

SKF Nine-month report 2015

"The expected weakening of market demand that we flagged for in July materialised and gathered pace during the quarter, especially in Asia and North America. As a result, sales in local currency declined by 5%. Production rates were reduced during the quarter and inventories were kept under control. Our financial performance was impacted by the lower sales volumes.

Agreements have been reached with almost all of the 1 500 white-collar staff that is part of our cost reduction programme. Given current market conditions, these actions alone are, however, not sufficient and we will continue our cost reduction activities across the Group.

In Europe, we saw growth in the railway sector but significantly weaker demand in both the energy and metals sectors. In North America and Asia, overall industrial demand was significantly lower, with the exception of the energy sector in Asia, which saw significant growth.

Our automotive business grew in line with overall market development in Europe but not in North America.

The Automotive Market profit improvement programme is progressing, with a more detailed update to be presented at our upcoming Capital Markets Day.

Divestments of non-core businesses continued, with the sale of Canfield Technologies. The proceeds are being used to strengthen the balance sheet and to be reinvested in our core business.

Entering the fourth quarter, we expect the macro-economic uncertainty to continue and as a consequence we expect demand in the fourth quarter to be slightly lower sequentially and lower year-over-year. We are adjusting our production levels accordingly."



Alrik Danielson,
President and CEO

Key figures

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Net sales, SEKm	18 367	17 787	57 782	52 476
Operating profit excl. one-time items, SEKm	1 976	2 092	6 929	6 214
Operating margin excl. one-time items %	10.8	11.8	12.0	11.8
One-time items in operating profit, SEKm	-151	-19	-1 000	-21
Operating profit, SEKm	1 825	2 073	5 929	6 193
Operating margin, %	9.9	11.7	10.3	11.8
Profit before taxes, excl. operating and financial one-time items, SEKm	1 629	1 846	6 231	5 496
Profit before taxes, SEKm	1 348	1 827	5 181	5 375
Net cash flow after investments before financing, SEKm	1 808	1 476	4 450	11

Key figures

	30 September 2015	30 June 2015	30 September 2014
Net working capital, % of annual sales	29.7	30.9	32.4
ROCE for the 12-month period, %	11.9	12.6	8.5
Net debt/equity, %	114.2	113.4	132.5
Net debt/EBITDA	2.9	2.8	4.5

Net sales change y-o-y, %:

	Organic	Structure	Currency	Total
Q3 2015	-4.7	-0.8	8.8	3.3
YTD	-1.8	-0.3	12.2	10.1

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

	Europe	North America	Latin America	Asia	Middle East & Africa
Q3 2015	-0.7	-10.8	0.9	-7.8	12.2
YTD	0.4	-6.4	1.1	-2.5	14.0

Outlook for the fourth quarter 2015

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.

Sales

Business Areas	Q3				YTD			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
Net sales, change y-o-y,%								
Industrial Market	-5.3	-0.5	8.8	3.0	-2.2	-0.3	12.1	9.6
Automotive Market	-0.5	0.0	6.5	6.0	0.0	0.0	10.0	10.0
Specialty Business	-8.2	-3.5	12.8	1.1	-2.3	-1.2	17.1	13.6

Business Areas	Q3					YTD				
	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)	Q3					YTD				
	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 Q3 2015, compared to Q3 2014

- Europe
 - Industrial: Sales were slightly lower in the quarter where sales to both energy and industrial heavy industries were significantly lower compared to the prior-year period.
 - Automotive: Sales in the quarter were higher compared to last year, following the overall market development, with significantly higher sales to the vehicle service market and higher sales to customers in the cars and light trucks industry as well as to the heavy trucks industry.
- North America
 - Industrial: Overall, sales were significantly lower compared to Q3 2014. Sales to distributors were lower, while sales to all other end customer industries were significantly lower.
 - Automotive: Sales in the quarter were lower including significantly lower sales to the cars and light trucks industry as well as to the heavy trucks industry and relatively unchanged sales to the vehicle service market.
- Asia
 - Industrial: Sales were significantly lower compared to Q3 2014. In China, sales to the railway industry, industrial general industries and industrial distribution were significantly lower while sales to the energy industry were significantly higher. In India, sales were significantly higher in the renewable energy industry and material handling. In other Asia Pacific countries sales were significantly lower compared to Q3 2014.
 - Automotive: Sales were slightly lower compared to Q3 2014. Sales in China were lower due to lower sales to the cars and trucks industries somewhat offset by significantly higher sales to the vehicle service market. Sales in India were lower due to significantly lower sales to the two-wheeler sector.
- Latin America
 - Industrial: Overall, sales were higher in the quarter mainly driven by sales increases in Argentina.
 - Automotive: Sales were significantly lower in the quarter compared to Q3 2014. In Brazil, sales to the cars and trucks industries were significantly lower while sales to the vehicle service market were significantly higher.

Operating results

- Operating profit in the third quarter included one-time items of -151 million (-19). The main item being -121 million (-19) related to the ongoing cost reduction programme and the remainder related to write downs. The expenses for the cost reduction programme in this quarter related primarily to activities in China, Europe, the US and Latin America. Year-to-date one-time items amounted to -1 000 million (-21) whereof -882 million related to the ongoing cost reduction programme, -88 million related to profits on sold businesses, impairments, and write-off of assets, and the remaining -30 related to write downs. One-time items in the third quarter 2014 related to previous restructuring programme and year-to-date included also revaluation losses in Latin America and provision reversals related to the EU payment.
- The financial net in the third quarter was -477 million (-246) and includes a one-time item of -130 million relating to negative revaluation effects due to currency developments in Latin America. The financial net year-to-date amounted to -748 million (-818).
- Total taxes in the third quarter was -573 million, giving an effective tax rate of 42.5% (23.0%). Taxes was negatively impacted by tax costs on divestment of businesses as well as tax losses carried forward created in the third quarter not recognized as tax assets.
- Cash flow after investments before financing for the third quarter was +1 808 million (+1 476) and year-to-date was +4 450 million (+11). The third quarter included proceeds of 196 million from the divested business, Canfield Technologies in the US, offset by tax payments in the quarter related to previously divested businesses, causing a net -52 million impact on cash flow from investing activities. The year-to-date net proceeds from divested businesses was +930 million. Cash flow after investments and before financing, year-to-date in 2014, included the EU payment of -2 825 million. Net cash flow used in financing activities year-to-date was affected by -935 (-196) million related to derivatives on external financing.
- Net working capital in per cent of annual sales was 29.7% in the third quarter compared to 30.9% in the second quarter. Currency exchange rates and working capital improvements impacted positively.
- Discount rate changes, primarily related to Germany and the US, caused an increase of the provision for post-employment benefits amounting to -1 018 million (-1 129) for the third quarter. For the full year there is a decrease amounting to +452 million (-1 849).

Operating profit bridge, SEKm	Q3	YTD
2014	2 073	6 193
One-time items at 2014 exchange rates	-130	-910
Organic sales in local currencies	-260	-280
Currency impact	+350	+1 450
Savings from the cost-reduction programme	+150	+230
Divested/acquired comps. i.e net divestment	-15	-15
Other impacts	-343	-739
2015	1 825	5 929

- One-time items year-over-year amounted to -132 million and -979 million for the third quarter and year-to-date respectively. Recalculated at 2014's exchange rates, the difference year-over-year for the third quarter and year-to-date, amounted to around 130 million and 910 million respectively.
- Organic sales development impacted negatively by around -260 million for the third quarter and -280 million year-to-date.
- Currency impact compared to last year's currency exchange rates was positive by around 350 million in the third quarter and by around 1 450 million year-to-date, mainly due to the stronger USD.
- Savings from the ongoing cost reduction programme were around 150 million in the third quarter and around 230 million year-to-date.
- Other impacts include manufacturing, purchased material, the Unite IT project, R&D expenses and general inflation. Around two-thirds of the Other impacts in the third quarter is attributable to lower volumes compared to last year, causing a negative effect in manufacturing. The remaining one-third is attributable mainly to higher costs for IT projects but also to R&D and general inflation.

Business Areas

SEKm unless otherwise stated

Industrial Market	Q3/15	Q3/14	YTD 2015	YTD 2014
Net sales	11 079	10 756	34 476	31 460
Operating profit	1 358	1 558	4 506	4 478
Operating margin, %	12.3	14.5	13.1	14.2
One-time items	-80	-8	-535	-77
Operating profit excl. one-time items	1 438	1 566	5 041	4 555
Operating margin excl. one-time items, %	13.0	14.6	14.6	14.5

Automotive Market	Q3/15	Q3/14	YTD 2015	YTD 2014
Net sales	4 795	4 522	15 104	13 730
Operating profit	209	197	598	671
Operating margin, %	4.4	4.4	4.0	4.9
One-time items	-64	-9	-312	-86
Operating profit excl. one-time items	273	206	910	757
Operating margin excl. one-time items, %	5.7	4.6	6.0	5.5

Specialty Business	Q3/15	Q3/14	YTD 2015	YTD 2014
Net sales	2 424	2 397	7 903	6 957
Operating profit	258	318	825	894
Operating margin, %	10.6	13.3	10.4	12.9
One-time items	-8	-2	-154	-8
Operating profit excl. one-time items	266	320	979	902
Operating margin excl. one-time items, %	11.0	13.4	12.4	13.0

Guidance Q4 2015:

- Financial net: -300 million
- Currency impact on operating profit: +250 million, based on exchange rates per 30 September.

Guidance 2015:

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

Sensitivity analysis on currency impact, from annual report 2014

Calculations are based on year-end figures 2014 as well as on assumptions that everything else is equal.

Translation effects: Most of the operating profit is made outside Sweden, meaning that the Group is exposed to translation risks from all major currencies into the reporting currency SEK. Based on 2014's operating profits in local currencies, a weakening/strengthening of 5% of the SEK versus all currencies would have caused an increase/decrease in the Group's reported operating profit in 2014 of some SEK 400 million.

Transaction effects: With regard to commercial flows, the Group is primarily exposed to the USD and EUR against SEK. Based on 2014's USD currency flows, the operating profit in 2014 would have increased/decreased by around SEK 300 million with a strengthening/weakening of 5% of the USD versus the SEK.

Highlights

- SKF's condition monitoring solutions will be used to help the greece-based company Tsakos Columbia Shipmanagement S.A. (TCM) in preventing unexpected equipment failures and cutting costs across its fleet of 70 ships.
- SKF has signed a strategic cooperation agreement with Hanbell for jointly developing magnetic chiller centrifugal compressors. The advantages of magnetic chiller technology include low energy use, high energy-efficiency, eco-friendly solutions and low maintenance costs.
- SKF has secured a global agreement worth around SEK 70 million to provide a leading wind turbine manufacturer with main shaft bearings.
- SKF has secured a contract worth around SEK 20 million to provide the SKF ConRo to a steel company in China. The solution will help customers in the metals industry increase productivity, reduce total cost of ownership and achieve environmental sustainability.
- SKF has won a contract to provide an industrial company in Croatia with tapered bearing units and services for passenger locomotive bogies.



- SKF signed a three-year agreement with MAN to supply truck-matched wheel-end units. The deal is worth SEK 60 million and follows the signing of an agreement for similar units with Scania in October 2014. Deliveries to both MAN and Scania are scheduled to start in September 2015.



- SKF will supply Geely Auto with wheel hub bearing units and MacPherson suspension bearing units for their future car lines. Deliveries are expected to start during the first half of 2017.



- 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.



- SKF has opened a new Kaydon bearings manufacturing facility in Cajamar, São Paulo, Brazil. The 6,600 m² plant produces slewing ring bearings for the Brazilian wind energy market.

- SKF has been listed as one of the world's most sustainable companies on the Dow Jones Sustainability World Index (DJSI) for the 16th year running. Supply chain management, ensuring a transparent tax strategy and overall environmental management programme were three areas in which the Group ranked highly.

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**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

- SKF has obtained certifications for 46 railway bearing products from the Chinese Railway Test and Certification Center, CRCC. CRCC is the authority responsible for certifying railway products for the Chinese market with the aim of ensuring safe operations. The certifications are important to SKF, since China is a significant market for the railway industry and is growing.

- SKF has received a 'Best Supplier' award from the authorised distributor Banjar Bearing Sentosa in Indonesia.

- SKF upgraded a range of small-size sealed SKF Explorer spherical roller bearings offering even lower friction, reduced operating temperatures, higher limiting speed ratings and reduced maintenance. The new bearing can significantly improve reliability and reduce maintenance of gearless traction motors for elevators.



- SKF developed a new generation of highly effective and easily maintained shaft seals for wind turbines that can prolong service life.

- SKF has launched a new SKF Customized Interfacing that integrates the SKF@ptitude condition monitoring suite with customers' existing ERP and CMMS solutions. This allows businesses to review all condition monitoring data in their existing business management system, helping to ensure better decision making for better performance, efficiency and reliability of systems.



Previous outlook statement:

Demand compared to the third quarter 2014

The demand for SKF's products and services is expected to be relatively unchanged for the Group, Europe and Asia. For North America it is expected to be lower and for Latin America higher. For all business areas it is expected to be relatively unchanged.

Demand compared to the second quarter 2015

The demand for SKF's products and services is expected to be slightly lower for the Group. For Europe it is expected to be lower and for all other regions it is expected to be relatively unchanged. For the Industrial Market and Specialty Business it is expected to be relatively unchanged and for the Automotive Market it is expected to be lower.

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 approximately USD 40 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.

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.

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 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 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, 16 October 2015
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 12.00 on 16 October 2015.

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Conference call

16 October 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 nine-month results 2015 on:

investors.skf.com/quarterlyreporting

Calendar

4 November, Capital Markets Day in Gothenburg
2 February 2016, year-end report 2015
8 March, SKF Annual Report 2015
31 March, Annual General Meeting 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	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net sales	18 367	17 787	57 782	52 476
Cost of goods sold	-13 849	-13 225	-43 269	-39 041
Gross profit	4 518	4 562	14 513	13 435
Selling and administrative expenses	-2 698	-2 495	-8 729	-7 414
Other operating income/expenses, net	3	4	141	168
Profit from associated companies	2	2	4	4
Operating profit	1 825	2 073	5 929	6 193
Operating margin, %	9.9	11.7	10.3	11.8
Financial income and expense, net	-477	-246	-748	-818
Profit before taxes	1 348	1 827	5 181	5 375
Taxes	-573	-420	-1 535	-1 506
Net profit	775	1 407	3 646	3 869
Net profit attributable to				
Shareholders of the parent	724	1 370	3 506	3 764
Non-controlling interests	51	37	140	105

Condensed consolidated statements of comprehensive income

SEKm	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net profit	775	1 407	3 646	3 869
Items that will not be reclassified to the income statement				
Remeasurements	-1 018	-1 129	452	-1 849
Income taxes	384	311	-105	519
	-634	-818	347	-1 330
Items that may be reclassified to the income statement				
Exchange differences arising on translation of foreign operations	-206	911	129	1 595
Available-for-sale assets	-260	94	-6	92
Cash-flow hedges	-6	-42	42	-57
Income taxes	21	124	-330	246
	-451	1 087	-165	1 876
Other comprehensive income, net of tax	-1 085	269	182	546
Total comprehensive income	-310	1 676	3 828	4 415
Shareholders of AB SKF	-333	1 573	3 664	4 189
Non-controlling interests	23	103	164	226

Condensed consolidated balance sheets**Enclosure 2**

SEKm	September 2015	December 2014*
Goodwill	12 266	12 233
Other intangible assets	9 622	9 905
Property, plant and equipment	15 598	15 482
Deferred tax assets	3 331	3 350
Other non-current assets	1 375	1 862
Non-current assets	42 192	42 832
Inventories	15 601	15 066
Trade receivables	12 944	12 595
Other current assets	3 261	3 705
Other current financial assets	7 001	7 441
Current assets	38 807	38 807
Total assets	80 999	81 639
Equity attributable to shareholders of AB SKF	24 273	23 089
Equity attributable to non-controlling interests	1 462	1 315
Long-term financial liabilities	22 728	24 077
Provisions for post-employment benefits	13 999	13 978
Provisions for deferred taxes	1 288	1 717
Other long-term liabilities and provisions	1 237	1 361
Non-current liabilities	39 252	41 133
Trade payables	5 927	5 938
Short-term financial liabilities	1 318	2 028
Other short-term liabilities and provisions	8 767	8 136
Current liabilities	16 012	16 102
Total equity and liabilities	80 999	81 639

Condensed consolidated statements of changes in shareholders' equity

SEKm	Jan-Sep 2015	Jan-Sep 2014
Opening balance 1 January	24 404	21 152
Total comprehensive income	3 828	4 415
Cost for performance share programmes, net	30	-12
Other, including transactions with non-controlling interests	40	0
Total cash dividends	-2 567	-2 578
Closing balance	25 735	22 977

*Reclassification from previously published report. See page 7.

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

SEKm	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014*
Operating activities:				
Operating profit	1 825	2 073	5 929	6 193
Depreciation, amortization and impairment	576	557	1 899	1 622
Net loss/gain (-) on sales of PPE and businesses	-9	-4	-213	9
Taxes	-731	-399	-1 860	-1 618
Other including non-cash items	-199	-472	-571	-1 171
Changes in working capital	943	421	-141	-3 117
Net cash flow from operations	2 405	2 176	5 043	1 918
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-585	-705	-1 772	-1 952
Sales of PPE, businesses and equity securities	-12	5	1 179	45
Net cash flow used in investing activities	-597	-700	-593	-1 907
Net cash flow after investments before financing	1 808	1 476	4 450	11
Financing activities:				
Change in short- and long-term loans	-5	-747	-935	1 601
Other financial items	-2	-1	-933	-203
Cash dividends	0	-44	-2 567	-2 578
Investments in short-term financial assets	-78	-25	-399	-253
Sales of short-term financial assets	107	65	239	189
Net cash flow used in financing activities	22	-752	-4 595	-1 244
Net cash flow	1 830	724	-145	-1 233
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 July /1 January	4 094	3 381	5 920	5 369
Cash effect excl. acquired/sold businesses	1 830	724	-163	-1 233
Cash effect of acquired/sold businesses	0	0	18	0
Exchange rate effect	4	151	153	120
Cash and cash equivalents at 30 September	5 928	4 256	5 928	4 256

Change in net debt	Closing balance 30 September 2015	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2015
Loans, long- and short-term	22 004	-935	0	-13	-436	23 388
Post-employment benefits, net	13 962	-630	0	430	220	13 942
Financial assets, others	-647	-97	0	-23	-9	-518
Cash and cash equivalents	-5 928	163	-18	0	-153	-5 920
Net debt	29 391	-1 499	-18	394	-378	30 892

Number of shares	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Total number of shares:	455 351 068	455 351 068	455 351 068	455 351 068
- whereof A shares	36 298 533	38 349 292	36 298 533	38 349 292
- whereof B shares	419 052 535	417 001 776	419 052 535	417 001 776
Weighted average number of shares in:				
- basic earnings per share	455 351 068	455 351 068	455 351 068	455 321 216
- diluted earnings per share	455 351 068	455 351 068	455 351 068	455 321 216

*Reclassification from previously published 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	YTD 2015
Net sales	16 734	17 955	17 787	18 499	70 975	19 454	19 961	18 367	57 782
Cost of goods sold	-12 482	-13 334	-13 225	-14 187	-53 228	-14 652	-14 768	-13 849	-43 269
Gross profit	4 252	4 621	4 562	4 312	17 747	4 802	5 193	4 518	14 513
Gross margin, %	25.4	25.7	25.6	23.3	25.0	24.7	26.0	24.6	25.1
Selling and administrative expenses	-2 383	-2 536	-2 495	-2 655	-10 069	-3 121	-2 910	-2 698	-8 729
- as % of sales	14.2	14.1	14.0	14.4	14.2	16.0	14.6	14.7	15.1
Other operating income/expenses incl. profit from associated companies	155	11	6	-49	123	40	100	5	145
Operating profit	2 024	2 096	2 073	1 608	7 801	1 721	2 383	1 825	5 929
Operating margin, %	12.1	11.7	11.7	8.7	11.0	8.8	11.9	9.9	10.3
One-time items	117	-119	-19	-469	-490	-655	-194	-151	-1 000
Operating profit excl. one-time items	1 907	2 215	2 092	2 077	8 291	2 376	2 577	1 976	6 929
Operating margin excl. one-time items, %	11.4	12.3	11.8	11.2	11.7	12.2	12.9	10.8	12.0
Financial income and expense, net	-237	-335	-246	-315	-1 133	-129	-142	-477	-748
Profit before taxes	1 787	1 761	1 827	1 293	6 668	1 592	2 241	1 348	5 181
Profit margin before taxes, %	10.7	9.8	10.3	7.0	9.4	8.2	11.2	7.3	9.0
Taxes	-512	-574	-420	-412	-1 918	-427	-535	-573	-1 535
Net profit	1 275	1 187	1 407	881	4 750	1 165	1 706	775	3 646
Net profit attributable to Shareholders of the parent	1 238	1 156	1 370	836	4 600	1 120	1 662	724	3 506
Non-controlling interests	37	31	37	45	150	45	44	51	140

Reconciliation to profit before tax for the Group

SEKm	Q1/14*	Q2/14*	Q3/14*	Q4/14*	2014*	Q1/15	Q2/15	Q3/15	YTD 2015
Operating profit:									
Industrial Market	1 404	1 516	1 558	1 532	6 010	1 336	1 812	1 358	4 506
Automotive Market	222	252	197	-100	571	110	279	209	598
Specialty Business	248	328	318	176	1 070	275	292	258	825
Unallocated group items	150	0	0	0	150	0	0	0	0
Financial net	-237	-335	-246	-315	-1 133	-129	-142	-477	-748
Profit before tax for the Group	1 787	1 761	1 827	1 293	6 668	1 592	2 241	1 348	5 181

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

Key figures (definitions, see last page)

	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	YTD 2015
EBITA, SEKm	2 140	2 213	2 195	1 741	8 289	1 860	2 522	1 963	6 345
EBITDA, SEKm	2 545	2 639	2 630	2 378	10 192	2 323	3 104	2 400	7 827
Basic earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	1.59	7.70
Diluted earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	1.59	7.70
Dividend per share, SEK	-	5.50	-	-	5.50	-	5.50	-	-
Net working capital, % of annual sales	32.8	32.7	32.4	30.6	30.6	32.1	30.9	29.7	29.7
Return on capital employed for the 12-month period, %	8.4	8.7	8.5	13.9	13.9	12.6	12.6	11.9	11.9
ROE for the 12-month period, %	6.7	7.2	8.3	21.4	21.4	19.9	21.2	17.9	17.9
Gearing, %	59.5	61.9	60.6	60.5	60.5	59.7	56.8	58.3	58.3
Equity/assets ratio, %	29.9	28.8	29.6	29.9	29.9	29.9	32.2	31.8	31.8
Net worth per share, SEK	46	44	48	51	51	54	54	53	53
Additions to property, plant and equipment, SEKm	401	424	529	498	1 852	433	576	557	1 566
Net debt/equity, %	117.6	143.7	132.5	126.6	126.6	122.2	113.4	114.2	114.2
Net debt, SEKm	25 688	30 705	30 442	30 892	30 892	31 739	29 514	29 390	29 390
Registered number of employees	48 614	48 802	48 865	48 593	48 593	48 356	47 579	47 051	47 051

Business Areas - quarterly and yearly figures*

Amounts in SEKm unless otherwise stated

Enclosure 5

Industrial Market	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	YTD 2015
Net sales	9 933	10 771	10 756	11 308	42 768	11 565	11 832	11 079	34 476
Operating profit	1 404	1 516	1 558	1 532	6 010	1 336	1 812	1 358	4 506
Operating margin, %	14.1	14.1	14.5	13.5	14.1	11.6	15.3	12.3	13.1
One-time items	-15	-54	-8	-126	-203	-458	3	-80	-535
Operating profit excl. one-time items	1 419	1 570	1 566	1 658	6 213	1 794	1 809	1 438	5 041
Operating margin excl. one-time items, %	14.3	14.6	14.6	14.7	14.5	15.5	15.3	13.0	14.6
Assets and liabilities, net	25 191	25 657	26 045	26 679	26 679	28 542	27 704	27 155	27 155
Registered number of employees	22 544	22 644	22 700	22 617	22 617	22 367	21 856	21 592	21 592

Automotive Market	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	YTD 2015
Net sales	4 462	4 746	4 522	4 600	18 330	5 074	5 235	4 795	15 104
Operating profit	222	252	197	-100	571	110	279	209	598
Operating margin, %	5.0	5.3	4.4	-2.2	3.1	2.2	5.3	4.4	4.0
One-time items	-14	-63	-9	-170	-256	-156	-92	-64	-312
Operating profit excl. one-time items	236	315	206	70	827	266	371	273	910
Operating margin excl. one-time items, %	5.3	6.6	4.6	1.5	4.5	5.2	7.1	5.7	6.0
Assets and liabilities, net	8 313	8 586	8 847	8 705	8 705	9 186	9 318	8 887	8 887
Registered number of employees	14 046	14 139	14 120	13 952	13 952	13 957	13 790	13 671	13 671

Specialty Business	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	YTD 2015
Net sales	2 237	2 323	2 397	2 469	9 426	2 700	2 779	2 424	7 903
Operating profit	248	328	318	176	1 070	275	292	258	825
Operating margin, %	11.1	14.1	13.3	7.1	11.4	10.2	10.5	10.6	10.4
One-time items	-4	-2	-2	-173	-181	-41	-105	-8	-154
Operating profit excl. one-time items	252	330	320	349	1 251	316	397	266	979
Operating margin excl. one-time items, %	11.3	14.2	13.4	14.1	13.3	11.7	14.3	11.0	12.4
Assets and liabilities, net	14 689	14 981	15 843	16 578	16 578	17 920	16 364	16 016	16 016
Registered number of employees	8 872	8 821	8 778	8 719	8 719	8 627	8 547	8 510	8 510

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

Enclosure 6

Parent company condensed income statements

SEKm	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Revenue	1 468	1 386	4 771	3 958
Cost of revenue	-1 233	-1 316	-3 938	-3 944
General management and administrative expenses	-338	-272	-1 117	-869
Other operating income/expenses, net	0	-7	-4	185
Operating profit/loss	-103	-209	-288	-670
Financial income and expense, net	860	135	3 129	1 181
Profit before taxes	757	-74	2 841	511
Taxes	34	75	134	270
Net profit	791	1	2 975	781

Parent company condensed statements of comprehensive income

SEKm	July-Sep 2015	July-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net profit	791	1	2 975	781
Items that may be reclassified to the income statement				
Available-for-sale-assets	-260	94	-6	92
Other comprehensive income, net of tax	-260	94	-6	92
Total comprehensive income	531	95	2 969	873

Parent company condensed balance sheets

SEKm	September 2015	December 2014
Intangible assets	1 873	1 850
Investments in subsidiaries	21 359	37 010
Receivables from subsidiaries	20 168	21 386
Other non-current assets	591	634
Non-current assets	43 991	60 880
Receivables from subsidiaries	2 910	2 906
Other receivables	466	110
Current assets	3 376	3 016
Total assets	47 367	63 896
Shareholders' equity	16 192	15 697
Untaxed reserves	279	280
Provisions	385	398
Non-current liabilities	20 289	23 124
Current liabilities	10 222	24 397
Total shareholders' equity, provisions and liabilities	47 367	63 896
Assets pledged	0	0
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.

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.

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.

Customer industries, per cent of sales 2014

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, 5%

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, 14%

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.
