

SKF Year-end report 2014

"Demand was in line with our expectations for the quarter with growth, in volume terms, just under 2%. Our industrial business gained some momentum while, as expected, the automotive business slowed somewhat. Geographically, Asia once again had the strongest growth and North and Latin America developed well, while Europe remained relatively unchanged.

Especially pleasing was our cash flow performance during the quarter, which after investments and before financing was very strong, at SEK 2 billion with both accounts receivables and inventories going down.

The focus remained on the marketplace, with a high activity level, a lot of new business gained and several customer awards received. Attention was also given to finalizing the new simplified, efficient and more customer-focused industrial market structure. This was done by merging our two industrial businesses and was launched on 1 January 2015. Combined with a rationalization of corporate staff functions, we estimate that this set-up will result in a reduction of approximately 1 500 employees worldwide, giving a sizeable white collar productivity improvement. With our simplified structure, I am convinced that we will be even better and quicker at creating competitive products and services with customer applications in focus.

Looking forward, we continue to experience volatility in the market place. Sequentially, we expect the demand to be relatively unchanged for the Group. However, the short-term demand effects of the very low mineral and oil prices as well as the recent currency movements, with a stronger dollar, are difficult to predict.

Finally I would like to thank Tom Johnstone, for his help and support during my transitional period."



Alrik Danielson,
President and CEO

| Key figures | Q4 2014 | Q4 2013 | 2014 | 2013 |
|---|---------|---------|--------|--------|
| Net sales, SEKm | 18 499 | 16 430 | 70 975 | 63 597 |
| Operating profit/loss, SEKm | 1 608 | -1 547 | 7 801 | 3 693 |
| Operating profit excluding one-time items, SEKm | 2 078 | 1 803 | 8 291 | 7 568 |
| Operating margin, % | 8.7 | -9.4 | 11.0 | 5.8 |
| Operating margin excl. one-time items % | 11.2 | 11.0 | 11.7 | 11.9 |
| Profit before taxes, SEKm | 1 293 | -1 760 | 6 668 | 2 821 |
| Net profit, SEKm | 881 | -2 043 | 4 750 | 1 044 |
| Basic earnings per share, SEK | 1.84 | -4.57 | 10.10 | 2.00 |

The operating profit for Q4 includes one-time items of SEK -470 m (-3 350), of which SEK -250 m relates to impairments and other one-time costs, and SEK -220 m to restructuring. The full-year results include one-time items of SEK -490 m (-3 875). The figure for 2013 includes a provision for the European Commission payment of SEK 3 000 m.

| Net sales change y-o-y, in SEK, attributable to: | Volume | Price/mix | Structure | Currency effect | Total |
|--|--------|-----------|-----------|-----------------|-------|
| Q4 2014, % | 1.8 | 1.0 | 0.9 | 8.9 | 12.6 |
| Full Year, % | 3.3 | 0.6 | 3.7 | 4.0 | 11.6 |

Sales in the fourth quarter in local currencies and excluding structure increased by 1% in Europe, 2% in North America, 4% in Latin America and 8% in Asia, they decreased by 5% in Middle East and Africa. Manufacturing in the fourth quarter was relatively unchanged compared to last year.

Sales for the full year in local currencies and excluding structure compared to last year increased by 1% in Europe, 3% in North America, 1% in Latin America, 10% in Asia, and 9% in Middle East and Africa. Manufacturing for the full year was slightly higher compared to last year.

Dividend proposal

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

Outlook for the first quarter 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

SKF demand outlook for Q1 2015 per region, business area and main industry

| Per cent of sales 2014 | Main regions | Sequential trend | y-o-y | Per cent of sales 2014 | Industries | Sequential trend |
|----------------------------|--------------------|------------------|-------|------------------------|--|------------------|
| 41% | Europe | → | +/- | 14% | Cars and light vehicles | → |
| 25% | Asia Pacific | → | ++ | 6% | Energy | → |
| 25% | North America | → | +/- | 28% | Industrial distribution | → |
| 6% | Latin America | → | +/- | 14% | Industrial, heavy, special and off-highway | → |
| Main business areas | | | | 11% | Industrial, general | → |
| 60% | Industrial Market | → | + | 9% | Vehicle service market | → |
| 26% | Automotive Market | → | +/- | 6% | Aerospace | → |
| 13% | Specialty Business | → | +/- | 5% | Railway | → |
| | Total | → | + | 5% | Trucks | → |
| | | | | 2% | Two-wheelers and Electrical | → |

For explanations of arrows, see page 8.

| Key figures (definitions, see last page) | 31 December 2014 | 30 September 2014 | 31 December 2013 |
|--|------------------|-------------------|------------------|
| Net working capital, % of annual sales | 30.6 | 32.4 | 31.7 |
| ROCE for the 12-month period, % | 13.9 | 8.5 | 7.5 |
| ROE for the 12-month period, % | 21.4 | 8.3 | 4.6 |
| Equity/assets ratio, % | 29.9 | 29.6 | 29.8 |
| Gearing, % | 60.5 | 60.6 | 59.2 |
| Net debt/equity, % | 126.6 | 132.5 | 117.3 |
| Net debt, SEKm | 30 892 | 30 442 | 24 804 |
| Registered number of employees | 48 593 | 48 865 | 48 401 |

Financial net

The financial net in the fourth quarter was SEK -315 million (-213) and for the full year SEK -1 133 million (-872).

Cash flow

Cash flow, after investments and before financing, was SEK 2 053 million (-6 732) for the fourth quarter. For the full year it was SEK 1 868 million (-5 342). Excluding the EU payment, the cash flow after investments before financing was SEK 4 693 million (-5 342) for the full year.

Currency impact on the operating profit

(definitions, see last page)

| | |
|----------------|------------------|
| Q4 2014 | SEK +300 million |
| Full year 2014 | SEK +180 million |

Estimated impact:

| | |
|----------------|------------------|
| Q1 2015 | SEK +300 million |
| Full year 2015 | SEK +900 million |

R&D

R&D expenditure was SEK 2 078 million (1 840), corresponding to 2.9% (2.9) of annual sales, excluding developing IT solutions. The number of first filings of patent applications was 488 (468).

New cost reduction program

- During the quarter SKF announced changes with the purpose of strengthening the Group going forward. SKF announced the merger of the two industrial businesses, Strategic Industries and Regional Sales and Service into one Industrial Market as from 1 January 2015. The purpose with this is to further improve the asset life cycle to all customers and industries as well as to drive productivity. Alrik Danielson will lead the new Industrial Market representing some two thirds of the Group turnover. In addition to staff reductions in the industrial business SKF decided to downsize its central staff functions and Automotive staff. In total this will improve white collar productivity with an estimated total reduction of 1 500 white collar employees worldwide, representing a 7.5% productivity improvement over the coming two years. Starting Q1 2015, SKF will report the progress of the restructuring programme. The estimated cost for this is around SEK 1.4 billion and the full-year saving is around SEK 1.2 billion. The major part of the programme will be implemented within 2015. These restructuring costs are not included in the 2014 results.
- Separate reporting of cost reduction programme from 2012 will be discontinued.

Highlights

New organizational structure and change in Group Management

- SKF has announced the creation of a single Industrial Market business area, which will strengthen focus on organic growth and profitability, effective from 1 January 2015. This announcement included that Patrick Tong will take on the business area, Specialty Business. *See press release 4 December 2014.*
- Earlier in the quarter it was announced that Stephane Le-Mounier will lead the Automotive Market business area and that Berndt Stephan will take the responsibility for Group Technology Development. A reorganization of Group Management was also announced. *See press releases 27 October, 6 November and 18 November 2014.*
- On 19 January it was announced that Henrik Lange is resigning as Executive Vice President and CFO. He will continue in his current role, supporting the transition to his successor, until July 2015 at the latest. *See Press release 19 January.*

First serial order for breakthrough technology

- A first serial order for 30 high-speed permanent magnetic motor unit solutions, launched at the Hannover fair 2013, from Jiangsu Jintongling Fluid Machinery Co., Ltd, a leading Chinese blower manufacturer. The solution will help the customer to increase the efficiency of their blowers, significantly reduce energy consumption and prolong maintenance intervals.



Acquisition

- SKF signed an agreement to acquire a leading South Africa-based distributor of lubrication systems and equipment. Sales for the financial year 2013/2014 were at around SEK 100 million and the company has about 145 employees. This acquisition extends SKF's service capability in Southern Africa.

SKF's customer industries (See last page)

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

| | Q4 2014 | | | | | 2014 | | | | |
|--|---------|---------------|---------------|------|----------------------|--------|---------------|---------------|------|----------------------|
| | Europe | North America | Latin America | Asia | Middle East & Africa | Europe | North America | Latin America | Asia | Middle East & Africa |
| Industrial distribution | +/- | ++ | - | ++ | - | +/- | + | + | + | ++ |
| Industrial, general | +/- | ++ | | +++ | | +/- | ++ | | +++ | |
| Industrial, heavy, special and off-highway | +/- | ++ | ++ | - | --- | +/- | ++ | ++ | +/- | +/- |
| Energy | +++ | +++ | | +++ | | +++ | +++ | | +++ | |
| Aerospace | +/- | ++ | | ++ | | + | +/- | | ++ | |
| Railway | +++ | +++ | | ++ | | +++ | ++ | | +++ | |
| Cars and light vehicles | +/- | -- | +/- | +++ | | + | +/- | --- | +++ | |
| Vehicle service market | --- | ++ | -- | ++ | +/- | - | ++ | +/- | ++ | +++ |
| Trucks | --- | ++ | | +++ | | +/- | ++ | | +++ | |
| Two-wheelers and electrical | ++ | +/- | --- | - | | ++ | -- | --- | ++ | |

SKF Industrial Market, Strategic Industries

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 4 612 | 4 917 | 4 695 | 4 705 | 18 929 | 4 818 | 5 403 | 5 381 | 5 538 | 21 140 |
| Sales incl. intra-Group sales | 7 362 | 7 745 | 7 412 | 7 438 | 29 957 | 7 538 | 8 182 | 8 132 | 8 476 | 32 328 |
| Operating profit | 558 | 746 | 744 | 555 | 2 603 | 736 | 899 | 877 | 674 | 3 186 |
| Operating margin, % | 7.6 | 9.6 | 10.0 | 7.5 | 8.7 | 9.8 | 11.0 | 10.8 | 8.0 | 9.9 |
| Operating margin excl. one-time items, % | 10.0 | 11.3 | 11.0 | 8.2 | 10.2 | 9.9 | 11.3 | 10.9 | 10.8 | 10.7 |
| Assets and liabilities, net | 20 885 | 21 720 | 20 537 | 20 991 | 20 991 | 21 030 | 21 677 | 22 267 | 22 505 | 22 505 |
| Registered number of employees | 18 744 | 18 463 | 17 769 | 17 628 | 17 628 | 17 420 | 17 483 | 17 420 | 17 316 | 17 316 |

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

| Net sales change in SEK, attributable to: | Organic growth | Structure | Currency effect | Total |
|---|----------------|-----------|-----------------|-------|
| Q4 2014, % | 7.4 | 0.0 | 10.3 | 17.7 |
| Full Year, % | 8.4 | -1.9 | 5.2 | 11.7 |

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

| | Q4 2014 | | | 2014 | | |
|----------------------|---------|---------------|------|--------|---------------|------|
| | Europe | North America | Asia | Europe | North America | Asia |
| Strategic Industries | ++ | ++ | +++ | + | + | +++ |

Examples of new business

- Three significant contracts, one with GE Aviation and two with subsidiaries of the Safran Group (Snecma & Hispano-Suiza) to supply mainshaft and gearbox bearings for the LEAP engine programme, the next generation high-bypass aircraft turbofan engine



- An order of bearing sets worth over SEK 150 million and a strategic partnership agreement with Chongqing Gearbox Co., Ltd., a leading Chinese wind power gearbox manufacturer
- An order for axlebox and gearbox bearings worth SEK 30 million by a leading Chinese customer in the railway industry

Awards

- Best supplier award for outstanding performance by Kirloskar Pneumatic Company Ltd., India
- Best supplier award by Nanjing Gearbox Company, China



Lubrication system factory

- Expansion of the lubrication system factory in the Czech Republic to support the company's growing lubrication business. The new facility was awarded the LEED Platinum certification (Leadership in Energy and Environmental Design)



Lubrication system factory in the Czech Republic

SKF Industrial Market, Regional Sales and Service

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| Net sales | 5 829 | 6 219 | 5 994 | 6 175 | 24 217 | 6 022 | 6 339 | 6 323 | 6 762 | 25 446 |
| Sales incl. intra-Group sales | 5 943 | 6 348 | 6 120 | 6 288 | 24 699 | 6 156 | 6 466 | 6 451 | 6 908 | 25 981 |
| Operating profit | 650 | 707 | 757 | 866 | 2 980 | 702 | 686 | 755 | 787 | 2 930 |
| Operating margin, % | 10.9 | 11.1 | 12.4 | 13.8 | 12.1 | 11.4 | 10.6 | 11.7 | 11.4 | 11.3 |
| Operating margin excl. one-time items, % | 11.4 | 11.4 | 12.4 | 14.0 | 12.3 | 11.5 | 11.1 | 11.7 | 12.1 | 11.6 |
| Assets and liabilities, net | 7 183 | 7 349 | 6 978 | 6 969 | 6 969 | 7 394 | 7 527 | 7 338 | 7 734 | 7 734 |
| Registered number of employees | 7 280 | 7 246 | 7 354 | 7 426 | 7 426 | 7 425 | 7 441 | 7 479 | 7 512 | 7 512 |

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

| Net sales change in SEK, attributable to: | Organic growth | Structure | Currency effect | Total |
|---|----------------|-----------|-----------------|-------|
| Q4 2014, % | 2.2 | 0.0 | 7.3 | 9.5 |
| Full Year, % | 1.8 | 0.5 | 2.8 | 5.1 |

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

| | Q4 2014 | | | | | 2014 | | | | |
|----------------------------|---------|---------------|---------------|------|----------------------|--------|---------------|---------------|------|----------------------|
| | Europe | North America | Latin America | Asia | Middle East & Africa | Europe | North America | Latin America | Asia | Middle East & Africa |
| Regional Sales and Service | +/- | + | -- | + | - | +/- | + | +/- | +/- | ++ |

Examples of new business

- SKF received a significant order from Andritz Hydro to provide special bearing and sealing solutions for a new type of tidal turbine.
- SKF gained an order worth around SEK 30 million from a major marine transportation solution provider, to deliver online thruster monitoring, remote monitoring, and couplings.



- SKF signed a one-year contract worth more than SEK 30 million to provide remanufacturing services and roller services to a company in the metals industry in China.



New products

- Food grade lubricants, developed for specific applications in the food and beverage industry.
- Improved range of induction heaters designed to safely and easily dismount cylindrical roller bearing inner rings.
- A number of new and updated oil injection products and solutions.

SKF Solution Factory

- An SKF Solution Factory was opened in Birmingham, USA, bringing the total number to 29 worldwide.

SKF Distributor College

- Awarded its 250,000th certificate to an employee of an authorized distributor in Sweden, who completed a course on CARB toroidal roller bearings.

Awards

- Top runner-up in Tata Steel's 'Best Vendor' category
- Winner in 'Cloud' category at 2014 Software AG Innovation Awards, for an approach to integrating cloud-based condition monitoring software with a pulp and paper manufacturer's ERP system.

SKF Automotive

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 4 142 | 4 639 | 4 316 | 4 273 | 17 370 | 4 462 | 4 746 | 4 523 | 4 600 | 18 331 |
| Sales incl. intra-Group sales | 4 918 | 5 471 | 5 120 | 5 059 | 20 568 | 5 279 | 5 565 | 5 312 | 5 405 | 21 561 |
| Operating profit | 142 | 244 | 267 | 62 | 715 | 200 | 237 | 174 | -106 | 505 |
| Operating margin, % | 2.9 | 4.5 | 5.2 | 1.2 | 3.5 | 3.8 | 4.3 | 3.3 | -2.0 | 2.3 |
| Operating margin excl. one-time items, % | 3.7 | 5.2 | 5.4 | 1.7 | 4.0 | 4.1 | 5.4 | 3.4 | 1.2 | 3.5 |
| Assets and liabilities, net | 8 175 | 8 313 | 8 102 | 8 089 | 8 089 | 8 381 | 8 648 | 8 921 | 8 766 | 8 766 |
| Registered number of employees | 14 071 | 14 180 | 14 231 | 14 271 | 14 271 | 14 174 | 14 267 | 14 247 | 14 071 | 14 071 |

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

| Net sales change in SEK, attributable to: | Organic growth | Structure | Currency effect | Total |
|---|----------------|-----------|-----------------|-------|
| Q4 2014, % | -0.5 | 0.0 | 8.1 | 7.6 |
| Full Year, % | 2.0 | 0.0 | 3.5 | 5.5 |

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

| | Q4 2014 | | | | 2014 | | | |
|------------|---------|---------------|---------------|------|--------|---------------|---------------|------|
| | Europe | North America | Latin America | Asia | Europe | North America | Latin America | Asia |
| Automotive | -- | +/- | +/- | +++ | +/- | +/- | - | +++ |

Examples of new business

- Started to supply Mazda2, produced in Mexico, with low-friction wheel bearing units. These units are part of the SKF BeyondZero portfolio and reduce friction by up to 20% compared to standard units. In addition they offer reduced fuel consumption and a longer bearing life.



- Wheel hub bearing units for Daimler's new small SUV, Mercedes GLA. The wheel bearings play a part in the GLA's smooth responsive handling, contributing to the overall high performance of the vehicle under different road conditions.

New products/solutions

- SKF Motor Encoder Sensor-Bearing Unit, a compact solution that integrates bearing and sensor technology. It provides a smooth and accurate motor control for the next generation of electric and hybrid motor vehicles, including starter-alternators for stop-start systems
- A low-noise pre-loaded steering column bearing that offers significantly reduced noise levels while maintaining existing performance characteristics.

Awards

- Supplier Quality Excellence awards 2014, for the second consecutive year, from General Motors, USA.
- Quality Silver Award 2014, from Bajaj Auto Limited, India.

Specialty Business

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 569 | 617 | 618 | 1 277 | 3 081 | 1 431 | 1 468 | 1 561 | 1 598 | 6 058 |
| Sales incl. intra-Group sales | 1 243 | 1 365 | 1 369 | 2 032 | 6 009 | 2 206 | 2 300 | 2 369 | 2 415 | 9 290 |
| Operating profit | 130 | 140 | 155 | -30 | 395 | 236 | 274 | 267 | 253 | 1 030 |
| Operating margin, % | 10.5 | 10.2 | 11.3 | -1.5 | 6.6 | 10.7 | 11.9 | 11.2 | 10.5 | 11.1 |
| Operating margin excl. one-time items, % | 10.7 | 10.3 | 11.3 | 11.4 | 11.0 | 10.7 | 12.0 | 11.3 | 10.7 | 11.2 |
| Assets and liabilities, net | 1 985 | 1 985 | 1 924 | 11 443 | 11 443 | 11 435 | 11 497 | 12 323 | 13 068 | 13 068 |
| Registered number of employees | 4 154 | 4 209 | 4 260 | 6 498 | 6 498 | 6 540 | 6 521 | 6 505 | 6 490 | 6 490 |

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

| Net sales change in SEK, attributable to: | Organic growth | Structure | Currency effect | Total |
|---|----------------|-----------|-----------------|-------|
| Q4 2014, % | 0.2 | 11.7 | 13.3 | 25.2 |
| Full Year, % | 2.7 | 83.5 | 10.4 | 96.6 |

Following units are included in Specialty Business

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

Kaydon*Examples of new business:*

- Received aerospace orders worth a combined USD 3.0 million from helicopter manufacturers for custom thin section bearings.
- Signed a three-year agreement worth USD 5.5 million from a utility truck manufacturer for supply of slewing ring bearings for its aerial device equipment.
- Received USD 600 000 in motion control orders from an medical equipment maker for a shower chair that provides easier accessibility.
- Secured a three-year contract worth over USD 700 000 to supply thin section bearings to an offshore oil driller in Scotland.

Awards / Recognition:

- RecognitionGold Supplier 2014, by Erickson Air Crane for commercial builds and service work on helicopters used for logging and firefighting
- The top "engineering-app" prize, by the German magazine "elektrotechnik – Expertenwissen in der Automation" for the ACE VibroChecker. This free app turns an iPhone into a high performance measuring device that detects disturbing vibrations and oscillations and then helps find the right ACE product in seconds



Explanations of arrows:
Relatively unchanged  +/-Slightly lower Lower Significantly lower - Slightly higher -- Higher --- Significantly higher 

+

++

+++

Previous outlook statement:**Outlook for the fourth quarter of 2014****Demand compared to the fourth quarter 2013**

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

Demand compared to the third quarter 2014

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

Manufacturing

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

Highlights in the previous quarter**In Q1**

- SKF reached a settlement with the European Commission putting an end to the investigation regarding supply of bearings to the European automotive manufacturing industry. SKF agreed to pay EUR 315,109,000 (around SEK 2.8 billion) which is covered by the provision made by SKF in Q4 2013. Payment will be made in Q2 2014.
- SKF signed a three-year agreement with Hindustan Aeronautics Limited, India worth around SEK 55 million. The agreement includes the supply of customized bearings for helicopter transmission and main rotor.
- SKF signed a five-year contract with Bell Helicopter Textron Inc., USA worth around SEK 50 million. The contract includes the supply of elastomeric bearings.
- SKF signed a major contract to supply 10 sets of magnetic bearings worth EUR 2.0 million to Ukrainian turboexpander manufacturer Turbogaz. Bearings in turboexpanders are constantly exposed to gas and the harsh environment can accelerate wear and failure. SKF's magnetic bearings offer a more reliable and oil-free solution for high-speed natural gas turbo-expanders, enabling Turbogaz to offer units that have lower maintenance requirements.
- SKF received a number of major orders for condition monitoring solutions from companies based in Sweden, including:
 - pulp and paper manufacturer SCA
 - packaging material company BillerudKorsnäs
 - power company Vattenfall
 These solutions will help to ensure reliability, availability and performance.
- One of the largest cement producers in Latin America awarded SKF a three-year contract to provide services in Colombia. The contract includes condition-based maintenance, mechanical services, reliability engineering, condition monitoring solutions, training and application engineering as well as bearings, housings and seals. The total value of this new business is around SEK 40 million.
- SKF has extended its range of infrared thermo-meters. They allow early identification of problems and their root

causes and take photos and videos making it easier and safer for engineers to measure surface temperatures.

- SKF has started to deliver transmission seals to Geely Automobile to equip their automatic transmission (6AT). The business is worth over SEK 100 million and is valid for around five years.
- SKF has started to supply energy efficient tapered roller bearings and ball bearings to the E-powertrain of Volkswagen's first full electric vehicle, the e-up!

Kaydon Corporation

- Sales in the first quarter was higher year-over-year. Benefits from synergies are according to plan for both cost and revenues. Sales activities have started in certain geographical areas to leverage SKF and Kaydon's established sales channels. Some examples of new orders gained during the quarter:
 - Gas phase filtration media equipment for refinery applications in Saudi Arabia and Mexico
 - Purafil Biological air treatment (BAT) systems for a waste water application in Chin
 - Custom Filtration System for power generation applications in Korea and US
 - Slewing rings for the City of Los Angeles transit authority rail project.

In Q2

- Profit before taxes in Q2 includes one-time items totalling around SEK -220 million (-190), of which around SEK -120 million (-190) impact operating profit and around SEK -100 million (0) impact the financial net. For the half year, profit before taxes includes one-time items totalling around SEK -100 million (-440) of which SEK 0 million (-440) affect operating profit and SEK -100 million (0) affect the financial net.
- One-time items of around SEK -100 million affecting operating profit in the quarter refer to SKF's programme to improve efficiency and reduce costs. Around 170 employees are affected primarily in France and Brazil. Savings from this are expected to be around SEK 100 million and will mainly be achieved at the end of 2015.
- The remaining one-time items of around SEK -20 million in the operating profit and around SEK -100 million in the financial net refer to changes in currency regulation and currency rates in Venezuela which significantly impacts the value of the balance sheet in this country when converted into SEK.
- During the quarter an SKF Campus and the SKF North East Asia Distribution Centre were inaugurated. Both are located in Shanghai, China and constructed in compliance with LEED standards.
- The Campus includes a new automotive bearings factory, Global Technical Centre, SKF Solution factory and the SKF College China. The Global Technical Centre will be an integrated part of the global network of Technical Centres and will focus on developments both for global and local needs. The SKF College China is part of a global network of colleges for the development of leadership and professional training programmes within SKF.
- The SKF North East Asia Distribution Centre integrates trade, logistics and account settlement and is located in the new government free trade zone.
- SKF signed a strategic long-term partnership agreement with Envision Energy, China, a leading global provider of wind turbines. The partnership is part of Envision's focus on bringing reliable, high performance wind turbines to the market.

- SKF signed an agreement of around SEK 35 million with a customer within the automation industry providing self-pierce riveting equipment and joining solutions. SKF will supply a customized roller screw electro-mechanical cylinder, for high load, high duty cycles and long life.
- Dongfang Electric New Energy Equipment, a leading Chinese manufacturer of wind turbines, received its first international order. SKF was selected as the sole supplier of main shaft bearings for the export order. A number of the wind turbines will be delivered to the Swedish energy company Skellefteå Kraft and will be used for setting up one of Europe's largest wind parks.
- A new low torque valve solution. Several significant prototype orders have already been received from key manufacturers of subsea valves used in the offshore oil and gas industry. The design combines the functions of roller screw, support bearings, seals and lubrication into a unit-ized assembly. Innovative internal geometry allows smooth operation of the valve.
- New electric grease transfer pumps designed for filling centralized lubrication system pump reservoirs used in wind energy, vehicle service and general mechanical and plant engineering applications. These pumps provide a time-saving alternative to manual filling.
- SKF received a service contract worth around SEK 20 million from Aurizon, Australia's largest rail freight company.
- SKF received major orders for asset management services in Canada, including a SEK 10 million order from a customer in the oil and gas industry.
- *Turbulo BlueMon emission monitoring system* by SKF Blohm + Voss Industries. This system couples a ship's emission values with GPS position data, helping ship operators to comply with emissions regulations.
- New condition monitoring solutions:
 - SKF Wireless MicroVibe, which works together with mobile devices to enable portable vibration monitoring.
 - SKF Wireless Machine Condition Sensor, which provides condition monitoring for large plants, or in hazardous and hard-to-reach locations.
 - SKF @ptitude Connect, a cost-effective cloud computing service, which provides instant access to SKF condition monitoring software, enabling customers to improve plant performance and efficiency
- New maintenance products:
 - SKF Shaft Alignment Tool, which works using mobile devices and is the first instrument on the market to use inductive proximity sensors rather than lasers to enable accurate and reliable shaft alignment.
 - SKF Tachometer, a new entry-level tachometer enabling fast and accurate contact and non-contact speed measurement of rotating objects and surface speeds.
- SKF opened an SKF Solution Factory in Nieuwegein, the Netherlands. The new facility will bring SKF knowledge and innovation even closer to customers in Benelux, helping them to improve productivity and reduce costs. There are now 28 SKF Solution Factories worldwide.
- SKF signed an agreement in Brazil with Bosch Service to jointly promote SKF's vehicle aftermarket product range to 1 800 Bosch Service Centers located in the country. The assortment covers virtually all car and heavy truck models in Brazil.
- Low friction grease for hub bearing units, which reduce friction by as much as 9%, compared to standard grease. It contributes to lower CO2 emissions and to improve the total vehicle efficiency.
- SKF Gear Bearing Unit, a robust solution for truck engines. It has a high load carrying capacity, which enables increased power density and engine downsizing for heavy trucks.
- Floating piston, an integrated sealing module for the pressure reservoir of two-wheeler shock absorbers,

providing low friction for a better riding feel and reduced nitrogen permeation for a longer suspension life.

Kaydon Corporation

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

More examples of orders in the quarter:

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

In Q3

- Alrik Danielson is appointed SKF President and CEO as of 1 January 2015.
- For the 15th year in a row, SKF has been listed as one of the world's most sustainable companies by the Dow Jones Sustainability World Index (DJSI). Additionally, for the 14th consecutive year, FTSE Group confirms that SKF remains a constituent of the FTSE4Good Index Series.
- SKF announced plans to build a new Global Technical Center in the greater Chicago area, US. The initial investment will be around SEK 200 million and will employ about 80 engineers, with plans to expand to 200 engineers. The operations are expected to begin in late 2015.
- SKF announced that it is investing around SEK 220 million in a new Kaydon production facility at the existing SKF Campus in Cajamar, Brazil. The 6,600 m2 facility, which will employ up to 150 people, will produce Kaydon slewing ring bearings for wind turbine manufacturers providing solutions to the Brazilian wind energy segment. Production at the new factory is scheduled to commence in the second half of 2015.

Risks and uncertainties in the business

The SKF Group operates in many different industrial, automotive and geographical segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets and natural disasters, could have a negative effect on the demand for the Group's products and services. There are also political and regulatory risks associated with the wide geographical presence. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations.

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

SKF and other companies in the bearing industry are part of investigations by the U.S. Department of Justice

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

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest annual report (available on www.skf.com) under the Administration Report; "Important factors influencing

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

Gothenburg, 28 January 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 13.00 on 28 January 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

28 January at 14.00 (CET), 13.00 (UK),
08.00 (US):
SE: +46 8 5065 3938
UK: +44 203 427 1909
US: +1 646 254 3365
Please don't use a loudspeaker as this has
a negative effect on the sound.

You will find all information regarding
SKF Year-end results 2014 on:

investors.skf.com/quarterlyreporting

Enclosures:

Financial statements

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

Accounting principles

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards as adopted by EU. The SKF Group applies the same accounting policies and methods of computation in the interim financial statements as compared with the Annual Report 2013, Financial, environmental and social performance. No new or amended IFRS effective 2014 had any significant impact on the Group. The consolidated quarterly report has been prepared in accordance with IAS 34. The report for the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2. The report has not been reviewed by the company's auditors.

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

The SKF First-quarter report 2015 will be published on Friday, 17 April 2015.

The SKF Annual Report 2014 - Financial, environmental and social performance will be published in a pdf format on SKF's website investors.skf.com on 5 March 2015. The printed report will be delivered on 17 March 2015 and will be available at the company on that day.

Condensed consolidated income statements

Enclosure 1

| SEKm | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|---|--------------|--------------|--------------|--------------|
| Net sales | 18 499 | 16 430 | 70 975 | 63 597 |
| Cost of goods sold | -14 187 | -12 567 | -53 228 | -47 925 |
| Gross profit | 4 312 | 3 863 | 17 747 | 15 672 |
| Selling and administrative expenses | -2 655 | -2 327 | -10 069 | -8 868 |
| Other operating income/expenses, net | -51 | -3 084 | 117 | -3 113 |
| Profit/loss from jointly controlled and associated companies | 2 | 1 | 6 | 2 |
| Operating profit | 1 608 | -1 547 | 7 801 | 3 693 |
| Operating margin, % | 8.7 | -9.4 | 11.0 | 5.8 |
| Financial income and expense, net | -315 | -213 | -1 133 | -872 |
| Profit before taxes | 1 293 | -1 760 | 6 668 | 2 821 |
| Taxes | -412 | -283 | -1 918 | -1 777 |
| Net profit | 881 | -2 043 | 4 750 | 1 044 |
| Net profit attributable to | | | | |
| Shareholders of the parent | 836 | -2 081 | 4 600 | 912 |
| Non-controlling interests | 45 | 38 | 150 | 132 |
| Key figures | | | | |
| Basic earnings per share, SEK | 1.84 | -4.57 | 10.10 | 2.00 |
| Diluted earnings per share, SEK | 1.84 | -4.57 | 10.10 | 2.00 |
| Additions to property, plant and equipment | 498 | 589 | 1 852 | 1 746 |
| Number of employees registered | 48 593 | 48 401 | 48 593 | 48 401 |
| Return on capital employed for the 12-month period ended at 31 December | 13.9 | 7.5 | 13.9 | 7.5 |

Condensed consolidated statements of comprehensive income

| SEKm | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|---|--------------|--------------|--------------|--------------|
| Net profit | 881 | -2 043 | 4 750 | 1 044 |
| Items that will not be reclassified to the income statement: | | | | |
| Actuarial gains and losses | -1 359 | -332 | -3 208 | 844 |
| Income taxes | 441 | 138 | 960 | -315 |
| | -918 | -194 | -2 248 | 529 |
| Items that may be reclassified to the income statement: | | | | |
| Exchange differences arising on translation of foreign operations | 1 229 | 351 | 2 824 | -290 |
| Available-for-sale assets | -7 | 1 | 85 | 16 |
| Cash-flow hedges | 4 | -11 | -53 | -39 |
| Income taxes | 231 | 73 | 477 | 104 |
| | 1 457 | 414 | 3 333 | -209 |
| Other comprehensive income, net of tax | 539 | 220 | 1 085 | 320 |
| Total comprehensive income | 1 420 | -1 823 | 5 835 | 1 364 |
| Shareholders of AB SKF | 1 315 | -1 884 | 5 504 | 1 303 |
| Non-controlling interests | 105 | 61 | 331 | 61 |

Condensed consolidated balance sheets**Enclosure 2**

| SEKm | December 2014 | December 2013 |
|--|---------------|---------------|
| Goodwill | 12 233 | 10 717 |
| Other intangible assets | 9 905 | 8 306 |
| Property, plant and equipment | 15 482 | 14 095 |
| Deferred tax assets | 3 350 | 2 015 |
| Other non-current assets | 1 862 | 1 276 |
| Non-current assets | 42 832 | 36 409 |
| Inventories | 15 066 | 13 700 |
| Trade receivables | 12 595 | 11 189 |
| Other current assets | 3 705 | 3 492 |
| Other current financial assets | 7 441 | 6 201 |
| Current assets | 38 807 | 34 582 |
| Total assets | 81 639 | 70 991 |
| Equity attributable to shareholders of AB SKF | 23 089 | 20 100 |
| Equity attributable to non-controlling interests | 1 315 | 1 052 |
| Long-term financial liabilities | 22 200 | 19 698 |
| Provisions for post-employment benefits | 13 978 | 9 902 |
| Provisions for deferred taxes | 1 717 | 2 207 |
| Other long-term liabilities and provisions | 1 361 | 1 291 |
| Non-current liabilities | 39 256 | 33 098 |
| Trade payables | 5 938 | 4 740 |
| Short-term financial liabilities | 3 905 | 1 646 |
| Other short-term liabilities and provisions | 8 136 | 10 355 |
| Current liabilities | 17 979 | 16 741 |
| Total equity and liabilities | 81 639 | 70 991 |

Condensed consolidated statements of changes in shareholders' equity

| SEKm | Jan-Dec 2014 | Jan-Dec 2013 |
|--|--------------|--------------|
| Opening balance 1 January | 21 152 | 22 468 |
| Total comprehensive income | 5 835 | 1 364 |
| Cost for performance share programmes, net | -5 | -39 |
| Other, including transactions with non-controlling interests | 0 | -106 |
| Total cash dividends | -2 578 | -2 535 |
| Closing balance | 24 404 | 21 152 |

Condensed consolidated statements of cash flow

Enclosure 3

| SEKm | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating activities: | | | | |
| Operating profit | 1 608 | -1 547 | 7 801 | 3 693 |
| Depreciation, amortization and impairment | 770 | 499 | 2 392 | 1 893 |
| Net loss/gain (-) on sales of intangible assets, PPE and businesses | 7 | -10 | 16 | -38 |
| Taxes | -472 | -457 | -2 090 | -2 351 |
| Other including financial and non-cash items | -208 | 3 421 | -1 575 | 3 186 |
| Changes in working capital | 1 101 | -23 | -2 016 | -1 068 |
| Net cash flow from operations | 2 806 | 1 883 | 4 528 | 5 315 |
| Investing activities: | | | | |
| Payments for intangible assets, PPE, businesses and equity securities | -769 | -8 653 | -2 721 | -11 004 |
| Sales of PPE and businesses | 16 | 38 | 61 | 347 |
| Net cash flow used in investing activities | -753 | -8 615 | -2 660 | -10 657 |
| Net cash flow after investments before financing | 2 053 | -6 732 | 1 868 | -5 342 |
| Financing activities: | | | | |
| Change in short- and long-term loans | -741 | 4 191 | 860 | 4 983 |
| Change in finance lease liabilities | 1 | -4 | -6 | -9 |
| Cash dividends | 0 | -4 | -2 578 | -2 535 |
| Investments in short-term financial assets | -121 | -122 | -374 | -262 |
| Sales of short-term financial assets | 305 | 101 | 494 | 317 |
| Net cash flow used in financing activities | -556 | 4 162 | -1 604 | 2 494 |
| Net cash flow | 1 497 | -2 570 | 264 | -2 848 |
| Change in cash and cash equivalents: | | | | |
| Cash and cash equivalents at 1 October /1 January | 4 256 | 7 914 | 5 369 | 8 244 |
| Cash effect excl. acquired/sold businesses | 1 497 | -3 226 | 264 | -3 647 |
| Cash effect of acquired/sold businesses | 0 | 656 | 0 | 799 |
| Exchange rate effect | 167 | 25 | 287 | -27 |
| Cash and cash equivalents at 31 December | 5 920 | 5 369 | 5 920 | 5 369 |

| Change in net interestbearing liabilities: | Closing balance 31 December 2014 | Cash change | Businesses acquired/ sold | Other non cash changes | Translation effect | Opening balance 1 January 2014 |
|--|--|----------------|---------------------------------|------------------------------|-----------------------|-----------------------------------|
| Loans, long- and short-term | 23 388 | 860 | 0 | -26 | 1 680 | 20 874 |
| Post-employment benefits, net | 13 942 | -912 | 0 | 3 928 | 1 111 | 9 815 |
| Financial assets, others | -1 260 | -126 | 0 | 243 | -174 | -1 203 |
| Cash and cash equivalents | -5 920 | -264 | 0 | 0 | -287 | -5 369 |
| Net interest-bearing liabilities | 30 150 | -442 | 0 | 4 145 | 2 330 | 24 117 |

Number of shares

| | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Total number of shares: | 455 351 068 | 455 351 068 | 455 351 068 | 455 351 068 |
| - whereof A shares | 37 649 081 | 38 558 266 | 37 649 081 | 38 558 266 |
| - whereof B shares | 417 701 987 | 416 792 802 | 417 701 987 | 416 792 802 |
| Weighted average number of shares in: | | | | |
| - basic earnings per share | 455 351 068 | 455 345 290 | 455 328 679 | 455 332 624 |
| - diluted earnings per share | 455 351 068 | 455 345 290 | 455 328 679 | 455 332 624 |

Condensed consolidated financial information - yearly and quarterly figures

Enclosure 4

Amounts in SEKm unless otherwise stated.

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net sales | 15 152 | 16 392 | 15 623 | 16 430 | 63 597 | 16 734 | 17 955 | 17 787 | 18 499 | 70 975 |
| Cost of goods sold | -11 497 | -12 338 | -11 523 | -12 567 | -47 925 | -12 482 | -13 334 | -13 225 | -14 187 | -53 228 |
| Gross profit | 3 655 | 4 054 | 4 100 | 3 863 | 15 672 | 4 252 | 4 621 | 4 562 | 4 312 | 17 747 |
| Gross margin, % | 24.1 | 24.7 | 26.2 | 23.5 | 24.6 | 25.4 | 25.7 | 25.6 | 23.3 | 25.0 |
| Selling and administrative expenses | -2 176 | -2 249 | -2 116 | -2 327 | -8 868 | -2 383 | -2 536 | -2 495 | -2 655 | -10 069 |
| - as % of sales | 14.4 | 13.7 | 13.5 | 14.2 | 13.9 | 14.2 | 14.1 | 14.0 | 14.4 | 14.2 |
| Other operating income/expenses, net | 1 | 32 | -62 | -3 084 | -3 113 | 154 | 10 | 4 | -51 | 117 |
| Profit/loss from jointly controlled and associated companies | 0 | 0 | 1 | 1 | 2 | 1 | 1 | 2 | 2 | 6 |
| Operating profit | 1 480 | 1 837 | 1 923 | -1 547 | 3 693 | 2 024 | 2 096 | 2 073 | 1 608 | 7 801 |
| Operating margin, % | 9.8 | 11.2 | 12.3 | -9.4 | 5.8 | 12.1 | 11.7 | 11.7 | 8.7 | 11.0 |
| Operating margin excl. one-time items, % | 11.4 | 12.4 | 12.9 | 11.0 | 11.9 | 11.4 | 12.3 | 11.8 | 11.2 | 11.7 |
| Financial income and expense, net | -243 | -210 | -206 | -213 | -872 | -237 | -335 | -246 | -315 | -1 133 |
| Profit before taxes | 1 237 | 1 627 | 1 717 | -1 760 | 2 821 | 1 787 | 1 761 | 1 827 | 1 293 | 6 668 |
| Profit margin before taxes, % | 8.2 | 9.9 | 11.0 | -10.7 | 4.4 | 10.7 | 9.8 | 10.3 | 7.0 | 9.4 |
| Taxes | -419 | -523 | -552 | -283 | -1 777 | -512 | -574 | -420 | -412 | -1 918 |
| Net profit | 818 | 1 104 | 1 165 | -2 043 | 1 044 | 1 275 | 1 187 | 1 407 | 881 | 4 750 |
| Net profit attributable to Shareholders of the parent | 793 | 1 077 | 1 123 | -2 081 | 912 | 1 238 | 1 156 | 1 370 | 836 | 4 600 |
| Non-controlling interests | 25 | 27 | 42 | 38 | 132 | 37 | 31 | 37 | 45 | 150 |

Reconciliation to profit before tax for the Group

| SEKm | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|---|-------|-------|-------|--------|--------|-------|-------|-------|-------|--------|
| Operating profit: | | | | | | | | | | |
| SKF Industrial Market, Strategic Industries | 558 | 746 | 744 | 555 | 2 603 | 736 | 899 | 877 | 674 | 3 186 |
| SKF Industrial Market, Regional Sales and Service | 650 | 707 | 757 | 866 | 2 980 | 702 | 686 | 755 | 787 | 2 930 |
| Automotive | 142 | 244 | 267 | 62 | 715 | 200 | 237 | 174 | -106 | 505 |
| Specialty Business | 130 | 140 | 155 | -30 | 395 | 236 | 274 | 267 | 253 | 1 030 |
| EC payment | 0 | 0 | 0 | -3 000 | -3 000 | 150 | 0 | 0 | 0 | 150 |
| Financial net | -243 | -210 | -206 | -213 | -872 | -237 | -335 | -246 | -315 | -1 133 |
| Profit before tax for the Group | 1 237 | 1 627 | 1 717 | -1 760 | 2 821 | 1 787 | 1 761 | 1 827 | 1 293 | 6 668 |

Key figures (definitions, see last page)

| SEKm | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Operating profit excl. amortization, SEKm | 1 540 | 1 903 | 1 991 | -1 436 | 3 998 | 2 140 | 2 213 | 2 195 | 1 741 | 8 289 |
| Basic earnings per share, SEK | 1.74 | 2.36 | 2.47 | -4.57 | 2.00 | 2.72 | 2.54 | 3.01 | 1.84 | 10.10 |
| Diluted earnings per share, SEK | 1.74 | 2.36 | 2.47 | -4.57 | 2.00 | 2.72 | 2.54 | 3.01 | 1.84 | 10.10 |
| Dividend per share, SEK | - | 5.50 | - | - | 5.50 | - | 5.50 | - | - | 5.50 |
| Return on capital employed for the 12-month period, % | 14.5 | 13.8 | 13.5 | 7.5 | 7.5 | 8.4 | 8.7 | 8.5 | 13.9 | 13.9 |
| Gearing, % | 52.3 | 53.9 | 52.3 | 59.2 | 59.2 | 59.5 | 61.9 | 60.6 | 60.5 | 60.5 |
| Equity/assets ratio, % | 36.1 | 34.8 | 36.4 | 29.8 | 29.8 | 29.9 | 28.8 | 29.6 | 29.9 | 29.9 |
| Net worth per share, SEK | 47 | 46 | 48 | 44 | 44 | 46 | 44 | 48 | 51 | 51 |
| Additions to property, plant and equipment, SEKm | 347 | 373 | 437 | 589 | 1 746 | 401 | 424 | 529 | 498 | 1 852 |
| Registered number of employees | 46 728 | 46 637 | 46 187 | 48 401 | 48 401 | 48 614 | 48 802 | 48 865 | 48 593 | 48 593 |

Summary Business Areas

Enclosure 5

SKF Industrial Market, Strategic Industries

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 4 612 | 4 917 | 4 695 | 4 705 | 18 929 | 4 818 | 5 403 | 5 381 | 5 538 | 21 140 |
| Sales incl. intra-Group sales | 7 362 | 7 745 | 7 412 | 7 438 | 29 957 | 7 538 | 8 182 | 8 132 | 8 476 | 32 328 |
| Operating profit | 558 | 746 | 744 | 555 | 2 603 | 736 | 899 | 877 | 674 | 3 186 |
| Operating margin, % | 7.6 | 9.6 | 10.0 | 7.5 | 8.7 | 9.8 | 11.0 | 10.8 | 8.0 | 9.9 |
| Operating margin excl. one-time items, % | 10.0 | 11.3 | 11.0 | 8.2 | 10.2 | 9.9 | 11.3 | 10.9 | 10.8 | 10.7 |
| Assets and liabilities, net | 20 885 | 21 720 | 20 537 | 20 991 | 20 991 | 21 030 | 21 677 | 22 267 | 22 505 | 22 505 |
| Registered number of employees | 18 744 | 18 463 | 17 769 | 17 628 | 17 628 | 17 420 | 17 483 | 17 420 | 17 316 | 17 316 |

SKF Industrial Market, Regional Sales and Service

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| Net sales | 5 829 | 6 219 | 5 994 | 6 175 | 24 217 | 6 022 | 6 339 | 6 323 | 6 762 | 25 446 |
| Sales incl. intra-Group sales | 5 943 | 6 348 | 6 120 | 6 288 | 24 699 | 6 156 | 6 466 | 6 451 | 6 908 | 25 981 |
| Operating profit | 650 | 707 | 757 | 866 | 2 980 | 702 | 686 | 755 | 787 | 2 930 |
| Operating margin, % | 10.9 | 11.1 | 12.4 | 13.8 | 12.1 | 11.4 | 10.6 | 11.7 | 11.4 | 11.3 |
| Operating margin excl. one-time items, % | 11.4 | 11.4 | 12.4 | 14.0 | 12.3 | 11.5 | 11.1 | 11.7 | 12.1 | 11.6 |
| Assets and liabilities, net | 7 183 | 7 349 | 6 978 | 6 969 | 6 969 | 7 394 | 7 527 | 7 338 | 7 734 | 7 734 |
| Registered number of employees | 7 280 | 7 246 | 7 354 | 7 426 | 7 426 | 7 425 | 7 441 | 7 479 | 7 512 | 7 512 |

SKF Automotive

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 4 142 | 4 639 | 4 316 | 4 273 | 17 370 | 4 462 | 4 746 | 4 523 | 4 600 | 18 331 |
| Sales incl. intra-Group sales | 4 918 | 5 471 | 5 120 | 5 059 | 20 568 | 5 279 | 5 565 | 5 312 | 5 405 | 21 561 |
| Operating profit | 142 | 244 | 267 | 62 | 715 | 200 | 237 | 174 | -106 | 505 |
| Operating margin, % | 2.9 | 4.5 | 5.2 | 1.2 | 3.5 | 3.8 | 4.3 | 3.3 | -2.0 | 2.3 |
| Operating margin excl. one-time items, % | 3.7 | 5.2 | 5.4 | 1.7 | 4.0 | 4.1 | 5.4 | 3.4 | 1.2 | 3.5 |
| Assets and liabilities, net | 8 175 | 8 313 | 8 102 | 8 089 | 8 089 | 8 381 | 8 648 | 8 921 | 8 766 | 8 766 |
| Registered number of employees | 14 071 | 14 180 | 14 231 | 14 271 | 14 271 | 14 174 | 14 267 | 14 247 | 14 071 | 14 071 |

Specialty Business

Quarterly and yearly figures

Amounts in SEKm unless otherwise stated

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | 2013 | Q1/14 | Q2/14 | Q3/14 | Q4/14 | 2014 |
|--|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 569 | 617 | 618 | 1 277 | 3 081 | 1 431 | 1 468 | 1 561 | 1 598 | 6 058 |
| Sales incl. intra-Group sales | 1 243 | 1 365 | 1 369 | 2 032 | 6 009 | 2 206 | 2 300 | 2 369 | 2 415 | 9 290 |
| Operating profit | 130 | 140 | 155 | -30 | 395 | 236 | 274 | 267 | 253 | 1 030 |
| Operating margin, % | 10.5 | 10.2 | 11.3 | -1.5 | 6.6 | 10.7 | 11.9 | 11.2 | 10.5 | 11.1 |
| Operating margin excl. one-time items, % | 10.7 | 10.3 | 11.3 | 11.4 | 11.0 | 10.7 | 12.0 | 11.3 | 10.7 | 11.2 |
| Assets and liabilities, net | 1 985 | 1 985 | 1 924 | 11 443 | 11 443 | 11 435 | 11 497 | 12 323 | 13 068 | 13 068 |
| Registered number of employees | 4 154 | 4 209 | 4 260 | 6 498 | 6 498 | 6 540 | 6 521 | 6 505 | 6 490 | 6 490 |

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

Enclosure 6

Parent company condensed income statements

| SEKm | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|--|--------------|--------------|--------------|--------------|
| Revenue | 1 663 | 1 848 | 5 621 | 4 892 |
| Cost of revenue | -1 445 | -1 341 | -5 389 | -5 035 |
| General management and administrative expenses | -379 | -286 | -1 248 | -1 000 |
| Other operating income/expenses, net | -3 | -3 002 | 182 | -3 002 |
| Operating profit/loss | -164 | -2 781 | -834 | -4 145 |
| Financial income and expense, net | 1 356 | 1 018 | 2 537 | 7 865 |
| Profit before taxes | 1 192 | -1 763 | 1 703 | 3 720 |
| Appropriations | 2 063 | 909 | 2 063 | 909 |
| Taxes | -459 | -243 | -189 | 113 |
| Net profit | 2 796 | -1 097 | 3 577 | 4 742 |

Parent company condensed statements of comprehensive income

| SEKm | Oct-Dec 2014 | Oct-Dec 2013 | Jan-Dec 2014 | Jan-Dec 2013 |
|---|--------------|--------------|--------------|--------------|
| Net profit | 2 796 | -1 097 | 3 577 | 4 742 |
| Items that may be reclassified to the income statement: | | | | |
| Available-for-sale-assets | -9 | -3 | 83 | 12 |
| Other comprehensive income, net of tax | -9 | -3 | 83 | 12 |
| Total comprehensive income | 2 787 | -1 100 | 3 660 | 4 754 |

Parent company condensed balance sheets

| SEKm | December 2014 | December 2013 |
|--|---------------|---------------|
| Intangible assets | 1 850 | 1 206 |
| Investments in subsidiaries | 37 010 | 32 964 |
| Receivables from subsidiaries | 21 386 | 19 276 |
| Other non-current assets | 634 | 640 |
| Non-current assets | 60 880 | 54 086 |
| Receivables from subsidiaries | 3 353 | 2 886 |
| Other receivables | 353 | 153 |
| Current assets | 3 706 | 3 039 |
| Total assets | 64 586 | 57 125 |
| Shareholders' equity | 15 697 | 14 569 |
| Untaxed reserves | 280 | 280 |
| Provisions | 398 | 3 295 |
| Non-current liabilities | 23 124 | 19 408 |
| Current liabilities | 25 087 | 19 573 |
| Total shareholders' equity, provisions and liabilities | 64 586 | 57 125 |
| Assets pledged | 0 | 0 |
| Contingent liabilities | 17 | 22 |

Glossary

Ball bearings versus roller bearings

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

By-wire technology

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

Condition monitoring

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

Friction

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

Greenhouse gas

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

Hub bearing unit

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

Integrated Maintenance Solution (IMS)

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

Large size bearings

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

Life cycle analysis

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

Linear products

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

Lubricant

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

Self-aligning ball bearing

This bearing type, invented in 1907 by SKF's founder Sven Wingquist, solved one of the largest industrial problems of the time – the continual production stoppages caused by bearing failure. As the alignment of the shafts was not accurate enough for the rigid ball bearings that were normally used, the bearings failed due to misalignment. The double-row, self-aligning ball bearings accommodated the misalignment without reducing service life, thereby solving the problem.

SKF Business Excellence

SKF Business Excellence was launched in 2010. It is about delivering value to customers in the most effective and efficient way possible, through utilizing the knowledge of employees, partners and the company's

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

SKF Care

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

SKF Manufacturing Excellence

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

SKF Solution Factory

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

Super-precision bearings

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

Tribology

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

Definitions

Currency impact of operating profit

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

Portion of risk-bearing capital

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

Equity/assets ratio

Equity as a percentage of total assets.

Gearing

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

Net debt

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

Net debt/equity

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

Return on total assets

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

Return on capital employed

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

Return on equity

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

Net working capital

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

Operating margin

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

Basic earnings/loss per share in SEK

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

Registered number of employees

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

Average number of employees

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

Equity per share (Net worth per share)

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

Customer industries

Industrial distribution

Sales through industrial distributors.

Industry, general

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

Industry, heavy and special

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

Aerospace

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

Energy

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

Railway

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

Off-highway

Construction, agriculture and forestry and fork lift trucks.

Cars and light trucks

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

Vehicle service market

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

Trucks

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

Two-wheelers and Electrical

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

SKF is a leading global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. Annual sales in 2014 were SEK 70 975 million and the number of employees was 48 593. www.skf.com