

SKF Nine-month report 2014

"Demand was slightly lower than expected during the quarter, particularly in Europe and within our automotive business. As a result manufacturing was adjusted lower than planned at the start of the quarter impacting our results but ensuring we also reduced inventory in fixed currency. Cash flow, at over SEK 1.4 billion, was strong and we continue to focus on reducing net working capital. This work will intensify during the fourth quarter and into the coming years as we take specific steps to address the different areas within net working capital.

We continued to take a number of important orders, launched a number of new products and also announced the establishment of a new Global Technical Centre in North America. When up and running at the end of next year it will complete our planned network of two Global Technical Centres in each major region of the world.

It is almost one year since we acquired Kaydon and their growth and profit development has been very positive since the acquisition. The integration is running fully in line with our plans in terms of sales and cost synergies.

Looking forward we continue to operate in an uncertain business environment which may even have worsened slightly in Europe in the last months. As such we expect demand for our products in the fourth quarter to be relatively unchanged both sequentially and year on year and will run manufacturing a little lower than sales to further reduce inventories.

I have earlier advised that I will step down as President and CEO at the end of this year and the Board has chosen Alrik Danielson as my successor from 1 January whom I warmly welcome back to SKF."



Tom Johnstone, President and CEO

Key figures	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Net sales, SEKm	17,787	15,623	52,476	47,167
Operating profit, SEKm	2,073	1,923	6,193	5,240
Operating margin, %	11.7	12.3	11.8	11.1
Operating margin excluding one-time items, %	11.8	12.9	11.8	12.2
Profit before taxes, SEKm	1,827	1,717	5,375	4,581
Net profit, SEKm	1,407	1,165	3,869	3,087
Basic earnings per share, SEK	3.01	2.47	8.27	6.57

Net sales change y-o-y, in SEK, attributable to:	Volume	Price/mix	Structure	Currency effect	Total
Q3 2014	1.9%	1.3%	5.4%	5.3%	13.9%
Year to date 2014	3.8%	0.7%	4.7%	2.1%	11.3%

Sales in Q3 in local currency and excluding structure was relatively unchanged in Europe and Latin America, increased by 3% in North America, 8% in Asia and 7% in Middle East and Africa.

Manufacturing in the third quarter was relatively unchanged compared to last year.

Sales in the first nine months in local currency and excluding structure increased by 2% in Europe, 3% in North America, 1% in Latin America, 11% in Asia and 14% in Middle East and Africa.

Manufacturing in the first nine months was slightly higher compared to last year.

Outlook for the fourth quarter of 2014

Demand compared to the fourth quarter 2013

The demand for SKF's products and services are expected to be relatively unchanged for the Group and for Europe, slightly higher for Asia and North America and slightly lower for Latin America. It is expected to be slightly higher for Strategic Industries, relatively unchanged for Regional Sales and Service and slightly lower for Automotive.

Demand compared to the third quarter 2014

The demand for SKF's products and services are expected to be relatively unchanged for the Group and for Europe, slightly higher for Asia and North America and slightly lower for Latin America. It is expected to be relatively unchanged for Strategic Industries, slightly higher for Regional Sales and Service and slightly lower for Automotive.

Manufacturing

Manufacturing is expected to be slightly lower year over year and compared to the third quarter.

SKF demand outlook for Q4 2014

Per cent of sales 2013	Main regions	Sequential trend	y-o-y	Per cent of sales 2013	Industries	Sequential trend
42%	Europe	→	+/-	29%	Industrial distribution	→
24%	Asia Pacific	→	+	6%	Aerospace	→
24%	North America	→	+	13%	Industrial, heavy, special and off-highway	→
7%	Latin America	→	-	11%	Industrial, general	→
Main business areas				5%	Energy	→
29%	Strategic Industries	→	+	4%	Railway	→
39%	Regional Sales and Service	→	+/-	2%	Two-wheelers and electrical	→
27%	Automotive	→	-	14%	Cars and light vehicles	→
Total		→	+/-	11%	Vehicle service market	→
				5%	Trucks	→

For explanations of arrows, see page 8.

Key figures (definitions, see page 18)

	30 September 2014	30 June 2014	30 September 2013
Net working capital, % of annual sales	32.4	32.7	31.6
ROCE for the 12-month period, %	8.5	8.7	13.5
ROE for the 12-month period, %	8.3	7.2	18.2
Equity/assets ratio, %	29.6	28.8	36.4
Gearing, %	60.6	61.9	52.3
Net debt/equity, %	132.5	143.7	73.2
Net debt, SEKm	30,442	30,705	16,830
Registered number of employees	48,865	48,802	46,187

Financial net

The financial net in the third quarter was SEK -246 million (-206) and for the first nine months SEK -818 million (-659).

Cash flow

Cash flow, after investments and before financing, was SEK 1,476 million (1,135) for the third quarter. For the first nine months it was SEK -185 million (1,390).

Excluding the EU payment, the cash flow after investments before financing was SEK 2,640 million (1,390) for the first nine months.

Currency impact on the operating profit

(definitions, see page 18)

Q3 2014	SEK +100 million
Nine months 2014	SEK -120 million
Estimated impact:	
Q4 2014	SEK +230 million
Full year 2014	SEK +110 million

Highlights

- Alrik Danielson is appointed SKF President and CEO as of 1 January 2015.



He has been President and CEO of Höganäs AB between 2005 and 2014.

Alrik Danielson worked at SKF between 1987 and 2005 and held a number of executive positions within the Group including that of President of the SKF Group's Industrial Division and member of the SKF Group's Executive Committee.

- SKF announced plans to build a new Global Technical Center in the greater Chicago area, US. The initial investment will be around SEK 200 million and will employ about 80 engineers, with plans to expand to 200 engineers. The operations are expected to begin in late 2015.

- SKF announced that it is investing around SEK 220 million in a new Kaydon production facility at the existing SKF Campus in Cajamar, Brazil. The 6,600 m² facility, which will employ up to 150 people, will produce Kaydon slewing ring bearings for wind turbine manufacturers providing solutions to the Brazilian wind energy segment. Production at the new factory is scheduled to commence in the second half of 2015.

- For the 15th year in a row, SKF has been listed as one of the world's most sustainable companies by the Dow Jones Sustainability World Index (DJSI). In particular, SKF has again been recognized as best-in-class within both environmental reporting and environmental management.

Additionally, for the 14th consecutive year, FTSE Group confirms that SKF remains a constituent of the FTSE4Good Index Series.

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FTSE4Good

SKF's customer industries *(see page 18)*

Sales in local currencies excl. structure, change y-o-y

	Q3 2014					YTD 2014				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Industrial distribution	-	+/-	++	+	++	+/-	+	++	+/-	+++
Industrial, general	+/-	++		+++		+/-	+		+++	
Industrial, heavy, special and off-highway	+	+++	+++	---	+++	+/-	++	++	+/-	++
Energy	+++	+		+++		+++	+++		+++	
Aerospace	+	+		+++		++	+/-		++	
Railway	+++	--		++		+++	+/-		+++	
Cars and light vehicles	+/-	+/-	---	+++		+	++	---	+++	
Vehicle service market	---	--	+/-	+/-	---	-	++	+/-	++	+++
Trucks	-	-		+++		+	+++		+++	
Two-wheelers and electrical	+/-	++	---	++		+++	--	--	++	

SKF Industrial Market, Strategic Industries

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Net sales	4,612	4,917	4,695	4,705	18,929	4,818	5,403	5,381	15,602
Sales incl. intra-Group sales	7,362	7,745	7,412	7,438	29,957	7,538	8,182	8,132	23,852
Operating profit	558	746	744	555	2,603	736	899	877	2,512
Operating margin*	7.6%	9.6%	10.0%	7.5%	8.7%	9.8%	11.0%	10.8%	10.5%
Operating margin excluding one-time costs	10.0%	11.3%	11.0%	8.2%	10.2%	9.9%	11.3%	10.9%	10.7%
Assets and liabilities, net	20,885	21,720	20,537	20,991	20,991	21,030	21,677	22,267	22,267
Registered number of employees	18,744	18,463	17,769	17,628	17,628	17,420	17,483	17,420	17,420

* The operating margin has been calculated on sales including intra-Group sales.

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:

	Organic growth	Structure	Currency effect	Total
Q3 2014	9.1%	-0.7%	6.2%	14.6%
Year to date 2014	8.7%	-2.5%	3.5%	9.7%

Sales in local currencies excl. structure, change y-o-y

	Q3 2014			YTD 2014		
	Europe	North America	Asia	Europe	North America	Asia
Strategic Industries	+	++	+++	+	+	+++

New business

- An order from Doosan Heavy Industries and Construction, South Korea, to a value of around SEK 20 million for SKF Supergrip Bolts for turbine couplings in seven power plants in three countries. In addition, based on a close development cooperation the SKF Nautilus bearing was selected also for the further development of their 3 MW turbine.
- A contract with a leading Chinese locomotive manufacturer regarding deliveries of traction motor bearings to a value of over SEK 100 million. Deliveries are expected to start in November.
- A contract with HSD SpA, an Italian customer specializing in electrospindles production. The contract includes super precision bearings, specially designed for electrospindles and engineering support for the wood and light metal industries.

New products

- Several new innovations for railway were presented at InnoTrans, the largest international trade fair for transport technology:
 - A compact tapered roller bearing unit enabling higher rail freight load with a transportation capacity of 45 ton axle load instead of the existing 35.5 ton axle load.

- A tapered roller bearing unit for passenger railway applications increasing bearing service life by up to 40% compared to existing solutions.
- A wireless bogie monitoring system helping extend service intervals, improve maintenance planning and cut operating costs.
- A new generation of SKF Mudblock Seals for off-highway vehicles, which increases service life with up to 50% and reduces friction with up to 20%. It is specifically developed for oil-lubricated applications in harsh environments and tough operating conditions.

Awards

- Best supplier award by Weg Electric Motor Manufacturing Co., Ltd, China.
- Best supplier award by Shanghai Hanbell Precise Machinery Co., Ltd, China.
- Supplier performance award by Snecma, a company in the Safran Group, France.



SKF Industrial Market, Regional Sales and Service

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Net sales	5,829	6,219	5,994	6,175	24,217	6,022	6,339	6,323	18,684
Sales incl. intra-Group sales	5,943	6,348	6,120	6,288	24,699	6,156	6,466	6,451	19,073
Operating profit	650	707	757	866	2,980	702	686	755	2,143
Operating margin*	10.9%	11.1%	12.4%	13.8%	12.1%	11.4%	10.6%	11.7%	11.2%
Operating margin excluding one-time costs	11.4%	11.4%	12.4%	14.0%	12.3%	11.5%	11.1%	11.7%	11.4%
Assets and liabilities, net	7,183	7,349	6,978	6,969	6,969	7,394	7,527	7,338	7,338
Registered number of employees	7,280	7,246	7,354	7,426	7,426	7,425	7,441	7,479	7,479

* The operating margin has been calculated on sales including intra-Group sales.

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q3 2014	0.8%	-	4.7%	5.5%
YTD 2014	1.7%	0.7%	1.2%	3.6%

Sales in local currencies excl. structure, change y-o-y

	Q3 2014					YTD 2014				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Regional Sales and Service	+/-	++	+/-	-	++	+/-	+	+/-	+/-	+++

Acquisitions

- SKF strengthened its service capabilities through two acquisitions. GLOi, a Swedish alignment technology solutions company and Hofmann Engineering North America, a high-precision machining company located in Ontario, Canada.

New business

- An order worth around SEK 21 million to carry out maintenance activity on a shiploader for a major Australian customer in the agriculture industry.
- An order worth around SEK 7 million to implement a special bearing solution designed for heavily contaminated environments, to reduce unplanned downtime in a conveyor system at an iron ore mine in North America.
- An order worth around SEK 2 million to provide custom-made seals for a tunnel boring machine in Japan.

New products

- An SKF protection system that detects and diagnoses faults and gives advice for correcting conditions affecting machine reliability, availability and performance.

SKF Multilog On-line System IMx-M



- A series of SKF motor analyzers which integrate a wide range of electrical tests into a single portable instrument designed to assess the condition of teleelectric motors.

SKF Static Motor Analyzer Baker AWA-IV



- SKF Machine Tool Observer for actively monitoring, observing and logging the performance history of machine tool spindles, grinding machines and other rotating equipment.

SKF Machine Tool Observer MTx



SKF Automotive

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Net sales	4,142	4,639	4,316	4,273	17,370	4,462	4,746	4,523	13,731
Sales incl. intra-Group sales	4,918	5,471	5,120	5,059	20,568	5,279	5,565	5,312	16,156
Operating profit	142	244	267	62	715	200	237	174	611
Operating margin*	2.9%	4.5%	5.2%	1.2%	3.5%	3.8%	4.3%	3.3%	3.8%
Operating margin excluding one-time costs	3.7%	5.2%	5.4%	1.7%	4.0%	4.1%	5.4%	3.4%	4.3%
Assets and liabilities, net	8,175	8,313	8,102	8,089	8,089	8,381	8,648	8,921	8,921
Registered number of employees	14,071	14,180	14,231	14,271	14,271	14,174	14,267	14,247	14,247

* The operating margin has been calculated on sales including intra-Group sales.

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q3 2014	-0.5%	-	5.3%	4.8%
Year to date 2014	2.8%	-	2.0%	4.8%

Sales in local currencies excl. structure, change y-o-y

	Q3 2014				YTD 2014			
	Europe	North America	Latin America	Asia	Europe	North America	Latin America	Asia
Automotive	--	+/-	-	+++	+/-	++	-	+++

New business

- SKF will start to supply wheel hub bearing units to Tesla Motors electric vehicles Model S and the upcoming Model X. With these agreements SKF is Tesla's major bearing supplier for the gearbox, e-motor and wheels.



Tesla Model X

- SKF is the sole supplier for all front and rear wheel hub bearing units for Volvo's new modular platform called the Scalable Product Architecture (SPA) and will start to supply the recently launched XC90 in the first quarter of 2015.



Volvo XC90

- SKF signed agreements with Scania to supply wheel bearing units and high pressure valve stem seals for heavy trucks. The agreements are worth over SEK 360 million.
- SKF signed agreements with a leading car manufacturer to supply low friction bonded piston seals, robust MacPherson suspension bearing units, tapered roller bearings and synchronizer cups. The agreements are for four years and worth over SEK 160 million with deliveries starting during 2015.

Awards

- Excellent Engineering Development Award by Shanghai Automobile Gear Works (SAGW), China. This is SAGW's most important technical award for recognizing supplier's engineering capability within project development.
- Fiat Qualitas Award 2014. For the 6th consecutive year SKF Argentina has received this award for quality, service and competitiveness.
- Certificate of Appreciation by Honda, India for quality and delivery performance.

Specialty Business

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Net sales	569	617	618	1,277	3,081	1,431	1,468	1,561	4,460
Sales incl. intra-Group sales	1,243	1,365	1,369	2,032	6,009	2,206	2,300	2,369	6,875
Operating profit/loss	130	140	155	-30	395	236	274	267	777
Operating margin *	10.5%	10.3%	11.3%	-1.5%	6.6%	10.7%	11.9%	11.3%	11.3%
Operating margin excluding one-time costs	10.7%	10.3%	11.3%	11.4%	11.0%	10.7%	12.0%	11.3%	11.3%
Assets and liabilities, net	1,985	1,985	1,924	11,443	11,443	11,435	11,497	12,323	12,323
Registered number of employees	4,154	4,209	4,260	6,498	6,498	6,540	6,521	6,505	6,505

* The operating margin has been calculated on sales including intra-Group sales.

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q3 2014	6.0%	140.5%	5.7%	152.2%
Year to date 2014	10.0%	134.3%	2.9%	147.2%

Following units are included in Specialty Business

- Kaydon Corporation – included in the figures as of mid-October 2013
- PEER Bearing Company
- General Bearing Corporation
- SKF Logistics Services

Kaydon

Sales in the third quarter were higher year-over-year. Approaching the one-year anniversary of the Kaydon acquisition benefits from realized synergies are according to plan for both costs and revenues. Targeted industries are developing well with an expanded product range of solutions for the wind energy, aerospace, medical, mining, and oil and gas industries.

New business:

- An order worth around SEK 15 million for slewing ring bearings for a medical device manufacturer based in California.
- An order worth around SEK 7 million for wind turbine replacement parts in North America.
- An order for gearbox bearings for aircraft wing flaps over the next three years.
- An order for bearing compartment seals for a next generation helicopter engine, for deliveries in mid-2015.
- An order worth around SEK 10 million for vibration isolation pads for a Mexican mining operation.

- An order worth around SEK 4 million for a Purafil biological air treatment (BAT) system for a US waste water treatment factory.
- An order worth around SEK 3 million for gas phase filtration media equipment for preventing wafer corrosion at a semiconductor manufacturing factory in Taiwan








New product:

The Purafil business unit is expanding its range of gas phase filtration technology. During the quarter its PuraBreeze 100 household filtration system was launched to the Chinese market and received orders for around SEK 10 million. This new product combines chemical filtration with particulate and microorganism filters to eradicate 99% of pollutants, dust, pollen, bacteria and fungus. Product deliveries will start in late 2014.



PuraBreeze 100

Explanations of arrows:

Relatively unchanged		+/-	Slightly lower		-	Slightly higher		+
			Lower		--	Higher		++
			Significantly lower		---	Significantly higher		+++

Previous outlook statement:

Outlook for the third quarter of 2014

Demand compared to the third quarter 2013

The demand for SKF's products and services is expected to be slightly higher for the Group and North America, higher for Asia, relatively unchanged for Europe and slightly lower for Latin America. It is expected to be higher for Strategic Industries and relatively unchanged for Regional Sales and Service and Automotive.

Demand compared to the second quarter 2014

The demand for SKF's products and services is expected to be relatively unchanged for the Group and Europe. It is expected to be slightly higher for North America and Asia and slightly lower for Latin America. For Strategic Industries it is expected to be slightly higher and for Regional Sales and Service and Automotive it is expected to be relatively unchanged.

Manufacturing

Manufacturing is expected to be slightly higher year over year and relatively unchanged compared to the second quarter.

Highlights in the previous quarter

In Q1

- SKF reached a settlement with the European Commission putting an end to the investigation regarding supply of bearings to the European automotive manufacturing industry.
SKF agreed to pay EUR 315,109,000 (around SEK 2.8 billion) which is covered by the provision made by SKF in Q4 2013. Payment will be made in Q2 2014.
- SKF signed a three-year agreement with Hindustan Aeronautics Limited, India worth around SEK 55 million. The agreement includes the supply of customized bearings for helicopter transmission and main rotor.
- SKF signed a five-year contract with Bell Helicopter Textron Inc., USA worth around SEK 50 million. The contract includes the supply of elastomeric bearings.
- SKF signed a major contract to supply 10 sets of magnetic bearings worth EUR 2.0 million to Ukrainian turboexpander manufacturer Turbogaz. Bearings in turboexpanders are constantly exposed to gas and the harsh environment can accelerate wear and failure. SKF's magnetic bearings offer a more reliable and oil-free solution for high-speed natural gas turboexpanders, enabling Turbogaz to offer units that have lower maintenance requirements.
- Technical Cooperation Award from Goldwind. The award was received during Goldwind's Annual Supplier Conference and is an important recognition for SKF of the commitment to innovating and delivering new technologies and services. SKF products and solutions delivered to Goldwind include bearings, WindCon condition monitoring, seals, lubrication systems and lubricants.
- Supplier of the year award from Varian Medical Systems UK Ltd. The award was received for continually high levels of innovation, product quality, customer service and delivery performance. SKF contribute with solutions such as roller screws, precision rail guide systems, bearings and customized bearing units to Varian's devices that treat cancer using radiation therapy.
- SKF received a number of major orders for condition monitoring solutions from companies based in Sweden, including:
 - pulp and paper manufacturer SCA
 - packaging material company BillerudKorsnäs
 - power company Vattenfall
 These solutions will help to ensure reliability, availability and performance.
- One of the largest cement producers in Latin America awarded SKF a three-year contract to provide services in Colombia. The contract includes condition-based maintenance, mechanical services, reliability engineering, condition monitoring solutions, training and application engineering as well as bearings, housings and seals. The total value of this new business is around SEK 40 million.
- Editors of Design News chose the SKF Machine Condition Indicator as their Best Product of the Year for Electronics & Test in the category Test & Measurement at the Golden Mousetrap Awards.
SKF Machine Condition Indicator is a vibration and temperature monitoring device for rotating machinery with constant operating conditions.
- SKF has extended its range of infrared thermometers. They allow early identification of problems and their root causes and take photos and videos making it easier and safer for engineers to measure surface temperatures.
- SKF has started to deliver transmission seals to Geely Automobile to equip their automatic transmission (6AT). The business is worth over SEK 100 million and is valid for around five years.
- SKF has started to supply energy efficient tapered roller bearings and ball bearings to the E-powertrain of Volkswagen's first full electric vehicle, the e-up!.

- Volvo Cars Quality Excellence (VQE) Award. SKF reached the highest quality ratings in areas such as product quality, supply precision, logistics, and efficient quality systems to name a few.
- Geely Excellent Supplier Award. SKF met a number of performance criteria with an outstanding result. Examples of the criteria include product performance, quality and technical requirements.
- Excellent Quality Supplier award from Hino Motors, a Toyota Group company. SKF was recognized for zero customer complaints as a result of outstanding performance in quality in 2013.
- General Motors (GM) Supplier of the Year award 2013. This is the 5th time SKF has received the award, with the last four times during consecutive years.

• Kaydon Corporation

Sales in the first quarter was higher year-over-year. Benefits from synergies are according to plan for both cost and revenues. Sales activities have started in

certain geographical areas to leverage SKF and Kaydon's established sales channels. Some examples of new orders gained during the quarter:

- Gas phase filtration media equipment for refinery applications in Saudi Arabia and Mexico
- Purafil Biological air treatment (BAT) systems for a waste water application in China
- Custom Filtration System for power generation applications in Korea and USA
- Slewing rings for the City of Los Angeles transit authority rail project.

Awards

Boeing Performance Excellence Award. Received as a recognition of superior performance. Kaydon received the Gold Level award having maintained a gold composite performance rating for 12 consecutive months.

In Q2

Profit before taxes in Q2 includes one-time items totalling around SEK -220 million (-190), of which around SEK -120 million (-190) impact operating profit and around SEK -100 million (0) impact the financial net. For the half year, profit before taxes includes one-time items totalling around SEK -100 million (-440) of which SEK 0 million (-440) affect operating profit and SEK -100 million (0) affect the financial net.

One-time items of around SEK -100 million affecting operating profit in the quarter refer to SKF's programme to improve efficiency and reduce costs. Around 170 employees are affected primarily in France and Brazil. Savings from this are expected to be around SEK 100 million and will mainly be achieved at the end of 2015.

The remaining one-time items of around SEK -20 million in the operating profit and around SEK -100 million in the financial net refer to changes in currency regulation and currency rates in Venezuela which significantly impacts the value of the balance sheet in this country when converted into SEK.

For more information see press release of 4 July 2014.

During the quarter an SKF Campus and the SKF North East Asia Distribution Centre were inaugurated. Both are located in Shanghai, China and constructed in compliance with LEED standards.

- The Campus includes a new automotive bearings factory, Global Technical Centre, SKF Solution factory and the SKF College China. The Global Technical Centre will be an integrated part of the global network of Technical Centres and will focus on developments both for global and local needs. The SKF College China is part of a global network of colleges for the development of leadership and professional training programmes within SKF.
- The SKF North East Asia Distribution Centre integrates trade, logistics and account settlement and is located in the new government free trade zone.
- SKF signed a strategic long-term partnership agreement with Envision Energy, China, a leading global provider of wind turbines. The partnership is part of Envision's focus on bringing reliable, high performance wind turbines to the market.
- SKF signed an agreement of around SEK 35 million with a customer within the automation industry providing self-pierce riveting equipment and joining solutions. SKF will supply a customized roller screw electro-mechanical cylinder, for high load, high duty cycles and long life.
- Dongfang Electric New Energy Equipment, a leading Chinese manufacturer of wind turbines, received its first international order. SKF was selected as the sole supplier of main shaft bearings for the export order. A number of the wind turbines will be delivered to the Swedish energy company Skellefteå Kraft and will be used for setting up one of Europe's largest wind parks.
- Best Technical and Service Award 2013 from the customer Envision Energy, China.
- Supplier Excellence Award - Partner Level for 2013 from the customer National Oilwell Varco (NOV), USA.
- A new *low torque valve solution*. Several significant prototype orders have already been received from key manufacturers of subsea valves used in the offshore oil and gas industry. The design combines the functions of roller screw, support bearings, seals and lubrication into a unitized assembly. Innovative internal geometry allows smooth operation of the valve.
- New *electric grease transfer pumps* designed for filling centralized lubrication system pump reservoirs used in wind energy, vehicle service and general mechanical and plant engineering applications. These pumps provide a time-saving alternative to manual filling.
- The 9th annual SKF Wind Farm Management Conference took place in Berlin, Germany. Around 190 industry leaders from 23 countries gathered to discuss and share knowledge.
- SKF received a service contract worth around SEK 20 million from Aurizon, Australia's largest rail freight company.

- SKF received major orders for asset management services in Canada, including a SEK 10 million order from a customer in the oil and gas industry.
- Premium Supplier Award in the US from Joy Global Underground Mining LLC.
- Supplier of the year Award 2014 from Rolls-Royce Marine.
- Excellent Supplier Award in China from ABB Marine.
- *Turbulo BlueMon emission monitoring system* by SKF Blohm + Voss Industries. This system couples a ship's emission values with GPS position data, helping ship operators to comply with emissions regulations.
- New condition monitoring solutions:
 - SKF Wireless MicroVibe*, which works together with mobile devices to enable portable vibration monitoring.
 - SKF Wireless Machine Condition Sensor*, which provides condition monitoring for large plants, or in hazardous and hard-to-reach locations.
 - SKF @ptitude Connect*, a cost-effective cloud computing service, which provides instant access to SKF condition monitoring software, enabling customers to improve plant performance and efficiency
- New maintenance products:
 - SKF Shaft Alignment Tool*, which works using mobile devices and is the first instrument on the market to use inductive proximity sensors rather than lasers to enable accurate and reliable shaft alignment.
 - SKF Tachometer*, a new entry-level tachometer enabling fast and accurate contact and non-contact speed measurement of rotating objects and surface speeds.
- SKF opened an SKF Solution Factory in Nieuwegein, the Netherlands. The new facility will bring SKF knowledge and innovation even closer to customers in Benelux, helping them to improve productivity and reduce costs. There are now 28 SKF Solution Factories worldwide.
- An SKF Life Cycle Management Conference in Buenos Aires, Argentina, which brought together more than 130 customers from 90 companies in the Latin American food and beverage industry.
- SKF held an Asset Management conference in Prague, Czech Republic, which attracted more than 100 customers and provided a platform for sharing experiences of SKF solutions in various industries.
- SKF signed an agreement in Brazil with Bosch Service to jointly promote SKF's vehicle aftermarket product range to 1,800 Bosch Service Centers located in the country. The assortment covers virtually all car and heavy truck models in Brazil.
- SKF signed an agreement in Brazil with Bosch Service to jointly promote SKF's vehicle aftermarket product range to 1,800 Bosch Service Centers located in the country. The assortment covers virtually all car and heavy truck models in Brazil.
- The new automotive factory in the campus in Shanghai has started to manufacture hub units for a number of customers including Volvo Cars, Geely and SGM (Shanghai General Motors).
- Supplier Certification of Appreciation from Nissan China.
- Quality Gold Award 2013 from Yamaha Motor Company.
- The Qualitas Award from Fiat/Chrysler Argentina. In addition SKF received the Gold 5 star award for consistent outstanding performance.
- *Low friction grease for hub bearing units*, which reduce friction by as much as 9%, compared to standard grease. It contributes to lower CO₂ emissions and to improve the total vehicle efficiency.
- *SKF Gear Bearing Unit*, a robust solution for truck engines. It has a high load carrying capacity, which enables increased power density and engine down-sizing for heavy trucks.
- *Floating piston*, an integrated sealing module for the pressure reservoir of two-wheeler shock absorbers, providing low friction for a better riding feel and reduced nitrogen permeation for a longer suspension life.

Kaydon Corporation

Sales in the second quarter was higher year-over-year and integration is running according to plan with benefits from synergies in both cost and sales. Being part of the SKF Group was a key factor in the realization of a long-term agreement for around SEK 1.2 billion for slewing ring bearings from a major wind turbine manufacturer providing solutions to the North American and Brazilian wind segments. Another sales synergy can be seen in the business for rings and seals via strong collaboration with the aerospace business as well as the oil and gas business.

More examples of orders in the quarter:

- An order worth over USD 2 million for the wind aftermarket, to be delivered in 2014.
- A contract for three years worth USD 6 million for gearbox bearings for helicopters.

Risks and uncertainties in the business

The SKF Group operates in many different industrial, automotive and geographical segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time.

In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets and natural disasters, could have a negative effect on the demand for the Group's products and services. There are also political and regulatory risks associated with the wide geographical presence. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations.

The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the USD and to US dollar-related currencies. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could

mean lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries.

SKF and other companies in the bearing industry are part of investigations by the U.S. Department of Justice and the Korea Fair Trade Commission regarding a possible violation of antitrust rules. In October 2014, an investigation against bearing manufacturers, including SKF, was launched in Brazil by the General Superintendence of the Administrative Council for Economic Defense regarding an alleged violation of antitrust rules. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers.

Cautionary statement

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

factors influencing the financial results", "Financial risks" and "Sensitivity analysis", and in this full-year report under "Risks and uncertainties in the business."

Gothenburg, 15 October 2014
Aktiebolaget SKF
(publ)

Tom Johnstone
President and CEO

AB SKF is required to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at around 13.00 on 15 October 2014.

Further information can be obtained from:

Ingalill Östman, Group Communications

tel: +46-31-3373260
mobile: +46-706-973260
e-mail: ingalill.ostman@skf.com

Marita Björk, Investor Relations

tel: +46-31-3371994
mobile: +46-705-181994
e-mail: marita.bjork@skf.com

Conference call

15 October at 14.00 (CEST), 13.00 (UK),
08.00 (US):

SE: +46 8 5065 3936
UK: +44 203 427 1912
US: +1 646 254 3364

Please don't use a loudspeaker as this has a negative effect on the sound.

You will find all information regarding SKF Nine-month results 2014 on:

investors.skf.com/quarterlyreporting

Enclosures:

Financial statements

1. Condensed consolidated income statements and condensed consolidated statements of comprehensive income
2. Condensed consolidated balance sheets and condensed consolidated statements of changes in shareholders' equity
3. Condensed consolidated statements of cash flow and number of shares
4. Condensed consolidated financial information, reconciliation to profit before tax for the Group and key figures
5. Condensed parent company income statements, statements of comprehensive income and balance sheets

Accounting principles

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards as adopted by EU. The SKF Group applies the same accounting policies and methods of computation in the interim financial statements as compared with the Annual Report 2013, Financial, environmental and social performance. No new or amended IFRS effective 2014 had any significant impact on the Group.

The consolidated quarterly report has been prepared in accordance with IAS 34. The report for the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2. The report has not been reviewed by the company's auditors.

The SKF Year-end report 2014 will be published on Wednesday, 28 January 2015.

The Annual General Meeting will be held on Thursday, 26 March 2015 in Gothenburg, Sweden.

Enclosure 1

Condensed consolidated income statements

<i>SEKm</i>	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net sales	17,787	15,623	52,476	47,167
Cost of goods sold	-13,225	-11,523	-39,041	-35,358
Gross profit	4,562	4,100	13,435	11,809
Selling and administrative expenses	-2,495	-2,116	-7,414	-6,541
Other operating income/expenses, net	4	-62	168	-29
Profit from jointly controlled and associated companies	2	1	4	1
Operating profit	2,073	1,923	6,193	5,240
Operating margin, %	11.7	12.3	11.8	11.1
Financial income and expense, net	-246	-206	-818	-659
Profit before taxes	1,827	1,717	5,375	4,581
Taxes	-420	-552	-1,506	-1,494
Net profit	1,407	1,165	3,869	3,087
Net profit attributable to				
Shareholders of the parent	1,370	1,123	3,764	2,993
Non-controlling interests	37	42	105	94
Key figures (<i>definitions, see page 18</i>)				
Basic earnings per share, SEK	3.01	2.47	8.27	6.57
Diluted earnings per share, SEK	3.01	2.47	8.27	6.57
Additions to property, plant and equipment	529	437	1,354	1,157
Number of employees registered	48,865	46,187	48,865	46,187
Return on capital employed for the 12-month period ended 30 September, %	8.5	13.5	8.5	13.5

Condensed consolidated statements of comprehensive income

<i>SEKm</i>	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net profit	1,407	1,165	3,869	3,087
Items that will not be reclassified to the income statement				
Actuarial gains and losses	-1,129	608	-1,849	1,176
Income taxes	311	-201	519	-453
	-818	407	-1,330	723
Items that may be reclassified to the income statement				
Exchange differences arising on translation of foreign operations	911	-754	1,595	-641
Available-for-sale-assets	94	1	92	15
Cash-flow hedges	-42	47	-57	-28
Income taxes	124	-38	246	31
	1,087	-744	1,876	-623
Other comprehensive income, net of tax	269	-337	546	100
Total comprehensive income	1,676	828	4,415	3,187
Total comprehensive income attributable to				
Shareholders of AB SKF	1,573	862	4,189	3,188
Non-controlling interests	103	-34	226	-1

Enclosure 2

Condensed consolidated balance sheets

<i>SEKm</i>	September 2014	December 2013
Goodwill	11,685	10,717
Other intangible assets	9,222	8,306
Property, plant and equipment	14,877	14,095
Deferred tax assets	2,929	2,015
Other non-current assets	1,826	1,276
Non-current assets	40,539	36,409
Inventories	15,089	13,700
Trade receivables	12,720	11,189
Other current assets	3,767	3,492
Other current financial assets	5,385	6,201
Current assets	36,961	34,582
Total assets	77,500	70,991
Equity attributable to shareholders of AB SKF	21,760	20,100
Equity attributable to non-controlling interests	1,217	1,052
Long-term financial liabilities	21,393	19,698
Provisions for post-employment benefits	12,139	9,902
Provisions for deferred taxes	2,087	2,207
Other long-term liabilities and provisions	1,300	1,291
Non-current liabilities	36,919	33,098
Trade payables	5,491	4,740
Short-term financial liabilities	3,730	1,646
Other short-term liabilities and provisions	8,383	10,355
Current liabilities	17,604	16,741
Total equity and liabilities	77,500	70,991

Condensed consolidated statements of changes in shareholders' equity

<i>SEKm</i>	Jan-Sep 2014	Jan-Sep 2013
Opening balance 1 January	21,152	22,468
Total comprehensive income	4,415	3,187
Cost for performance share programmes, net	-12	-22
Other, including transactions with non-controlling interests	0	-108
Total cash dividends	-2,578	-2,531
Closing balance	22,977	22,994

Condensed consolidated statements of cash flow

<i>SEKm</i>	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Operating activities:				
Operating profit	2,073	1,923	6,193	5,240
Depreciation, amortization and impairment	557	478	1,622	1,394
Net loss/gain (-) on sales of intangible assets, PPE and businesses	-4	-25	9	-28
Taxes	-399	-609	-1,618	-1,894
Other including financial and non-cash items	-472	-197	-1,367	-235
Changes in working capital	421	-152	-3,117	-1,045
Net cash flow from operations	2,176	1,418	1,722	3,432
Investing activities:				
Payments for intangible assets, PPE and businesses	-705	-570	-1,952	-2,351
Sales of PPE and businesses	5	287	45	309
Net cash flow used in investing activities	-700	-283	-1,907	-2,042
Net cash flow after investments before financing	1,476	1,135	-185	1,390
Financing activities:				
Change in short- and long-term loans	-747	2	1,601	792
Change in finance lease liabilities	-1	-1	-7	-5
Cash dividends	-44	-1	-2,578	-2,531
Investments in short-term financial assets	-25	-76	-253	-140
Sales of short-term financial assets	65	14	189	216
Net cash flow used in financing activities	-752	-62	-1,048	-1,668
Net cash flow	724	1,073	-1,233	-278
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 July/1 January	3,381	6,932	5,369	8,244
Cash effect excl. acquired/sold businesses	724	1,100	-1,233	-421
Cash effect of acquired/sold businesses	0	-27	0	143
Exchange rate effect	151	-91	120	-52
Cash and cash equivalents at 30 September	4,256	7,914	4,256	7,914

Change in net interest-bearing liabilities

	Closing balance 30 September 2014	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2014
Loans, long- and short-term	23,298	1,601	0	-40	863	20,874
Post-employment benefits, net	12,039	-747	0	2,468	503	9,815
Financial assets, others	-1,348	-64	0	24	-105	-1,203
Cash and cash equivalents	-4,256	1,233	0	0	-120	-5,369
Net interest-bearing liabilities	29,733	2,023	0	2,452	1,141	24,117

Number of shares

	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Total number of shares	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	38,349,292	39,185,300	38,349,292	39,185,300
- whereof B shares	417,001,776	416,165,768	417,001,776	416,165,768
Weighted average number of shares in:				
- basic earnings per share	455,351,068	455,351,068	455,321,216	455,328,402
- diluted earnings per share	455,351,068	455,351,068	455,321,216	455,328,402

Enclosure 4

Condensed consolidated financial information - yearly and quarterly figures

<i>Amounts in SEKm unless otherwise stated.</i>	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Net sales	15,152	16,392	15,623	16,430	63,597	16,734	17,955	17,787	52,476
Cost of goods sold	-11,497	-12,338	-11,523	-12,567	-47,925	-12,482	-13,334	-13,225	-39,041
Gross profit	3,655	4,054	4,100	3,863	15,672	4,252	4,621	4,562	13,435
Gross margin, %	24.1	24.7	26.2	23.5	24.6	25.4	25.7	25.6	25.6
Selling and administrative expenses	-2,176	-2,249	-2,116	-2,327	-8,868	-2,383	-2,536	-2,495	-7,414
- as % of sales	14.4	13.7	13.5	14.2	13.9	14.2	14.1	14.0	14.1
Other operating income/expenses, net	1	32	-62	-3,084	-3,113	154	10	4	168
Profit from jointly controlled and associated companies	0	0	1	1	2	1	1	2	4
Operating profit/loss	1,480	1,837	1,923	-1,547	3,693	2,024	2,096	2,073	6,193
Operating margin, %	9.8	11.2	12.3	-9.4	5.8	12.1	11.7	11.7	11.8
Operating margin excl. one-time items, %	11.4	12.4	12.9	11.0	11.9	11.4	12.3	11.8	11.8
Financial income and expense, net	-243	-210	-206	-213	-872	-237	-335	-246	-818
Profit/loss before taxes	1,237	1,627	1,717	-1,760	2,821	1,787	1,761	1,827	5,375
Profit margin before taxes, %	8.2	9.9	11.0	-10.7	4.4	10.7	9.8	10.3	10.2
Taxes	-419	-523	-552	-283	-1,777	-512	-574	-420	-1,506
Net profit/loss	818	1,104	1,165	-2,043	1,044	1,275	1,187	1,407	3,869
Net profit/loss attributable to									
Shareholders of the parent	793	1,077	1,123	-2,081	912	1,238	1,156	1,370	3,764
Non-controlling interests	25	27	42	38	132	37	31	37	105

Reconciliation to profit before tax for the Group

<i>SEKm</i>	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Operating profit/loss:									
SKF Industrial Market, Strategic Industries	558	746	744	555	2,603	736	899	877	2,512
SKF Industrial Market, Regional Sales and Service	650	707	757	866	2,980	702	686	755	2,143
SKF Automotive	142	244	267	62	715	200	237	174	611
Specialty Business	130	140	155	-30	395	236	274	267	777
Unallocated Group activities and adjustments, net	0	0	0	-3,000	-3,000	150	0	0	150
Financial net	-243	-210	-206	-213	-872	-237	-335	-246	-818
Profit/loss before tax for the Group	1,237	1,627	1,717	-1,760	2,821	1,787	1,761	1,827	5,375

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure. Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Key figures *(definitions, see page 18)*

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Q3/14	YTD 2014
Operating profit/loss excluding amortization, SEKm	1,540	1,903	1,991	-1,436	3,998	2,140	2,213	2,195	6,548
Basic earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72	2.54	3.01	8.27
Diluted earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72	2.54	3.01	8.27
Dividend per share, SEK	-	5.50	-	-	5.50	-	5.50	-	5.50
Return on capital employed for the 12-month period, %	14.5	13.8	13.5	7.5	7.5	8.4	8.7	8.5	8.5
Gearing, %	52.3	53.9	52.3	59.2	59.2	59.5	61.9	60.6	60.6
Equity/assets ratio, %	36.1	34.8	36.4	29.8	29.8	29.9	28.8	29.6	29.6
Net worth per share, SEK	47	46	48	44	44	46	44	48	48
Additions to property, plant and equipment, SEKm	347	373	437	589	1,746	401	424	529	1,354
Registered number of employees	46,728	46,637	46,187	48,401	48,401	48,614	48,802	48,865	48,865

Enclosure 5

Parent company condensed income statements

<i>SEKm</i>	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Revenue	1,386	1,048	3,958	3,044
Cost of revenue	-1,316	-1,212	-3,944	-3,694
General management and administrative expenses	-272	-200	-869	-714
Other operating income/expenses, net	-7	0	185	0
Operating loss	-209	-364	-670	-1,364
Financial income and expenses, net	135	1,314	1,181	6,847
Profit before taxes	-74	950	511	5,483
Taxes	75	93	270	356
Net profit	1	1,043	781	5,839

Parent company condensed statements of comprehensive income

<i>SEKm</i>	July-Sep 2014	July-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net profit	1	1,043	781	5,839
Items that may be reclassified to the income statement				
Available-for-sale assets	94	1	92	15
Other comprehensive income, net of tax	94	1	92	15
Total comprehensive income	95	1,044	873	5,854

Parent company condensed balance sheets

<i>SEKm</i>	September 2014	December 2013
Intangible assets	1,663	1,206
Investments in subsidiaries	33,288	32,964
Receivables from subsidiaries	20,654	19,276
Other non-current assets	739	640
Non-current assets	56,344	54,086
Receivables from subsidiaries	3,489	2,886
Other receivables	551	153
Current assets	4,040	3,039
Total assets	60,384	57,125
Shareholders' equity	12,905	14,569
Untaxed reserves	280	280
Provisions	330	3,295
Non-current liabilities	20,777	19,408
Current liabilities	26,092	19,573
Total shareholders' equity, provisions and liabilities	60,384	57,125
Assets pledged	0	0
Contingent liabilities	22	22

Glossary

Ball bearings versus roller bearings

The main difference in the performance of these two bearing types is that ball bearings have lower friction than roller bearings, while roller bearings have a higher load-carrying capacity.

By-wire technology

In by-wire systems, the direct mechanical control is replaced by electronic control.

Condition monitoring

By regularly measuring vibration levels in bearings and machines, maintenance factors impacting on bearing service life and machine operation can be controlled. Condition monitoring instrumentation and software enable the early detection of bearing and machinery problems, making it possible for technicians to take the necessary steps in order to address a problem before it results in unanticipated downtime.

Friction

A force that counteracts movement between contact surfaces. Friction is by nature complex and is calculated by means of an empirical factor. Friction consumes energy and generates heat in rotating machinery.

Greenhouse gas

Carbon dioxide (CO₂) is the most common greenhouse gas. Carbon dioxide equivalent (CO₂e) is a term for describing different greenhouse gases in a common unit.

Hub bearing unit

Easy-to-mount, compact bearing unit for passenger car wheels. It is based on a double row angular contact ball bearing and has integrated seals. It can be equipped with a sensor suitable for anti-lock braking systems (ABS), traction control and so on.

Integrated Maintenance Solution (IMS)

An IMS contract is an expanded troublefree operation programme which consists of services such as training, installation supervision, root cause failure analysis and the condition monitoring of rotating machinery.

Large size bearings

The range includes standard bearings as well as bearings tailored for specific applications. Bearings with an outside diameter of more than 420 mm are considered as large. The bearings are available both in metric and inch dimensions.

Life cycle analysis

Systematic analysis of all environmental impacts of a product during its entire life cycle, i.e. from raw material to end-of-life product recovery or disposal.

Linear products

A common name for components, units and systems for linear movement. They include linear bearings, profile rail guides, linear ball bearing slides and so on.

Lubricant

Grease, oil or other substance to facilitate the motion of surfaces relative to each other, e.g. in a bearing.

Self-aligning ball bearing

This bearing type, invented in 1907 by SKF's founder Sven Wingquist, solved one of the largest industrial problems of the time – the continual production stoppages caused by bearing failure. As the alignment of the shafts was not accurate enough for the rigid ball bearings that were normally used, the bearings failed due to misalignment.

The double-row, self-aligning ball bearings accommodated the misalignment without reducing service life, thereby solving the problem.

SKF Business Excellence

SKF Business Excellence was launched in 2010. It is about delivering value to customers in the most effective and efficient way possible, through utilizing the knowledge of employees, partners and the company's technology. Business Excellence builds on many of the initiatives started by the SKF Group over a number of years, the most recent was SKF Manufacturing Excellence. With Business Excellence SKF is expanding the experience from the manufacturing area into other processes and operations within the SKF Group. Business Excellence is more than just about results – it actively challenges the organization to consider whether it is achieving the right results in the best way possible. SKF Manufacturing Excellence focuses on reducing waste and eliminating non-value adding activities. The heart of the system is the people in the production process.

SKF Care

Sustainability is one of SKF's five business drivers, alongside Profitability, Quality, Innovation and Speed. SKF's approach to sustaining financial and operational excellence centres on the SKF Care concept, which consists of Business Care, Environmental Care, Employee Care, and Community Care.

SKF Manufacturing Excellence

SKF Bridge of Manufacturing Excellence focuses on reducing waste and eliminating non-value adding activities. SKF bases this on the following five principles: Standardised way of working, Right from me, We care, Demand driven flow and Continuous improvement. The heart of the system is the people in the production process, who use these principles everyday to continuously improve their work.

SKF Solution Factory

The SKF Solution Factory combine the full range of SKF's expertise within technology platforms with workshop facilities, providing customized service and solutions to customers. This brings many SKF bearing services and integrated value-adding solutions close to the customers – such as remanufacturing and customization, application engineering, spindle repair, lubrication applications, mechanical services including mounting, alignment and balancing, remote monitoring centre and training.

Super-precision bearings

SKF's comprehensive assortment of superprecision bearings is designed for machine tool spindles and other applications that require a high level of running accuracy at high to extremely high speeds. Each bearing type incorporates unique features to make it suitable for specific operating conditions.

Tribology

Tribology is the science and technology of interacting surfaces in relative motion. It includes the study and application of the principles of friction, lubrication and wear.

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Definitions

Currency impact of operating profit

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

Portion of risk-bearing capital

Equity and provisions for deferred taxes, as a percentage of total assets.

Equity/assets ratio

Equity as a percentage of total assets.

Gearing

Loans plus net provisions for post-employment benefits, as a percentage of the sum of loans, net provisions for post-employment benefits and equity.

Net debt

Loans and net provisions for post-employment benefits less short-term financial assets excluding derivatives

Net debt/equity

Loans and net provisions for post-employment benefits less short-term financial assets excluding derivatives, as a percentage of equity.

Return on total assets

Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets.

Return on capital employed

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

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

Net working capital

Trade receivables plus inventory minus trade payables as a per cent of a 12-month rolling net sales.

Operating margin

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

Basic earnings/loss per share in SEK

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

Registered number of employees

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

Average number of employees

Total number of working hours of registered employees, divided by the normal total working time for the period.

Equity per share (Net worth per share)

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

Customer industries

Industrial distribution

Sales through industrial distributors.

Industry, general

Automation, machine tool, industrial drives (fluid machinery, industrial electrical motors and generators, material handling and industrial transmission and driveline services), medical and health care.

Industry, heavy and special

Heavy industrial machinery: metals, mining and cement, pulp and paper.
Special machinery: marine, food and beverage.

Aerospace

Aircraft and helicopter builders (system integrators), aero-engine, gearbox, and other aircraft systems manufacturers.

Energy

Renewable energy (wind, solar and ocean) and traditional energy (oil and gas and traditional electric power generation).

Railway

Passenger (high-speed vehicles, metro cars and light rails), locomotives (diesel and electric) and freight cars.

Off-highway

Construction, agriculture and forestry and fork lift trucks.

Cars and light trucks

Cars and light truck manufacturers (OEMs) and their sub-suppliers.

Vehicle service market

Spare-part kits products for cars, trucks and two-wheelers.

Trucks

Truck, trailer and bus manufacturers (OEMs) and their sub-suppliers.

Two-wheelers and Electrical

Motorcycles, scooters and skates.
Home appliances, portable power tools and electric motors.

SKF is a leading global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. Annual sales in 2013 were SEK 63,597 million and the number of employees was 48,401. www.skf.com