3]	Amounts expensed in 2024[3]	Amounts expensed in 2024[3]	Total expensed in 2024	Total expensed in 2023
Board of directors of AB SKF											
Hans Stråberg	2,680,000	2,750,000	—	—	—	—	450,000	450,000		3,200,000	2,997,000
Håkan Buskhe	1,340,000	1,375,000	—	—	—	—	600,000	600,000		1,975,000	1,905,000
Hock Goh	875,000	900,000	—	—	—	—	150,000	150,000		1,050,000	985,000
Geert Follens	875,000	900,000	—	—	—	—	400,000	400,000		1,300,000	1,202,000
Susanna Schneeberger	875,000	900,000	—	—	—	—	150,000	150,000		1,050,000	985,000
Beth Ferreira	875,000	900,000	—	—	—	—	150,000	150,000		1,050,000	850,000
Therese Friberg	875,000	900,000	—	—	—	—	250,000	250,000		1,150,000	1,067,000
Richard Nilsson	875,000	900,000	—	—	—	—	350,000	350,000		1,250,000	1,067,000
Niko Pakalén	875,000	900,000	—	—	—	—	300,000	300,000		1,200,000	1,120,000
CEO	15,977,871	17,075,338	8,928,357	4,581,503	6,297,000	3,602,616	—	—	6,013,109	31,272,565	35,088,009
Group Management[5]	67,904,423	69,889,569	27,383,501	22,140,627	11,564,178	6,469,571	—	—	14,820,695	113,320,462	106,800,352
whereof AB SKF	38,564,057	40,549,203	15,402,658	9,386,021	11,564,178	6,388,556	—	—	13,090,969	69,414,748	70,066,872
Total 2024	94,027,294	97,389,907	36,311,858	26,722 130	17,861,178	10,072,187	2,800,000	2,800,000	20,833,804	157,818,027	—
whereof AB SKF	64,686,928	68,049,541	24,331,015	13,967,524	17,861,178	9,991,171	2,800,000	2,800,000	19,104,078	113,912,314	—
Total 2023	82,245,037	86,675,133	14,710,992	29,745,575	3,169,146	17,608,516	2,313,000	2,313,000	17,724,137	—	154,066,361
whereof AB SKF	56,220,823	60,650,919	11,528,956	22,566,321	3,169,146	15,567,093	2,313,000	2,313,000	16,235,548	—	117,332,881

1) Other benefits include for example company car and medical insurance.
2) Represents premiums paid under defined contribution plans as well as gross service costs under defined benefit plans.
3) Amounts paid represent the cash outflow and are amounts received by the individual during a specific calendar year. These amounts include remuneration for services rendered during given calendar year such as salary, but can also include remuneration for services rendered in a prior year where payment occurs subsequent to that year, for example the variable salary programmes. Amounts expensed refer primarily to the costs for the Group for services rendered during a specific calendar year by the individual, but can also include adjustments or reversals related to prior years. Consequently, differences between amounts paid and amounts expensed can arise as timing of the expense can be occurring in a different calendar year than the cash outflow to the individual.
4) Total pension obligations, for SKF Group, related to Group Management (including CEO) were MSEK 73.
5) Exclusive of CEO.

	2024		2023	
Men and women in Board of Directors and Group Management	Number of persons	Whereof men	Number of persons	Whereof men
The Group				
Board of Directors of the Parent Company elected by the AGM incl. CEO	10	70%	10	70%
Board of Directors of the Parent Company incl. CEO	12	75%	12	75%
Group Management incl. CEO	13	77%	13	77%

	2024		2023	
Men and women in Board of Directors and Group Management	Number of persons	Whereof men	Number of persons	Whereof men
Parent Company				
Board of Directors of the Parent Company elected by the AGM incl. CEO	10	70%	10	70%
Board of Directors of the Parent Company incl. CEO	12	75%	12	75%
Group Management incl. CEO	12	75%	12	75%

24 Fees to the auditors

Fees to the SKF Group statutory auditors were split as follows (MSEK)	2024	2023
Deloitte		
Audit fees	66	64
Where of Deloitte AB	13	13
Audit related fees	2	2
Where of Deloitte AB	2	2
Tax fees	2	–
Where of Deloitte AB	–	–
Other fees	1	2
Where of Deloitte AB	1	2
	71	**68**

The Parent Company's share (MSEK)	2024	2023
Deloitte		
Audit fees	11	10
Audit related fees	2	2
Tax fees	–	–
Other fees to auditors	1	2
	14	**14**

Audit fees are related to examination of the Annual Report and financial reporting, the administration by the Board and the President as well as other tasks related to the duties of a company auditor.

Audit related fees are mainly attributable to the review of the SKF's Sustainability Report. Tax fees are related to tax consultancy and tax compliance services. All other assignments are defined as other.

25 Average number of employees

	2024		2023	
	Number of employees	Whereof men, %	Number of employees	Whereof men, %
Parent Company in Sweden	652	62	653	63
Subsidiaries in Sweden	1,854	80	1,920	79
Subsidiaries abroad	35,225	77	37,099	77
	37,731	**77**	**39,672**	**77**

	2024		2023	
Geographic specification of average number of employees in subsidiaries abroad	Number of employees	Whereof men, %	Number of employees	Whereof men, %
France	2,386	80	2,289	80
Italy	2,723	77	3,261	78
Germany	4,889	87	4,666	87
Other Western Europe excluding Sweden	3,145	81	3,302	82
Central and Eastern Europe	2,760	62	3,320	63
USA	3,201	74	3,522	73
Canada	184	76	190	76
Mexico	1,955	66	1,984	67
Latin America	2,673	88	3,050	89
China	7,046	70	7,347	70
India	2,148	91	2,007	89
Other Asian countries/Pacific	1,758	79	1,818	82
Middle East and Africa	357	72	343	71
	35,225	**77**	**37,099**	**77**

26 Financial risk management

The Group's overall financial objective is to create value for its shareholders. Over time, the return on the shareholders' investment in the SKF share should exceed the risk-free interest rate by around six percentage points. This is the basis for the Group's long-term financial objectives and the financial performance management model.

The SKF Group defines its managed capital as the capital employed. One of the Group's long term financial targets is to achieve a return on capital employed of 16%.

The capital structure target of the Group is a net debt/equity ratio, excluding pension liabilities of below 40%.

Key figures[1]	2024	2023
Total equity, MSEK	61,969	54,956
Gearing, %	30.9	35.2
Equity/assets ratio, %	51.9	49.1
Net debt/equity ratio, excluding post-employment benefits, %	14.1	13.9
Adjusted return on capital employed[2], %	14.2	15.4

1) Definition of these key figures is available on page 164.
2) Adjusted for items affecting comparability.

This together with the self-funding principle in SKF's strategic framework, operating cash flow to fund investments and shareholder distribution, underpins the Group's financial flexibility and its ability to execute on the strategy while maintaining a strong credit rating. The Group's policy and structure of debt financing are presented below.

The SKF Group's operations are exposed to various types of financial risks; market risks (being currency risk, interest rate risk and other price risks), liquidity risks and credit risks, each being discussed below.

The Group's risk management incorporates a financial policy that establishes guidelines and definitions of currency, interest rate, credit and liquidity risks and establishes responsibility and authority for the management of these risks. The policy states that the objective is to eliminate or minimize risk and to contribute to a better return through the active management of risks. The management of the risks and the responsibility for all treasury operations are largely centralized at SKF Treasury Centre, the Group's internal bank. The responsibility includes ensuring the appropriate level of funding through loans and secured credit facilities while simultaneously overseeing and ensuring the liquidity level for the Group.

The policy sets forth the financial risk mandates and the financial instruments authorized for use in the management of financial risks. Financial derivative instruments are used primarily to manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates.

Market risk – Currency risk

The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and forecasted transactions and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's accounts are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure. SKF applies natural hedging as the leading principle for strategic currency risk mitigation. This is managed organically within operations without financial instruments by leveraging on inherent business activities and by considering currency risk in all strategic investment decisions.

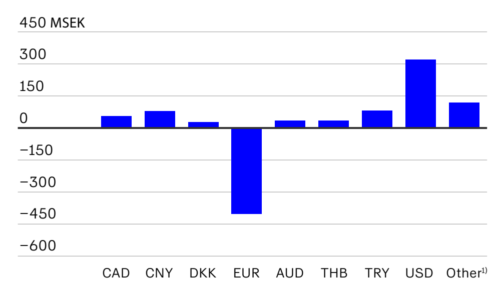
Transaction exposure

Transaction exposure mainly arises as a result of intra-Group transactions between the Group's manufacturing companies and the Group's sales companies, situated in other countries and selling the products to end-customers normally in local currency in their local market. In some countries, transaction exposure may arise from sales to external customers in a currency different from the local currency. The Group's principal commercial flows of foreign currencies pertain to exports from Europe to North America and Asia and to flows of currencies within Europe. Currency rates and payment conditions to be applied to the internal trade between SKF companies are set by SKF Treasury Centre. Currency exposure and risk is primarily, and to a large extent, reduced by netting internal transactions. The Groups external exposure is mitigated by matching in- and outflows of the same currency. The currency flows between SKF companies managed by SKF Treasury Centre were reduced through netting from MSEK 76,375 (81,935) to MSEK 6,332 (5,542). This amount represented the Group's main transaction exposure excluding hedges. Furthermore, SKF Treasury Centre is using financial instruments such as forwards, options or currency swaps matching the underlying forecasted cashflow to hedge the transactional currency exposure.

Net currency flows (MSEK)	2024	2023
CAD	1,049	1,021
CNY	1,523	1,998
DKK	461	547
EUR	–8,009	–8,816
AUD	598	592
THB	594	604
TRY	1,564	1,543
USD	6,345	5,947
Other[1]	2,207	2,106
SEK	–6,332	–5,542

1) Other is a sum comprising 11 different currencies.

Effect of transactional currency flows on operating profits of a 5% weaker SEK



1) Other is a sum comprising 11 different currencies.

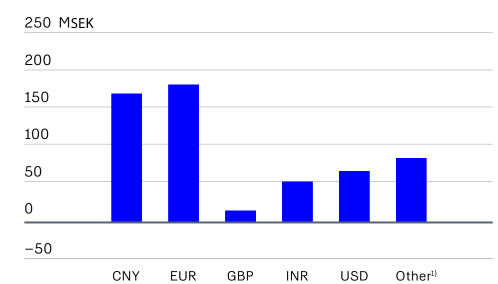
Based on the assumption that the net currency flows will be the same as in 2024, the below graph represents a sensitivity analysis that shows the effect in SEK on operating profit of a 5% weaker SEK against all other currencies.

The effect on equity is the below result after tax. The effects of fluctuations upon the translation of subsidiaries' financial statements into the Group's presentation currency are not considered.

Translation exposure

Translation exposure is defined as the Group's exposure to currency risk arising when translating the results and net assets of foreign subsidiaries to SEK. Moreover, SKF is mitigating the translations risk through the optimization of the internal capital structure, which involves allocating distributable funds in the financial statements to the ultimate parent company. Based on 2024 operating profits in local currencies, the below graph represents a sensitivity-analysis that shows the effect in SEK on the translation of operating profits of a 5% weaker SEK against all other currencies.

Effect of translation on operating profits to SEK of a 5% weaker SEK



1) Other is a sum comprising 44 different currencies.

26 Financial risk management, cont.

Interest rate risk

The Group defines interest rate risk as the risk of negative fluctuations in the Group's cash flow caused by changes in the interest rates and does not encompass credit spread.

At year-end, total interest bearing financial liabilities amounted to MSEK 27,770 (29,910) and total interest-bearing financial assets amounted to MSEK 12,324 (14,576). Liquidity management is concentrated to SKF Treasury Centre.

To manage the interest rate risk and currency risk in the borrowing, the Group uses cross-currency interest rate swaps, where fixed EUR interest rates are swapped into floating USD and floating EUR.

As of the balance sheet date, given the prevailing amount of net interest-bearing liabilities, an unfavorable change of the interest rates by 1% would have reduced pre-tax profit for the year, including the effect of derivatives, by around MSEK 33 (39). For details on interest rates of individual loans, see Note 11 of the Parent Company's financial statements.

Market risk – Price risks

Market risks also include other price risks, where the relevant risk variables for the Group are stock exchange prices or indexes.

As of 31 December, the Group held investments in equity securities with quoted stock prices which amounted to MSEK 400 (313), categorized as fair value through other comprehensive income. If the market share prices had been 5% higher/lower at the balance sheet date, the available-for-sale reserve in equity would have been MSEK 20 (16) higher/lower.

Liquidity risk

Liquidity risk, also referred to as funding risk, is defined as the risk that the Group will encounter difficulties in raising funds to meet commitments. Group policy states that, in addition to current loan financing, the Group should have a payment capacity in the form of available liquidity and/or long-term committed credit facilities. As of the balance sheet date, in addition to its own liquidity, the Group had one unutilized committed credit facility of MEUR 800 syndicated with ten banks that will expire in 2029, with one 1-year extension option. Moreover, SKF has signed a long-term credit facility of MEUR 430 with the European Investment Bank (EIB), which by the year end was unutilized.

A good rating is important in the management of liquidity risks. As of 31 December 2024 the long-term rating of the Group is Baa1 by Moody's Investors Service and BBB+ by Fitch Ratings, both with stable outlook.

The table below shows the Group's contractually agreed and undiscounted interest payments and repayments of the non-derivative financial liabilities and derivatives with payment flows. All instruments held on 31 December 2024 for which payments were contractually agreed were included. Planning data for future, new liabilities was not included. Amounts in foreign currency were translated at closing rate. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before 31 December 2024. Financial liabilities were assigned to the earliest possible time period when they can be required to be repaid.

	2024 Cash flows			
MSEK	2025	2026	2027–2029	2030 and thereafter
Loans	–4,197	–312	–9,491	–3,317
Trade payables	–12,553	—	—	—
Derivatives, net	–308	—	–16	—
Lease liabilities	–817	–647	–1,356	–1,189
Total	**–17,875**	**–959**	**–10,863**	**–4,506**

Credit risk

Credit risk is defined as the Group's exposure to losses in the event that one party to a financial instrument fails to discharge an obligation. The SKF Group is exposed to credit risk from its operating activities and certain financing activities.

The maximum exposure to credit risk for the Group amounted to MSEK 28,985 (31,722) as of the balance sheet date. The exposure is represented by total financial assets that are carried on the balance sheet with the exception of equity securities. No granting of significant financial guarantees increasing the credit risk and no significant collateral agreements reducing the maximum exposure to credit risk existed as of the balance sheet date.

Credit risk (MSEK)	2024	2023
Trade receivables	16,600	16,811
Other receivables	1,292	1,267
Derivatives	62	333
Cash and cash equivalent	11,031	13,311
Total	**28,985**	**31,722**

At operational level, the outstanding trade receivables are continuously monitored locally in each area. The Group's concentration of credit risk related to trade receivables is mitigated primarily due to its many geographically and industrially diverse customers. Trade receivables are subject to credit limit control and approval procedures in all subsidiaries.

With regard to treasury related activities, the Group's policy states that only well-established financial institutions are approved as counterparties. Transactions are made within fixed limits and credit exposure by counterparty is continiously monitored. For derivatives, the SKF Group has signed ISDA agreements (International Swaps and Derivatives Association, Inc.) with nearly all of these financial institutions. ISDA is classified as an enforceable netting arrangement. One feature of the ISDA agreement is that it enables the SKF Group to calculate its credit exposure on a net basis per counterpart, i.e. the difference between what the Group owes and is owed. The agreement between the Group and the counterparty allows for net settlement of derivatives when both elect to settle net. In the event of default of one of the counterparties the other counterpart of the netting agreement has the option to settle on a net basis. As of the balance sheet date the Group had derivative assets of around MSEK 59 (333) and derivative liabilities of around MSEK 646 (605) subject to enforceable master netting arrangements.

Hedge accounting

The Group manages risks related to the volatility of balance sheet items and future cash flows, which otherwise would affect the income statement, by hedging. A distinction is made between cash flow hedges, fair value hedges and hedges of net investment in foreign operations based on the nature of the hedged item.

Derivative instruments which provide effective economic hedges, but are not designated for hedge accounting by the Group, are accounted for as trading instruments. Changes in the fair value of these economic hedges are immediately recognized in the income statement as financial income or expense or in the operating result depending on the nature of the hedged item.

Fair value hedges

Hedge accounting is applied to derivative financial instruments which are effective in hedging the exposure to changes in fair value in foreign borrowing. Changes in the fair value of these derivative financial instruments designated as hedging instruments are recognized in the income statement under financial items. The carrying amount of the hedged item (the financial liability) is adjusted for the gain or loss attributable to the hedged risk. The gain or loss is recognized in the income statement under financial items. If a hedge relationship is discontinued, the accumulated adjustment to the carrying amount is amortized over the duration of the life of the hedged item.

The SKF Group hedges the fair value risk of financial liabilities on December 2024, by using cross-currency interest rate swaps.

The MEUR 300 loan with fixed interest payments, which is due in 2025, has been swapped into floating USD interest. In addition, the MEUR 400 bond, which is due in 2028, with fixed interest payments has been swapped into floating EUR interest. Maturity and carrying amount are disclosed in Note 20. The effectiveness of the hedging relationship is measured at inception of the hedge relationship and

26 Financial risk management, cont.

prospectively to ensure that the economic relationship between hedge item and hedging instrument remains. When the effectiveness was being measured, the change in the credit spread was not taken into account for calculating the change in the fair value of the hedged item. As the list of the fair values of derivatives shows (see table in the Derivatives section below), the Group had designated interest rate derivatives for a net amount of MSEK −456 (−349) as fair value hedges as of 31 December 2024.

The following table shows the changes in the fair value of the hedges recorded in interest expense during the year.

MSEK	Financial expense 2024	Financial expense 2023
Financial liabilities (hedged items)	−118	−278
Cross-currency interest-rate swaps (hedging instruments)	128	275
Difference (inefficiency)	**10**	**−3**

Derivatives

The table below shows the fair values of the various derivatives carried as of 31 December 2024 reflected as assets in Note 14 and liabilities in Note 20. A distinction is made depending on whether these are part of an effective hedging relationship or not.

Derivative net (MSEK)	Category	2024	2023
Interest rate and currency swaps			
Fair value hedges	Hedge accounting	−456	−349
Economic hedges	Trading	—	—
Currency forwards/ currency options			
Economic hedges	Trading	−202	57
Share swaps			
Economic hedges	Trading	1	5
		−657	**−287**

27 Non-controlling interests

Accounting policy

Subsidiaries that the Group controls, but owns less than 100% in, are consolidated into the Group's financial statements. The category "non-controlling interests (NCI)" in the equity report accumulates the portion of a subsidiary's equity that is not attributable to the owners of AB SKF.

Significant non-controlling interests

During 2024, there has been no change in significant non-controlling interests.

The largest non-controlling interest is SKF India Ltd. The non-controlling interests holds a 47.4% (47.4) shareholding in the company. This represents 2.3% (2.4) of the Group's total equity. The tables present the summarized financial information of SKF India Ltd.

27 Non-controlling interests, cont.

Summarized income statement (MSEK)	January–December 2024	2023
Net sales	6,106	5,640
Operating profit	947	920
Net income	**656**	**636**
Other comprehensive income	167	−154
Total comprehensive income	**824**	**482**
Profit allocated to NCI	311	302
Dividends paid to NCI	−369	−122

Summarized balance sheet (MSEK)	As of 31 December 2024	2023
Non-current assets	994	787
Current assets	3,610	3,493
Total assets	**4,604**	**4,280**
Equity attributable to shareholders of AB SKF	1,607	1,584
Equity attributable to NCI	1,449	1,427
Non-current liabilites	16	36
Current liabilities	1,532	1,233
Total equity and liabilities	**4,604**	**4,280**

28 Assets and liabilities classified as held for sale

Accounting policy

SKF reclassifies assets and liabilities held for sale to separate lines in the balance sheet when the criteria for reclassification are fulfilled. The asset, or the group of assets that are held for sale, are measured at the lower of its carrying amount and fair value after deductions for selling expenses.

Assets and liabilities held for sale

Assets and liabilities classified as held for sale amounted to net MSEK 1,461 (—) as of December 31, 2024. It relates to the planned divestments within our Aerospace business in Hanover, Pennsylvania, USA and Elgin, Illinois, USA.

Assets classified as held for sale MSEK	As of 31 December 2024	2023
Non-current assets		
Goodwill	583	—
Other Intangible assets	240	—
Property, plant and equipment	58	—
Current assets		
Inventories	536	—
Trade receivables	175	—
Other current assets	1	—
Assets classified as held for sale	**1,594**	**—**

Liabilities classified as held for sale MSEK	As of 31 December 2024	2023
Non-current liabilities		
Other long-term provisions	3	—
Current liabilities		
Trade payables	61	—
Short-term provision	28	—
Other short-term liabilites	40	—
Liabilities classified as held for sale	**133**	**—**

Parent Company, AB SKF

AB SKF, corporate identity number 556007-3495, which is the Parent Company of the SKF Group, is a registered Swedish limited liability company domiciled in Gothenburg. The headquarters' address is AB SKF, SE-415 50 Gothenburg, Sweden.

AB SKF is the company within the Group that makes the strategic decisions and pays for the research and development. AB SKF owns and controls the Intellectual Property Rights within the Group. Subsidiaries perform tasks decided by AB SKF and, thus, have a limited commercial liability.

Dividend income from consolidated subsidiaries amounted to MSEK 3,187 (2,054).

Net investments in subsidiaries decreased by MSEK –1,634 (–11), whereof MSEK –500 (–5) is attributable to impairments, MSEK 125 (5) to capital contributions and MSEK 0 (–11) to capital repayments. Shares with a booked value of MSEK –1,259 (0) were sold during the year.

Risks and uncertainties in the business for the Group are described in the Administration Report for the Group. 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 profit and lower dividend income for the Parent Company, as well as a need for write-down of the values in the shares in subsidiaries. Due to the wide spread of markets, geographically as well as operationally in which the subsidiaries operate, the risk that the financial position for the Parent Company will be negatively affected is assessed as small.

Unrestricted equity in the Parent Company amounted to MSEK 22,839 (23,198).

Parent Company income statements

		January–December	
MSEK	Note	2024	2023
Revenue	2	7,362	7,782
Cost of revenue	2	–5,528	–6,052
General management and administrative expenses	2	–1,639	–1,919
Other operating income and expenses, net	2	17	9
Operating profit		**212**	**–180**
Financial income and expenses, net	3	2,499	1,894
Profit after financial items		**2,711**	**1,714**
Appropriations	4	400	705
Profit before tax		**3,111**	**2,419**
Income taxes	5	–86	–41
Net profit		**3,025**	**2,378**

Parent Company statements of comprehensive income

		January–December	
MSEK	Note	2024	2023
Net profit		3,025	2,378
Items that will not be reclassified to the income statement			
Assets at fair value through other comprehensive income	9	78	—
Items that may be reclassified to the income statement			
Assets at fair value through other comprehensive income	9	—	–85
Other comprehensive income, net of tax		**78**	**–85**
Total comprehensive income		**3,103**	**2,293**

Parent Company balance sheets

MSEK	Note	As of 31 December 2024	2023
ASSETS			
Non-current assets			
Intangible assets	6	712	1,021
Property, plant and equipment	7	63	73
Investments in subsidiaries	8	20,797	22,431
Long-term receivables from subsidiaries		12,483	15,281
Investments in jointly controlled and associated companies		2	–
Investments in equity securities	9	331	253
Other long-term receivables		17	65
Deferred tax assets	5	524	466
		34,929	**39,590**
Current assets			
Short-term receivables from subsidiaries		8,207	6,176
Other short-term receivables		217	180
Prepaid expenses and accrued income		328	323
Cash and cash equivalents		12	2
		8,764	**6,681**
Total assets		**43,693**	**46,271**

MSEK	Note	As of 31 December 2024	2023
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,138	1,138
Statutory reserve		918	918
		2,056	**2,056**
Unrestricted equity			
Fair value reserve		140	63
Retained earnings		19,674	20,757
Net profit		3,025	2,378
		22,839	**23,198**
		24,895	**25,254**
Untaxed reserves	4	**–**	**–**
Provisions			
Provisions for post-employment benefits	10	727	721
Other provisions		4	20
		731	**741**
Non-current liabilities			
Long-term loans	11	12,480	15,278
		12,480	**15,278**
Current liabilities			
Short-term loans	11	3,446	3,012
Trade payables		531	466
Short-term liabilities to subsidiaries		781	724
Other short-term liabilities		239	147
Accrued expenses and deferred income		590	649
		5,587	**4,998**
Total equity and liabilities		**43,693**	**46,271**

Parent Company statements of cash flow

MSEK	Note	January–December 2024	2023
Operating activities			
Operating loss/profit		212	−180
Adjustments for			
Depreciation, amortization and impairments	6, 7	324	225
Other non-cash items		170	285
Payments under post-employment defined benefit plans	10	−58	−50
Income taxes paid/received		41	−20
Changes in working capital			
Trade payables		65	−29
Other operating assets and liabilities, net		1,633	1,042
Interest received		343	399
Interest paid		−428	−471
Other financial items		−181	−92
Net cash flow from operating activities		**2,121**	**1,109**
Investing activities			
Additions to intangible assets	6	—	—
Additions to property, plant and equipment	7	−5	−7
Sales of property, plant and equipment	7	—	—
Dividends received from subsidiaries	3	3,187	2,054
Investments in subsidiaries	8	−125	−5
Sales of shares in subsidiaries	8	1,259	—
Capital repayments from subsidiaries	8	—	11
Investments in equity securities		−2	—
Net cash flow used in investing activities		**4,314**	**2,053**
Net cash flow after investments before financing		**6,435**	**3,162**
Financing activities			
Proceeds from medium- and long-term loans		—	27
Repayment of medium- and long-term loans		−3,010	−10
Cash dividends to AB SKF's shareholders		−3,415	−3,187
Net cash flow used in financing activities		**−6,425**	**−3,170**
Increase(+)/decrease(−) in cash and cash equivalents		**10**	**−8**
Cash and cash equivalents at 1 January		2	10
Cash and cash equivalents at 31 December		**12**	**2**

.

Parent Company statements of changes in equity

MSEK	Restricted equity: Share capital[1]	Restricted equity: Statutory reserve	Unrestricted equity: Fair value reserve	Unrestricted equity: Retained earnings	Total
Opening balance 1 January 2023	**1,138**	**918**	**148**	**23,913**	**26,117**
Net profit	—	—	—	2,378	2,378
Components of other comprehensive income					
Change in assets to fair value through other comprehensive income	—	—	−85	—	−85
Capitalized development reserve	—	—	—	—	—
Transactions with shareholders					
Cost under Performance Share Programmes[2]	—	—	—	31	31
Dividends	—	—	—	−3,187	−3,187
Closing balance 31 December 2023	**1,138**	**918**	**63**	**23,135**	**25,254**
Net profit	—	—	—	3,025	3,025
Components of other comprehensive income					
Change in assets to fair value through other comprehensive income	—	—	77	—	77
Capitalized development reserve	—	—	—	—	—
Transactions with shareholders					
Cost under Performance Share Programmes[2]	—	—	—	−46	−46
Dividends	—	—	—	−3,415	−3,415
Closing balance 31 December 2024	**1,138**	**918**	**140**	**22,699**	**24,895**

1) The distribution of share capital between share types and the quota value is shown in Note 16 to the Consolidated financial statements.
2) See Note 23 to Consolidated financial statements for information about Performance Share Programmes.

Restricted equity includes share capital and statutory reserves which are not available for dividend payments.

Unrestricted equity includes retained earnings which can be distributed to shareholders. It also includes the fair value reserve which accumulates the changes in fair value of available-for-sale assets.

Notes to the financial statements of the Parent Company

1 Accounting policies

Basis of presentation
The financial statements of the Parent Company are prepared in accordance with the Annual Accounts Act and The Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities, as well as their interpretation (UFR). In accordance with RFR 2, IFRS is applied to the greatest extent possible under Swedish legislation, but full compliance is not possible. The areas in which the Parent Company's accounting policies differ from the Group's are described below. For a description of the Group's accounting policies, see Note 1 to the Consolidated financial statements.

Post-employment benefits
AB SKF reports pensions in the financial statements in accordance with RFR 2. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Investments in subsidiaries
Investments in subsidiaries are recorded at acquisition cost, reduced by any impairment.

Untaxed reserves
The tax legislation in Sweden allows companies to make provisions to untaxed reserves. Hereby, the companies may, with certain limits, allocate and retain profits in the balance sheet instead of immediate taxation. The untaxed reserves are taken into taxation at the time of their dissolution. In the event that the business shows losses, the untaxed reserves may be dissolved in order to cover the losses without any taxation.

Intangible assets
According to Swedish legislation, goodwill has a definite useful life. The useful life amounts to eight years and the amortization follows a linear pattern.

Leases
RFR 2 allows an exception from IFRS 16 which the Parent Company has applied. Lease contracts are reported as operational leases.

2 Revenues and operating expenses

AB SKF is the company within the Group that makes the strategic decisions and pays for the research and development and is as such entitled to residual profits. Consequently the revenues are comprised of residual profits and royalties from subsidiaries. Cost of revenue include research and development expenses totalling MSEK 2,950 (2,957).

Of the total operating expenses, MSEK 4,395 (4,402) was invoiced from subsidiaries.

3 Financial income and financial expenses

MSEK	2024	2023
Income from participations in Group companies		
Dividends from subsidiaries	3,187	2,054
Other financial income from investments in subsidiaries	–8	—
Impairment and disposals of investments in subsidiaries	–500	–5
Total	**2,679**	**2,049**
Financial income		
Interest income from subsidiaries	343	399
Interest income from external parties	2	1
Other financial income	—	2
Total	**345**	**402**
Financial expenses		
Interest expenses to subsidiaries	–99	–94
Interest expenses to external parties	–355	–405
Other financial expense	–71	–58
Total	**–525**	**–557**

4 Appropriations

Appropriations (MSEK)	2024	2023
Paid/received group contribution	400	705
Untaxed reserves		
Change in accelerated depreciation reserve	—	—
	400	**705**
Untaxed reserves		
Accelerated depreciation reserve	—	—

5 Taxes

Taxes on profit before tax (MSEK)	2024	2023
Current taxes	—	—
Other taxes	–144	–109
Deferred tax	58	68
	–86	**–41**

Net deferred assets per type net (MSEK)	2024	2023
Provisions for post-employment benefits	131	123
Tax credit carry-forwards	393	343
Tax loss carry-forwards	—	—
Deferred tax assets	**524**	**466**

Reconciliation of the statutory tax in Sweden and the actual tax (MSEK)	2024	2023
Tax calculated using the statutory tax rate in Sweden	–641	–498
Non-taxable dividends and other financial income	655	424
Tax referring to previous years	–9	32
Other non-deductible and non-taxable profit items, net	–91	1
Actual tax	**–86**	**–41**

The corporate statutory income tax rate in Sweden is 20.6% (20.6).

6 Intangible assets

MSEK	2024 Closing balance	Additions	Impairments	Derecognitions	2024 Opening balance
Acquisition cost					
Goodwill	42	—	—	—	42
Technology, Intellectual property and similar items	1,058	—	—	—	1,058
Internally developed software	2,308	—	—	—	2,308
	3,408	**—**	**—**	**—**	**3,408**

MSEK	2024 Closing balance	Amortization	Impairments	Derecognitions	2024 Opening balance
Accumulated amortization					
Goodwill	38	1	—	—	37
Technology, Intellectual property and similar items	984	19	—	—	965
Internally developed software	1,674	162	127	—	1,385
	2,696	**182**	**127**	**—**	**2,387**
Net book value	**712**				**1,021**

MSEK	2023 Closing balance	Additions	Impairments	Derecognitions	2023 Opening balance
Acquisition cost					
Goodwill	42	—	—	—	42
Technology, Intellectual property and similar items	1,058	—	—	—	1,058
Internally developed software	2,308	—	—	—	2,308
	3,408	**—**	**—**	**—**	**3,408**

MSEK	2023 Closing balance	Amortization	Impairments	Derecognitions	2023 Opening balance
Accumulated amortization					
Goodwill	37	6	—	—	31
Technology, Intellectual property and similar items	965	21	—	—	944
Internally developed software	1,385	186	—	—	1,199
	2,387	**213**	**—**	**—**	**2,174**
Net book value	**1,021**				**1,234**

See Note 10 to the Consolidated financial statements for information on the internally developed software including impairment. Technology and similar items are amortized over eight years.

7 Property, plant and equipment

MSEK	2024 Closing balance	Additions	Disposals	Other	2024 Opening balance
Acquisition cost					
Buildings	5	—	—	—	5
Machine toolings and factory fittings	105	—	−27	11	121
Assets under construction including advances	10	5	—	−11	16
	120	**5**	**−27**	**—**	**142**

MSEK	2024 Closing balance	Depreciation	Disposals	Other	2024 Opening balance
Accumulated depreciation					
Buildings	3	—	—	—	3
Machine toolings and factory fittings	54	12	−24	—	66
	57	**12**	**−24**	**—**	**69**
Net book value	**63**				**73**

MSEK	2023 Closing balance	Additions	Disposals	Other	2023 Opening balance
Acquisition cost					
Buildings	5	—	—	—	5
Machine toolings and factory fittings	121	—	—	35	86
Assets under construction including advances	16	7	—	−35	44
	142	**7**	**—**	**—**	**135**

MSEK	2023 Closing balance	Depreciation	Disposals	Other	2023 Opening balance
Accumulated depreciation					
Buildings	3	—	—	—	3
Machine toolings and factory fittings	66	12	—	—	54
	69	**12**	**—**	**—**	**57**
Net book value	**73**				**78**

8 Investments in subsidiaries

Investments in subsidiaries held on 31 December (MSEK)	2024	Additions	Impairment	Disposals and capital repayments	2023	Additions	Impairment	Disposals and capital repayments	2022
Investments in subsidiaries	20,797	125	−500	−1,259	22,431	5	−5	−11	22,442

The Group is composed of 175 legal entities (subsidiaries), where AB SKF is the ultimate parent either directly or indirectly via intermediate holding companies. The vast majority of the Group's subsidiaries perform activities related to manufacturing and sales. A limited number are involved in central Group functions such as treasury or reinsurance, or as previously mentioned, act as intermediate holding companies. This legal structure is designed to effectively manage legal requirements, administration, financing and taxes in the countries in which the Group operates. In contrast, the Group's operational structure described in the Administration Report gives a better overview of how the Group runs its business. See also Note 2 to the Consolidated financial statements.

The tables on the next pages list, firstly, the subsidiaries owned directly by the Parent Company, and secondly, the most significant of the remaining subsidiaries of the Group. Taken together these subsidiaries account for more than 90% of the Group's sales and for more than 90% of the Group's manufacturing facilities.

Investments in subsidiaries, cont.

Name of directly owned subsidiaries	Country/ Region	Registration number	No. of shares	% ownership	Book value (MSEK) 2024	Book value (MSEK) 2023	Main activities[1]
SKF Argentina S.A.	Argentina	—	14,677,299	86.25[2]	94	94	M, S
SKF Australia Pty. Ltd.	Australia	—	96,500	100	—	—	S
SKF Österreich AG	Austria	—	200	100	176	176	M, S
SKF Belgium NV/SA	Belgium	—	1,778,642	99.9[2]	109	109	S
SKF Logistics Services Belgium NV/SA	Belgium	—	29,907,952	99.9[2]	28	28	O
SKF do Brasil Ltda.	Brazil	—	517,294,748	99.9[2]	626	626	M, S
SKF Bearings Bulgaria EAD	Bulgaria	—	24,664,309	100	202	202	M, S
SKF Canada Ltd.	Canada	—	130,000	100	58	58	M, S
SKF Chilena S.A.I.C.	Chile	—	88,191	99.9[2]	—	—	S
SKF (China) Co. Ltd.	China	—	133,400	100	1,135	1,135	O
SKF China Ltd.	China	—	11,000,000	100	15	15	S
SKF CZ, a.s.	Czech Republic	—	430	100	10	10	S
SKF Danmark A/S	Denmark	—	5	100	7	7	S
Oy SKF Ab	Finland	—	48,400	100	12	12	M, S
SKF Holding France S.A.R.L.	France	—	1	100	3,371	3,371	O
SKF GmbH	Germany	—	200	20[2]	315	1,573	M, S
SKF Holding Deutschland GmbH	Germany	—	2,500	100	27	—	O
SKF Lubrication Systems Germany GmbH	Germany	—	2,574	10.1[2]	223	223	M, S
SKF Hellas S.A.	Greece	—	2,000	100	—	—	S
SKF Svéd Golyóscsapágy Zrt	Hungary	—	20	100	—	—	S
SKF Engineering and Lubrication India Private Ltd.	India	—	1,196,450	52.8[2]	314	314	M, S
SKF India Ltd.	India	—	22,666,055	45.8[3]	87	87	M, S
PT. SKF Indonesia	Indonesia	—	53,411	60	26	26	M, S
PT. SKF Industrial Indonesia	Indonesia	—	2,455	96.3[2]	5	5	S
SKF AI Ltd	Israel	—	2,413,322	100	220	220	S
SKF Industrie S.p.A.	Italy	—	465,000	100	912	912	M, S
SKF Japan Ltd.	Japan	—	32,400	100	174	174	M, S
SKF Malaysia Sdn. Bhd.	Malaysia	—	1,000,000	100	57	57	S
SKF de México, S.A. de C.V.	Mexico	—	375,623,529	99.9[2]	101	600	M, S
SKF New Zealand Ltd.	New Zealand	—	375,000	100	—	—	S
SKF Norge AS	Norway	—	50,000	100	—	—	S
SKF del Peru S.A.	Peru	—	2,564,903	99.9[2]	—	—	S
SKF Philippines Inc.	Philippines	—	8,395	100	20	20	S
SKF Business Center Sp. z o.o.	Poland	—	100	100	37	37	O
SKF Polska S.A.	Poland	—	3,701,466	100	156	156	M, S

Name of directly owned subsidiaries	Country/ Region	Registration number	No. of shares	% ownership	Book value (MSEK) 2024	Book value (MSEK) 2023	Main activities[1]
SKF Portugal-Rolamentos, Lda.	Portugal	—	64,843	100	5	5	S
SKF Korea Ltd.	Republic of Korea	—	128,667	100	74	74	M, S
SKF Sealing Solutions Korea Co. Ltd.	Republic of Korea	—	153,320	51	15	15	M, S
SKF Asia Pacific Pte. Ltd.	Singapore	—	1,000,000	100	97	—	S
Barseco (PTY) Ltd.	South Africa	—	1,422,480	100	157	157	O
SKF Española S.A.	Spain	—	3,650,000	100	383	383	M, S
SKF Förvaltning AB	Sweden	556350-4140	124,500	99.6[2]	4,144	4,144	O
SKF International AB	Sweden	556036-8671	20,000	100	1,320	1,320	O
Återförsäkringsaktiebolaget SKF	Sweden	516401-7658	30,000	100	125	125	O
Bagaregården 16:7 KB	Sweden	916622-8529	—	99.9[2]	98	99	O
SKF Eurotrade AB	Sweden	556206-7610	83,500	100	12	12	S
SKF Lager AB	Sweden	556219-5288	2,000	100	—	—	O
Kvarteret Gösen AB	Sweden	556210-0148	1,000	100	—	—	O
The Waste Company Sweden AB	Sweden	559128-2016	50,000	100	—	—	O
SKF Verwaltungs AG	Switzerland	—	500	100	502	502	O
SKF Taiwan Co. Ltd.	Taiwan	—	169,475,000	100	102	102	S
SKF (Thailand) Ltd.	Thailand	—	1,847,000	92.4[2]	37	37	S
SKF B.V	The Netherlands	—	1,450	100	304	304	S
SKF Holding Maatschappij Holland B.V	The Netherlands	—	60,002	100	423	423	O
Trelanoak Ltd.	United Kingdom	—	6,965,000	100	120	120	O
PSC SKF Ukraine	Ukraine	—	1,267,495,630	100	207	207	M, S
SKF USA Inc.	USA	—	1,000	100	4,155	4,155	M, S
SKF Venezolana S.A	Venezuela	—	20,014,892	100	—	—	O
					20,797	**22,431**	

1) M=Manufacturing, S=Sales, O=Other incl treasury, reinsurance, holding and/or dormant activities.
2) Parent Company together with subsidiares own 100%.
3) Parent Company together with subsidiaries own 52.6%.

8 Investments in subsidiaries, cont.

Name of indirectly owned subsidiaries	Country /Region	% Ownership	Owned by subsidiary in	Main activities[1]
Alemite LLC	USA	100	USA	M, S
Beijing Nankou SKF Railway Bearings Co. Ltd.	China	51	China	M, S
Cooper Roller Bearings Co. Ltd.	United Kingdom	100	United Kingdom	M
JSG Industrial Systems Pty Ltd	Australia	100	Australia	S
Kaydon Corporation	USA	100	USA	M, S
Kaydon S de R.L. de C.V.	Mexico	100	The Netherlands	M
Lincoln Industrial Corporation	USA	100	USA	M, S
M3M S.A.S	France	100	France	M
Ningbo General Bearing Ltd.	China	100	Barbados	M, S
Orsco Inc	USA	100	USA	S
PEER Bearing Company, Changshan (CPZ1)	China	100	China	M
Pilgrim International Ltd.	United Kingdom	100	United Kingdom	M, S
SKF (China) Sales Co. Ltd.	China	100	China	S
SKF (Dalian) Bearings and Precision Technologies Co. Ltd.	China	100	China	M
SKF (Jinan) Bearings & Precision Technology Co. Ltd.	China	100	China	M
SKF (Schweiz) A.G.	Switzerland	100	Switzerland	S
SKF (Shanghai) Automotive Technologies Co. Ltd.	China	100	China	M
SKF (U.K.) Ltd.	United Kingdom	100	United Kingdom	M, S
SKF (Xinchang) Bearings and Precision Technologies	China	100	China	M
SKF (Zambia) Ltd.	Zambia	100	Sweden	S
SKF Aeroengine France S.A.S.	France	100	France	M, S
SKF Aerospace France S.A.S.	France	100	France	M, S
SKF Bearing Industries (Malaysia) Sdn. Bhd.	Malaysia	100	The Netherlands	M
SKF Distribution (Shanghai) Co. Ltd.	China	100	China	S
SKF Economos Deutschland GmbH	Germany	100	Austria	S
SKF France S.A.S.	France	100	France	M, S
SKF Kenya Ltd.	Kenya	100	Belgium	S
SKF Latin Trade S.A.S	Colombia	100	Chile	S
SKF Lubrication Systems CZ s.r.o	Czech Republic	100	Germany	M
SKF Magnetic Mechatronics S.A.S.	France	100	France	M, S
SKF Marine GmbH	Germany	100	Germany	M, S
SKF Marine Singapore Pte Ltd.	Singapore	100	Germany	S
SKF Mekan AB	Sweden	100	Sweden	M
SKF Metal Stamping S.R.L	Italy	100	Italy	M, S

Name of indirectly owned subsidiaries	Country /Region	% Ownership	Owned by subsidiary in	Main activities[1]
SKF Sealing Solutions Austria GmbH	Austria	100	Austria	M, S
SKF Sealing Solutions GmbH	Germany	100	Germany	M, S
SKF Sealing Solutions S.A. de C.V.	Mexico	100	USA	M, S
SKF Sealing Solutions (Wuhu) Co. Ltd.	China	100	China	M, S
SKF Seals Italy S.p.A.	Italy	100	Italy	M, S
SKF Slovensko, spol. S.r.o.	Slovakia	100	Sweden	S
SKF South Africa (Pty) Ltd.	South Africa	70	South Africa	S
SKF Steyr Liegenschaftsvermietungs GmbH	Austria	100	Austria	O
SKF Sverige AB	Sweden	100	Sweden	M, S
SKF Türk Sanayi ve Ticaret Limited Sirketi	Turkey	100	Belgium	S
SKF Uruguay S.A	Uruguay	100	Argentina	S
SKF Vietnam Co. Ltd.	Vietnam	100	Singapore	S
Stewart Werner Corporation of Canada	Canada	100	USA	S
Tenute S.R.L	Italy	100	Italy	M, S
Venture Aerobearings LLC.	USA	51	USA	M, S
Vesta Si Sweden AB	Sweden	100	Sweden	M

1) M=Manufacturing, S=Sales, O=Other incl treasury, reinsurance and/or holding activities.

9 Investments in equity securities

Name and location (MSEK)	Holding in percent	Number of shares	Currency	2024 Book value	2023 Book value
Wafangdian Bearing Company Limited, China	19.7	79,300,000	HKD	309	231
Other			SEK	22	22
Total				**331**	**253**

10 Provisions for post-employment benefits

All white collar workers of the Company are covered by the ITP-plan according to collective agreements. Additionally, the Company sponsors a complementary defined contribution (DC) scheme for a limited group of managers.

This DC scheme replaced the previous supplementary defined benefit plan which from 2003 is closed for new participants.

Amount recognized in the balance sheet (MSEK)	2024	2023
Present value of funded pension obligations	907	834
Fair value of plan assets	–344	–297
Net obligation	**563**	**537**
Present value of unfunded pension obligations	164	184
Net provisions	**727**	**721**

Change in net provision for the year (MSEK)	2024	2023
Opening balance 1 January	721	602
Defined benefit expense	64	169
Pension payments	–58	–50
Closing balance 31 December	**727**	**721**

Components of expense (MSEK)	2024	2023
Pension cost	89	155
Interest expense	22	20
Return on plan assets	–47	–6
Defined benefit expense	**64**	**169**
Defined contribution expense	103	95
Total post-employment benefit expense	**167**	**264**

The calculation of defined benefit pension obligations has been made in accordance with regulations stipulated by the Swedish Financial Supervisory Authority, FFFS 2007:24 and FFFS 2007:31.

The discount rate for the ITP-plan was 2.85% (2.85) and for the other defined benefit plan it was 6.48% (10.84).

Next year's expected cash outflows for pension obligations are MSEK 166.

11 Loans

			2024		2023	
MSEK	Maturity	Interest rate	Carrying amount	Fair value	Carrying amount	Fair value
Bonds						
MSEK 900	2024	1.13	—	—	900	894
MSEK 2,100	2024	5.03	—	—	2,100	2,116
MUSD 3	2024	0.00	—	—	13	13
MUSD 3	2025	0.00	3	3	3	3
MEUR 300	2025	1.25	3,443	3,399	3,307	3,192
MUSD 100	2027	4.06	1,101	1,128	1,000	1,033
MEUR 400	2028	3.13	4,549	4,617	4,385	4,422
MEUR 300	2029	0.88	3,429	3,224	3,307	3,051
MEUR 300	2031	0.25	3,401	3,048	3,275	2,865
Total			**15,926**	**15,419**	**18,290**	**17,589**

12 Salaries and wages, other remunerations, average number of employees and men and women in Management and Board

MSEK	2024	2023
Salaries and wages, and other remuneration	768	757
Social charges (whereof post-employment benefit expense)	396 (167)	488 (264)

See Note 23 to the Consolidated financial statements for information on remuneration to the Board and the President as well as men and women in management and the Board.

Refer to Note 25 to the Consolidated financial statements for the average number of employees and to Note 24 to the Consolidated financial statements for fees to the auditors.

13 Contingent liabilities

MSEK	2024	2023
General partner	1	1
Other contingent liabilites	37	34
Total	**38**	**35**

General partner relates to liabilities in limited partnership Bagaregården 16:7. Other contingent liabilities refer to guarantee commitment regarding pension liabilities in the Swedish subsidiaries.

14 Subsequent events

In February 2025 the equity securities in Wafangdian Bearing Company Limited, China, was transferred to an NGO. Please see note 9 Investments in equity securities for more information.

Proposed distribution of surplus

Fair value reserve	SEK	140,423,341
Retained earnings	SEK	19,673,083,334
Net profit for the year	SEK	3,025,257,841
Total surplus	**SEK**	**22,838,764,516**
The Board of Directors recommend		
to the shareholders, a dividend of SEK 7.75 per share[1]	SEK	3,528,970,777[2]
to be carried forward:		
Fair value reserve	SEK	140,423,341
Retained earnings	SEK	19,169,370,398
	SEK	**22,838,764,516**

1) Suggested record day for right to dividend, 3 April 2025.
2) Board Members' statement: The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on Company and Group equity imposed by the type, scope and risks of the business and with regards to the Company's and the Group's financial strength, liquidity and overall position.

The results of operations and the financial position of the Parent Company, AB SKF, and the Group for the year 2024 are given in the income statements and in the balance sheets together with related notes.

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Gothenburg, March 7, 2025

Hans Stråberg, *Chair*
Håkan Buskhe, *Vice chair*
Hock Goh, *Board member*
Geert Follens, *Board member*
Susanna Schneeberger, *Board member*
Rickard Gustafson, *President and CEO, Board member*

Beth Ferreira, *Board member*
Therese Friberg, *Board member*
Richard Nilsson, *Board member*
Niko Pakalén, *Board member*
Jonny Hilbert, *Board member*
Zarko Djurovic, *Board member*

Our auditors' report for this Annual Report and the consolidated Annual Report was issued March 7, 2025.

Deloitte AB

Hans Warén
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of AB SKF (publ) corporate identity number 556007-3495

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB SKF (publ) for the financial year 1 January –31 December 2024. The annual accounts and consolidated accounts of the company are included on pages 12–78 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2024 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Goodwill

As of 31 December 2024, AB SKF (publ) accounts for goodwill in the consolidated balance sheet amounting to SEK 12,574 M. The value of the goodwill is dependent on future income and profitability in the cash-generating units, to which the goodwill refers, and is assessed for impairment at least once a year. Management bases its impairment test on several judgements and estimates such as growth, EBIT development and cost of capital (WACC) as well as other complex circumstances. Incorrect judgements and estimates may have a significant impact on the Group's result and financial position. Management has not identified any need for impairment for any of the cash-generating units within the Group.

For further information, see Note 1 about critical judgments and estimates and Note 10 about intangible assets.

Our audit procedures included, but were not limited to:

- Review and assessment of SKF's procedures and model for impairment tests of goodwill and evaluation of judgements and estimates made, that the procedures are consistently applied and that there is integrity in calculations;
- Verification of input data in calculations including information from business plans for the forecast period;
- Test of head room for each cash-generating unit by performing sensitivity analyses; and
- Review of the completeness in relevant disclosures to the financial reports.

When performing the audit procedures our valuation experts have been involved.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–11, 81–145 and 162–174. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB SKF (publ) for the financial year 1 January–31 December 2024 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar
This description forms part of the auditor's report.

The auditor's examination of the Esef report
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for AB SKF (publ) for the financial year 1 January–31 December 2024.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of AB SKF (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of The Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB was appointed auditor of AB SKF (publ) by the general meeting of the shareholders on 25 March 2021 and has been the company's auditor since 25 March 2021.

Gothenburg, March 7, 2025

Deloitte AB

Signature on Swedish original

Hans Warén
Authorized Public Accountant

SUSTAINABILITY REPORT

Fighting friction

Did you know SKF's agriculture solutions can help reduce friction while improving application durability? Many SKF agriculture solutions are tailored to specific applications, driving development of high-performance designs while avoiding excess features or friction.

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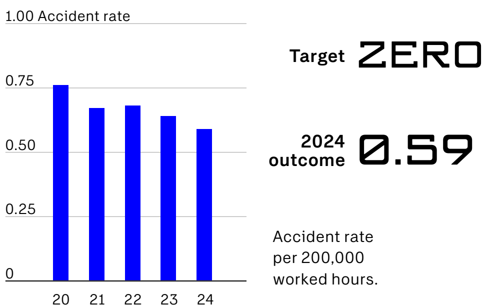
Sustainability targets

These graphs show four of the selected sustainability targets. Further information on these as well as additional targets related to sustainability are presented in the coming sections.

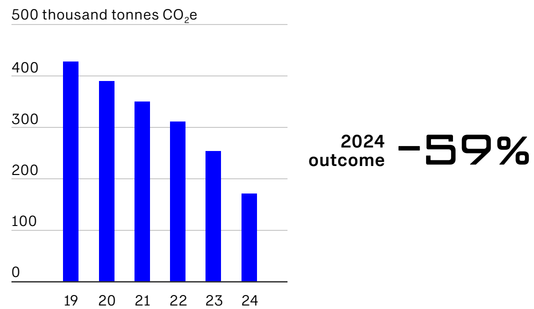
Social target
Safety



How to reach the target
Global management system and focus on risk elimination and right safety behaviors.

2024 outcome
The rate reached an all-time low of 0.59 (compared to 0.64 in the previous year), demonstrating that our ongoing efforts in health and safety, including focus on proactive reporting and management, are driving continuous performance improvements.

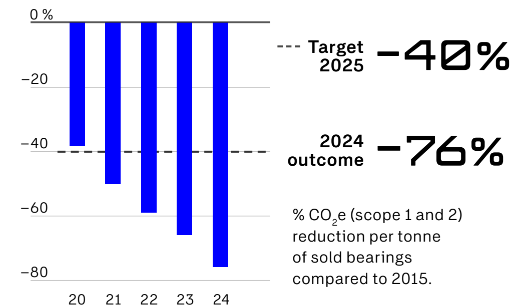
Climate target
Decarbonized operations by 2030[1)]



How to reach the target
- Process improvements
- Energy efficient machinery
- Usage of renewable energy
- Phase out of fossil fuel use

2024 outcome
59% reduction vs 2019 base year – well ahead of the 2030 goal trajectory.

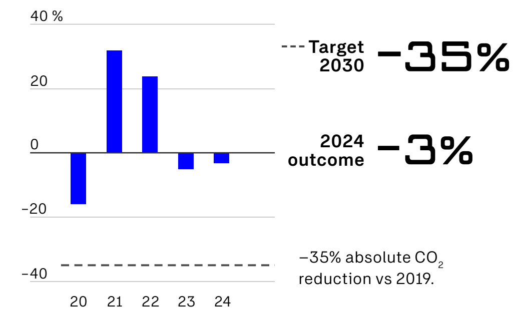
Climate target
Bearing manufacturing



How to reach the target
Increased energy efficiency, increased share of renewable energy, reduced use of fossil fuels.

2024 outcome
A 76% improvement reflects increased share of renewable energy use, as well as improved energy and overall efficiency.

Climate target
Goods transportation



How to reach the target
Regionalization, airfreight avoidance, fuel switching and electric vehicle solutions, optimization.

2024 outcome
We experienced a 20% increase in transportation work (ton/km) for ocean freight due to geopolitical disturbances, as we had to find new routes and ship longer distances by ocean.

1) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.

General information

Basis for preparation

General basis for preparation of the sustainability statement

Level of reporting

SKF welcomes the new EU regulation for sustainability reporting, the Corporate Sustainability Reporting Directive (CSRD). In preparation for reporting in compliance with CSRD for the sustainability report for the fiscal year 2025, SKF has taken significant steps already in this report for 2024 to adjust the reporting to CSRD and the related European Sustainability Reporting Standards (ESRS). All data and information reported in the sections for Environmental, Social and Governance topics have been assessed as material in SKF's double materiality assessment (DMA). Furthermore, some supplementary data and information is disclosed in the section Additional Information. In addition to the information provided in this report, related topics can be found at skf.com.

SKF's Sustainability Report is produced annually, and the reporting period corresponds to the fiscal year 1 January to 31 December 2024. The previous report was published on 4 March 2024.

The Board of Directors are ultimately responsible for this report as part of the Annual Report.

This report is prepared in accordance with GRI Standards 2021 and according to the Swedish Annual Account Act chapter 6, § 11 on sustainability reporting and includes the topics Business model pages 12–17, Anti-corruption page 139, Climate and environment pages 102–123, Employees pages 124–133, Human rights and other relevant social topics pages 133–139. Risks associated with the topics above are found in connection with the outcome from SKF's DMA on pages 90–94.

This report is prepared for AB SKF, and all its legal entities are included in the scope of the report, see note 8 in the financial statements. The scope of the sustainability report remains consistent with last year's, making them comparable. SKF has also included the upstream and downstream value chain in the reporting wherever relevant according to the Group's double materiality assessment. SKF's value chain is visualized on page 86.

While preparing this report, SKF has considered the expectations of all main stakeholder groups, to ensure that the themes most significant to them are covered. No relevant information has been excluded due to reasons related to classified or sensitive data and intellectual property matters.

Assurance on sustainability information

To ensure that SKF's stakeholders and readers of the Group's Sustainability Report are confident in the transparency, credibility and materiality of the information published, this report has been subject to limited assurance by SKF's auditors in accordance with the standard ISAE 3000. Please refer to the Auditor's Limited Assurance Report on the Sustainability Report and the statement regarding the Statutory Sustainability Report on page 149.

Contact points

Contact points for questions regarding the report are:
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email: susanne.lager@skf.com

Disclosures in relation to specific circumstances

Changes in reporting

In 2024, reporting of the gender pay gap is based on tota remuneration paid out during the fiscal year for all employees employed during the year. This is a change compared to the reporting for fiscal year 2023, which was based on base salaries for white collar employees effective as of 31 December 2023.

Governance

SKF recognizes and welcomes the increasing stakeholder expectations related to sustainability and the Environmental, Social and Governance (ESG) topics. The Group has during 2024 reviewed its Code of Conduct, which is the foundation for SKF's business and sustainability activities, and updated it with regards to the increased expectations and new regulatory requirements, that SKF is subject to, including ESG. The updated SKF Code of Conduct clarifies SKFs responsibilities within:

- Governance, Ethics & Compliance
- People, Social and Human Rights
- Environment, Climate and Resources.

The updated SKF Code of Conduct is available on skf.com.

SKF defines sustainability through the SKF Care framework, which comprises four perspectives for value creation and sustainability integration in everything the Group does: Business Care, Environmental Care, Employee Care and Community Care.

The role of the administrative, management and supervisory bodies

The SKF Board of Directors has the ultimate responsibility for the Group's organisation and for the oversight of the management of the Group's affairs and is, together with the President and Group Management defining and continuously monitoring SKF's purpose, strategy, values and drivers. The President, who also is the Chief Executive Officer (CEO) handles the day-to-day management of the company's business and is supported by the Group Management (see pages 158–159). It is the President and CEO's responsibility to implement and ensure that the SKF strategy, purpose, long term financial targets and operational objectives determined by the Board of Directors are carried out and that effective governance and control is maintained. The President and CEO is also responsible for

Governance, cont.

preparing materials to the Board of Directors before the Board meetings and keeping the Board informed on SKF's financial position, development, risks and opportunities. This includes information to the Board of Director's about new developments, requirements and regulations within the sustainability and ethics area as well as about how SKF is working for a sustainable development based on SKF Care and the SKF Code of Conduct.

The SKF Board of Directors has established a Sustainability & Ethics Committee, to ensure an increased focus on sustainability topics. The Sustainability and Ethics Committee oversees SKF's strategy related to ethics and sustainability. The work also includes to review, monitor and keep informed on the strategic objectives, initiatives, and the implementation thereof for a sustainable development, mitigation and action on impacts, risks and opportunities of SKF and monitoring of progress against externally communicated sustainability targets see page 82. Based on SKF Care the committee also handles items relating to SKF's values, employee organization including talent acquisition, development, retention and planning, business- and work ethics, compliance, community care, environment, health and safety. The Sustainability and Ethics Committee held three meetings in 2024. Further details about the composition and diversity of the members in the Board of Directors and the Sustainability and Ethics Committee, as well as their roles and responsibilities, expertise and skills are found in the Corporate Governance Report on pages 150–160.

SKFs sustainability work is operationally led by the Chief Sustainability Officer (CSO) who reports directly to the CEO and is part of SKF's Group Management team. SKF has a Sustainability Steering Group consisting of the CEO, CFO, CSO, CTO and the Head of Sustainability who meets bi-monthly to discuss emerging sustainability actions, events, and expectations to promote a proactive and leading approach in sustainability. The Head of Sustainability has the task to assure that all relevant aspects of sustainability are addressed and integrated into operations and activities throughout the SKF Group as established by adopted policies, strategies and targets related to SKF's overall sustainability performance. These in turn drive and support the integration of sustainability into business practices, processes, operations, and staff functions.

SKF has established a number of decision bodies governing their respective sustainability-related areas, including oversight and monitoring of Group targets and strategies related to material impacts, risks and opportunities.

- Environment, Health and Safety (EHS), Energy, Climate Transformation, Circularity, and Responsible Business topics are governed by Group EHS and Group Sustainability, led by the CSO and the Sustainability, Quality & EHS Director. High level reviews are conducted every six months with the CSO and each Business Area President and their relevant staff. The purpose of these reviews is to follow up on the various strategic targets and related performance and address any gaps.
- People and Social topics focusing on SKF's own workforce are governed by the People Experience Management Team, led by the Senior Vice President People Experience. Bi-yearly, people business review meetings are held with all Business Areas, covering topics such as diversity & inclusion, talent development, and succession planning. Different People Experience Committees and subject matter experts support the realization of strategies.
- Governance, Ethics and Compliance topics are governed by Group Compliance and the Compliance Committee, led by the Chief Ethics & Compliance Officer and the General Counsel. The Chief Ethics & Compliance Officer maintains monthly meetings with all Business Areas, and keeps Group Management, the General Counsel and the CEO updated regarding strategies, KPI's as well as key activities, risks and incidents related to for example corporate culture, sanctions, corruption and bribery.

These decision bodies have the competence, experience and mandate to take decisions for their respective areas, including climate, energy, EHS, responsible sourcing, corporate governance, compliance and ethical business conduct, diversity, equity and inclusion, sustainable operations and the integration of sustainability in business strategy and processes. When needed, relevant experts from the organization are invited to participate in the meetings and discuss directly with the respective decision bodies. SKF has a long history of addressing sustainability topics and has a group of experts driving the development as SKF is pioneering the field of sustainability.

Sustainability topics are managed by corporate functions such as Group Sustainability, Group EHS, Group People Experience, and Group Compliance, with strong alignment and collaboration with the Business Areas and other relevant Group functions.

Sustainability performance is the responsibility of the line organization and shall be delivered in accordance with the strategic direction, business plan and under the accountability framework set within the SKF Group. The implementation of the sustainability initiatives in the line organization is driven by the respective SKF Business Areas, their business units or by country organizations, with direction and coordination from formal, cross-functional, decision-making bodies and working-groups, such as the Sustainability Board, the Group Health & Safety Committee, the Global Energy Sourcing Committee, the Responsible Sourcing Committee, the Group Ethics and Compliance Committee, the Community Care Committee and topic-specific People Experience committees.

Further information about controls and procedures applied to the management of impacts, risks and opportunities are provided on page 89.

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Material impacts, risks and opportunities were defined through the DMA which is further described on page 95.

The validation of the DMA follows SKF's sustainability governance model. The summarized results can be found under on page 89.

Based on the results from the DMA, including material impacts, risks and opportunities, as well as other strategic input, the Group has during 2024 run three sustainability-related strategic programs: Climate Transformation, Circularity and Responsible Business. The Group has also continued its strong focus on the zero accidents program and other initiatives related to its employees and the social impact, such as diversity, equity and inclusion, and equal and fair compensation including living wages. Furthermore, the Group has continued to run the compliance program, with dedicated work related to human rights, export controls, information security and privacy, fair competition and anti-corruption as well as whistleblowing.

Members of Group Management and the relevant function heads are actively involved in the program steering. Status updates are shared with the program steering as well as the Board of Director's Sustainability and Ethics Committee and the Audit Committee. The following topics were addressed with the Sustainability and Ethics Committee during 2024, to keep the committee members informed and to review progress and implementation of policies, strategies and targets:

- The Group's plan for industrial leadership in sustainability, including strategic programs such as Climate Transformation and the actions and investments to reach decarbonized operations by 2030.
- Corporate culture, corruption and bribery, sanctions compliance, whistleblowing, awareness and trust of the whistleblowing process, updated SKF Code of Conduct.
- Diversity, equality and inclusion, equal and fair compensation including living wages, skills-driven people practices, and Community Care.

Integration of sustainability-related performance in incentive schemes

As a part of SKF's commitment to sustainability, sustainability-related performance has been integrated into the incentive schemes for the Group's long-term and short-term variable salary programs. The incentive schemes align the long-term interests of the participants and shareholders, thereby strengthening SKF's ability to attract and retain top talent and contribute to the business strategy, long-term interests, and sustainability, including climate.

Governance, cont.

The variable salary programme, also called the SKF performance share programme, which covers senior managers and key employees in the Group, including Group Management, offers the opportunity to be allotted SKF B shares free of charge but subject to local tax regulations. The allotment of shares is related to the achievement of the Total Value Added (TVA) target, as defined by the Board of Directors, and the SKF Group's CDP Climate Change score. The TVA performance measure is weighted 80% and the CDP Climate Change score performance measure is weighted 20%. More on the programme can be found in the Remuneration Report pages 168–174 and note 23 in the financial statements.

The CDP Climate Change score is a well-recognized and easily comparable metric of success in climate work, providing a transparent and objective measure of SKF's progress against other companies. The CDP Climate Change score covers all aspects of SKF's climate change strategy and enables every function within SKF to contribute to sustainability goals, reinforcing the Group's commitment to climate change mitigation. The CDP Climate Change score, determined by an external party, is dynamic, with the bar being raised annually to mirror increasing stakeholder expectations which requires continuous improvements for successful performance achievement.

The short-term variable salary program, offers a bonus based on salary. Local conditions determine which employees are eligible for the program. The bonus above economic and other targets weighted 90%, is directly linked to the performance against the trajectory of SKF's decarbonization target 2030, with the climate-related component currently constituting 10% of the total amount. This scheme provides a clear link and monetary reward between the participants' work in areas such as energy efficiency, material efficiency, and renewable energy, and the reduction in absolute GHG emissions needed to reach the decarbonization target 2030. Full pay out of this 10% is given if the 2024 target is met or exceeded. Zero payout is given if the target is not met.

Finally, the performance of every SKF employee is evaluated on a yearly basis. Individual goals are defined, and, in some cases, these may be related to climate. The level of achievement and other goals then forms part of the overall performance rating of the employee, and this impacts on salary level and other conditions.

Risk management and internal controls over sustainability reporting

In response to the increasing regulatory demands for transparency and accountability in sustainability reporting, SKF is working proactively to prepare for future reasonable assurance in its reporting practice. Recognizing the importance of this objective, SKF has commenced this journey, laying the groundwork for its internal control framework which is based on the established system developed by the Committee of Sponsoring Organizations (COSO) for Internal Control over Sustainability Reporting (ICSR). ICSR is based on the same principles as the SKF Internal Control Standard (SICS).

Control environment

SKF's control environment sets the tone of the organization and is established and communicated through organizational structure, ethical values and integrity, policies and procedures, as well as instructions and routines. Roles and responsibilities for topics have been defined to ensure accountability and effective oversight of sustainability topics, ensuring that the work within these areas is carried out efficiently. Governing documents, including internal policies, guidelines, and manuals, are under development to guide consistent and ethical reporting practices and provide employees with clear guidance on SKF's operations. Additionally, tools are evaluated, templates are created, and internal controls are designed and will be implemented across all material topics, encompassing both quantitative and qualitative disclosure requirements.

Risk assessment

SKF utilizes the double materiality assessment (DMA) to identify material topics for which process maps and robust internal controls should be developed and improved, ensuring that SKF can meet the increasing regulatory and stakeholder requirements. For more information on how the DMA is conducted, see Description of the process to identify and assess material impacts, risks, and opportunities on page 95.

A risk analysis is then performed for each process within the material topics, including the evaluation of risks such as fraud, irregularities, and data accuracy and completeness. Internal controls are developed on site-level, tailored to address the specific operational risks and data integrity issues, ensuring accurate and reliable information at the source. Internal controls at Group-level are designed to oversee the aggregation and consolidation of the data from all sites, providing a comprehensive and cohesive view of sustainability performance across the entire organization.

Control activities

SKF's control activities include policies, guidelines, procedures, organizational structures, and process-level control activities. The control activities are embedded within SKF's business processes to prevent errors and ensure the reliability of reported information. SKF has implemented both preventive and detective measures, such as the four-eyes principle during data collection and review activities, to validate the accuracy and completeness of data prior to public disclosure.

In 2024, SKF initiated the development and improvement of process maps and internal controls for sustainability reporting and undertook a pilot for a number of quantitative disclosure requirements in two topics to identify key take-aways and learnings, which subsequently allowed refinement and enhancement of the approach. Following the pilot, additional quantitative disclosure requirements for which data is obtainable have been mapped and internal controls have been designed.

Information and communication

SKF has initiated a comprehensive CSRD program to emphasize the organization's commitment to sustainability reporting and compliance. Regular updates are provided to the Board of Director's Audit Committee to keep them informed about the progress and activities within the sustainability reporting program and other sustainability reporting matters.

Monitoring

SKF aims to be a sustainability leader in the industry and has set ambitious sustainability goals along with associated strategies. To support these strategies, SKF has established key performance indicators (KPIs) to monitor progress. Responsibility for the quality of information has been distributed to the individuals responsible for sustainability topics. Going forward, SKF will utilize the new implemented digital tool and process for ICSR to continuously monitor and enhance the internal control system related to sustainability reporting.

Membership associations

SKF endorses or subscribes to a number of internationally recognized principles, charters and guidelines which promote sustainable and ethical business practices. The main ones are: The United Nations Global Compact, The International Labour Organization (ILO), The International Chamber of Commerce (ICC) and The Organization for Economic Co-operation and Development (OECD).

SKF endorses and works to apply the OECD Guidelines for Multinational Companies. By doing this, SKF commits to conducting business in a global context in a responsible manner, consistent with applicable laws and internationally recognized standards. SKF's involvement in initiatives related to SKF's climate strategy and ambitions are described under Climate change adaptation and mitigation.

Strategy

Strategy, business model and value chain
SKF is a leading global industrial brand with almost 39,000 employees in 130 countries, across four key geographical regions: the Americas; Europe, Middle East and Africa; India and Southeast Asia; and China and Northeast Asia.

In over 40 industries, SKF provides a comprehensive portfolio and knowledge built on the company's core technology platforms: bearings and units, seals, lubrication systems, intelligent solutions such as condition monitoring and services. By combining these platforms, SKF delivers customized solutions, blending products, technologies, and services with flexible new business models to meet each customer's unique needs.

The operations are structured in two business units. The Industrial business supplies customers globally with products and services, both directly and indirectly through a network of more than 7,000 distributors. The offering includes a broad product range of bearings, seals, lubrication systems and power transmission products, as well as rotating shaft services and solutions for machine health assessment, reliability engineering and circular solutions. The Industrial business generates 70% of SKF's net sales and 89% of the adjusted operating profit.

The Automotive business supplies the vehicle aftermarket with spare parts, both directly and indirectly through a network of more than 10,000 distributors. The offering comprises customized bearings, seals and related products for e-powertrain, driveline, engine, wheel-end, suspension, and steering applications to manufacturers of electrical vehicles and commercial vehicles. The Automotive business generates 30% of SKF's net sales and 11% of the adjusted operating profit.

For more information on turnover and financial results, see pages 32–78. For more information on employees, see pages 124–133.

SKF's strategy is centered around two key concepts: intelligent and clean. Intelligent reflects the commitment to providing connected and customized solutions for customers while utilizing technology to improve operational efficiency. Clean emphasizes SKF's role in driving a more sustainable industry and conducting its business transparently and responsibly. For more information on strategy and goals, see pages 12–20.

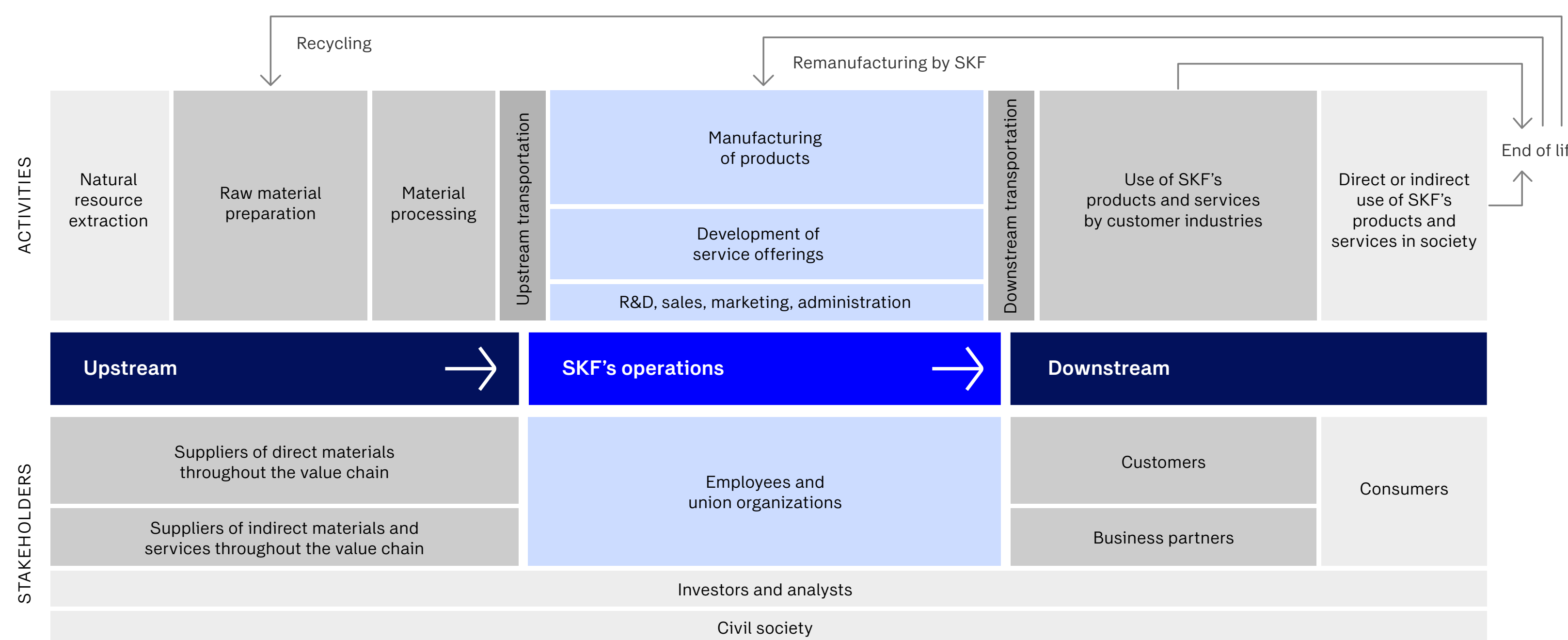
Impacts, risks, and opportunities in the value chain
SKF has identified impacts, risks, and opportunities across the value chain. The highest level of influence is in the Group's own operations, but SKF also takes responsibility and seeks to drive improvements both upstream and downstream in the value chain.

Upstream
The main upstream environmental impact comes from the sourcing of metal components and is associated with scarcity of resources, energy and emissions. SKF can influence this by focusing on material efficiency in the manufacturing processes, extending the useful life of both SKF's products and the products of customers, and by working with suppliers who can reduce these upstream impacts with a mix of short- and long-term measures.

Based on conducted life cycle assessments SKF has concluded that raw materials have significant environmental impacts. To decrease this impact SKF has initiated a Circularity programme showing a strategic commitment to transitioning into a circular company. It lays out well-defined objectives aiming at improving the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste, and fostering sustainable resource cycles.

Social impact risks such as those related to human rights and labour practices exist in the upstream supply chain and these are addressed via SKF's Responsible Sourcing programme. The programme covers all SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two or three suppliers. SKF also has a grievance mechanism in place for incidents at suppliers' operations. This is coordinated by SKF's Responsible Sourcing Committee and reported in an aggregated overview of deviations from supplier audits. Human rights risks in the supply chain are addressed systematically via the Responsible sourcing programme as well as when highlighted through the whistle-blower programme.

Own operations
SKF has direct operational control of its own operations and therefore has the means and responsibility to directly drive improvements in environmental and social performance. Safety always comes first and SKF is convinced that all work-related accidents can be prevented.



Strategy, cont.

The Group has a global management system with focus on risk elimination and correct safety behaviours. The Group's Zero Accidents programme, supported by proactive near miss reporting, aims to avoid all workplace accidents.

By increasing energy efficiency within its operations and the share of renewable energy utilized, SKF can reduce its environmental impact. A roadmap has been developed, defining the transition towards 100% renewable electricity, systematic improvement in energy efficiency and the near elimination of fossil fuel use at all SKF units using > 2GWh of energy per year. By avoiding wasted material at SKF, the waste associated with the embedded energy and emissions upstream are also avoided. SKF also strives to increase the use of renewable, low-carbon or recycled materials.

Periodic audits of compliance to the SKF Code of Conduct are performed and a whistle-blowing process is available at local and global levels, to ensure human rights respect for employees at SKF and in the value chain. SKF also integrates equality into the people processes, for example learning and development, succession planning and recruitment.

Downstream

SKF works to continuously reduce any negative downstream impact relating to its business. This starts with ensuring compliance with laws and regulations and avoiding materials and substances hazardous to people and the environment. The purpose of SKF's products and solutions is to make things work better and run faster, longer, cleaner and more safely.

SKF believes that business can drive prosperity and growth to overcome social issues over time. The work related to human rights focuses on adhering to export control regulation and ensuring that SKF's distributors adhere to the SKF Code of Conduct.

In the product development phase, there is increasing focus on designing for circularity to enable reuse, remanufacturing and refurbishment. Products are designed for disassembly, modularity, repairability, or recyclability. The design also aims to increase material efficiency to reduce material input and optimize manufacturing and supply chains to reduce waste generation.

SKF enables improvements in customers' sustainability performance through products, services, business models and value propositions. The improvements include for example increased energy efficiency, reduced greenhouse gas emissions and improved safety. The Group also develops new cleantech solutions through partnerships, business development, and acquisitions. The focus is on technologies that help enable cleantech areas such as renewable energy, electric vehicles, and railway applications, which will help to improve performance of current cleantech solutions as well as enable new innovations.

The Group aims to support the growth of these technologies and industries, which in turn will help to reduce environmental impact on a large scale. SKF is also growing its circular solutions such as bearing remanufacturing, a system for re-using oil (RecondOil) and Laser Metal Deposition (LMD). Bearing remanufacturing avoids the need of replacement with a new bearing and therefore the large majority of the greenhouse gas emissions from bearing production. In addition to emissions associated with raw materials and energy use being avoided, it also provides the customers with lower costs and in many cases, better availability compared to replacing with new products. SKF RecondOil is a service that provides a solution for the complete recovery and reuse of industrial oil. It uses Double Separation Technology (DST) to remove contaminants from the oil, allowing it to be used again and again. This reduces the environmental impact of industrial oil use and can save on maintenance costs.

Upstream and downstream logistics

SKF's global upstream and downstream logistics requirements and networks are large and complex. SKF strives to reduce emissions and at the same time improve cost efficiency. This is done by reducing transport demand, optimizing transport efficiency and making use of transport decarbonization opportunities.

Interests and views of stakeholders

SKF aims to align its business practices with the needs and expectations of its stakeholders. Stakeholder groups are defined as entities or individuals that may influence and/or be influenced by SKF's activities. These different stakeholders have specific concerns for sustainability-related topics. Through ongoing dialogues, SKF aims to understand the stakeholder groups' positions, concerns, and expectations. This continuous interaction informs the Group's sustainability efforts, projects, and processes, allowing alignment with the interests and views expressed by stakeholders.

Guided by the principle of being a responsible company, SKF's stakeholder engagement adheres to international norms and codes, including the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The input to SKF's sustainability activities is collected from customers, investors and analysts, employees, union organizations, and representatives from civil society, and is collected via interviews, surveys, conferences, meetings, and data analysis. The work to engage with the stakeholder groups is conducted by the respective functions within the Group. The insights are used to inform both the due diligence processes and the double materiality assessment. SKF further ensures that the views of stakeholders are communicated to the Board of Director's Sustainability & Ethics Committee.

Strategy, cont.

Stakeholders' interests and views on SKF's sustainability-related activities and initiatives

Stakeholder	How engagement is organized and purpose of engagements	Summary of insights from engagement	Examples of how outcomes of the engagement are taken into account by SKF
Customers	Customers' input is sought and received via sales, marketing operations and activities carried out by the Group. These range from global discussions with key account managers to daily conversations between customer representatives and SKF's local account managers. SKF also collects key issues and concerns from customer surveys and assessments.	Customers are expecting SKF to be a business partner with strong ethics and engineering expertise that provides innovative and reliable products that contribute to the customers' climate targets and energy efficiency.	Development of new innovative products and services and improvements in existing portfolio.
Investors and analysts	SKF takes an active approach in communicating the Group's strategy and performance to existing and potential investors, analysts and media. Information is provided through various channels, such as the quarterly financial reports, meetings with investors, ESG ratings, the company's website and press releases. Capital Markets Days are held to present the strategy, targets and the different businesses in more detail. SKF receives feedback from investors via discussions during investor meetings.	For SKF to be a long-term profitable investment, investors expect the Group to deliver on its sustainability targets, contribute to the climate transition and future-proof its operations and product portfolio.	Improvement plans for ESG ratings and incorporating sustainability activities and progress in quarterly financial reporting.
Employees and union organizations	SKF holds an annual World Union Council meeting during which employee representatives meet with Group Management. This is a form of social dialogue to make sure that the framework based on the SKF Code of Conduct is deployed across the Group. Employee representatives are also members of SKF's Board, see SKF's Corporate Governance Report, on pages 150–160. In addition, SKF carries out periodic employee feedback surveys to drive continuous improvements of the working climate.	Employees and union organizations expect SKF to be a responsible company and employer with clear focus on employee health and safety, training and development, and diversity and inclusion as well as being an industry leader in sustainability.	Global and local initiatives for training and development and general improvements and action plans.
Civil society	The communities in which SKF operates are important stakeholders for the company and their input helps shape local SKF activities. Local SKF organizations interact with their surrounding communities through various activities and initiatives ranging from business related matters to volunteer work, charity work, sponsoring and local networks collaboration. Local media is also considered to represent civil society. Formal and informal networks are used to share experiences and ideas with other companies, topic experts and non-governmental organizations (NGOs).	Civil society expects SKF to be a responsible corporate citizen and that the Group contributes positively to the communities in which it operates.	Aligning business model and strategy with legal requirements and engagement in local and global initiatives.
Suppliers	Suppliers' input on material topics is managed via SKF's Responsible Sourcing programme. Local sourcing offices enable close communication on daily operations. On-site audits and training provide feedback to SKF on suppliers' performance related to quality and sustainability as part of a total cost assessment of supplier development. The SKF Code of Conduct for suppliers and sub-contractors is the standard used during audits and screening.	Suppliers expect SKF to be a transparent business partner that collaborates on sustainability topics such as decarbonizing the supply chain and upholding strong due diligence practices.	Collaborations for developing low-carbon products and materials and updated supplier sustainability standards.

Strategy, cont.

Material impacts, risks and opportunities and their interaction with strategy and business model
SKF has for several years performed materiality assessments annually to identify impacts on the environment and society as well as sustainability-related risks and opportunities. In 2024, SKF performed a double materiality assessment covering impact materiality as well as financial materiality. The outcome is aggregated and presented per ESRS topic, showing that Climate change, Circular economy, Own workforce, Workers in the value chain and Business conduct are the Group's material sustainability topics.

For environmental topics, the Group's material negative impacts are related to the use of energy and materials in the development and manufacturing of products. Both transitional and physical climate risks are material to SKF. However, SKF's efforts related to circularity and decarbonization are aiming at mitigating negative impacts while also contributing to positive impacts beyond the mitigating activities. Here, SKF has material opportunities when increasing energy efficiency for its customers and providing products with improved circular performance such as remanufactured bearings and re-using oil.

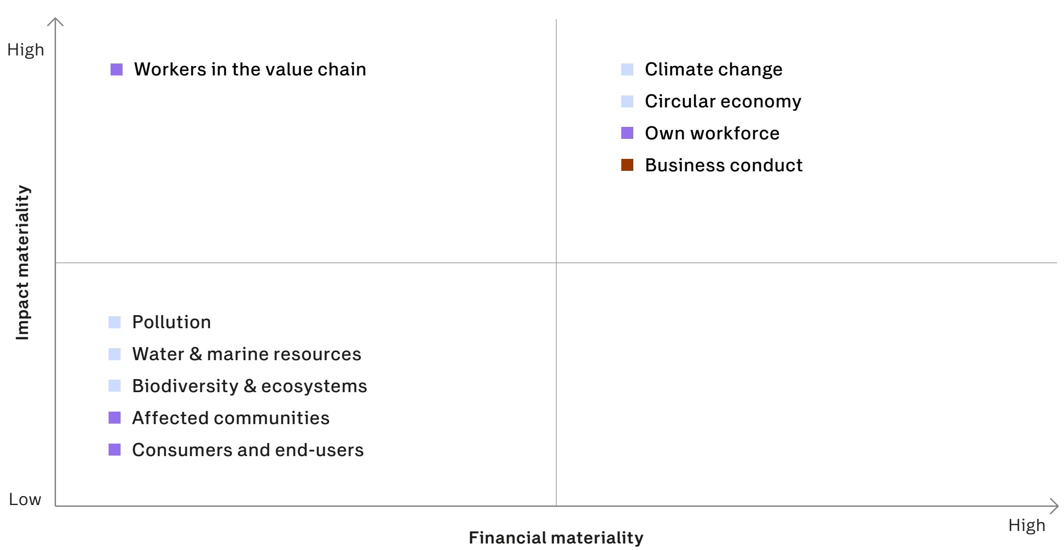
For SKF's own workforce, material impacts are primarily related to health and safety and diversity and inclusion.

Being a global company with complex supply chains and providing solutions and operating in all industries, SKF is automatically subject to potential risks related to business conduct and potential negative impacts on workers in the value chain. To reduce any potential negative impacts and risks, SKF is continuously implementing mitigating activities such as being a responsible business partner to both suppliers and customers where SKF can contribute with positive impacts and capture opportunities. Furthermore, the material impacts, risks and opportunities have a clear link to the Group's strategic sustainability efforts, targets, and ambitions of caring for people and ensure health and safety for own workforce (S1) and workers in the value chain (S2), achieving net-zero by 2050 for climate change (E1) and doing business responsibly for business conduct (G1) as well as the pursuit of circularity for circular economy (E5).

For more information on the impacts, risks, and opportunities (IRO's) on sub-topic level as well as SKF's response to these IROs, please see the next pages and the topical sections.

The result of the double materiality clearly follows SKF's purpose "Together, we re-imagine rotation for a better tomorrow" and the Group's long-lasting sustainability framework SKF Care;

- **Business Care** A clear focus on customers, financial performance and shareholder returns – combined with the highest standards for sustainability and ethical behaviour.
- **Employee Care** Sustaining a safe work environment, personal development, health and well-being of employees at SKF, as well as people in the supply chain.
- **Environment Care** Continuously reducing the environmental impact from SKF's operations, and those of suppliers and customers.
- **Community Care** Making positive contributions to the communities in which SKF operates.



In this report only topics reaching the thresholds of the materiality analysis described on page 95 are presented in full.

Limited information on some of the topics that did not reach the thesholds is available on pages 140–141.

Strategy, cont.

Climate change

IRO number	Description of material IRO	Type of material IRO	Value chain	Time horizon	Description of the IRO's in relation to SKF
		Climate change mitigation			
1	Innovating and providing products for the climate transition	Positive impacts	Downstream	Short-term	SKF has a portfolio of products and services that mitigate customers' negative impacts such as greenhouse gas emissions or pollution. However, SKF's most significant positive impact lies in its ability to innovate and provide products that enables the transition to a low-carbon economy. Specifically, SKF is providing solutions that enable the growth of cleantech industry, electrification, and renewable energy as well as the demand for products with improved circular performance.
2	Greenhouse gas emissions from own operations and value chain (scope 1, 2, 3)	Negative impacts	Full value chain	Short-term	SKF's operations and value chain generates greenhouse gas emissions. SKF has a long track-record of responding to its negative impacts through mitigating activities aimed at both its own operations as well as upstream and downstream value chain.
3	Cost of decarbonization	Risks	Upstream and own operations	Mid-term	Climate change mitigation requires investments to reduce the emissions in both scope 1, 2, and 3. SKF is responding to this risk by for example investing 3 billion SEK for the phase-out of fossil fuels in own operations by 2030. For scope 3, transitional risks such as increased steel prices due to limited supply of green steel may be a financial risk. SKF is responding to this risk by close collaboration with suppliers and engagements in cross-industry collaborations such as ResponsibleSteel and SteelZero.
4	Winning business by providing products and services that enable the climate transition	Opportunities	Downstream	Long-term	With a strong focus on innovative, energy efficient and low-carbon product and services, SKF has the opportunity to be a preferred business partner to its customers. Climate change mitigation is a significant financial opportunity for SKF. By providing innovative products, SKF is likely to benefit from the growth of electrification and renewable energy as well as other emerging technologies like energy storage, hydrogen and carbon capture.
		Climate change adaptation			
5	Physical climate risks	Risks	Own operations and upstream	Long-term	As global warming escalates, physical climate-related risks are increasingly likely to disturb both SKF's operations and supply chain leading to increased costs of operations and materials. Climate-related disasters such as flooding, droughts and extreme weather events are already becoming more and more common. SKF is responding to any potential risks by improving scenario analysis and implementing necessary protection mechanisms.
		Energy			
6	Reducing friction and increasing energy efficiency	Positive impacts	Downstream	Short-term	SKF's products aim to reduce friction, which leads to increased energy efficiency for customers and thus significantly contributes to society and planet.
7	Use of fossil energy	Negative impacts	Full value chain	Short-term	SKF still has depencency on fossil energy in its own operations and its upstream and downstream value chain. SKF is aiming to mitigate this actual negative impact through energy efficiency as well as to phase out fossil fuels in its own operations.
8	Energy price fluctuations	Risks	Own operations and upstream	Short-term	Energy price fluctuations pose a material financial risk for SKF. For instance, geopolitics can cause energy crises which may affect the energy costs of SKF's own operations and upstream supply chain, especially for energy-intensive materials like steel. SKF is mitigating these risks for example by investing in energy efficiency within its own operations.
9	Winning business by providing energy efficient solutions	Opportunities	Downstream	Short-term	Energy efficiency is a significant financial opportunity for SKF. For instance, SKF can enable energy efficiency improvements for its customers in various sectors, such as compressors, chillers, heat pumps, automotive and industrial drives, by providing innovative products and solutions like magnetic bearings, hybrid bearings and low-carbon products.

Strategy, cont.

Resource use and circular economy

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of the IRO's in relation to SKF
		Resource inflows			
10	Increasing demand for products and business models with improved circular performance	Positive impacts	Full value chain	Mid-term	By providing more circular solutions like a system for re-using oil (RecondOil), SKF reduces the demand for virgin materials, same for remanufactured bearings and other services and therefore has an important positive impact on the planet. Even though these products with improved circular performance are still a smaller part of the business, SKF believes that the future potential positive impact of this is important. In addition, SKF is collaborating with suppliers and customers as well as engaging in cross-industry collaborations such as ResponsibleSteel and SteelZero to increase material utilization, reducing waste and fostering sustainable resource cycles.
11	Use and reliance on virgin raw materials such as steel	Negative impacts	Upstream	Short-term	SKF's sourcing of raw materials has a significant negative impact from a lifecycle perspective. The main upstream environmental impact comes from the sourcing of metal components and is associated to scarcity of resources, energy and emissions. In addition to steel, SKF sources materials for lubricants and seals that often originates from non-renewable sources. SKF has initiated a circularity program showing a strategic commitment to transitioning into a circular company. The program includes improving the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste and fostering sustainable resource cycles.
		Resource outflows			
12	Designing, developing and providing solutions for circularity	Positive impacts	Downstream	Mid-term	SKF is developing products and services that have an important positive impact on the circularity transition and the planet. Further, during the product development phase, SKF is increasing the focus on designing for circularity to enable reuse, remanufacturing and refurbishment. Products are designed for disassembly, modularity, repairability or recyclability. The design also aims to increase material efficiency to reduce material input and optimize manufacturing and supply chains to reduce waste generation.
13	Limited closed-loop product flows for all SKF's products	Negative impacts	Full value chain	Short-term	Even though SKF is pushing for more circularity of products, most of the products and materials leaving its operations are not in a closed recycling loop. While steel is usually recycled at end-of-life, it is often melted down to a lower quality than what SKF can re-use as a bearing steel. Furthermore, seals and lubricants are usually not re-cycled. Therefore, SKF considers its negative impact in this area as material. SKF is responding to the impact by engaging with customers, suppliers and cross-industry collaborations such as ResponsibleSteel and SteelZero to increase material utilization, reduce waste and foster sustainable resource cycles.
14	Winning business in a circular economy	Opportunities	Downstream	Short-term	SKF is increasing its readiness for a circular economy that is necessary to meet not only the Paris agreement but also mitigating risks of geopolitics and resource scarcity. SKF can provide products and services that meet customer circularity targets as well as climate targets. SKF therefore sees significant financial opportunities related to resource outflows.
		Waste			
15	Waste generated in own operations	Negative impacts	Own operations	Short-term	SKF generates waste in its own operations and has an important actual negative impact on the planet. SKF is responding to this negative impact by increasing recycling rates and other circular solutions such as increasing material utilization and fostering sustainable resource cycles.

Strategy, cont.

Own workforce

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Working conditions			
16	Work-related injuries and ill health of own workforce	Negative impacts	Own operations	Short-term	SKF recognizes that work-related injuries and ill health occur in the workplaces even if the health and safety of employees, contractors, agency workers and visitors is a top priority for SKF. Safety always comes first and SKF is convinced that all work-related injuries and ill-health can be prevented by proactively assessing health and safety risks to eliminate hazards, reduce risks and ultimately improve the work environment. SKF has a Group-wide EHS management system that supports this approach. Along with the Zero Accidents program and proactive reporting of near misses and unsafe conditions, it aims to prevent all workplace accidents. SKF's active measures reduce the likelihood of critical incidents, but the potential severity still makes SKF consider the impact significant.
17	Secure employment, collective bargaining and freedom of association	Positive and negative impacts	Own operations	Mid-term	SKF's approach to secure employment, collective bargaining agreements, and freedom of association prevents unfair treatment based on gender, culture, ethnicity and other factors. This can be seen as an initiative to mitigate important negative impacts. At the same time, by creating a more secure, attractive and engaging work environment, these measures also serve to create a potential important positive impact for the own workforce as well as their families, communities and society as a whole.
18	Inability to attract and retain critical competences and capabilities	Risks	Own operations	Short-term	There is fierce competition in the labour market, and the success of companies is dependent on their ability to attract, develop and retain critical competences and capabilities. If SKF does not succeed in providing good working-conditions, this can lead to high employee turnover rates, which can generate financial risks caused by weakened results. SKF is responding to this risk by taking a holistic approach in strengthening the Group as an employer of choice, putting the employee experience at the center, including providing safe and healthy working conditions. Purpose, culture, employee engagement, leadership, health and safety, competence and way of working are all key building blocks in this area.
		Equal treatment and opportunities for all			
19	Enabling a diverse and inclusive workplace	Positive impacts	Own operations	Short-term	SKF takes a holistic approach in strengthening diversity of thoughts. SKF commits to providing equal opportunities irrespective of ethnic background, race, religion, age, gender, disability, sexual orientation, outlook or social status. The Group wants everyone in the workforce to feel welcome to come as they are. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area. By working with this purpose, SKF contributes with actual positive impacts beyond mitigating negative impacts.
20	Discrimination and non-equal treatment of own workforce	Negative impacts	Own operations	Mid-term	Employees who experience discrimination or unequal treatment may suffer from stress, anxiety and other mental health issues. This can negatively affect the employee's overall well-being and quality of life. The potential negative impact is deemed material based on its severity to the individual's health. SKF is mitigating any potential negative impact through, for example, the quarterly SKF Team Pulse survey, where SKF can estimate the employee experience from an equal opportunity perspective. Furthermore, employees are requested to report any behaviour that is not in line with the SKF Code of Conduct to their manager, the local People Experience channels or to other senior managers. Employees can also raise concerns or seek advice through the third-party hosted SKF Ethics and Compliance Reporting Line.
21	Diversity and inclusion increasing innovation and business performance	Opportunities	Own operations	Mid-term	Research shows that diverse and inclusive teams are more productive, increase market shares and are more likely to expand into new markets. Further, they are important for attracting and retaining talent. By fostering diverse teams and inclusive leadership SKF can enable an innovative environment that contributes with important financial opportunities for the Group. SKF takes a holistic approach in strengthening diversity of thoughts. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area.
		Other work-related rights			
22	Human rights of own workforce	Negative impacts	Own operations	Short-term	Other work-related rights include human rights such as zero tolerance against child labour and forced labour. The important severity of such a negative impact makes it material for SKF, despite its low likelihood. SKF is responding to this potential negative impact by adhering to international standards and guidelines and implements the SKF Code of Conduct in all operations. Periodic code of conduct compliance audits are performed and a whistle-blowing process is available at local and global levels.

Strategy, cont.

Workers in value chain

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Working conditions			
23	Improving working conditions together with suppliers	Positive impacts	Upstream	Short-term	The SKF Code of Conduct for suppliers and sub-contractors mandates fair work conditions and health and safety standards. Through SKF's Responsible Sourcing Programme, the Group is actively collaborating with suppliers to improve working conditions in risk regions, resulting in positive impacts for workers in the value chain.
24	Unsafe working conditions for workers in the value chain	Negative impacts	Upstream	Mid-term	SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors come with potential risks related to working conditions. SKF is responding to these potential negative impacts by conducting audits and actively improving working conditions in risk regions and sectors. Further, these risks are addressed by SKF's Responsible Sourcing Programme that covers all of SKF's suppliers but uses a risk-based approach. SKF also has a grievance mechanism in place for incidents at supplier sites.
		Equal treatment and opportunities for all			
25	Responsible Sourcing Programme improving equal treatment	Positive impacts	Upstream	Mid-term	The SKF Code of Conduct for suppliers and sub-contractors mandates a harassment-free workplace. Through SKF's Responsible Sourcing Programme, the Group is actively collaborating with suppliers to improve equal treatment and opportunities for all which has an actual positive impact for workers in the value chain.
26	Harassment and discrimination	Negative impacts	Upstream	Mid-term	Equal treatment in the workplace includes discrimination of persons with disabilities and measures against violence and harassment. SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors comes with potential risks related to discrimination. SKF recognizes its responsibility to mitigate these potential important negative impacts. The SKF Code of Conduct for suppliers and sub-contractors highlights the importance of a harassment-free environment, and these issues are therefore considered critical checkpoints for the SKF Code of Conduct for suppliers and sub-contractors audits.
		Other work-related rights			
27	Violations of human rights	Negative impacts	Upstream	Mid-term	SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors comes with potential risks related to human rights including forced labour and child labour. While the likelihood of certain rights violations, such as child labor, may be low, the severity of the potential negative impact makes the impact material for SKF. SKF is responding to these potential negative impacts by conducting audits and actively working to improve working conditions in risk regions and sectors. Further, these risks are addressed by SKF's Responsible Sourcing Programme that covers all of SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two or three suppliers. SKF also has a grievance mechanism in place for incidents at supplier sites.

Strategy, cont.

Business conduct

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Corporate culture			
28	Fostering a strong corporate culture for a better tomorrow	Positive impacts	Own operations	Short-term	SKF's corporate culture entails the Groups purpose, values, and policies where the SKF Code of Conduct is fundamental. Successfully fostering a strong corporate culture leads to increased efficiency and a more positive influence on the world. SKF's corporate culture guides its business conduct, ensuring that all decisions made align with the Group's core values and principles. This adherence to a strong ethical framework, including anti-corruption and anti-bribery programs, results in better decision-making across the company contributing with a positive impact not only to the own operations and value chain, but also society at large.
29	Breaches against the SKF Code of Conduct	Negative impacts	Own operations	Short-term	Breaches against the SKF Code of Conduct, are considered to have an important negative impact. Despite it being assessed as unlikely due to SKF's efforts of fostering a strong corporate culture, its severity is still considered material. SKF responds to this by fully incorporating its values in the corporate culture in all regions via training and awareness, risk assessments, investigations, audits and internal controls.
		Protection of whistle-blowers			
30	Protection of whistle-blowers	Positive impacts	Full value chain	Short-term	SKF provides a globally available whistle-blowing service, the SKF Ethics and Compliance Reporting Line, which is also accessible externally for suppliers and customers. SKF's Group Whistle-blowing policy prohibits any retaliation towards anyone raising concerns in good faith. SKF goes beyond legal requirements as the Group is convinced that protecting whistleblowers is integral to fostering a culture of transparency and trust within the company. The positive impact is therefore considered material.
		Corruption and bribery			
31	Corruption and bribery leading to fines and/or reputational damage	Risks	Own operations	Short-term	SKF recognizes the significant financial risk associated with corruption and bribery. In response, SKF has over many years had a strong focus on business ethics in its corporate values and continues to incorporate these values in the corporate culture in all regions through training and awareness, risk assessments, investigations, audits and internal controls.

Material sustainability matters

Description of the process to identify and assess material impacts, risks and opportunities

Double materiality assessment

SKF's double materiality assessment (DMA) considers both impact materiality and financial materiality. The assessment therefore takes into account both how SKF affects society and the planet and how a sustainability topic impacts SKF through financial risks or opportunities. By evaluating the Group's materiality from both perspectives, SKF can identify and report on the most relevant sustainability matters as well as to allocate resources efficiently and shape strategies accordingly.

Methodologies and assumptions

SKF's DMA follows the European Sustainability Reporting Standards (ESRS) 1 requirements as regulated within the Corporate Sustainability Reporting Directive (CSRD). The following steps were conducted for the process of identifying sustainability related impacts, risks, and opportunities. For more information on stakeholder views and interests please see Interests and views of stakeholders on page 87.

Criteria for assessing impacts, risks, and opportunities

- **Scale of impact:** How severe the negative impact is or how beneficial the positive impact is to people or the environment. The scale ranges from none to significant.
- **Scope of impact:** How widespread the negative or positive impact is. When it comes to environmental impact, the extent can be understood as the extent of environmental damage or geographical spread. When it comes to the impact on people, the extent can be understood as the number of people who are negatively affected. The scope ranges from minimal to global.
- **Irremediability of impact:** Whether the negative impact can be remedied, meaning that the environment or the affected persons are restored to their previous state. The irremediability ranges from very easy to remediate to irreversible.
- **Likelihood:** Impacts, risks, and opportunities have been identified as actual or potential. Likelihood for potential impacts ranges from unlikely to high.
- **Financial risks or opportunities:** Considers how a sustainability topic affects, among other things, current and future price/cost, availability, supply and demand for resources, management of resources and policy/regulatory constraints, which can affect the company's economic value and market share. The assessment also considers the future ability for continued relationships and exchanges with, among other things, financial institutions, suppliers, contractors, customers, and society at large.

A. Understanding SKF's business context

The understanding of SKF's context builds on the Group's long history of identifying and managing sustainability related impacts, risks and opportunities, as well as research, benchmarking and internal projects and programmes. In this step, SKF analyzed previous materiality assessments, business plans, strategy, financial statements and other information. Furthermore, the step included mapping of SKF's value chain in line with the Group's due diligence process, including for example geographic locations of its own activities as well as affected stakeholders. SKF has also examined the legal and regulatory landscape, media reports, sector-specific benchmarks, global sustainability risks such as the triple planetary crisis and scientific articles.

B. Identify SKF's actual and potential impacts, risks, and opportunities

For this step, SKF used the list of topics presented in ESRS 1 paragraph AR16 as a foundation for identifying its actual and potential impacts, risks and opportunities across the Group's own operations and in its upstream and downstream value chain. Through the understanding of the context, SKF has identified both actual and potential positive and negative impacts as well as financial risks and opportunities relating to environmental, social and governance matters.

C. Assessment of impacts, risks and opportunities and defining thresholds

The process, criteria and thresholds for impact materiality assessment differ from financial materiality assessment.

Impact materiality assessment and thresholds

Each identified actual or potential impact was assessed based on severity and likelihood. The criteria considered for severity of an actual negative impact are scale, scope and irremediable character. For actual positive impacts, the criteria are scale and scope. All assessment criteria can make an impact material. Potential positive and negative impacts also include an assessment on likelihood of occurrence in a short-term, medium-term, and/or long-term time horizon. SKF defines short-term as within a year, medium-term as between one and five years and long-term as beyond five years. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over the probability.

Based on the criteria, a positive or negative impact can be assessed as minimal, informative, important, significant, or crucial. SKF's threshold for impact materiality is from important and up, meaning that the impact is considered material if it is important, significant or crucial.

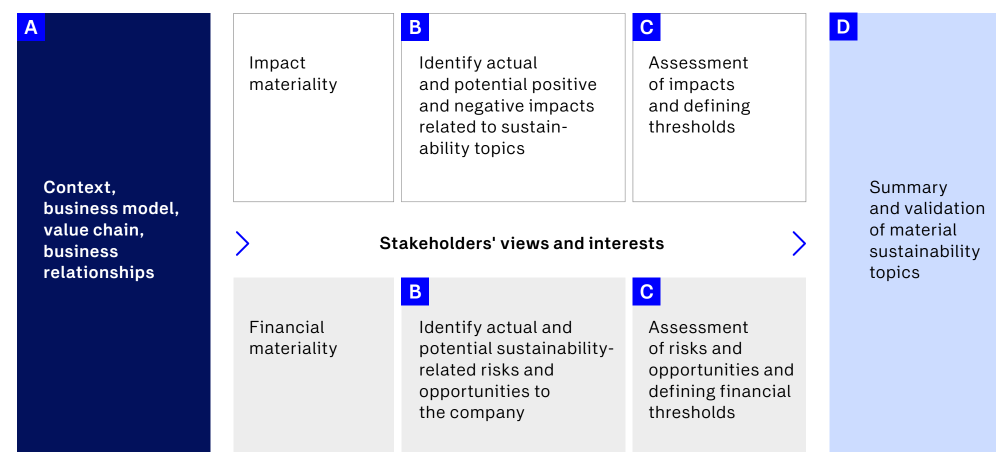
Financial materiality assessment and thresholds

Each identified actual or potential sustainability-related risk and opportunity was assessed based on its likelihood and impact on SKF's financial results and performance.

The threshold for financial materiality follows SKF's ERM process and thresholds for risk to the Group's financial results. Thus, a risk or opportunity can be assessed as minimal, informative, important, significant or crucial. As for impact materiality, SKF's threshold for financial materiality is from important and up, hence the risk or opportunity is considered material if the impact is important, significant or crucial.

D. Summary and validation of material ESRS subtopics

The results of the impact and financial materiality of the ESRS subtopics were consolidated on Group level and reviewed together with sustainability representatives from SKF's Business Areas, Group functions related to sustainability and relevant subject matter experts. Furthermore, the results were validated against stakeholder views and expectations. The validation of the DMA follows SKF's sustainability governance model. The summarized results for SKF's DMA can be found under Material impacts, risks and opportunities and their interaction with strategy and business model on page 89.



Environmental

EU Taxonomy disclosures

Contextual Information
The EU Taxonomy is part of EU's Green Deal and is a key enabler for delivering on the EU's environmental goals by 2050. It is a classification system that defines and quantifies how environmentally sustainable economic activities support the transition towards an economy consistent with the EU´s six environmental objectives: Climate change mitigation, Climate change adaptation, Sustainable use of water and marine resources, Transition to a circular economy, Pollution prevention and Protection of biodiversity and ecosystems.

SKF is eligible for six economic activities under the EU Taxonomy covering manufacturing of components for the Automotive Industry, Railway Industry, Magnetic Bearings, Condition Monitoring hardware and services and Ownership and leasing of company cars and buildings.

During 2024 SKF has assessed EU Taxonomy alignment for the economic activities in scope. Economic activities are reported as Taxonomy-aligned if they:

1. have a significant contribution to one or more of the six environmental objectives,
2. do no significant harm (DNSH) to any of the other environmental objectives, and
3. meet the minimum safeguards criteria related to human rights and business ethics.

Summary
SKF launched a cross-functional project in 2024 to reassess eligibility and evaluate the technical screening criteria for alignment with SKF's in-scope activities. The findings from this project serve as the foundation for this year's reporting and the improvement initiatives that are planned to increase alignment.

SKF EU Taxonomy Eligible activities and KPIs

EU Taxonomy activities eligible for SKF	SKF Activity	Turnover	Capex	Opex
CCM 3.6 Manufacture of other low carbon technologies	Manufacturing of Magnetic Bearings	Eligible	Eligible	Eligible
CCM 3.18 Manufacture of automotive and mobility components	Manufacturing of components for selected vehicle categories within the Automotive industry segment	Eligible	Eligible	Eligible
CCM 3.19 Manufacture of rail rolling stock constituents	Manufacturing of rail rolling stock constituents within the Railway industry segment	Eligible	Eligible	Eligible
CE 4.1 Provision of IT/OT data-driven solutions	Condition monitoring solutions, including both the hardware and services	Eligible	Eligible	Eligible
CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Leased and acquired company cars		Eligible	
CCM 7.7 Acquisition and ownership of buildings	Leased and acquired buildings		Eligible	

The assessment for the first requirement shows that SKF's products and services for fully electric vehicles and electric railways make significant contributions to Climate Change Mitigation.Additionally, SKF's Condition Monitoring services significantly contribute to Circular Economy by assisting customers in monitoring the performance of the rotating shaft, thereby enabling measures to extend the lifespan of components.

The assessment for the second requirement shows that it is not possible for SKF to claim full alignment for all eligible SKF products, primarily due the pollution requirements concerning use of substances of concern in relevant products. These requirements extend beyond current legislation and will require efforts throughout the supply chain to achieve alignment.

The assessment for the third requirement shows that SKF fulfills the requirements and, consequently, SKF can claim alignment for condition monitoring services, and has identified actions to further align the Group's products with the EU Taxonomy read about the minimum safeguards on page 97.

Substantial contribution to climate change mitigation
SKF's products manufactured for the automotive industry are eligible under *CCM 3.18 Manufacture of automotive and mobility components*. By manufacturing components specifically designed for zero-emission vehicles in categories M, N, and L, SKF makes a substantial contribution to Climate change mitigation.

SKF's products manufactured for the railway industry are eligible under *CCM 3.19 Manufacture of rail rolling stock constituents*. The components supplied for electric trains that meet the technical screening criteria make a substantial contribution to Climate change mitigation.

SKF's magnetic bearing portfolio is eligible under *CCM 3.6 Manufacture of low carbon technologies*. Magnetic bearings are designed to minimize friction, resulting in reduced emissions and thus substantially contributing to Climate change mitigation. However, this contribution has not yet been validated through a third-party verified Life Cycle Assessment (LCA), even though peer reviewed academic studies reflect these results of lower emission relative to conventional bearings.

In addition to manufacturing activities, SKF's purchased and leased company cars are eligible under *CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles*. SKF fulfils the substantial contribution criteria for all fully electric vehicles. However, there are challenges collecting data to verify DNSH criteria, particularly regarding tires, resulting in non-alignment.

SKF's acquisition and ownership of buildings, such as office space, are eligible under *CCM 7.7 Acquisition and ownership of buildings*. SKF has a Sustainable Buildings Policy which requires all new large constructions (including significant refurbishments), which are to be owned or leased by SKF, to be certified according to LEED (Leadership in Energy and Environmental Design) Gold at a minimum. The policy also states that EU Taxonomy alignment should be evaluated. EU Taxonomy alignment is however not mandatory but could complement the LEED certification.

Substantial contribution to circular economy
SKF's condition monitoring solutions, including both services and hardware, are captured under activity *CE 4.1 Provision of IT/OT data-driven solutions*. By offering remote monitoring and predictive maintenance, the condition monitoring solutions aim to detect and diagnose potential issues or abnormalities before they lead to equipment failure, downtime, or safety hazards which in turn significantly contributes to the Circular economy.

EU Taxonomy disclosures cont.

The condition monitoring solutions include various methods for monitoring machinery during operation. Techniques such as vibration analysis, acoustic emission, thermography and lubrication analysis are employed to predict maintenance needs and identify abnormalities. These techniques ensure optimal performance and expand the lifespan of equipment.

Condition monitoring solutions typically consist of two components: a hardware component, such as a sensor, and a service component, like data analysis. The hardware is engineered for high durability to meet customer requirements regarding the lifetime of the hardware. There is also an instruction on how to handle waste at the hardware's end of life, in addition to the WEEE label. However, additional actions to verify design aspects and waste management have been identified and is planned to be conducted for SKF to fully meet the substantial contribution criteria.

Minimum Safeguards

The Minimum Safeguards ensure that companies meet certain standards when it comes to human rights including workers' rights, taxation, fair competition and prevention of bribery.

SKF has during the year assessed Minimum Safeguard criteria and concluded alignment against applicable criteria. SKF is committed to conducting its business in accordance with applicable laws and regulations and adheres to international standards and guidelines including OECD guidelines for Multinational Companies, UN guiding principles on business and human rights, the International Bill of Human Rights, Global Compact's Ten principles, ILOs Declaration on Fundamental Principles and Rights at Work and the International Chamber of Commerce (ICC) Charter. These applicable laws and regulations on human rights are reflected in the SKF Code of Conduct, publicly available on skf.com.

As part of the due diligence process, SKF has identified human rights impacts through a Human Rights Impact Assessment, carried out during 2023. The assessment included evaluation and determination of these impacts. Read more about identified impacts on page 89. The human rights impact assessment is planned to be updated in 2025 to ensure continuous improvement and further strengthening due diligence efforts.

In terms of anti-corruption, SKF has robust measures and processes to combat bribery and corruption, which are detailed further on page 137. SKF business activities are carried out in accordance with applicable competition laws, and training on this topic is mandatory for all employees. Regarding taxation, SKF applies all relevant tax regulations and follows a publicly available tax policy, operating in line with internationally recognized standards including OECD guidelines. By maintaining these safeguards, SKF ensures transparency, accountability and ethical practices across all operations, reinforcing our commitment to sustainable and responsible business conduct.

DNSH Climate change adaptation

Based on this year's assessment, SKF has determined that manufacturing sites and real estate facilities partially fulfil the Do No Significant Harm (DNSH) Climate change adaptation criteria. Currently, there is a loss prevention process in place to address existing physical climate risks. Additionally, SKF has invested in a system designed to account for future physical climate risks across various scenarios projected up to the year 2100. SKF has an ongoing project for further embedding physical climate risks into existing procedures and developing site level adaptation plans where significant risks are identified.

SKF's current efforts related to Climate Change Adaptation are outlined in more detail on pages 102–119.

DNSH Water and marine resources

Based on this year's assessment, SKF manufacturing sites fulfil the DNSH Water and marine resources criteria.

SKF operations are not considered to be water intensive, however, water is relevant at specific locations. Water is sourced primarily from municipal supplies and other sources like wells and surface water, adhering to regional regulations. Performance is monitored for sites located in areas of actual and potential water stress.

SKF leverages the Aqueduct Water Risk Atlas (World Resources Institute) framework for water stress and scarcity assessments, identifying 18 sites in water-stressed areas. These sites are required to implement plans to minimize water usage.

SKF's EHS management system includes a procedure on wastewater and storm water discharge to avoid discharging polluted water and to minimize water usage. After use, water is treated and discharged into surface water or sewage systems, meeting local quality standards to mitigate environmental impacts. These measures are expected to also secure that SKF manufacturing sites do not hamper marine waters.

SKF also works with upstream water users, such as steel and energy suppliers, to reduce water use, for example by requiring that suppliers adopt the ISO 14001 standard.

Given the low water intensity of SKF's operations and the adherence to wastewater treatment standards, the Group's impact on local community water availability and quality is low.

DNSH Biodiversity

Based on this year's assessment, SKF has concluded that further investigations are necessary to verify compliance with the DNSH biodiversity criteria.

SKF's operations are not considered to have significant risk of impacting biodiversity. The manufacturing facilities are situated in industrial areas, which are typically characterized by low levels of biodiversity. Moreover, all SKF manufacturing sites are certified according to ISO 14001 Environmental Management System. The EHS Management system includes processes for identifying environmental risks and opportunities, however, biodiversity is not specifically addressed. SKF plans to integrate biodiversity components in these processes.

In 2023, SKF improved its understanding of biodiversity impacts and has initiated the use of a biodiversity assessment tool to evaluate proximity of its manufacturing facilities to biodiversity-sensitive areas. SKF will evaluate the possibility to scale the use of the tool across the organization.

DNSH Circular economy

Based on this year's assessment, SKF has concluded that manufacturing sites fulfil the DNSH Circular economy criteria with the exception to certain identified improvement areas pertaining to magnetic bearings (CCM 3.6) which need to be addressed to further strengthen current efforts.

The requirements of the DNSH criteria related to Circular economy are specific to economic activities CCM 3.6, CCM 3.18, and CCM 3.19. To meet these requirements, SKF must evaluate, and where possible, implement techniques that promote the a) reuse of secondary raw materials and components, b) design of products for high durability, recyclability, easy disassembly and adaptability, c) prioritization of recycling over disposal in waste management and d) ensurance of information and traceability of substances of concern throughout the product lifecycle. SKF's current recycling guidelines and Sustainability Design Aspect documents address points a-c in the DNSH criteria for circular economy and are implemented within the automotive and railway business areas (CCM 3.18 and CCM 3.19). SKF has identified improvement areas against current efforts pertaining to design aspects and waste management processes for magnetic bearings (CCM 3.6) which are needed to fully align with the criteria.

Regarding the traceability of substances (point d), SKF ensures traceability of substances of concern until products are delivered to customers, providing information through for example REACH/RoHS certificates. Additionally, SKF has a hazardous substances policy covering traceability in the value chain, and sustainability standards for suppliers.

DNSH Pollution

Based on this year's assessment, it was concluded that while SKF follows all applicable legal requirements for restricted and declarable substances in products, this does not fully align with the EU Taxonomy requirements for Substances of very high concern (SVHC), as well as other substances with similar hazard classes as SVHCs. This is a challenge, requiring extensive efforts throughout the supply chain.

EU Taxonomy disclosures cont.

SKF regularly engages with suppliers on the presence of SVHCs and substances of concern. Data is systematically managed within a compliance database and operations are ISO 9001 and 14001 certified, ensuring validated supporting processes. SKF also has a Restricted Substances List (RSL), to help assess alternatives as new restricted substances are added through legal requirements. When technically feasible, SKF takes efforts to eliminate SVHCs and seek alternative non-hazardous substances.

To fully meet the DNSH Pollution criteria, SKF must exceed the legal requirements. SKF will continue exploring potential alternative substances to replace hazardous materials. In addition to this research, an engagement program will be implemented with suppliers to assess the feasibility of eliminating SVHCs from the supply chain.

Accounting Policies

Total turnover corresponds to net sales in the consolidated financial statement. Eligible turnover for CCM 3.6, CCM 3.18, CCM 3.19 and CE 4.1 corresponds to the net sales for specific products and services sold.

Total capital expenditures (Capex) covers investments in tangible assets, intangible assets and right-of-use assets considered before depreciation, amortization and any re-measurements and correspond to the additions in Note 10, 11 and 12 to the consolidated financial statement. Capital expenditures resulting from business mergers and acquisitions is also included and is part of the reported amount for businesses acquired/sold in Note 10 and Note 11.

Total operational expenditures (Opex) correspond to research and development costs, short-term leases, maintenance and repair costs, including building renovation and day-to-day servicing of assets and property. Eligible Capex and Opex are allocated based on net sales for turover generating activities, since a majority of SKF's factories produce both eligible and non-eligible products.

The reporting on aligned Turnover, Capex and Opex for condition monitoring services is impacted by the possibility to separate services and hardware in the sales data. Revenue streams that include both services and hardware have been excluded for the cases where a separation has not been possible.

Mandatory table related to nuclear and fossil gas activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

EU Taxonomy disclosures cont.

Financial year 2024	Year			Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
	Code/codes (a)	Turnover	Proportion of Turnover, 2024	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) turnover, 2023	Category (enabling activity)	Category (transitional activity)
Economic activites		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	212	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	1,145	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	28,625	29	EL	N/EL	N/EL	N/EL	N/EL	N/EL								29		
Manufacture of rail rolling stock constituents	CCM 3.19	5,393	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5		
Provision of IT/OT data-driven solution	CE 4.1	2,239	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								2		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		37,402	38	EL	N/EL	N/EL	N/EL	EL	N/EL								37		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**37,614**	**38**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**37**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		61,108	62																
Total (A + B)		**98,722**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of turnover/Total turnover	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		36
CCA		
WTR		
CE		2
PPC		
BIO		

EU Taxonomy disclosures cont.

Financial year 2024	Year			Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
	Code/codes (a)	CapEx	Proportion of CapEx , 2024	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) CapEx, 2023	Category (enabling activity)	Category (transitional activity)
Economic activites		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
CapEx of environmental sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	14	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	30	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	1,743	27	EL	N/EL	N/EL	N/EL	N/EL	N/EL								34		
Manufacture of rail rolling stock constituents	CCM 3.19	389	6	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4		
Provision of IT/OT data-driven solution	CE 4.1	99	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								2		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	24	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership of buildings	CCM 7.7	304	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activties) (A.2)		2,588	40	EL	N/EL	N/EL	N/EL	EL	N/EL								41		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**2,602**	**40**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**41**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		3,933	60																
Total (A + B)		**6,535**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of CapEx/Total CapEx	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		38
CCA		
WTR		
CE		2
PPC		
BIO		

EU Taxonomy disclosures cont.

Financial year 2024	Year			Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
	Code/codes (a)	OpEx	Proportion of OpEx , 2024	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) OpEx, 2023	Category (enabling activity)	Category (transitional activity)
Economic activites		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
OpEx of environmental sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	9	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	139	3	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	1,315	25	EL	N/EL	N/EL	N/EL	N/EL	N/EL								23		
Manufacture of rail rolling stock constituents	CCM 3.19	299	6	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5		
Provision of IT/OT data-driven solution	CE 4.1	235	4	N/EL	N/EL	N/EL	N/EL	EL	N/EL								5		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,988	38	EL	N/EL	N/EL	N/EL	EL	N/EL								33		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**1,997**	**38**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**33**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		3,288	62																
Total (A + B)		**5,285**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of OpEx/Total OpEx	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		33
CCA		
WTR		
CE		5
PPC		
BIO		

Climate change adaptation and mitigation

Material impacts, risks and opportunities

IRO and value chain	Description
Climate change mitigation	
Positive impacts Downstream	Innovating and providing products and services for the climate transition
Negative impacts Full value chain	Greenhouse gas emissions from own operations and value chain (scope 1, 2, 3)
Risks Upstream and own operations	Cost of decarbonization
Opportunities Downstream	Winning business by providing products and services that enable the climate transition
Climate change adaptation	
Risks Own operations and upstream	Physical climate risks
Energy	
Positive impacts Downstream	Reducing friction and increasing energy efficiency
Negative impacts Full value chain	Use of fossil energy
Risks Own operations and upstream	Energy price fluctuations
Opportunity Downstream	Winning business by providing energy efficient solutions

SKF's climate approach

SKF bases its climate position and strategy on science, and is committed to the Paris Agreement's goal of limiting global warming to 1.5 °C. The Group's full value chain climate goals were approved 2023 by the Science Based Targets initiative (SBTi).

SKF's largest contribution to the transformation to a net-zero future lies in what can be achieved with, and for, it's customers. With a strategic focus on clean technology industries at all stages of industrialization, SKF is developing products, solutions and services that enable these technologies to develop, making them competitive and supporting the need for rapid growth in the coming years. SKF can contribute to significant energy and carbon savings for customers in all industries by optimizing the design of it's products. This is done by making them e.g. lighter, more efficient, longer-lasting and repairable, as well as improving the performance of the customers' products by optimizing system designs through advanced modelling and simulation. For example. SKF's service offering, including condition monitoring, reliability services and asset optimization, is fundamentally focused on the removal of waste from customer processes and value chains. Such contracts aim to eliminate energy, material, and transportation waste, and consequently reduce emissions. With a combination of these approaches, SKF has the potential to make a profound contribution to the transition to a net-zero world and, at the same time drive innovation and growth for SKF and its customers.

However, SKF's moral and business obligations are not limited to its ability to enable transformation with customers. SKF must of course address carbon emissions of its own operations and activities, as well as those in its extended supply chain. While the scale of these impacts may be relatively small compared to those of its customers' products, processes, and systems, they are still significant. By addressing them, SKF sets a positive example for customers, suppliers and other stakeholders, and creates long-term competitive advantages by reducing costs and risks.

SKF has been measuring and acting on carbon emissions from its own production activities for more than 20 years, and has in that time achieved continued economic growth while reducing its greenhouse gas emissions impact in real terms. The Group has also been working for several years to understand and reduce the carbon impact of its suppliers, as well as other activities such as logistics and business travel.

Material impacts, risks and opportunities and their interaction with strategy and business model(s)

SKF performs resilience analysis on its own operations, strategy, business model and value chain in various ways. This includes resilience analysis relating to risks and opportunities coming from climate mitigation conducted on the full value chain, including upstream supply chain, SKF's direct operations and customers. Resilience analysis of adaptation and physical climate risks is primarily focused on SKF operations and, to an increasing extent, on the upstream supply chain.

Downstream physical risks are not yet in the scope of the resilience analysis, mainly due to the highly diversified (both regionally and industry-wise) and global nature of SKF's customer base – which effectively decreases many of the relevant physical risks. Resilience is evaluated based on scenario input in short (0-1 years), medium (1–5 years) and long term (5–30 years).

In general, SKF performs resilience analysis for climate topics by using externally published scenarios. Depending on the topic, one or more scenarios are applied, including the IEA SDS, IEA Net Zero, RCP 2.6, 6.0 and 8.5 and other industry specific scenarios.

Cross-functional teams make use of the scenarios to identify and quantify specific SKF risks and opportunities, which are then addressed within the relevant strategies, organisations and processes. The set-up of the cross-functional teams depends on the topic, but may for example include Sales and Marketing, Business Development, Manufacturing Operations, Loss Prevention & Risk, Purchasing, Group Legal, Group Real Estate and Facility Management and Group Sustainability.

Short-term climate risks and opportunities are integrated into the yearly operational business planning and follow-up. Medium-term and long-term climate risks and opportunities are integrated into the strategic business planning. The Group's climate targets typically cover a longer time horizon, for example, the target to decarbonize SKF's operations by 2030 and achieve net-zero greenhouse gas emissions in the value chain by 2050. This is to make sure that long-term climate-related risks and opportunities are proactively identified.

In some cases, individual strategic initiatives are conducted to investigate specific risks, opportunities and impacts, and find ways to address these in existing strategies and business models.

Naturally, the future orientation of resilience analysis means that it is subject to uncertainties. For example, the speed and scale of the implementation of many aspects of industrial decarbonization in the industries and regions which SKF serves is heavily dependent on government interventions, such as incentives and taxes. If these policies do not materialise, or if they develop more slowly or quickly than predicted, this can impact the prospects for SKF's growth.

There are also uncertainties around which technology paths that will be followed. For example, it is uncertain how quickly and to what extent carbon capture and storage (CCS) will scale up as a major technology to allow the continued use of fossil fuels. SKF tries to address these types of uncertainties by using a range of climate scenarios in the formulation of the Group's strategy.

As a result of the processes described above the main climate-related risks and opportunities have been identified and are highlighted below.

- Opportunities for business growth resulting from the climate transformation (renewable energy, energy storage, energy efficiency, electrification, circular business models etc.)
- Current and emerging regulatory risks relating to increased energy and raw materials costs in SKF operations and upstream supply chain, increased reporting requirements etc.
- Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc.

Risks which exist but do not meet the materiality threshold include;

- Risks of contraction of certain industries (unabated coal, oil and gas for example) resulting in loss of business for SKF.
- Reputational risks and opportunities.

Climate change adaptation and mitigation cont.

Examples of how the risks and opportunities have been identified are presented below;

Opportunities for business growth resulting from the climate transformation
SKF uses several scenarios, including IEA SDS, IEA Net Zero and other industry specific scenarios, to inform and check the robustness of key aspects of the Group strategy.

For example, several years ago, such input helped the Automotive Business Area to identify electrification as a key climate-related trend within the passenger car industry. This led to a focus on innovation and development of competitive solutions needed to enable electric vehicle drivetrains. Several partnerships between SKF and key OEMs and tier one suppliers were established and as a result, SKF can now provide a complete package offering of bearings and seals featuring high speed, thin sections and electric current insulation options. Power density and friction reduction are some of the main drivers of current and new vehicles, and SKF has become a leader by developing low friction bearings for electric vehicles.

Similar work is ongoing within SKF's industrial business. For example, during 2024 a comprehensive study was completed, looking at industrial climate-related technologies, including the synergies between SKF's offering and projections of growth potential based on IEA Net Zero and other scenarios. The output of this study has validated some existing aspects of SKF's growth strategy, such as the focus on developing solutions for the emerging green hydrogen industry. The study also identified new opportunities for growth within other fast evolving technologies related to decarbonization.

As part of the Group's climate and strategic objectives, SKF provides yearly aggregated revenue data from SKF customer solutions enabling cleantech growth in areas where SKF's customer solutions clearly contribute to climate change mitigation and circular economy, including: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions. The total revenue from customer solutions enabling cleantech amounted to SEK 10.2 billion in 2024.

SEK billion	2024	2023[1]	2022[1]
Total revenues from customer solutions enabling cleantech	10.2	10.6	10.1

1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors of the EU Taxonomy.

Current and emerging regulatory risks relating to increased energy and raw material costs in SKF operations and upstream supply chain, increased reporting requirements etc – risk identification
Carbon taxes and increasing cost of steel
The production of steel is energy and greenhouse gas emission intensive. For many years, SKF has been working actively in collaboration with suppliers to reduce greenhouse gas emissions in the supply chain. As the EU Carbon Border Adjustment Mechanism (CBAM) moves into deployment, this will increase costs for some raw materials, mainly steel, imported to the EU by SKF. Discussions to introduce similar mechanisms are ongoing in the United States, although taxation might not be the preferred method there. The effect will be higher on steel with high embodied greenhouse gas emissions.

During the last few years, SKF has simulated potential outcomes of the CBAM to understand the potential impact. SKF has also accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers, representing most of the value, weight and environmental impact in the upstream supply chain. Through scenario analysis and financial simulation on cost increase at different levels of greenhouse gas emission taxation, SKF has increased the understanding of this risk, the potential financial impact to SKF and actions the Group can deploy to mitigate this risk. SKF has prepared the process and systems needed to comply with the CBAM and is addressing the implications of this and other potential legislations in its global sourcing strategy.

Increasing cost of energy
A structural transformation is expected in the energy sector and massive investments are planned globally to develop a more efficient and clean energy production.

One of the most immediate and obvious financial risks, related to climate change for SKF and its value chain, is an increased cost of energy. This is linked to, for example, carbon taxation but also to an increasing demand due to an increase in products that run on electricity. Based on the IEA SDS and Net Zero scenarios, SKF has analysed the impact from an increased cost of energy and defined actions to minimize that impact.

The best way to mitigate this risk is to reduce the energy demand. In 2024, SKF continued to focus on energy efficiency within its operations, delivering a 3.5% improvement in efficiency. In terms of spend, electricity makes up most of the energy cost, together with a smaller share of natural gas, heat, fuel oil, LPG and biomass. To give an indication of the potential financial impact, based on 2024 data, a 20% increase in costs related to energy used in SKF operations would impact the Group's result by around MSEK 320 million. SKF also works to improve energy and carbon efficiency in its supply chain, as described later in this section.

Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc – risk identification
SKF has developed a bottom-up and top-down approach towards physical risk scenario analysis. The bottom-up approach is long standing and based on the Group's EHS management system and loss prevention processes. Operating units are required to identify physical risks including those related to climate change and develop mitigation measures based on this.

The top-down approach is based on the the high-emissions RCP8.5 global warming scenario published by the IPCC. A cross-functional team has performed a quantitative and qualitative assessment of the potential risks and the effectiveness of existing mitigation measures.

Further development of both the bottom-up and top-down processes is underway. Going forward, the RCP 8.5 scenario will be used in order to apply the precautionary approach in defining mitigation measures. The tool considers all the main climate-related hazards as defined in the EU delegated regulation (EU 2021/2139) and provides location-based indications of the hazards in the short, medium and long term.

Risks of contraction of certain industries, resulting in loss of business for SKF – risk identification
This is below the materiality threshold, the sale of products and solutions to coal, oil and gas extraction and processing, and use in power generation represents less than 2% of SKF's total revenues. Under scenarios such as IEA Net Zero and IEA SDS, a sharp reduction in demand for unabated coal, oil and gas use can be anticipated, which could translate to a reduction in SKF's business in these sectors. These impacts have been considered in the formulation of related strategies.

Reputational risks and opportunities
SKF identifies and manages climate-related reputational risks through continuous monitoring of environmental trends and stakeholder expectations. By incorporating climate considerations into strategic planning, SKF ensures its operations meet global sustainability standards. Transparent communication with stakeholders is maintained to demonstrate SKF's commitment to environmental responsibility and proactive risk management. This approach helps protect the company's reputation and supports its goal of a sustainable future.

Management of climate risks in strategy and operations

Measures are in place to mitigate the identified risks to assets and business activities. These are integrated into relevant strategies, processes and plans.

Current and emerging regulatory risks relating to increased energy and raw material costs in SKF operations and upstream supply chain, increased reporting requirements etc. – risk management
Operations
SKF has a globally certified energy management system for its major manufacturing locations according to ISO50001 and a centralized function to manage strategic energy sourcing decisions. To increase focus and drive improvements in both energy and greenhouse gas emission performance, SKF has defined yearly energy efficiency targets for all major manufacturing units.

Climate change adaptation and mitigation cont.

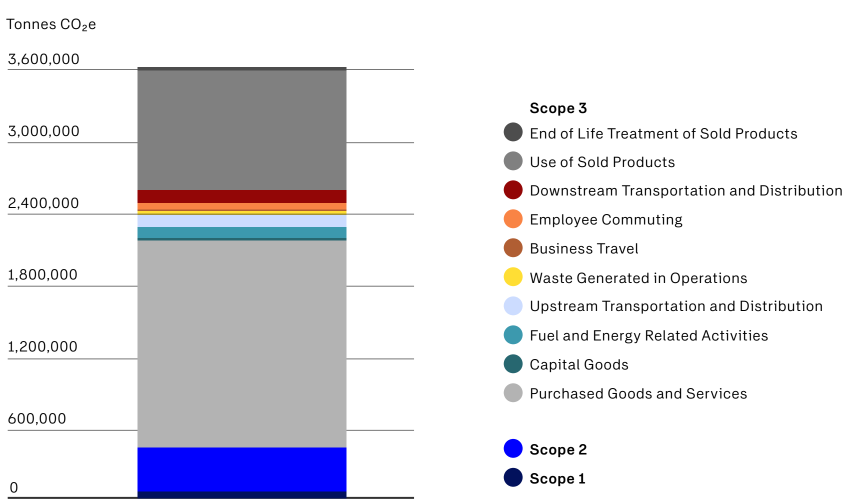
Progress towards these targets is followed up monthly for each unit. In addition to this, SKF has defined policies and allocated investment frames to decarbonize its operations by 2030 as explained in the section on SKF's own operations – scope 1 and 2 on page 104. SKF includes climate performance in both short- and long-term variable salary bonus schemes, see page 84.

Supply chain

The GHG emissions resulting from extraction and processing of the raw materials and components that SKF buys are significantly larger than those resulting from the Group's direct manufacturing operations. For several years, SKF has worked to influence energy intensive suppliers to implement energy management systems certified according to ISO 50001.

SKF has accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers representing most of the value, weight and environmental impact in the upstream supply chain.

Estimated GHG emissions (tonnes), base year 2019



Organizational carbon footprints of SKF show that, of all the raw material inputs, steel production generates the most significant greenhouse gas impact, from raw material to finished product. SKF is acting to measure and reduce this impact in accordance with its net-zero strategy. This involves working directly with steel suppliers as well as advocating for the needed changes through active membership of multi-stakeholder initiatives such as SteelZero and the ResponsibleSteel initiative. SKF is also applying internal shadow carbon pricing as described on page 119.

The Group also works to reduce emissions from transportation.

To reduce environmental impact, as well as costs, SKF works to develop new business models. One example is the efforts to predict maintenance needs and enable cost efficient repairs and services within the customers' processes. This reduces unplanned shutdowns, which are often linked to significant waste of energy, materials and related greenhouse gas emissions. In addition, SKF works to collect bearings and units for refurbishment or remanufacturing, which can cut energy and emissions by up to 90%, compared to the production of a new bearing.

Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc. – risk management

As described above, SKF works to mitigate the physical climate risks in two main ways, bottom-up and top-down.

Bottom-up, SKF units are required to understand relevant climate risks by making use of a third-party tool which defines the level of risk from different chronic or acute physical climate aspects, based on the unit's location. This shall then be integrated in the sites overall planning for risk mitigation, which may for example include improved flood resilience measures.

Top-down, the same tool is utilized in SKF's manufacturing footprint program, where a specific location's vulnerability to climate related chronic and acute risks is part of the overall evaluation of long-term viability and investment planning.

Risks of contraction of certain industries resulting in loss of business for SKF – risk management

Like many global industrial companies with a diversified customer base, SKF operates in sectors associated with fossil fuel extraction and energy generation, specifically, the coal, oil and gas sectors. The Group's business in these sectors represents a small proportion of the overall business. It is anticipated that these sectors will gradually transform or become less relevant in the coming years depending on how widely carbon capture and storage technologies (CCS) are adopted.

SKF anticipates significant growth in revenues from cleantech areas such as renewable energy, electrification and hydrogen. This growth is expected to more than offset the loss from the fossil fuel business.

The Group's business in transportation sectors, such as automotive, rail, shipping and air is significant and growing. Many of these sectors still use fossil fuels. However, a major part of SKF's R&D work is focused on improving the energy and carbon efficiency of these sectors.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

SKF has worked with life cycle assessments (LCA) since the early 2000s and, over the years, has conducted numerous studies on a broadly representative sample of products and solutions. The knowledge acquired by doing this, together with a recently executed organizational carbon footprint study, allows SKF to estimate the size of greenhouse gas impacts for all significant activities occurring along the full value chain. These are visualized in the graph on this page.

To make the greatest impact on reducing global emissions, prioritization is necessary. Therefore, the focus is on activities that make the greatest material impact. Near term (2030) targets are applied, and primary data is used to follow the performance wherever possible. Relatively small impacts, or those which are not possible to influence directly, are reported mainly using secondary data.

Based on this the following sub-targets and approaches have been established.

SKF operations scope 1 and scope 2

This covers scope 1 and 2 emissions from electricity, gas, district heat and other energy sources used at SKF facilities as well as other greenhouse gas emissions related to the process, for example emissions from process gases. All SKF factories, testing and research centres, larger warehouses and offices around the world are included. SKF's detailed approach to addressing these emissions is described in section Transition plan for climate change mitigation including actions and resources in relation to climate change policies starting on page 108. See the table on page 118 for an explanation of emission scopes. Calculations are based on CO_2 and other GHG gases, when available. For Scope 1&2 emissions SKF uses the operational control approach,

Scope 3, category 1 (direct and indirect materials)

Direct material is the most significant contributor to SKF's upstream scope 3 emissions and covers bought materials

Climate change adaptation and mitigation cont.

and components that are directly applied in SKF's products. This includes mainly steel, but also other materials that are purchased in large volumes, such as rubber, where the embodied emissions are high. It covers impacts that occur at all stages of the supply chain, from raw material extraction and scrap sourcing to steel production and subsequent processing. SKF's detailed approach to addressing these emissions is described starting on page 112 of this report.

SKF also purchases indirect materials, such as work clothes, consumables such as hydraulic oil and other process media and grinding wheels. Performed LCA and carbon footprint studies have shown that the emissions associated with the production of these items are small in comparison to the other aspects listed above. Therefore, indirect material is not included in the scope of emission reporting. However, SKF communicates its ambitions and requirements to these suppliers and includes these requirements in the supplier selection criteria.

SKF uses IT services, such as servers and cloud storage, through various arrangements. The emissions associated with providing these services are estimated to be around 22,000 tonnes a year which is insignificant compared to emissions in other scope 3 categories.

Together with suppliers, SKF will continue the work to find low and, eventually, zero carbon solutions.

Scope 3, category 3 (fuel and fuel related energy)
This refers to the GHG emissions resulting from the activities which occur pre-energy generation and from the distribution and transmission of the energy which SKF uses in its operations, such as the extraction, processing and transportation of fuels used in power stations.

Scope 3, category 4 (upstream transportation and distribution)
This covers the emissions from about 80% of the outbound flows contracted by SKF, and around 70% from inbound contracted flows.

The Group intends to further improve the process for collecting data on the upstream emissions for these categories in the coming years. SKF's detailed approach to addressing these emissions is described on page 113.

Scope 3, category 6 (business travel)
This covers the emissions associated with business travel, which includes visits to customers, suppliers, SKF facilities and other stakeholders. SKF works to reduce this impact in several ways, including using virtual meeting tools, promoting lower carbon transportation such as rail instead of air travel, and providing low carbon company vehicles.

Scope 3, category 7 (employee commuting)
This covers emissions caused by SKFs employees travelling to and from work, and currently results in around 48,000 tonnes per year. SKF is already working on reducing this in different ways, such as increasing the use of digital workplaces, encouraging lower carbon transportation and providing bus services for employees in certain countries. This work will be intensified, primarily through national management teams, as each country has different challenges and opportunities.

Scope 3, category 11 (direct emissions from customer use phase)
Although the majority of SKF's products have indirect use phase emissions, a few products have direct ones. Examples of such products are magnetic bearings, including the corresponding electric motors when provided along with magnetic bearings, lubrication systems, systems for re-using oil and some solutions for the marine business. Some of these products are classified as intermediate products, like magnetic bearings and electric motors. Others can be a stand-alone product system like the system for re-using oil.

Summary of physical climate risks in the SKF value chain

	Climate related hazards	Upstream supply chain	SKF operations	Logistics	Customer operations
Chronic	Heat Stress Sea level rise Water Stress Coastal erosion	**Risk** Could impact long term viability of critical supplier locations. **Mitigation** Working to map critical supplier risks in this regard.	**Risk** Could impact long term viability of SKF sites in at risk locations. **Mitigation** Identification of at risk locations, driving local mitigation measures	**Risk** Limited due to highly diversified customer base (geography, industry).	
Acute	Cold wave Wildfire Cyclones Hurricanes Typhoons Storms Tornado Heavy precipitation Flood Avalanche	**Risk** Supply chain disruption due to extreme weather events. **Mitigation** Multi-sourcing for strategic materials / components. Overall supply chain risk management.	**Risk** SKF production disruption due to extreme weather events. **Mitigation** Diversified production locations, local emergency response planning and mitigation planning.		

Climate change adaptation and mitigation cont.

Scenario analysis

SKF uses scenario analysis to help identify and quantify climate related risks in the full value chain. Depending on the topic, one or more scenarios are applied, examples include the IEA SDS, IEA Net Zero, RCP 2.6, 6.0 and 8.5 and other industry specific scenarios. Cross functional teams then make use of the scenarios to identify and quantify specific SKF implications (risks or opportunities) and these are then addressed within the relevant strategies, organisations, and processes. The make-up of the cross-functional teams depends on the topic but, for example may include Sales and Marketing; Business Development; Manufacturing Operations; Loss Prevention & Risk; Purchasing; Group Legal; Group Real Estate and Facility Management; and Group Sustainability.

Short-term (less than one year) climate risks and opportunities are integrated into yearly operational business planning and follow-up.

Medium-term (one to five years) and long-term (>five years) climate risks and opportunities are integrated into strategic business planning. The Group's climate targets typically cover a longer time horizon, for example, the target to decarbonize SKF's operations by 2030 and achieve net-zero greenhouse gas emissions in the value chain by 2050, This is to make sure that long term climate-related risks and opportunities are proactively identified.

In some cases, individual strategic initiatives have been initiated to investigate specific risks, opportunities and impacts and find ways to address these in existing strategies, business models etc.

Depending on the topic, SKF makes use of multiple scenarios, or a combination of them ranging from optimistic (IEA Net Zero) to pessimistic (RCP 8.5).

Typically, each scenario will have underlying assumptions about the speed and scale of different mitigation technologies and approaches, and these form the basis of SKF's evaluation of future opportunities and risk. For example, when seeking to understand the speed and scale of increases in climate mitigation technologies, a future business growth range is established – based on the optimistic (Net Zero) and less optimistic (Published Policy Scenario). This range may be further adapted based on other specialist input. Factors which influence the speed and scale of specific mitigation technologies industrialisation include government policy, incentives, thresholds, technology readiness, market readiness and regional variations.

When seeking to understand and quantify climate physical risks SKF applies the precautionary principle and assumes the worst scenario RCP 8.5. SKF has acquired a tool from a third party which takes the specific coordinates of SKF locations and those of critical suppliers and provides input on the relevant physical risks in terms of expected severity, frequency etc. During 2024, all SKF's critical production and warehousing facilities have been evaluated using this tool. This evaluation confirmed that a number of locations are in high-risk areas and these will be addressed in the top-down approach to climate physical risk management described previously,

Where applicable the output of these scenarios is utilized to understand implications on aspects such as potential future revenue growth, risk of supply chain disruptions etc.

Risks and opportunities based on climate related transition events are addressed in various aspects of the Group and Business Area strategy. They are identified as part of the strategic planning process using tools such as scenario analysis and resilience analysis described on page 89. A variety of scenarios are applied including IEA Net Zero scenario which is aligned with the Paris agreement.

As explained on page 89, overall, the opportunities presented by transition related events significantly out-weigh the risks.

The type, impact magnitude and timing of climate-related transition events is typically dependent on the scenario being considered. For example, under the IEA Net Zero scenario, specific government policies aimed at incentivizing low carbon energy generation, energy efficiency and penalizing high carbon activities can be anticipated and SKF's response to these forms part of the strategy. Other anticipated climate-related transition events such as technology changes and market changes are also extrapolated from scenario inputs and utilized in strategy development. For example, SKF's strategy towards the global steel industry addresses the deployment of iron ore carbon reduction technologies, SKF's strategy towards the energy sector anticipates a rapid increase in the share of renewable electricity generation in most regions.

Summary of climate transition risks and opportunities

Category	Description	Potential risk	Mitigation measures	Opportunities	Capitalization measures
Legal and policy	Changes in laws and regulations related to climate change.	Increased energy and raw material costs	Focus on energy and carbon efficiency in SKF operations and supply chain.	Increased demand for solutions improving energy efficiency, circularity.	Focus on development of energy efficient, circular offers.
Market	Shifts in market demand towards low-carbon products and services.	Loss of market share, reduced revenue in unabated fossil fuel sectors.	The at risk sectors are a small part of overall business. Ongoing work to grow cleantech business.	Growth in cleantech, low carbon industries – renewable energy, hydrogen etc.	Focus on cleantech industries.
Technology	Technological advancements that may replace current technologies e.g. internal combustion engines.	SKF misses opportunities to grow by enabling emerging green technologies. SKF is bound to locked-in carbon technologies.	Focus on cleantech industries in full range of TRL. Proactive approach, for example development of solutions for e-drive in automotive.	Growth in cleantech, low carbon industries – electrification, renewable energy, hydrogen etc.	Strategic focus on cleantech industries.
Reputation	Negative public perception due to inadequate climate action.	Loss of brand value, customer trust.	Enhancing transparency, proactive communication strategies.	Enhanced brand loyalty, attracting eco-conscious customers.	Clear focus on promoting SKF's climate solutions and approach with transparency and credible communications.

Climate change adaptation and mitigation cont.

Towards net-zero emissions
SKF has been reporting and reducing its greenhouse gas emissions since the early 2000s, and has for many years demonstrated a decoupling of its revenue growth from scope 1 and 2 emissions. The Group's current net-zero targets and strategy are validated and approved by the Science Based Targets initiative and are aligned with the Paris agreement's 1.5 °C scenario.

Examples of activities 2019–2023

- Energy and material efficiency improvements and increasing share of renewable energy.
- Working to promote and advocate the decarbonization of steel production with other industrial steel consumers in the SteelZero and ResponsibleSteel initiatives.
- Developing and delivering solutions to enable cleantech growth – e.g. EV's, wind, hydrogen.
- Optimized design of products resulting in significant energy and carbon savings for customers.
- Climate work and reduction of greenhouse gas emissons as part of the company's short- and long-term bonus program.
- Issued the first Green Bond in 2019 and the second in 2022, making sure we invest in projects that support the transformation journey.
- Deployment of decarbonization investment frame

Examples of activities 2024

- Shadow carbon price policy published.
- Airfreight avoidance policy published.
- Laser metal depostion enhances the circularity of bearings.
- Significant increase of renewable electricity sourcing in India and China
- Accelerated deployment of decarbonization investment frame with 373 MSEK allocated

2030
Decarbonized operations
= 95% reduction in scope 1 and 2 emissons by 2030 vs. 2019

32%
reduction in emissions from purchased direct materials

35%
reduction in emissions from inbound and outbound logistics

Examples of activities

- Play a leading role in improving energy and material efficiency, the enabling of cleantech and decarbonization solutions for customers.
- Drive the emission reduction plans with suppliers.
- Reduce the embodied greenhouse gas emissions from components and materials such as forgings, rings and rolling elements that SKF purchases, primarily through the increased use of renewable energy by suppliers.
- Optimize logistics efficiency and decarbonize transportation.

2050
Net-zero greenhouse gas emissions in the entire value chain

2019 Base year		2030		2050

Climate change adaptation and mitigation cont.

Transition plan for climate change mitigation including actions and resources in relation to climate change policies
SKF is a relatively energy intensive business directly using energy, mainly in the form of electricity and gas, in its operations around the world (scope 1 and 2). In addition, SKF utilizes materials and services which can be energy and carbon intensive, such as transports and raw material in production and processing (scope 3 upstream). Certain SKF products also generate indirect emissions during the use-phase (scope 3 downstream). The combined impact of these direct and indirect emissions (scope 1, 2 and 3 upstream and downstream) is more than three million metric tons of greenhouse gas emissions per year.

SKF has been working to measure, report and reduce its greenhouse gas emissions since the early 2000s, with good results. Throughout SKF's more than 20-year focus on climate, it has always sought credible and independent third-party input on its climate strategy and goals.

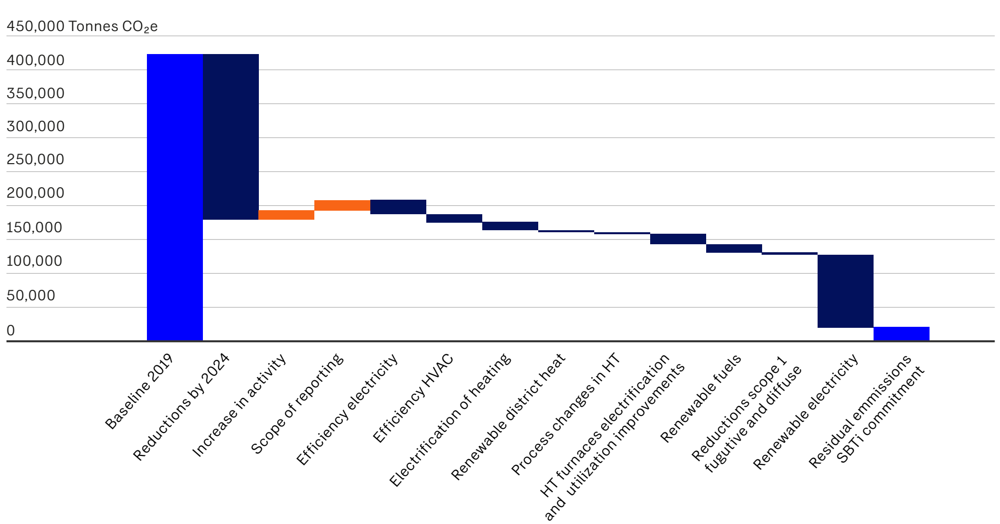
As such, in 2021, SKF committed to having its climate targets validated and approved by the Science Based Target initiative (SBTi). This validation process involved detailed discussions and exchanges with the SBTi between July 2021 and March 2023. In March 2023, the SBTi validated SKF's long- and short-term targets. The approved targets are aligned with the 1.5 °C trajectory which was agreed at COP 21 in Paris 2015.

Levers and actions
SKF has defined several strategic levers and related actions and objectives which, when applied in combination, aim to reach the Groups SBTi approved climate goals.

These are focused on the most significant impacts, specifically scope 1 and 2, and scope 3 categories 1, 3, 4 and 11.

SKF own operations – scope 1 and 2
SKF's goal to decarbonize its operations requires, as verified by SBTi, a 95% reduction in the scope 1 and 2 emissions by 2030 compared to 2019. The main strategic levers to achieve this include a focus on energy efficiency, the sourcing and generation of renewable energy and phasing out direct fossil fuel use through electrification or the use of bio-fuels.

SKF Scope 1 and 2 – Mitigation activities



During 2024 there has been significant progress in the development, understanding and aggregation of the plans for decarbonization. Each factory has developed a decarbonization road map which sets the emissions reduction trajectory for the site, and the investments needed, to achieve the 2030 decarbonization objectives, addressing all three of the described strategic levers. For energy efficiency and fossil fuel phase out, these plans are further defined in a Group-wide database in which the detailed actions, investments and expected improvements are described.

Energy efficiency – levers to reduce scope 1 and 2 emissions
SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 47 most energy intensive operations making up more than 80% of the Group's total energy use. SKF applies a Group-wide energy efficiency improvement target to all units within the scope of the ISO 50001 standard, of 5% compared to the factory, Business Area or Group energy baseline.

The baseline is established using linear regression of the previous two years' monthly energy use compared to value added (a measure of production activity, which is known to correlate with energy demand). This KPI reduces distortions associated with more simplistic measurements of energy performance such as production volume variations, and allows a focus on the real underlying energy performance. In 2024, the performance against this target was 3,5% compared to the 5.0% target indicating an underlying energy efficiency saving of 33 GWh. This includes all types of energy except energy used for building heating and cooling.

To drive development and planning of energy savings activities, the Group-wide database with detailed actions is used to show if factories, Business Areas and the Group has defined and planned sufficient actions to meet the objectives for future periods. In addition, looking at the 2030 time horizon, the decarbonization road map requires the sites to plan for continually improving energy efficiency.

Factory, Business Area and Group performance towards the energy efficiency target is followed up on a monthly basis using the energy efficiency KPI, and the Group-wide database. A high-level review of the performance and plans is conducted by the Chief Sustainability Officer together with each Business Area President on a half-year basis.

Renewable energy – levers to reduce scope 2 emissions
SKF has a centralized function to manage strategic energy sourcing decisions for the Group, including the sourcing of renewable energy, primarily electricity. Through this function, a roadmap defining the transition towards 100% renewable electricity for all SKF units by 2030 has been defined and is being deployed and followed up. The Group is a member of the RE100 initiative and follows their technical criteria when purchasing renewable electricity. In its work to define and deploy the renewable electricity roadmap SKF is also supported by a third-party energy service provider.

Various approaches are applied in the sourcing of renewable electricity, including the use of power purchase agreements, virtual power purchase agreements, bundled and un-bundled environmental attribute certificates and long-term Renewable Energy Certificate agreements (RECs).

Although the most significant contribution will come from the Group's renewable electricity sourcing approach, SKF is also expanding the use of on-site solar panel installations for self-generation of renewable electricity.

Some SKF locations make use of district heating to provide building heating. Due to the very specific and local nature of the district heating systems, the work to decarbonize district heating supply is driven at site-level, with the anticipated results, actions and investments included in the site-level decarbonization roadmap,

Fossil fuel phase out – levers to reduce scope 1 emissions
SKF makes direct use of fossil fuels at the majority of its locations around the world, primarily fossil natural gas, which is burnt for both building and process heating. These emissions must be reduced from around 53,000 tonnes per year in 2019 to close to an estimated 10,000 tonnes by 2030 to achieve SKF's scope 1 and 2 decarbonization objective. The main strategic levers applied to

Climate change adaptation and mitigation cont.

achieve this are a ban on any future investments in plant or equipment running on fossil fuels and the establishment of a specific investment frame which is intended to fund electrification of assets using fossil fuel or switching to sustainable bio-based alternatives such as biomethane.

The Group Fossil fuel phase out policy bans any new investment in equipment to be used in SKF which requires fossil fuel and requires that any remaining fossil fuel use is phased out before 2030.

An investment frame of 3,000 MSEK was established in 2023 and is to be applied at the latest by 2028 exclusively for investments needed to deliver on the decarbonization plan in general and the fossil fuel phase out in particular. Further, SKF has a Sustainable buildings policy setting requirements for new buildings in terms of decarbonization and the use of the USGBC's LEED 4.1 standard.

As with energy efficiency, Group progress towards the fossil fuel phase out target is followed up on a monthly basis and a high-level review of the performance and plans is conducted by the Chief Sustainability Officer together with each Business Area president on a half-year basis.

To drive development and planning of fossil fuel phase-out activities, the Group-wide database with detailed actions is used to show if factories, Business Areas and the Group, has defined and planned sufficient actions to meet objectives for future periods.

The relative contribution of these strategic levers toward the achievement of the decarbonized operations 2030 goal is described in the graph on page 108.

Upstream emissions from SKF suppliers – scope 3, category 1

SKF's goal is to reduce the upstream, scope 3, category 1 emissions by 32% by 2030 compared to 2019 and to achieve net-zero by 2050 or before, requiring a 90% reduction in scope 3 emissions by 2050.

There are several strategic levers which SKF utilizes to achieve these goals, focusing on improving material efficiency, increasing circularity, increasing the use of secondary materials, increasing the use of renewable energy in the supply chain and the use of emerging and new technologies to produce very low carbon embodied materials.

In 2024, SKF's procurement strategy continued to focus heavily on steel and steel components, which constitute the most significant volume of materials sourced, both in terms of weight and value. During this period, SKF purchased approximately 586,000 tonnes of steel and steel components. In comparison, the Group sourced around 4,727 tonnes of rubber which, next to steel, is one of the most important materials for SKF, utilized in finished seals or as a raw material for producing seals.

Product carbon footprint studies for materials and components of bearings have shown that the embodied carbon in the steel materials and components purchased by SKF accounts for approximately 70% of the total emissions generated across the value chain, from raw material extraction to the delivery of finished products to customers.

SKF has prioritized the decarbonization of its upstream value chain for steel and so far the majority of the measures are focused on this area. As progress is made in the decarbonization of steel, SKF plans to extend its efforts to other critical purchased materials and components.

A more detailed exploration of each of the strategic levers is provided below.

Improving material efficiency

SKF has been working on all aspects of material efficiency in its operations and supply chain for many years. This is driven both by the environmental imperative and by the need for cost efficiency in a competitive market. The work covers aspects such as improved process control and quality, leading to the avoidance of scrap. It also focuses on optimizing component design and tolerancing, to minimize the amount of material needed to be removed before arriving at the finished product. Alternative process routes which allow near-net shape components to be produced are also utilized where feasible.

Increased circularity

SKF's focus on developing solutions toward the circular economy decreases upstream direct material emissions in a number of ways.

Examples of this include the increased use of re-manufacturing of used bearings. This allows bearings which would potentially have been scrapped and replaced with new ones to be put back into service, avoiding emissions that would have been generated in production of a new bearing, both in the upstream value chain and in SKF.

Increasing the use of secondary materials

The production of virgin steel, that is steel produced mainly from reduced iron ore, is far more carbon intensive than producing steel from re-melting of scrap. Therefore, increasing the use of scrap-based steel production is an important lever in the reduction of direct material (scope 3, category 1) emissions. SKF's Business Areas include this aspect in the development of their steel sourcing roadmaps. Currently around 54% of the total volume of steel sourced by SKF comes from scrap-based steel and it is expected that this will increase significantly in the coming years. While SKF recognizes that increasing the utilization of scrap is needed as part of the overall global transformation towards very low embodied carbon steel, it is important to recognize that the limited availability of scrap compared to the global demand, means that it is only one of several measures needed.

Increased use of renewable energy in the supply chain

SKF promotes the use of renewable energy by its suppliers as a means to reduce the carbon intensity of their production processes and the products which they supply. SKF's sustainability standard for suppliers summarizes the Group's expectations on suppliers to evaluate and make use of renewable electricity. SKF also supports suppliers in their development of renewable energy sourcing approaches through training and other means.

Use of emerging and new technologies

The dominance of iron and steel production in the total upstream greenhouse gas emissions impact of SKF results in a focus on emerging technologies that enable a drastic reduction of these emissions, often referred to as green steel technologies. SKF is actively involved in the development and evaluation of such solutions with selected partners such as Voestalpine (hydrogen reduced iron) and Ovako (Electric Arc Furnace with 97% recycled content, powered by renewable electricity).

Communication of SKF's requirements and expectations to suppliers

SKF's sustainability standard for suppliers was updated in 2024 and sets out in detail the Group's expectations and requirements in these aspects.

Suppliers are required to provide SKF with scope 1, 2, and 3 (upstream) emissions data in CO_2e for the materials and products supplied. This data must be reported in accordance with SKF's Greenhouse gas reporting supplier guideline, following the Greenhouse Gas (GHG) Protocol. Suppliers are encouraged to procure renewable electricity and must follow the GHG Protocol for their scope 2 reporting requirements. SKF does not accept the purchase of carbon offsets or climate compensation as a means to reduce supplier scope 1, 2, or 3 impacts.

Additionally, suppliers of steel and steel products must achieve specific certifications or targets by 2030, such as Responsible Steel certification, SBTi approved targets, or delivery of low embodied carbon steel according to the SteelZero definition. All suppliers are expected to set reduction targets aligned with SKF's goals, prioritize energy and material efficiency and source renewable or low carbon energy. They must also share planned and completed actions towards these targets upon SKF's request. Energy management is another key requirement, with suppliers needing to monitor and manage their energy performance, set goals for improved energy efficiency, and provide relevant details to SKF when requested.

The relative contribution of these strategic levers toward the achievement of the 2030 mid-term net-zero objective is summarized below.

Upstream fuel and energy related activities – scope 3, category 3

This refers to the greenhouse gas emissions resulting from activities that occur before energy generation, as well as from the distribution and transmission of the energy used in SKF's operations. These activities include the extraction, processing and transportation of fuels used in power stations, as well as emissions resulting from transmission and distribution. The impact of these emissions is significant, amounting to 60,372 tonnes in 2024.

SKF aims to reduce these emissions through three strategic levers.

Climate change adaptation and mitigation cont.

Firstly, as part of SKFs decarbonised operations program, the group will reduce energy demand by improving energy-efficiency of its operations. At the same time SKF increases the sourcing of renewable energy by transitioning away from fossil fuels to eliminate the upstream impacts associated with extraction, processing and transportation, which constitute the largest portion of these emissions.

Secondly, SKF is addressing emissions from power generation, distribution and transmission equipment by collaborating with customers in relevant sectors. For instance, SKF is assisting the cement and steel industries in their decarbonization journey by offering solutions that help avoid waste and emissions.

Thirdly, SKF is actively engaging in multi-stakeholder initiatives such as SteelZero and RE100. Through these initiatives, SKF promotes and advocates for the systemic changes necessary to achieve significant reductions in emissions across these industries.

Emissions from logistics – scope 3, category 4
Considering SKF contracted logistics flows, SKF covers about 80% of outbound and 70% of inbound transportation. The Group focuses on reducing transportation greenhouse gas emissions in four main areas:

Airfreight avoidance: SKF implemented a global airfreight avoidance policy in 2024 with the objective to reduce airfreight and promote less carbon intensive transport modes. The Group also works closely with customers and suppliers to shift from airfreight to sea and rail transportation.

Decrease transports: SKF aims to accelerate inter-regional activities, thereby lowering the need for global transports.

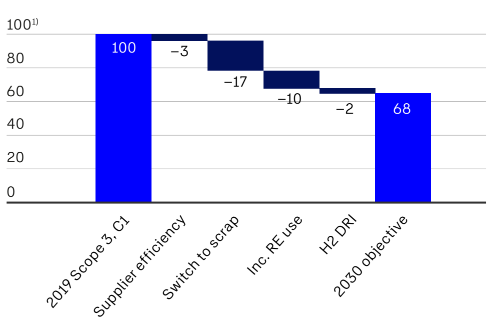
Decarbonizing transportation: SKF focuses on reduction of airfreight by shifting to other less carbon intensive modes, e.g. ocean, rail. SKF also works on introducing electric vehicle solutions in collaboration with suppliers. Another lever is to use less carbon intensive fuel types, e.g. HVO100 instead of diesel.

Optimizing transportation: SKF will further reduce emissions by improving fill rates and optimizing transport modes.

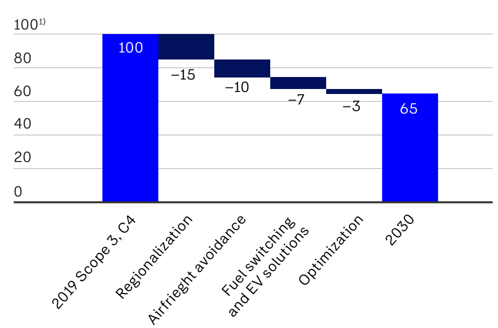
The relative contribution of these strategic levers toward the achievement of the 2030 mid-term net-zero objective is summarized below.

Emissions from business travel – scope 3, category 6
SKF works to reduce emissions from business travel in two main ways. Firstly, the use of virtual meetings is promoted as an alternative to physical meetings. SKF has invested heavily in the IT infrastructure needed to make this feasible. Secondly, through the Group's travel policy and on-line travel booking solutions, SKF encourages employees to use more carbon efficient transport modes where it is feasible to do so.

Expected contribution of strategic levers to the achievement of S3, C1 2030 goal



Relative contribution of strategic levers to the achievement of S3, C4 2030 goal



1) Base year 2019 = 100

Emissions from use of sold products – scope 3, category 11
As part of the Group's SBTi approved net-zero goal, SKF is reporting on the downstream greenhouse gas impacts resulting from the use of products and services (category 11). This relates only to the directly powered electrical systems which SKF delivers to some customers – mainly magnetic bearing and electric motor systems, and lubrication systems. Very often these systems enable improved energy efficiency for the customers.

As an example, in a plant in China SKF used a magnetic bearing solution for chillers. Compared to chillers with traditional screw compressors installed at the same factory the new solution will save around 40% energy or more than 60,000 MWh over their life span. With the current average carbon intensity of electricity generation in China, this represents more than 35,000 tonnes of avoided CO_2e in the lifetime of the machines.

While there is not yet a widely adopted framework for the accounting of such avoided emissions, solutions of this kind play a significant role in reducing customer and, therefore, global emissions.

Following this, and since these systems directly consume electricity, the associated emissions are reported under scope 3, category 11. Assuming the global average electricity emission factor and allocation factor to account for the energy used by SKF's products, the Group estimates that they result in direct use-phase emissions totaling around 1 million tonnes CO_2e annually.

While SKF continually works to further improve the energy efficiency of these systems, the main lever for reducing the related emissions is the utilization of low carbon and renewable electricity by the customers and end-users buying and operating the systems. This is beyond the control of SKF, although SKF actively promotes a transition to decarbonized power through the participation in the RE100 and WeMeanBusiness coalitions. As these decarbonization efforts continue, emissions can be anticipated to be reduced accordingly.

Investments to support the transition plan
Execution of the various strategic levers described above requires investments in various forms such as CapEx and additional organizational resources and competence. These investments are executed utilizing two main mechanisms:

SKF internal allocation of climate specific investment frames
- Decarbonization investment frame

Targeted financing of investments focused on sustainability
- Green Finance (bond issuance and utilization)
- EIB credit facility

The decarbonization investment frame
The near elimination of direct fossil fuel use in SKF (scope 1 emissions) is a particularly challenging aspect of the overall transition plan. For comparison, scope 2 emissions (which mainly relate to electricity use), can be avoided relatively simply and cost effectively through the purchase of renewable electricity, whereas scope 1 emission reduction often requires significant capital investment at the site. Examples of the needed investments include electrification of building heat using heat pumps or process heating and associated system improvements which are needed to increase feasibility.

In many cases the financial payback of these types of investments is longer than normal and therefore an intervention from SKF is required to make sure that the investments take place.

Based on a detailed understanding of the situation at SKF's factories around the globe, it was estimated that during 2023 to 2028 around EUR 300 million will be needed to achieve our 2030 scope 1 reduction objective. SKF then defined an investment frame and process for the allocation and follow up of its utilization. During 2023 and 2024 a total of EUR 33 millions of this frame has been utilized, with the remainder planned to be utilized during 2025 to 2028. Note that some of this is funded at a Group financing level via the green bonds (see table on the next page).

Climate change adaptation and mitigation cont.

Green Finance

	Categories	Total value euro million	Allocation 2019-2023	Allocation 2024	Planned allocation 2025-2028	Financial mechanism
Decarbonization investment frame	Electrification & related topics	300	5	33	200	SKF internal allocation
Green Bond	SKF World Class Manufacturing, Investments and acquisitions in production capacity, technology, testing and tooling for cleantech, Green buildings, Renewable energy, Improving process/facility energy or resource efficiency, Cleantech R&D, Product and process related R&D	700	633	67	TBD	Use of proceeds

Green Finance
SKF's Green Bonds are significant financial instruments that aligns with the company's sustainability commitment and climate targets. Two such bonds have been issued, the first for EUR 300 million in November 2019 and the second for EUR 400 million in September 2022. These are used to fund eligible projects in accordance with SKF's Green Finance Framework. These include capital investments in plant and equipment and product research and development related to cleantech.

As such, the green bonds play a crucial role in financing SKF's transition plan for climate change mitigation. By the end of 2024, SKF had financed 220 projects amounting to EUR 700 million. These projects span across various regions and sectors.

EIB credit facility
On the 22nd of November 2024, SKF secured a EUR 430 million credit facility from the European Investment Bank (EIB), to support its R&D efforts focused on sustainable technologies which was unutilized by the year end.

This financing will enable SKF to accelerate the design and development of technologies that contribute to the green transition and sustainability. The EIB is considered the climate bank of the European Union, and their financing supports the European Green Deal, the EU's plan to achieve net zero emissions by 2050.

Locked-in greenhouse gas emissions
The potential for locked-in greenhouse gas emissions along the SKF value chain has been evaluated and can be summarised as follows.

Upstream
The Group's main upstream greenhouse gas impacts relate to the production and processing of raw materials and components, mainly steel, used to produce finished products. While steel production is energy and carbon intensive, the SKF scope 3, category 1 strategy outlined above mitigates the risk of locking in greenhouse gas emissions. For example, SKF's sourcing roadmaps include plans to move to less carbon intensive steel production routes – using increased scrap content and EAF type furnaces rather than the far more energy and carbon intensive ore-based BOF process, switching to alternative iron reduction technologies such as hydrogen when it becomes available, and promoting renewable energy use in the full upstream value chain. In addition, SKF's use of shadow carbon pricing when making significant steel and steel component sourcing decisions gives information on the future cost of carbon and helps promote the selection of lower carbon intensity supply options.

SKF operations
SKF production facilities use electricity as the main energy source (~70%), however fossil fuels are still used in some cases in applications such as building and process heating. As outlined in the section above on fossil fuel phase out, future investments and assets designed to run on fossil fuels are prohibited by the fossil fuel phase-out policy. The policy also requires that existing fossil fuel using assets to be phased out before 2030 and the EUR 300 million investment frame is set aside to assure the investments needed to make this happen. Therefore, the risk of locked-in emissions in SKF operations is effectively mitigated.

Downstream – customers
SKF has a highly diversified customer base both geographically and in terms of the variety of industries served. The Group's business towards the coal, oil and fossil gas industries amounts to less than 2% of total turnover. Under several published climate scenarios, for example the IEA Net Zero, a significantly reduced demand for unabated use of fossil fuel can be anticipated, which would translate into lower demand for SKF products and solutions towards these sectors. However, SKF's strategy to focus growth of business that enables cleantech industries such as renewable energy generation, energy storage, biofuels and carbon capture and storage should more than offset the reduction in demand from unabated fossil fuel sectors.

Certain SKF products such as the system for re-using oil (RecondOil), magnetic bearings and lubrication systems make direct use of energy and as such generate scope 3, category 11 emissions. In most cases the power source for these machines is electricity, therefore, as power grids are decarbonized, these emissions will reduce.

Strategy behind transition plan
The strategy to identify, prioritize and address the various opportunities and risks related to the climate transition is integrated with the overall business strategy of the Group. Below are some examples of how this is being achieved.

Material and component purchasing
Modelling of the impact of carbon pricing and customer demands for lower embodied carbon materials is incorporated into the formulation of the overall strategic context. This, along with other important contextual information informs the overall direct materials sourcing strategy as well as marketing and promotion of lower embodied carbon products to customers. Based on this, each Business Area has developed a direct material sourcing decarbonization roadmap. The performance and planning of these are reviewed bi-annually.

SKF operations
Top-down, the investments needed to finance the decarbonization of SKF operations in accordance with the Group objectives have been defined, and specific investment frames have been allocated. Bottom-up, each factory has formulated a decarbonization roadmap in which the investments and resources needed to achieve the factories' decarbonization objectives are defined. These bottom-up roadmaps are consolidated at Business Area and Group level in order to validate them and confirm that the overall objectives can be achieved within the defined timeframe. The plans are then integrated in the factory and Business Area business plans and strategies. Progress is followed up using a mix of lagging KPI's such as energy efficiency improvement, scope 1 and 2 reduction and leading KPI's such as the utilization of the investment frame.

Logistics
Key to achieving the Group's targets for reduction of logistics-related emissions is the realization of SKF's global footprint strategy. This involves the consolidation and rationalization of SKF factories, warehouses, and other operations as well as the upstream supply chain. The overall aim is to be more closely aligned geographically with the Group's customer footprint. In addition to financial and operational improvements, the footprint strategy will significantly reduce the logistics demand in terms of transport distance inbound and outbound. Each Business Area has developed a footprint plan. The overall footprint program is coordinated at Group level, and the investments and resources needed to deliver on these plans are integrated into yearly business plans and strategy at Business Area and Group level.

Climate change adaptation and mitigation cont.

Business development, research and development
SKF has defined several global strategic customer industries and has established corresponding organizations and processes. The aim is to assure the identification of important trends as well as technical and commercial requirements for these industries, and to assure that SKF has a suitable range of products and solutions to meet the existing and anticipated needs of each customer industry. The climate transformation is an important trend in most of the customer industries, as well as the implications of this in terms of growth opportunities and the need of new offers are integrated into the related strategies and business plans and followed up as an integral part of the overall business planning and review process.

The transition plan has been developed and continues to evolve with a cross-functional approach. This work is coordinated by Group Sustainability with the objective to ensure effective ownership and integration of the relevant aspects in the Business Areas, regions and various Group functions.

The plan has been reviewed and approved by Group Management and the Board, and regular updates are provided via the various governance forums described in the section General information on page 83.

Implementation of the transition plan
2024 saw a continuation of the successful deployment of SKF's climate transition plan. Progress can be summarized and evaluated based on actual performance development and actions and decisions taken which will support future deployment and performance. It is important to recognize that some elements of the transition plan are quite mature – for example SKF has been working to reduce scope 1 and 2 emissions for more than 20 years, while others are relatively new. As an example, the ability to measure scope 3 category 1 emissions was only realized in the last three years. However, even if the level of maturity differs the overall trajectory of implementation is positive in almost all cases.

Considering a value chain approach, progress can be summarized as follows:

Scope 1 and 2 (SKF operations)
2024 strategic decisions and actions
Building on SKF's more than 20-year focus on reducing scope 1 and 2 emissions, a number of important strategic decisions and actions were taken during 2024.

Bottom-up and top-down decarbonization roadmaps at site and Business Area level were further refined. Projects and actions have been identified as input to these roadmaps. The execution of the roadmaps has again been followed up at Business Area and Group level through governance forums such as the half-year EHS and net-zero reviews. Read more in the Governance section on page 137.

A continued focus on energy efficiency has delivered an improvement in performance of 3.5%. The Energy Efficiency and Decarbonization Investment frame (3 BSEK announced in 2023) to be invested between 2023 and 2028 was further utilized to fund reduction and elimination activities targeting emissions within scope 1 and district heating in scope 2.

Progress was made on the switch to renewable electricity, with notable contracts being signed in Europe and Asia. For example, in June 2024, SKF signed a long-term renewable electricity strip agreement in India. These are so called long term renewable electricity certificate (REC) strip agreements, signed with project developers that invest and build solar plants.

2024 performance
The combined scope 1 and 2 emissions from 2024 were reduced by 82,382 tonnes compared to 2023. The figure below on the left shows that this result puts SKF ahead of the reduction trajectory to achieve a 95% reduction by 2030. The main contributors to this result are as follows;
- A 3.5% improvement in energy efficiency.
- The share of renewable electricity used increased to 72%. In addition to electricity consumption defined in table Energy consumption and mix on page 117, a total of 28 GWh electricity use came from self-generated non-renewable fuel-based sources.
- An increase from 64% (2023) to 72% (2024) in the amount of renewable energy sourced provides the most significant contribution.
- Production activity has decreased slightly but it has a low impact on reduced energy demand.
- A 7% reduction of emissions related to fossil fuels and district heating following decarbonization activities.

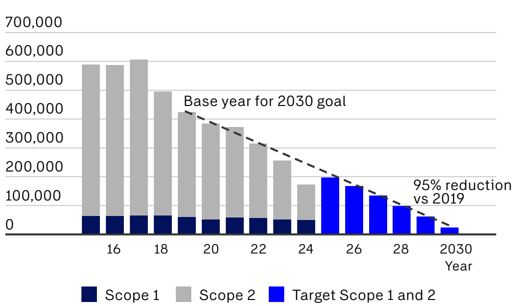
Scope 3, Category 1 (direct material supplies)
2024 strategic decisions and actions
During 2024, a number of important decisions related to scope 3, category 1 emissions reductions were made.

As described on page 119, in July 2024 SKF introduced mandatory shadow carbon pricing for certain categories of steel sourcing. This is intended to sensitize SKF colleagues, suppliers and customers to the potential impact of future carbon pricing and to steer supplier and process selection towards lower carbon options.

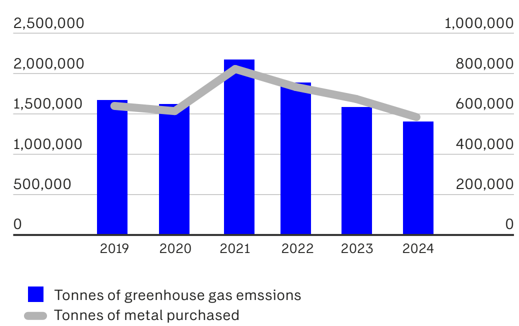
SKF Business Areas are developing roadmaps for the achievement of the 2030 scope 3, category 1 objective (a 32% reduction compared to 2019) using the various strategic levers outlined on page 112.

SKF's sustainability standard for suppliers was updated in July of 2024, introducing more detailed and precise requirements on supplier reporting and reduction of greenhouse gas emissions. These include:
- A clear instruction that the use of carbon offsetting or climate compensation is not accepted by SKF as a means to reducing supplier emissions.
- More clarity on the definition of green/low carbon electricity is provided.
- Clarification on the need for suppliers to identify and mitigate for relevant climate physical risks.

Scope 1 and 2 greenhouse gas emissions
Tonnes performance and outlook



Scope 3, Category 1 development



Climate change adaptation and mitigation cont.

2024 performance

The scope 3, category 1 emissions from SKF's direct material purchases in 2024 was 1,410,542 tonnes, with a reduction of 177,939 tonnes compared to 2023.

The main contributors to this result were:

- Due to market conditions and reduced demand the overall volume of steel (by weight) and steel components purchased by SKF was reduced by 13%.
- The use of scrap-based steel increased by 5% from 49% to 54%

The graph on the previous page shows the development of these emissions and the purchased weight of direct materials over time.

Scope 3, category 4 (logistics)

2024 strategic decisions and actions

During 2024, SKF continued the footprint and regionalization strategy, which aims to assure that SKF's production facilities are closer to regional customers and suppliers, thereby reducing the need for long-distance transports and the associated emissions.

2024 also saw the introduction of an air-freight avoidance policy which aims to minimize the use of airfreight due to its significant environmental and financial impacts. Based on SKF specific data, airfreight emissions are approximately 40 times greater than sea freight, 35 times greater than rail freight, and 8 times greater than road freight. The policy applies to the entire Group for both inbound and outbound transportation. Planned airfreight should be reduced by evaluating and utilizing alternative transport modes, and unplanned airfreight should only be used in urgent situations to avoid major disruptions. All unplanned airfreight cases must be reported and analyzed using problem-solving techniques to prevent future occurrences.

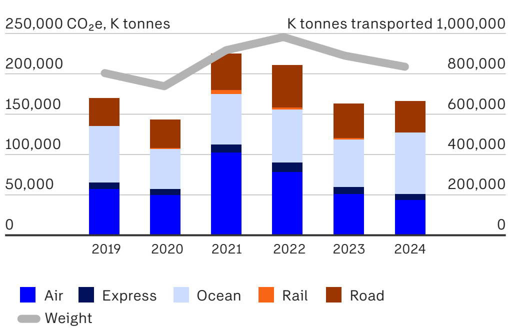
During 2024, SKF has also started working with external specialist consultants to map and prioritize the various types of green transport solutions which are developing in the market so as to inform any future use of these solutions.

2024 performance

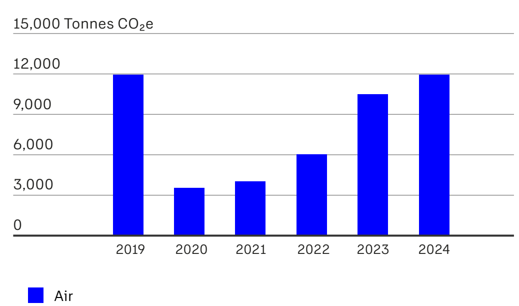
Transport emissions KPI increased 2024 by +3% compared to 2023.

In spite of good efforts in reducing transport emission footprint in all transport modes except ocean freight, these were wiped out by increased transport work in our global ocean freight lanes due to geopolitical circumstances. Transport work (tonnes/km) increased by 20%, due to increased freight lane distances on eastbound lanes. Ocean freight volumes only increased by 6–7%, so main reason for increased tonnes/km is increased distances. Due to this the emissions for ocean freight increased by approximately 30%.

Scope 3, Category 4 development



Scope 3, Category 6 development



Scope 3, category 6 (business travel)

2024 performance

The scope 3 category 6 emissions from 2024 increased by 1 207 tonnes compared to 2023 due to a corresponding increase in business travel.

The table below shows the development of these emissions over time.

During 2024, SKF continued to communicate the importance of questioning the need for business travel to all employees, only using it when virtual meetings options are not feasible. In addition the selection of lower carbon modes of transport was also highlighted.

In 2024, Group Management also approved a new KPI for measuring and following up business travel. The KPI is defined as tonnes of CO_2e from business travel (flights) / number of white collar employees.

The focus will be on white collars (staff) since this is the employee category doing the majority of travel. SKF will introduce a yearly target to improve this KPI which is –5% per annum.

Business travel (air travel)

Tonnes	2024	2023	2022
CO_2e emissions from air travel (scope 3, category 6)	11,593	10,386	6,395

Policies related to climate change mitigation and adaptation

SKF has defined and implemented a number of policies, management systems, procedures and instructions intended to address climate change mitigation, climate change adaptation and energy efficiency. These are summarized on pages 114–115.

First bearing produced from green steel

During 2024, SKF and Voestalpine Wire Technology announced the successful production of the first spherical roller bearing using green steel made from hydrogen direct reduced iron (H-DRI). The bearings are now under rig testing with the aim to demonstrate the technical viability of this new, potentially very low carbon steel production method.

Avoiding airfreight

In a significant move towards decarbonization and cost efficiency, Anastasiya Merkulova, Sustainability and Logistics Project Manager within EMEA, spearheaded a project to avoid airfreight for the sales unit in Kazakhstan following a warehouse closure. By shifting the supply chain to truck shipments from Schweinfurt via the Caspian Sea, the initiative resulted in substantial environmental and financial benefits. The project achieved monthly greenhouse gas emissions savings of approximately 350 tonnes, equivalent to removing 300 new European cars from the road for a year, and reduced shipping costs by EUR 2.6 million annually. Despite an increase in delivery time from 3–7 days to 24–35 days, the market successfully adapted to the new schedule, demonstrating the feasibility of sustainable logistics solutions.

Climate change adaptation and mitigation cont.

	Policy	Instruction	Management system	Mitigation	Adaptation	Energy efficiency	How policy adresses topic	Linkage to IRO	Time horizon	Publicly available
Fossil fuel phase out policy	•			•			To accelerate the decarbonization of SKF's operations and to reach the Group's 2030 decarbonization goal (95% reduction of Scope 1 and 2 greenhouse gas emissions by 2030 vs 2019), and thereby support the goal for 2050 in the full value chain, the following rules apply to all SKF manufacturing, warehouse, R&D and larger sales facilities: • No investments shall be made in new assets which use fossil fuel. Any deviations from this policy must be reviewed with SKF's Net-Zero team and approved by the Group Investment Committee. • It is mandatory to stop the use of fossil fuels and fossil-based district heat (in existing facilities and assets) within 2029. Direct fossil gas use may be replaced with electrification (using renewable electricity) or approved non-fossil fuel alternative. When processes are outsourced to subcontractors, an evaluation should be made to determine if this results in an increase in upstream use of fossil fuels. For decisions where this is the case, they should be approved by the Business Area's sustainability and supply chain managers. • A specific investment frame – the 'Decarbonization investment frame' shall, where applicable, be used to fund the necessary investments to achieve this.	Reduces reliance of fossil fuels, associated environmental impact and future carbon costs. Avoids carbon lock-in.	2030	N
Group EHS Policy	•			•	•	•	SKF should systematically work to understand and address sustainability impacts of our operations and supply chain, and of our customers, so that sustainability is truly embedded in the way business is made. Through the policy, SKF commits to proactively assess health and safety risks, environmental and energy impacts and systematically define, document and implement improvement plans which aim to eliminate hazards, reduce risks, and avoid or reduce impacts. Energy performance should be continually improved by applying or promoting technological and organisational measures along the full value chain.	Assures energy and environmental performance consistently improves and compliance obligations are met.	Ongoing	Y
Group Energy Sourcing Committee (GESC)		•		•		•	The GESC is a forum with ultimate authority to decide on commercial and environmental issues to energy sourcing across SKF. The aim is to reduce cost and carbon intensity in the energy supply for the SKF Group. This group and related instruction drives the deployment or renewable energy at SKF. The representatives from relevant SKF functions shall meet regularly (at least quarterly). The environmental aspects related to sourcing of renewable energy, for electricity, should be compliant with RE100 criteria.	Reduces reliance of fossil fuels, associated environmental impact and future carbon costs.	2030	N
Shadow Carbon Pricing Policy	•			•			This policy aims towards internalizing the environmental cost of steel and steel components within SKFs supply chain by implementing a Shadow Carbon Price (SCP). The SCP, while not a direct expense, should be calculated and used in conjunction with other parameters to influence supplier selection for all major direct material sourcing decisions related to steel bar, tube and wire. Steel tube, bar and wire are in the initial scope due to their high greenhouse gas emissions impact and relative ease of shadow carbon price calculation. Other components and materials will be added later.	Reduces reliance on carbon intensive material and/or suppliers and associated environmental impact and future carbon costs.	Ongoing	N
Airfreight Policy	•			•			Planned airfreight should be kept to the minimum. Supply chains should be based on road & ocean freight as standard. Deviation from this must be aligned and approved by BA president. Customer delivery leadtimes should not be based on airfreight delivery. Air freight should only be considered if it provides a vital solution for timely delivery. If such need occurs, quantity should be kept to the minimum (possible order split considered).	Reduces greenhouse gas emissions impact of logistics and related costs for transportation.	Ongoing	N

Climate change adaptation and mitigation cont.

	Policy	Instruction	Management system	Mitigation	Adaptation	Energy efficiency	How policy adresses topic	Linkage to IRO	Time horizon	Publicly available
Sustainable Buildings Policy	●			●		●	The policy sets out the sustainability requirements which shall be applied in the design and construction of major new facilities which are to be owned or leased by SKF. All new constructions (including significant refurbishments) with a total gross area (TGA) > 2500 M2 which are to be owned or leased by SKF, shall be decarbonized and shall be certified according to LEED v4.1 Gold level or better. Deviations from this requirement must always be approved by the Group's investment committee.	Avoids carbon-lock in, increased robustness in the face of future energy and carbon costs.	Ongoing	Y
SKF Group Business Travel Policy	●			●			This policy sets out the requirements which all SKF employees shall follow for business travel. Environmental impact should be limited. Virtual meetings should be the first choice for both external and internal meetings. All travellers should strive to choose the most environmentally friendly travel option when feasible.	Reduces greenhouse gas emissions impact of business travel and related costs for transportation.	Ongoing	N
SKF Group Instruction on the provision of sustainability information to customers		●		●		●	Increasingly, customers are motivated to understand their suppliers' sustainability approach and performance and are therefore requesting that their suppliers provide them with related information. Information should be provided in a consistent and transparent way. This Group Instruction therefore defines the way in which SKF shall respond to such customer requests.	Protects against reputational damage.	Ongoing	N
Energy Management System			●	●		●	SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 47 most energy intensive operations making up about 80% of the Group's total energy use and helps drive continual improvement in energy performance by utilizing the plan-do-check-act cycle.	Increased resilience vs. future energy and carbon cost increases,	Ongoing	N
Environmental Management system			●	●	●	●	SKF has an environmental management system globally certified according to ISO 14001:2015. The certificate covers all significant SKF manufacturing, warehouse and research and development operations and helps drive continual improvement in environmental performance by utilizing the plan-do-check-act cycle.	Assures compliance with applicable legislation.		N
SKF Sustainability standard for suppliers			●	●	●	●	The SKF Sustainability Standard for Suppliers covers SKF's requirements and expectations in respect of social responsibility and human rights, health and safety and environmental protection – including climate change mitigation and adaptation and ethical and compliant business conduct.	Reduces reliance on carbon intensive material and/or suppliers and associated environmental impact and future carbon costs.		Y

Climate change adaptation and mitigation cont.

Targets related to climate change mitigation and adaptation
SKF has defined GHG emission reduction targets for all material impacts and these have been approved both in the short term (2030) and long term (2050) as aligned with the 1.5 degree scenario by the SBTi.

The GHG reduction targets are presented in the table.

Please read in more detail on how SKF tracks the overall progress towards the adopted targets over time starting on page 108.

The targets are set through dialogues with selected external stakeholders such as the SBTi, combined with input from internal experts who represent stakeholders' views using existing channels of interaction. Read more about how the targets were established in the 'Reporting Principles' section on the next page.

In addition to these objectives, SKF has also established a number of sub-targets which are helpful in the drive and follow up of strategic levers such as energy efficiency and renewable electricity use and these are summarized below.

Please refer to the policy matrix on pages 114–115 to understand how the targets are interconnected with the respective policies.

Reporting principles
SKF follows the GHG protocol corporate reporting standard. In common for all scopes and categories is that primary data is preferred over secondary data, and that mass allocation is preferred over economic allocation. SKF's reported scope 2 emissions are calculated based on the market-based method. The base year is 2019 for all the SBTi-approved targets. This was a fairly typical year in terms of demand, production output etc. prior to the disruption caused by the pandemic. Building heating is relatively small (~20%) of the total energy use related to scope 1 and 2, and comes mainly from the operations in Europe and North America. 2019 was not a particular outlier in terms of average degree days for these regions.

The table Energy consumption and mix, data for renewable energy has been accounted for only where supplier specific statements are available. Non-renewable grid mixes accounted for as fossil energy unless data for nuclear grid mix (only 2024) has been possible to acquire.

Summary of SKF's climate goals, including those approved by the SBTi

	Purchased direct material	Logistics	Other upstream impacts	SKF's own operations	Downstream
GHG Reporting scope	**Scope 3, category 1**	**Scope 3, category 4**	**Scope 3, other**	**Scope 1 & 2**	**Scope 3, category 11**
2025	15% absolute reduction in emissions from forgings and rings suppliers vs 2019.	40% reduction in CO_2e emissions per tonne of goods shipped to end customers, base year 2015.	TBD	40% absolute reduction of CO_2e emissions from manufacturing per tonne of bearings sold, base year 2015.	TBD
2030	32% absolute reduction in emissions from direct material vs 2019.	35% absolute reduction vs 2019.	TBD	95% absolute reduction vs 2019.	
2035	43% absolute reduction in emissions from direct material vs 2019.	55% absolute reduction vs 2019.	TBD		
2040	60% absolute reduction in emissions from direct material vs 2019.	77% absolute reduction vs 2019.	TBD		
2050	**Net-zero emissions through 95% reduction of scope 1 and 2, and 90% reduction of scope 3 vs 2019. Remaining emissions addressed via Carbon Dioxide Removals.**				

Description %	Target	Timeframe	Purpose	2024	2023	2022	2021	2020
Manufacturing energy efficiency improvement	5% Improvement	Year-on-Year	Drive focus on energy efficiency at unit and BA level	3.5	4.7	3.8	1.7	2.3
100% renewable electricity use	100%	2030	Drive the increase in renewable electricity use in accordance with RE 100 requirements	72	64	54	49	39
Scope 1 &2 reduction	95% Reduction	2030 (2019 base year)	Drive focus on fossil fuel phase out related to energy used in SKF operations	59	39	26	12	9
Scope 1 & 2 reduction per tonnes of sold bearings	40% Reduction	2025 (2015 base year)	Previous goal (set before SBTi targets)	76	66	60	51	36
Logistics Scope 3, C4 emissions per tonnes of goods shipped	40% Reduction	2025 (2015 base year)	Previous goal (set before SBTi targets)	7	10	+6	+27	+2

Climate change adaptation and mitigation cont.

SKF uses a cross-sector emission pathway in line with limiting global warming to 1.5°C. Targets are determined using 1.5˚C-aligned pathways from the SBTi. The most important scenario is the IEA Net Zero Emissions (NZE) scenario.

The targets have been established in the context of a solid understanding of potential future changes in sales, production volume and the impact of technological, operational and market-related changes. For example, in determining the achievability of the 2030 goals for scope 3, category 1 (direct materials) the impact of moving to lower carbon intensity steel production techniques (scrap-based steel combined with the use of renewable energy) has been anticipated. Similarly, the feasibility of the 2030 goal for scope 3, category 4 was evaluated in the light of anticipated impacts of SKF's regionalization and manufacturing footprint plans, bringing SKF's production locations closer to customers and suppliers.

The targets are consistent with the GHG reporting boundaries with the following exceptions:

- Scope 3 categories 2, 5, 8, 10, 12, 13, 14 and 15 are not considered material and therefore only 2050 targets are defined for the time being.
- Scope 3 categories 3 and 7 have a material impact, however targets medium-term have not yet been defined. In the case of scope 3, category 3 this is due to the very low possibility for SKF to measure the direct results of its efforts to support the reduction of this impact. In the case scope 3, category 7 SKF has not yet defined a target or direct way to measure this impact.

Notes on scope 3, category 1 (purchased goods and services)

Measuring, reporting and reducing the upstream scope 3 category 1 emissions from direct material production is a critical challenge. It is, however, a relatively new dimension for both SKF and the industry as a whole and the majority of the Group's suppliers, and their suppliers. Along with partners in the supply chain, SKF is therefore learning and evolving its approach so that the completeness, accuracy and value of this data as a management tool is improving every year. SKF's reporting makes use of primary data (information collected from suppliers on their full value chain carbon intensity multiplied by weight supplied to SKF), directly from suppliers, whenever possible and where this is not possible, credible secondary data sources are applied.

The main data SKF requests from suppliers is their greenhouse gas intensity (kg of CO_2e by kg of product). This is then multiplied by the total weight of products delivered to SKF to give the total emissions. Although more complex and challenging to collect, primary data is preferred since it captures specific supplier performance year on year and shows the impact of supplier choice, which is not possible when using secondary data.

As a result of the increased use of primary data compared to the approach taken in the 2023 report, the accuracy of the reporting has improved and the annual emissions from 2019 to 2023 have been re-calculated. This has changed the previous years reported values, with a baseline (2019) increase of approximately 8%. In a small number of cases, steel suppliers were not able to provide their upstream scope 3 emissions. In these cases, SKF applies an assumption of the upstream scope 3 impact. This is made using the experience gathered by SKF in collecting primary data from other, similar suppliers. On average, this assumption increases the total scope 1 and 2 impact for the suppliers by +65%. In the meantime SKF works to assure that the suppliers provide direct declarations for their scope 3 impact.

It is also important to note that SKF has focused on the main raw material inputs to the Group which is the steel used in the rings and rolling elements of rolling bearings. As previously stated, during 2024 more categories have been investigated such as rubber and plastics, and these are also being introduced into the reporting scope.

Notes on scope 3, category 4 (logistics)

Considering scope 3 category 4, emissions from upstream and downstream transportation, SKF covers approximately 80% of the emissions resulting from outbound flows (where SKF controls the transport), and around 70% inbound. SKF uses emission factors coming from NTM, the Swedish Network for transport measures. SKF intends to further improve the process for collecting emissions for these categories during 2024 to achieve a more complete coverage of this aspect.

Depending on the data availability, SKF applies one of two methods to calculate and aggregate these emissions.

Method 1: Transport statistics are collected from transport suppliers and the emissions are calculated using a tool developed by SKF. The tool calculates emissions based on modelling of the SKF transport network and uses emission factors per mode of transport combined with the distance and weight shipped.

Method 2: Transport emission reports are collected directly from transport suppliers and aggregated.

Method 1 is used for all SKF-operated transports except for express shipments, where method 2 is used. In both cases, the emissions reported are greenhouse gases with a well-to-wheel scope.

Energy consumption and mix

GWh	2024	2023	2022	2021
Fuel consumption from coal and coal products	0	0	0	0
Fuel consumption from crude oil and petroleum products	5.1	5.5	6.1	7.6
Fuel consumption from natural gas	222.7	241.0	268.6	274.8
Fuel consumption from other fossil sources	16.6	19.1	18.6	17.7
of which Fuel consumption from LPG	16.6	19.1	18.6	17.7
Consumption of purchased or acquired electricity, heat steam and cooling from fossil sources	278.2	491.0	703.2	814.0
of which Purchased electricity (fossil sources)	223.3	409.6	589.0	672.6
of which Purchased heat and cooling (fossil sources)	54.9	81.4	114.2	141.4
Total fossil energy consumption	**523**	**757**	**996**	**1,114**
Share of fossil sources in total energy consumption, %	35	49	59	63
Consumption from nuclear source	70	1)	1)	1)
of which Purchased electricity (nuclear)	70	1)	1)	1)
Total consumption from nuclear sources	**70**	1)	1)	1)
Share of consumption of nuclear sources in total energy consumption, %	5	1)	1)	1)
Fuel consumption from renewable sources, including biomass	28.2	17.9	19.4	20.1
of which Fuel consumption from biomethane and biogas (renewable)	17.3	17.9	19.4	20.1
of which Fuel consumption from biomass (renewable)	10.9	1)	1)	1)
Consumption of purchased or acquired electricity, heat steam and cooling from renewable sources	838.3	759.0	661.5	623.1
of which Purchased electricity (renewable)	790.8	734.5	661.5	623.1
of which Purchased heat and cooling (renewable)	47.4	24.5	1)	1)
Consumption of self-generated non-fuel renewable energy	35.3	23.5	16.5	6.9
of which Self-generated electricity (non-fuel renewable)	35.3	23.5	16.5	6.9
Total renewable energy consumption	**902**	**800**	**697**	**650**
Share of renewable sources in total energy consumption, %	60	51	41	37
Total energy consumption	**1,494**	**1,557**	**1,694**	**1,764**

1) Data is not available or not possible to verify historically.

Climate change adaptation and mitigation cont.

Energy & GHG intensity based on net revenue
All SKF activities are considered to be in high climate impact sectors.

	2024	2023	2022
Net revenue	98,722	103,881	96,933
GWh	1.494	1,557	1,694
Total CO_2e, tonnes (Scope 1 and 2)	171,358	253,740	310,331
GHG intensity tonnes/MSEK	1.74	2.44	3.20
Energy intensity MWh/MSEK	15.14	14.99	17.47

Carbon intensity continues to reduce reflecting further increases in renewable energy sourcing and improvements in efficiency. Energy intensity increased slightly due to reduced volume, however energy efficiency improved.

Sources of emissions

Tonnes, conversion factors in tonne per unit in brackets	2024	2023	2022
Direct (scope 1)			
LPG (3.0 per tonne)	3,638	4,197	3,696
Fuel oil (3.0 per tonne)	1,477	1,639	1,543
Natural gas (0.002 per cubic meter)	40,621	43,880	47,576
Biomass (0.04 per tonne)	117	–	–
Supplied (scope 2), market-based			
Electricity	117,817	195,978	239,866
District heating and cooling	7,688	8,046	17,650
Total CO_2e emissions, market-based	**171,358**	**253,740**	**310,331**

Scope 1 emission factors have been derived from DEFRA, except Gothenburg where the local RED-Cert standard has been applied.

Scope 2 contractual emission factors have been provided by relevant electricity suppliers. Scope 2 location based emission factors have been taken from IEA, DEFRA and other recognized data sources.

Emission factors from DEFRA are used for district heat except certain sites in Germany, Sweden and Poland where specific emission factors from suppliers are provided by the local district heat provider.

Gross Scopes 1, 2, 3 and total GHG emissions

				Targets			
	Base year 2019	2024	% change 2024 vs 2023	2030	(2050)	Annual % target/ base year	Comment on development
Scope 1							
Gross scope 1	58,135	45,853	–7.8	●		8.6	1
% from ETS		9.17					2
Scope 2							
Gross location-based	518,500	392,255	–12				1
Gross market-based	360,873	125,505	–38	●		8.6	3
Significant scope 3 GHG emissions							
1. Purchased goods and services	1,675,800	1,410,542	–11	●		2.9	1
2. Capital goods	16,500	25,385	–12				4
3. Fuel- and energy-related activities (not included in scope 1 or 2)	97,527	60,372	–3.1				5
4. Upstream transportation and distribution	171,802	167,448	2.1	●		3.2	1
5. Waste generated in operations	37,019	34,433	–21				6
6. Business travel	12,954	11,593	12				1
7. Employee commuting	56,132	48,429	–4.8				7
8. Upstream leased assets	0	0	0				NA
9. Downstream transportation and distribution	NA	NA	NA				NA
10. Processing of sold products	8,398	8,885	–11				9
11. Use of sold products	1,012,016	1,217,202	12	●		2.5	10
12. End-of-life treatment of sold products	21,713	22,119	–9.2				11
13. Downstream leased assets	NA	NA	NA				NA
14. Franchises	NA	NA	NA				NA
15. Investments	NA	NA	NA				NA
Total GHG emissions							
Total location-based	**3,686,496**	**3,444,517**					
Total market-based	**3,528,869**	**3,177,767**					

Comments on the development (reference in right hand column in the table).

- 1 and 3 See comments included under '2024 performance' in relevant section of 'Implementation of transition plan'
- 2 Only one boiler system at SKF's factory in Airasca, Italy is included in the EU ETS, with annual emissions of 4,206 tonnes of CO_2e.
- 5 and 7 Scope 3 categories 3 and 7 have a material impact, however targets medium-term have not yet been defined. In the case scope 3, category 7, SKF has not yet defined a target or direct way to measure this impact.
- 10 The change vs. 2023 reflects mainly change in number of sold products which generate scope 3, category 11 emissions.
- 4, 6, 9 and 11 No significant impacts, the estimated greenhouse gas emissions is based on secondary data.

Additional notes on the calculation of Scope 3 emissions
This table shows GHG emissions aggregated per scope and category. They can be reported directly by suppliers or, calculated using data collected from suppliers or SKF operations or, a combination of both.

When emissions factors are used, they are evaluated and selected from commercial datasets or SKF LCA studies. Mass allocation is used except for data categories for which mass data is unavailable, for these economic allocation is used. Estimates can be used for data categories with a small contribution and influence on the overall carbon footprint.

More specifically;

Scope 3, category 2 – an emission factor based on a selection of representative production machines is derived and leveraged for calculating emissions for all capex investments.

Scope 3, categories 3 and 5 – calculated using waste data and energy data published on skf.com, combined with emissions factors selected from commercial datasets.

Scope 3, category 6 – covers air travel in most regions based on data obtained from travel agencies.

Scope 3, category 7 – based on number of employees, region and typical commuting patterns.

Scope 3 category 10 and 12 – the weights of sold products are leveraged and assumptions are applied related to product mounting and end-of-life treatment method.

Scope 3, Category 11 – based on estimation of the total direct energy use by relevant SKF products multiplied by a global average electricity emission factor.

The reporting methodology for other scope 1, 2 and 3 categories is described on page 116.

Climate change adaptation and mitigation cont.

Additional underlying data – useful to better understand Scope 1, 2 and 3 trends

Scope 3, Category 1

Table showing total weight of materials components purchased

Year	GHG emissions from steel material and related components, Scope 3 cat. 1 (tonnes CO_2e)	Steel material and related components, Scope 3 cat. 1 (tonnes shipped)
2024	1.410.542	586,062
2023	1.588.482	676,747
2022	1,891,851	737,358

Scope 3, Category 4

Year	GHG emissions from transports Scope 3 (tonnes CO_2e)	Transport Works (tonnes shipped)
2024	167,448	298,102
2023	163,991	300,092
2022	213,061	330,904
2021	227,228	295,249
2015	155,611	257,023

Baseline recalculated from 2015 due to methodology change of counting inbound volumes in India and USA

Transport Mode	Transport Works (tonnes shipped, % of total)	GHG emissions (% of total)	Tonne* Kilometer (% of total)
Road	70	23	9
Sea	29	46	90
Air	1	26	1
Rail[1)]	0	0	0
Express	<1	4	n/a

1) No rail connection available between Europe-Asia due to war in Ukraine.

Biogenic scope 1 emissions

Tonnes COe_2, biogenic	2024
Solid biomass	3,853
Biomethane	3,456
Scope 1 Total	**7,310**
Scope 2 Total	Data has not yet been possible to acquire.
Scope 3 Total	Data has not yet been possible to acquire.

GHG removals and GHG mitigation projects financed through carbon credits

SKF does not make use of carbon credits and has no plans to do so.

Internal carbon pricing

Shadow Carbon Price for direct material purchasing

Scope 3, category 1 emissions from direct material purchasing account for approximately 1.5 million tonnes of CO2e annually, representing 80% of the total cradle-to-gate greenhouse gas emissions for the SKF Group. A significant portion (90%) of these emissions is attributed to the sourcing of steel and steel components.

SKF has set ambitious goals to reduce these emissions by 32% by 2030, compared to a 2019 baseline. The primary levers to achieve this reduction are described in the transition plan section above.

While efficiency gains and re-manufacturing are driven by cost and growth perspectives, transitioning to less carbon-intensive steel and renewable electricity is more complex. Currently, there are limited external economic drivers for these changes, except in specific industries, for example, the automotive industry and in certain regions, such as the EU. Therefore, SKF has determined that internal intervention is needed in the form of a shadow carbon pricing approach.

Lower carbon intensity steel often incurs higher costs due to increased production expenses and regional price differentials. Executing these lower carbon strategies prematurely could reduce SKF's competitiveness if customers are not ready to recognize the value or if legislation has not yet mandated it.

Certain sectors already require lower embodied greenhouse gas emissions in steel. EU policies like the Carbon Border Adjustment Mechanism (CBAM) and the phasing out of free emissions allocations in the EU Emissions Trading Scheme (ETS) are expected to create a carbon price of EUR 100-150 per tonne by the late 2020s. For other regions and industries, the timing of customer demands or legislation is less clear. Therefore, SKF is developing a shadow carbon price to raise awareness among purchasing, product line, sales and marketing functions without yet incorporating it into standard cost calculations and pricing.

Policy approach

The policy mandates that the shadow carbon price shall be included in customer discussions whenever possible, providing examples of how to apply the principles.

The purchasing team in SKF are responsible for calculating the embodied carbon of materials and the shadow carbon price.

The initial focus is on bar, tube, and wire, which represent 70–80% of the total upstream greenhouse gas emissions impact from steel. Manual calculations will be performed by nominated Business Area personnel for these categories. The calculation of a shadow carbon price is mandatory for sourcing decisions exceeding 10 MSEK annually.

Carbon price application

SKF is applying a CO_2e price of EUR 100 per tonne, based on anticipated EU ETS carbon prices for the next year or two. This price may be adjusted going forward. Compliance has been required from 1 July 2024.

Shadow carbon pricing applied in energy saving investments

As well as the shadow carbon price applied for direct material purchases, SKF also applies a form of shadow carbon pricing in the investment process, when there is an impact on energy use. This approach requires that the baseline financial scenario for any investment uses an anticipated cost for Energy Attribute Certificates (EAC). Considering RE100's technical requirements for EACs for renewable electricity or additional cost of sourcing approved renewable fuel alternatives, such as e.g. sustainable bio methane, SKF anticipates significantly higher EAC costs, which will vary depending on the region. The inclusion of an anticipated future cost of EACs in the financial baseline (the calculation of what happens if the investment is not made) significantly improves the payback time for the energy or carbon-saving investment and therefore increases the probability that it will be approved.

All energy-saving or GHG-reducing investment projects are tracked in a central database known as the FTJ Energy and Carbon Savings Tracker. Specific instructions are provided to the units explaining how this shadow EAC price should be included in the financial payback calculation. All investments are scrutinized at the Business Area level, and a sample of them at the Group level.

Resource use and circular economy

Material impacts, risks and opportunities

IRO and value chain	Description
Resource inflows	
Positive impacts Full value chain	Increasing demand for products and business models with improved circular performance
Negative impacts Upstream	Use and reliance on virgin raw materials such as steel
Resource outflows	
Positive impacts Downstream	Designing, developing and providing solutions for circularity
Negative impacts Full value chain	Limited closed-loop product flows for all SKF's products
Opportunities Downstream	Winning business in a circular economy
Waste	
Negative impacts Own operations	Waste generated in own operations

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Impacts

The transition from a linear to a circular business cuts across the whole of SKF, from managing resource inflows in the global supply chains, through the factories, to reducing outflows like waste created in the delivery of products and services to customers. Within SKF's own operations, it is necessary to eliminate waste, improve waste treatment and ensure efficient use of materials by focusing on circular economy strategies such as remanufacturing and recycling. SKF has screened its assets and activities and engaged with stakeholders, including customers, employees, suppliers and civil society, to identify actual and potential impacts in the Group's own operations and the upstream and downstream value chain. Customers emphasize decarbonization and energy efficiency, aligning with SKF's sustainability goals, while suppliers focus on transparent sustainability practices, and civil society expects SKF to reduce environmental impacts and support circular economy objectives. There is ongoing consultation with communities local to sites, with no significantly affected communities identified in relation to SKF's resource use. More on stakeholder dialogue on page 88.

Risks

Risks related to circularity extend to resource inflows, resource outflows and waste management amidst growing regulatory pressure and focus on resources and waste. SKF relies on materials like steel, primarily from recycled sources, but faces challenges in availability and consistency of global supplier data.

A significant environmental challenge comes from SKF's reliance on virgin raw materials, which poses pollution, processing, energy, transport and emissions-related risks. Remaining in a linear business model poses further risks such as rising material costs, supply chain disruptions and the risk of regulatory non-compliance as governments increasingly tighten circular economy regulations.

There are also reputational risks if SKF does not shift more rapidly towards circularity, given the increasing focus on sustainability from stakeholders and customers alike. Risks extend to other materials such as rubber, oils and greases compounded by growing regulatory pressure and attention on resource scarcity.

Opportunities

Transitioning to a circular economy presents opportunities to optimize material flows, reduce costs, and position SKF as a leader in sustainable manufacturing. The company is actively increasing recycling, remanufacturing and waste reduction efforts across its business units. Key units include manufacturing, supply chain and procurement, R&D and innovation, and service and maintenance, all of which are working to scale circular solutions that extend product life-cycles, improve resource efficiency and minimize waste.

By designing products for circularity, ensuring modularity, repairability and recyclability, SKF is creating solutions that will have a significant positive impact on the circular economy transition. In leveraging these strategies, SKF aims to increase the proportion of revenues from circular business models and help its customers transition towards circularity, thus reducing both the environmental footprint and dependency on virgin materials.

Circular solutions, such as remanufacturing and the RecondOil offer growth potential by extending product life-cycles, reducing waste and lowering costs for customers. As industries adopt circular economy practices, demand for reuse will increase, positioning SKF as a leader in this space.

Policies

SKF has established policies to manage key impacts, risks and opportunities related to resource use and the circular economy across its operations and value chain. These policies are designed to ensure the identification, assessment and remediation of material impacts and risks in alignment with circular economy principles.

The policies are continually reviewed and updated to address new risks and opportunities as identified through materiality assessments. These policies also drive the implementation of circular economy strategies such as recycling and waste treatment ensuring SKF and its value chain are aligned with sustainability objectives. More information about SKF's policies can be found on page 142.

Resource use and circular economy cont.

Circularity cuts across SKF's whole business
To help visualize and communicate the company wide transformation and the ongoing circularity related activities SKF developed the following framework:

Re-imagine circularity for a better tomorrow

SKF's operations

Eliminate waste and pollution

Material efficiency
- Increase direct material efficiency
- Standardize material sourcing
- Reduction of indirect materials purchased

Equipment lifecycle
- Refurbishment and reuse of equipment
- Repair and maintenance of equipment
- Recycling of equipment

Technological and product development
- Design for remanufacturing
- Standardization of design and technology
- AI supported Data Management and Analytics

Green and efficient supply
- Embed circularity in supplier relationships and increase yield of steel
- Secondary materials first
- Recyclable/bio-based materials

Circulate materials
- Recycling and reuse of grinding swarf
- Recirculate components
- Recycling and reuse of oil and grease
- Cycle back (e.g. paper, packaging)

Legal – ensures compliance, protects immaterial assets and creates clear framework for circular business models.

Data & AI – optimizes the process, including predictive maintenance, optimizing remanufacturing processes and efficiency improvements in material flows.

Upskilling – equipping the workforce with the necessary skills for a circular economy, such as experience in remanufacturing, data analysis, and sustainable practices.

SKF's offering

Circular solutions /Business models

Remanufacturing as a service
Bearing for improved circularity
Housing for improved circularity

Performance solution
100/100 contract for remanufacturing and supply in railway

Certified Pre-owned
Collect and sell remanufacturable bearings

RecondOil
Circular oil for life

Predictive maintenance
Offer maintenance activities to ensure extended life of bearings

Actions and resources related to resource use and circular economy
Circularity will eventually transform SKF's materials, production, supply chain, business models and culture. SKF has therefore defined a multitude of actions driven locally and globally based upon the known impacts, risks and opportunities presented by the circular economy. SKF's Circularity programme identified over 100 initiatives taking place throughout the business relating to circularity.
Key areas of action include:

- **Remanufacturing** at SKF promotes circularity by extending the lifespan of products across industries including the railway, metals and aerospace industries. A bearing typically replaced every three years can be remanufactured twice to last up to nine years, effectively performing the function of three new bearings. Additionally, remanufacturing ensures that high-quality steel remains in the recycling loop, either by reusing it in bearings or recycling it into high-quality steel for new products.
- **RecondOil** double separation technology (DST) enhances the circularity of industrial oil by regenerating it into a reusable asset, preventing it from aging and eliminating the need for new oil purchases. By removing even the smallest contaminants, DST allows the same oil to be used indefinitely across various industries, reducing waste and carbon footprint. This technology not only saves costs but also improves performance and extends machine life.
- **Laser metal deposition (LMD)** enhances the circularity of bearings by allowing for repeated use through the application of metallurgically bonded coatings that resist wear and corrosion. The process uses only 15% of the steel needed for new bearings and the subsequent remanufacturing also reduces CO_2 emissions by up to 80%. Tested in real-life manufacturing conditions, LMD-coated bearings demonstrate high durability and minimal wear.

These actions are aligned with SKF's objectives to mitigate material impacts and risks, particularly in relation to resource inflows and outflows. For example, remanufacturing directly addresses the risks of resource scarcity and

Resource use and circular economy cont.

rising costs by extending product lifecycles, while Recond-Oil and LMD tackle the potential impacts of waste.

By implementing these circular economy strategies, SKF not only mitigates risks but also capitalizes on business opportunities, such as meeting the increasing demand for circular products and services. These actions, amongst others, help ensure compliance with evolving regulatory requirements and achieve the objectives outlined in SKF's sustainability policies, particularly regarding reuse and sustainable resource utilization to help mitigate material risks.

Targets related to resource use and circular economy
SKF's circularity targets focuses on resource inflows and improving waste management. The volontary targets reflects SKF's proactive approach to sustainability and directly address the most material impacts, risks and opportunities. To ensure focus the Group has chosen to prioritize two targets relating to circularity this year — specifically addressing circular material use (inflows) and waste management. By focusing on reducing SKF's reliance on primary materials like steel, improving resource utilization, and fostering sustainable resource cycles, the aim is to mitigate the upstream environmental impacts associated with resource scarcity, energy use and emissions.

In the coming years, SKF will evaluate and introduce additional targets to further focus efforts and address material impacts, risks and opportunities across the value chain.

Target 1 – Buy and use 100% net zero steel by 2050, or earlier
SKF's largest material inflow, by far, is steel. The Group's target is to buy and use 100% net-zero steel by 2050, or earlier. This target is aligned with the SteelZero initiative, a global collaboration aimed at transitioning to a net-zero steel industry. Until new technologies are scaled, the best way to reduce emissions is to increase the use of recycled steel and reduce the production of virgin steel. This target addresses key material impacts related to steel production. By transitioning to net-zero steel, SKF aims to reduce its total environmental footprint by supporting sustainable steel production methods. This commitment extends globally across SKF's supply chain to ensure access to net-zero steel in all operational geographies.

The timeframe includes interim milestones to track progress towards this long-term goal, acknowledging the challenges in transforming the steel industry, but ensuring continuous improvements along the way. The approach necessitates cleaner production methods and higher recycling rates, supported by collaboration with other SteelZero participants to drive industry-wide change. Regular reviews will assess whether SKF is on track or if adjustments are needed to accelerate progress, ensuring the target's alignment with the Group's broader sustainability and circular economy objectives.

Target 2 – A recycling rate above 80% for grinding swarf
Grinding swarf is a mix of small metal particles and abrasives mixed with emulsion. The Group objective is to achieve recycling at a rate above 80% year by year. Grinding swarf is a focus area for SKF and other metalworking companies due to its classification as hazardous waste, which can pose environmental risks if not properly managed. However, it also presents an opportunity to recover valuable metal content for reuse in other applications.

The target to achieve and maintain an 80% recycling rate applies to all SKF sites that generate grinding swarf as a waste material. While SKF has historically achieved this target, maintaining it has proven difficult due to, for example, variations in regional legislation or volatile scrap prices. Progress towards this objective is closely monitored through governance forums, such as the half-year EHS reviews conducted with Business Areas. SKF is constantly working to find business partners who can use grinding swarf as input to their production, both as direct and indirect material. During 2024, the rate of recycled or reused grinding swarf decreased to 65% compared to 66% the previous year.

Resource inflows
SKF uses various materials in production, including metals (predominantly steel), rubber, solvents, hydraulic oil and grease. Much of the steel purchased by the Group is produced by re-melting steel scrap, as this provides favourable material properties. SKF does not report any renewable materials or recycled input material. The most significant part of the material used comes from components which have been machined and refined along the value chain. This means that SKF does not have direct influence over the source of the material but only the specified quality. In general, the steel used by SKF during 2024 is made from around 54% of scrap, and SKF is working to increase this percentage.

Resource outflows
Products
As the shift to circularity gathers pace, customers are increasingly seeking re-use solutions for their products. Some of this volume will be given a next service life in SKF's remanufacturing centres, but SKF is also actively involved with customers who are developing their own or third-party recovery and re-use capacity which in turn will increase the economic viability of re-use.

When SKF's products are dismounted at the end of their first service life, it needs to be feasible that preparation for re-use can take place. SKF has assessed a sample of the Group's product families for repairability using the DIN (German Institute for Standardization) Quality Classification for Circular Processes. DIN scores range from 0 to 1, where 0 signifies purely linear products and 1 perfectly circular products. In the estimate of repairability across 11 product families, over two thirds of the products reviewed scored 0.80. This analysis provides insight for SKF's product and engineering teams about where improvements in durability can be made by better enabling remanufacturing and refurbishment.

There is no industry benchmark available to analyze the expected durability of SKF's products in relation to industry average. However, SKF has, developed a lifecycle model of bearings, analyzing the expected durability.

2024 saw the introduction of circular design principles into the product development process. Building on existing environmental guidelines, these design principles include emphasizing the design of products for durability and easy repair to extend their lifespan.

Non-renewable material

	2024 Tonnes	2023[1] Tonnes	2022[1] Tonnes
Metal as raw material from external suppliers	410,644	475,686	621,794
Rubber as raw material from external suppliers	4,727	4,956	5,087
Oils	7,188	8,054	8,982
Greases	2,134	2,322	2,424

1) Past data are restaded for divested units and data amendment

Resource use and circular economy cont.

Biological materials and packaging
Much of SKF's packaging materials are marked with recycling symbols. Local markets have different legislation regarding symbols and certification on packaging material. SKF follows local legislation on the printing of packaging symbols. Additionally, SKF is actively encouraging customers to adopt reusable packaging solutions. These can be returned and reused, minimizing waste and promoting a more sustainable, circular approach.

By promoting both reuse and recycling, SKF maximizes the lifecycle of its packaging, aligning with the cascading use of materials to reduce waste and enhance sustainability. In a single-stage cascade, packaging that cannot be reused can still be recycled, extending its utility. In a multi-stage cascade, SKF's focus on return and reuse allows packaging to be repurposed multiple times before disposal or recycling. Even when it reaches the end of its material life, the high recyclability of SKF's packaging ensures it can still contribute to resource conservation.

Recyclable packaging material

Packaging material	Waste Hierarchy	Type
Carton boxes	Recyclable as paper	Product packaging
Industrial KLT	Returnable to SKF for reuse	Product packaging
Industrial packing cartons	Recyclable as paper	Product packaging
Plastic	Recyclable as plastic	Product packaging
Plastic tubes	Recyclable as plastic	Product packaging
Plywood boxes	Recyclable as wood	Product packaging
Pouches	Recyclable as plastic	Product packaging
ProofBox	Returnable to SKF for reuse or recycle as plastic	Product packaging
Corrugated transport box	Recyclable as paper	Transport packaging
Corrugated paper pallet	Recyclable as paper	Transport packaging
One-way plywood box	Recyclable as wood	Transport packaging
One-way pallet	Recyclable as wood	Transport packaging
Plastic strapping	Recyclable as plastic	Transport packaging
Standard SKF pallet and collar	Returnable to SKF for reuse or recycle as plastic	Transport packaging

Waste
SKF works to avoid waste generation in several ways. Upstream, this includes the use of near-net shape production technologies such as cold rolling, thereby minimizing the amount of material which needs to be removed in subsequent processes. Examples within SKF's operations include avoidance of scrap and excessive material use through optimized processes. Downstream, SKF works with its remanufacturing approach to extend the life of SKF products and the systems in which they operate, thereby avoiding waste. Almost all recycling, reuse and recovery of waste which is diverted from disposal is undertaken by external companies such as steel plants, waste management and recycling companies. SKF is performing recycling of lubrication oil at some sites using SKF's RecondOil solution, but this is not yet reported separately.

As part of the Group's overall responsible sourcing approach, SKF requires that waste management companies and other companies making use of SKF's residual materials operate in full compliance with the SKF Code of Conduct and therefore all applicable local legislation. The Group reports disposal methods by reuse, recycling and incineration with and without energy recovery and landfill. Local objectives are required to be established by the Group and these shall drive sites upwards in the waste hierarchy. The amounts of residual material and recycling rate are disclosed below, and in more detail in the Environmental data spreadsheet available at skf.com. SKF reports all significant residuals and waste site-by-site.

In this report, SKF highlights the most significant residuals, recycling rates and the amount of waste sent to landfill. The data on weight of waste generated comes from both SKF measurements and those made by the waste management companies, depending on the fraction and the location.

Non-hazardous waste

Tonnes	2024	2023[1]	2022[1]
Total residuals generated	106,924	130,567	132,856
Recycled or reused	82,946	97,949	106,880
Recycling rate, %	78	75	80
Incinerated with energy recovery	7,600	8,159	8,629
Incinerated without energy recovery	1,861	2,255	1,970
Landfill	14,518	22,204	15,377

1) Past data are restated for divested units and data amendment.

Hazardous waste, grinding swarf

Tonnes	2024	2023[1]	2022[1]
Total	19,833	21,362	23,709
Recycled or reused	12,826	14,125	16,328
Recycling rate, %	65	66	69
Incinerated with energy recovery	619	653	430
Incinerated without energy recovery	3,198	4,310	5,076
Landfill	3,190	2,274	1,875

1) Past data are restated for divested units and data amendment.

Social

Own workforce

Material impacts, risks and opportunities

IRO and value chain	Description
Working conditions	
Negative impacts Own operations	Work-related injuries and ill health of own workforce
Positive and negative impacts Own operations	Secure employment, collective bargaining and freedom of association
Risks Own operations	Inability to attract and retain critical competences and capabilities
Equal treatment and opportunities for all	
Positive impacts Own operations	Enabling a diverse and inclusive workplace
Negative impacts Own operations	Discrimination and non-equal treatment of own workforce
Opportunities Own operations	Diversity and inclusion increasing innovation and business performance
Other work-related rights	
Negative impacts Own operations	Human rights of own workforce

Material impacts, risks and opportunities and interaction with strategy and business model

To stay competitive, and to deliver on the strategy and objectives set out by the Group, SKF needs to attract, develop and retain a diverse and effective workforce with critical competences and capabilities.

SKFs' people ambitions are an integral part of the overall strategy and are clarified in the SKF 2030 People Agenda, which is valid for all parts of the Group. The top three strategic priorities are Culture & Leadership, Workforce for the Future, and Employee Experience. The strategic priorities are further broken down into the following strategic areas:

- Purpose
- Values & Employee Value Proposition (EVP)
- Leadership development
- Diversity, trust and inclusion
- Organize for growth & innovation
- Future dimensioning of workforce
- High-performing organization
- Wellbeing in change
- People engagement
- Reward & recognition

The strategic priorities and the strategic areas serve as the framework when yearly ambitions, activities and targets are defined and followed up. The People Experience function is represented in SKF's Group Management by the Senior Vice President People Experience & Communication.

SKF commits to providing equal opportunities irrespective of ethnic background, race, religion, age, gender, disability, sexual orientation, outlook or social status. By working with this purpose, SKF contributes with actual positive impacts beyond mitigating negative impacts.

By fostering diverse teams and inclusive leadership SKF can enable an innovative environment that contributes with important financial opportunities for the Group. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area.

Safety always comes first and SKF is convinced that all work-related accidents can be prevented. Being a manufacturing company with a large number of employees, SKF has a potential negative impact on the own workforce's health and safety. The Group has a global management system with focus on hazard elimination and risk mitigation. SKF's zero accidents program, supported by proactive reporting of unsafe conditions, aims to prevent all workplace accidents. Implementing measures to mitigate negative impacts reduces the likelihood of critical consequences. Due to the severity of health and safety incidents, SKF considers these impacts significant.

SKF's approach to secure employment, collective bargaining agreements and freedom of association, prevents unfair treatment based on gender, culture, ethnicity or other factors. This can be seen as an initiative to mitigate important negative impacts. At the same time, by creating a more secure, attractive and engaging work environment, these measures also serve to create a potential positive impact for the workforce as well as for their families, communities and society as a whole.

Other work-related rights include human rights such as zero tolerance against child labour and forced labour. The severity of such a negative impact makes it material for SKF, despite its low likelihood. SKF is responding to this potential negative impact by adhering to international standards and guidelines and enforcing the SKF Code of Conduct policy in all its operations. Periodic Code of Conduct compliance audits are performed and a whistle-blowing process is available at local and global levels. SKF has conducted a human rights impact assessment, and while these impacts are predominantly linked to the supply chain, they are also relevant to SKF's own operations for the impacts identified for own workforce. For further information, please see "Workers in the value chain – material impacts, risks and opportunities and their interaction with strategy and business model" on page 134.

If SKF does not succeed in providing good working conditions, this can lead to high employee turnover rates that can generate financial risks through weakened results. Negative consequences could also include reduced investments, fewer innovations, decreased market share and poor wellbeing. SKF is responding to this by taking a holistic approach in strengthening the Group as an employer of choice, by putting the employee experience at the center, including providing safe and healthy working conditions, well-being, purpose and values as well as a fair and transparent reward and recognition system.

SKF Group Management and People Experience have a regular dialogue with the SKF World Union Council (WUC) and the European Work Council (EWC) according to the global framework agreement based on the SKF Code of Conduct. Issues relating to significant changes at SKF are always handled in close collaboration between Group Management, the WUC, the EWC and local unions.

As SKF Group operates under Swedish legislation and the Swedish Corporate Governance Code, employee representatives are part of the Board of Directors of AB SKF. Among other things, this means that employee representatives from white and blue collar unions have direct insight on Board level issues and the strategic outlook for the Group. As the trade unions in SKF play an integral part in shaping the methods and content of employee engagement, a people follow up is always on the agenda when the WUC meets the company representatives at the annual summit.

Employees who experience discrimination or unequal treatment may suffer from stress, anxiety and other mental health issues. This can negatively affect the employee's overall well-being and quality of life. The potential negative impact is deemed material based on its severity to the individual's health. SKF is mitigating any potential negative impact through, for example, the quarterly SKF Team Pulse survey, where SKF can measure the employee experience from wellbeing. Furthermore, employees are requested to report any behaviour that is not in line with SKF Code of Conduct to their manager, the local People Experience channels or to other senior managers.

Own workforce cont.

Employees can also raise concerns or seek advice through the third-party hosted SKF Ethics and Compliance Reporting Line.

Policies related to own workforce
SKF gives top priority to the health and safety of employees, contractors, agency workers and visitors. This is clearly stated in the Group EHS policy together with SKF's commitment to provide safe and healthy working conditions to prevent work-related injury and ill health, as well as to assure well-being in the work environment, as described in SKF's Employee Wellbeing policy. This commitment is supported by the Group's occupational health and safety management system. Related procedures and programs are designed to maintain and continually improve a safe and healthy work environment by proactively assessing health and safety risks and eliminate hazards, reduce risks and ultimately improve the work environment.

The Group EHS Policy is available both internally and externally. To ensure focus and awareness of the aim and ambition in the Group EHS Policy, a mandatory e-learning and policy commitment is part of employee induction and is renewed periodically.

The Group EHS Policy includes a commitment to assure well-being in the work environment, and is complemented by SKF's Employee Well-being policy, which includes psychological health, life balance and healthy life choices.

The overall EHS governance in SKF emphasizes line ownership for health and safety. EHS managers are appointed in the regions, Business Areas and local management teams across SKF. Working as part of the operational management teams, these individuals make sure that appropriate attention, resources and investments are given to health and safety in their respective units. They are supported in this work by the long established EHS country coordinators who provide local expertise, guidance and support to the sites.

At SKF Group, the Equal Pay Policy is established to ensure that all employees are treated fairly by receiving equal pay for equal work. The policy aims to ensure that all employees receive equal pay for equal work, regardless of their race, gender, age, national origin, disability, religion, sexual orientation, union membership or political affiliation, by conducting regular audits, monitoring starting salaries, providing training and addressing any instances of pay discrimination.

Processes for engaging with own workforce and workers' representatives about impacts
To strengthen the position as an employer of choice as well as the employee experience, SKF is intensifying employee involvement to develop an attractive workplace. Regular business area townhalls and team meetings with Q&A opportunities ensure ongoing workforce dialogue across the organization. The quarterly employee satisfaction survey SKF Team Pulse, is recognized as an essential tool and has a global reach. Since Q3 2023, diversity and inclusion, as well as health and well-being related questions have been incorporated into the SKF Team Pulse. This employee survey is anonymous and allows each employee to give a score on a scale of 0 to 10 (with 10 being most positive) to assess how SKF is doing on those drivers. In the most recent Team Pulse survey (Q4 2024), SKF's Diversity & Inclusion score was 8.1, aligning with the manufacturing benchmark, which is derived from the employee survey system comparing results across the industry. The Health & Well-being score of SKF was at 8.0, which is 0.2 points above the manufacturing benchmark. Each team gives input on a quarterly basis and receives a team result (teams with less than five employees get an elevated report, due to anonymity requirements). The teams are encouraged to work with improvement activities. The tool covers staff and workers, and participation is encouraged from the top of SKF.

The SKF Engagement score in Q4 2024 was 7.9 which is 0.4 points higher compared to the manufacturing benchmark.

Managers are organizing quarterly team meetings to collaboratively review their team's survey dashboard for each driver, assess trends and identify areas for improvements.

The SKF Team Pulse has demonstrated to be a powerful tool to analyze what is going well and what can be improved. Beyond the score, employees can also leave anonymous comments which give valuable insights on their overall employee experience. Going forward, a new "wellbeing-in change" roadmap is being developed to further incorporate well-being into the entire organization, fostering a sense of belonging in a healthy inclusive environment, with a healthy work-life balance for all.

Restricted only by rules of anonymity, SKF uses the data to better understand how the employees perceive their working conditions and to determine improvement areas and actions. The result is also used to understand perceptions using different demographic parameters, such as age and gender.

The overall aggregated response rate is 78%, but SKF is challenged to increase the share of respondents among the worker category. This was observed by the Group Management, and easier access to digital tools remains a priority for 2025. The Digi4All project aims at including all employees in the digital landscape.

The SKF Team Pulse survey results and participation rates are now part of the "Let's Talk" Quarterly calls with the SKF's Group CEO open to the entire SKF workforce, where not only financial results are presented, but also people related topics.

During 2024 the SKF Team Pulse has been further developed, to incorporate additional questions regarding diversity, equity, inclusion, health and well-being and specific SKF questions. The dashboard results are shown in the table on page 128.

SKF is a truly international company, with organizations present in many different cultures and contexts. Accountability and mandate are moved as close to the business as possible. Decentralization comes with the risk of differences in practice also in the labour relations area. This could impact the employee experience at SKF and the overall SKF brand. Labour relations have a strong presence in the SKF Code of Conduct and strong labour affair relations are a foundation that SKF needs to maintain and develop. Open information sharing and dialogue builds a strong culture, with high loyalty and trust. This is protected by the Global Framework Agreement and by having the Labour Affairs Director as part of the Global People Experience Management team.

SKF Team Pulse

SKF is using the Team Pulse survey to understand the perceptions of all employees and encourage them to actively contribute to making SKF a great place to work. The survey is a quick and simple way to capture opinions, create dialogue within teams and influence.

- Performed quarterly.
- Score from 1 to 10.
- 18 rotating questions out of 44, covering engagement, health and well-being, and diversity and inclusion.
- Multiple touchpoints such as QR code, emails and SMS messages to encourage participation.
- Strictly anonymous.
- Report only generated for teams of 5 and over.
- Workday Peakon is the external supplier of the SKF Team Pulse. The manufacturing benchmark is provided by Workday Peakon and is an average of industry standard.

Own workforce cont.

The main priority of the relationship between labour and management is to ensure that the Global Framework Agreement between SKF and the unions works in practice. This is based on the SKF Code of Conduct and the work focuses on labour management relations between SKF Group and workers within SKF Group and its subsidiaries. SKF also collaborates with other companies in formal and informal networks. Issues relating to significant changes at SKF, such as acquiring, divesting, or consolidating operations, are always discussed and resolved openly and constructively with union leaders locally and with the leadership of the SKF World Union Council (WUC).

The precise approach must be adapted to the specific conditions of each occasion. The European Work Council (EWC) directive is the base for European related issues.

SKF makes it clear in its Code of Conduct that all employees have the right to join a union and bargain collectively. Continuous dialogue is ongoing to ensure that it works for both SKF and the union members. The WUC, which today includes 20 countries, listed in section Collective bargaining coverage and social dialogue on page 130, meets every year to openly discuss labour issues and to share what is on the Group's agenda. An EWC meeting involving only European delegates is held in conjunction to the WUC meeting. All countries fulfilling the EWC/WUC agreement requirements and with major operations, have the right to send appointed union officials or observers to the SKF EWC/WUC meeting.

In 2024, the annual EWC and WUC meeting was held in the third week of October following normal procedures. It was held in Poznan with online translations. During this one-week event, the EWC meeting was conducted separately, according to the EU directive. This was followed by the WUC meeting with representatives from Group Management and included a factory tour as well as internal meetings between the delegates. The main topics for the day with Group Management were the initiated separation of the Automotive business, and the implications this could have on the organization, flexibility and digitalization. The focus areas were employment, environment, health and safety and digitalization. Overall, SKF's setup with the WUC is seen as a forum for addressing and deploying global initiatives between Group Management and the unions.

All WUC meetings are followed up with lessons learned discussions, to have new practices introduced at the next meeting. The chairperson of WUC is continuously interacting with representatives in the different countries and Group Management. When needed the chairperson brings issues to the Steering Committee, which includes internal and external union representatives.

Worker participation, consultation and communication on occupational health and safety

The employees are key stakeholders for occupational health and safety, and as part of the governance structure, health and safety committees are available on all sites certified according to ISO 14001/ISO 45001 with more than 50 employees, to ensure effective communication with employee representatives.

SKF health and safety committees operate on site or on unit management level with the objective to bring together employee and management representatives to discuss and agree on needed measures to improve the health and safety performance at the site or unit. The committees meet at least once per quarter and decisions taken shall be communicated to the workforce and acted and followed up on.

The committees are often involved in accident and incident investigations and may define additional corrective or preventative measures based on this. Employee representatives are appointed to the health and safety committees by the employees in line with SKF WUC processes.

A Group level health and safety committee is also established with representatives from the World Union Council, Group EHS and Group People Experience. This committee meets formally once per quarter, however more frequent update meetings are conducted as needed.

Processes to remediate negative impacts and channels for own workforce to raise concerns

SKF employees are requested to report behaviour that is not in line with the SKF Code of Conduct to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line, read more on page 138. The SKF Ethics and Compliance Reporting Line is also available to external parties, such as suppliers and distributors, through skf.com.

SKF has a Group Whistle-blowing policy, which is based on the EU Whistle-blowing Directive and prohibits retaliation towards anyone raising concerns in good faith.

During 2024, 456 concerns were reported to the central functions via the SKF Ethics and Compliance Reporting Line or via other channels.

The major types of concerns reported were workforce management 25%, leadership issues 17% and discrimination or harassment 16%. In addition to the concerns reported to the central functions, grievances related to ethics and compliance are reported to, and managed by, local management. All reported concerns are reviewed and assessed by Group Compliance, for assignment to an appropriate investigator. Concerns deemed as critical are communicated on a case-by-case basis to the General Counsel, to the Board of Director's Sustainability & Ethics Committee and/or to the Audit Committee.

Additional reviews related to human rights and working ethics in own operations

SKF's manufacturing units are subject to an ethics review including relevant aspects on the SKF Code of Conduct with a risk-based periodicity. In 2024, 15 such reviews were carried out. In addition, sites undergo audits on specific topics and most audits related to human rights focus on health and safety. SKF also carries out site audits at suppliers.

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Health and safety

Occupational health and safety management system

At SKF, creating a safe work environment is not just a legal and ethical obligation, it is also a strategic advantage that leads to significant improvements in performance. SKF has established and deployed a Group-wide health and safety management system according to the ISO 45001:2018 standard. High-level requirements on health and safety are defined in the Group's EHS Policy and detailed instructions and procedures are integrated within the environment, energy, health and safety management system at Group, country and site level.

The system drives compliance with legal requirements and those defined by the Group, its customers and other stakeholders. The system also provides a framework to drive continuous improvement in health and safety performance.

The scope of the management system includes physical and psychological health and safety. It covers employees at SKF sites, in commute or working for SKF off-site (such as maintenance engineers at a customer to SKF), contractors, and visitors at SKF sites.

The health and safety of SKF's employees is seen as a paramount asset, and the Group's EHS Management System is designed to uphold and maintain a safe and healthy work environment for all employees and others working on or visiting SKF premises. When SKF employees feel secure and valued, they are more likely to be engaged and motivated.

For more information on the management system and its coverage, se page 132. More information on the metrics related to health and safety can be found under "Health and safety metrics" on page 132.

Hazard identification, risk assessment and incident investigation

SKF and its subsidiaries apply tools and processes as prescribed in the management system and according to legal requirements to prevent accidents and ill-health. Risk assessments are carried out on a regular basis at all levels from shop floor to office. The quality of the risk assessments is assured by defined Group requirements and provision of training for EHS staff and other persons undertaking them. Risk assessments are a part of internal and external audits, where typically a sample of risk assessments and corrective and preventative actions are reviewed.

Measures to mitigate or eliminate the identified risks are defined and implemented and risk assessments are reviewed and updated periodically or after an accident or serious near miss has occurred. Recordable accidents are reported and followed up both at the unit level and further up in the organization all the way up to the Group level.

Own workforce cont.

Thorough investigations, which result in corrective and preventative actions, must be deployed after each recordable accident. In cases where the issue is linked to risks which may be relevant for other units, the causes of the accident and the corrective and preventative measures to avoid repeating it are shared within the organization. In certain cases, changes may be needed in the Group-level management system as part of a preventative measure.

All employees are required to report accidents, incidents and unsafe conditions and behaviours, as they are vital sources of improvements and indicate opportunities to better control the associated risk.

Health and safety incidents reported must be addressed at the local level but are not required to be reported in detail further up in the organization. Only the total number of such cases should be reported for the unit as this gives an indication of the level of safety-related activity. No distinction is made between SKF employees, agency workers or other persons on-site for the identification and control of risks.

SKF employs Health and safety coordinators with expertise to support team leaders and managers at all levels in the organization. Training is also organized on health and safety procedures, roles and responsibilities.

Based on the risk assessment carried out for a specific machine, process or role, employees receive training so that they understand the risks and how to manage them by following defined procedures or wearing personal protective equipment, for example. Any employee who intentionally ignores the defined safety rules will face disciplinary measures to protect themselves and their colleagues from unsafe behaviours.

When defining corrective or preventative actions in response to identified risks, SKF's management system requires that the hierarchy of control measures principles are applied. The first option is hazard elimination. If this is not possible, substitution, engineering controls, administrative controls and, finally, personal protective equipment. SKF's employees also work at customers' sites, at suppliers or other locations outside SKF premises. As part of the process of defining such off-site activities, SKF assesses health and safety risks. Occasionally, risks not previously identified by the customer or supplier are found, and in such cases, control measures must be agreed before work commences.

Worker training on occupational health and safety

All employees and agency workers are provided health and safety training, as well as other Code of Conduct training as part of the introduction process. More specific training is provided depending on the job description. Specific training for potentially hazardous jobs, such as working with electricity, at heights, hot work and so on is mandatory for employees working with these aspects. These jobs are identified at each site or unit based on risk assessments and legal requirements to ensure applicable coverage and provision of adequate training. All trainings are provided during work hours. The efficiency is assessed based on accident rates in combination with severity rates, which are expected to be reduced towards zero over time.

Promotion of worker health

SKF is committed to promoting employee health and well-being beyond occupational safety, by offering variety of health-promoting activities. Employees have access to locally defined health promotion programs, which include regular health screenings and initiatives around HIV/AIDS prevention, substance abuse, obesity, healthy living, and stress management. Where feasible, SKF facilities provide additional resources to support physical health, such as on-site or subsidized exercise facilities, healthy food options, and professional health guidance. These efforts align with SKF's Employee Wellbeing Policy, which takes a holistic approach to supporting both physical and mental health.

Managers play a key role in fostering a healthy work environment by recognizing the risks and opportunities related to employee well-being. Their actions directly influence the psychological health and resilience of SKF's workforce. Employee well-being is deeply embedded in SKF's culture, reflecting SKFs core values of care.

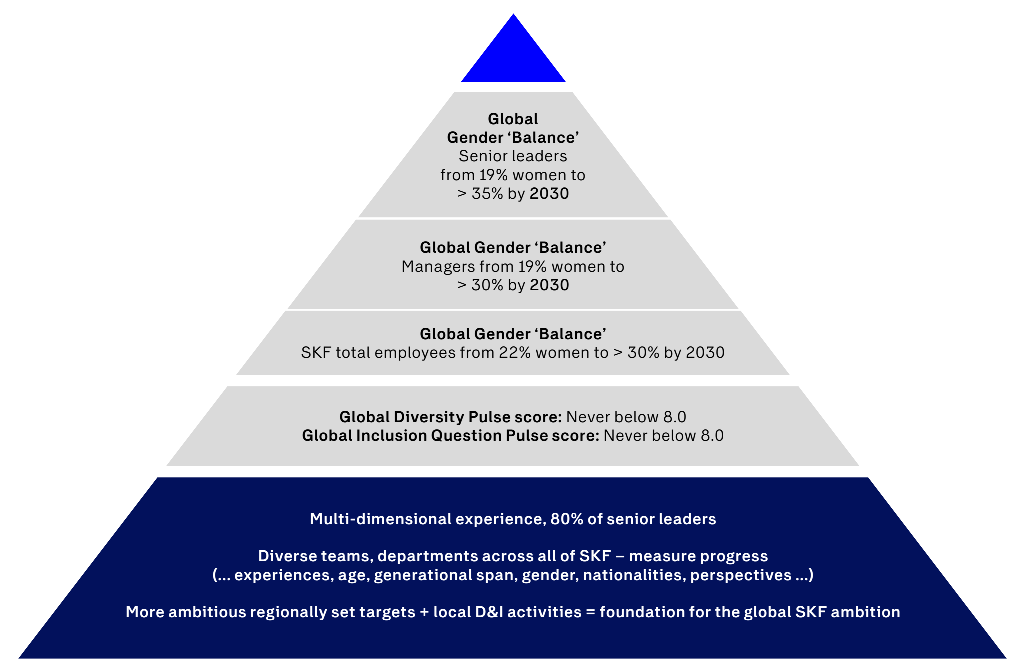
SKF's well-being initiatives focus on three primary areas: psychological health and safety, work-life balance, and healthy lifestyle choices. Confidentiality is strictly maintained in compliance with data privacy regulations. To continuously assess and improve well-being, SKF incorporates health-related questions into its quarterly employee survey, The SKF Team Pulse. The anonymous survey allows employees to rate SKF's performance in well-being areas on a scale of 0 to 10, with 10 being the most positive. Managers are encouraged to review survey results regularly with their teams, using the data to identify trends and implement targeted well-being improvements. For more information on the SKF Team Pulse see page 125.

Diversity, equity and inclusion

Diversity, equity, and inclusion (DEI), along with non-discrimination and equal opportunity, are key elements of SKF's People Agenda. The SKF Code of Conduct mandates that all employees shall be treated equally, fairly and with respect, regardless of race, colour, ethnicity, gender, sex, sexual orientation, age, civil or social status, national origin or nationality, disability or diverse abilities, medical conditions (including pregnancy), genetic information, caste, religion, union membership, political affiliation or any other unique or ordinary trait.

In 2024, several ongoing DEI initiatives have been expanded and new ones introduced. SKF has intensified its focus across multiple touchpoints to stay appealing and competitive for both current and potential employees. These efforts encompass learning and development, competency evaluations, and the use of more inclusive language in job postings, to attract top talents from various backgrounds.

A new Diversity & Inclusion Global Ambition plan has been rolled out in 2024, stretching until 2030, offering a comprehensive framework tailored to each business area and region's specific needs. This strategy integrates DEI initiatives and KPIs into SKF's processes, impacting all major interactions with the current and future workforce. A comprehensive scorecard of KPIs has been developed to measure and track progress on a quarterly basis.



Own workforce cont.

SKF's People KPIs are not limited to gender, but stretch across a wider spectrum of diversity and inclusion indicators, such as the SKF Diversity Pulse Score and Inclusion Pulse score from the SKF Team Pulse survey. These are now part of the comprehensive People Experience (PX) Scorecard, among a variety of People KPIs spanning across the globe and the business areas.

People Business Reviews are being held with the Business Areas and Group Management twice a year, conducted by PX. These review meetings are not limited to gender balance KPI follow-ups, but equally include senior leaders' mix of experience across different units and roles, existing succession plans and diversity and inclusion initiatives per region and Business Area. Workshops and training material are available via the learning academy and internal Sharepoint sites to build further awareness on unconscious bias, psychological safety and the positive impact of human-centric leadership.

The next phase of the SKF Global D&I Ambition is to build diversity, equal opportunity and inclusion further into the fabric of SKF's DNA across all Business Areas, regions and relevant processes. This plan incorporates many of the successful local initiatives already in place, which are tailored to regional needs, driven by SKF's Purpose and Values of Collaboration, Curiosity, Courage and Care, such as:

- Expanding an SKF D&I community network around the globe with regional ambassadors.
- Female networks.
- Partnership with Mitt Liv, The International Council of Swedish Industry and Swedish Chamber of Commerce D&I committee partnerships.
- DEI Council Americas.
- Employee Resource Groups, promoting inclusion of e.g. neurodiversity, veterans, LGBTQ+, employees with disabilities (or rather different abilities) and other underrepresented affinity groups.
- Wellness rooms and daycare facilities in India and Indonesia.
- Partnership with Universeum National Science Centre Sweden, to promote women in Science Technology Engineering Mathematics.
- Family days at SKF facilities around the world.
- Diversity Calendar celebrations such as World Mental Health Day, Pride month, Veterans' Day and International Women's Day among others.
- Inclusive promotion and recruitment processes.
- "Psychological Safety", "Better Together", Linkedin DEI learnings.

Equal treatment and opportunities for all

SKF integrates equality into the people processes, such as learning and development, succession planning and recruitment. The recruitment principles are based on the SKF Code of Conduct and facilitate skills-based recruitment by utilizing an ability test. The test used is a scientifically robust instrument, reviewed and certified by a third party verification organ.

As part of the new Global D&I Ambition plan 2024–2030, in 2024 SKF commissioned a thorough study through an independent consulting firm of all its internal processes and practices with the lens of "Equal Treatment and Opportunities for All" to identify further improvement areas for diversity, equity and inclusion. This assessment consisted of existing SKF policies reviews, as well as leadership, subject matter experts and employee focus groups interviews regarding all touchpoints in the employee process.

Through this in-depth analysis, which was finalized at the end of 2024, a detailed action plan has been developed that is being incorporated into the overall SKF Global D&I Ambition. See the figure on page 127.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Health and safety

SKF's overall health and safety ambition, established in 2000, is to reach zero accidents. In addition, accident rate and severity rate are monitored together with other categories of incidents described in the health and safety pyramid on page 132. In this pyramid, near misses and unsafe conditions and behaviours are presented and monitored to ensure increasing proactivity in health and safety management. Site, Business Area and Group performance towards the zero accidents target is followed up on a monthly basis using a monthly safety data report, and the above-mentioned metrics and rates, as well as through integration into quarterly performance reviews. A high-level review of the performance and plans is conducted with each Business Area at the half-year EHS reviews. SKF's accident rate has steadily decreased over the last two decades. The accident rate is calculated as the number of recordable accidents per 200,000 worked hours per year, which approximately corresponds to the number of accidents per 100 full-time employees per year. In 2024, the rate reached an all-time low of 0.59 (compared to 0.64 in the previous year), demonstrating that the ongoing efforts in health and safety are driving continuous performance improvements.

People Experience

Group People Experience has started to establish a PX Scorecard that includes goals and KPIs for the most relevant metrics, following the People Agenda and the Strategic priorities. These KPIs are followed up with all Business Areas and Regions on a at least quarterly basis. Every Business Area has set own targets which could differ from the global targets, depending on businesss-climate, region or other factors. However, the global average for each KPI should be met as a minimum. See figure on page 127.

SKF Global D&I Gender Targets 2030

While employment decisions are always based on the skills and qualifications of the candidates, SKF is taking further action to achieve a better gender balance across all levels in the company, with measurable KPI's and initiatives throughout;

- Gender balance targets have been established across SKF's global workforce. The target is to reach a minimum of 30% female workers by 2030 (compared to 22% in 2023).
- A gender balance target of a minimum of 30% female managers by 2030 has been established for managerial positions globally (compared to 19% in 2023).
- The gender target for senior leaders has been raised to a minimum of 35% female leaders by 2030 (compared to 19% in 2023).
- Specific gender target KPIs have also been set by Business Areas and regions.
- Elevate, a global virtual programme for SKF's women leadership and career development was run for the 5th consecutive year, with over 100 women participating each year.
- SKF's Global Leadership development programs and the Global Graduate Program each have gender balance targets for every graduating class
- SKF is participating in the UN Global Compact Target Gender Equality Programme, a nine-month programme (started in June 2024) to accelerate the journey in reaching ambitious targets for womens' representation, equal pay and leadership in business.

SKF Team Pulse result Q4 2024

Drivers	2024	Manufacturing benchmark
Diversity and Inclusion	8.1	8.1
Health and Well-being	8.0	7.8
Engagement	7.9	7.5

Own workforce cont.

Characteristics of the undertaking's employees

All SKF employees, as well as the majority of the non-employee workforce, are maintained in a central master data system at SKF. All data provided in this chapter will be based on this repository. The numbers for 2024 will be including also the employees from acquisitions being made throughout the year.

For the breakdown of employee figures into gender we are differentiating between male and female. This is due to the current system setup. This however does not mean in any way that SKF is discriminating any individual due to the gender. As stated in the SKF Code of Conduct, SKF has "... zero-tolerance for discrimination. All employees shall be treated equally, fairly, and with respect, regardless of race, colour, ethnicity, gender, sex, sexual orientation, age, civil or social status, national origin or nationality, disability or diverse abilities, medical conditions (including pregnancy), genetic information, caste, religion, union membership, political affiliation, or any other unique or ordinary trait."

When it comes to the contract-type we are differentiating between permanent and temporary contracts as well as part-time and full-time, however not breaking down into non-guaranteed hourly employees.

Please be aware that all numbers are based on Headcount figures and the numbers are disclosed based on the end of the reporting period.

Number of employees by contract type

2024	Female	Male
Number of employees	8,830	29,913
Number of permanent employees	8,244	28,880
Number of temporary employees	586	1,033
Number of full-time employees	8,328	29,533
Number of part-time employees	502	380

Number of employees per region – headcount

2024	
Europe, Middle East and Africa	20,530
The Americas	8,070
China and Northeast Asia	6,148
India and Southeast Asia	3,995
Total	**38,743**

Number of employees by contract type, by region

2024	Americas	CNEA	EMEA	ISEA
Number of employees	8,070	6,148	20,530	3,995
Number of permanent employees	7,826	6,132	19,578	3,588
Number of temporary employees	244	16	952	407
Number of full-time employees	8,063	6,145	19,668	3,985
Number of part-time employees	7	3	862	10

Number of employees by gender – headcount

2024	
Male	29,913
Female	8,830
Total	**38,743**

Employees age groups and terminations

2024	Female	Male	Grand Total	Under 30, %	30–50, %	Over 50, %	Terminated Female	Terminated Male	Terminated Total
Europe, Middle East and Africa	4,494	16,036	20,530	11.37	49.43	39.19	574	1,874	2,448
The Americas	1,870	6,200	8,070	15.54	58.29	26.17	588	1,663	2,251
China and Northeast Asia	1,782	4,366	6,148	14.85	76.61	8.54	179	544	723
India and Southeast Asia	684	3,311	3,995	21.99	57.74	20.27	165	407	572
Grand total	**8,827**	**29,910**	**38,737**	**13.89**	**56.45**	**29.66**	**1,506**	**4,488**	**5,994**

Employee hires and turnover

2024	New hires Female	New hires male	New hires Total	New hires under 30	New hires 30–50	New hires over 50	New hires under 30, %	New hires 30–50, %	New hires over 50, %	Turnover Female, %	Turnover Male, %	Turnover under 30, %	Turnover 30–50, %	Turnover over 50, %	Turnover Total, %
Europe, Middle East and Africa	374	801	1,175	668	417	90	16.6	10.3	2.2	12.24	10.96	26.6	7.4	11.9	11.2
The Americas	528	1,182	1,710	652	921	137	16.2	22.8	3.4	30.47	24.89	49.7	24.6	17.9	26.1
China and Northeast Asia	104	306	410	199	206	5	4.9	5.1	0.1	9.64	11.82	18.7	10.0	10.5	11.2
India and Southeast Asia	394	346	740	512	215	13	12.7	5.3	0.3	36.26	12.07	40.2	8.7	13.9	14.9
Grand total	**1,400**	**2,635**	**4,035**	**2 031**	**1 759**	**245**	**50.3**	**43.6**	**6.1**	**16.86**	**14.13**	**32.3**	**11.9**	**13.1**	**14.7**

Own workforce cont.

Characteristics of non-employees in the undertaking's own workforce
SKF is, as most other companies in the manufacturing industry, relying on external workforce in different domains spanning from IT to Manufacturing and Logistics as well as Finance and other parts of the organization. The type of external workforce is usually divided into four categories which are further described in the table below.

These are: Time and material, Service contracts, Fixed price as well as Non-commercial resources. The data is, just like the employee headcount, being collected in the central employee master data system. However, this system only covers non-employees with IT access, it does not reflect the total population, especially in the "Time and material" category. The estimate is that approximately 3,000 additional profiles should be included here.

Non-employee category	Description	Type of payment
Fixed price resource	Fixed price for a well-defined assignment scope with deliverables attached to clearly mapped milestones and payments connected to the successful delivery	Pre-negotiated cost/price and resource part of a project deliverable
Non-commercial resource	None of the above categories, but still requiring IT access and therefore needs to have a profile in SKF master data application	According to contract
Service contract resource	Providing a specific level of services for an extended period. Clearly defined scope and service level agreement	Terms can vary depending on service (for example: outsourced IT services, equipment maintenance and outsourced business functions such as cleaning services)
Time and material Resource	Paid based on the time and materials used to deliver an assignment/project, with a clearly defined start- and end-date	A pre-negotiated rate (Consultant or contingent workforce)

Based on this categorization, this is the headcount as of 31 December 2024:

Fixed price resource	778
Non-commercial resource	584
Service contract resource	3,855
Time and material resource	2,645
Undefined	811
Grand total	**8,673**

Collective bargaining coverage and social dialogue
SKF has established collective bargaining agreements and social dialogue structures in most countries where the company operates, ensuring that employees have access to formal representation and negotiation mechanisms. Social dialogue refers to discussions, consultations, and negotiations between employers and employees (or their representatives) to promote fair working conditions, wages, and rights in the workplace. The countries listed here (considering those where SKF has a direct workforce presence and more than 50 employees) have collective bargaining agreements signed by local Unions and/or WUC/EWC : Argentina, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Finland, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Mexico, Netherlands, Poland, Singapore, Spain, Sweden, Taiwan, Thailand, Ukraine, The United Kingdom and The United States.

For country with +50 employees	%
Collective bargaining coverage	
Employees European Economic Area	96
Employees non-European Economic Area	94
Social dialogue	
Workplace representation (European Economic Area only)	99

In a few countries, SKF has not yet established local collective bargaining agreements due to complex labor market conditions and external challenges. This includes Australia, Colombia, Peru, and South Africa. However, ensuring fair working conditions for all employees remains a priority. Through SKF's global framework, employees in these countries are covered under corporate and regional agreements that uphold the same high labor standards worldwide. Furthermore, SKF is actively working to strengthen local engagement with union councils and social dialogue structures in these regions to enhance employee representation and participation.

SKF is actively engaged in global labor representation through the SKF World Union Council (WUC) and the European Work Council (EWC), which facilitate discussions on labor conditions, policies, and agreements across regions. While Colombia, Peru, and South Africa do not have direct representation in these councils, group-level agreements apply to all SKF employees worldwide.

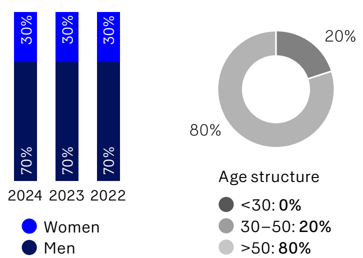
SKF is a member of the International Council of Swedish Industry (NIR), which supports Swedish companies in global markets by promoting responsible business conduct and sustainable labor practices. Through NIR, SKF participates in the Swedish Workforce Program, an initiative aimed at strengthening collaboration between management and employees, regardless of union presence, in selected international markets where Swedish companies operate.

Additionally, SKF works with Business Sweden, a joint initiative between the Swedish government and industry leaders, to promote responsible and sustainable labor practices globally. These efforts help Swedish companies, including SKF, navigate local labor conditions while ensuring alignment with international labor standards.

Own workforce cont.

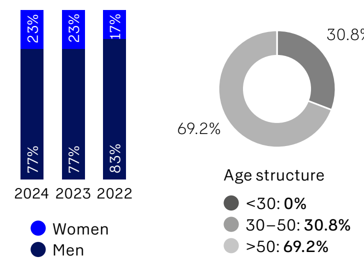
Diversity metrics

The Board
The Board refers to the SKF Board of Directors which makes up the highest governance body for the organization. The percentage refers to Board members elected by the annual general meeting. For more information, see page 155–156.

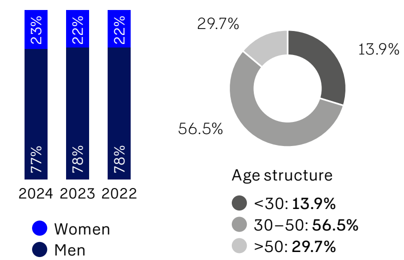


Including CEO. Excluding Employee representatives.

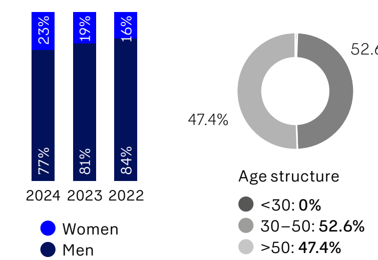
Group Management
Group Management is the operational management team of the SKF Group. For more information, see page 158–159.



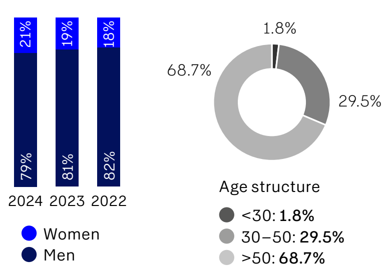
Total employees
Total employees refers to the total number of employees in SKF as per end of 2024.



Top Management
Top Management refers to the around top 400 managers in the SKF Group. The actual number in this population changes over time.

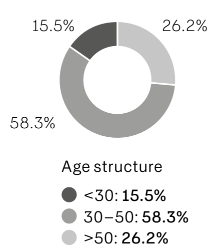


Managers
Managers refers to the employees who have direct reports.

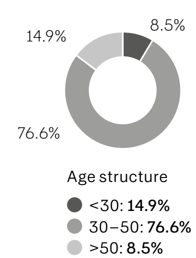


Total employees per region by age groups
Total employees refers to the total number of employees in SKF as per end of 2024.

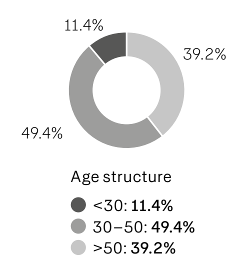
The Americas



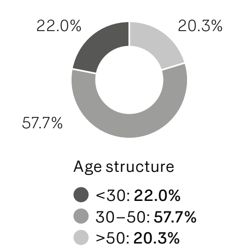
China and Northeast Asia



Europe, Middle East and Africa



India and Southeast Asia



Adequate wages
SKF pays adequate wages to all employees, and ensures that wages and other benefits meet at least the adequate wages benchmarks and are rendered in full compliance with laws and collective agreements. Staff salaries are set based on evaluation of performance and position, to ensure internal equity and to pay people fairly. Salary setting also follows legislation and/or union agreements as locally applicable.

Training and skills development metrics
In an era of constant change, SKF has embraced a culture of continuous learning to maintain a competitive edge. Recognizing the risks associated with skill gaps, talent attrition, and a weakened employer brand, SKF has prioritized initiatives that creates the right environment and foster self-driven learning and development. This commitment is critical in positioning SKF as a forward-thinking employer offers personal and professional growth.

To track progress, SKF leverages a global Learning Management System which monitors skills development

Own workforce cont.

aligned with strategic competencies. The goal is to empower individuals to future-proof their development and, concurrently, future-proof the organization's ability to deliver. SKF's legacy of success is built upon the collective competencies and capabilities of its employees. The personal dedication of its employees to their own competence development is a critical factor in maintaining up-to-date competencies.

In 2024, staff employees recorded an average of 14.2 formal learning hours in the SKF learning management system, while workers recorded an average of 3.5 hours. In addition to these metrics, SKF emphasizes the significance of informal learning – gained through daily interactions, knowledge sharing, and collaboration. The informal and social learning time is not included in the formal learning hours neither is any external formal learning.

Recorded hours of formal learning in SKFs global learning management system, average / employee

	2024		2023	
	Staff[1]	Workers[2]	Staff[1]	Workers[2]
Tot	14.2	3.5	9	2
Women	14.4	4.3	N/A	N/A
Men	14.1	3.4	N/A	N/A

1) Staff = white collar
2) Workers = blue collar

In early 2024, SKF launched an extensive content library from LinkedIn Learning, available to all staff and interested workers, enriching opportunities for skill development and enabling a flexible, on-demand learning experience. This initiative supports our strategy to build critical competencies in a resource efficient way. To further reinforce our core values of Collaboration, Curiosity, Courage, and Care, SKF introduced Learning Week for all employees with access to an SKF email address — a quarterly event offering brief daily learning sessions, each concluding with reflections or collaborative exercises in the end of the week.

SKF Team Pulse encompasses all employees globally. In the field of growth and learning SKF are above benchmark. According to SKF Team Pulse, the employees feel a sense of professional growth and support within the organization, recognizing pathways for career and skill development, fostered by the encouragement and guidance they receive from managers and mentors.

The Group People Experience function sets the strategic direction for learning at SKF. Our global platform provides tailored training for various user groups, including external partners, and serves as a compliance tracker, reinforcing our commitment to regulatory standards and the SKF Code of Conduct. During 2024 SKF has initiated a pre-study on skills-based Talent Management to identify and strengthen talent practices, aiming to boost competitiveness and adaptability in a dynamic market landscape.

SKF Academies ensure that competence development aligns with SKFs strategic business goals. Local initiatives and teams ensure that learning content is tailored to regional needs.

SKF Manufacturing Academy continued its focus on digitalization, maintenance, automation and SKF Production System. By combining digital learning with physical training in learning centers within the factories, employees engage with both hands-on equipment and digital courses in their local language. This approach allows scalable, standardized training, ensuring that all employees, regardless of location, have access to essential knowledge and skills in its pursuit of innovative solutions.

SKF Technology Academy supports the SKFs technology strategy by training and skill development in key future technology areas to ensure long term success. The aim is to empower employees to engage with emerging technologies, translating strategic goals into actionable expertise. An example is the rollout of an AI program for all employees which includes a "train the trainer" concept.

SKF is committed to fostering leadership at all levels. To do so, the SKF Leadership Academy highlights two initiatives during the year. The Self-Growth Leadership initiative supports employees on their leadership journey by focusing on self-awareness and personal development, through guided sessions with trained accelerators. For middle and senior leadership, the academy offers the Boost leadership program, which focuses on accelerating strategy, leadership development and building global networks.

Clear expectations are a cornerstone of management at SKF. Managers are collaborating with their teams to define individual and collective goals, with focus on developing yourself, others and the business linking them to the broader company strategy. Supported by a global platform, this process enables a dynamic and updated dialogue on progress and priorities throughout the year. An annual performance review meeting, integral to our talent management and salary review process, helps to define an overall performance rating.

In 2024, this platform supported the performance process for more then 13,500 employees. Following the global performance review process, which is a prerequisite for the salary review process, comparing the number of completed performance reviews against the total number of employees and those eligible for salary review. This transparent metric underlines SKFs commitment to the continuous professional development of its workforce.

Performance reviews

	Female	Male	Total
Performance reviews completed (total employees)	8,830 (43.5%)	29,913 (32.7%)	38,743 (35.2%)
Performance reviews completed (eligible employees)	3,444 (97.10%)	9,027 (96.6%)	12,471 (96.8%)

Health and safety metrics

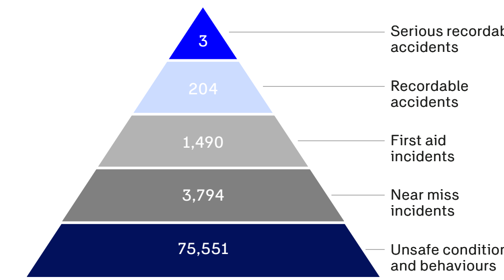
SKF gives top priority to health and safety. The obvious reason to work systematically with health and safety is to prevent accidents and avoid negative health effects and to create a more sustainable company. Proactive work is the main feature of EHS management and means that work is done today to prevent something from happening tomorrow or in the future.

All health and safety incidents are addressed and managed locally where the incident occurred, or was identified, with support from other parts of the organization if needed.

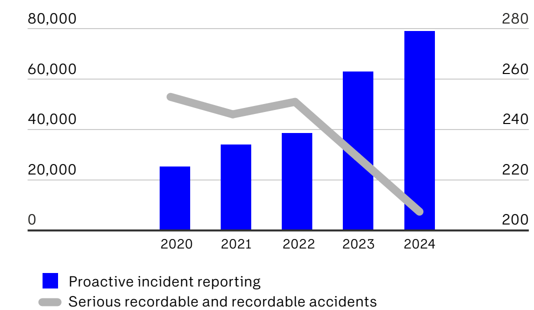
Health and safety data is consolidated in the Group's main reporting and consolidation tool.

During 2023 and 2024, there has been additional focus on pro-active health and safety management driving identification of near misses, unsafe conditions and behaviours. This proactive approach helps to ensure proper risk mitigation and prevention of future accidents.

In the last few years, with enlarged focus during 2024, an incident management software application has been



Proactive incident reporting vs accidents



developed. The application makes it possible to capture and investigate incidents in an effective way and to manage incidents in a proactive way to avoid causing harm in the future. After full deployment of the application, all incidents around SKF will be captured, verified, investigated, and closed in this system. Roll-out to a few sites started in September 2024 and by the end of the year 40% of SKF's operations had started using the application.

Employees covered by an occupational health and safety management system

77%, or around 30,000 employees are covered by the certified health and safety management system. The system focuses on the manufacturing sites, workshops, logistics and technical centres. In addition, 85% of the agency workers under SKF's management control (around 3,800 people) are also covered by the health and safety management system. No specific type of workers or staff are excluded.

Own workforce cont.

Newly acquired sites and companies are given a time period before being included in the scope. All certified sites are subject to internal audit every one to three years. The data has been collected from the SKF financial reporting system using headcount data for sites and units included in the Group's ISO 45001:2018 certification. SKF engages a third-party certification body to audit for compliance to this standard at Group and site level. In addition to these external audits, a number of SKF employees are qualified as Group internal auditors and these individuals also audit sites to assure compliance with the standards, the EHS policy and related Group instructions and requirements. Read more on the certification on skf.com/45001.

Work-related health and safety incidents

Serious recordable accidents and recordable accidents are reported within three working days while other incident types can be reported monthly.

SKF reports accidents for employees and non-employees where SKF has management control together as these types of workers are treated equally when it comes to health and safety management, including hazard elimination, risk management and corrective and preventive actions when incidents have occurred. For non-employees, where SKF does not have management control, the number of incidents are recorded separately.

Health and safety incident statistics

	2024	2023[1]	2022
Work related fatalities	0	3	0
Serious recordable accidents	3	3	2
Recordable accidents	204	223	249
First aid incidents	1,490	1,631	1,799
Near miss incidents	3,794	4,268	3,601
Unsafe conditions and behaviours	75,551	58,761	34,830
Worked hours (x 200,000)	348	358	371
Accident rate	0.59	0.64	0.68

1) 2023 figures include three fatalities and five recordable accidents resulting from the Russian missile attack on the Lutsk factory in Ukraine.

Remuneration metrics (pay gap and total remuneration)

The Gender Pay Gap

Eliminating the unadjusted gender pay gap is an important area of work for SKF. Differences in remuneration as shown by the gender pay have been identified being mainly due to a higher proportion of men in higher level positions and are a sign of lack of equal access to opportunities, such as career advancement and recruitment to senior positions, for women.

In 2024, People Experience colleagues globally were trained to perform equal pay analysis which the SKF Equal Pay Policy requires. Managers were given access to e-learning on salary setting which included training on pay equity, gender pay gaps and pay transparency. The People Experience function held action planning sessions to identify actions to decrease gender pay gaps. The people experience scorecard includes a new target for the reduction of gender pay gaps.

SKF has also signed up for the UN Target Gender Equality program, running nine months, starting June 2024.

The gender pay gap for 2024 is 19.1%. The gender pay gap is based on all employees' total remuneration per contracted hour paid out during 2024 and is not directly comparable to the gender pay gaps reported in base pay of staff employees in previous years. The data excludes employees from acquisitions made during Q4 2024. The gender pay gap in base pay for staff employees in the previous two reporting periods was 16% (2023) and 17% (2022).

The global unadjusted gender pay gap is an indicator of gender representation in SKF's global workforce, measuring the difference in average pay between men and women worldwide. This metric compares the average pay by gender across all roles collectively, regardless of level or job type. SKF's gender pay gap reflects the extent to which women are underrepresented in senior and higher-paid roles while being overrepresented in junior and lower-paid positions.

It is important to distinguish the gender pay gap from equal pay. SKF is committed to ensuring that employees are paid equally for the same work or work of equal value. As part of the annual salary review cycle, SKF conducts equal pay analyses and takes action to address any identified discrepancies.

The annual total remuneration ratio – CEO to median employee pay ratio

The annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees is 75:1.

The CEO to median employee remuneration ratio is sensitive to exchange rate fluctuations which can influence year-on-year comparisons.

Incidents, complaints and severe human rights impacts

Incidents of discrimination and corrective actions taken

During 2024, 75 reports related to discrimination and harassment have been received through the SKF Ethics and Compliance Reporting Line. These cases are normally assigned to local investigators (mainly People Experience country leads) and actions are taken on a local level.

SKF has had a process in place since 2021 so that concerns about harassment and discrimination reported locally (e.g. via email or in person to People Experience) are also reported and documented centrally.

Operations and suppliers in which the freedom of association and collective bargaining may be at risk

All employees are covered by collective agreement or the SKF Framework agreement. The overall approach from the state towards union membership and the level of independence of trade unions in certain countries where SKF has operations, creates challenges in this respect. SKF works pragmatically with the WUC and the appointed union representatives to try and address these challenges. Please refer to page 130 for a description of the SKF WUC's work related to collective bargaining agreements. Information on which countries SKF has operations in is available on skf.com/locations.

Operations and suppliers at significant risk for incidents of child labour

The risk for child labour in SKF's operations is very low but the issue is nonetheless included in SKF's internal audits.

The risk for child labour at SKF suppliers is higher and therefore the supplier audits have a high focus on this. However, due to the nature of suppliers and the long standing relationship with them, the cases are extremely rare. During 2024, SKF found no cases of child labour at its own operations and no cases at SKF's suppliers.

Operations and suppliers at significant risk for incidents of forced or compulsory labour

The issue of forced, bonded and compulsory labour is included in the SKF Code of Conduct and internal and supplier audits. During 2024, SKF found no cases of forced or compulsory labour at its own operations and no cases at SKF's supplier.

SKF applies regional risk characterization from tools such as Maplecroft to help identify countries with these potential risks.

Workers in the value chain

Material impacts, risks and opportunities

IRO and value chain	Description
Working conditions	
Positive impacts Upstream	Improving working conditions together with suppliers
Negative impacts Upstream	Unsafe working conditions for supply chain workers
Equal treatment and opportunities for all	
Positive impacts Upstream	Responsible Sourcing Programme improving equal treatment
Negative impacts Upstream	Harassment and discrimination
Other work-related rights	
Negative impact Upstream	Violations of human rights

Material impacts, risks and opportunities and their interaction with strategy and business model
SKF's supply chain consists of tens of thousands of suppliers globally. Producing and transporting products or services benefits local economies and provides economic opportunity for workers in the value chain. While most governments where our suppliers operate have established legal infrastructure on human rights, companies also have a responsibility to respect human rights. This means addressing the adverse impacts of our global operations and value chain, which could otherwise have negative impact on SKF in terms of supply interruption and reputation.

In 2023 SKF conducted an analysis to identify human rights impacts through a Human Rights Impact Assessment, which included workshops to evaluate and determine the salience of these impacts. The primary risks are mainly associated with the supply chain. The outcome of the assessment highlights salient risks related to working conditions, discrimination, freedom of association and collective bargaining. While these risks are predominantly linked to the supply chain, they are also relevant to SKF's own operations. Additionally, SKF is closely monitoring other human rights issues including child labor and young workers as well as forced or bonded labor. The Impact Assessment is planned to be updated in 2025 to ensure continuous improvement, further strengthening due diligence efforts.

SKF's entity in Germany has also established the necessary procedures and responsibilities for compliance to the German Supply Chain Due Diligence Act (LkSG), which includes human rights due diligence efforts in the upstream value chain. Since most risks are associated with the supply chain, SKF conducts due diligence through its Responsible Sourcing Program.

SKF commits to sustaining a safe work environment, personal development, health and well-being of all employees at SKF, as well as people in the supply chain.

Management and oversight
Workers in the value chain is a material topic for SKF and is included under the governance of the Sustainability & Ethics commitee on the SKF Board.

SKF's Responsible Sourcing program addresses risks for social and environmental negative impacts in the supply chain, and works to ensure effective deployment of the SKF Code of Conduct for suppliers and sub-contractors. Policies, processes, and procedures are built and implemented under the program, which is overseen by the Responsible Sourcing Committee and managed by Group Sustainability. SKF has auditors around the world dedicated to implementing the Responsible Sourcing program and executing audits on the SKF Code of Conduct for suppliers and sub-contractors adherence. Workers' perspectives are captured through worker interviews and a series of audit questions on for example human rights and health and safety. Supplier assessment and supplier audits are managed by SKF Regional Responsible Sourcing auditors in collaboration with the relevant purchasing organization. When necessary or if requested, some audits are outsourced to a third-party company. In 2024, this was done in China and North East Asia as a response to a request. Non-compliance case management activities have led to changes in purchasing practices, including updates to policies, strategies and business models.

Auditors in five countries provide ongoing support, guidance and training to regional purchasing teams. This helps them align purchasing practices with program expectations and understand the importance of these practices and their impact on workers and suppliers worldwide. Purchasing teams focus on communicating expectations to suppliers and engaging with them to take remediation action if necessary. The remediation process follows legitimate procedures. When adverse impacts are identified through supplier assessments and audits, suppliers must submit corrective action reports to SKF. Upon review and within the timeline provided by the suppliers, on-site validation is arranged to ensure corrections comply with all applicable laws and respect internationally recognized human rights, wherever they operate. Suppliers who fail to address critical deviations over time risk having their contracts with SKF terminated.

SKF's grievance mechanism, the SKF Ethics and Compliance Reporting Line, allows workers in the value chain to raise concerns directly to SKF. Significant deviations from audits as well as reported concerns through the whistle-blowing channel deemed critical are escalated to SKF Group's Responsible Sourcing Committee. At the same time, SKF Group Compliance is informed.

In SKF, regions and countries are assigned risk levels based on publicly available resources on risks, such as Verisk Maplecroft, regarding human rights, environment and corruption. The high-risk region list is approved by the Responsible Sourcing Committee, and is continuously updated. Currently, 40 countries in Asia, 18 countries in America, 44 countries in Africa, 1 country in Oceania and 5 countries in Europe are defined as high-risk by SKF. As part of this approach, current trends in the domestic and international labour markets are monitored to identify growing risk areas in the supply chain and update the SKF Code of Conduct for suppliers and sub-contractors as well as audit practices, based on any new trends.

Suppliers in all countries and regions are typically subject to quality audits where weight on Code of Conduct questions is lighter, while suppliers in countries and regions that fall into higher levels of risk are subject to regular code of conduct audits. Value chain workers categories covered by audit activities under the responsible sourcing program include:

- **Workers from upstream product suppliers.** Steel and steel components, such as forgings, rings and rolling elements represent by far the most significant direct material input to SKF. Direct material suppliers making up 90% of SKF's spend are automatically subject to audits if they are in high-risk regions. These can be suppliers in tier one, tier two and beyond. Suppliers for components, such as plastics and polymers, sheet metal parts and ceramics and finished products are also constantly monitored for adverse impacts on workers. Suppliers of indirect materials including grinding wheels, abrasives, grease and packaging are also in scope.
- **Supplier workforce at SKF locations.** Staff and service providers from suppliers working at SKF sites are included in the scope of the supplier audit. This includes personnel from service suppliers who handle cleaning, catering, security and other services at SKF locations. Additionally, staff involved in inspection and sorting activities, primarily at sites manufacturing products for the automotive sector, are also covered by the audit.
- **Young workers, migrant workers and women** are relatively more vulnerable to negative impacts. To respond to the changing external operating environment, SKF has significantly expanded the narratives in the SKF Code of Conduct for suppliers and sub-contractors to address issues of child labour, forced labour, abuse and harassment, and added requirements on recruitment practices and grievance system.
- **Workers from logistics, distributors and SKF associated companies.** Considering SKF contracted logistics flows, SKF covers about 80% of outbound and 70% of inbound transportation. The work related to human rights for people at SKF's distributors currently focuses on adhering to export control regulations and ensuring they adhere to the SKF Code of Conduct for Distributors. SKF recognizes that potential adverse human rights impact on workers in logistics, distributors and SKF associated companies and joint ventures, are currently not in the SKF Code of Conduct compliance monitoring scope. The Responsible Sourcing Committee is informed and will decide on how to move forward in 2025. For more information on SKF associated companies see page 61.

SKF has a net-zero objective for greenhouse gas emissions from its own operations by 2030 and for the full upstream value chain by 2050. Given that steel accounts for 95% of

Workers in the value chain cont.

the weight of SKF's products, SKF has pledged to source at 100% net zero steel by 2050. This commitment will influence green production practices in SKF's steel supply chain, where the risks and opportunities for workers in the steel industry are considered higher.

Over the 18 years of implementing the responsible sourcing program, supplier improvement has been one of the greatest values. SKF is not only enhancing its supply chain but also setting positive examples in society. The Group sees direct positive developments based on their demands. For example, during a supplier audit in India, document reviews revealed a failure to pay equal wages to women and men. The supplier was required to make remediation and subsequently began paying women equally.

Policies related to value chain workers

SKF is committed to respecting internationally recognized human rights. Respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental principles and Rights at Work and OECD Guidelines for Multinational Enterprises is included both in SKF purchasing contracts and the SKF Code of Conduct for suppliers and sub-contractors. Suppliers are expected to respect human rights and safeguard the well-being of workers within their own business operations, and also to cascade the requirements to their own supply chains accordingly.

The SKF Responsible Sourcing program sets expectations on suppliers aligned with the SKF Code of Conduct for suppliers and sub-contractors, monitors supplier performance against those expectations and works to continuously improve the supply chains. SKF's expectations on suppliers are set out in the SKF Sustainability standard for suppliers and SKF Code of Conduct for suppliers and sub-contractors, which apply to all types of suppliers and sub-contractors. Expectations on distributors are established in the SKF Code of Conduct for Distributors and the SKF Code of Conduct for Agents and other intermediaries. These policies cover all value chain workers, and address fundamental issues such as child labour, working conditions, forced labour, harassment and discrimination in the workplace.

SKF's purchasing teams choose which suppliers to work with and are key to achieving SKF's responsible sourcing objectives. Their actions are guided by above mentioned policies. Purchasing practices are continuously reviewed to ensure alignment with the SKF Code of Conduct for suppliers and sub-contractors and to avoid potential conflicts with SKF policies.

SKF communicates policies to all business relationships in the value chain in various ways, including at supplier conferences, via the supplier web-portal, during risk-based supplier Code of Conduct audits, supplier training on the Code of Conduct and as a normal part of the supplier development process.

Processes for engaging with value chain workers about impacts

Supplier screening

All potential suppliers are initially screened using a set of minimum criteria related to the SKF Code of Conduct for suppliers and sub-contractors and quality demand. These must be met to be considered as an SKF supplier. Risk aspects on human rights and labour rights, environment and governance are included, as well as specific risks on supplier type and product or service. Suppliers may be required to submit documented evidence to support that they meet the minimum criteria. Assessment of the documents is done by SKF auditors. Screening is the initial step to identify potential sustainability risks in the supply chain and might be followed by supplier audits.

Risk management

This includes evaluation of suppliers with a risk assessment tool covering direct material suppliers in high-risk regions. In addition, when risks to people, the environment or business ethics are flagged during supplier audits, or SKF staff visiting suppliers, such as during a quality review, the suppliers are escalated to be audited. Auditing any type of supplier is done using SKF's own risk tool and audits, of which some are unannounced, and are always done on suppliers' locations by SKFs own internal responsible sourcing auditors or third-party auditors.

Supplier audits

Suppliers must maintain on-site documentation that demonstrates compliance with requirements of the SKF Code of Conduct for suppliers and sub-contractors. They must also allow SKF auditors full access to production facilities, worker records, including worker recruitment records, labour contracts, wage records and time sheets, production records and worker interviews. The Code of Conduct audit procedure is based on a checklist with 62 specific questions focusing on a wide range of aspects such as human rights, labour rights, environment, health and safety.

This checklist was revised during 2024 to be fully in line with the new the SKF Code of Conduct for suppliers and sub-contractos. For example, questions related to impacts on vulnerable groups of workers, including women workers, workers with disabilities and migrant workers was added. Questions about Diversity, Equity and Inclusion (DEI) were also included to raise supplier awareness. Audit scores are assigned to all audited suppliers based on their compliance and risk levels. The score values will be adjusted in accordance with the updated checklist, but currently consist of the following classifications:

- Fully approved (score range 0–80): Highest level of compliance.
- Business approved (score range 81–199): General compliance with minimal deviations to be addressed.
- Conditionally approved (score range 200–800): More critical deviations that shall be remediated.
- Not approved (score range over 800): significant deviations that may lead to supplier business exit with SKF.

The audit checklist is designed to assess compliance in the following areas:

- Child labour
- Forced labour
- Health and safety
- Labour union
- Discrimination/Disciplinary
- Compensation
- Working hours
- Environment management
- Code of Conduct

Deviation remediation

Suppliers are expected to take necessary corrective actions to promptly remediate any deviations found during audits, following a defined timeline, including timely preparation and submission of a Corrective Action Report (CAR). The auditor evaluates the CAR activities to ensure that corrective plans are actionable and within reasonable timelines. Follow-up audits for CAR verification and re-audits of suppliers are conducted with a frequency depending on their performance in prior audits. Suppliers that fail to address critical deviations over time risk having their contracts with SKF terminated.

Processes to remediate negative impacts and channels for value chain workers to raise concerns
Concerns and remediation

SKF recognizes the importance of having effective grievance mechanisms in place for all workers in the supply chain. The SKF Ethics and Compliance Reporting Line is open to all suppliers and supply chain workers to raise concerns directly to SKF. Group Ethics and Compliance manages all reports made through the reporting line and other channels. Read more on page 126.

SKF continues to explore opportunities to increase awareness and accessibility of reporting options. During 2024, information was distributed through supplier audits on accessing and engaging with SKF's Ethics and Compliance Reporting Line to major suppliers. Specific questions about reporting line awareness were also added in the Code of Conduct audit checklist, and the reporting line will be promoted on the SKF supplier web-portal in 2025.
At year-end of 2024, 0 concerns were received from value chain workers.

SKF has the Group Whistleblowing policy in place to safeguard the identity of reporters and other individuals mentioned in the report. The policy strictly prohibits any form of retaliation against those who report concerns in good faith. Once a concern is reported, it can only be accessed by Group Ethics and Compliance.

If a violation is identified for value chain workers, SKF will collaborate with business partners to address and remediate the negative impacts. When necessary, SKF may also partner with recognized external resources to support capacity building and remediation on human rights issues, ensuring that the solutions are effective.

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Managing non-compliance and risk

By policy, suppliers are required to remediate any identified deviations with the SKF Code of Conduct for suppliers

Workers in the value chain cont.

and sub-contractors, even if the audit result is Fully approved or Business approved. The follow-up and re-auditing requirements allows monitoring whether identified deviations remain or have been corrected.

Suppliers are expected to make continuous improvement. Approximately 64% of audits conducted in 2020–2022 resulted in suppliers receiving the score Conditionally approved. In 2023 and 2024, the rate dropped to 37.7% and 31.1% respectively. This improvement is primarily attributed to increased engagement and leadership intervention from the purchasing team, which has actively collaborated with suppliers to ensure compliance with SKF's Code of Conduct. Notably, the audit population has remained relatively stable over the years – 104, 123, 117, and 138 in 2020, 2021, 2022 and 2023, respectively – indicating that the improvement is not due to change in the supplier base but rather a direct result of enhanced compliance measures and follow-up actions.

The improvements are realized through joint efforts. SKF auditors work with purchasing teams to engage the supplier to communicate the results and expectations for remediation and may escalate to regional purchasing management when needed.

Where serious issues are not remediated over time or unacceptable deviations are identified through audits, this will result in termination of a supplier's contract with SKF. In 2024, unacceptable deviations were found at one supplier in India. This case was escalated to the Responsible Sourcing committee, who decided to assign specific support to help the supplier improve. However, the contract with the supplier was terminated.

Child labour and forced labour

In 2022 SKF significantly expanded the narratives in the SKF Code of Conduct for suppliers and sub-contractors to address child labour and forced labour. Requirements related to child labour and forced labour were further clarified by prohibiting the use of child labour in any form, as well as all types of forced labour, including all forms of slavery, prison labour, human trafficking, restriction on freedom of movement, any other excessive means, or other forms of intimidation. For more details, see SKF Code of Conduct for suppliers and sub-contractors.

If child labour is discovered in the supply chain, SKF's child labour remediation process will be followed to protect child workers from further harm.

Training and communication

SKF conducts regular training programs with suppliers related to the SKF Code of Conduct for suppliers and sub-contractors. From 2020 to 2023, a total of 389 suppliers participated in classroom training sessions at SKF. In 2024, three training sessions for 200 suppliers were conducted in different countries – China, India, and Americas, focusing on the Code of Conduct and audit process to enhance suppliers' understanding of SKF's expectations on social and environmental performance and assessment. Occupational health and safety are also central element in courses held by SKF for customers on mounting and dismounting SKF's products. Training feedback was collected after each session where suppliers were asked to provide the three most important takeaways from the training. The data for 2024 shows that employment practices, machine safety and chemical handling ranked highest.

Internally, training of buyers regarding the Responsible Sourcing program is conducted on a regular basis. To strengthen compliance and expand the coverage of SKF's Code of Conduct audits for its suppliers, a new auditor has been trained in Brazil. In 2024, training of buyers took place in regional purchasing offices in China, where eleven buyers participated. SKF's purchasing teams choose which suppliers to work with and play an important role in the process of supplier improvement, and their decisions can impact workers worldwide. The outcome from the trainings shows a significant drop in the number of suppliers receiving the score Conditionally approved, and a steady increase in the number of new suppliers receiving Business approved or Fully approved audit results over the years.

Partnerships and stakeholder collaborations

SKF collaborates with a range of stakeholder groups, including workers in the value chain, to avoid or mitigate human rights risks. SKF Group Management meets annually with the SKF World Union Council according to the Global Framework Agreement. SKF also maintains dialogues with peers and Non Government Organizations via networks such as the UN Global Compact, Transparency International, Railsponsible, Roundtable on Sustainable Palm Oil and ResponsibleSteel Initiative (RSI). RSI is a multi-stakeholder initiative which has defined a standard to be applied in the steel value chain which seeks to assess how companies address salient human rights, as well as environmental risks in the full steel value chain, from scrap or raw material to finished steel. SKF promotes the use of this standard in the relevant parts of its supply chain.

Responsible sourcing of raw materials from conflict affected and high-risk areas

SKF supports the cessation of violence and human rights violations associated with the mining of specific minerals from regions classified as conflict regions, for example the eastern portion of the Democratic Republic of the Congo and surrounding countries. Suppliers are required to adopt a policy for responsible sourcing of the 3TG's (Tin, Tantalum, Tungsten and Gold) plus Cobalt and Mica. If SKF discovers the use of minerals produced in facilities that are considered to be non-conflict free in any materials, parts or components, appropriate actions and due diligence will be performed to transition to products that are conflict free.

SKF is a member of the Responsible Minerals Initiative.

Sustainability indexes

The participation in various globally recognized sustainability evaluation platforms helps SKF to benchmark and refine its process and approach for risk mitigation and remediation for workers in the value chain through effective solutions.

Addressing systemic risks to workers' well-being, and supplier engagement

Systemic risks such as forced labour, unsafe working conditions, and gender inequity require collective action by collaborating and engaging suppliers and other stakeholders to bring positive and lasting protection of workers' well-being. This work at SKF is in the early stages, and will be scaled up in the coming years.

Health and Safety related to Workers in the Value Chain

SKF is committed to promoting health and safety not only for its own employees but also for workers throughout the value chain. This commitment is demonstrated by requiring suppliers and subcontractors to adhere to the principles outlined in the SKF Group EHS Policy.

As part of the SKF Code of Conduct for suppliers and subcontractors, the Group conducts on-site audits covering a wide range of sustainability topics, including health and safety. For more details, please refer to page 135.

In 2024, two tragic events involving workers in the value chain were reported. In May 2024, a truck driver passed away at the Changshan site in China. Authorities concluded that the death was due to natural causes; it is mentioned here because it occurred at an SKF site. In July 2024, an accident at the Lutsk site in Ukraine resulted in the death of a contracted electrician. The incident has been thoroughly investigated and addressed by the authorities and all involved parties.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Supplier improvement target

SKF collects data and reports on the Group's impact, making sure constant improvement is made towards targets. Since early 2024, SKF Group Supply Chain has set a target for the reduction of Conditionally approved suppliers in the audited supplier pool from the baseline 2020 to 2023, when there were 167 active Conditionally approved suppliers in total. The target was to reduce the number of Conditionally Approved suppliers by 16% (27 suppliers) by transitioning them to Business Approved or Fully Approved status by the end of 2024. As a result, the number of suppliers who moved from Conditionally Approved to Business Approved or Fully Approved surpassed the initial target, achieving a 25% reduction instead of the projected 16%. The progress of supplier improvement is tracked and monitored by Group Supply Chain and Group Sustainability throughout the year.

Governance

Business conduct

Material impacts, risks and opportunities

IRO and value chain	Description
Corporate Culture	
Positive impacts Own operations	Fostering a strong corporate culture for a better tomorrow
Negative impacts Own operations	Breaches against the SKF Code of Conduct
Protection of whistle-blowers	
Positive impacts Full value chain	Protection of whistle-blowers
Corruption and bribery	
Risks Own operations	Corruption and bribery leading to fines and/or reputational damage

Business conduct policies and corporate culture

The SKF Code of Conduct represents the DNA of SKF and describes the principles of SKF's corporate culture, thus outlining SKF's fundamental responsibilities and business conduct expectations. The SKF Code of Conduct is embodying SKF's purpose and serves as a compass for ethical business conduct, promoting a culture of integrity and trust and helping SKF's employees to stay true to SKF's core values: Collaboration, Curiosity, Courage and Care. The SKF Code of Conduct sets not only SKF's expectations in relation to legal compliance, but also outlines the skills, attitude and mindset expected of SKF employees in terms of how to behave and interact with SKF's business partners and each other.

Senior Management sets the tone from the top and ensures operational ownership of compliance to the SKF Code of Conduct. There are several subordinate policies and instructions related to the SKF Code of Conduct which further defines the details of the commitments in the Code. The SKF Code of Conduct and its subordinate policies and instructions applies to all SKF's units and employees worldwide. It is accessible online both internally and externally. For managing third parties, the Group has a SKF Code of Conduct for suppliers and subcontractors, as well as one for distributors, agents and intermediaries, publicly available on skf.com.

A new and improved SKF Code of Conduct launched 2024

In 2024, SKF launched an updated SKF Code of Conduct to align with its new purpose, values and an evolving regulatory and technological landscapes. While SKF's core commitments remain unchanged, SKF recognized the need to refresh the SKF Code of Conduct to align with both external and internal developments, ensuring its continued relevance and effectiveness.

As part of the process to revise the SKF Code of Conduct, SKF engaged in an inclusive dialogue with employees representing different functions of the Group through surveys and interviews to identify their needs and expectations, conducted extensive research, and benchmarked against external standards. Representatives of the World Union Council were part of the steering committee for the SKF Code of Conduct update project and represented the employee stakeholder group.

The revised SKF Code of Conduct includes significant updates in content, structure, language, and tone. The content was expanded to address the emerging issues from legal requirements and key stakeholders in many areas of the organization, providing clearer guidance. The new Code is organized around Governance, Social, and Environmental (GSE) criteria, enhancing the ESG approach by recognizing that robust governance is essential to mitigate and prevent non-compliance in social and environmental areas. This underlines SKF's commitment to a comprehensive sustainability agenda across the entire value chain.

The updated version is approved by SKF's Board of Directors, Group Management and trade union representatives.

Key contents in the SKF Code of Conduct

In the SKF Code of Conduct, the company recognizes the strong responsibility towards people and business partners, the society and communities SKF operates in, the environment and the climate.

The SKF Code of Conduct outlines SKF's overarching commitments and responsibilities in the areas of Governance, Social and Environment.

The governance section of the SKF Code of Conduct covers governance, ethics and compliance related topics, namely fair business and competition, anti-corruption and ethical behavior, international trade compliance, secure use of company information, assets and resources and innovation and responsible use of technologies.

The social section of the SKF Code of Conduct covers people, social topics and human rights related topics, namely care for people and respect for human rights, diversity, equity and inclusion, health and safety and privacy, integrity and security.

The environmental section of the SKF Code of Conduct covers environment, climate and resource related topics, namely environmental sustainability and integrity, circularity and environment and use of resources.

Building on the SKF Code of Conduct, the Group maintains efficient governance to ensure adherence to applicable rules and legislations in all the above-mentioned areas. To further strengthen this governance, SKF plans to review the Group Policies and the overall policy governance structure starting in 2025.

Additional policies in relation to business conduct matters

The following policies are detailing the overarching commitments related to business conduct matters in the SKF Code of Conduct:

- Group Anti-Corruption policy, including zero tolerance for corrupt activity including inappropriate gifts or hospitality, bribery, facilitation payments and conflict of interest as well as SKF's policy to not give political donations.
- Group Anti-trust policy, including zero tolerance for engagement in activities detailed in the policy which may constitute violations of applicable antitrust laws and regulations.

Business conduct cont.

- Group Insider policy, including information on requirements and obligations related to the prohibition of insider trading.
- Group Export Control policy, requiring full compliance with applicable export control laws and regulations when exporting products, associated technical data and technical services or when involving parties or destinations covered by these regulations.
- Group Policy on Data Privacy, describing the minimum requirements on how SKF shall collect, process and protect personal data.
- Group Whistle-blowing policy, including information on SKF's procedures for raising concerns including the whistleblowing channel as well as SKF's policy of non-retaliation.

These policies are all part of SKF's compliance programme and supplemented by more detailed Group instructions where appropriate. Both group policies and instructions are accessible online internally.

Third party standards and initiatives
In the Group's business conduct policies, SKF commits to the following internationally recognized principles, guidelines and initiatives which promote sustainable and ethical business practices:

- The United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.
- The International Labour Organization's core conventions.
- OECD's Guidelines for Multinational Companies on Responsible Business Conduct.

Implementation, training and awareness
SKF has implemented a Group-wide compliance program to prevent, detect and correct non-compliance with legislation and policies as well as ensure a corporate culture based on ethical business conduct and good business practices. This program adheres to international guidelines from the EU, the US and the UK authorities (Department of Justice, UK Bribery Act, and EU ICP) and includes the elements of management commitment, risk assessment, training and awareness, policies, procedures and whistle-blowing, investigations and audits.

SKF adopts a decentralized operating model, where accountability and commitment to compliance including the SKF Code of Conduct and SKF's corporate culture, rest at the Business Areas. The Group-wide compliance program, together with common processes and tools governed by the respective corporate functions provides the respective Business Areas with the framework and ensures compliance, risk management and synergies across the Group. Adherence to local laws is the responsibility of the respective legal entities. SKF's major sites have inhouse lawyers that monitor and support the companies to comply with local requirements beyond the requirements in the Group's compliance program.

In light of the decentralised operating model, the Business Area Presidents are responsible for the effective implementation of the SKF Code of Conduct and the Ethics & Compliance programme in their respective business areas. The Chief Compliance Officer follows up on the Business Areas' implementation of the same with the Business Area presidents. In addition, the Chief Compliance Officer chairs the SKF Compliance Leadership Team consisting of management representatives from all Business Areas. The team shall ensure that priorities and activities are aligned across the Business Areas, as well as drive risk assessment, participate in investigations and ensure an operational ownership of compliance in the business operations.

To ensure employee awareness and effective communication of Group policies and measures, SKF conducts periodic global awareness campaigns, such as the Global Compliance week, and have all policies readily accessible online. In addition, there is a Group-wide program of online training courses for general awareness on compliance and business ethics that are mandatory for all employees having an SKF email address. The training courses cover a wide range of topics, providing general awareness of the policies on good business conduct, such as Antitrust in relation to competitors 94%, Corruption at SKF 96%, How to avoid antitrust risks in the sales channel 99%, Ethical leadership 85% and Reporting ethical concerns 96%. The numbers represents the percentage of the total number of the employees in scope who have completed the training as per January 2025. Every employee with an SKF email address is assigned an onboarding package of trainings when starting at SKF. To ensure continuous awareness and coverage of any changes in requirements or expectations, all trainings are refreshed with a frequency of one to three years depending on the subject of the training. In addition, all employees with an SKF email address are required to commit to the SKF Code of Conduct on an annual basis. The trainings are also available on-demand online for employees with access to the internal learning portal.

Identification, reporting and investigation of concerns
SKF has several mechanisms for identifying concerns about behaviour contradicting the SKF Code of Conduct and underlying policies, such as management reviews, internal controls, internal audits and Code of Conduct audits (Responsible Sourcing programme).

Where SKF employees experience or notice behaviours that are not in line with SKF's Code of Conduct they are requested to report it to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line, a whistle-blowing line which is set up subject to the legal requirements in the EU Whistleblowing Directive. The reporting line consists of an external system hosted by a third party. Reports can be made anonymously, unless this is prohibited by local legislation.

The SKF Ethics and Compliance Reporting Line is also available to external parties, such as suppliers and distributors, through skf.com. SKF employees and others can report concerns in their own language via a designated web portal or by calling a local telephone number (telephone service is available only in Brazil and Mexico).

SKF is committed to investigating business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively. All concerns that are reported to the SKF Ethics & Compliance Reporting Line, via other channels, or otherwise identified by the central functions through other mechanisms are reviewed and assessed by Group Compliance, for assignment to an appropriate investigator. Concerns deemed as critical are communicated on a case-by-case basis to the General Counsel and SVP Legal & Compliance, to the Board of Director's Sustainability & Ethics Committee and/or to the Audit Committee. In addition, the Chief Compliance Officer directly reports material compliance issues, risks, findings and root causes, as well as remediation plans where appropriate, to the Board of Directors' Sustainability and Ethics Committee, and the Audit Committee on a continuous basis.

The number of concerns reported and investigated is an important KPI of the effectiveness of SKF's compliance program. The goal is to increase awareness about and compliance with the SKF Code of Conduct, for example via additional e-learnings, to gradually decrease the number of serious concerns reported and investigated. Internal control issues, training completion rates and the number of reported and substantiated ethical concerns give SKF indications on the need for improving the compliance program.

Business conduct cont.

SKF's compliance program actions to prevent or mitigate risks are focused on the main risks identified in the Group's yearly compliance risk assessment. During 2024 SKF engaged approximately 400 managers from all Business Areas, regions and corporate functions in a self-assessment of key compliance risks. The number of units participating is a KPI for the quality of the risk assessment. The conclusions of the risk assessment are the basis for mitigation plans per Business Area and for the Group.

SKF has dedicated Legal & Compliance officers in all Business Areas. Together with the Chief Ethics & Compliance Officer, the Business Areas develop a compliance plan based on risks and incidents. This is approved by the Sustainability & Ethics Committee on an annual basis. Positive examples of the compliance activities, such as employee and business partner engagement, are shared with the Group's Compliance Core Team.

Prevention and detection of corruption and bribery

SKF addresses anti-corruption and anti-bribery as part of the Group's compliance program as described on page 138. The SKF Code of Conduct outlines the overall prohibition of corrupt practices, including bribery, and is supplemented by the Group compliance program on anti-corruption which includes different elements to support the prevention and detection of corruption and bribery, such as policies, instructions and guidelines as well as trainings. Prohibition of corruption and bribery is also included in the SKF Code of Conduct for suppliers and sub-contractors, the SKF Code of Conduct for Distributors and the SKF Code of Conduct for Agents and other Intermediaries.

The Group Anti-Corruption Policy, described on page 137, is supplemented by instructions to provide more detailed requirements related to the overarching prohibition on corrupt practices. These are:

- Group Instruction on Anti-Corruption
- Group Instructions on the Use of Gifts and Other Favors
- Group Instructions on the use of Agents and other Intermediaries
- Group Instructions on Charitable Activities
- Group Instructions for Sponsorship

The Group also provides guidelines related to conflict of interest as well as a due diligence checklist to be used when appointing and using distributors and agents.

The policies, instructions and guidelines are all readily accessible online internally for all employees, and the SKF Code of Conducts are readily accessible online both internally and externally. The Code of Conducts for third parties are provided to the third party or otherwise referenced as part of the onboarding and thereafter when required. When a supplier is subject to SKF's Code of Conduct audit as described on page 134, compliance with the SKF Code of Conduct for suppliers and sub-contractors including sections related to prohibition of corruption and bribery is audited.

To support general awareness about anti-corruption and anti-bribery in the Group, SKF provides group-wide e-learnings, such as "Corruption at SKF" and "Reporting ethical concerns" as described on page 138. In addition, all staff employees are assigned a conflict of interest training for general awareness purposes every year, that also includes a step where the employee shall confirm that any conflicts of interests will be disclosed as per SKF's policy.

As described page 137, the Business Areas presidents are responsible for implementing the Anti-Corruption compliance program in their respective business area, thus also responsible for providing further trainings to address Business Area specific risks as well as to conduct due diligence when required.

Allegations and incidents of corruption and bribery are addressed as described page 137.

SKF is continuously working to strengthen its efforts to fight corruption. In 2025, the Group intends to review the anti-corruption compliance, including the potential need to update and/or expand the trainings provided by the Group, as well as to strengthen the third-party due diligence process by updating the minimum requirements and process for third party due diligence.

Operations assessed for risks related to corruption

SKF's compliance risk assessment for 2024 indicates that the risk of corruption is in general low, while slightly higher in regions of high risk of corruption. The identified main corruption risk is conflict of interest, especially in high-risk regions. In addition, SKF assesses that it is more at risk for corruption where distributors and agents are used to represent SKF when interacting with governments or state-owned entities in countries with a high corruption risk. Together with Group Compliance, each business area consolidates the results and sets an action plan in accordance with the results. At SKF's manufacturing units, risk based ethics and compliance reviews are carried out, in conjunction with environmental, health and safety audits. The purpose is to assist units in their work to identify and address specific ethics and compliance risks, including corruption. During 2024, 15 such reviews have been carried out.

Incidents of corruption or bribery

During 2024, SKF confirmed 15 incidents of corruption or bribery, whereof 5 of these led to employees being dismissed and 5 employees being disciplined. SKF had 3 confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.

Local units have, based on root cause for the breaches in procedures and standards, taken appropriate measures, such as strengthened internal controls and updated procedures.

SKF was neither convicted nor liable to pay any fines for violation of anti-corruption or anti-bribery laws.

Additional information

Water

SKF operations are not considered to be water intensive, however, water is relevant at specific locations. Performance is monitored for sites located in areas of actual and potential water stress.

Interactions with water as a shared resource and management of water discharge-related impacts
Water is used at SKF's sites for processes and civil purposes (toilets, showers, cooking facilities, etc.). Focus on efficient water use is applied in various ways. For example, in new factory building projects the latest technologies have been put in place to achieve minimal impact on local resources. In addition, practices like closed loop systems for industrial water used and rainwater harvesting are common in many SKF facilities.

Water withdrawal is metered at site level for "water from municipal supply" (the most common source) and "water from other sources". The first is the aqueducts supply and the second includes supply by wells or other surface sources (such as rivers and creeks) practiced according to local regulations. There are no cases of sourcing from the sea, or local water production. Water is discharged in surface water or sewage systems after treatment, with quality levels according to local regulations and in this way, water related impacts are addressed.

Numerous lifecycle assessments (according to ISO 14044:2006) have been conducted both on product and process levels, and water impacts have been identified. The main findings from these studies are that SKF's direct water use is relatively insignificant compared to upstream use in energy generation, steel production, etc. However, SKF recognizes the increased importance of water efficiency and other measures at sites located in areas of water scarcity. SKF uses the World Resources Institute's tools to identify those sites in areas of water stress or projected water stress. These sites are then required to define improvement plans to drive reduced water intensity through various means (see table). Efforts to improve water efficiency have shown a positive trend at most of the sites within scope. At the same time, it is acknowledged that this is a learning process, and there are still areas with room for improvement. SKF remains committed to enhancing its water conservation strategies to achieve even better results. In other locations the nature of SKF's processes, where most systems using water are closed loop, means that SKF typically does not represent a major water user in the local industrial context.

Due to low water intensity of SKF's direct operations and the measures in place to follow applicable wastewater treatment requirements, the chances of SKF water usage impacting local community water availability or quality are very low.

As part of the Group's overall environmental approach, SKF works with upstream users of water, such as steel and energy suppliers, to reduce water use. For example, by switching to renewable electricity sources, a dramatic reduction in water needed per/kWh can be achieved compared to thermal power sources. The SKF requirements for suppliers to adopt the ISO 14001 standard will also help increase focus on water by the direct material suppliers.

Water efficiency performance for sites in water stressed areas

Site	KPI 2024 vs. 2023, %
Ahmedabad	–39
Bangalore: DGBB	–41
Bangalore: Lincoln	+38
Bari	+55
Cajamar and Jordanésia	–28
Chakan[1]	+71
Dalian	+13
Haridwar	–8
Jakarta	+1
Jinan	–22
La Silla	–17
Monterrey: Solution Factory[1]	+7
Mysore	–27
Nairobi[1,2]	—
Nankou	–12
Puebla	–5
Pune	–31
Shanghai ATC	–27

The KPI for manufacturing sites is water intensity calculated as water withdrawal / production volume. Non-manufacturing sites, marked;

1) KPI for water intensity calculated as water withdrawal/average number of full time employees.
2) Included in scope during 2023. Data to calculate the KPI is not available.

Water withdrawal by source
As the clear majority of SKF's factories are in industrial zones, water is supplied by municipalities. Other sources have not been considered significant. Therefore, SKF monitors total water withdrawal at sites and not per withdrawal by source. As the reporting is based on actual measurements from water suppliers or at SKF sites, no specific assumptions are referred to.

Water withdrawal

1,000 cubic metres	2024	2023[2]	2022[2]
Water from municipal supply	1,527	1,668	1,884
Water from other sources[1]	869	1,018	1,307
Water withdrawal total	2,396	2,686	3,191

1) Other sources is mostly wells from which water is extracted.
2) Past data are restated for divested units and data amendment.

Water discharge
Water discharge follows regional regulations. The flow goes to local sewage systems or to surface water flow in compliance with mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.

Pollution of air

SKF has an objective to eliminate emissions from the use of volatile organic compounds (VOC) in washing processes for bearings and bearing components by 2025. These washing processes are the main source of VOC emissions from the Group's operations.

In 2024, the Group achieved a significant reduction in VOC emissions. As the deadline for meeting the objective approaches, each Business Area has intensified efforts to address the remaining VOC emissions, ensuring timely elimination. The Group will continue to support the development of action plans for sites with the highest emissions.

Group objective: Eliminate emissions of volatile organic compounds from washing of bearings and bearing components by 2025

Tonnes	2024	2023[1]	2022[1]
VOC (volatile organic compounds) total use	615	637	755
VOC (volatile organic compounds) emitted to the atmosphere (washing of bearings and components in bearings manufacturing)	98	122	135

1) Past data are restated for divested units and data amendment.

Biodiversity

SKF does not currently have any targets or KPIs related to biodiversity on a Group level. SKF is working to improve its understanding of the impact and dependencies of biodiversity as well as associated risks and opportunities through the full value chain. An assessment conducted in 2023 shows that SKF has potential impacts on the direct drivers of biodiversity loss specifically in terms of climate change, land use change, and pollution. To mitigate the impacts on these drivers of biodiversity loss, SKF sees strong synergies with meeting its decarbonization targets, increasing its circular use of products and resources, and reducing its risks of pollution through strong environmental management.

The assessment shows that SKF's dependency on steel and its related environmental impacts from both production and mining is critical for the Group to address also from a biodiversity perspective. Reducing use of virgin resources, re-using materials and products, and increasing the use of recycled materials are key for SKF to meet its net-zero goals, as well as to reduce its impact on biodiversity, pollution, and land use.

For SKF's targets, KPIs, and activities related to climate change, please see page 102.

For SKF's targets, KPIs, and activities related to resource use and circular economy, please see page 120.

Going forward, SKF will continue to improve its understanding of its impact on local flora and fauna in relation to the company's sites across the globe. SKF will also further address how it integrates biodiversity-related impact, risks and opportunities in its environmental management system for sites near or in proximity to protected areas and Key Biodiversity Areas.

Policies

A Group Policy is authorized by the CEO and owned by the relevant member of Group management. A Group Instruction is authorized by the relevant member of Group management, and (in many cases) provides details to a related Group Policy. Group Policies and Group Instructions are applicable to all employees and units in the SKF Group, with the exception of the SKF Code of Conduct for distributors, suppliers and sub-contractors.

Policies	Description	Link to material topics
SKF Code of Conduct	The policy that all other policies and instructions shall adhere to.	All
SKF Group Anti corruption policy	Zero tolerance for corrupt activity including inappropriate gifts or hospitality, bribery, facilitation payments and conflict of interest as well as SKF's policy to not give political donations.	Governance
Group Antitrust policy	Zero tolerance for engagement in activities detailed in the policy and which may constitute violations of applicable antitrust laws and regulations.	Governance
SKF Group Insider policy	Requirements and obligations related to the prohibition of insider trading.	Governance
SKF Group Policy on Export Control	Full compliance with applicable export control laws and regulations when exporting products, associated technical data and technical services or when involving parties or destinations covered by these regulations.	Governance
SKF Group Policy on Data Privacy	Minimum requirements on how SKF shall collect, process and protect personal data.	Governance
SKF Group Whistleblowing policy	Procedures for raising concerns including the whistleblowing channel as well as SKF's policy of non-retaliation.	Governance, Own workforce
Group Environmental, Energy, Health and Safety Policy	This policy enables a culture where EHS awareness, involvement, and accountability is integrated into SKF's business activities and decision-making processes. It provides guidance to proactively assess health and safety risks, as well as environmental and energy impacts, aiming to eliminate hazards, reduce risks, and minimize negative impacts.	Own workforce, Workers in the value chain, Climate change, Resource use and Circular Economy
SKF Employee Wellbeing policy	Requirements for promoting and protecting employee wellbeing.	Own workforce
SKF Code of Conduct for SKF Distributors	Expectations on SKF's full value chain to act in an economically, socially and ethically responsible manner	Workers in the value chain
SKF Code of Conduct for suppliers and sub-contractors	Expectation on suppliers to protect human rights and safeguard the well-being of workers within their own business operations, and also to cascade the requirements to their own supply chains acccordingly. Addresses Resource Use and Circular Economy in the Environmental impact part.	Workers in the value chain, Resource Use and Circular Economy
SKF Group Equal Pay Policy	Responsibility to treat all employees equally, fairly and with respect regardless of race, gender, age, national origin or nationality, disability, caste, religion, sexual orientation, union membership or political affiliation. Furthermore, SKF shall provide non-discriminatory working conditions and promote diversity.	Own workforce, Workers in the value chain
Fossil fuel phase out policy	Aims to accelerating the decarbonization of SKF's operations and reaching the Group's 2030 decarbonization goal.	Climate change
Shadow Carbon Pricing Policy	Aims at internalizing the environmental cost of steel and steel components within our supply chain by implementing a Shadow Carbon Price.	Climate change
Airfreight Avoidance Policy	Aims at reducing greenhouse gas emissions impact of logistics and related costs for transportation.	Climate change
SKF Group Business Travel Policy	Aims at limiting the environmental impact from business travels.	Climate change
SKF Sustainable Buildings Policy	Requirements for the design and construction of major new facilities which are to be owned or leased by SKF.	Climate change
SKF Policy for hazardous substances in products	Aims to protect the environment and the health of people from harmful substances.	Resource use
SKF Conflict mineral policy	This policy describes SKF's supports for efforts to end the violence and human rights violations involved in the mining of so called conflict minerals.	Workers in the value chain

TCFD

TCFD is the Task Force on Climate-related Financial Disclosures initiated by the Financial Stability Board. The aim with the initiative is to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures. SKF reports according to the TCFD recommendations since 2020.

SKF is also a respondent to the CDP Climate Change survey and achieved an A– score for its 2024 submission. The Group's submission is publicly available on the CDP website. CDP has aligned their survey with the TCFD and the SKF response provides a further, more detailed resource for stakeholders wishing to gain a deeper understanding of SKF's climate risks and opportunities and how the company is addressing these.

Governance	Strategy	Risk management	Metrics and targets
The board's oversight of climate-related risks and opportunities. **See pages 27–31, 83–85, 153**	Identified climate-related risks and opportunities over the short, medium, and long term. **See pages 89–94, 102–106**	Processes for identifying and assessing climate-related risks. **See pages 102–106**	Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process. **See pages 85–89**
Management's role in assessing and managing climate-related risks and opportunities. **See pages 83–85, 102–106 , 169**	Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. **See pages 89–94, 102–106**	Processes for managing climate-related risks. **See pages 102–106**	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. **See pages 102–106**
	Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **See pages 102–106**	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. **See page 102–106**	Targets used to manage climate-related risks and opportunities and performance against targets. **See pages 102–106**

GRI content index

Statement of use AB SKF has reported in accordance with the GRI Standards for the period 2024-01-01–2024-12-31
GRI 1 used GRI 1: Foundation 2021
Applicable GRI Sector Standard(s) No applicable GRI sector standards exists

			Omission		
GRI standard/Other source	**Disclosure**	**Location**	**Requirement(s) omitted**	**Reason**	**Explanation**
GENERAL DISCLOSURES					
GRI 2: General Disclosures 2021	**2-1** Organizational details	4–5, 86–87			
	2-2 Entities included in the organization's sustainability reporting	83			
	2-3 Reporting period, frequency and contact point	83			
	2-4 Restatements of information	83			
	2-5 External assurance	83, 149			
	2-6 Activities, value chain and other business relationships	12–18, 23–24, 86–87			
	2-7 Employees	124–133			SKF reports data on employees by gender, age group, regions, and contract type. However, non-guaranteed hours are not currently reported. SKF is preparing for upcoming legal requirements in this area.
	2-8 Workers who are not employees	130			
	2-9 Governance structure and composition	83–85, 150–160			
	2-10 Nomination and selection of the highest governance body	150–160			
	2-11 Chair of the highest governance body	150–160			
	2-12 Role of the highest governance body in overseeing the management of impacts	83–85			
	2-13 Delegation of responsibility for managing impacts	83–85			
	2-14 Role of the highest governance body in sustainability reporting	83–85			
	2-15 Conflicts of interest	61			
	2-16 Communication of critical concerns	126, 138–139, 142			
	2-17 Collective knowledge of the highest governance body	83–85			
	2-18 Evaluation of the performance of the highest governance body	150–160			
	2-19 Remuneration policies	61–64			
	2-20 Process to determine remuneration	61–64			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
GENERAL DISCLOSURES CONT.					
	2-21 Annual total compensation ratio			Information unavailable /incomplete	The median annual total compensation for all employees and the median percentage increase in total compensation for all employees have not been collected yet. Base salary for blue collar workers, local short-term variable pay, long-term variable pay and other remuneration and benefits cannot be obtained to calculate total compensation, as this data is not stored in the global HR system. This applies to all locations and legal entities. The remuneration and change of remuneration for the President compared to the remuneration and change of the average remuneration of employees in AB SKF is reported in the Remuneration Report.
	2-22 Statement on sustainable development strategy	12–18, 86–87			
	2-23 Policy commitments	83–84, 114–115, 142			
	2-24 Embedding policy commitments	83–84, 114–115, 142			
	2-25 Processes to remediate negative impacts	89–95, 103–106, 108–116, 122–123, 126–129, 137–139, 142			
	2-26 Mechanisms for seeking advice and raising concerns	126, 138–139, 142			
	2-27 Compliance with laws and regulations	137–139			
	2-28 Membership associations	85			
	2-29 Approach to stakeholder engagement	87–88			
	2-30 Collective bargaining agreements	130			
MATERIAL TOPICS					
GRI 3: Material Topics 2021	**3-1** Process to determine material topics	95			
	3-2 List of material topics	89–94			
Anti-corruption and competition law					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 142			
GRI 205: Anti-corruption 2016	**205-1** Operations assessed for risks related to corruption	139			
	205-3 Confirmed incidents of corruption and actions taken	139			
GRI 206: Anti-competitive Behavior 2016	**206-1** Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	139			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Enabling cleantech growth					
GRI 3: Material Topics 2021	**3-3** Management approach				
SKF Specific topic	Revenue from sales to cleantech areas	103			
Energy use and efficiency, climate change and greenhouse gas emissions					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 102			
GRI 302: Energy 2016	**302-1** Energy consumption within the organization	117			
	302-3 Energy intensity	118			
	302-4 Reduction of energy consumption	108			
GRI 305: Emissions 2016	**305-1** Direct (Scope 1) GHG emissions	104, 118			
	305-2 Energy indirect (Scope 2) GHG emissions	104, 118			
	305-3 Other indirect (Scope 3) GHG emissions	118, 119			SKF has substantially increased the scope of scope 3 reporting in 2022 to include a significant amount to the emissions related to its direct material suppliers (steel and forging suppliers), however this does not cover the entire potentially applicable Scope 3 emissions. SKF intends to continue to increase the scope of reported Scope 3 emissions in the coming years.
	305-4 GHG emissions intensity	118			
Material waste and environmental compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	120–123			
GRI 301: Materials 2016	**301-1** Materials used by weight or volume	123			
GRI 303: Water and Effluents 2018	**303-1** Interactions with water as a shared resource	140			
	303-2 Management of water discharge-related impacts	140			
	303-3 Water withdrawal	140			
	303-4 Water discharge	140			Water discharge follows regional regulations. The flow is going to local sewage systems or to surface water flow in compliance to mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.
GRI 306: Waste 2020	**306-2** Management of significant waste-related impacts	123			
	306-3 Waste generated	123			
	306-4 Waste diverted from disposal	123			
	306-5 Waste directed to disposal	123			SKF reports only grinding swarf separately as its main hazardous waste.
Resource outflows		122–123			Resource outflow was a new material topic 2023. SKF aims to develop KPIs on this topic going forward.

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Employment					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 401: Employment 2016	**401-1** New employee hires and employee turnover	129			
Labor/management relations					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 402: Labour/Management Relations 2016	**402-1** Minimum notice periods regarding operational changes	130			
Occupational health and safety					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 403: Occupational Health and Safety 2018	**403-1** Occupational health and safety management system	126			
	403-2 Hazard identification, risk assessment, and incident investigation	126–127			
	403-3 Occupational health services	127			
	403-4 Worker participation, consultation, and communication on occupational health and safety	127			
	403-5 Worker training on occupational health and safety	127			
	403-6 Promotion of worker health	127–128			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	137			
	403-8 Workers covered by an occupational health and safety management system	132			
	403-9 Work-related injuries	132			
Training and education					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 404: Training and Education 2016	**404-2** Programs for upgrading employee skills and transition assistance programs	131–132			
	404-3 Percentage of employees receiving regular performance and career development reviews	132			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Diversity and equal opportunity					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 405: Diversity and Equal Opportunity 2016	**405-1** Diversity of governance bodies and employees	131			
	405-2 Ratio of basic salary and remuneration of women to men	133			
Human rights and non-discrimination					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126, 134			
GRI 406: Non-discrimination 2016	**406-1** Incidents of discrimination and corrective actions taken	133			
GRI 407: Freedom of Association and Collective Bargaining 2016	**407-1** Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	133			
GRI 408: Child Labour 2016	**408-1** Operations and suppliers at significant risk for incidents of child labour	133			
GRI 409: Forced or Compulsory Labour 2016	**409-1** Operations and suppliers at significant risk for incidents of forced or compulsory labour	133			
	412-1 Operations that have been subject to human rights reviews or impact assessments	126, 133			
Supplier assessments					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 91, 94 120, 137			
GRI 308: Supplier Environmental Assessment 2016	**308-1** New suppliers that were screened using environmental criteria				Percentage cannot be disclosed. The total number of new suppliers is not known.
	308-2 Negative environmental impacts in the supply chain and actions taken	91, 108–110			
GRI 414: Supplier Social Assessment 2016	**414-1** New suppliers that were screened using social criteria				52 suppliers have been audited, total number of suppliers assessed in other ways cannot be disclosed.
	414-2 Negative social impacts in the supply chain and actions taken	135			
Socioeconomic compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85			
GRI 2-27: Compliance with laws and regulations	**2-27** Non-compliance with laws and regulations in the social and economic area	139			

Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report

To AB SKF (publ.),
corporate identity number 556007-3495

Introduction
We have been engaged by the Board of Directors of AB SKF to undertake a limited assurance engagement of the AB SKF Sustainability Report for the year 2024. The Company has defined the scope of the Sustainability Report on page 2 in connection to the table of content in Annual Report and the Statutory Sustainability Report on page 83.

Responsibilities of the Board of Directors and the Executive Management
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act, according to the previous version applied before 1 July 2024, respectively. The criteria are defined on page 83 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of AB SKF in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes win all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Gothenburg, March 7, 2025
Deloitte AB

Hans Warén *Authorized Public Accountant*	Lennart Nordqvist *Expert Member of FAR*

CORPORATE GOVERNANCE REPORT

Fighting friction

SKF supports the hydrogen journey from production to end usage. From efficient production methods to storage and transport solutions, we are committed to pioneering this development to support you in achieving reliability and efficiency every step of the way.

Introduction

SKF applies the principles of sound corporate governance as an instrument for increased competitiveness and to promote confidence in SKF among all stakeholders. Among other things, this means that the company maintains an efficient organizational structure with clear areas of responsibility and clear rules for delegation and decision making together with an accountability framework, that the financial and sustainability reporting is transparent and that processes governing such reporting is paved by a robust risk management and assurance framework and that the company in all respects maintains good corporate citizenship.

SKF is purposefully working to ensure sustainability, ethics and compliance to achieve a positive development over the short, medium and long term. More information is found on pages 83–85 in the Sustainability Report for the Group in the Annual Report 2024.

The corporate governance principles applied by SKF are based on Swedish law, in particular the Swedish Companies Act and the Swedish Annual Accounts Act, and the regulatory system of NASDAQ Stockholm AB (Stockholm Stock Exchange) as well as the Swedish Code of Corporate Governance (the "Code") issued by the Swedish Corporate Governance Board and the AB SKF Articles of Association.

Information under the Annual Accounts Act Chapter 6, § 6, sections 3–4, are found on pages 29–31 of the Administration Report for the Group in the Annual Report 2024.

Swedish Code of Corporate Governance

The Code was originally introduced on 1 July 2005 by the Swedish Corporate Governance Board. The Code has been revised several times since the introduction and the applicable Code is available at the website of the Swedish Corporate Governance Board, www.corporategovernanceboard.se.

It is considered good stock exchange practice for Swedish companies whose shares are traded on a regulated market to apply the Code. SKF applies the Code and this Corporate Governance Report has been prepared in accordance with the Code as well as the Swedish Annual Accounts Act. Furthermore, SKF has provided information on the company's website in line with the Code requirements. The Annual General Meeting in 2024 was also held in accordance with the Code rules. The auditor of the company has read and performed a statutory examination of the Corporate Governance Report.

General information about how the company is managed

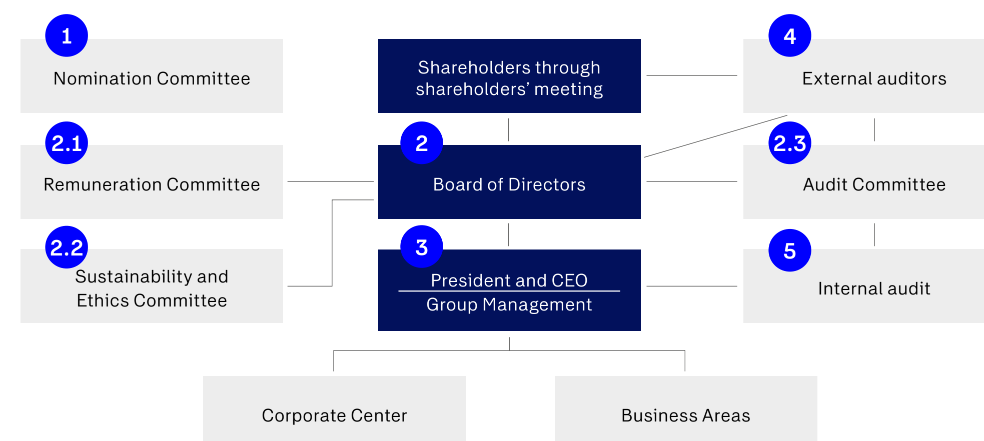
The shareholders' meeting is the company's highest decision-making body. An Annual General Meeting of shareholders shall be held annually and within six months after the end of the financial year. At the Annual General Meeting the shareholders may exercise their voting rights to part take in decision making of the company for example in relation to the composition of the Board of Directors, the adoption of principles of remuneration for Group Management and the election of external auditors. SKF has issued A and B shares. An A share entitles the shareholder to one vote and a B share to one-tenth of a vote. In all other aspects, SKF's class A and B shares have the same rights.

The Board of Directors has a responsibility for the company's organisation and for the oversight of the management of the company's affairs and is, together with the President and CEO and Group Management defining and continuously monitoring SKF's purpose, strategy, values and drivers. The Board of Directors also continuously evaluates economic, environmental, social and governance aspects of the SKF Group's performance.

The Chair of the Board of Directors shall direct the work of the Board and monitor that the Board fulfils its obligations. The Board of Directors annually adopts written rules of procedure for its internal work and written instructions. For more details on the rules of procedures and the written instructions, see below under the heading "Activities of the Board of Directors".

The President of the company, who is also the Chief Executive Officer, is appointed by the Board of Directors and handles the day-to-day management of the company's business in accordance with the guidelines and instructions from the Board. The approval of the Board of Directors is, for example, required in relation to investments and acquisitions above certain amounts, as well as for the appointment of certain senior managers. The President and CEO is supported by a Group Management team, see pages 158–159 in the Annual Report 2024.

SKF is structured in two reporting segments, the Industrial and Automotive businesses. The Automotive business is a global organization while the Industrial business is organized in four industrial regions: The Americas (Americas), Europe, Middle East and Africa (EMEA), India and Southeast Asia (ISEA) and China and Northeast Asia (CNEA), and also includes five independent global business units, collectively referred to as Independent and Emerging businesses. All of the above mentioned business areas are respectively accountable for their own operational and financial performance. Further, there is a lean corporate center consisting of six Group staff functions: Group Operations, Group Technology Development, Group Commercial Excellence Bearings, Group Finance, Group Legal & Compliance and Group People Experience & Communication. The management of SKF's operations is based on a decentralised operating model for the business areas achieving decision making close to the customer and the goal of serving customers with increased speed and responsiveness, however within a set of accountability frameworks ensuring compliance, risk management and synergies across the SKF Group. The corporate center governs these defined frameworks being fundamental requirements for the management of the SKF Group. Within these frameworks, defined processes, policies and instructions are in place to manage risk, strategically important matters, and ensure compliance. Furthermore, certain transactions/arrangements of high value or strategic importance are referred to the relevant decision-making bodies and ultimately the President and CEO and/or the Board of Directors.



1 Nomination Committee

At the Annual General Meeting of AB SKF it was resolved that the company shall have a Nomination Committee formed by four members appointed by each one of the four largest shareholders with regard to the number of votes held as well as the Chair of the Board of Directors. When constituting the Nomination Committee, the shareholdings per the last banking day in August each year would determine which shareholders are the largest with regard to the number of votes held. The names of the four members were to be published as soon as they had been elected, however, not later than six months before the next Annual General Meeting. The Nomination Committee shall remain in office until a new Nomination Committee has been appointed.

In a press release on 11 September 2024, it was announced that a Nomination Committee consisting of the following members, together with the Chair of the Board of Directors, had been appointed in preparation of the Annual General Meeting 2025:

- Marcus Wallenberg, FAM
- Philip Ahlgren, Cevian Capital
- Anders Algotsson, AFA Försäkring
- Anders Jonsson, Skandia

The Nomination Committee is to furnish proposals in the following matters to be presented to, and resolved by, the Annual General Meeting in 2025:

- proposal for Chair of the Annual General Meeting
- proposal for Board of Directors
- proposal for Chair of the Board of Directors
- proposal for remuneration to the Board of Directors
- proposal for auditor
- proposal for remuneration to the auditor
- to the extent deemed necessary, proposal for new instructions for the Nomination Committee.

The proposals of the Nomination Committee were published in a press release dated 22 January 2025 and in connection with the notice to the Annual General Meeting 2025.

2 The Board of Directors

Composition and remuneration of the Board

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

The Nomination Committee proposes decisions to the Annual General Meeting regarding electoral and remuneration issues, including proposals for the composition and remuneration of the Board of Directors. As reflected in the Nomination Committee's statement regarding the composition of the proposed Board of Directors and the proposed remuneration presented to the Annual General Meeting 2024, the Nomination Committee has applied the provisions in the Code as diversity policy. The objectives of the diversity policy is for the Board of Directors to have a composition appropriate to the company's operations, phase of development and other relevant circumstances; that the Board members elected by the shareholders' meeting collectively are to exhibit diversity in terms of for example gender, nationality, age and industrial experience and breadth of qualifications, experience and background; and that the company is to strive for gender balance on the Board. In front of the Annual General Meeting 2024 the Board members in office were all proposed to be re-elected as they, according to the Nomination Committee, are assessed to possess expertise in key areas for SKF such as financial management, digital transformation, sustainability and technological innovation. The Annual General Meeting 2024 resolved to appoint Board members in accordance with the Nomination Committee's proposal.

Ten Board members, including the Chair, were elected at AB SKF's Annual General Meeting held in the spring of 2024. In addition, the SKF labor unions have appointed two Board members and two deputy Board members. No Board member, except for the President and CEO, is included in the management of the company.

Information on the composition and remuneration of the Board members decided upon by the Annual General Meeting 2024 can be found in the Annual Report 2024, Consolidated Financial Statements, Note 23.

Independence requirements

The Nomination Committee has a responsibility to take independence into consideration in its proposal for Board of Directors. The Board of Directors has been considered to comply with the requirements of the Code regarding independence. The table below shows the Board members' independence according to the requirements of the Code in relation to the company and major shareholders[1].

Activities of the Board of Directors

The Board of Directors held ten meetings in 2024. The Board members were present at the Board meetings as described in the table on the next page.

The Board of Directors adopts written rules of procedure annually for its internal work. These rules prescribe i.a.:

- the number of Board meetings and when they are to be held,
- the items normally included in the Board agenda, and
- the presentation to the Board of reports from the external auditors.

The Board of Directors has also issued written instructions on:

- when and how information required for the Board's assessment of the company's and the Group's financial position shall be collected and reported to the Board, and
- the allocation of the tasks between the Board and the President and CEO.

Board members elected by the Annual General Meeting	Independence in relation to the company/senior management	Independence in relation to the major shareholders[1] of the company	Executive director	Female Board members
Hans Stråberg (Chair)	•	•		
Håkan Buskhe (Vice Chair)	•			
Hock Goh	•	•		
Geert Follens	•	•		
Susanna Schneeberger	•	•		•
Rickard Gustafson		•	•	
Beth Ferreira	•	•		•
Therese Friberg	•	•		•
Richard Nilsson	•			
Niko Pakalén	•	•		
Total	**9/10 (90%)**	**8/10 (80%)**	**1/10 (10%)**	**3/10 (30%)**

1) Major shareholders are, according to the Code, defined as those controlling ten per cent or more of the shares or votes in the company.

Issues dealt with by the Board of Directors in 2024 include i.a. strategy execution, market outlook and the geopolitical situation, cash flow and investment analysis, financial and sustainability reporting, capital structure, acquisitions and divestments of companies, the continued implementation of the decentralized operating model, including material organizational changes of the Group and management issues including the decision to initiate a separation of the automotive business with the intention to list the company on Nasdaq Stockholm.

The Board of Directors continuously evaluates economic, environmental, social and governance aspects for the Group's performance and reviews specific issues such as accident rates, greenhouse gas emissions and Code of Conduct adherence.

Each new Board member has to go through a general introduction training about the SKF Group. The Board of Directors visits on a regular basis different SKF sites in order to enhance knowledge about the SKF Group.

Board Committee work

Certain topics of strategic importance for the company have, through the Boards written rules of procedure and Board Charters, been assigned to the Board Committees to prepare and give recommendations on to the wider Board of Directors before any decisions are made, for example matters relating to remuneration to the President and CEO, principles of remuneration for Group Management, sustainability strategy and management of material sustainability impacts, risks and opportunities, as well as financial and sustainability reporting and ethics and compliance.

The President and CEO is supported by the Group Management team and subject matter experts in preparation of materials and reports to the Board in specific topics.

2.1 Remuneration Committee

The Board of Directors of AB SKF has in accordance with the principles in the Code established a Remuneration Committee consisting of the Chair of the Board, Hans Stråberg as Chair, Vice Chair of the Board Håkan Buskhe and the board members Susanna Schneeberger and Niko Pakalén.

The Remuneration Committee prepares matters related to the principles of remuneration for Group Management and employment conditions for the President and CEO as well as supporting the succession planning for Group Management. The principles of remuneration for Group Management shall be submitted to the Board of Directors, which shall submit a proposal for such remuneration principles to the Annual General Meeting for approval at least every fourth year. The employment conditions for the President shall be approved by the Board of Directors.

The Remuneration Committee continuously monitors and evaluates the SKF Group's remuneration package for Group Management. No later than three weeks prior to the Annual General Meeting the Board of Directors submits on the company's website, in accordance with the Swedish Companies Act and the principles in the Code, a remuneration report attached hereto on pages 168–174.

The Remuneration Committee held five meetings in 2024. The members of the committee were present at the meetings as shown in the table below.

2.2 Sustainability and Ethics Committee

The Board of Directors of AB SKF has established a Sustainability and Ethics Committee. The Sustainability and Ethics Committee consists of the Vice Chair of the Board, Håkan Buskhe, as Chair and the board members Hock Goh, Geert Follens, Beth Ferreira and Niko Pakalén. The Sustainability and Ethics Committee oversees SKF's strategy related to sustainability and ethics. The work also includes to review, monitor and keep informed on the strategic objectives, initiatives, and the implementation thereof for a sustainable development, mitigation and action on impacts, risks and opportunities of SKF and monitoring of progress against externally communicated sustainability targets related to among other things climate, environment and safety. Based on SKF Care, the committee also handles items relating to SKF's values, employee organization including talent acquisition, development, retention and planning, business and work ethics, compliance, community care, environment, health and safety. The Sustainability and Ethics Committee held three meetings in 2024. More on SKFs Sustainability and Ethics Committee's role in SKF's sustainability governance is found in the Sustainability Report on page 84. The members of the committee were present at the meetings as shown in the table below.

Presence during Board and Committee meetings

Name of the board member	Presence Board meetings/ Total number of meetings[1]	Presence Audit Committee meetings/ Total number of meetings[1]	Presence Remuneration Committee meetings/ Total number of meetings[1]	Presence Sustainability and Ethics Committee meetings/ Total number of meetings[1]
Hans Stråberg (Chair)	10/10	7/7	(Chair) 5/5	—
Håkan Buskhe (Vice Chair)	10/10	7/7	5/5	(Chair) 3/3
Hock Goh	10/10	—	—	3/3
Geert Follens	10/10	7/7	—	3/3
Susanna Schneeberger	10/10	—	5/5	—
Rickard Gustafson	10/10	—	—	—
Beth Ferreira	10/10	—	—	2/2
Therese Friberg	10/10	7/7	—	—
Richard Nilsson	10/10	(Chair) 7/7	—	—
Niko Pakalén	10/10	—	5/5	3/3
Jonny Hilbert (employee representative)	10/10	—	—	—
Zarko Djurovic (employee representative)	9/10	—	—	—
Total presence by board members in percentage	**99.2%**	**100%**	**100%**	**100%**
Thomas Eliasson (deputy employee representative)	10/10	—	—	—
Steve Norrman (deputy employee representative)	6/10	—	—	—

1) Total number of meetings is dispalyed for each board member, based on the number of board meetings held during the time they were each elected during the year.

2.3 Audit Committee

The Board of Directors of AB SKF has in accordance with the principles of the Swedish Companies Act and the Code appointed an Audit Committee. The Audit Committee consists of the board member Richard Nilsson, as Chair, the Chair of the Board, Hans Stråberg, the Vice Chair of the Board, Håkan Buskhe, and the Board members Geert Follens and Therese Friberg.

The Audit Committee oversees and ensures the quality and reliability of the accounting and financial and sustainability reporting processes and reports, monitors the effectiveness of the Group's internal control over financial and sustainability reporting, audit and risk management processes and the adequacy of the Group's controls for compliance with laws and regulations. The Audit Committee also reviews and monitors the work of external auditors as well as makes preparations in relation to the nomination of external auditors.

The Audit Committee held seven meetings in 2024. The members of the committee were present at the meetings as shown in the table on the previous page.

Assessment

The members of the Board of Directors assess the representation of relevant competences amongst the members of the Board as well as the quality of the work of the Board through the completion of a questionnaire and following interviews. The result is then discussed at a Board meeting. The Nomination Committee has been provided with the result of the assessment.

3 President and Chief Executive Officer

The Board of Directors has delegated the day-to-day management of AB SKF (publ) and the SKF Group's operations to the President and CEO, including an authorization to make decisions and govern issues that are not exclusively under the authority of the Board. It is the President and CEO's responsibility to implement and ensure that the SKF strategy, purpose, long term financial targets and operational objectives determined by the Board of Directors are carried out and that effective governance and control is maintained. The President and CEO is also responsible for preparing materials to the Board of Directors in front of the Board meetings and keeping the Board informed on SKF's financial position, development, risks and opportunities. The President and CEO's role, areas of responsibility and authorizations are described in more detail in the CEO instruction each year adopted by the Board of Directors. More information on SKF's President and CEO is found on page 158 in the Annual Report.

4 The auditor of the company

The task of the auditor is to audit, on behalf of the shareholders, the Annual Report including SKF's financial and sustainability reporting and reporting processes and also to audit the Board of Directors' and the President and CEO's management of the company.

The SKF Articles of Association states that the auditor shall be elected for a period of four years. AB SKF's Annual General Meeting 2021, elected Deloitte AB (Deloitte) as auditor for the time up to the closing of the Annual General Meeting in 2025. Hans Warén is the auditor in charge.

Hans Warén has many years of experience as auditor in a number of other listed companies, and is currently the lead auditor for Industrivärden, Mölnlycke Healthcare, and Atrium Ljungberg.

The auditor shall according to a resolution of the Annual General Meeting be remunerated in accordance with approved invoice. SKF has a procedure in place whereby all matters that are intended to be handled by the elected auditors are evaluated in relation to the independence requirements and are approved or, as the case may be, rejected, by the Audit Committee. Deloitte applies a similar procedure and issues annually, in addition thereto, a written statement to the Audit Committee stating that the audit firm is independent in relation to SKF.

Deloitte has during 2024 been involved in matters besides the audit assignment. These matters have primarily concerned tax and sustainability services. The total fees for Deloitte's services besides auditing in 2024 amount to MSEK 3.

Financial and sustainability reporting

The Board of Directors is responsible for documenting how the quality of the financial and sustainability reporting is secured and how the company communicates with its auditor.

The Audit Committee assists the Board of Directors by preparatory work to secure the quality of the company's financial and sustainability reporting. This is, for example, achieved through the Audit Committee's review of the financial and sustainability information and the company's internal financial controls.

The Board of Directors had two meetings with the auditors in 2024 and has been provided with the audit and its result. Within the scope of its work, which includes reviewing the extent of the external audit and evaluating the performance of the external auditors, the Audit Committee met with the auditors in connection with six Audit Committee meetings. In addition to that, the auditors gave both the Audit Committee and the Board of Directors information in writing regarding matters including the planning and implementation of the audit and an assessment of the risk position of the company.

The Board of Directors

Other assignments and shareholdings shows assignments and shareholdings per 31 December 2024.

Hans Stråberg
Chair, Board member since 2018
Born 1957

Education
Master of Science in Engineering from Chalmers University of Technology, Gothenburg.

Job experience
President and CEO of Electrolux AB 2002–2010. Several leading positions within the Electrolux Group in Sweden and USA since 1983. Former EU Co-Chair TABD, Trans-Atlantic Business Dialogue.

Other assignments
Chair of Atlas Copco AB, Roxtec AB, and Anocca AB. Board member of Investor AB and Member of the Royal Swedish Academy of Engineering Sciences.

Shareholding (own and/or held by related parties[1])
73,000 SKF B

Håkan Buskhe
Vice Chair, Board member since 2020
Born 1963

Education
Master of Science, Licentiate of Engineering, Chalmers University of Technology, Gothenburg.

Job experience
CEO of FAM AB, owned by Wallenberg Investments AB. Previous senior positions include CEO of Saab AB, 2010–2019, and CEO of E.ON Nordic AB, 2008–2010.

Other assignments
Chair of IPCO AB, Vice Chair of Stora Enso Oyj, board member of FAM AB, Kopparfors Skogar AB, The Grand Group, Navigare Ventures AB, Qarlbo Energy AB, Swedish Defense University and Industrikraft AB.

Shareholding (own and/or held by related parties[1])
5,000 SKF B

Hock Goh
Board member since 2014
Born 1955

Education
Bachelor's Degree (honours) in Mechanical Engineering from Monash University, Australia, completed the Advanced Management Program at INSEAD.

Job experience
Operating Partner of Baird Capital Partners Asia, 2005–2012. Several senior management positions in Schlumberger Limited, 1995–2005, President of Network and Infrastructure Solutions division in London, President Asia and Vice President and General Manager China.

Shareholding (own and/or held by related parties[1])
0 SKF B

Geert Follens
Board member since 2019
Born 1959

Education
Master of Science in Electromechanical Engineering and a post-graduate degree in Business Economics from the university of Leuven, Belgium.

Job experience
Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB. Several leading positions within the Atlas Copco Group in Sweden, Belgium and the U.K. since 1995, including General Manager of Atlas Copco Compressor Technique customer center, President of the Portable Energy division and President of the Industrial Air division.

Other assignments
Board member of AB Electrolux.

Shareholding (own and/or held by related parties[1])
1,500 SKF B

Susanna Schneeberger
Board member since 2020
Born 1973

Education
Master of European Affairs (MBA) and Master of Science in International Business, Lund University.

Job experience
Senior advisor and several leading positions including Chief Digital Officer and executive board member of the KION Group, 2018–2020, CEO of Demag Cranes & Components, 2015–2018, and various senior positions in the Trelleborg Group 2007–2014.

Other assignments
Chair of Yunex GmbH. Board member of Modulaire Group and Sandvik AB.

Shareholding (own and/or held by related parties[1])
1,000 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.

Rickard Gustafson
President and Chief Executive Officer
Board member since 2021
Born 1964

Education
Master of Science from the Institute of Technology at Linköping University.

Job experience
Previous senior positions include President and CEO of the SAS Group 2011–2021, CEO of the insurance company Codan/Trygg-Hansa and several positions within General Electric.

Other assignments
Board member of Telia Company and Confederation of Swedish Enterprise.

Shareholding (own and/or held by related parties[1])
22,500 SKF B

Beth Ferreira
Board member since 2023
Born 1973

Education
Bachelor of Science in International Studies, Emory University, Atlanta.

Job experience
Chief Executive Officer, Life Technology and formerly Divisional Managing Director at IMI plc 2020–present. Previous senior positions include multiple Group President roles at Illinois Tool Works (ITW) 2014–2020, multiple President roles in Belden 2008–2014, and various marketing and commercial roles in Ingersoll Rand 1997–2008.

Shareholding (own and/or held by related parties[1])
2,500 SKF B

Therese Friberg
Board member since 2023
Born 1975

Education
Bachelor's Degree in Business Administration, Stockholm University.

Job experience
Group CFO and Executive Vice President of Electrolux. Several leading positions within the Electrolux Group since 1999, including CFO, Major Appliances EMEA, Head of Group Business Control and Sector Controller Home Care & SDA.

Shareholding (own and/or held by related parties[1])
0 SKF B

Richard Nilsson
Board member since 2023
Born 1970

Education
Bachelor of Science in Business Administration and Economics, Lund University.

Job experience
Investment Director at FAM AB. Employed by FAM since 2008. Previous positions include equity research analyst at SEB Enskilda, 2000–2008, Alfred Berg 1995–2000 and Handelsbanken 1994–1995.

Other assignments
Board member of Stora Enso Oyj, IPCO Holding AB and group companies, GROPYUS AG, Cinder Invest AB and TBox Sweden AB.

Shareholding (own and/or held by related parties[1])
12,000 SKF B

Niko Pakalén
Board member since 2023
Born 1986

Education
Master of Science in Economy and Business Administration, Helsinki School of Economics (today Aalto University).

Job experience
Partner at Cevian Capital since 2017. Several management positions within Cevian Capital 2011–2016 and associate at Danske Bank Corporate Finance 2009–2011.

Other assignments
Chair of Human Practice Foundation Sweden. Member of the Board of Metso Corporation.

Shareholding (own and/or held by related parties[1])
0 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.

Employee representatives

Jonny Hilbert
Board member since 2015
Born 1981

Education and job experience
Employed in the SKF Group since 2005.

Other assignments
Chair of Unionen, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Zarko Djurovic
Board member since 2015
Born 1977

Education and job experience
Employed in the SKF Group since 2006.

Other assignments
Chair of Metalworker's Union, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Thomas Eliasson
Deputy Board member since 2021
Born 1965

Education and job experience
Employed in the SKF Group since 1984.

Other assignments
Chief Safety Representative and Board member of Unionen at SKF in Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Steve Norrman
Deputy Board member since 2021
Born 1965

Education and job experience
Employed in the SKF Group since 1994.

Other assignments
Vice Chair and Safety Officer of Metalworker's Union, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.

Group Management

Other assignments and shareholdings shows assignments and shareholdings per 31 December 2024.

Rickard Gustafson
President and CEO

Employed since 2021
Born 1964

Education
Master of Science from the Institute of Technology at Linköping University.

Job experience
President and CEO of the SAS Group, CEO of the insurance company Codan/Trygg-Hansa and several positions within General Electric.

Other assignments
Board member of Telia Company and The Confederation of Swedish Enterprise.

Shareholding
22,500 SKF B

Manish Bhatnagar
President, Industrial Region Americas

Employed since 2018
Born 1969

Education
Master of Business Administration from Indian Institute of Management Calcutta, and B.E. in Electronics Engineering from Birla Institute of Technology & Science, Pilani, India.

Job experience
President, Industrial Region India and Southeast Asia and senior roles at General Electric and Danaher.

Other assignments
Board member of SKF India Ltd.

Shareholding
4,852 SKF B

David Johansson
President, Industrial Region Europe Middle East and Africa

Employed since 2005
Born 1980

Education
Master of Science; Industrial Marketing, Electrical Engineering at Chalmers University of Technology, Gothenburg.

Job experience
President Automotive, Director, Global Railway and China Mobility business, Director, China Automotive, Aerospace and Railway business and several other positions within SKF.

Shareholding
4,262 SKF B

Henry Wang
President, Industrial Region China and Northeast Asia

Employed since 2022 and 1997–2019
Born 1968

Education
Master of Business Administration from the University of Calgary and a Bachelor of Engineering from Shanghai Jiaotong University.

Job experience
President of Alstom's operations in China, CEO of KUKA in China, Head of SKF Industrial Sales in China as well as several other positions within SKF.

Shareholding
0 SKF B

Mukund Vasudevan
President, Industrial Region India and Southeast Asia

Employed since April 2024
Born 1969

Education
Master of Business from University of Chicago, Booth School of Business; Bachelor of Technology from Indian Institute of Technology, Mumbai.

Job experience
Managing Director Moglix (eCommerce startup), Managing Director Ecolab-South Asia, Vice President Pentair-India, Engagement Manager McKinsey & Company.

Shareholding
0 SKF B

Kerstin Enochsson
President, Automotive

Employed since 2023
Born 1975

Education
Master's Degree in Law from Freie Universität, Berlin and MBA from ESCP-EAP European School of Management, Paris.

Job experience
Head of Procurement and Supply Chain, Vice President Corporate Strategy & Project Office, both at Volvo Car Group. Global Director Parts at Volvo Construction Equipment and several other senior positions.

Other assignments
Board member of SSAB.

Shareholding
0 SKF B

Thomas Fröst
President, Independent and Emerging Business

Employed since 1988
Born 1962

Education
Master of Science in Industrial Economics from Chalmers University of Technology, Gothenburg.

Job experience
President, Industrial Technologies, Director Industrial Units, Head of Industrial Marketing, and several other positions within SKF.

Shareholding
9,892 SKF B

Joakim Landholm
Senior Vice President, Group Operations and Chief Sustainability Officer

Employed since 2022
Born 1969

Education
Master of Science from Stockholm School of Economics.

Job experience
CEO Hector Rail, Chief Commercial Officer SAS and senior positions at Codan/Trygg-Hansa and GE Capital.

Other assignments
Board member of Sdiptech AB.

Shareholding
4,090 SKF B

Annika Ölme
Chief Technology Officer and Senior Vice President, Technology Development

Employed since 2022 and 2002–2017
Born 1973

Education
Master of Science in Electrical Engineering from Chalmers University of Technology and a Master of Business Administration from Waikato University.

Job experience
CTO and Head of Engineering at SAAB Radar Solutions, Managing Director of Arcam, a subsidiary of General Electric and various positions within SKF.

Shareholding
45 SKF B

Hans Landin
Senior Vice President, Group Commercial Excellence Bearings

Employed since 2023
Born 1972

Education
Master of Science in Mechanical Engineering at Chalmers University of Technology, Gothenburg.

Job experience
Group Vice President and Officer and several other senior positions at the Timken Company.

Other assignments
Board member of Beijer Alma AB.

Shareholding
600 SKF B

Niclas Rosenlew
Chief Financial Officer and Senior Vice President, Group Finance

Employed since 2019
Born 1972

Education
Master of Science in Finance, Hanken, Swedish School of Economics.

Job experience
Senior positions within Basware, Microsoft, Nokia and Deutsche Bank.

Shareholding
18,297 SKF B

Mathias Lyon
General Counsel and Senior Vice President, Group Legal and Compliance

Employed since 2012
Born 1975

Education
Master of Laws, Faculty of Law at Lund University.

Job experience
SKF Deputy General Counsel and several other positions at Volvo, AstraZeneca, Mannheimer Swartling and Rosengrens.

Shareholding
8,205 SKF B

Ann-Sofie Zaks
Senior Vice President, Group People Experience and Communication

Employed since 2001
Born 1976

Education
Bachelor's Degree, Innovation Program with special focus on Behavioural Science from University college of Mälardalen.

Job experience
People Experience Director Bearing Operations, Program manager, Group People Transformation initiative and several other positions within SKF.

Other assignments
Board member of International Council of Swedish Industry (NIR).

Shareholding
12,004 SKF B

Changes in Group Management in 2024
In February, John Schmidt, President, Industrial Region Americas, stepped down from his role in Group Management.

In July, SKF announced that Niclas Rosenlew, Chief Financial Officer and Senior Vice President, had decided to leave the company and step down from his role in Group Management in December 2024.

Changes in Group Management in 2025
In September, SKF announced the appointment of Susanne Larsson as new Chief Financial Officer and Senior Vice President. Susanne joined SKF in February 2025. Read about her previous experience at skf.com

5 Internal control and risk management regarding financial reporting

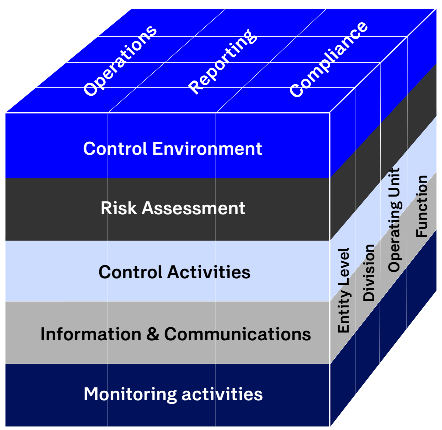
SKF uses the established framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as a foundation. SKF has implemented these requirements as a Group standard, SKF Internal Control Standard (SICS) for all Group Companies. Through its policies, instructions and organizational structure, SKF has documented the division of responsibility throughout the SKF organization. This is reflected in the fact that policies and instructions, where applicable, are developed on the basis of internationally accepted standards and/or best practice. Policies and instructions are reassessed by the responsible central function based on the need to adapt these to changes in requirements and legislation.

SKF is a process-oriented company and includes integrated risk assessment with the business processes such as business planning. In the area of control activities, SKF has documented all the critical finance processes and controls for the parent company and subsidiary companies. The documentation standards require that relevant controls in the business processes are described and performed. When deficiencies in individual controls are identified, action plans are created to remediate control gaps. A selection of defined control activities are tested annually. SKF has a risk approach to controls, control testing and actions to remediate control gaps. During 2024 self-assessments and control test activities have been performed in finance processes cross the regions including also smaller entities that are not covered by external auditors.

SKF has information and communication systems and procedures in place in order to ensure the completeness and correctness of the financial reporting. Accounting and reporting instructions are updated when necessary. These instructions are available to all relevant employees together with training material. Changes to accounting and reporting instructions are communicated regularly. Detailed financial process and control documentation are stored centrally and/or locally. This enables access to individual control documentation and analysis of results from the testing of SKF's financial internal control system.

SKF has an internal control function, with the main responsibility to support the business to implement and maintain good internal control as well as to perform control testing to evaluate adherence with the framework and identify control weaknesses. The internal audit department conducts high level risk-based process audits within prioritized areas. The internal audit and internal control functions report to the Global Finance Sustainability & Operations Director who regularly submits reports to the Audit Committee of the Board of Directors. The Board of Directors receives regular financial reports and the Group's financial position and development are discussed at every Board meeting. The Audit Committee of the Board of Directors reviews all interim and annual financial and sustainability reports before they are released to the public.

Gothenburg, 7 March 2025
The Board of Directors



Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in AB SKF (publ), corporate identity number 556007-3495

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2024-01-01–2024-12-31 on pages 150–160 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 7 March, 2025
Deloitte AB

Hans Warén
Authorised Public Accountant

Seven-year review

MSEK unless otherwise stated	2024	2023	2022	2021	2020	2019	2018
Income statements							
Net sales	98,722	103,881	96,993	81,732	74,852	86,013	85,713
Operating income/expenses incl. associated comp.	−88,383	−92,797	−88,401	−70,974	−67,783	−76,618	−74,664
Operating profit	10,339	11,084	8,532	10,758	7,069	9,395	11,049
Financial income and expense, net	−1,250	−1,903	−1,239	−695	−769	−926	−861
Profit before taxes	9,089	9,181	7,293	10,063	6,300	8,469	10,188
Taxes	−2,202	−2,404	−2,438	−2,484	−1,826	−2,677	−2,603
Net profit	6,887	6,777	4,855	7,579	4,474	5,792	7,585
Balance sheets							
Intangible assets	17,245	17,007	18,193	16,942	16,242	18,397	17,722
Deferred tax assets	3,369	3,107	3,173	3,839	4,800	4,437	3,563
Property, plant and equipment	30,470	26,820	24,897	20,723	18,161	18,420	16,688
Right of use assets	3,564	2,961	3,084	2,661	2,517	2,991	—
Non-current financial and other assets	2,971	2,091	1,781	1,674	1,939	2,019	1,964
Inventories	26,182	23,194	26,052	20,997	15,733	18,051	17,826
Trade receivables	16,600	16,811	16,905	13,972	12,286	14,006	13,842
Other current assets	19,012	19,912	16,838	18,820	18,879	15,787	15,568
Total assets	**119,413**	**111,903**	**110,923**	**99,628**	**90,557**	**94,108**	**87,173**
Equity	61,969	54,956	54,043	45,365	35,712	37,366	35,452
Provisions for post-employment benefits	8,502	8,797	8,748	11,781	15,170	15,366	12,894
Deferred tax provisions	1,905	1,220	1,365	1,040	792	960	1,118
Other provisions	2,582	2,584	2,305	2,517	3,482	2,474	2,541
Financial liabilities	20,760	21,954	22,135	19,336	18,349	19,017	17,157
Trade payables	12,553	11,236	11,594	9,881	8,459	8,266	7,831
Other liabilities	11,142	11,156	10,733	9,709	8,593	10,659	10,180
Total equity and liabilities	**119,413**	**111,903**	**110,923**	**99,628**	**90,557**	**94,108**	**87,173**

MSEK unless otherwise stated	2024	2023	2022	2021	2020	2019	2018
Key figures[1]							
Operating margin, %	10.5	10.7	8.8	13.2	9.4	10.9	12.9
EBITA	10,971	11,741	9,173	11,340	7,681	10,008	11,541
EBITDA	14,771	15,381	12,316	14,064	10,470	12,892	13,522
Return on capital employed, %	12.1	13.3	10.6	14.8	9.8	13.2	17.6
Return on equity, %	11.7	12.0	9.5	18.8	12.1	15.7	22.8
Net working capital, % of sales	30.6	27.7	32.4	30.7	26.1	27.7	27.8
Net debt/equity, %	26.6	29.5	35.2	38.3	51.7	59.3	49.1
Net debt/EBITDA	1.1	1.1	1.5	1.2	1.8	1.7	1.3
Turnover of total assets, times	0.85	0.90	0.90	0.85	0.79	0.90	1.00
Gearing, %	30.9	35.2	35.6	40.5	48.0	47.1	45.0
Equity/assets, %	51.9	49.1	48.7	45.5	39.4	39.7	40.7
Net cash flow after investments before financing	5,190	7,916	295	2,100	5,259	4,953	8,326
Investments and employees							
Additions to property, plant and equipment	5,078	5,749	5,030	3,822	3,332	3,461	2,647
Research and development expenses	3,326	3,303	3,177	2,751	2,515	2,691	2,591
Patents – number of first filings	261	245	240	241	200	201	202
Average number of employees	37,731	39,672	40,773	40,861	38,385	41,559	42,565
Number of employees registered at 31 December	38,743	40,396	42,641	42,602	40,963	43,360	44,428

1) See page 164 for definitions.

Three-year review

MSEK unless otherwise stated	2024	2023[1]	2022[1]
Industrial			
Net sales	69,475	73,393	69,354
Operating profit	9,285	9,735	7,838
Operating margin, %	13.4	13.3	11.3
Assets and liabilities, net	54,662	50,420	50,387
Registered number of employees	32,465	34,017	35,965
Automotive			
Net sales	29,247	30,488	27,579
Operating profit	1,054	1,349	694
Operating margin, %	3.6	4.4	2.5
Assets and liabilities, net	16,151	14,611	15,255
Registered number of employees	3,879	4,089	4,049

1) Previously published figures have been restated to conform to the current Group structure. For more information refer to Note 2 in the consolidated financial statements.

Per-share data[1]

SEK per share unless otherwise stated	2024	2023	2022	2021	2020	2019	2018
Earnings per share	14.22	14.04	9.81	16.10	9.44	12.20	16.0
Dividend per A and B share	7.75[1]	7.50	7.00	7.00	6.50	3.00	6.00
Total dividends, MSEK	3,529[2]	3,415	3,188	3,188	2,960	1,366	2,732
Purchase price of B shares at year-end on NASDAQ Stockholm	207.6	201.3	159.2	214.5	213.4	189.4	134.5
Equity per share	131	116	114	96	75	78	74
Yield (B), %	3.7[2]	3.7	4.4	3.3	3.0	1.6	4.5
P/E ratio, B (share price/earnings per share)	14.6	14.3	16.2	13.3	22.6	15.5	8.4
Cash flow from operations, per share	23.7	30.3	12.4	11.5	18.2	20.7	18.3
Cash flow after investments and before financing, per share	11.4	17.4	0.7	4.6	11.6	10.9	18.3

1) See page 164 for definitions.
2) According to the Board's proposal for the year 2024.

Distribution of shareholding

Shareholding	Number of shareholders	%	Number of shares	%
1–1,000	69,375	88.85	14,423,531	3.17
1,001–10,000	7,885	10.10	21,116,638	4.64
10,001–	822	1.05	365,384,064	80.25
Anonymous ownership	—	—	54,426,835	11.95
	78,082	**100**	**455,351,068**	**100**

Source: Modular Finance as of 31 December 2024.

Definitions

SKF has applied 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 provides complementary information to investors and other stakeholders on the company's performance. These measures are used internally by management, as a complement to IFRS measures, as basis for business decisions. The alternative performance measures, defined by SKF Group, may not be comparable to similar measures presented by other groups.

Adjusted operating profit
Operating profit excluding items affecting comparability.

Adjusted operating margin
Operating profit margin excluding items affecting comparability.

Adjusted return on capital employed (Adjusted ROCE)
Return on capital employed (ROCE) excluding items affecting comparability.

Average number of employees
Total number of working hours of registered employees, divided by the normal total working time for the period.

Basic earnings per share in SEK (as defined by IFRS)
Net profit less non-controlling interests divided by the ordinary number of shares.

Capital employed
Twelve months rolling average of total assets less the average of non-interest bearing liabilities.

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 plus provisions for post-employment benefits, net.

Dividends pay-out ratio
Dividends paid in relation to net income for the year the dividend relates to.

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.

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

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 affects 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/Adjusted EBITDA
Net debt, in relation to twelve months rolling EBITDA. excluding items affecting comparability.

Net debt/EBITDA
Net debt, in relation to twelve months rolling EBITDA.

Net debt/equity
Net debt, as a percentage of equity.

Net working capital as % of annual sales (NWC)
Trade receivables plus inventory minus trade payables as a percentage of twelve months rolling net sales.

Operating margin
Operating profit, 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.

P/E ratio
Share price at year end dividend by basic earnings per share.

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.

Turnover of total assets
Net sales in relation to twelve-month rolling average of total assets.

Total value added (TVA)
TVA is the operating profit, less the pre-tax cost of capital. The pre-tax cost of capital is based on a weighted cost of capital with a risk premium of 6% above the risk-free interest rate.

Alternative performance measures

MSEK unless otherwise stated	2024	2023
EBITA and EBITDA		
Net profit	6,887	6,777
Taxes	2,202	2,404
Financial income and expense, net	1,250	1,903
Operating profit	10,339	11,084
Amortizations of intangible assets	632	657
EBITA	**10,971**	**11,741**
Depreciation and impairments of intangible and tangible assets	3,800	3,640
EBITDA	**14,771**	**15,381**
Adjusted EBITA and Adjusted EBITDA		
Net profit	6,887	6,777
Taxes	2,202	2,404
Financial income and expense, net	1,250	1,903
Items affecting comparability	1,844	1,893
Adjusted Operating profit	12,183	12,977
Amortizations of intangible assets	632	657
Adjusted EBITA	**12,815**	**13,634**
Depreciation	3,455	3,490
Adjusted EBITDA	**16,270**	**17,124**
Adjusted operating profit		
Operating profit	10,339	11,084
Items affecting comparability[1]	1,844	1,893
Adjusted operating profit	**12,183**	**12,977**
Net working capital (NWC) of 12-months rolling sales		
Total net sales	98,722	103,881
Inventories	26,182	23,194
Trade receivables	16,600	16,811
Trade payables	–12,553	–11,236
Net working capital	30,229	28,768
NWC of 12-months rolling sales, %	**30.6**	**27.7**

1) For more information, see page 34.

MSEK unless otherwise stated	2024	2023
Return on Equity (ROE) (rolling 12-months average)		
Net profit	6,887	6,777
Equity (rolling 12-months average)	58,852	56,511
ROE (rolling 12-months average), %	**11.7**	**12.0**
Capital employed (rolling 12-months average)		
Total assets	116,558	115,434
Provisions	4,158	3,658
Other non-current liabilities	90	58
Trade payables	11,777	11,877
Other current liabilities	11,612	11,953
Non-interest bearing liabilities	27,636	27,546
Capital employed (rolling 12-months average)	**88,922**	**87,888**
Return on capital employed (ROCE) (rolling 12-months average)		
Operating profit	10,339	11,084
Interest income – external	436	562
Operating profit plus interest income	10,775	11,645
Capital employed (rolling 12-months average)	88,922	87,888
ROCE (rolling 12-months average), %	**12.1**	**13.3**
Adjusted return on capital employed (ROCE) (rolling 12-months average)		
Adjusted operating profit	12,183	12,977
Interest income – external	436	562
Adjusted operating profit plus interest income	12,619	13,539
Capital employed (rolling 12-months average)	88,922	87,888
Adjusted ROCE (rolling 12-months average), %	**14.2**	**15.4**

Alternative performance measures, cont.

MSEK unless otherwise stated	2024	2023
Debt and Net debt		
Long term loans – total	12,594	15,325
Current financial liabilities	5,361	4,060
Short term derivative liabilities	–627	–260
Post-employment benefits – other	810	780
Post-employment benefits – pension	7,692	8,017
Defined benefit assets	–773	–219
Long term lease liabilities	2,714	2,207
Debt	**27,771**	**29,910**
Current financial assets	–11,361	–14,053
Short term derivative assets	62	334
Net debt	**16,472**	**16,191**
Gearing		
Shareholder's equity	61,969	54,956
Debt	27,771	29,910
Gearing, %	**30.9**	**35.2**
Equity/assets ratio		
Shareholder's equity	61,969	54,956
Total assets	119,413	111,903
Equity/assets ratio, %	**51.9**	**49.1**
Net debt/equity		
Shareholder's equity	61,969	54,956
Net debt	16,472	16,191
Net debt/equity, %	**26.6**	**29.5**
Net debt/equity, excl post-employment benefits		
Shareholder's equity	61,969	54,956
Net debt, excluding post-employment benefits	8,743	7,613
Net debt/equity, excl post-employment benefits, %	**14.1**	**13.9**
Net debt/Adjusted EBITDA		
Net debt	16,472	16,191
Adjusted EBITDA	16,270	17,124
Net debt/Adjusted EBITDA	**1.0**	**0.9**
Net debt/EBITDA		
Net debt	16,472	16,191
EBITDA	14,771	15,381
Net debt/EBITDA	**1.1**	**1.1**

General information

Annual General Meeting

The Annual General Meeting will be held at Radisson Blu Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden, at 14.00 on Tuesday, 1 April 2025.

The Board of Directors has decided that the shareholders shall be able to exercise their voting rights by postal voting in accordance with the company's articles of association.

More information about the Annual General Meeting including preconditions for participation and instructions for postal voting can be found in the notice and is available at www.skf.com.

Financial information and reporting

Publishing dates for financial reports in 2025:

Annual Report 2024	7 March
Q1 report	25 April
Q2 report	18 July
Q3 report	29 October
Q4 report	30 January 2026

The reports are available in Swedish and English on investors.skf.com. A subscription service for press releases and interim reports, sent via e-mail or SMS, is available on the website.

Payment of dividend

The Board of Directors proposes a dividend of SEK 7.75 per share for 2024. Thursday, 3 April 2025 is proposed as the record date. Subject to resolution by the Annual General Meeting, it is expected that Euroclear will distribute the dividend on Tuesday, 8 April 2025.

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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 the Administration Report in this Annual Report.

AB SKF is obliged to make this Annual Report public pursuant to the Securities Markets Act. The report was submitted for publication through the agency of the contact persons set out above, on 7 March 2025 at 13.00 CET.

PUB GCR/R1 20015 EN · March 2025
SKF Annual Report 2024 was published on 7 March 2025.

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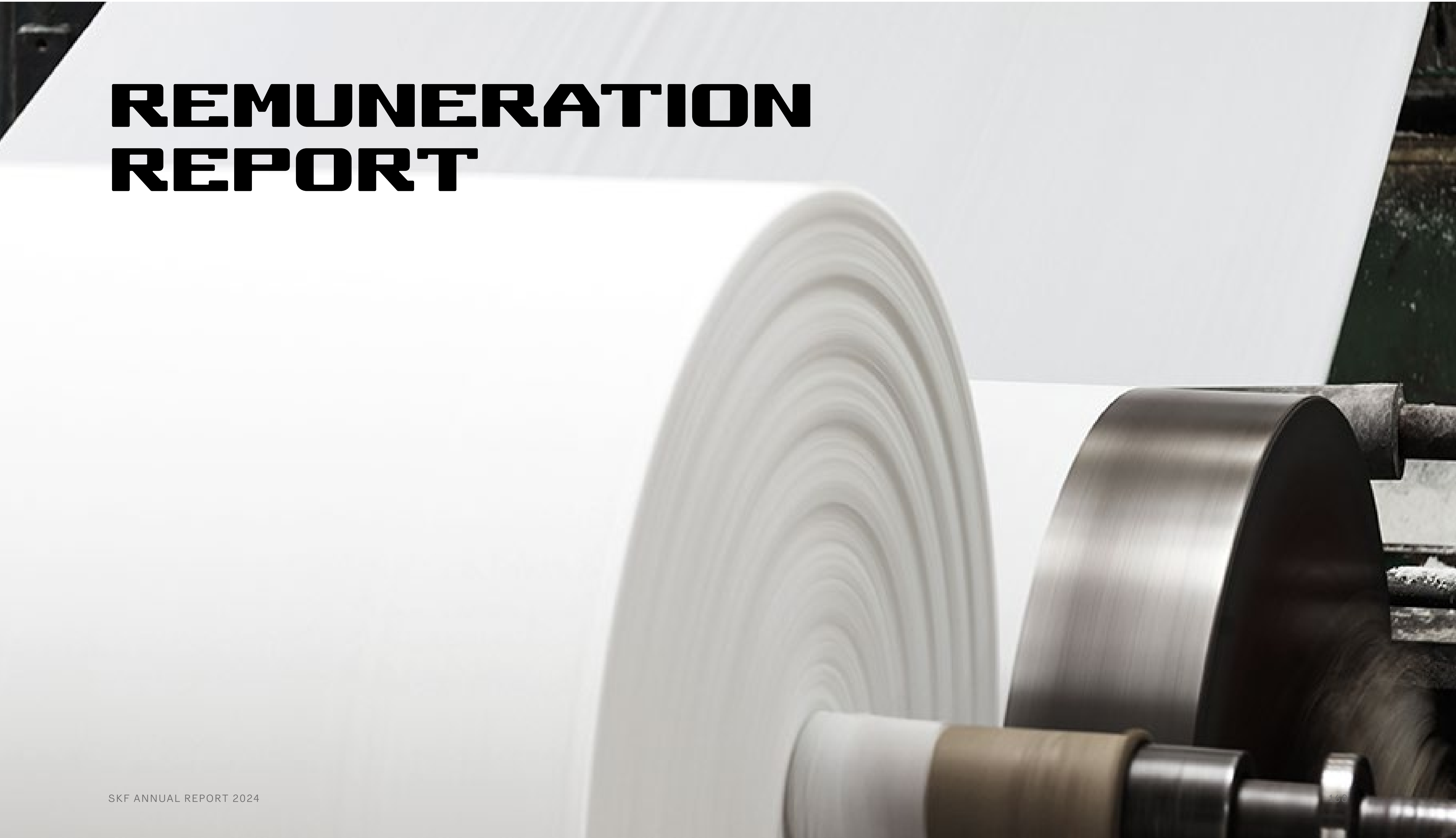
REMUNERATION REPORT



This report describes how the principles of remuneration for Group Management, adopted by the Annual General Meeting 2020 and revised in 2022, have been implemented in 2024. The report has been prepared in accordance with the Swedish Companies Act and the remuneration rules issued by the Stock Market Self-Regulation Committee.

SKF's view upon remuneration

Remuneration is an important component of SKF's total employee offering. The objective of the remuneration principles is to ensure that the SKF Group can attract and retain the best people to contribute to the SKF Group's mission, long-term interests and business strategy. Remuneration for Group Management, including the President and CEO, shall be based on market competitive conditions while aligning with the best interests of shareholders.

Closely linked to long term ambitions, targets and strategy

SKF's strategy is centred around two key concepts: Intelligent and clean. Intelligent reflects, among other things, the commitment to providing connected and customized solutions for customers while utilizing technology to improve operational efficiency. Clean emphasize SKF's role in driving a more sustainable industry and conducting business transparently and responsibly.

To capture profitable growth, SKF is focusing on several strategic priorities:

- Strengthening the position in high-growth segments where SKF already holds a strong foothold.
- Review the portfolio in order to concentrate on the most profitable segments, customers, and products.
- Develop solutions for emerging industries that leverage new technologies.
- Refocus the service business to deliver more value.

Central to the strategy is also the continued work towards net-zero greenhouse gas emissions in the entire value chain by 2050, with significant reductions in scope 1 and 2 already by 2030.

SKF's variable salary programmes effectively support the strategic objectives by aligning incentives with key areas of focus. Both the one-year and multi-year variable programmes are predetermined, measurable and structured to balance growth, profitability, operational efficiency and the reduction of greenhouse gas emissions, thereby driving both financial performance and sustainability.

Read more about the performance measures on pages 19–20.

Transparency and comparability

When it comes to salaries and compensation, SKF is commited to be transparent and open about the principles and actual outcomes. This also includes performance measures and criteria for variable compensation components.

Stakeholder dialogue is important to SKF, and this report takes into account, views, opinions and feedback from shareholders.

Key highlights 2024

For information about key highlights 2024, please see the President´s letter on pages 7–9 in the SKF Annual Report 2024.

Remuneration governance

Remuneration to the Group Management, including the President and CEO, is governed by a set of principles of remuneration adopted by the shareholders at the Annual General Meeting. The principles of remuneration shall be adopted by the shareholders at least every fourth year. The principles currently in force were first adopted in 2020 and revised in 2022. The principles are found on the Group's webpage, www.skf.com and are further described in note 23 on pages 61–64 in the Group's Annual Report for 2024 (the "Annual Report 2024") which also contain information on remuneration payments expensed during the year as required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554).

SKF's Board of Directors has established a Remuneration Committee responsible for the preparation of matters relating to remuneration to the Group Management. The Remuneration Committee has no executive directors i.e. no-one from the Group Management is part of the Remuneration Committee. Information on the work of the Remuneration Committee in 2024 is set out in the Corporate Governance report, which is available on pages 150–160 in the Annual Report 2024. Remuneration of the Board of Directors is not covered by the remuneration report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 23 on page 61–64 in the Annual Report 2024.

Each year, the Remuneration Committee evaluates the overall remuneration package to Group Management and proposes to the Board of Directors, who resolve on the level, components and design of Group Management remuneration and incentive programmes for the forthcoming year in accordance with the principles of remuneration. This includes components such as fixed salary and the short term variable salary programme. In addition to remuneration covered by the principles of remuneration, the Annual General Meeting of the Group has resolved to implement a performance share programme for senior managers and key employees. More information is found on pages 170 and 173.

As communicated in September 2024, the Board of Directors has decided to initiate a separation of the Group's Automotive business with the objective of a separate listing on Nasdaq Stockholm. To incentivize sustained dedication, focus and commitment from Group Management to achive the ambitious goals to timely, efficiently and successfully create two robust and high-performing businesses and while simultanously driving business results and growth, the Board of Directors has decided to introduce a separate incentive programme. Implementing a transformative project as described above while at the same time managing ongoing business performance is deemed by the Board of Directors to constitute a special cause to motivate a deviation from the principles of remuneration and introduce an additional remuneration component to align with SKF's long-term interests. Further information on this incentive programme is available on page 174.

Beyond the deviation described above, the principles of remuneration have been fully implemented and no derogations from the procedure for implementation of the principles have been made. The auditor's report regarding the Group's compliance with the principles is available on www.skf.com. No remuneration has been reclaimed.

This remuneration report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Rules on Remuneration to directors and Incentive programs issued by the the Stock Market Self-Regulation Committee.

Remuneration structure

In accordance with the principles adopted by the Annual General Meeting 2020 and revised in 2022, the total remuneration package for Group Management members, including the President and CEO, shall consist of fixed salary, variable salary, pension benefits, conditions for notice of termination and severance pay, and other benefits. The components shall create a well-balanced remuneration reflecting individual performance and responsibility as well as the SKF Group's overall performance.

Components	Description in brief
Fixed salary	The fixed salary of a Group Management members shall be at a market competitive level and determined based on competence, responsibility, experience and performance. SKF Group uses an internationally well-recognized evaluation system to evaluate the scope and responsibilities of the position. Market benchmarks shall be conducted on a yearly basis. The performance of Group Management members shall be continuously monitored during the year and shall be used as a basis for annual reviews of fixed salaries.
One-year variable salary	The variable salary of Group Management members shall be determined according to a performance-based programme. The satisfaction of criteria for awarding variable salary shall be measured over a period of one year. The maximum variable salary is set between 50% to 70% of the accumulated annual fixed salary of Group Management members. **Purpose of the programme** The purpose of the programme is to motivate and compensate value-creating achievements to support operational, financial and sustainability targets, thereby promoting the SKF Group's business strategy, sustainability and long-term interests. The performance-based programme shall have pre-determined and measurable criteria which can be both financial and non-financial. **Description and purpose of the performance criteria** SKF's variable salary programme aligns well with the strategy by directly incentivizing key performance areas that support long-term ambitions. Below is an explanation of how each performance criterion corresponds to the strategy: 1. **Adjusted operating margin:** This metric encourages profitability and is aligned to SKF´s focus on optimizing value creation and achieving profitable growth. Rewarding improvements in operating margin supports enhancements in efficiency and cost management, and also supports the review of the portfolio to focus on more profitable segments, customers, and products. 2. **Net working capital:** Managing net working capital effectively ensures liquidity and operational efficiency, which is crucial for the ability to make investments and sustain growth. 3. **Organic growth:** By incentivizing organic growth, SKF encourage innovation and market expansion. This aligns with the strategy to focus on customer value creation, high-growth segments and new technologies, driving sustainable and profitable growth. 4. **Reduction of greenhouse gas emissions:** This component directly supports SKF's commitment to sustainability and achieving net-zero greenhouse gas (GHG) emissions in the entire value chain by 2050, with significant reductions in scope 1 and 2 already by 2030. By linking variable salary to emission reductions, SKF ensures that activities aimed at reducing GHG emissions are integrated into everyday business operations, reinforcing the strategy of enabling a more sustainable industry.

Components	Description in brief
Multi-year variable remuneration	The multi-year variable for Group Management consists of shares received under SKF's Performance Share Programme. **Purpose of the programmes** The purpose is to motivate senior managers beyond their regular cash-based compensation and to align their interests with those of the Group's shareholders. **Description and purpose of the performance criteria** The programmes have pre-determined and measurable performance criteria that are distinctively linked to the business strategy and thereby to the SKF Group's long-term value creation, including its sustainability. 1. **Total Value Added (TVA):** This metric is a simplified economic value-added measure supporting SKF´s focus on greater operating profit, capital efficiency and profitable growth. 2. **CDP Climate Change score**: This component measures and incentivizes SKF's performance relating to climate change and environmental impact and reinforces the strategy of enabling a more sustainable industry. From PSP 2023 and onwards this criterion replaces the previous CO2 emission reduction target used in PSP 2022 programme.
Other benefits	The SKF Group may provide other benefits to Group Management members in accordance with local practice. Premiums and other costs relating to such benefits shall depend on and follow local conditions and local practice but shall represent, as a general rule, a limited value and may amount to not more than 10% of the accumulated annual fixed salary of the members of Group Management. Other benefits can be, for instance, a company car or health and medical insurance.
Pension	The SKF Group shall strive to establish pension plans based on defined contribution models, which means that a premium is paid amounting to a certain percentage of the employee's annual salary. The commitment in these cases is limited to the payment of an agreed premium to an insurance company offering pension insurance. In addition to the basic pension, Group Management member shall normally be covered by a supplementary defined contribution pension plan. By offering this supplementary defined contribution plan, it is ensured that Group Management members are entitled to earn pension benefits based on the fixed annual salary above the level of the basic pension. The normal retirement age for Group Management members shall be 65 years.
Severance pay	In the event of termination of employment at the request of the company, the Group Management member shall receive a severance payment based on their years of service, up to a maximum of two years' fixed salary.

Total remuneration of the President and CEO 2024

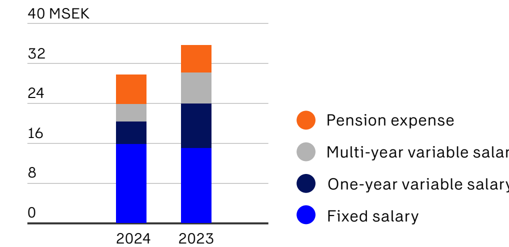
The table below sets out the total remuneration earned to SKF's President and CEO.

Total remuneration in 2024 (kSEK)

		Fixed remuneration			Variable remuneration				
	Year	Fixed salary (including vacation pay)	Other benefits	Pension expense	One-year variable salary	Multi-year variable salary	Extraordinary items	Total	Proportion of fixed and variable remuneration, %
Rickard Gustafson, President and CEO	2024	15,712	266	6,013	4,582	3,628[1]	—	30,201	73/27
	2023	14,970	222	5,573	8,928	6,297	—	35,990	58/42

1) The multi-year variable consists of the PSP 2022 programme that vested on 7 February 2025. The share price at vesting was 221.40.

Total remuneration CEO

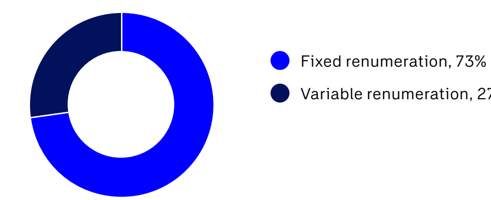


Change of remuneration for the President and CEO and company performance over the last reported financial years (kSEK)[1]

	2024	2024 vs. 2023	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020
Remuneration	30,201	–5,789 (–16%)	+11,223 (+45%)[2]	+868 (+3.6%)	+2,506 (+11.7%)
Adjusted operating profit[3]	12,183,000	–794,000 (–6%)	+2,773,000 (+27%)	–635,000 (–5.9%)	+ 1,645,000(+17.9%)
Cash flow[4]	10,792,000	–2,991,000 (–22%)	+8,142,000 (+144%)	+393,000 (+7.5%)	–3,017,000 (–36.5%)
Change in average remuneration on a full-time equivalent basis of employees in AB SKF	1,087	–50 (–4%)	+86 (+8%)	+3 (+0.3%)	+18 (+1.7%)

1) 2020 was the first reference year and, therefore, no year over year changes for the previously reported financial years (RFY) will be presented. Coming years will be added so that the annual change over the last five years will be visible.
2) The development of the President and CEO remuneration between 2022 to 2023 relates to a 2% increase on the fixed salary, an 18% increase related to improved results in the one-year variable salary programme and a 25% increase related to the multi-year variable salary programme (SKF Performance Share Program 2021). The SKF PSP 2021 was the first multi-year incentive program in which the President and CEO participated in and was allotted shares.
3) Operating profit excluding items affecting comparability.
4) Net cash flow from operating activities.

Proportion of fixed and variable renumeration



Comment on the development for 2024

The table above shows the CEO and average employee remuneration, along with the Group's financial performance development from 2020 to 2024. As can be seen, compared to the average employee remuneration, there is a higher variance in the CEO's remuneration, as it is more influenced by variable components that depend on SKF's financial performance.

In 2024, the SKF financial performance is strong, though slightly softer compared to the previous year. This is reflected in the lower CEO remuneration for 2024 compared to last year.

One-year variable remuneration

The Board of Directors, each year, after preparation in the Remuneration Committee, resolve on the performance criteria for the one-year variable remuneration programme. The performance criteria for the President and CEO's variable remuneration have been selected to deliver the SKF Group's strategy and to encourage behaviour which is in the long-term interest of the SKF Group. In the selection of performance criteria, the strategic objectives, sustainability, short-term and long-term business priorities for 2024 have been taken into account.

The first table describes how the performance criteria for the one-year variable remuneration were applied during the year.

For the 2025 programme, the Board have resolved on the same performance criteria as for the 2024 programme with a slight change in the relative weighting of the performance criteria (compared to the 2024 programme). See second table for the 2025 performance criteria.

One-year variable performance 2024 and remuneration of the President and CEO

	Performance criteria[1]	Relative weighting of the performance criteria	Actual result 2024	Performance achievement 2024	Actual award 2024, KSEK
Rickard Gustafson, President and CEO	Adjusted operating margin	50%	12.3%	32.5%	
	Net working capital	30%	31.2%	0%	
	Organic growth	10%	–5.4%	0%	
	Reduction greenhouse gas emission	10%	>33,290 CO_2e metric tonnes reduction[2]	10%	
		100%		**42.5%**	**4,582**

Performance criteria and weighting for the 2025 one-year variable remuneration programme

	Performance criteria[1]	Relative weighting of the performance criteria
Rickard Gustafson, President and CEO	Adjusted operating margin	40%
	Net working capital	20%
	Organic growth	30%
	Reduction greenhouse gas emission	10%
		100%

1) The criteria for adjusted operating margin, net working capital and organic growth can result in an outcome between 0% and 120%. The payout is linear between minimum and target and target and maximum. The Greenhouse gas emission reduction criterion can only result in either a 0% payout if the target is not achieved or a 100% payout if the target is achieved or exceeded. However, the total outcome for the one-year variable remuneration is capped and cannot generate more than a 100% payout.

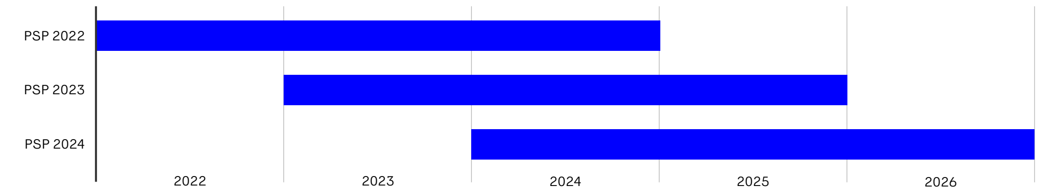
2) See more details on achieved CO_2 reduction in the Sustainability Report.

Multi-year variable remuneration (Performance Share Programme)

Since 2008 the Annual General Meeting has resolved each year upon a multi-year variable renumeration programme, the SKF Performance Share Programme (PSP) for senior managers and key employees. The performance criteria used to assess the outcome for each of the currently running programmes are distinctively linked to the business strategy and, thereby, to the SKF Group's long-term value creation, including its sustainability.

For further information on all currently running Performance Share Programmes, please see below.

PSP, performance periods



Performance Share Programme expired in 2024

The SKF Performance Share Programme 2022 expired at the end of 2024.

Programme	Performance period	Vesting	Performance criteria	Conditions	Relative weighting performance criteria	Possible outcome	Maximum share awards granted to CEO	Actual result	Performance achievement	Number of shares alloted
PSP 2022	1 Jan 2022–31 Dec 2024	February 2025	TVA	Average of the Annual TVA over the performance period compared to the actual TVA of 2021	90 %	0%–100%	32,850	6,070 MSEK	34.89%	
			Reduction of Co_2 emission[1]	Average annual Co_2 reduction equal to or above 41,100 metric tonnes	10 %	0% or 100% (binary)	3,650	>41,100 metric tonnes[2]	10%	
					100%		**36,500**		**44.89%**	**16,385**

Ongoing Performance Share Programme

Programme	Performance period	Performance criteria	Conditions	Relative weighting performance criteria	Possible outcome	Maximum share awards granted to CEO
PSP 2023	1 Jan 2023–31 Dec 2025	Total Value Added (TVA)	Over the performance period, the TVA performance target range is set annually against the baseline of the actual TVA achieved in the previous year. The overall performance achievement for the TVA performance measure of the programme is the average of achievements of the annual TVA targets.	80 %	0%-100%	
		CDP Climate Change score[1]	Weighted average of the annual performance achievement for the performance period. An average score of A (CDP score) gives an outcome of 100%. An average score of below B (CDP score), gives a 0% outcome.	20 %	0%–100%	
				100%		**54,904**[3]

Programme	Performance period	Performance criteria	Conditions	Relative weighting performance criteria	Possible outcome	Maximum share awards granted to CEO
PSP 2024	1 Jan 2024–31 Dec 2026	Total Value Added (TVA)	Over the performance period, the TVA performance target range is set annually against the baseline of the actual TVA achieved in the previous year. The overall performance achievement for the TVA performance measure of the programme is the average of achievements of the annual TVA targets.	80 %	0%-100%	
		CDP Climate Change score	Weighted average of the annual performance achievement for the performance period. An average score of A (CDP score) gives an outcome of 100%. An average score of below B (CDP score), gives a 0% outcome.	20 %	0%–100%	
				100%		**54,386**[4]

1) From the SKF Performance Share Programme 2023 and programmes thereafter a performance criterion related to the CDP Climate Change score has been included in the programme and replaces the previous sustainability criterion (CO_2 emission) used in the 2022 programme.
2) See more details on CO_2 emissions reductions in the Sustainability report
3) Shares corresponding to a value of 75% of the fixed salary.
4) Shares corresponding to a value of 75% of the fixed salary.

Creation of two robust and high-performing businesses

To incentivize sustained dedication, focus, and commitment from Group Management to reach the ambitious goals, the Board of Directors has decided to implement a separate incentive program for Group Management. The goals include timely, efficient, and successful creation of two robust and high-performing businesses while driving business results and growth. This follows the announcement in September 2024 of the decision by the Board of Directors to initiate a separation of the Automotive business with the objective of a separate listing on Nasdaq Stockholm.

By investing in this programme, SKF creates a powerful motivator to, as far as possible, ensure successful execution of the separation and listing initiatives as well as the highest level of engagement from Group Management in reaching the ambitious goals and identified critical objectives key to the Group's long-term success.

The incentive programme offers the opportunity to be awarded a cash contribution in the form of a multiple of the monthly fixed salary. The performance period runs from 17 September 2024 until a successful listing on Nasdaq Stockholm of the Automotive business. Listing on Nasdaq Stockholm is subject to the approval of the shareholders at a general meeting. Payout will be made, following a decision by the Board of Directors, in the months following the potential listing on Nasdaq Stockholm.

The level of achievement and hence the level of payout under the programme is measured against certain pre-determined performance criteria. Provided that the performance criteria are fully met, the President and CEO may be awarded a cash contribution equal to twelve months of fixed salary. The performance criteria are: Timeline, the objective of following the listing timeline including the Automotive business being successfully listed on Nasdaq Stockholm, Target Delivery, an assessment based on the achievement of key deliverables in the project, and Cost Reduction, targets to identify and mitigate stranded costs and dis-synergies. The three performance criteria are weighted as follows: Timeline 50%, Target delivery 25% and Cost reduction 25%.

A precondition for payout under the programme is that the participants´ employment has not been terminated. The awarded cash payment is not included in pensionable salary. The Board of Directors may modify or terminate the programme.

Before determing the final payout, the Board of Directors will assess whether the payout is reasonable considering the Group's financial results and position, the stock market conditions and other relevant factors. If deemed necessary, the Board may reduce the cash contributions to a lower amount considered appropriate.

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