

SKF Half-year report 2015

"Demand in the quarter was largely in line with guidance, with reported sales in local currency declining with 1.5 percent, excluding structural change. We saw a good growth in railways except for China and in energy except for Europe. A weaker demand was seen in heavy industry and the distributor segment in North America as well as an underlying weaker demand in China. The automotive business in North America was also slow during the quarter.

The operating margin increased to 12.9 percent excluding one-time items and the balance sheet strengthened during the quarter. The cost-reduction programme progressed well and at the end of the quarter agreements have been reached covering 60 percent of the concerned individuals.

Within the Automotive Market a profit improvement programme was launched. A number of activities were initiated with the aim to improve productivity and the competitiveness of the business. The structure has been simplified and focused initiatives are being carried out through the value-chain.

In line with our ambition to focus efforts and resources on bearings, our main business and to strengthen our balance sheet, we have divested three non-core businesses: Erin Engineering and Research Inc., Purafil, and Kaydon Custom Filtration with a total consideration close to SEK 1 000 million on a cash-free and debt-free basis.

During the first-half year we saw a weak development of the global industrial production. Lately the uncertainty regarding the market demand in China has increased further. Entering the third quarter we all in all experience a relatively weak industrial production. Looking forward we expect demand to be sequentially slightly lower and relatively unchanged year-over-year."



Alrik Danielson,
President and CEO

Key figures

	Q2 2015	Q2 2014	YTD 2015	YTD 2014
Net sales, SEKm	19 961	17 955	39 415	34 689
Operating profit, SEKm	2 383	2 096	4 104	4 120
Operating margin, %	11.9	11.7	10.4	11.9
One-time items, SEKm	-194	-119	-849	-2
Operating profit excluding one-time items, SEKm	2 577	2 215	4 953	4 122
Operating margin excl. one-time items %	12.9	12.3	12.6	11.9
Profit before taxes, SEKm	2 241	1 761	3 833	3 548
Net profit, SEKm	1 706	1 187	2 871	2 462
Basic earnings per share, SEK	3.65	2.54	6.11	5.26
Net cash flow after investments before financing	1 654	-1 402	2 642	-1 465

Operating profit in Q2 included one-time items of -194 million (-119), whereof -224 million (-98) related to the ongoing cost-reduction programme and the remainder +30 million included profit on sold businesses as well as impairment and write-off of assets. In Q2 2014, the cash flow after investments before financing excluding the EU payment was +1 423 million.

Key figures

	30 June 2015	31 March 2015	30 June 2014
Net working capital, % of annual sales	30.9	32.1	32.7
ROCE for the 12-month period, %	12.6	12.6	8.7
Net debt/equity, %	113.4	122.2	143.7
Net debt/EBITDA	2.8	3.2	4.7

Net sales change y-o-y, %:

	Organic	Structure	Currency	Total
Q2 2015	-1.5	-0.2	12.9	11.2
YTD	-0.2	-0.1	13.9	13.6

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

	Europe	North America	Latin America	Asia	Middle East & Africa
Q2 2015	0.7	-5.7	4.6	-3.7	15.7
YTD	0.8	-4.1	1.5	0.6	15.0

Outlook for the third quarter 2015

Demand compared to the third quarter 2014

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

Demand compared to the second quarter 2015

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

Sales

Business Areas	Q2				YTD			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
Net sales, change y-o-y,%								
Industrial Market	-2.5	-0.3	12.6	9.8	-0.6	-0.2	13.8	13.0
Automotive Market	0	0	10.3	10.3	0.3	0	11.7	12.0
Specialty Business	1.0	0	18.6	19.6	0.8	0	19.3	20.1

Business Areas	Q2					YTD				
	North Europe	North America	Latin America	Asia	Middle East & Africa	North Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial Market	+/-	--	+	--	+++	+/-	-	+	+/-	+++
Automotive Market	+	--	--	+/-	+++	+	-	---	+	+++
Specialty Business	+/-	-	+++	--	++	+/-	+/-	--	+/-	---

Customer Industries (definitions, see last page)	Q2					YTD				
	North Europe	North America	Latin America	Asia	Middle East & Africa	North Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial distribution	+	--	+/-	--	+	+/-	--	+/-	+/-	++
Industrial, general	+/-	+/-	--	--	--	+/-	++	--	--	--
Industrial, heavy, special and off-highway	+	---	--	---	+	+/-	--	--	--	+
Energy	---	+	+++	+++	---	---	+++	+++	+++	---
Aerospace	-	++	--	+/-	---	+/-	+	--	+/-	---
Railway	+++	++	--	---	---	+++	--	--	---	---
Cars and light trucks	++	---	---	+	---	++	--	---	---	+++
Vehicle service market	+	--	+++	--	+++	+/-	-	+++	-	+++
Trucks	++	-	--	++	---	+	-	--	++	---
Two-wheelers and electrical	--	+/-	+++	---	---	--	++	++	---	---

Comments on organic sales in local currencies in Q2, compared to Q1 2015, excl. seasonal pattern

- Europe
 - Industrial: Overall sales were fairly stable. Sales to the energy sector was weaker and sales to the aerospace sector softened due to the weak oil market.
 - Automotive: Sales followed the overall market development with relatively good demand from customers in the car and light truck industry, the heavy truck industry, and the vehicle service market.
- North America
 - Industrial: Overall sales improved although, as in the previous quarter, there were still direct and indirect effects of lower activity in mining, farm & forestry and oil & gas and the pre-buy in industrial distribution in Q4 2014. Sales to the aerospace sector softened due to the weak oil market.
 - Automotive: Sales weakened to cars and light trucks and the vehicle service market.
- Asia
 - Industrial: Overall sales were weaker. In China, sales improved to the energy sector but weakened in heavy industries such as metals, mining, and construction and in railways. In India sales improved in railways.
 - Automotive: Sales to cars, light trucks, and heavy trucks in China improved with new business in particular from local customers such as Great Wall and Geely, but also from international customers. Sales to the vehicle service market weakened somewhat. In India overall sales weakened. Sales to two-wheelers in Asia weakened, in particular in Indonesia.
- Latin America
 - Industrial: Overall sales improved, mainly due to strong sales in Argentina.
 - Automotive: Sales to cars and light trucks weakened. This was particularly true in Brazil and was due to the overall demand situation in the country. Sales to the vehicle service market improved.
- In summary, at a Group level, sales were broadly in line with the outlook for the quarter.

Operating results

- Operating profit in the second quarter included one-time items of -194 million (-119), whereof -224 million (-98) related to the ongoing cost-reduction programme and a net of +30 million related to profits on sold businesses, impairments, and write-off of assets. The expenses for the cost-reduction programme related primarily to activities in Germany, Italy, Sweden, the UK, and the USA, covering 270 people with expected annual savings of around 170 million when fully implemented. For the first half year, one-time items amounted to -849 million (-2) whereof -761 million related to the ongoing cost-reduction programme and the remaining -88 million related to profits on sold businesses, impairments, and write-off of assets. One-time items in 2014 related to previous restructuring programmes as well as currency exchange losses in Latin America.
- The financial net in the second quarter was -142 million (-335), where financial net in 2014 included a one-time item of -100 million related to currency exchange losses in Latin America. The financial net for the first half year amounted to -271 million (-572) and included a realised gain of +80 million relating to the sale of equity securities.
- The effective tax rate for the second quarter was 23.9% (32.5%) reflecting positive tax effects mainly coming from non-taxable currency translation gains.
- Cash flow after investments before financing for the second quarter was +1 654 million (-1 402) and was for the first half year +2 642 million (-1 465), both positively impacted by some +980 million in proceeds from the divested businesses Erin Engineering and Research Inc., Purafil, and Kaydon Customs Filtration businesses in the US. In the second quarter 2014 the cash flow after investments and before financing, excluding the EU payment, was +1 423 million. In the second quarter 2015, net cash flow used in financing activities was affected by -110 million related to derivatives on external financing, and for the half year corresponding amount was -935 million (-196).
- Net working capital in percent of annual sales was 30.9% in the second quarter compared to 32.1% in the first quarter. Currency exchange rates impacted positively.
- Provision for post-employment benefits changed by -2 873 million (+226) in the second quarter and by -1 470 million (+720) since December 2014 due to increasing discount rates primarily in Germany and in the US.
- Changes in currency rates, primarily USD, affected Shareholders' equity with -934 million (+861) in the second quarter and with +336 million (+684) since December 2014.

Operating profit bridge, SEKm	Q2	YTD
2014	2 096	4 120
One-time items at 2014 exchange rates	-80	-780
Organic sales in local currencies	-140	-20
Currency impact	+650	+1 100
Savings from the cost-reduction programme	+80	+80
Other impacts	-223	-396
2015	2 383	4 104

-One-time items in the second quarter amounted to -194 million (-119). For the first half year the one-time items amounted to -849 million (-2). The difference year-over-year amounted to -75 million and -847 million for the second quarter and for the first half year respectively. Recalculated to 2014 exchange rates, the difference year-over-year for the second quarter and the first half year, amounted to around -80 million and -780 million respectively.

-Organic sales growth contributed negatively with around -140 million for the second quarter and -20 million for the first half year.

-Currency impact compared to last year's currency exchange rates, was positive by around 650 million in the second quarter and by around 1 100 million in the first half year, mainly due to the stronger USD.

-Savings from the ongoing cost-reduction programmes were around 80 million in the second quarter as well as in the first half year. Since December 2014 around 800 people have left the Group.

-Other impacts included general inflation, manufacturing and purchasing impacts, IT project and R&D. Manufacturing volumes were lower in the second quarter compared to last year and unchanged for the first half year.

Business Areas

SEKm unless otherwise stated

Industrial Market	Q2/15	Q2/14	YTD 2015	YTD 2014
Net sales	11 832	10 771	23 397	20 704
Operating profit	1 812	1 516	3 148	2 920
Operating margin, %	15.3	14.1	13.5	14.1
One-time items	3	-54	-455	-69
Operating profit excl. one-time items	1 809	1 570	3 603	2 989
Operating margin excl. one-time items, %	15.3	14.6	15.4	14.4
Automotive Market	Q2/15	Q2/14	YTD 2015	YTD 2014
Net sales	5 235	4 746	10 309	9 208
Operating profit	279	252	389	474
Operating margin, %	5.3	5.3	3.8	5.1
One-time items	-92	-63	-248	-77
Operating profit excl. one-time items	371	315	637	551
Operating margin excl. one-time items, %	7.1	6.6	6.2	6.0
Specialty Business	Q2/15	Q2/14	YTD 2015	YTD 2014
Net sales	2 779	2 323	5 479	4 560
Operating profit	292	328	567	576
Operating margin, %	10.5	14.1	10.4	12.6
One-time items	-105	-2	-146	-6
Operating profit excl. one-time items	397	330	713	582
Operating margin excl. one-time items, %	14.3	14.2	13.0	12.8

Guidance Q3 2015:

- Financial net: 230 million
- Currency impact on operating profit: 450 million, based on exchange rates June 30.

Guidance 2015:

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

Sensitivity analysis on currency impact, from annual report 2014

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

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

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

Highlights

- SKF signed a long-term agreement with United Technologies Corporation (UTC) for the supply of a range of bearings and components to UTC's aerospace business. The agreement encompasses the delivery of engine bearings to Pratt & Whitney, a UTC division, to be used in their Next Generation Product Family geared turbofan engines.



- SKF signed an agreement with a leading Indian wind turbine manufacturer, ReGen Powertech to supply pitch and yaw bearing sets and mainshaft bearings for the company's 1.5MW wind turbines. The bearings will be manufactured at SKF's manufacturing facility at Ahmedabad.

- SKF signed a three-year agreement with PT. Kereta Api Indonesia, Indonesia's state-owned railway operator, for the supply of tapered roller bearing units. The units will be produced at SKF's factory in Nankou, China, with deliveries to start in Q3, 2015.



- SKF started delivering on a new global service agreement with Floatel International AB, Sweden. This agreement includes condition monitoring equipment and condition based maintenance services to offshore platforms in Australia, Brazil and the North Sea. All the thrusters on the platforms, in total 6 per platform, are equipped with SKF Multilog IMx-M, which is a sophisticated online system for monitoring complex rotating machinery. By extending the maintenance interval from five to seven years, the company will be in a better position to plan dockyard visits and will have greater flexibility in serving their customers.

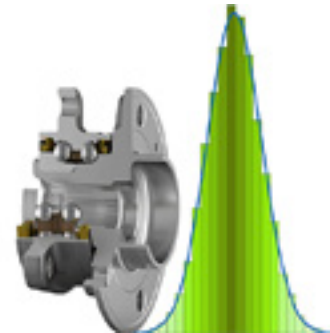
- SKF introduced a smaller version of the shaft alignment tool that it launched earlier in the year. The tool, TKSA31, is designed to make shaft alignment easy and intuitive.



- SKF is ramping up the supply to Volkswagen with wheel hub and MacPherson suspension bearing units for the Golf VII, produced in Puebla, Mexico. SKF already supplies bearing units for the Golf VII across Europe and Asia.



- SKF launched an upgraded version of its third generation hub bearing unit, designed to reduce preload, friction and CO2 emissions. This new unit is ideal for use in cars and vans.



- Awards from SKF distributors:
 - 'Supplier of the Year' awards from Motion Industries in Canada and in the Southeast and Midwest regions of the USA.
 - 'Supplier of the Year in Transmission and Technics 2014' from Imes Dexis, a Benelux-based maintenance, repair and operational support company.
- 'Best Supplier Award Year 2014' from Shanghai Hanbell Precise Machinery Co.
- 'Best Supplier Award' from SAGW (Shanghai Automobile Gear Works), a leading automotive transmission system manufacturer in China.
- 'Best Plant' awards from the PSA Group, for SKF's plants at St Cyr, France and Tudela, Spain.



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- SKF completed the divestment of:
 - Erin Engineering and Research Inc. to Jensen Hughes, a US-based engineering consultancy. The total purchase price was around USD 28 million on a cash-free and debt-free basis. Erin Engineering is a consulting firm specializing in security and maintenance services in the nuclear sector. Sales amounted to around USD 30 million in 2014.
 - Two filtration businesses, Purafil and Kaydon Custom Filtration, to Filtration Group Corporation, an affiliate of Madison Industries. The total consideration for the divestment is a fixed payment of USD 90 million on a cash-free and debt-free basis, and an earn-out of up to USD 5 million, based on achievement of certain financial targets by the end of 2015. Purafil and Kaydon Custom Filtration had combined sales of approximately USD 40 million in 2014.

Previous outlook statement:

Demand compared to the second quarter 2014

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

Demand compared to the first quarter 2015

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

Manufacturing

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

Highlights in the previous quarter

In Q1

- Construction of a large-size bearing test centre in Schweinfurt, Germany. The investment, which totals SEK 360 million is being supported by both the German Government and State of Bavaria, who are contributing SEK 28 million in funding. The test centre will have two LSB test rigs; one for testing of bearings used in wind turbines and one for applications across a wider scope of industries, including marine, mining, construction and steel. Construction of the bearing test centre will commence during the summer of 2015 and is expected to be completed during the first half of 2017.
- SKF announced it will be investing SEK 190 million to modernize channels for the manufacturing of spherical roller bearings at its factory in Gothenburg. More modern manufacturing processes, including intelligent grinding, which enables reduced set-up times and improved production efficiency, will be combined with SKF's own condition monitoring and mobile connectivity solutions. The investment is expected to be completed by the end of 2016.

Accounting principles

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The SKF Group applies the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report. No new or amended IFRS effective 2015 had any significant impact on the Group. However, the following restatements and reclassifications have been made as from 1 Jan 2015.

Restatement of Business area:

From January 2015 SKF operates through three business areas, Industrial Market, Automotive Market, and Specialty Business. The figures for 2013 and 2014 have been restated to conform to the new structure. See investors.skf.com.

Statement of cash flow:

The Group utilizes derivatives to manage risks related to external loans. Cash flow from such derivatives are now classified as cash flow from financing activities. Previously these were included as cash flow from operations. The complete restatement of the cash flow for years 2010 - 2014 can be found on investors.skf.com.

Balance sheet:

Derivatives amounting to some SEK 1 900 million have been reclassified in the balance sheet at 31 Dec 2014 from short-term financial liabilities to long-term financial liabilities.

Risks and uncertainties in the business

The SKF Group operates in many different industrial, automotive and geographical segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets and natural disasters, could have a negative effect on the demand for the Group's products and services. There are also political and regulatory risks associated with the wide geographical presence. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations. The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the USD and to USD-related currencies. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries. SKF and other companies in the bearing industry are part of investigations by the U.S. Department of Justice and the Korea Fair Trade Commission regarding a possible violation of antitrust rules. In October 2014, an investigation against bearing manufacturers, including SKF, was launched in Brazil by the General Superintendence of the Administrative Council for Economic Defense regarding an alleged violation of antitrust rules. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers.

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest annual report (available on investors.skf.com) under the Administration Report; "Important factors influencing the financial results", "Financial risks" and "Sensitivity analysis", and in this full-year report under "Risks and uncertainties in the business."

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 2015
Aktiebolaget SKF
(publ)

Alrik Danielson
President and CEO, Board member

Leif Östling
Chairman

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

Nancy Gougarty
Board member

Jonny Hilbert
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 2015.

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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 2015. The board of directors and the President and 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 2015
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead partner

Bo Karlsson
Authorized Public Accountant

Conference call

15 July at 09.00 (CET), 08.00 (UK),

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

You will find all information regarding SKF half-year results 2015 on:

investors.skf.com/quarterlyreporting

Calendar

16 October, nine-month report 2015

4 November, Capital Markets Day in Gothenburg

2 February 2016, year-end report 2015

Enclosures:**Financial statements**

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

Condensed consolidated income statements**Enclosure 1**

SEKm unless otherwise stated.	April-June 2015	April-June 2014	Jan-June 2015	Jan-June 2014
Net sales	19 961	17 955	39 415	34 689
Cost of goods sold	-14 768	-13 334	-29 420	-25 816
Gross profit	5 193	4 621	9 995	8 873
Selling and administrative expenses	-2 910	-2 536	-6 031	-4 919
Other operating income/expenses, net	98	10	138	164
Profit/loss from associated companies	2	1	2	2
Operating profit	2 383	2 096	4 104	4 120
Operating margin, %	11.9	11.7	10.4	11.9
Financial income and expense, net	-142	-335	-271	-572
Profit before taxes	2 241	1 761	3 833	3 548
Taxes	-535	-574	-962	-1 086
Net profit	1 706	1 187	2 871	2 462
Net profit attributable to				
Shareholders of the parent	1 662	1 156	2 782	2 394
Non-controlling interests	44	31	89	68

Condensed consolidated statements of comprehensive income

SEKm	April-June 2015	April-June 2014	Jan-June 2015	Jan-June 2014
Net profit	1 706	1 187	2 871	2 462
Items that will not be reclassified to the income statement				
Remeasurements	2 873	-226	1 470	-720
Income taxes	-889	55	-489	208
	1 984	-171	981	-512
Items that may be reclassified to the income statement				
Exchange differences arising on translation of foreign operations	-935	861	335	684
Available-for-sale assets	261	43	254	-2
Cash-flow hedges	24	-8	48	-15
Income taxes	-450	132	-351	122
	-1 100	1 028	286	789
Other comprehensive income, net of tax	884	857	1 267	277
Total comprehensive income	2 590	2 044	4 138	2 739
Shareholders of AB SKF	2 641	1 971	3 996	2 616
Non-controlling interests	-51	73	142	123

Condensed consolidated balance sheets**Enclosure 2**

SEKm	June 2015	December 2014*
Goodwill	12 114	12 233
Other intangible assets	9 747	9 905
Property, plant and equipment	15 577	15 482
Deferred tax assets	3 280	3 350
Other non-current assets	1 629	1 862
Non-current assets	42 347	42 832
Inventories	15 939	15 066
Trade receivables	14 021	12 595
Other current assets	3 392	3 705
Other current financial assets	5 061	7 441
Current assets	38 413	38 807
Total assets	80 760	81 639
Equity attributable to shareholders of AB SKF	24 596	23 089
Equity attributable to non-controlling interests	1 441	1 315
Long-term financial liabilities	22 933	24 077
Provisions for post-employment benefits	12 737	13 978
Provisions for deferred taxes	1 656	1 717
Other long-term liabilities and provisions	1 255	1 361
Non-current liabilities	38 581	41 133
Trade payables	6 552	5 938
Short-term financial liabilities	660	2 028
Other short-term liabilities and provisions	8 930	8 136
Current liabilities	16 142	16 102
Total equity and liabilities	80 760	81 639

Condensed consolidated statements of changes in shareholders' equity

SEKm	Jan-Jun 2015	Jan-Jun 2014
Opening balance 1 January	24 404	21 152
Total comprehensive income	4 138	2 739
Cost for performance share programmes, net	22	3
Other, including transactions with non-controlling interests	40	0
Total cash dividends	-2 567	-2 534
Closing balance	26 037	21 360

*Reclassification from previously published report. See page 7.

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

SEKm	April-June 2015	April-June 2014	Jan-Jun 2015	Jan-Jun 2014*
Operating activities:				
Operating profit	2 383	2 096	4 104	4 120
Depreciation, amortization and impairment	721	543	1 323	1 065
Net loss/gain (-) on sales of intangible assets, PPE and businesses	-179	19	-181	13
Taxes	-808	-858	-1 129	-1 219
Other including non-cash items	-588	-347	-395	-699
Changes in working capital	-295	-2 221	-1 084	-3 538
Net cash flow from operations	1 234	-768	2 638	-258
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-620	-653	-1 187	-1 247
Sales of PPE, businesses, and equity securities	1 040	19	1 191	40
Net cash flow used in investing activities	420	-634	4	-1 207
Net cash flow after investments before financing	1 654	-1 402	2 642	-1 465
Financing activities:				
Change in short- and long-term loans	-934	1 478	-930	2 348
Other financial items	-109	-2	-931	-202
Cash dividends	-2 567	-2 530	-2 567	-2 534
Investments in short-term financial assets	-190	-143	-321	-228
Sales of short-term financial assets	56	63	132	124
Net cash flow used in financing activities	-3 744	-1 134	-4 617	-492
Net cash flow	-2 090	-2 536	-1 975	-1 957
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 April /1 January	6 248	5 902	5 920	5 369
Cash effect excl. acquired/sold businesses	-2 090	-2 536	-1 993	-1 957
Cash effect of acquired/sold businesses	0	0	18	0
Exchange rate effect	-64	15	149	-31
Cash and cash equivalents at 30 June	4 094	3 381	4 094	3 381

Change in net debt	Closing balance 30 June 2015	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2015
Loans, long- and short-term	21 598	-930	0	-24	-836	23 388
Post-employment benefits, net	12 698	-408	0	-885	49	13 942
Financial assets, others	-688	-128	0	-22	-20	-518
Cash and cash equivalents	-4 094	1 993	-18	0	-149	-5 920
Net debt	29 514	527	-18	-931	-956	30 892

Number of shares

	April-June 2015	April-June 2014	Jan-June 2015	Jan-June 2014
Total number of shares:	455 351 068	455 351 068	455 351 068	455 351 068
- whereof A shares	36 698 533	38 558 266	36 698 533	38 558 266
- whereof B shares	418 652 535	416 792 802	418 652 535	416 792 802
Weighted average number of shares in:				
- basic earnings per share	455 351 068	455 351 068	455 351 068	455 306 290
- diluted earnings per share	455 351 068	455 351 068	455 351 068	455 306 290

*Reclassification from previously published report. See page 7.

Condensed consolidated financial information - quarterly and yearly figures

Enclosure 4

SEKm unless otherwise stated.	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	YTD 2015
Net sales	16 734	17 955	17 787	18 499	70 975	19 454	19 961	39 415
Cost of goods sold	-12 482	-13 334	-13 225	-14 187	-53 228	-14 652	-14 768	-29 420
Gross profit	4 252	4 621	4 562	4 312	17 747	4 802	5 193	9 995
Gross margin, %	25.4	25.7	25.6	23.3	25.0	24.7	26.0	25.4
Selling and administrative expenses	-2 383	-2 536	-2 495	-2 655	-10 069	-3 121	-2 910	-6 031
- as % of sales	14.2	14.1	14.0	14.4	14.2	16.0	14.6	15.3
Other operating income/expenses incl. profit from associated companies	155	11	6	-49	123	40	100	140
Operating profit	2 024	2 096	2 073	1 608	7 801	1 721	2 383	4 104
Operating margin, %	12.1	11.7	11.7	8.7	11.0	8.8	11.9	10.4
One-time items	117	-119	-19	-469	-490	-655	-194	-849
Operating profit excl. one-time items	1 907	2 215	2 092	2 077	8 291	2 376	2 577	4 953
Operating margin excl. one-time items, %	11.4	12.3	11.8	11.2	11.7	12.2	12.9	12.6
Financial income and expense, net	-237	-335	-246	-315	-1 133	-129	-142	-271
Profit before taxes	1 787	1 761	1 827	1 293	6 668	1 592	2 241	3 833
Profit margin before taxes, %	10.7	9.8	10.3	7.0	9.4	8.2	11.2	9.7
Taxes	-512	-574	-420	-412	-1 918	-427	-535	-962
Net profit	1 275	1 187	1 407	881	4 750	1 165	1 706	2 871
Net profit attributable to Shareholders of the parent	1 238	1 156	1 370	836	4 600	1 120	1 662	2 782
Non-controlling interests	37	31	37	45	150	45	44	89

Reconciliation to profit before tax for the Group

SEKm	Q1/14*	Q2/14*	Q3/14*	Q4/14*	2014*	Q1/15	Q2/15	YTD 2015
Operating profit:								
Industrial Market*	1 404	1 516	1 558	1 532	6 010	1 336	1 812	3 148
Automotive Market*	222	252	197	-100	571	110	279	389
Specialty Business*	248	328	318	176	1 070	275	292	567
Unallocated group items	150	0	0	0	150	0	0	0
Financial net	-237	-335	-246	-315	-1 133	-129	-142	-271
Profit before tax for the Group	1 787	1 761	1 827	1 293	6 668	1 592	2 241	3 833

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

Key figures (definitions, see last page)

	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	YTD 2015
EBITA, SEKm	2 140	2 213	2 195	1 741	8 289	1 860	2 522	4 382
EBITDA, SEKm	2 545	2 639	2 630	2 378	10 192	2 323	3 104	5 427
Basic earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	6.11
Diluted earnings per share, SEK	2.72	2.54	3.01	1.84	10.10	2.46	3.65	6.11
Dividend per share, SEK	-	5.50	-	-	5.50	-	5.50	5.50
NWC, % of annual sales	32.8	32.7	32.4	30.6	30.6	32.1	30.9	30.9
ROCE for the 12-month period, %	8.4	8.7	8.5	13.9	13.9	12.6	12.6	12.6
ROE for the 12-month period, %	6.7	7.2	8.3	21.4	21.4	19.9	21.2	21.2
Gearing, %	59.5	61.9	60.6	60.5	60.5	59.7	56.8	56.8
Equity/assets ratio, %	29.9	28.8	29.6	29.9	29.9	29.9	32.2	32.2
Net worth per share, SEK	46	44	48	51	51	54	54	54
Additions to property, plant and equipment, SEKm	401	424	529	498	1 852	433	576	1 009
Net debt/equity, %	117.6	143.7	132.5	126.6	126.6	122.2	113.4	113.4
Net debt, SEKm	25 688	30 705	30 442	30 892	30 892	31 739	29 514	29 514
Registered number of employees	48 614	48 802	48 865	48 593	48 593	48 356	47 579	47 579

Business Areas - quarterly and yearly figures*

Amounts in SEKm unless otherwise stated

Enclosure 5

Industrial Market	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	YTD 2015
Net sales	9 933	10 771	10 756	11 308	42 768	11 565	11 832	23 397
Operating profit	1 404	1 516	1 558	1 532	6 010	1 336	1 812	3 148
Operating margin, %	14.1	14.1	14.5	13.5	14.1	11.6	15.3	13.5
One-time items	-15	-54	-8	-126	-203	-458	3	-455
Operating profit excl. one-time items	1 419	1 570	1 566	1 658	6 213	1 794	1 809	3 603
Operating margin excl. one-time items, %	14.3	14.6	14.6	14.7	14.5	15.5	15.3	15.4
Assets and liabilities, net	25 191	25 657	26 045	26 679	26 679	28 542	27 704	27 704
Registered number of employees	22 544	22 644	22 700	22 617	22 617	22 367	21 856	21 856

Automotive Market	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	YTD 2015
Net sales	4 462	4 746	4 522	4 600	18 330	5 074	5 235	10 309
Operating profit	222	252	197	-100	571	110	279	389
Operating margin, %	5.0	5.3	4.4	-2.2	3.1	2.2	5.3	3.8
One-time items	-14	-63	-9	-170	-256	-156	-92	-248
Operating profit excl. one-time items	236	315	206	70	827	266	371	637
Operating margin excl. one-time items, %	5.3	6.6	4.6	1.5	4.5	5.2	7.1	6.2
Assets and liabilities, net	8 313	8 586	8 847	8 705	8 705	9 186	9 318	9 318
Registered number of employees	14 046	14 139	14 120	13 952	13 952	13 957	13 790	13 790

Specialty Business	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	YTD 2015
Net sales	2 237	2 323	2 397	2 469	9 426	2 700	2 779	5 479
Operating profit	248	328	318	176	1 070	275	292	567
Operating margin, %	11.1	14.1	13.3	7.1	11.4	10.2	10.5	10.4
One-time items	-4	-2	-2	-173	-181	-41	-105	-146
Operating profit excl. one-time items	252	330	320	349	1 251	316	397	713
Operating margin excl. one-time items, %	11.3	14.2	13.4	14.1	13.3	11.7	14.3	13.0
Assets and liabilities, net	14 689	14 981	15 843	16 578	16 578	17 920	16 364	16 364
Registered number of employees	8 872	8 821	8 778	8 719	8 719	8 627	8 547	8 547

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

Enclosure 6

Parent company condensed income statements

SEKm	April-June 2015	April-June 2014	Jan-June 2015	Jan-June 2014
Revenue	1 651	1 330	3 303	2 572
Cost of revenue	-1 314	-1 342	-2 705	-2 628
General management and administrative expenses	-404	-323	-779	-597
Other operating income/expenses, net	2	21	-4	192
Operating profit/loss	-65	-314	-185	-461
Financial income and expense, net	2 127	1 136	2 269	1 046
Profit before taxes	2 062	822	2 084	585
Taxes	46	105	100	195
Net profit	2 108	927	2 184	780

Parent company condensed statements of comprehensive income

SEKm	April-June 2015	April-June 2014	Jan-June 2015	Jan-June 2014
Net profit	2 108	927	2 184	780
Items that may be reclassified to the income statement				
Available-for-sale-assets	261	43	254	-2
Other comprehensive income, net of tax	261	43	254	-2
Total comprehensive income	2 369	970	2 438	778

Parent company condensed balance sheets

SEKm	June 2015	December 2014
Intangible assets	1 879	1 850
Investments in subsidiaries	21 543	37 010
Receivables from subsidiaries	20 733	21 386
Other non-current assets	846	634
Non-current assets	45 001	60 880
Receivables from subsidiaries	2 173	2 906
Other receivables	416	110
Current assets	2 589	3 016
Total assets	47 590	63 896
Shareholders' equity	15 653	15 697
Untaxed reserves	279	280
Provisions	392	398
Non-current liabilities	20 855	23 124
Current liabilities	10 411	24 397
Total shareholders' equity, provisions and liabilities	47 590	63 896
Assets pledged	0	0
Contingent liabilities	17	17

Glossary

Ball bearings versus roller bearings

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

By-wire technology

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

Condition monitoring

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

Friction

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

Greenhouse gas

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

Hub bearing unit

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

Integrated Maintenance Solution (IMS)

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

Large size bearings

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

Life cycle analysis

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

Linear products

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

Lubricant

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

Self-aligning ball bearing

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

SKF Business Excellence

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

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

SKF Care

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

SKF Manufacturing Excellence

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

SKF Solution Factory

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

Super-precision bearings

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

Tribology

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

Definitions

Currency impact 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.

ROCE (Return on capital employed)

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

ROE (Return on equity)

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

NWC (Net working capital)

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

Operating margin

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

Basic earnings/loss per share in SEK

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

Registered number of employees

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

Average number of employees

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

Net worth per share (Equity per share)

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

Organic sales

Volume + price/mix

EBITA (Earnings before interest, taxes and amortization)

Operating profit before amortizations

EBITDA (Earnings before interest, taxes, depreciation and amortization)

Operating profit before depreciations, amortizations, and impairments

Customer industries, per cent of sales 2014

Industrial distribution, 28%

Sales through industrial distributors.

Industry, general, 11%

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

Industry, heavy and special, 10%

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

Aerospace, 6%

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

Energy, 6%

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

Railway, 5%

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

Off-highway, 4%

Construction, agriculture and forestry and fork lift trucks.

Cars and light trucks, 14%

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

Vehicle service market, 9%

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

Trucks, 5%

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

Two-wheelers and Electrical, 2%

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