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SKF Year-end report 2015

Gothenburg, 2 February 2016:

Alrik Danielson, President and CEO:

"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."

Key figures, SEKm	Q4		2015	2014
	2015	2014		
Net sales	18 215	18 499	75 997	70 975
Operating profit excl. one-time items	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	-687	-470	-1 687	-490
Operating profit	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	1 626	1 763	7 857	7 258
Profit before taxes	653	1 293	5 834	6 668
Net cash flow after investments before financing	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.

A teleconference will be held on 2 February 2016 at 14:00 (CEST):

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You will find all information regarding the SKF Year-end report 2015 on the IR website.

Aktiebolaget SKF
(publ)

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 13:00 on 2 February 2016.

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 around 15,000 distributor locations worldwide. Annual sales in 2015 were SEK 70 975 million and the number of employees was 48 593. www.skf.com

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