

# SKF First-quarter report 2014

"Sales developed well in the first quarter compared to the low first quarter last year and were relatively unchanged compared to the fourth quarter. We continued to have a negative mix in our sales with a stronger development of our automotive business and our industrial OEM sales in Asia. The possible pre-buy ahead of the price increase in the aftermarket in Europe and North America was not as anticipated.

During the quarter we received a number of awards and continued to strengthen SKF by gaining new business, launching a number of new products and making good progress with our cost reduction programme.

Kaydon is developing well and had a first good quarter. The integration is proceeding according to plan with a strong focus on both sales and cost synergies.

Agreement was reached in the quarter with the European Commission regarding their investigation and is within the amount taken as a provision in the fourth quarter last year. This will be paid in June and will impact cash flow in the second quarter.

Going forward we expect demand to develop positively both sequentially and compared to the second quarter last year. Manufacturing will be higher year on year and slightly higher compared to the first quarter."

Tom Johnstone, President and CEO



## Key figures

	Q1 2014	Q1 2013
Net sales, SEKm	16,734	15,152
Operating profit, SEKm	2,024	1,480
Operating margin, %	12.1	9.8
Operating margin excluding one-time items, %	11.4	11.4
Profit before taxes, SEKm	1,787	1,237
Net profit, SEKm	1,275	818
Basic earnings per share, SEK	2.72	1.74

Operating profit for Q1 includes the net positive effect of one-time items totalling around SEK 120 million. As a result of the settlement with the European Commission a reversal of SEK 150 million was made related to the provision taken in Q4 2013. The quarter also contained one-time items of around SEK 30 million related to restructuring as well as a negative revaluation effect due to the devaluation of the Argentine peso.

## Net sales change y-o-y, in SEK, attributable to:

	Volume	Price/mix	Structure	Currency effect	Total
Q1 2014	6.2%	-0.4%	4.7%	-0.1%	10.4%

Sales in the first quarter in local currencies and excluding structure increased by 4.4% in Europe, by 2.9% in North America, by 4.1% in Latin America, by 10.6% in Asia and by 21.4% in Middle East and Africa. Manufacturing in the first quarter was higher compared to last year.

## Outlook for the second quarter of 2014

### Demand compared to the second quarter 2013

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

### Demand compared to the first quarter 2014

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

### Manufacturing

Manufacturing is expected to be higher year over year and slightly higher compared to the first quarter.

### SKF demand outlook for Q2 2014

Per cent of sales 2013	Main regions	Sequential trend	y-o-y	Per cent of sales 2013	Industries	Sequential trend
42%	Europe	→	+/-	5%	Energy	→
24%	Asia Pacific	→	+	14%	Cars and light vehicles	→
24%	North America	→	+	11%	Vehicle service market	→
7%	Latin America	→	-	6%	Aerospace	→
<b>Main business areas</b>				4%	Railway	→
29%	Strategic Industries	→	+	2%	Two-wheelers and electrical	→
39%	Regional Sales and Service	→	+/-	29%	Industrial distribution	→
27%	Automotive	→	+	13%	Industrial, heavy, special and off-highway	→
<b>Total</b>				11%	Industrial, general	→
				5%	Trucks	→

For explanations of arrows, see page 7.

### Key figures (definitions, see page 15)

	31 March 2014	31 December 2013	31 March 2013
Net working capital, % of annual sales*	32.8	31.7	31.1
ROCE for the 12-month period, %	8.4	7.5	14.5
ROE for the 12-month period, %	6.7	4.6	19.4
Equity/assets ratio, %	29.9	29.8	36.1
Gearing, %	59.5	59.2	52.3
Net debt/equity, %	117.6	117.3	75.0
Net debt, SEKm	25,688	24,804	16,995
Registered number of employees	48,614	48,401	46,728

\* Net working capital: Trade receivables plus inventory minus trade payables as a per cent of a 12-month rolling net sales.

### Cash flow

Cash flow, after investments and before financing, was SEK -259 million (-892) for the first quarter 2014 and excluding acquisitions and divestments SEK -259 million (-69). Cash flow from operations was SEK 314 million (403).

### Currency impact on the operating profit

(definition, see page 15)

Negative impact:	
Q1 2014	SEK 100 million
Estimated negative impact:	
Q2 2014	SEK 125 million
Full year 2014	SEK 350 million

### Financial net

The financial net in the first quarter was SEK -237 million (-243).

### European Commission investigation

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's customer industries (see page 15)

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

	Q1 2014				
	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	Full year 2013	Q1/14
Net sales	4,612	4,917	4,695	4,705	18,929	4,818
Sales incl. intra-Group sales	7,362	7,745	7,412	7,438	29,957	7,538
Operating profit	558	746	744	555	2,603	736
Operating margin*	7.6%	9.6%	10.0%	7.5%	8.7%	9.8%
Operating margin excluding one-time costs	10.0%	11.3%	11.0%	8.2%	10.2%	9.9%
Assets and liabilities, net	20,885	21,720	20,537	20,991	20,991	21,030
Registered number of employees	18,744	18,463	17,769	17,628	17,628	17,420

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

Previously published amounts for 2013 are restated to reflect the Group's organization structure as of 1 January 2014. Additionally the business areas' operating profit has been restated to include previous reconciling items to the Group's operating profit, except for the provision for the fine by the European Commission which is only registered on Group level.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2014	6.5%	-3.9%	1.9%	4.5%

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

	Q1 2014		
	Europe	North America	Asia
Strategic Industries	+	+/-	+++

### New business

- 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 turboexpanders, enabling Turbogaz to offer units that have lower maintenance requirements.



### Awards

- Technical Cooperation Award from Goldwind. The award was received during Goldwind's Annual Supplier Conference and is an important recognition for SKF of the commitment to innovating and delivering new technologies and services. SKF products and solutions delivered to Goldwind include bearings, WindCon condition monitoring, seals, lubrication systems and lubricants.
- Supplier of the year award from Varian Medical Systems UK Ltd. The award was received for continually high levels of innovation, product quality, customer service and delivery performance. SKF contribute with solutions such as roller screws, precision rail guide systems, bearings and customized bearing units to Varians devices that treat cancer using radiation therapy.

## 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	Full year 2013	Q1/14
Net sales	5,829	6,219	5,994	6,175	24,217	6,022
Sales incl. intra-Group sales	5,943	6,348	6,120	6,288	24,699	6,156
Operating profit	650	707	757	866	2,980	702
Operating margin*	10.9%	11.1%	12.4%	13.8%	12.1%	11.4%
Operating margin excluding one-time costs	11.4%	11.4%	12.4%	14.0%	12.3%	11.5%
Assets and liabilities, net	7,183	7,349	6,978	6,969	6,969	7,394
Registered number of employees	7,280	7,246	7,354	7,426	7,426	7,425

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

Previously published amounts for 2013 are restated to reflect the Group's organization structure as of 1 January 2014. Additionally the business areas' operating profit has been restated to include previous reconciling items to the Group's operating profit, except for the provision for the fine by the European Commission which is only registered on Group level.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2014	3.0%	2.2%	-1.9%	3.3%

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

	Q1 2014				
	Europe	North America	Latin America	Asia	Middle East & Africa
Regional Sales and Service	++	+/-	+/-	-	+++

#### New business

- 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.

#### Golden Mousetrap Awards

- Editors of Design News chose the SKF Machine Condition Indicator as their Best Product of the Year for Electronics & Test in the category Test & Measurement at the Golden Mousetrap Awards. SKF Machine Condition Indicator is a vibration and temperature monitoring device for rotating machinery with constant operating conditions.



#### New products

- SKF has extended its range of infrared thermometers. 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 Automotive

### Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14
Net sales	4,142	4,639	4,316	4,273	17,370	4,462
Sales incl. intra-Group sales	4,918	5,471	5,120	5,059	20,568	5,279
Operating profit	142	244	267	62	715	200
Operating margin*	2.9%	4.5%	5.2%	1.2%	3.5%	3.8%
Operating margin excluding one-time costs	3.7%	5.2%	5.4%	1.7%	4.0%	4.1%
Assets and liabilities, net	8,175	8,313	8,102	8,089	8,089	8,381
Registered number of employees	14,071	14,180	14,231	14,271	14,271	14,174

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

Previously published amounts for 2013 are restated to reflect the Group's organization structure as of 1 January 2014. Additionally the business areas' operating profit has been restated to include previous reconciling items to the Group's operating profit, except for the provision for the fine by the European Commission which is only registered on Group level.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2014	8.1%	0.0%	-0.4%	7.7%

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

	Q1 2014			
	Europe	North America	Latin America	Asia
Automotive	+++	++	+	+++

### New business

- 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!.

### Awards

- Volvo Cars Quality Excellence (VQE) Award. SKF reached the highest quality ratings in areas such as product quality, supply precision, logistics, and efficient quality systems to name a few.
- Geely Excellent Supplier Award. SKF met a number of performance criteria with an outstanding result. Examples of the criteria include product performance, quality and technical requirements.

- Excellent Quality Supplier award from Hino Motors, a Toyota Group company. SKF was recognized for zero customer complaints as a result of outstanding performance in quality in 2013.
- General Motors (GM) Supplier of the Year award 2013. This is the 5th time SKF has received the award, with the last four times during consecutive years.



From left: Steve Kiefer, GM Vice President Global Powertrain, Paul DiLisio and Chaekun Kim, SKF Automotive and Kim Brycz, GM Executive Director Global Product Purchasing

## Specialty Business

### Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14
Net sales	569	617	618	1,277	3,081	1,431
Sales incl. intra-Group sales	1,243	1,365	1,369	2,032	6,009	2,206
Operating profit/loss	130	140	155	-30	395	236
Operating margin *	10.5%	10.3%	11.3%	-1.5%	6.6%	10.7%
Operating margin excluding one-time costs	10.7%	10.3%	11.3%	11.4%	11.0%	10.7%
Assets and liabilities, net	1,985	1,985	1,924	11,443	11,443	11,435
Registered number of employees	4,154	4,209	4,260	6,498	6,498	6,540

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

Previously published amounts for 2013 are restated to reflect the Group's organization structure as of 1 January 2014. Additionally the business areas' operating profit includes previous reconciling items to the Group's operating profit, except for the provision for the fine by the European Commission which is only registered on Group level.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2014	12.8%	134.4%	4.6%	151.8%

### 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 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 China
- Custom Filtration System for power generation applications in Korea and USA
- Slewing rings for the City of Los Angeles transit authority rail project.

### Awards

Boeing Performance Excellence Award. Received as a recognition of superior performance. Kaydon received the Gold Level award having maintained a gold composite performance rating for 12 consecutive months.

### Explanations of arrows:

Relatively unchanged		+/-	Slightly lower		-	Slightly higher		+
			Lower		--	Higher		++
			Significantly lower		---	Significantly higher		+++

### Previous outlook statement:

#### Outlook for the first quarter of 2014

##### Demand compared to the first quarter 2013

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

##### Demand compared to the fourth quarter 2013

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

##### Manufacturing

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

### 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. 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](http://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, 15 April 2014

Aktiebolaget SKF  
(publ.)

Tom Johnstone  
*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 15 April 2014.

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

You will find all information regarding SKF First-quarter results 2014 on:

**[investors.skf.com/quarterlyreporting](http://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. 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 SKF Half-year report 2014 will be published on Tuesday, 15 July 2014.



## Enclosure 1

## Condensed consolidated income statements

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
Net sales	16,734	15,152
Cost of goods sold	-12,482	-11,497
<b>Gross profit</b>	<b>4,252</b>	3,655
Selling and administrative expenses	-2,383	-2,176
Other operating income/expenses, net	154	1
Profit from jointly controlled and associated companies	1	0
<b>Operating profit</b>	<b>2,024</b>	1,480
Operating margin, %	12.1	9.8
Financial income and expense, net	-237	-243
<b>Profit before taxes</b>	<b>1,787</b>	1,237
Taxes	-512	-419
<b>Net profit</b>	<b>1,275</b>	818
<b>Net profit attributable to</b>		
Shareholders of the parent	1,238	793
Non-controlling interests	37	25
<b>Key figures</b> ( <i>definitions, see page 15</i> )		
Basic earnings per share, SEK	2.72	1.74
Diluted earnings per share, SEK	2.72	1.74
Additions to property, plant and equipment	401	347
Number of employees registered	48,614	46,728
Return on capital employed for the 12-month period ended 31 March, %	8.4	14.5

## Condensed consolidated statements of comprehensive income

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
<b>Net profit</b>	<b>1,275</b>	818
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gains and losses	-494	-158
Income taxes	153	22
	-341	-136
<b>Items that may be reclassified to the income statement</b>		
Exchange differences arising on translation of foreign operations	-177	-389
Available-for-sale-assets	-45	25
Cash-flow hedges	-7	-51
Income taxes	-10	-85
	-239	-500
<b>Other comprehensive income, net of tax</b>	<b>-580</b>	-636
<b>Total comprehensive income</b>	<b>695</b>	182
<b>Total comprehensive income attributable to</b>		
Shareholders of AB SKF	645	151
Non-controlling interests	50	31

## Enclosure 2

## Condensed consolidated balance sheets

<i>SEKm</i>	March 2014	December 2013
Goodwill	10,682	10,717
Other intangible assets	8,354	8,306
Property, plant and equipment	13,941	14,095
Deferred tax assets	2,159	2,015
Other non-current assets	1,377	1,276
<b>Non-current assets</b>	<b>36,513</b>	<b>36,409</b>
Inventories	14,047	13,700
Trade receivables	12,292	11,189
Other current assets	3,454	3,492
Other current financial assets	6,795	6,201
<b>Current assets</b>	<b>36,588</b>	<b>34,582</b>
<b>Total assets</b>	<b>73,101</b>	<b>70,991</b>
<b>Equity attributable to shareholders of AB SKF</b>	<b>20,741</b>	<b>20,100</b>
<b>Equity attributable to non-controlling interests</b>	<b>1,096</b>	<b>1,052</b>
Long-term financial liabilities	21,574	19,698
Provisions for post-employment benefits	10,407	9,902
Provisions for deferred taxes	2,011	2,207
Other long-term liabilities and provisions	1,262	1,291
<b>Non-current liabilities</b>	<b>35,254</b>	<b>33,098</b>
Trade payables	4,983	4,740
Short-term financial liabilities	513	1,646
Other short-term liabilities and provisions	10,514	10,355
<b>Current liabilities</b>	<b>16,010</b>	<b>16,741</b>
<b>Total equity and liabilities</b>	<b>73,101</b>	<b>70,991</b>

## Condensed consolidated statements of changes in shareholders' equity

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
Opening balance 1 January	21,152	22,468
Total comprehensive income	695	182
Cost for performance share programmes, net	-3	-3
Other, including transactions with non-controlling interests	-3	0
Total cash dividends	-4	0
<b>Closing balance</b>	<b>21,837</b>	<b>22,647</b>

## Enclosure 3

## Condensed consolidated statements of cash flow

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
<b>Operating activities:</b>		
Operating profit	2,024	1,480
Depreciation, amortization and impairment	522	462
Net loss/gain (-) on sales of intangible assets, PPE and businesses	-6	1
Taxes	-361	-427
Other including financial and non-cash items	-548	-296
Changes in working capital	-1,317	-817
<b>Net cash flow from operations</b>	<b>314</b>	<b>403</b>
<b>Investing activities:</b>		
Payments for intangible assets, PPE and businesses	-594	-1,296
Sales of PPE and businesses	21	1
<b>Net cash flow used in investing activities</b>	<b>-573</b>	<b>-1,295</b>
<b>Net cash flow after investments before financing</b>	<b>-259</b>	<b>-892</b>
<b>Financing activities:</b>		
Change in short- and long-term loans	870	-47
Change in finance lease liabilities	-4	-2
Cash dividends	-4	0
Investments in short-term financial assets	-85	-40
Sales of short-term financial assets	61	127
<b>Net cash flow used in financing activities</b>	<b>838</b>	<b>38</b>
<b>Net cash flow</b>	<b>579</b>	<b>-854</b>
<b>Change in cash and cash equivalents:</b>		
Cash and cash equivalents at 1 January	5,369	8,244
Cash effect excl. acquired/sold businesses	579	-1,024
Cash effect of acquired/sold businesses	0	170
Exchange rate effect	-46	-42
<b>Cash and cash equivalents at 31 March</b>	<b>5,902</b>	<b>7,348</b>

Change in net interest-bearing liabilities	Closing balance 31 March 2014	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2014
Loans, long- and short-term	21,819	870	0	-28	103	20,874
Post-employment benefits, net	10,321	-189	0	715	-20	9,815
Financial assets, others	-1,237	-24	0	-4	-6	-1,203
Cash and cash equivalents	-5,902	-579	0	0	46	-5,369
<b>Net interest-bearing liabilities</b>	<b>25,001</b>	<b>78</b>	<b>0</b>	<b>683</b>	<b>123</b>	<b>24,117</b>

## Number of shares

	Jan-March 2014	Jan-March 2013
Total number of shares	455,261,512	455,283,068
- whereof A shares	38,558,266	42,420,300
- whereof B shares	416,703,246	412,862,768
Total number of diluted shares outstanding	455,261,512	455,283,068
Total weighted average number of diluted shares	455,261,512	455,283,068

## Enclosure 4

## Condensed consolidated financial information - yearly and quarterly figures

<i>Amounts in SEKm unless otherwise stated.</i>	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14
Net sales	15,152	16,392	15,623	16,430	63,597	16,734
Cost of goods sold	-11,497	-12,338	-11,523	-12,567	-47,925	-12,482
<b>Gross profit</b>	<b>3,655</b>	<b>4,054</b>	<b>4,100</b>	<b>3,863</b>	<b>15,672</b>	<b>4,252</b>
Gross margin, %	24.1	24.7	26.2	23.5	24.6	25.4
Selling and administrative expenses	-2,176	-2,249	-2,116	-2,327	-8,868	-2,383
- as % of sales	14.4	13.7	13.5	14.2	13.9	14.2
Other operating income/expenses, net	1	32	-62	-3,084	-3,113	154
Profit from jointly controlled and associated companies	0	0	1	1	2	1
<b>Operating profit/loss</b>	<b>1,480</b>	<b>1,837</b>	<b>1,923</b>	<b>-1,547</b>	<b>3,693</b>	<b>2,024</b>
Operating margin, %	9.8	11.2	12.3	-9.4	5.8	12.1
Operating margin excl. one-time items, %	11.4	12.4	12.9	11.0	11.9	11.4
Financial income and expense, net	-243	-210	-206	-213	-872	-237
<b>Profit/loss before taxes</b>	<b>1,237</b>	<b>1,627</b>	<b>1,717</b>	<b>-1,760</b>	<b>2,821</b>	<b>1,787</b>
Profit margin before taxes, %	8.2	9.9	11.0	-10.7	4.4	10.7
Taxes	-419	-523	-552	-283	-1,777	-512
<b>Net profit/loss</b>	<b>818</b>	<b>1,104</b>	<b>1,165</b>	<b>-2,043</b>	<b>1,044</b>	<b>1,275</b>
<b>Net profit/loss attributable to</b>						
Shareholders of the parent	793	1,077	1,123	-2,081	912	1,238
Non-controlling interests	25	27	42	38	132	37

## Reconciliation to profit before tax for the Group

<i>SEKm</i>	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14
Operating profit/loss:						
SKF Industrial Market, Strategic Industries	558	746	744	555	2,603	736
SKF Industrial Market, Regional Sales and Service	650	707	757	866	2,980	702
SKF Automotive	142	244	267	62	715	200
Specialty Business	130	140	155	-30	395	236
Unallocated Group activities and adjustments, net	0	0	0	-3,000	-3,000	150
Financial net	-243	-210	-206	-213	-872	-237
<b>Profit/loss before tax for the Group</b>	<b>1,237</b>	<b>1,627</b>	<b>1,717</b>	<b>-1,760</b>	<b>2,821</b>	<b>1,787</b>

Previously published amounts for 2013 are restated to reflect the Group's organization structure as of 1 January 2014. Additionally the business areas' operating profit has been restated to include previous reconciling items to the Group's operating profit, except for the provision for the fine by the European Commission which is only registered on Group level.

Key figures *(definitions, see page 15)*

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14
Operating profit/loss excluding amortization, SEKm	1,540	1,903	1,991	-1,436	3,998	2,140
Basic earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72
Diluted earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72
Dividend per share, SEK	-	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
Gearing, %	52.3	53.9	52.3	59.2	59.2	59.5
Equity/assets ratio, %	36.1	34.8	36.4	29.8	29.8	29.9
Net worth per share, SEK	47	46	48	44	44	46
Additions to property, plant and equipment, SEKm	347	373	437	589	1,746	401
Registered number of employees	46,728	46,637	46,187	48,401	48,401	48,614

## Enclosure 5

## Parent company condensed income statements

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
Revenue	1,242	946
Cost of revenue	-1,286	-1,191
General management and administrative expenses	-274	-222
Other operating income/expenses, net	171	1
<b>Operating loss</b>	<b>-147</b>	<b>-466</b>
Financial income and expenses, net	-90	-108
<b>Loss before taxes</b>	<b>-237</b>	<b>-574</b>
Taxes	90	124
<b>Net loss</b>	<b>-147</b>	<b>-450</b>

## Parent company condensed statements of comprehensive income

<i>SEKm</i>	Jan-March 2014	Jan-March 2013
<b>Net loss</b>	<b>-147</b>	<b>-450</b>
<b>Items that may be reclassified to the income statement</b>		
Available-for-sale assets	-45	25
<b>Other comprehensive income, net of tax</b>	<b>-45</b>	<b>25</b>
<b>Total comprehensive income</b>	<b>-192</b>	<b>-425</b>

## Parent company condensed balance sheets

<i>SEKm</i>	March 2014	December 2013
Intangible assets	1,363	1,206
Investments in subsidiaries	32,965	32,964
Receivables from subsidiaries	21,025	19,276
Other non-current assets	469	640
<b>Non-current assets</b>	<b>55,822</b>	<b>54,086</b>
Receivables from subsidiaries	2,048	2,886
Other receivables	153	153
<b>Current assets</b>	<b>2,201</b>	<b>3,039</b>
<b>Total assets</b>	<b>58,023</b>	<b>57,125</b>
<b>Shareholders' equity</b>	<b>14,352</b>	<b>14,569</b>
Untaxed reserves	280	280
Provisions	290	3,295
<b>Non-current liabilities</b>	<b>21,155</b>	<b>19,408</b>
<b>Current liabilities</b>	<b>21,946</b>	<b>19,573</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>58,023</b>	<b>57,125</b>
Assets pledged	0	0
Contingent liabilities	22	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 (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 re-manufacturing 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.

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## 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.

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*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 2013 were SEK 63,597 million and the number of employees was 48,401. [www.skf.com](http://www.skf.com)*