

# SKF First-quarter report 2015

"Demand was in line with our expectations, with reported sales growth in local currencies of 1.4%. All three business areas showed an increase in sales in local currencies. Geographically, Asia continued to show a good growth followed by Europe and Latin America which were relatively unchanged while in North America the business slowed somewhat due to lower activity in some of our key industries. Cash flow from operations was strong, even though we built some working capital in the quarter due to seasonality.

There has been a high focus on implementing the already announced restructuring programme and I am pleased to see the good progress so far, around 40%.

The high focus on innovations is continuing throughout the organization and we have launched several new innovations to help our customers improve their productivity and reduce energy usage. For example, we introduced a new generalized bearing life concept enabling customers to much better account for real-life conditions when calculating SKF bearing life in their machines.

Looking forward, there is continued uncertainty from a macro perspective. Sequentially and year on year we expect the demand to be relatively unchanged for the Group.

I am also pleased to welcome a new Senior Vice President and CFO for the Group, Christian Johansson."



Alrik Danielson,  
President and CEO

## Key figures

	Q1 2015	Q1 2014
Net sales, SEKm	19 454	16 734
Operating profit, SEKm	1 721	2 024
Operating margin, %	8.8	12.1
One-time items (- costs, + income)	-655	117
Operating profit excluding one-time items, SEKm	2 376	1 907
Operating margin excl. one-time items, %	12.2	11.4
Profit before taxes, SEKm	1 592	1 787
Net profit, SEKm	1 165	1 275
Basic earnings per share, SEK	2.46	2.72

One-time items in Q1 2015 include SEK -535 million for the ongoing cost-reduction programme, and the remainder relates to write-offs of assets.

	31 March 2015	31 December 2014	31 March 2014
Net working capital, % of annual sales	32.1	30.6	32.8
ROCE for the 12-month period, %	12.6	13.9	8.4
Net debt/equity, %	122.2	126.6	117.6
Net debt/EBITDA, %	3.2	3.0	4.2

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

	Organic	Structure	Currency	Total
Q1 2015	1.4	0	14.9	16.3

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

	Europe	North America	Latin America	Asia	Middle East & Africa
Q1 2015	1.0	-2.4	0.4	5.6	14.2

## Outlook for the second quarter of 2015

### Demand compared to the second quarter 2014

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

### Demand compared to the first quarter 2015

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

### Manufacturing

Manufacturing is expected to be relatively unchanged year over year and compared to the first quarter.

## Sales

Business Areas	Organic	Structure	Currency	Total
Net sales, change y-o-y,%				
Industrial Market	1.8	0	14.6	16.4
Automotive Market	0.6	0	13.1	13.7
Specialty Business	0.7	0	20.1	20.8

Business Areas	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)	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 vehicles	+	-	---	+++	
Vehicle service market	+/-	+/-	+++	+/-	+++
Trucks	+/-	+/-		++	
Two-wheelers and electrical	--	+++	---	---	

### Comments on sales development:

- Once again, Asia had the strongest sales growth, driven by good development in cars and trucks, renewable energy and industrial distribution. Geographically, China and Korea had the strongest development, while India was flat. South East Asia saw a mixed picture, with growth in Thailand, while sales in Malaysia, Australia and Indonesia declined. In China, we saw very positive sales development in renewable energy, cars and aerospace. Sales to industrial distribution and railway also developed positively, whilst there was some weakness in heavy industries such as metals and mining. There was a lack of traction in sales to industrial drives: pumps, compressors and gearboxes.
- In North America, sales were lower than anticipated, mainly due to three main reasons. First and foremost, on the industrial side, there were direct and indirect effects of lower activity in mining, farm & forestry and oil & gas. This had a negative effect on sales to customers serving those industries. The parts of the industrial business which developed well in North America were energy and general industries outside of mining, farm & forestry and oil & gas. Secondly, also on the industrial side, as indicated last quarter, there was a pre-buy effect from industrial distribution which negatively impacted the aftermarket sales in the quarter. Thirdly, sales to automotive customers were also down. Sales to cars and light trucks was down mainly due to customer mix. Heavy truck and vehicle service market sales were relatively unchanged.
- In Latin America, sales were flat. The automotive OEM business was very weak, mainly due to poor performance in Brazil. The vehicle service market, however, developed well in the quarter. Industrial distribution developed well, despite macro problems in the region, and was relatively unchanged in the quarter. From a country viewpoint, sales in Brazil were negatively impacted by sales to the automotive industry. Sales in Argentina showed good growth, albeit from a low level. In Chile, sales were relatively unchanged and there was a decline in Peru.
- In Europe, sales were relatively unchanged for the quarter. In Western Europe, sales were weaker in Germany, France, and the United Kingdom, whilst Italy and Spain saw a positive development. In Central/East Europe, signs of weak demand continued in a number of markets in the quarter, particularly in the Czech Republic, Poland and Ukraine. Russia and Turkey continue to develop well. From an industry viewpoint, we saw very good growth in railway, while renewable energy and aerospace were relatively unchanged. Both industrial distribution and general industries were slightly down in the quarter. In Automotive, all of our main businesses, such as cars and light vehicles, trucks and vehicle service market were relatively unchanged. Overall, sales in Europe, in local currencies, was up by one per cent.
- In summary, at a Group level, volumes were broadly in line with our previous guidance for the quarter.

## Operating results

Operating profit bridge, SEKm	Q1
2014	2 024
One-time items at 2014 exchange rates	-700
Organic sales growth in local currencies	+120
Acquisitions/divestments	-
Currency impact	+450
Savings from the restructuring programme	-
Other impacts	-173
2015	1 721

### Comments on operating profit bridge Q1 2014 – Q1 2015

- One-time items in Q1 2015 amounted to SEK -655 million and in Q1 2014 to SEK 117 million, a difference y-o-y of SEK -772 million. Recalculated to 2014 exchange rates this amounts to SEK -700 million y-o-y.
- One-time items in Q1 2015 of SEK -655 million include SEK -535 million for the ongoing cost-reduction programme, and the remaining relates to write-offs of assets. This cost for the ongoing cost-reduction programme covers 575 people. The expected annual savings are around SEK 460 million, fully effective from beginning of 2016. In Q1 2015 there were no significant realized savings. The costs in Q1 2015 are primarily related to activities in the USA, Sweden and Latin America. The cost-reduction programme is running according to plan, after the first quarter around 40% of the planned activities were in progress.
- Organic sales growth in local currencies, including both volume and price/mix, contributed around SEK 120 million.
- There was no material impact from acquisitions or divestments.
- Currency impact was positive by around SEK 450 million, mainly due to the stronger USD.
- There were no savings from the restructuring programme.
- Other impacts on the operating profit includes general inflation, manufacturing and purchasing impacts, IT project and running costs, and R&D. Manufacturing was higher both y-o-y and compared to the fourth quarter 2014, which was in line with guidance.

### Other comments on Q1 2015

- The financial net of SEK -129 million (-237) includes a realized gain of SEK 80 million relating to the sale of equity securities.
- Cash flow after investments before financing was SEK 988 million (-63) mainly due to better underlying operating profit together with improvements in working capital y-o-y. Net cash flow used in financing activities was affected negatively by some SEK 800 million related to derivatives on external financing. Previously published cash flow statements have been restated, see accounting principles on page 9.
- Net working capital in per cent of annual sales was 32,1% in Q1 2015, compared to Q4 2014 it was impacted negatively by inventory build as well as an increase in accounts receivables both due to seasonality.
- Changes in currency exchange rates primarily the USD, caused a net increase in shareholders' equity of SEK 1 270 million (-177).
- Provisions for post-employment benefits increased by SEK 1 403 million (494) due to decreasing discount rates primarily in the USA, Sweden and Germany.

**Business Areas\***

Amounts in SEKm unless otherwise stated

<b>Industrial Market</b>	<b>Q1/15</b>	<b>Q1/14</b>
Net sales	11 565	9 933
Operating profit	1 336	1 404
Operating margin, %	11.6	14.1
One-time items	-458	-15
Operating profit excl. one-time items	1 794	1 419
Operating margin excl. one-time items, %	15.5	14.3
<b>Automotive Market</b>	<b>Q1/15</b>	<b>Q1/14</b>
Net sales	5 074	4 462
Operating profit	110	222
Operating margin, %	2.2	5.0
One-time items	-156	-14
Operating profit excl. one-time items	266	236
Operating margin excl. one-time items, %	5.2	5.3
<b>Specialty Business</b>	<b>Q1/15</b>	<b>Q1/14</b>
Net sales	2 700	2 237
Operating profit	275	248
Operating margin, %	10.2	11.1
One-time items	-41	-4
Operating profit excl. one-time items	316	252
Operating margin excl. one-time items, %	11.7	11.3

\* Restated to conform to the current organization. See page 9.

**Guidance Q2 2015:**

- Financial net: SEK -230 million
- Currency impact on operating profit: SEK +800 million, based on exchange rates at 31 March.

**Guidance 2015:**

- Tax level: below 30%
- Additions to property, plant and equipment: around SEK 1 700 million

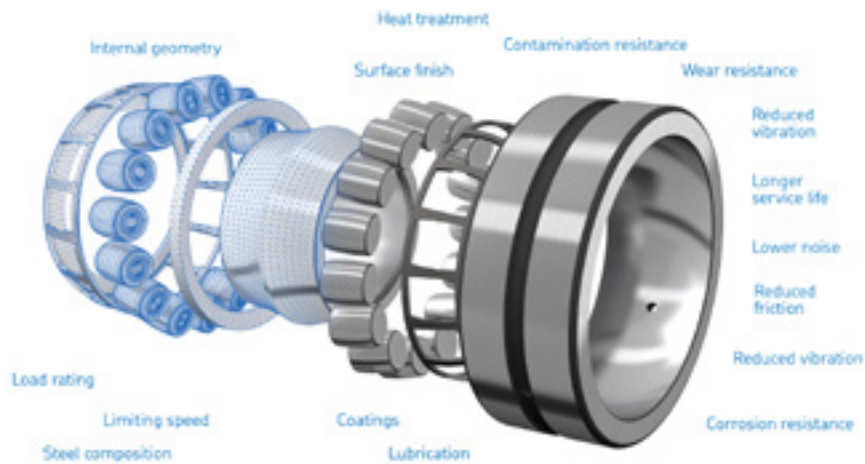
**Sensitivity analysis on currency impact, from annual report 2014**

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 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.

## Innovations at Hannover Fair:



### A new bearing rating life model

A concept of a more scientific way to calculate the life of a bearing was introduced at the Hannover Fair. The concept is called "The Generalized Bearing Life Model". The concept includes in its calculations the physics of different surfaces which enables engineers to account for more features that determine a bearing's life. The new model will be more flexible than the current model and can be easily updated as new knowledge is gained, particularly regarding the surface area.

Customers will benefit from the in-depth approach of the new model compared to the current one that only uses dynamic load rating. The current model was developed by SKF over 30 years ago and is standardized in ISO 281:2007 and is presently used worldwide. The new model will allow the customer a greater choice of bearing dimensions for a specific application, which is particularly important for applications in harsh environments. The new model is also able to predict bearing behaviour more realistically, as well as life under a wide range of operating conditions in the field.



### Two new oil-free bearing solutions for centrifugal compressors in chillers

One is a magnetic bearing system and the other a pure refrigerant lubricated bearing. Both solutions eliminate the losses that occur with oil-lubricated bearings, giving energy savings of at least 10% versus conventional centrifugal compressor designs. Apart from eliminating oil-related environmental concerns, the solutions also reduce maintenance costs for the user and provide reliable and cost-effective air conditioning.



### A solution to improve the reliability, safety and performance of jack-up gearboxes used in the offshore oil and gas industry and in the renewable energy industry

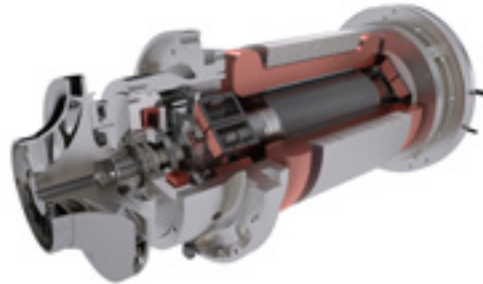
The solution includes CARB toroidal roller bearings, SKF Explorer Spherical Roller Bearings and high performance seals, which enable improved gear-to-gear contact during severe load conditions, and a greater load carrying capacity. This plays an important role in extending the total life system while reducing the risk of failure.

#### **A new shaft alignment tool**

TKSA 51 is an innovative instrument for laser shaft alignment and the second shaft alignment tool from SKF, that is specifically designed for usage with smartphones or tablets. Its very intuitive app makes accurate shaft alignments fast and easy and helps customers to increase machine uptime and reliability while benefiting from lower maintenance costs.

#### **A new magnetic bearing control cabinet for turbo-machinery, for onshore, offshore and subsea turbo-machinery**

This offers the opportunity to minimize costs while improving reliability. Its optimized control system reduces the commissioning time of the rotation equipment and provides plant operators with a high degree of autonomy.



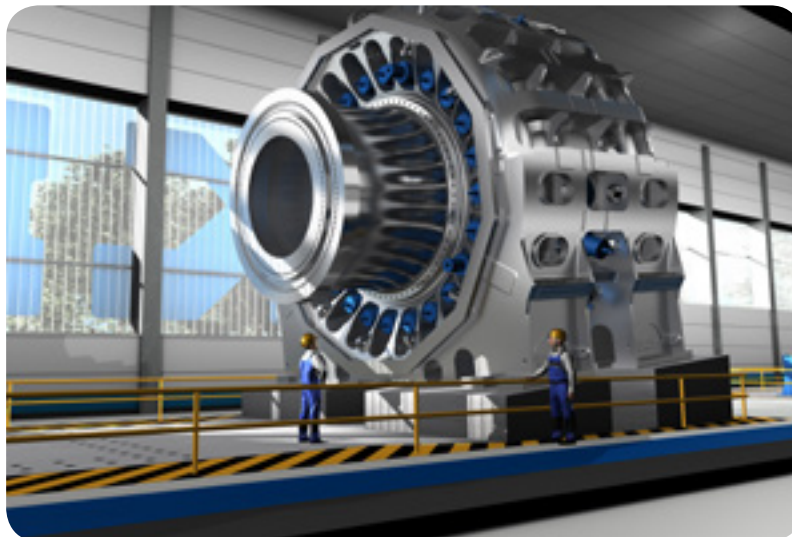
#### **SKF Enlight**

A package that combines a powerful new mobile app with a special Bluetooth-enabled sensor. It allows non-expert staff to gather critical data such as vibration and temperature information, using standard mobile devices on an on-demand basis, gaining access to SKF's specialist analysis.



#### **SKF Data Collect**

A cloud-based solution using iPads to record and manage data making the transition from volumes of paper to an entirely electronic, cloud-based data solution.



#### **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.

## Highlights

- Two orders were received from blower manufacturers in China – Chongqing General Industry (Group) Co and JiangSu Jin Tong Ling Fluid Machinery Technology Co – for high-speed permanent magnetic blower solutions that will increase blower efficiency, significantly reduce energy use and prolong maintenance intervals.

- SKF signed a significant agreement to supply the Volvo Car Corporation with wheel hub bearing units for future car lines. These wheel hub bearing units, with low friction grease, have been specifically developed to meet Volvo Car's demands on performance, weight reduction and stiffness, contributing to a more comfortable driving experience and lower fuel consumption.



- SKF announced it is supplying:
  - the PSA Group with wheel hub bearing units, for front and rear wheels, MacPherson suspension bearing units clutch bearing units, engine seals and selected gearbox bearings, for the recently launched Citroen C4 Cactus and Peugeot 2008. SKF's solutions support the performance requirements for more power, while improving fuel efficiency and reducing CO2 emissions.
  - the FCA Group with solutions for their recently launched crossover, the Fiat 500X. The products being supplied are wheel hub bearing units for front and rear wheels, seals for the shock absorber, engine and transmission. SKF's solutions are supplied from its factories in Italy, France and Germany.

- SKF has worked closely with Scuderia Ferrari to produce bearing sets manufactured from specially developed tool steel. By adapting a heat treatment process, SKF has been able to optimize the surface's hardness properties. This new technology allows the bearings to be downsized and the overall bearing weight to be reduced by 20% without affecting performance or reliability.



SKF

- SKF has re-signed the contract as a Ducati Corse Official Technical partner, which has been running for over 70 years. SKF designs and manufactures a wide range of high performance bearings that are used by Ducati in wheel hubs, gearboxes, camshafts, clutches and suspension assemblies.



SKF

- SKF signed an agreement with Autopartes NAPA in Mexico to market SKF's product range at NAPA's stores in Mexico in 2015, which will amount to 27 stores before the end of 2015. SKF's wide range includes bearings, hubs, oil seals and grease, and fits a majority of cars and light trucks in Mexico. SKF also has partnerships with NAPA in the USA and Canada.



- 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.

- During the quarter, SKF became one of the first organizations to achieve the energy management ISO 50001 certification on a global scale. The Group's energy management system is deployed across 38 manufacturing facilities around the world, accounting for more than 90% of the Group's total direct energy use.



- SKF won this year's "Strategic Account Management Association (SAMA) Excellence Award for its best-in-class practices in strategic account management". SAMA is a knowledge-sharing organization devoted to advancing strategic customer-supplier value, collaboration and learning. SKF implemented a programme of contractual, joint scorecard metrics with a customer, resulting in a 10% documented saving for the customer's total ownership cost of SKF's products and solutions.

- Christian Johansson is appointed Senior Vice President and CFO. He is currently CFO of Gunnebo AB and will start his new position in SKF no later than October 2015. Christian Johansson is born 1963 and holds a Bachelor of Science in Business Administration from Stockholm University. His previous roles include senior positions within Alfa Laval, ABB, and Volvo.





### Previous outlook statement:

#### Outlook for the first quarter of 2015

##### Demand compared to the first quarter 2014

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

##### Demand compared to the fourth quarter 2014

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

#### Manufacturing

Manufacturing is expected to be higher year over year and compared to the fourth quarter

#### 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 main change was the merging of the two previous industrial business areas, Strategic Industries and Regional Sales and Service into one business area, Industrial Market. Additional reclassifications of units between business areas also occurred. 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. For Q1 2014, net cash flow from operations and net cash flow used in financing activities was adjusted by SEK 196 million and SEK -196 million respectively. The complete restatement of the cash flow for years 2010 - 2014 can be found the 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, 17 April 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 08.00 on 17 April 2015.

## Further information can be obtained from:

### **Investors and analysts:**

Marita Björk, Head of Investor Relations  
tel: +46-31-3371994  
mobile: +46-705-181994  
e-mail: marita.bjork@skf.com

### **Press and media:**

Theo Kjellberg, Press and Media Relations Director  
Tel: +46-31-3376576  
Mobile: +46-725-776576  
e-mail: theo.kjellberg@skf.com

### **Conference call**

17 April at 09.00 (CET), 08.00 (UK),

SE: +46 8 5033 6538

UK: +44 20 3427 1902

US: +1 212 444 0895

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

You will find all information regarding  
SKF First-quarter results 2015 on:

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

The SKF Half-year report 2015 will be published on Wednesday, 15 July 2015.

**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**

<b>SEKm</b>	<b>Jan-Mar 2015</b>	<b>Jan-Mar 2014</b>
Net sales	19 454	16 734
Cost of goods sold	-14 652	-12 482
Gross profit	4 802	4 252
Selling and administrative expenses	-3 121	-2 383
Other operating income/expenses, net	40	154
Profit from associated companies	0	1
Operating profit	1 721	2 024
Operating margin, %	8.8	12.1
Financial income and expense, net	-129	-237
Profit before taxes	1 592	1 787
Taxes	-427	-512
Net profit	1 165	1 275
Net profit attributable to		
Shareholders of the parent	1 120	1 238
Non-controlling interests	45	37

**Condensed consolidated statements of comprehensive income**

<b>SEKm</b>	<b>Jan-Mar 2015</b>	<b>Jan-Mar 2014</b>
Net profit	1 165	1 275
Items that will not be reclassified to the income statement		
Remeasurements	-1 403	-494
Income taxes	400	153
	-1 003	-341
Items that may be reclassified to the income statement		
Exchange differences arising on translation of foreign operations	1 270	-177
Available-for-sale assets	-7	-45
Cash-flow hedges	24	-7
Income taxes	99	-10
	1 386	-239
Other comprehensive income, net of tax	383	-580
Total comprehensive income	1 548	695
Shareholders of AB SKF	1 355	645
Non-controlling interests	193	50

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

<b>SEKm</b>	<b>March 2015</b>	<b>December 2014*</b>
Goodwill	13 160	12 233
Other intangible assets	10 485	9 905
Property, plant and equipment	16 025	15 482
Deferred tax assets	3 752	3 350
Other non-current assets	2 322	1 862
Non-current assets	45 744	42 832
Inventories	16 217	15 066
Trade receivables	14 390	12 595
Other current assets	3 407	3 705
Other current financial assets	7 131	7 441
Current assets	41 145	38 807
Total assets	86 889	81 639
Equity attributable to shareholders of AB SKF	24 455	23 089
Equity attributable to non-controlling interests	1 509	1 315
Long-term financial liabilities	25 007	24 077
Provisions for post-employment benefits	15 748	13 978
Provisions for deferred taxes	1 400	1 717
Other long-term liabilities and provisions	1 335	1 361
Non-current liabilities	43 490	41 133
Trade payables	6 963	5 938
Short-term financial liabilities	1 769	2 028
Other short-term liabilities and provisions	8 703	8 136
Current liabilities	17 435	16 102
Total equity and liabilities	86 889	81 639

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

<b>SEKm</b>	<b>Jan-Mar 2015</b>	<b>Jan-Mar 2014</b>
Opening balance 1 January	24 404	21 152
Total comprehensive income	1 548	695
Cost for performance share programmes, net	12	-3
Other, including transactions with non-controlling interests	0	-3
Total cash dividends	0	-4
Closing balance	25 964	21 837

\*Reclassification from previously published report. See page 9.

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

<b>SEKm</b>	<b>Jan-Mar 2015</b>	<b>Jan-Mar* 2014</b>
<b>Operating activities:</b>		
Operating profit	1 721	2 024
Depreciation, amortization and impairment	602	522
Net loss/gain (-) on sales of intangible assets and PPE	-2	-6
Taxes	-321	-361
Other including non-cash items	193	-352
Changes in working capital	-789	-1 317
<b>Net cash flow from operations</b>	<b>1 404</b>	<b>510</b>
<b>Investing activities:</b>		
Payments for intangible assets, PPE, and businesses	-567	-594
Sales of PPE and equity securities	151	21
<b>Net cash flow used in investing activities</b>	<b>-416</b>	<b>-573</b>
<b>Net cash flow after investments before financing</b>	<b>988</b>	<b>-63</b>
<b>Financing activities:</b>		
Change in short- and long-term loans	4	870
Other financial items	-822	-200
Cash dividends	0	-4
Investments in short-term financial assets	-131	-85
Sales of short-term financial assets	76	61
<b>Net cash flow used in financing activities</b>	<b>-873</b>	<b>642</b>
<b>Net cash flow</b>	<b>115</b>	<b>579</b>
<b>Change in cash and cash equivalents:</b>		
Cash and cash equivalents at 1 January	5 920	5 369
Cash effect excl. acquired/sold businesses	97	579
Cash effect of acquired/sold businesses	18	0
Exchange rate effect	213	-46
<b>Cash and cash equivalents at 31 March</b>	<b>6 248</b>	<b>5 902</b>

<b>Change in net debt</b>	<b>Closing balance 31 March 2015</b>	<b>Cash change</b>	<b>Businesses acquired</b>	<b>Other non cash changes</b>	<b>Translation effect</b>	<b>Opening balance 1 January 2015</b>
Loans, long- and short-term	22 829	4	0	-15	-548	23 388
Post-employment benefits, net	15 712	-198	0	1 656	312	13 942
Short-term financial assets	-554	18	0	-1	-53	-518
Cash and cash equivalents	-6 248	-97	-18	0	-213	-5 920
<b>Net debt</b>	<b>31 739</b>	<b>-273</b>	<b>-18</b>	<b>1 640</b>	<b>-502</b>	<b>30 892</b>

**Number of shares**

	<b>Jan-Mar 2015</b>	<b>Jan-Mar 2014</b>
<b>Total number of shares:</b>		
- whereof A shares	455 351 068	455 351 068
- whereof B shares	37 649 081	38 558 266
	417 701 987	416 792 802
<b>Weighted average number of shares in:</b>		
- basic earnings per share	455 351 068	455 261 512
- diluted earnings per share	455 351 068	455 261 512

\*Reclassification from previously published report. See page 9.

## 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
Net sales	16 734	17 955	17 787	18 499	70 975	19 454
Cost of goods sold	-12 482	-13 334	-13 225	-14 187	-53 228	-14 652
Gross profit	4 252	4 621	4 562	4 312	17 747	4 802
Gross margin, %	25.4	25.7	25.6	23.3	25.0	24.7
Selling and administrative expenses	-2 383	-2 536	-2 495	-2 655	-10 069	-3 121
- as % of sales	14.2	14.1	14.0	14.4	14.2	16.0
Other operating income/expenses incl. profit from associated companies	155	11	6	-49	123	40
Operating profit	2 024	2 096	2 073	1 608	7 801	1 721
Operating margin, %	12.1	11.7	11.7	8.7	11.0	8.8
One-time items	117	-119	-19	-469	-490	-655
Operating profit excl. one-time items	1 907	2 215	2 092	2 077	8 291	2 376
Operating margin excl. one-time items, %	11.4	12.3	11.8	11.2	11.7	12.2
Financial income and expense, net	-237	-335	-246	-315	-1 133	-129
Profit before taxes	1 787	1 761	1 827	1 293	6 668	1 592
Profit margin before taxes, %	10.7	9.8	10.3	7.0	9.4	8.2
Taxes	-512	-574	-420	-412	-1 918	-427
Net profit	1 275	1 187	1 407	881	4 750	1 165
Net profit attributable to Shareholders of the parent	1 238	1 156	1 370	836	4 600	1 120
Non-controlling interests	37	31	37	45	150	45

## Reconciliation to profit before tax for the Group

SEKm	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15
Operating profit:						
Industrial Market*	1 404	1 516	1 558	1 532	6 010	1 336
Automotive Market*	222	252	197	-100	571	110
Specialty Business*	248	328	318	176	1 070	275
Unallocated group items	150	0	0	0	150	0
Financial net	-237	-335	-246	-315	-1 133	-129
Profit before tax for the Group	1 787	1 761	1 827	1 293	6 668	1 592

\* Restated to conform to the current organization. See page 9.

## Key figures (definitions, see last page)

SEKm	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15
EBITA, SEKm	2 140	2 213	2 195	1 741	8 289	1 860
EBITDA, SEKm	2 545	2 639	2 630	2 378	10 192	2 323
Basic earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46
Diluted earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46
Dividend per share, SEK	-	5.50	-	-	5.50	-
Net working capital, % of annual sales	32.8	32.7	32.4	30.6	30.6	32.1
Return on capital employed for the 12-month period, %	8.4	8.7	8.5	13.9	13.9	12.6
ROE for the 12-month period, %	6.7	7.2	8.3	21.4	21.4	19.9
Gearing, %	59.5	61.9	60.6	60.5	60.5	59.7
Equity/assets ratio, %	29.9	28.8	29.6	29.9	29.9	29.9
Net worth per share, SEK	46	44	48	51	51	54
Additions to property, plant and equipment, SEKm	401	424	529	498	1 852	433
Net debt/equity, %	117.6	143.7	132.5	126.6	126.6	122.2
Net debt, SEKm	25 688	30 705	30 442	30 892	30 892	31 739
Registered number of employees	48 614	48 802	48 865	48 593	48 593	48 356

**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>
Net sales	9 933	10 771	10 756	11 308	42 768	11 565
Operating profit	1 404	1 516	1 558	1 532	6 010	1 336
Operating margin, %	14.1	14.1	14.5	13.5	14.1	11.6
One-time items	-15	-54	-8	-126	-203	-458
Operating profit excl. one-time items	1 419	1 570	1 566	1 658	6 213	1 794
Operating margin excl. one-time items, %	14.3	14.6	14.6	14.7	14.5	15.5
Assets and liabilities, net	25 191	25 657	26 045	26 679	26 679	28 542
Registered number of employees	22 544	22 644	22 700	22 617	22 617	22 367

<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>
Net sales	4 462	4 746	4 522	4 600	18 330	5 074
Operating profit	222	252	197	-100	571	110
Operating margin, %	5.0	5.3	4.4	-2.2	3.1	2.2
One-time items	-14	-63	-9	-170	-256	-156
Operating profit excl. one-time items	236	315	206	70	827	266
Operating margin excl. one-time items, %	5.3	6.6	4.6	1.5	4.5	5.2
Assets and liabilities, net	8 313	8 586	8 847	8 705	8 705	9 186
Registered number of employees	14 046	14 139	14 120	13 952	13 952	13 957

<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>
Net sales	2 237	2 323	2 397	2 469	9 426	2 700
Operating profit	248	328	318	176	1 070	275
Operating margin, %	11.1	14.1	13.3	7.1	11.4	10.2
One-time items	-4	-2	-2	-173	-181	-41
Operating profit excl. one-time items	252	330	320	349	1 251	316
Operating margin excl. one-time items, %	11.3	14.2	13.4	14.1	13.3	11.7
Assets and liabilities, net	14 689	14 981	15 843	16 578	16 578	17 920
Registered number of employees	8 872	8 821	8 778	8 719	8 719	8 627

\* Restated to conform to the current organization. See page 9.

## Enclosure 6

## Parent company condensed income statements

SEKm	Jan-Mar 2015	Jan-Mar 2014
Revenue	1 652	1 242
Cost of revenue	-1 391	-1 286
General management and administrative expenses	-375	-274
Other operating income/expenses, net	-6	171
Operating loss	-120	-147
Financial income and expense, net	142	-90
Profit before taxes	22	-237
Taxes	54	90
Net profit/loss	76	-147

## Parent company condensed statements of comprehensive income

SEKm	Jan-Mar 2015	Jan-Mar 2014
Net profit/loss	76	-147
Items that may be reclassified to the income statement:		
Available-for-sale-assets	-7	-45
Other comprehensive income, net of tax	-7	-45
Total comprehensive income	69	-192

## Parent company condensed balance sheets

SEKm	March 2015	December 2014
Intangible assets	1 844	1 850
Investments in subsidiaries	37 143	37 010
Receivables from subsidiaries	20 875	21 386
Other non-current assets	582	634
Non-current assets	60 444	60 880
Receivables from subsidiaries	3 093	2 906
Other receivables	427	110
Current assets	3 520	3 016
Total assets	63 964	63 896
Shareholders' equity	15 755	15 697
Untaxed reserves	280	280
Provisions	462	398
Non-current liabilities	20 997	23 124
Current liabilities	26 470	24 397
Total shareholders' equity, provisions and liabilities	63 964	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 (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. 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 of operating profit

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

### Portion of risk-bearing capital

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

### Equity/assets ratio

Equity as a percentage of total assets.

### Gearing

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

### Net debt

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

### Net debt/equity

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

### Return on total assets

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

### Return on capital employed

Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets less the average of non-interest bearing liabilities.

### Return on equity

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

### Net working capital

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

### Operating margin

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

### Basic earnings/loss per share in SEK

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

### Registered number of employees

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

### Average number of employees

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

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

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

### Organic sales

Volume + price/mix

### EBITA

Operating profit before amortizations

### EBITDA

Operating profit before depreciations, amortizations, and impairments

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## 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.

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