

# SKF Half-year report 2014

"Sales overall developed in line with our expectations and excluding one-offs we had a good cash flow from operations and we saw a good sequential improvement in our operating margin and profit. While the business mix remained somewhat negative the steps we are taking to improve the price/mix gave positive results. Our cost reduction programme is also delivering the expected results and additional activities were announced in the quarter.

We continue to take steps to strengthen SKF and to support our long-term targets. The new campus in Shanghai which hosts a new automotive factory, Global Technical Centre, SKF Solution Factory and SKF College was opened as was our new distribution centre also near Shanghai in the new government free trade zone. These will enable us to better support our customers in North East Asia, a region which is developing very well for us. In addition, based on our increased investment in research and development, a number of new products particularly focusing on energy savings and improved operating performance were launched. We also gained a number of important new businesses.

Kaydon is developing well both from a sales and profitability viewpoint and the integration activities are going according to plan. The major order which was gained from a North American wind energy customer for business in both North America and Brazil is a great example of how the combination of SKF and Kaydon can bring real value to our customers.

Looking forward and taking account of the continued uncertainty in the global market place we expect that in the third quarter overall demand for our products and services will stay on the same level."



Tom Johnstone, President and CEO

Key figures	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Net sales, SEKm	17,955	16,392	34,689	31,544
Operating profit, SEKm	2,096	1,837	4,120	3,317
Operating margin, %	11.7	11.2	11.9	10.5
Operating margin excluding one-time items, %	12.3	12.4	11.9	11.9
Profit before taxes, SEKm	1,761	1,627	3,548	2,864
Net profit, SEKm	1,187	1,104	2,462	1,922
Basic earnings per share, SEK	2.54	2.36	5.26	4.10

The operating profit was affected by one-time costs in the second quarter by around SEK 120 million (190) and in the half year by SEK 0 million (440). Additionally, the financial net in the second quarter and half year were affected by one-time costs of around SEK 100 million.

Net sales change y-o-y, in SEK, attributable to:	Volume	Price/mix	Structure	Currency effect	Total
Q2 2014	3.6%	1.0%	3.8%	1.1%	9.5%
Half year 2014	5.0%	0.2%	4.2%	0.6%	10.0%

Sales in Q2 in local currency and excluding structure increased by 1% in Europe, 3% in North America, 2% in Latin America, 14% in Asia and 14% in Middle East and Africa.

Manufacturing in the second quarter was slightly higher compared to last year.

Sales in the first half year in local currency and excluding structure increased by 3% in Europe, 3% in North America, 1% in Latin America, 13% in Asia and 18% in Middle East and Africa.

Manufacturing in the first half year was higher compared to last year.

## Outlook for the third quarter of 2014

### Demand compared to the third quarter 2013

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

### Demand compared to the second quarter 2014

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

### Manufacturing

Manufacturing is expected to be slightly higher year over year and relatively unchanged compared to the second quarter.

### SKF demand outlook for Q3 2014

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

For explanations of arrows, see page 8.

### Key figures (definitions, see page 18)

	30 June 2014	31 March 2014	30 June 2013
Net working capital, % of annual sales	32.7	32.8	32.5
ROCE for the 12-month period, %	8.7	8.4	13.8
ROE for the 12-month period, %	7.2	6.7	18.9
Equity/assets ratio, %	28.8	29.9	34.8
Gearing, %	61.9	59.5	53.9
Net debt/equity, %	143.7	117.6	84.0
Net debt, SEKm	30,705	25,688	18,741
Registered number of employees	48,802	48,614	46,637

Note: Key figures were impacted in Q2 2014 by the EU payment of SEK 2.8 billion.

### Financial net

The financial net in the second quarter was SEK -335 million (-210) and for the first half year SEK -572 million (-453). Both include a negative impact of SEK 100 million, see one-time items.

### Cash flow

Excluding the EU payment, the cash flow, after investments and before financing, was SEK 1,423 million (1,147) in the second quarter and for the first half year SEK 1,164 million (255). Reported cash flow, after investments and before financing, was SEK -1,402 million (1,147) for the second quarter and for the first half year SEK -1,661 million (255).

### Currency impact on the operating profit

(definitions, see page 18)

Q2 2014	SEK -120 million
Half year 2014	SEK -220 million
Estimated impact:	
Q3 2014	SEK +50 million
Full year 2014	SEK -70 million

### One-time items

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.

For more information see press release of 4 July 2014.

## Highlights

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's customer industries (see page 18)

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

	Q2 2014					YTD 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	Full year 2013	Q1/14	Q2/14	Half year 2014
Net sales	4,612	4,917	4,695	4,705	18,929	4,818	5,403	10,221
Sales incl. intra-Group sales	7,362	7,745	7,412	7,438	29,957	7,538	8,182	15,720
Operating profit	558	746	744	555	2,603	736	899	1,635
Operating margin*	7.6%	9.6%	10.0%	7.5%	8.7%	9.8%	11.0%	10.4%
Operating margin excluding one-time costs	10.0%	11.3%	11.0%	8.2%	10.2%	9.9%	11.3%	10.6%
Assets and liabilities, net	20,885	21,720	20,537	20,991	20,991	21,030	21,677	21,677
Registered number of employees	18,744	18,463	17,769	17,628	17,628	17,420	17,483	17,483

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

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q2 2014	11.1%	-3.5%	2.3%	9.9%
Half year 2014	9.0%	-3.9%	2.2%	7.3%

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

	Q2 2014			YTD 2014		
	Europe	North America	Asia	Europe	North America	Asia
Strategic Industries	+	+/-	+++	+	+/-	+++

### New business

- 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.

### Awards

- Best Technical and Service Award 2013 from the customer Envision Energy, China.
- Supplier Excellence Award - Partner Level for 2013 from the customer National Oilwell Varco (NOV), USA.

### New products/solutions

- A new *low torque valve solution*. Several significant prototype orders have already been received from key manufacturers of subsea valves used in the off-shore oil and gas industry. The design combines the functions of roller screw, support bearings, seals and lubrication into a unitized 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.

### Event

- The 9th annual SKF Wind Farm Management Conference took place in Berlin, Germany. Around 190 industry leaders from 23 countries gathered to discuss and share knowledge.

## 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	Q2/14	Half year 2014
Net sales	5,829	6,219	5,994	6,175	24,217	6,022	6,339	12,361
Sales incl. intra-Group sales	5,943	6,348	6,120	6,288	24,699	6,156	6,466	12,622
Operating profit	650	707	757	866	2,980	702	686	1,388
Operating margin*	10.9%	11.1%	12.4%	13.8%	12.1%	11.4%	10.6%	11.0%
Operating margin excluding one-time costs	11.4%	11.4%	12.4%	14.0%	12.3%	11.5%	11.1%	11.3%
Assets and liabilities, net	7,183	7,349	6,978	6,969	6,969	7,394	7,527	7,527
Registered number of employees	7,280	7,246	7,354	7,426	7,426	7,425	7,441	7,441

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

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q2 2014	2.0%	0.0%	-0.1%	1.9%
Half year 2014	2.2%	1.1%	-0.7%	2.6%

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

	Q2 2014					YTD 2014				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Regional Sales and Service	+/-	++	++	+/-	+++	+	+	+/-	+/-	+++

#### New business

- 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.

#### Awards

- Premium Supplier Award in the US from Joy Global Underground Mining LLC.
- Supplier of the year Award 2014 from Rolls-Royce Marine.
- Excellent Supplier Award in China from ABB Marine.

#### New products/solutions

- *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 Solution Factory

- 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.

#### Events

- An SKF Life Cycle Management Conference in Buenos Aires, Argentina, which brought together more than 130 customers from 90 companies in the Latin American food and beverage industry.
- SKF held an Asset Management conference in Prague, Czech Republic, which attracted more than 100 customers and provided a platform for sharing experiences of SKF solutions in various industries.

## 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	Q2/14	Half year 2014
Net sales	4,142	4,639	4,316	4,273	17,370	4,462	4,746	9,208
Sales incl. intra-Group sales	4,918	5,471	5,120	5,059	20,568	5,279	5,565	10,844
Operating profit	142	244	267	62	715	200	237	437
Operating margin*	2.9%	4.5%	5.2%	1.2%	3.5%	3.8%	4.3%	4.0%
Operating margin excluding one-time costs	3.7%	5.2%	5.4%	1.7%	4.0%	4.1%	5.4%	4.8%
Assets and liabilities, net	8,175	8,313	8,102	8,089	8,089	8,381	8,648	8,648
Registered number of employees	14,071	14,180	14,231	14,271	14,271	14,174	14,267	14,267

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

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q2 2014	1.3%	0.0%	1.0%	2.3%
Half year 2014	4.5%	0.0%	0.4%	4.9%

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

	Q2 2014				YTD 2014			
	Europe	North America	Latin America	Asia	Europe	North America	Latin America	Asia
Automotive	+/-	+/-	---	+++	+	++	-	+++

### New business

- 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.



### New factory

- The new automotive factory in the campus in Shanghai has started to manufacture hub units for a number of customers including Volvo Cars, Geely and SGM (Shanghai General Motors).

### Awards

- Supplier Certification of Appreciation from Nissan China.
- Quality Gold Award 2013 from Yamaha Motor Company.
- The Qualitas Award from Fiat/Chrysler Argentina. In addition SKF received the Gold 5 star award for consistent outstanding performance.

### New products/solutions

- *Low friction grease for hub bearing units*, which reduce friction by as much as 9%, compared to standard grease. It contributes to lower CO<sub>2</sub> 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 down-sizing 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.

## 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	Q2/14	Half year 2014
Net sales	569	617	618	1,277	3,081	1,431	1,468	2,899
Sales incl. intra-Group sales	1,243	1,365	1,369	2,032	6,009	2,206	2,300	4,506
Operating profit/loss	130	140	155	-30	395	236	274	510
Operating margin *	10.5%	10.3%	11.3%	-1.5%	6.6%	10.7%	11.9%	11.3%
Operating margin excluding one-time costs	10.7%	10.3%	11.3%	11.4%	11.0%	10.7%	12.0%	11.4%
Assets and liabilities, net	1,985	1,985	1,924	11,443	11,443	11,435	11,497	11,497
Registered number of employees	4,154	4,209	4,260	6,498	6,498	6,540	6,521	6,521

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

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure.

Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q2 2014	6.3%	128.3%	3.4%	138.0%
Half year 2014	9.5%	131.1%	4.0%	144.6%

### 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

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.

## Explanations of arrows:

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

## Previous outlook statement:

### 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.

## 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 turboexpanders, enabling Turbogaz to offer units that have lower maintenance requirements.
- 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 Varian's devices that treat cancer using radiation therapy.
- 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.
- 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.
- 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 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!.



- 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.
- 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.

#### **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."

The Board of Directors and the CEO declare that the half-year report gives a fair view of the performance of the business, position and profit or loss of the company and the Group, and describes the principal risks and uncertainties that the company and the companies in the Group face.

Gothenburg, 14 July 2014  
 Aktiebolaget SKF  
 (publ)

Tom Johnstone  
*President and CEO, Board member*

Leif Östling  
*Chairman*

Ulla Litzén  
*Board member*

Lena Treschow Torell  
*Board member*

Peter Grafoner  
*Board member*

Lars Wedenborn  
*Board member*

Joe Loughrey  
*Board member*

Jouko Karvinen  
*Board member*

Baba Kalyani  
*Board member*

Hock Goh  
*Board member*

Marie Bredberg  
*Board member*

Niklas Thoresson  
*Board member*

Kennet Carlsson  
*Board member*

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 July 2014.

**Further information can be obtained from:**

**Ingalill Östman, Group Communications**  
 tel: +46-31-3373260  
 mobile: +46-706-973260  
 e-mail: ingalill.ostman@skf.com

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

## Report of Review of Interim Financial Information

### Introduction

We have reviewed the interim report for AB SKF (publ), reg no 556007-3495, for the period 1 January - 30 June 2014. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 14 July 2014  
PricewaterhouseCoopers AB

Peter Clemedtson  
Authorized Public Accountant  
Lead partner

Bo Karlsson  
Authorized Public Accountant

#### Conference call

15 July at 08.30 (CEST), 07.30 (UK):

SE: +46 8 505 564 74

UK: +44 203 364 5374

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

You will find all information regarding SKF Half-year 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 been reviewed by the company's auditors.

The SKF Nine-month report 2014 will be published on Wednesday, 15 October 2014.

## Enclosure 1

## Condensed consolidated income statements

<i>SEKm</i>	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
Net sales	17,955	16,392	34,689	31,544
Cost of goods sold	-13,334	-12,338	-25,816	-23,835
<b>Gross profit</b>	<b>4,621</b>	4,054	<b>8,873</b>	7,709
Selling and administrative expenses	-2,536	-2,249	-4,919	-4,425
Other operating income/expenses, net	10	32	164	33
Profit from jointly controlled and associated companies	1	0	2	0
<b>Operating profit</b>	<b>2,096</b>	1,837	<b>4,120</b>	3,317
Operating margin, %	11.7	11.2	11.9	10.5
Financial income and expense, net	-335	-210	-572	-453
<b>Profit before taxes</b>	<b>1,761</b>	1,627	<b>3,548</b>	2,864
Taxes	-574	-523	-1,086	-942
<b>Net profit</b>	<b>1,187</b>	1,104	<b>2,462</b>	1,922
<b>Net profit attributable to</b>				
Shareholders of the parent	1,156	1,077	2,394	1,870
Non-controlling interests	31	27	68	52
<b>Key figures</b> ( <i>definitions, see page 18</i> )				
Basic earnings per share, SEK	2.54	2.36	5.26	4.10
Diluted earnings per share, SEK	2.54	2.36	5.26	4.10
Additions to property, plant and equipment	424	373	825	720
Number of employees registered	48,802	46,637	48,802	46,637
Return on capital employed for the 12-month period ended 30 June, %	8.7	13.8	8.7	13.8

## Condensed consolidated statements of comprehensive income

<i>SEKm</i>	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
<b>Net profit</b>	<b>1,187</b>	1,104	<b>2,462</b>	1,922
<b>Items that will not be reclassified to the income statement</b>				
Actuarial gains and losses	-226	726	-720	568
Income taxes	55	-274	208	-252
	-171	452	-512	316
<b>Items that may be reclassified to the income statement</b>				
Exchange differences arising on translation of foreign operations	861	502	684	113
Available-for-sale-assets	43	-11	-2	14
Cash-flow hedges	-8	-24	-15	-75
Income taxes	132	154	122	69
	1,028	621	789	121
<b>Other comprehensive income, net of tax</b>	<b>857</b>	1,073	<b>277</b>	437
<b>Total comprehensive income</b>	<b>2,044</b>	2,177	<b>2,739</b>	2,359
<b>Total comprehensive income attributable to</b>				
Shareholders of AB SKF	1,971	2,174	2,616	2,325
Non-controlling interests	73	3	123	34

## Enclosure 2

## Condensed consolidated balance sheets

<i>SEKm</i>	June 2014	December 2013
Goodwill	11,075	10,717
Other intangible assets	8,700	8,306
Property, plant and equipment	14,341	14,095
Deferred tax assets	2,479	2,015
Other non-current assets	1,617	1,276
<b>Non-current assets</b>	<b>38,212</b>	<b>36,409</b>
Inventories	14,769	13,700
Trade receivables	12,781	11,189
Other current assets	3,798	3,492
Other current financial assets	4,478	6,201
<b>Current assets</b>	<b>35,826</b>	<b>34,582</b>
<b>Total assets</b>	<b>74,038</b>	<b>70,991</b>
<b>Equity attributable to shareholders of AB SKF</b>	<b>20,215</b>	<b>20,100</b>
<b>Equity attributable to non-controlling interests</b>	<b>1,145</b>	<b>1,052</b>
Long-term financial liabilities	22,232	19,698
Provisions for post-employment benefits	10,845	9,902
Provisions for deferred taxes	2,035	2,207
Other long-term liabilities and provisions	1,314	1,291
<b>Non-current liabilities</b>	<b>36,426</b>	<b>33,098</b>
Trade payables	5,716	4,740
Short-term financial liabilities	2,348	1,646
Other short-term liabilities and provisions	8,188	10,355
<b>Current liabilities</b>	<b>16,252</b>	<b>16,741</b>
<b>Total equity and liabilities</b>	<b>74,038</b>	<b>70,991</b>

## Condensed consolidated statements of changes in shareholders' equity

<i>SEKm</i>	Jan-June 2014	Jan-June 2013
Opening balance 1 January	21,152	22,468
Total comprehensive income	2,739	2,359
Cost for performance share programmes, net	3	8
Total cash dividends	-2,534	-2,530
<b>Closing balance</b>	<b>21,360</b>	<b>22,305</b>

## Condensed consolidated statements of cash flow

<i>SEKm</i>	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
<b>Operating activities:</b>				
Operating profit	2,096	1,837	4,120	3,317
Depreciation, amortization and impairment	543	454	1,065	916
Net loss/gain (-) on sales of intangible assets, PPE and businesses	19	-4	13	-3
Taxes	-858	-858	-1,219	-1,285
Other including financial and non-cash items	-347	258	-895	-38
Changes in working capital	-2,221	-76	-3,538	-893
<b>Net cash flow from operations</b>	<b>-768</b>	<b>1,611</b>	<b>-454</b>	<b>2,014</b>
<b>Investing activities:</b>				
Payments for intangible assets, PPE and businesses	-653	-485	-1,247	-1,781
Sales of PPE and businesses	19	21	40	22
<b>Net cash flow used in investing activities</b>	<b>-634</b>	<b>-464</b>	<b>-1,207</b>	<b>-1,759</b>
<b>Net cash flow after investments before financing</b>	<b>-1,402</b>	<b>1,147</b>	<b>-1,661</b>	<b>255</b>
<b>Financing activities:</b>				
Change in short- and long-term loans	1,478	837	2,348	790
Change in finance lease liabilities	-2	-2	-6	-4
Cash dividends	-2,530	-2,530	-2,534	-2,530
Investments in short-term financial assets	-143	-24	-228	-64
Sales of short-term financial assets	63	75	124	202
<b>Net cash flow used in financing activities</b>	<b>-1,134</b>	<b>-1,644</b>	<b>-296</b>	<b>-1,606</b>
<b>Net cash flow</b>	<b>-2,536</b>	<b>-497</b>	<b>-1,957</b>	<b>-1,351</b>
<b>Change in cash and cash equivalents:</b>				
Cash and cash equivalents at 1 April/1 January	5,902	7,348	5,369	8,244
Cash effect excl. acquired/sold businesses	-2,536	-497	-1,957	-1,521
Cash effect of acquired/sold businesses	0	0	0	170
Exchange rate effect	15	81	-31	39
<b>Cash and cash equivalents at 30 June</b>	<b>3,381</b>	<b>6,932</b>	<b>3,381</b>	<b>6,932</b>

## Change in net interest-bearing liabilities

	Closing balance 30 June 2014	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2014
Loans, long- and short-term	23,972	2,348	0	-39	789	20,874
Post-employment benefits, net	10,754	-462	0	1,139	262	9,815
Financial assets, others	-1,355	-104	0	-7	-41	-1,203
Cash and cash equivalents	-3,381	1,957	0	0	31	-5,369
<b>Net interest-bearing liabilities</b>	<b>29,990</b>	<b>3,739</b>	<b>0</b>	<b>1,093</b>	<b>1,041</b>	<b>24,117</b>

## Number of shares

	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
Total number of shares	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	38,558,266	39,970,300	38,558,266	39,970,300
- whereof B shares	416,792,802	415,380,768	416,792,802	415,380,768
Total number of diluted shares outstanding	455,351,068	455,351,068	455,306,290	455,317,068
Total weighted average number of diluted shares	455,351,068	455,351,068	455,306,290	455,317,068

## 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	Q2/14	Half year 2014
Net sales	15,152	16,392	15,623	16,430	63,597	16,734	17,955	34,689
Cost of goods sold	-11,497	-12,338	-11,523	-12,567	-47,925	-12,482	-13,334	-25,816
<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>	<b>4,621</b>	<b>8,873</b>
Gross margin, %	24.1	24.7	26.2	23.5	24.6	25.4	25.7	25.6
Selling and administrative expenses	-2,176	-2,249	-2,116	-2,327	-8,868	-2,383	-2,536	-4,919
- as % of sales	14.4	13.7	13.5	14.2	13.9	14.2	14.1	14.2
Other operating income/expenses, net	1	32	-62	-3,084	-3,113	154	10	164
Profit from jointly controlled and associated companies	0	0	1	1	2	1	1	2
<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>	<b>2,096</b>	<b>4,120</b>
Operating margin, %	9.8	11.2	12.3	-9.4	5.8	12.1	11.7	11.9
Operating margin excl. one-time items, %	11.4	12.4	12.9	11.0	11.9	11.4	12.3	11.9
Financial income and expense, net	-243	-210	-206	-213	-872	-237	-335	-572
<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>	<b>1,761</b>	<b>3,548</b>
Profit margin before taxes, %	8.2	9.9	11.0	-10.7	4.4	10.7	9.8	10.2
Taxes	-419	-523	-552	-283	-1,777	-512	-574	-1,086
<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>1,187</b>	<b>2,462</b>
<b>Net profit/loss attributable to</b>								
Shareholders of the parent	793	1,077	1,123	-2,081	912	1,238	1,156	2,394
Non-controlling interests	25	27	42	38	132	37	31	68

## Reconciliation to profit before tax for the Group

<i>SEKm</i>	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Half year 2014
Operating profit/loss:								
SKF Industrial Market, Strategic Industries	558	746	744	555	2,603	736	899	1,635
SKF Industrial Market, Regional Sales and Service	650	707	757	866	2,980	702	686	1,388
SKF Automotive	142	244	267	62	715	200	237	437
Specialty Business	130	140	155	-30	395	236	274	510
Unallocated Group activities and adjustments, net	0	0	0	-3,000	-3,000	150	0	150
Financial net	-243	-210	-206	-213	-872	-237	-335	-572
<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>	<b>1,761</b>	<b>3,548</b>

Previously published amounts for 2013 have been restated in Q1 2014 to reflect the Group's organization structure. Additionally the business areas' operating profit has been restated to include previously reported reconciling items to the Group's operating profit.

## Key figures (definitions, see page 18)

	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013	Q1/14	Q2/14	Half year 2014
Operating profit/loss excluding amortization, SEKm	1,540	1,903	1,991	-1,436	3,998	2,140	2,213	4,353
Basic earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72	2.54	5.26
Diluted earnings per share, SEK	1.74	2.36	2.47	-4.57	2.00	2.72	2.54	5.26
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	8.7
Gearing, %	52.3	53.9	52.3	59.2	59.2	59.5	61.9	61.9
Equity/assets ratio, %	36.1	34.8	36.4	29.8	29.8	29.9	28.8	28.8
Net worth per share, SEK	47	46	48	44	44	46	44	44
Additions to property, plant and equipment, SEKm	347	373	437	589	1,746	401	424	825
Registered number of employees	46,728	46,637	46,187	48,401	48,401	48,614	48,802	48,802

## Enclosure 5

## Parent company condensed income statements

<i>SEKm</i>	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
Revenue	1,330	1,050	2,572	1,996
Cost of revenue	-1,342	-1,291	-2,628	-2,482
General management and administrative expenses	-323	-292	-597	-514
Other operating income/expenses, net	21	-1	192	0
<b>Operating loss</b>	<b>-314</b>	<b>-534</b>	<b>-461</b>	<b>-1,000</b>
Financial income and expenses, net	1,136	5,641	1,046	5,533
<b>Profit before taxes</b>	<b>822</b>	<b>5,107</b>	<b>585</b>	<b>4,533</b>
Taxes	105	139	195	263
<b>Net profit</b>	<b>927</b>	<b>5,246</b>	<b>780</b>	<b>4,796</b>

## Parent company condensed statements of comprehensive income

<i>SEKm</i>	April-June 2014	April-June 2013	Jan-June 2014	Jan-June 2013
<b>Net profit</b>	<b>927</b>	<b>5,246</b>	<b>780</b>	<b>4,796</b>
<b>Items that may be reclassified to the income statement</b>				
Available-for-sale assets	43	-11	-2	14
<b>Other comprehensive income, net of tax</b>	<b>43</b>	<b>-11</b>	<b>-2</b>	<b>14</b>
<b>Total comprehensive income</b>	<b>970</b>	<b>5,235</b>	<b>778</b>	<b>4,810</b>

## Parent company condensed balance sheets

<i>SEKm</i>	June 2014	December 2013
Intangible assets	1,521	1,206
Investments in subsidiaries	33,258	32,964
Receivables from subsidiaries	21,573	19,276
Other non-current assets	665	640
<b>Non-current assets</b>	<b>57,017</b>	<b>54,086</b>
Receivables from subsidiaries	3,221	2,886
Other receivables	104	153
<b>Current assets</b>	<b>3,325</b>	<b>3,039</b>
<b>Total assets</b>	<b>60,342</b>	<b>57,125</b>
<b>Shareholders' equity</b>	<b>12,825</b>	<b>14,569</b>
Untaxed reserves	280	280
Provisions	435	3,295
<b>Non-current liabilities</b>	<b>21,697</b>	<b>19,408</b>
<b>Current liabilities</b>	<b>25,105</b>	<b>19,573</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>60,342</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)*