

Press release 2 February 2016

# SKF Year-end report 2015

"Customer demand developed in-line with our expectations during the quarter, with the exception of North America, which saw a sharper decline than anticipated reflecting both lower demand and destocking in the supply chain. Sales in local currency declined by 5%, driven mainly by lower sales volumes within Industrial Market, which could not be counteracted by increased volumes within Automotive Market. Faced with challenging market conditions, we focused significant efforts on strengthening our balance sheet and adjusting our organizational structure and ways of working during the year. With that in mind, I am pleased to report continued strong levels of cash flow, declining net working capital and reduced net debt. The structural changes implemented during the year have made us leaner and more focused on supporting our core business: bearings and solutions that support rotating shaft machinery efficiency. Our cost reduction programme has been delivered on time, affecting 2 100 employees. In addition, temporary and agency personnel were reduced by around 400. Activity-based cost reductions continue across the Group, as do our efforts to divest non-core businesses.



In order to reflect the market conditions, competitive landscape and industrial activity levels we foresee and the consequential reshaping of the company, the Group's financial targets have been adjusted. The new targets are to achieve, over a business cycle, an organic sales growth of five percent in local currencies and a reported operating margin of 12 percent, according to IFRS. On the capital side, we have increased our ambition to manage our working capital in an efficient manner and the new target is to reach a net working capital of 25 percent of sales. The target for return on capital employed (ROCE) has been adjusted to 16 percent, as a consequence of the operating margin target. Our target of achieving a net debt/equity ratio of 80 percent remains unchanged. Although we have more hard work ahead of us, I believe these targets can be achieved. Entering the first quarter of 2016, we expect macro-economic uncertainty to continue. As a result, we expect demand to be relatively unchanged sequentially but slightly lower year-on-year. The markets we operate in remain challenging, but I am convinced that we will benefit from the structural changes we have implemented and our increased focus on customer applications."

Alrik Danielson,  
President and CEO

## Key figures

	Q4 2015	Q4 2014	2015	2014
Net sales, SEKm	18 215	18 499	75 997	70 975
Operating profit excl. one-time items, SEKm	1 726	2 078	8 655	8 291
Operating margin excl. one-time items %	9.5	11.2	11.4	11.7
One-time items in operating profit, SEKm	-687	-470	-1 687	-490
Operating profit, SEKm	1 039	1 608	6 968	7 801
Operating margin, %	5.7	8.7	9.2	11.0
Profit before taxes excl. operating and financial one-time items, SEKm	1 626	1 763	7 857	7 258
Profit before taxes, SEKm	653	1 293	5 834	6 668
Net cash flow after investments before financing, SEKm	1 966	2 126	6 416	2 137

## Net sales change y-o-y, %:

	Organic	Structure	Currency	Total
Q4 2015	-5.2	-1.0	4.7	-1.5
Full Year	-2.6	-0.5	10.2	7.1

## Organic sales change in local currencies, per region y-o-y, %:

	Europe	North America	Latin America	Asia	Middle East & Africa
Q4 2015	0.3	-12.7	-0.5	-8.7	10.8
Full Year	0.4	-8.1	0.5	-4.2	13.2

## Dividend proposal

The Board has decided to propose an unchanged dividend of SEK 5.50 per share to the Annual General Meeting.

### Outlook for the first quarter 2016

#### Demand compared to the first quarter 2015

The demand for SKF's products and services is expected to be slightly lower for the Group. Demand for the Automotive Market and Specialty Business is expected to be relatively unchanged, while demand for the Industrial Market is expected to be lower. Demand is expected to be relatively unchanged in Europe, slightly lower in Asia and Latin America and significantly lower in North America.

#### Demand compared to the fourth quarter 2015

The demand for SKF's products and services is expected to be relatively unchanged for the Group. Demand for the Automotive Market is expected to be higher, demand for Specialty Business to be slightly higher and demand for Industrial Market is expected to be relatively unchanged. Demand is expected to be higher in Europe, slightly lower in North America and lower in Latin America and Asia.

## Sales

Business Areas	Q4				Full year 2015			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
Net sales, change y-o-y,%								
Industrial Market	-8.6	-0.5	4.6	-4.5	-3.9	-0.3	10.1	5.9
Automotive Market	1.2	0.0	3.3	4.5	0.3	0.0	8.3	8.6
Specialty Business	-1.6	-4.8	8.2	1.8	-2.1	-2.2	14.8	10.5

Business Areas	Q4					2015				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial Market	-	---	++	---	+++	+/-	---	++	--	+++
Automotive Market	+++	--	---	+	+++	++	--	---	+/-	+++
Specialty Business	+/-	---	+++	++	---	+/-	---	+++	+/-	---

Customer Industries (definitions, see last page)	Q4					2015				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial distribution	-	---	+/-	---	+/-	+/-	---	+/-	---	+
Industrial, general	--	---		---		-	--		---	
Industrial, heavy, special and off-highway	+/-	---	---	-	---	-	---	---	+/-	--
Energy	---	---		+++		---	---		+++	
Aerospace	+/-	--		+/-		+/-	--		+/-	
Railway	+++	---		---		+++	---		---	
Cars and light trucks	++	--	---	+++		++	--	---	++	
Vehicle service market	+++	--	+++	---	+++	++	+/-	+++	--	+++
Trucks	+++	---		++		++	---		++	
Two-wheelers and electrical	+++	---		---		+/-	--		---	

#### Comments on organic sales in local currencies in Q4 2015, compared to Q4 2014

- Europe
  - Industrial: Overall, sales were slightly lower in the quarter. By industry, sales were significantly higher to the railway industry, relatively unchanged to industrial general, slightly lower for industrial distribution and significantly lower to the energy industry.
  - Automotive: Sales in the quarter were significantly higher compared to last year, following the overall market development, with significantly higher sales to the vehicle service market and to customers in the heavy trucks industry and higher sales to the cars and light trucks industry.
- North America
  - Industrial: Sales were significantly lower across all customer industries compared to Q4 2014.
  - Automotive: Sales in the quarter were lower including significantly lower sales to the truck industry and lower volumes to both the cars and light trucks industry as well as to the vehicle service market.
- Asia
  - Industrial: Sales were significantly lower compared to Q4 2014. By industry, sales to the energy industry were significantly higher, heavy industries were slightly lower while railway, industrial general industries and distributors were significantly lower.
  - Automotive: Sales were slightly higher compared to Q4 2014. Sales were significantly higher to the cars and light trucks industries, higher to the truck industry and significantly lower to the vehicle service market.
- Latin America
  - Industrial: Overall, sales volumes were higher in the quarter mainly driven by significantly higher volumes to energy and the industrial, general industries.
  - Automotive: Sales in the quarter for both the car and the truck industries were significantly lower compared to Q4 2014.

## Financial performance

- Operating profit in the fourth quarter included one-time items of -687 million (-470). The main item being -317 million (-220) related to the ongoing cost reduction programme. In addition, it included -343 million related to impairments mainly of capitalized development costs for the Unite IT project and goodwill. The remainder related to negative revaluation effects due to currency development in Argentina. Year-to-date one-time items amounted to -1 687 million (-490) whereof -1 199 million related to the ongoing cost reduction programme, -431 million related to profits on sold businesses, impairments, and write-off of assets, and the remaining -57 million related to negative revaluation effects due to currency developments.

The operating profit development 2014 to 2015 for the fourth quarter is below:

<b>Operating profit bridge, SEKm</b>	<b>Q4</b>
2014	1 608
One-time items at 2014 exchange rates	-220
Organic sales in local currencies	-410
Currency impact	230
Savings from the cost-reduction programme	200
Divested/acquired comps. i.e net divestment	-35
Other impacts	-334
2015	1 039

-Currency impact mainly due to the stronger USD.

-Other impacts in the fourth quarter included manufacturing volumes, costs for the Unite IT project and general inflation. Around half of the Other impacts in the fourth quarter was attributable to lower manufacturing volumes compared to last year, impacting the manufacturing cost negatively. The remaining half was attributable mainly to higher costs for the Unite IT project and general inflation. The fourth quarter 2014 was positively impacted by a pension settlement which impacts comparability between the years.

- The financial net in the fourth quarter was -386 million (-315) and included one-time items of -286 million mainly related to the buy-back of bonds. The financial net year-to-date amounted to -1 134 million (-1 133) which included one-time items amounting to -336 million including the -276 million related to the buy-back of bonds, -140 million related to negative revaluation effects due to currency developments in Latin America, and the remaining +80 million to the gain on the sale of equity securities.
- Total taxes in the fourth quarter were -225 million, giving an effective tax rate of 34.5% (31.9%), and for the year the effective tax rate was 30.2% (28.8%).
- Cash flow after investments before financing for the fourth quarter was +1 966 million (+2 126) and year-to-date it was +6 416 million (+2 137 and +4 962 adjusted for the EU payment). Excluding acquisitions and divestments it was +2 048 million (+2 158) for the fourth quarter 2015 and year-to-date it was +5 670 million (+5 031). Net cash flow used in financing activities for the fourth quarter 2015 was impacted by costs related to the buy-back of bonds of -369 million. The year-to-date was additionally impacted by -935 (-196) million related to derivatives on external financing.
- Net working capital, % of annual sales, was positively impacted by working capital improvement and currency exchange rate developments.
- Provisions for post-employment benefits decreased in the fourth quarter 2015 by -951 million (+1 904) mainly related to discount rate increases in the US, UK and Sweden. For the full year 2015, the provision decreased by -932 million (+4 127) mainly related to discount rate increases in Germany, the US, UK and Sweden.

<b>Key figures</b>	<b>31 December 2015</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
Net working capital, % of annual sales	27.1	29.7	30.6
ROCE for the 12-month period, %	10.9	11.9	13.9
Net debt/equity, %	99.9	114.2	126.6
Net debt/EBITDA	2.7	2.9	3.0

## Business Areas

SEKm unless otherwise stated

<b>Industrial Market</b>	<b>Q4/15</b>	<b>Q4/14</b>	<b>2015</b>	<b>2014</b>
Net sales	10 803	11 308	45 279	42 768
Operating profit	895	1 532	5 401	6 010
Operating margin, %	8.3	13.5	11.9	14.1
One-time items	-329	-126	-864	-203
Operating profit excl. one-time items	1 224	1 658	6 265	6 213
Operating margin excl. one-time items, %	11.3	14.7	13.8	14.5
<b>Automotive Market</b>	<b>Q4/15</b>	<b>Q4/14</b>	<b>2015</b>	<b>2014</b>
Net sales	4 804	4 600	19 908	18 330
Operating profit	-23	-100	575	571
Operating margin, %	-0.5	-2.2	2.9	3.1
One-time items	-182	-170	-494	-256
Operating profit excl. one-time items	159	70	1 069	827
Operating margin excl. one-time items, %	3.3	1.5	5.4	4.5
<b>Specialty Business</b>	<b>Q4/15</b>	<b>Q4/14</b>	<b>2015</b>	<b>2014</b>
Net sales	2 512	2 469	10 415	9 426
Operating profit	167	176	992	1 070
Operating margin, %	6.6	7.1	9.5	11.4
One-time items	-175	-173	-329	-181
Operating profit excl. one-time items	342	349	1 321	1 251
Operating margin excl. one-time items, %	13.6	14.1	12.7	13.3

### Guidance Q1 2016:

- Financial net: -250 million
- Currency impact on the operating profit is expected to be limited based on exchange rates on 31 December.

### Guidance 2016:

- Tax level: below 30%
- Additions to property, plant and equipment: around 2 000 million

### New financial targets

- 5% organic growth in local currencies
- 12% reported operating margin
- 16% return on capital employed
- 25% net working capital as % of sales
- 80% net debt/equity

### SKF's Performance Share Programme

In order to continue to link the interests of the senior management and the shareholders, the Board proposes that a decision be taken at the Annual General Meeting 2016 on SKF's Performance Share Programme 2016. The terms and conditions of the proposed SKF's Performance Share Programme 2016 are the same as the terms and conditions of the SKF's Performance Share Programme 2015.

It is proposed that the programme covers a maximum of 225 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF B shares.

The number of shares that may be allotted must be related to the degree of achievement of the TVA target level, as defined by the Board of Directors, for the TVA development for the financial years 2016–2018 compared to the financial year 2015. Under the programme no more than 1,000,000 B shares may be allotted.

No allotment of shares has been, or will be, made under SKF's Performance Share Programme 2013 due to non-fulfilment of the target.

## Highlights

- SKF will supply China Oilfield Services Limited (COSL), one of China's largest shipowners, with propulsion shaft components and application engineering services for its new-build fleet of offshore supply vessels. In total, 16 propulsion shafts on 8 vessels will be equipped with SKF components.



- SKF supplied magnetic bearings for use in the world's first subsea gas compression system at the Åsgard gas field off the Norwegian coast. As part of the subsea gas compression system, the bearings will contribute to recovering additional gas volumes from depleting gas fields as well as extending the lifetime of those gas fields which would otherwise be prematurely closed.



- SKF supplied United States Steel with an integrated seals, lubrication and bearings solution for their hot strip mill table rolls in Granite City, Illinois. The solution helps to increase machine availability whilst at the same time reducing energy and grease consumption.



- SKF's new EUR 500 million bond closed on 2 December. The senior, unsecured bond matures on 2 December 2022 and carries a fixed coupon interest rate of 1.625%, an historically low rate for SKF. The proceeds of the issue were used for the refinancing of existing debt through the buy-back of parts of two outstanding bonds, maturing in 2018 and 2019, with coupon rates of 3.875% and 1.875%, respectively.
- SKF's office in Pune, India was awarded the highest possible LEED (Leadership in Energy and Environmental Design) rating – Platinum – by the Indian Green Building Council.



- SKF announced it will consolidate its vehicle service market distribution and packaging business in the US to ensure optimized delivery, flexibility and superior customer service. The business in Hebron, Kentucky will be transferred to the distribution and packaging facility in Crossville, Tennessee. This move will mean the eventual closure of the Hebron distribution centre, and affect 145 employees.
- SKF held its Capital Markets Day in Gothenburg, Sweden. Presentations focused on the Group's strategic priorities and actions being taken to improve performance, creating and capturing customer value, application-driven innovation, world-class manufacturing, cost competitiveness and maximizing long-term cash flow.



- Introduction of a new battery-driven grease gun, the TLGB 20. Developed to maximize efficiency, this unique tool includes an integrated grease meter to help prevent over and under-lubrication.



- The new SKF Agri Hub unit enables deeper, heavier and faster tilling in challenging soil conditions, helping to extend service life and lower management costs while delivering high performance.
- SKF introduced its online heater selection tool for bearings and similar workpieces. Accessible via SKF's website, this convenient tool makes it quick and easy for SKF customers and distributors to find the right heater for various applications.



- SKF introduced a new series of food industry compliant bearings, which help to minimize the risk of food adulteration and subsequent product recalls. Its new range of SKF Food Line stainless steel deep groove ball bearings meet the highest food industry requirements.



### Previous outlook statement:

#### Demand compared to the fourth quarter 2014

The demand for SKF's products and services is expected to be lower for the Group where demand for the Automotive Market is expected to be relatively unchanged, while demand for the Specialty Business is expected to be slightly lower and demand for the Industrial Market is expected to be lower. Split by markets, demand is expected to be relatively unchanged in Europe and Latin America and significantly lower in North America and Asia.

#### Demand compared to the third quarter 2015

The demand for SKF's products and services is expected to be slightly lower for the Group where demand for the Industrial Market and the Automotive Market is expected to be slightly lower while demand for the Specialty Business is expected to be relatively unchanged. Split by markets, demand is expected to be relatively unchanged in Europe and slightly lower in North America, Latin America and Asia.

### Highlights in the previous quarter

#### In Q1

- Construction of a large-size bearing test centre in Schweinfurt, Germany. The investment, which totals SEK 360 million is being supported by both the German Government and State of Bavaria, who are contributing SEK 28 million in funding. The test centre will have two LSB test rigs; one for testing of bearings used in wind turbines and one for applications across a wider scope of industries, including marine, mining, construction and steel. Construction of the bearing test centre will commence during the summer of 2015 and is expected to be completed during the first half of 2017.
- SKF announced it will be investing SEK 190 million to modernize channels for the manufacturing of spherical roller bearings at its factory in Gothenburg. More modern manufacturing processes, including intelligent grinding, which enables reduced set-up times and improved production efficiency, will be combined with SKF's own condition monitoring and mobile connectivity solutions. The investment is expected to be completed by the end of 2016.

#### In Q2

- SKF completed the divestment of:
  - Erin Engineering and Research Inc. to Jensen Hughes, a US-based engineering consultancy. The total purchase price was around USD 28 million on a cash-free and debt-free basis. Erin Engineering is a consulting firm specializing in security and maintenance services in the nuclear sector. Sales amounted to around USD 30 million in 2014.
  - Two filtration businesses, Purafil and Kaydon Custom Filtration, to Filtration Group Corporation, an affiliate of Madison Industries. The total consideration for the divestment is a fixed payment of USD 90 million on a cash-free and debt-free basis, and an earn-out of up to USD 5 million, based on achievement of certain financial targets by the end of 2015. Purafil and Kaydon Custom Filtration had combined sales of around USD 40 million in 2014.

#### In Q3

- SKF has completed the divestment of Canfield Technologies, Inc. to Gen Cap America, a private equity firm headquartered in Nashville, Tennessee. Canfield Technologies is a metal joining business and joined SKF as part of the acquisition of the Kaydon Corporation. The total consideration of the divestment was around USD 23 million, on a cash-free and debt-free basis. Sales amounted to around USD 17 million in 2014.

### Accounting principles

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The SKF Group applies the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. No new or amended IFRS effective 2015 had any significant impact on the Group. However, the following restatements and reclassifications have been made as from 1 Jan 2015.

#### Restatement of Business area:

From January 2015 SKF operates through three business areas, Industrial Market, Automotive Market, and Specialty Business. The figures for 2013 and 2014 have been restated to conform to the new structure. See [investors.skf.com](http://investors.skf.com).

#### Statement of cash flow:

The Group utilizes derivatives to manage risks related to external loans. Cash flow from such derivatives are now classified as cash flow from financing activities. Previously these were included as cash flow from operations. The complete restatement of the cash flow for years 2010 - 2014 can be found on [investors.skf.com](http://investors.skf.com).

#### Balance sheet:

Derivatives amounting to some SEK 1 900 million have been reclassified in the balance sheet at 31 Dec 2014 from short-term financial liabilities to long-term financial liabilities.

### 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 USD-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 residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries. SKF and other companies in the bearing industry are part of investigations by the US 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 [investors.skf.com](http://investors.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, 2 February 2016  
Aktiebolaget SKF  
(publ)

Alrik Danielson  
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 2 February 2016.

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#### Conference call

2 February at 14.00 (CET), 13.00 (UK),  
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Please don't use a loudspeaker as this has a negative effect on the sound.

You will find all information regarding SKF's Year-end results 2015 on:

**[investors.skf.com/quarterlyreporting](http://investors.skf.com/quarterlyreporting)**

#### Calendar

8 March, SKF Annual Report 2015  
31 March, Annual General Meeting 2016  
28 April, First-quarter report 2016

**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. Summary Business Areas
6. Condensed parent company income statements, statements of comprehensive income and balance sheets

**Condensed consolidated income statements****Enclosure 1**

SEKm	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Net sales	18 215	18 499	75 997	70 975
Cost of goods sold	-14 214	-14 187	-57 483	-53 228
Gross profit	4 001	4 312	18 514	17 747
Selling and administrative expenses	-2 874	-2 655	-11 603	-10 069
Other operating income/expenses, net	-88	-49	57	123
Operating profit	1 039	1 608	6 968	7 801
Operating margin, %	5.7	8.7	9.2	11.0
Financial income and expense, net	-386	-315	-1 134	-1 133
Profit before taxes	653	1 293	5 834	6 668
Taxes	-225	-412	-1 760	-1 918
Net profit	428	881	4 074	4 750
Net profit attributable to				
Shareholders of the parent	374	836	3 880	4 600
Non-controlling interests	54	45	194	150

**Condensed consolidated statements of comprehensive income**

SEKm	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Net profit	428	881	4 074	4 750
Items that will not be reclassified to the income statement				
Remeasurements	784	-1 359	1 236	-3 208
Income taxes	-229	441	-334	960
	555	-918	902	-2 248
Items that may be reclassified to the income statement				
Exchange differences arising on translation of foreign operations	-574	1 229	-445	2 824
Available-for-sale assets	223	-7	217	85
Cash-flow hedges	-1	4	41	-53
Income taxes	-31	231	-361	477
	-383	1 457	-548	3 333
Other comprehensive income, net of tax	172	539	354	1 085
Total comprehensive income	600	1 420	4 428	5 835
Shareholders of AB SKF	557	1 309	4 221	5 498
Non-controlling interests	43	111	207	337

**Condensed consolidated balance sheets****Enclosure 2**

SEKm	December 2015	December 2014*
Goodwill	12 078	12 233
Other intangible assets	9 407	9 905
Property, plant and equipment	15 303	15 482
Deferred tax assets	3 185	3 350
Other non-current assets	1 607	1 862
Non-current assets	41 580	42 832
Inventories	14 519	15 066
Trade receivables	11 777	12 595
Other current assets	3 357	3 705
Other current financial assets	8 500	7 441
Current assets	38 153	38 807
Total assets	79 733	81 639
Equity attributable to shareholders of AB SKF	24 815	23 089
Equity attributable to non-controlling interests	1 467	1 315
Long-term financial liabilities	22 383	24 077
Provisions for post-employment benefits	13 062	13 978
Provisions for deferred taxes	1 373	1 717
Other long-term liabilities and provisions	1 302	1 361
Non-current liabilities	38 120	41 133
Trade payables	5 671	5 938
Short-term financial liabilities	1 442	2 028
Other short-term liabilities and provisions	8 218	8 136
Current liabilities	15 331	16 102
Total equity and liabilities	79 733	81 639

**Condensed consolidated statements of changes in shareholders' equity**

SEKm	Jan-Dec 2015	Jan-Dec 2014
Opening balance 1 January	24 404	21 152
Total comprehensive income	4 428	5 835
Cost for performance share programmes, net	14	-5
Other, including transactions with non-controlling interests	41	-
Total cash dividends	-2 605	-2 578
Closing balance	26 282	24 404

\*Reclassification from previously published annual report. See page 7.

**Condensed consolidated statements of cash flow****Enclosure 3**

SEKm	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014*
<b>Operating activities:</b>				
Operating profit	1 039	1 608	6 968	7 801
Depreciation, amortization and impairment	959	770	2 858	2 392
Net loss/gain (-) on sales of PPE and businesses	-4	7	-217	16
Taxes	-460	-472	-2 320	-2 090
Other including non-cash items	-347	-135	-918	-1 306
Changes in working capital	1 501	1 101	1 360	-2 016
Net cash flow from operations	2 688	2 879	7 731	4 797
<b>Investing activities:</b>				
Payments for intangible assets, PPE, businesses and equity securities	-651	-769	-2 423	-2 721
Sales of PPE, businesses and equity securities	-71	16	1 108	61
Net cash flow used in investing activities	-722	-753	-1 315	-2 660
Net cash flow after investments before financing	1 966	2 126	6 416	2 137
<b>Financing activities:</b>				
Change in short- and long-term loans	-7	-741	-942	860
Other financial items	-371	-72	-1 304	-275
Cash dividends	-38	-	-2 605	-2 578
Investments in short-term financial assets	-161	-121	-560	-374
Sales of short-term financial assets	-27	305	212	494
Net cash flow used in financing activities	-604	-629	-5 199	-1 873
Net cash flow	1 362	1 497	1 217	264
<b>Change in cash and cash equivalents:</b>				
Cash and cash equivalents at 1 Oct./1 Jan.	5 928	4 256	5 920	5 369
Cash effect excl. acquired/sold businesses	1 362	1 497	1 199	264
Cash effect of acquired/sold businesses	-	-	18	-
Exchange rate effect	-72	167	81	287
Cash and cash equivalents at 31 December	7 218	5 920	7 218	5 920

	Closing balance 31 December 2015	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2015
<b>Change in net debt</b>						
Loans, long- and short-term	21 349	-942	-	5	-1 102	23 388
Post-employment benefits, net	13 010	-840	-	-100	8	13 942
Financial assets, others	-872	-356	-	-2	4	-518
Cash and cash equivalents	-7 218	-1 199	-18	-	-81	-5 920
Net debt	26 269	-3 337	-18	-97	-1 171	30 892

**Number of shares**

	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Total number of shares:</b>	455 351 068	455 351 068	455 351 068	455 351 068
- whereof A shares	36 298 533	37 649 081	36 298 533	37 649 081
- whereof B shares	419 052 535	417 701 987	419 052 535	417 701 987
<b>Weighted average number of shares in:</b>				
- basic earnings per share	455 351 068	455 351 068	455 351 068	455 328 679
- diluted earnings per share	455 351 068	455 351 068	455 351 068	455 328 679

\*Reclassification from previously published annual report. See page 7.

## Condensed consolidated financial information - quarterly and yearly figures

Enclosure 4

Amounts in SEKm unless otherwise stated.	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015
Net sales	16 734	17 955	17 787	18 499	70 975	19 454	19 961	18 367	18 215	75 997
Cost of goods sold	-12 482	-13 334	-13 225	-14 187	-53 228	-14 652	-14 768	-13 849	-14 214	-57 483
<b>Gross profit</b>	<b>4 252</b>	<b>4 621</b>	<b>4 562</b>	<b>4 312</b>	<b>17 747</b>	<b>4 802</b>	<b>5 193</b>	<b>4 518</b>	<b>4 001</b>	<b>18 514</b>
Gross margin, %	25.4	25.7	25.6	23.3	25.0	24.7	26.0	24.6	22.0	24.4
Selling admin. expenses	-2 383	-2 536	-2 495	-2 655	-10 069	-3 121	-2 910	-2 698	-2 874	-11 603
- as % of sales	14.2	14.1	14.0	14.4	14.2	16.0	14.6	14.7	15.8	15.3
Other, net	155	11	6	-49	123	40	100	5	-88	57
<b>Operating profit</b>	<b>2 024</b>	<b>2 096</b>	<b>2 073</b>	<b>1 608</b>	<b>7 801</b>	<b>1 721</b>	<b>2 383</b>	<b>1 825</b>	<b>1 039</b>	<b>6 968</b>
Operating margin, %	12.1	11.7	11.7	8.7	11.0	8.8	11.9	9.9	5.7	9.2
One-time items in operating profit	117	-119	-20	-470	-490	-655	-194	-151	-687	-1 687
Operating profit excl. one-times	1 907	2 215	2 093	2 078	8 291	2 376	2 577	1 976	1 726	8 655
Operating margin excl. one-times, %	11.4	12.3	11.8	11.2	11.7	12.2	12.9	10.8	9.5	11.4
Financial net	-237	-335	-246	-315	-1 133	-129	-142	-477	-386	-1 134
Financial one-times	-	-100	-	-	-100	80	-	-130	-286	-336
<b>Profit before taxes</b>	<b>1 787</b>	<b>1 761</b>	<b>1 827</b>	<b>1 293</b>	<b>6 668</b>	<b>1 592</b>	<b>2 241</b>	<b>1 348</b>	<b>653</b>	<b>5 834</b>
Profit margin before taxes, %	10.7	9.8	10.3	7.0	9.4	8.2	11.2	7.3	3.6	7.7
Profit before taxes excl. total one-times	1 670	1 980	1 847	1 763	7 258	2 167	2 435	1 629	1 626	7 857
Profit margin before taxes excl. total one-times, %	10.0	11.0	10.4	9.5	10.2	11.1	12.2	8.9	8.9	10.3
Taxes	-512	-574	-420	-412	-1 918	-427	-535	-573	-225	-1 760
<b>Net profit</b>	<b>1 275</b>	<b>1 187</b>	<b>1 407</b>	<b>881</b>	<b>4 750</b>	<b>1 165</b>	<b>1 706</b>	<b>775</b>	<b>428</b>	<b>4 074</b>
Net profit attributable to Shareholders of the parent	1 238	1 156	1 370	836	4 600	1 120	1 662	724	374	3 880
Non-controlling interests	37	31	37	45	150	45	44	51	54	194

## Reconciliation to profit before tax for the Group

SEKm	Q1/14*	Q2/14*	Q3/14*	Q4/14*	2014*	Q1/15	Q2/15	Q3/15	Q4/15	2015
Operating profit:										
Industrial Market	1 404	1 516	1 558	1 532	6 010	1 336	1 812	1 358	895	5 401
Automotive Market	222	252	197	-100	571	110	279	209	-23	575
Specialty Business	248	328	318	176	1 070	275	292	258	167	992
Unallocated group items	150	-	-	-	150	-	-	-	-	-
Financial net	-237	-335	-246	-315	-1 133	-129	-142	-477	-386	-1 134
Profit before taxes for the Group	1 787	1 761	1 827	1 293	6 668	1 592	2 241	1 348	653	5 834

\*Restated to conform to the current organization. See page 7.

## Key figures (definitions, see last page)

SEKm	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015
EBITA, SEKm	2 140	2 213	2 195	1 741	8 289	1 860	2 522	1 963	1 177	7 522
EBITDA, SEKm	2 545	2 639	2 630	2 378	10 192	2 323	3 104	2 400	1 999	9 826
Basic earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	1.59	0.82	8.52
Diluted earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	1.59	0.82	8.52
Dividend per share, SEK	-	5.50	-	-	5.50	-	5.50	-	-	5.50
NWC, % of annual sales	32.8	32.7	32.4	30.6	30.6	32.1	30.9	29.7	27.1	27.1
ROCE for the 12-month period, %	8.4	8.7	8.5	13.9	13.9	12.6	12.6	11.9	10.9	10.9
ROE for the 12-month period, %	6.7	7.2	8.3	21.4	21.4	19.9	21.2	17.9	15.7	15.7
Gearing, %	59.5	61.9	60.6	60.5	60.5	59.7	56.8	58.3	56.7	56.7
Equity/assets ratio, %	29.9	28.8	29.6	29.9	29.9	29.9	32.2	31.8	33.0	33.0
Net worth per share, SEK	46	44	48	51	51	54	54	53	54	54
Additions to property, plant and equipment, SEKm	401	424	529	498	1 852	433	576	557	497	2 063
Net debt/equity, %	117.6	143.7	132.5	126.6	126.6	122.2	113.4	114.2	99.9	99.9
Net debt, SEKm	25 688	30 705	30 442	30 892	30 892	31 739	29 514	29 390	26 269	26 269
Registered number of employees	48 614	48 802	48 865	48 593	48 593	48 356	47 579	47 051	46 635	46 635

**Business Areas - quarterly and yearly figures\***

Amounts in SEKm unless otherwise stated

**Enclosure 5**

<b>Industrial Market</b>	<b>Q1/14</b>	<b>Q2/14</b>	<b>Q3/14</b>	<b>Q4/14</b>	<b>2014</b>	<b>Q1/15</b>	<b>Q2/15</b>	<b>Q3/15</b>	<b>Q4/15</b>	<b>2015</b>
Net sales	9 933	10 771	10 756	11 308	42 768	11 565	11 832	11 079	10 803	45 279
Operating profit	1 404	1 516	1 558	1 532	6 010	1 336	1 812	1 358	895	5 401
Operating margin, %	14.1	14.1	14.5	13.5	14.1	11.6	15.3	12.3	8.3	11.9
One-time items	-15	-54	-8	-126	-203	-458	3	-80	-329	-864
Operating profit excl. one-time items	1 419	1 570	1 566	1 658	6 213	1 794	1 809	1 438	1 224	6 265
Operating margin excl. one-time items, %	14.3	14.6	14.6	14.7	14.5	15.5	15.3	13.0	11.3	13.8
Assets and liabilities, net	25 191	25 657	26 045	26 679	26 679	28 542	27 704	27 155	25 709	25 709
Registered number of employees	22 544	22 644	22 700	22 617	22 617	22 367	21 856	21 592	21 399	21 399

<b>Automotive Market</b>	<b>Q1/14</b>	<b>Q2/14</b>	<b>Q3/14</b>	<b>Q4/14</b>	<b>2014</b>	<b>Q1/15</b>	<b>Q2/15</b>	<b>Q3/15</b>	<b>Q4/15</b>	<b>2015</b>
Net sales	4 462	4 746	4 522	4 600	18 330	5 074	5 235	4 795	4 804	19 908
Operating profit	222	252	197	-100	571	110	279	209	-23	575
Operating margin, %	5.0	5.3	4.4	-2.2	3.1	2.2	5.3	4.4	-0.5	2.9
One-time items	-14	-63	-9	-170	-256	-156	-92	-64	-182	-494
Operating profit excl. one-time items	236	315	206	70	827	266	371	273	159	1 069
Operating margin excl. one-time items, %	5.3	6.6	4.6	1.5	4.5	5.2	7.1	5.7	3.3	5.4
Assets and liabilities, net	8 313	8 586	8 847	8 705	8 705	9 186	9 318	8 887	8 380	8 380
Registered number of employees	14 046	14 139	14 120	13 952	13 952	13 957	13 790	13 671	13 574	13 574

<b>Specialty Business</b>	<b>Q1/14</b>	<b>Q2/14</b>	<b>Q3/14</b>	<b>Q4/14</b>	<b>2014</b>	<b>Q1/15</b>	<b>Q2/15</b>	<b>Q3/15</b>	<b>Q4/15</b>	<b>2015</b>
Net sales	2 237	2 323	2 397	2 469	9 426	2 700	2 779	2 424	2 512	10 415
Operating profit	248	328	318	176	1 070	275	292	258	167	992
Operating margin, %	11.1	14.1	13.3	7.1	11.4	10.2	10.5	10.6	6.6	9.5
One-time items	-4	-2	-2	-173	-181	-41	-105	-8	-175	-329
Operating profit excl. one-time items	252	330	320	349	1 251	316	397	266	342	1 321
Operating margin excl. one-time items, %	11.3	14.2	13.4	14.1	13.3	11.7	14.3	11.0	13.6	12.7
Assets and liabilities, net	14 689	14 981	15 843	16 578	16 578	17 920	16 364	16 016	15 783	15 783
Registered number of employees	8 872	8 821	8 778	8 719	8 719	8 627	8 547	8 510	8 410	8 410

\*Restated to conform to the current organization. See page 7.

## Enclosure 6

## Parent company condensed income statements

SEKm	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Revenue	1 235	1 663	6 006	5 621
Cost of revenue	-1 379	-1 445	-5 317	-5 389
General management and administrative expenses	-582	-379	-1 699	-1 248
Other operating income/expenses, net	-1	-3	-5	182
Operating profit/loss	-727	-164	-1 015	-834
Financial income and expense, net	-422	1 356	2 707	2 537
Profit before taxes	-1 149	1 192	1 692	1 703
Appropriations	1 125	2 063	1 125	2 063
Taxes	453	-459	587	-189
Net profit	429	2 796	3 404	3 577

## Parent company condensed statements of comprehensive income

SEKm	Oct-Dec 2015	Oct-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Net profit	429	2 796	3 404	3 577
Items that may be reclassified to the income statement				
Available-for-sale-assets	221	-9	215	83
Other comprehensive income, net of tax	221	-9	215	83
Total comprehensive income	650	2 787	3 619	3 660

## Parent company condensed balance sheets

SEKm	December 2015	December 2014
Intangible assets	1 753	1 850
Investments in subsidiaries	21 317	37 010
Receivables from subsidiaries	19 637	21 386
Other non-current assets	1 461	634
Non-current assets	44 168	60 880
Receivables from subsidiaries	3 589	2 906
Other receivables	119	110
Current assets	3 708	3 016
Total assets	47 876	63 896
Shareholders' equity	16 827	15 697
Untaxed reserves	179	280
Provisions	379	398
Non-current liabilities	19 761	23 124
Current liabilities	10 730	24 397
Total shareholders' equity, provisions and liabilities	47 876	63 896
Assets pledged	-	-
Contingent liabilities	17	17

## 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.

### 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 (CO<sub>2</sub>) is the most common greenhouse gas. Carbon dioxide equivalent (CO<sub>2</sub>e) 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.

### Leadership in Energy & Environmental Design (LEED)

An internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies intended to improve performance in metrics such as energy savings, water efficiency, CO<sub>2</sub> emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

### 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 Care

SKF's definition of sustainability.

### 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.

## Definitions

### Currency impact on 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.

### ROCE (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.

### ROE (Return on equity)

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

### NWC (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

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

### Net worth per share (Equity per share)

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

### Organic sales

Volume + price/mix

### 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

### SKF demand outlook

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

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## Customer industries, per cent of sales 2015

### Industrial distribution, 28%

Sales through industrial distributors.

### Industry, general, 11%

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, 10%

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

### Aerospace, 6%

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

### Energy, 6%

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

### Railway, 4%

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

### Off-highway, 4%

Construction, agriculture and forestry and fork lift trucks.

### Cars and light trucks, 15%

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

### Vehicle service market, 9%

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

### Trucks, 5%

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

### Two-wheelers and Electrical, 2%

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

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