

# SKF First-quarter report 2013

*"SKF delivered a good solid performance in the quarter despite sales being lower than expected and significantly lower than the record sales in the first quarter last year. The steps which we are taking to adjust our cost base are giving results as can be seen by the positive sequential margin development.*

*There is continued uncertainty and cautiousness in the market place and this impacted our sales more than expected especially in our industrial businesses and in North America.*

*The acquisition of Blohm + Voss Industries was completed in the first quarter and will strengthen our position in the marine industry. In April at the Hannover Fair we launched a number of new solutions such as SKF Insight™, the new wireless and self powered monitoring sensor and solution, which will enable us to even better help our customers improve performance, reduce downtime and cost.*

*Going forward, it is not easy to give a demand outlook due to all the mixed signals in the economy. However, while demand in the second quarter is expected to be unchanged sequentially and lower year on year I feel that as we go through the quarter we will start to see a slowly improving business."*

Tom Johnstone, President and CEO



## Key figures

	Q1 2013	Q1 2012
Net sales, SEKm	15,152	16,931
Operating profit, SEKm	1,480	2,136
Operating margin, %	9.8	12.6
Operating margin excluding one-off costs, %	11.4	12.6
Profit before taxes, SEKm	1,237	1,956
Net profit, SEKm	818	1,326
Basic earnings per share, SEK	1.74	2.81

The operating profit was affected by one-off costs of around SEK 250 million.

Net sales change y-o-y, in SEK, attributable to:	Volume	Price/mix	Structure	Currency effect	Total
Q1 2013	-8.7%	0.7%	1.5%	-4.0%	-10.5%

Sales in the first quarter in local currencies and excluding structure decreased by 10% both in Europe and North America, by 7% in Asia and by 6% in Middle East and Africa. In Latin America they increased by 8%.

Manufacturing in the first quarter was lower year over year.

## Outlook for the second quarter of 2013

### Demand compared to the second quarter 2012

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

### Demand compared to the first quarter 2013

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

### Manufacturing

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

### SKF demand outlook for Q2 2013 per region, business areas and main industries

Percent of sales 2012*	Regions	Sequential trend	y-o-y	Percent of sales 2012*	Main industries	Sequential trend
43%	Europe	→	--	6%	Aerospace	→
24%	Asia/Pacific	→	=	6%	Energy	→
23%	North America	→	=	2%	Two-wheelers and Electrical	→
7%	Latin America	→	+	29%	Industrial distribution	→
<b>Business areas</b>				13%	Industrial, heavy, special and off-highway	→
31%	Strategic Industries	→	--	13%	Cars and light vehicles	→
39%	Regional Sales and Service	→	--	12%	Industrial, general	→
27%	Automotive	→	-	10%	Vehicle service market	→
<b>Total</b>				5%	Trucks	→
				4%	Railway	→

\* Previously published percent of sales have been restated.

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

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

	31 March 2013	31 December 2012	31 March 2012
Inventories, % of annual sales	20.3	19.9	20.5
ROCE for the 12-month period, %	14.5	16.2	21.9
ROE for the 12-month period, %	19.4	21.6	27.2
Equity/assets ratio, %	36.1	37.0	39.1
Gearing, %	52.3	52.8	47.1
Net debt/equity, %	75.0	72.5	64.3
Net debt, SEKm	16,995	16,280	15,153
Registered number of employees	46,728	46,775	45,709

#### Cash flow

Cash flow, after investments and before financing, was SEK -892 million (696) for the first quarter 2013.

Cash flow excluding acquisitions and divestments was SEK -69 million (715).

#### Financial net

The financial net in the first quarter was SEK -243 million (-180).

#### Currency impact

The effects of translation and transaction flows, had a negative impact of SEK 120 million on SKF's operating profit in the first quarter, compared to the corresponding period last year. It is estimated that there will be a negative effect of SEK 200 million on the operating profit in the second quarter and for the full year a negative effect of SEK 550 million, based on current assumptions and exchange rates and compared to the corresponding period last year.

#### One-off costs

The SKF programme to improve efficiency, reduce cost and strengthen profitable growth continued. In the operating profit for the quarter one-off costs of around SEK 250 million were included, where of SEK 195 million in cost of goods sold and SEK 55 million in S&A.

The annual savings from this second step will be around SEK 100 million when fully implemented in the third quarter 2013.

The one-off costs impact:

- Strategic Industries with around SEK 165 million
- Automotive with around SEK 30 million
- Regional Sales and Service with around SEK 10 million
- Central units with around SEK 45 million

For information about the programme, see press release of 14 January 2013.

## Highlights

- On 8 April, SKF launched SKF Insight™ – intelligent wireless technologies integrated into SKF bearings enabling them to use internally powered sensors and data acquisition electronics sensing directly on the bearing. Pilot projects are in progress within wind energy, railways and metals industries. SKF is actively developing more application trials in other industries.
- SKF's acquisition of German-based ship components provider Blohm + Voss Industries (BVI) was closed on 14 February and included in the financial statements from 1 March. SKF paid SEK 823 million on a cash free basis. The company has 410 employees and annual sales of around EUR 100 million. The acquisition had a limited effect on the results in the quarter.
- SKF signed an agreement to divest its aerospace metallic rods business for around EUR 40 million on a cash and debt free basis. The closing is expected in Q2 2013. In 2012, sales were around EUR 46 million from this business.
- SKF's factory in Ahmedabad, India was awarded the coveted LEED Gold certification by India Green Building Council. With this certification, the Ahmedabad factory became the first bearing factory in India to be certified by LEED rating and the third SKF facility across the globe to attain a LEED certification.
- For the 13th consecutive year, the FTSE Group confirmed that SKF has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements for becoming a member of the FTSE4Good Index Series.
- SKF launched the 2013 SKF Meet the World youth football tournament. These tournaments have been arranged since 2007 and are held in around 20 countries where SKF has a presence. The purpose is to create global meeting points for youngsters regardless of gender, social background, age, culture or religion. Winning teams from each country will in July participate in the Gothia Cup in Gothenburg, the world's largest and most international youth football tournament.

## Organizational changes

Henrik Lange, President SKF Industrial Market, Strategic Industries was appointed Executive Vice President and CFO. He is succeeding Tore Bertilsson who is retiring from SKF. Henrik Lange assumed the role as Executive Vice President immediately, and will be assuming the role as CFO from 1 May 2013.

Rakesh Makhija, was appointed President Industrial Market, Strategic Industries. Rakesh Makhija has today overall responsibility for China and India. He will be assuming his new role from 1 May 2013.

Tore Bertilsson continues as Executive Vice President, up until his retirement later in 2013.



Henrik Lange



Rakesh Makhija



Tore Bertilsson

## SKF's customer industries (see page 15)

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

	Q1 2013				
	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.

	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Net sales	5,342	5,450	4,791	4,510	20,093	<b>4,529</b>
Sales incl. intra-Group sales	8,503	8,644	7,577	7,196	31,920	<b>7,305</b>
Operating profit	1,016	938	816	354	3,124	<b>596</b>
Operating margin *	11.9%	10.9%	10.8%	4.9%	9.8%	<b>8.2%</b>
Operating margin excluding one-off costs	11.9%	12.3%	10.8%	7.3%	10.7%	<b>10.4%</b>
Assets and liabilities, net	22,617	22,865	21,883	21,543	21,543	<b>21,033</b>
Registered number of employees	19,250	19,206	19,238	19,080	19,080	<b>18,805</b>

\* The operating margin has been calculated on sales including intra-Group sales.  
Previously published amounts have been restated to conform to the current Group structure in 2013.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2013	-12.2%	0.0%	-3.0%	-15.2%

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

	Q1 2013		
	Europe	North America	Asia
Strategic Industries	---	---	---

#### New business

- SKF signed a global agreement with Nordex, a leading developer and manufacturer of wind turbines, for the delivery of main shaft bearings and lubrication systems.
- SKF signed a long-term agreement, to supply engine main shaft bearings, with Pratt & Whitney worth around SEK 170 million.
- SKF automated lubrication systems have been installed in the MSC Home Terminal cranes in Belgium's Port of Antwerp, enabling the customer to reduce manual maintenance with about 1,900 hours annually.

#### New facilities

- SKF opened a new lubrication systems laboratory in its Global Technical Center in India to further support SKF development centres and business units with lubrication system product design and validation.
- SKF inaugurated a new manufacturing unit in Pune, India, which will produce housings for bearings.

#### New products included in the SKF BeyondZero portfolio

- A new range of SKF Extended Life spherical plain bearings for the farm, forestry and construction industries. They have a dramatically longer life and

use 40% less energy compared to standard plain bearings which enables a reduction of the total cost of ownership by around 70%.



- An energy efficient high speed permanent magnet motor solution for aeration blowers in wastewater facilities. This product can reduce energy consumption by up to 40%. The SKF solution also uses less mechanical parts than traditional drive systems, which means reduced maintenance, while powerful built-in monitoring and diagnostic capabilities maintain high performance and reliability.



- SKF extreme temperature bearings for the metal and the food & beverage industries. These bearings can operate continuously at temperatures up to 350 °C (660 °F). The increased service life and the eliminations of grease lubrication is equivalent to around 80% reduction of CO<sub>2</sub> emissions related to the life cycle of the product.



## SKF Industrial Market, Regional Sales and Service

### Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Net sales	6,613	6,778	6,070	5,979	25,440	<b>5,882</b>
Sales incl. intra-Group sales	6,720	6,887	6,163	6,069	25,839	<b>5,982</b>
Operating profit	810	814	878	733	3,235	<b>676</b>
Operating margin *	12.0%	11.8%	14.2%	12.1%	12.5%	<b>11.3%</b>
Operating margin excluding one-off costs	12.0%	11.8%	14.2%	13.0%	12.7%	<b>11.5%</b>
Assets and liabilities, net	6,170	6,331	5,584	5,306	5,306	<b>6,816</b>
Registered number of employees	6,476	6,563	6,361	6,401	6,401	<b>6,785</b>

\* The operating margin has been calculated on sales including intra-Group sales.  
Previously published amounts have been restated to conform to the current Group structure in 2013.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2013	-7.7%	0.7%	-4.1%	-11.1%

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

	Q1 2013				
	Europe	North America	Latin America	Asia	Middle East & Africa
Regional Sales and Service	---	---	+++	---	---

### Major global frame agreement

- SKF was selected for a major global frame agreement worth SEK 600 million with a steel and mining company. Over a two years period SKF will provide industrial bearings and units, seals, mechatronics, and services.

### BVI integration

- The acquisition of German-based ship components provider Blohm + Voss Industries (BVI) was finalized on 14 February. The integration process of BVI is under way with a special focus on customer and distributor activities.

### SKF Distributor College courses

- SKF released two new SKF Distributor College courses.
  - Anti-Counterfeit Awareness, which is about counterfeit industrial products and counterfeit SKF products.
  - Code of Conduct, which is about business ethics, work ethics, environment, and monitoring and adherence for SKF distributors.

Examples of shaft components at Blohm + Voss Industries.



## SKF Automotive

### Quarterly and yearly figures

Amounts in SEKm unless otherwise stated.

	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Net sales	4,562	4,530	4,099	3,932	17,123	<b>4,173</b>
Sales incl. intra-Group sales	5,539	5,484	4,968	4,776	20,767	<b>5,032</b>
Operating profit	238	194	158	-123	467	<b>173</b>
Operating margin *	4.3%	3.5%	3.2%	-2.6%	2.3%	<b>3.4%</b>
Operating margin excluding one-off costs	4.3%	3.7%	3.2%	-1.7%	2.5%	<b>4.1%</b>
Assets and liabilities, net	8,756	8,736	8,443	8,233	8,233	<b>8,560</b>
Registered number of employees	14,687	14,748	14,804	14,715	14,715	<b>14,568</b>

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

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q1 2013	-3.7%	0.0%	-4.8%	-8.5%

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

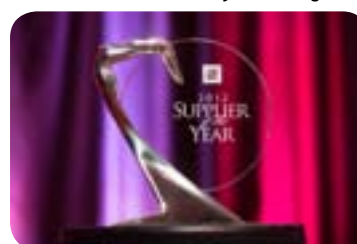
	Q1 2013			
	Europe	North America	Latin America	Asia
Automotive	--	--	--	++

### New business

- SKF started to deliver its integrated monotube seal to Öhlins Racing AB, a manufacturer of high-performance suspension systems for automotive, motorcycle, snowmobile, and all-terrain vehicle use. This seal for the shock absorber incorporates five components into one easy-to-install unit, which provides reliable sealing over a wide temperature range.
- SKF gained a number of new business for its hub units including an order from the Chinese customer Great Wall and orders for the newly launched SKF Low Friction Hub Bearing Unit. This wheel bearing unit reduces friction with more than 20%, enabling a reduction of CO<sub>2</sub> emissions.
- SKF is supplying the majority of the F1 cars with wheel bearings. SKF racing solutions are engineered to deliver performance to meet the demands of the most extreme conditions of the highest categories of motorsports competitions.

### Awards

- SKF Sealing Solutions, Korea, received the 2012 Supplier of the Year award from General Motors for the third consecutive year. SKF was recognized for consistently exceeding GM's expectations by being innovative, delivering high quality products and services on time and by creating outstanding value.



- Group Auto International awarded SKF's Vehicle Service Market unit in Nederland with Technical supplier of the year award. It is the second consecutive year that they recognized SKF activities aimed at supporting the independent garages with technical knowledge to improve quality and service for their customers.

## Previous outlook statement: Outlook for the first quarter of 2013

### Demand compared to the first quarter 2012

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

### Demand compared to the fourth quarter 2012

The demand for SKF's products and services is expected to be relatively unchanged for the Group, for the business areas and for the regions.

### Manufacturing

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

## Risks and uncertainties in the business

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

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

SKF and other companies in the bearing industry are part of investigations by the European Commission, the U.S. Department of Justice and the Korea Fair Trade Commission regarding a possible violation of antitrust rules. SKF is fully cooperating with the authorities and is also performing its own internal review. 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. It is likely that the European Commission will impose a fine on SKF. Given the nature of the investigation, the amount of such fine is likely to materially affect the Group's results and cash flow. It is, however, still too early to assess when and to what extent such effect may occur and hence can be accounted for.

### Cautionary statement

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

Gothenburg, 17 April 2013

Aktiebolaget SKF  
(publ.)

Tom Johnstone  
*President and CEO*

AB SKF is required to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 08.00 on 17 April 2013.

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

You will find all information regarding  
SKF First-quarter results 2013 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 2012, Financial, environmental and social performance. No new or amended IFRS effective 2013 had any significant impact on the Group other than noted below.

Starting 2013 the Group applies the amended IAS 19 Employee Benefits where the most significant impact for SKF is the alignment of the expected return on assets to the discount rate for funded post-employment benefit plans. There is no effect on the balance sheet, net cash flow, or total equity as this is a reclassification between the income statement and actuarial gains and losses in other comprehensive income. The Group's net income for 2012 has been restated with SEK -62 million, comprised of SEK -19 million operating income, SEK -84 million financial expense and SEK +41 million deferred tax. Within other comprehensive income, actuarial gains and losses and income taxes have been restated with SEK +103 million and SEK -41 million respectively.

The consolidated quarterly report has been prepared in accordance with IAS 34. The report for the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2. The report has not been reviewed by the company's auditors.

The SKF Half-year report 2013 will be published on Tuesday, 16 July 2013.

The Annual General Meeting will be held on Friday 26 April 2013 in Gothenburg, Sweden.



## Enclosure 1

## Condensed consolidated income statements\*

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
Net sales	15,152	16,931
Cost of goods sold	-11,497	-12,461
<b>Gross profit</b>	<b>3,655</b>	4,470
Selling and administrative expenses	-2,176	-2,291
Other operating income/expenses, net	1	-43
Profit/loss from jointly controlled and associated companies	0	0
<b>Operating profit</b>	<b>1,480</b>	2,136
Operating margin, %	9.8	12.6
Financial income and expense, net	-243	-180
<b>Profit before taxes</b>	<b>1,237</b>	1,956
Taxes	-419	-630
<b>Net profit</b>	<b>818</b>	1,326
<b>Net profit attributable to</b>		
Shareholders of the parent	793	1,279
Non-controlling interests	25	47
<b>Key figures</b> ( <i>definitions, see page 16</i> )		
Basic earnings per share, SEK	1.74	2.81
Diluted earnings per share, SEK	1.74	2.81
Additions to property, plant and equipment	347	445
Number of employees registered	46,728	45,709
Return on capital employed for the 12-month period ended 31 March, %	14.5	21.9

## Condensed consolidated statements of comprehensive income\*

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
<b>Net profit</b>	<b>818</b>	1,326
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gains and losses	-158	188
Income taxes	22	-64
	-136	124
<b>Items that may be reclassified to the income statement</b>		
Exchange differences arising on translation of foreign operations	-389	-421
Available-for-sale-assets	25	4
Cash-flow hedges	-51	121
Income taxes	-85	-64
	-500	-360
<b>Other comprehensive income, net of tax</b>	<b>-636</b>	-236
<b>Total comprehensive income</b>	<b>182</b>	1,090
<b>Total comprehensive income attributable to</b>		
Shareholders of AB SKF	151	1,056
Non-controlling interests	31	34

\* 2012 figures restated for amended IAS 19, see page 8.

## Enclosure 2

## Condensed consolidated balance sheets

<i>SEKm</i>	March 2013*	December 2012
Goodwill	6,162	5,720
Other intangible assets	4,559	4,080
Property, plant and equipment	12,866	13,086
Deferred tax assets	2,123	1,835
Other non-current assets	1,193	1,188
<b>Non-current assets</b>	<b>26,903</b>	<b>25,909</b>
Inventories	12,757	12,856
Trade receivables	11,323	10,084
Other current assets	3,723	2,851
Other current financial assets	8,008	9,057
<b>Current assets</b>	<b>35,811</b>	<b>34,848</b>
<b>Total assets</b>	<b>62,714</b>	<b>60,757</b>
<b>Equity attributable to shareholders of AB SKF</b>	<b>21,489</b>	<b>21,340</b>
<b>Equity attributable to non-controlling interests</b>	<b>1,158</b>	<b>1,128</b>
Long-term financial liabilities	11,450	12,730
Provisions for post-employment benefits	10,133	9,881
Provisions for deferred taxes	724	481
Other long-term liabilities and provisions	1,282	1,294
<b>Non-current liabilities</b>	<b>23,589</b>	<b>24,386</b>
Trade payables	4,571	4,189
Short-term financial liabilities	3,950	2,945
Other short-term liabilities and provisions	7,957	6,769
<b>Current liabilities</b>	<b>16,478</b>	<b>13,903</b>
<b>Total equity and liabilities</b>	<b>62,714</b>	<b>60,757</b>

## Condensed consolidated statements of changes in shareholders' equity

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
Opening balance	22,468	22,455
Total comprehensive income	182	1,090
Cost for performance share programmes, net	-3	14
<b>Closing balance</b>	<b>22,647</b>	<b>23,559</b>

\* The preliminary purchase price allocation for the net assets acquired in Blohm + Voss Industries, in SEKm:

Goodwill	534
Trademarks	127
Customer relationships	203
Technology	128
Other assets	534
Cash and cash equivalents	170
Provisions for post-employment benefits	-221
Other liabilities and provisions	-482
Acquisition cost	993

Based on the preliminary opening balances, annual amortization for acquired intangibles and fair value adjustments are not expected to be significant for the Group.

## Enclosure 3

## Condensed consolidated statements of cash flow

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
<b>Operating activities:</b>		
Operating profit*	1,480	2,136
Depreciation, amortization and impairment	462	441
Net loss/gain (-) on sales of intangible assets, PPE and businesses	1	-24
Taxes	-427	-554
Other including financial and non-cash items*	-296	-187
Changes in working capital	-817	-701
<b>Net cash flow from operations</b>	<b>403</b>	<b>1,111</b>
<b>Investing activities:</b>		
Payments for intangible assets, PPE and businesses	-1,296	-476
Sales of PPE and businesses	1	61
<b>Net cash flow used in investing activities</b>	<b>-1,295</b>	<b>-415</b>
<b>Net cash flow after investments before financing</b>	<b>-892</b>	<b>696</b>
<b>Financing activities:</b>		
Change in short- and long-term loans	-47	-13
Change in finance lease liabilities	-2	1
Investments in short-term financial assets	-40	-29
Sales of short-term financial assets	127	70
<b>Net cash flow used in financing activities</b>	<b>38</b>	<b>29</b>
<b>Net cash flow</b>	<b>-854</b>	<b>725</b>
<b>Change in cash and cash equivalents:</b>		
Cash and cash equivalents at 1 January	8,244	4,825
Cash effect excl. acquired/sold businesses	-1,024	725
Cash effect of acquired/sold businesses	170	0
Exchange rate effect	-42	-53
<b>Cash and cash equivalents at 31 March</b>	<b>7,348</b>	<b>5,497</b>

\* 2012 figures restated for amended IAS 19, see page 8.

Change in net interest-bearing liabilities	Closing balance 31 March 2013	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 Jan 2013
Loans, long- and short-term	14,735	-47	1	-7	-480	15,268
Post-employment benefits, net	10,100	-148	221	393	-195	9,829
Financial assets, others	-1,121	87	0	-13	0	-1,195
Cash and cash equivalents	-7,348	1,024	-170	0	42	-8,244
<b>Net interest-bearing liabilities</b>	<b>16,366</b>	<b>916</b>	<b>52</b>	<b>373</b>	<b>-633</b>	<b>15,658</b>

## Number of shares

	Jan-March 2013	Jan-March 2012
Total number of shares	455,283,068	455,351,068
- whereof A shares	42,420,300	42,749,482
- whereof B shares	412,862,768	412,601,586
Total number of diluted shares outstanding	455,283,068	455,351,068
Total weighted average number of diluted shares	455,283,068	455,351,068

## Enclosure 4

## Condensed consolidated financial information - yearly and quarterly figures\*

<i>Amounts in SEKm unless otherwise stated.</i>	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Net sales	16,931	17,174	15,486	14,984	64,575	15,152
Cost of goods sold	-12,461	-12,737	-11,497	-11,426	-48,121	-11,497
<b>Gross profit</b>	<b>4,470</b>	<b>4,437</b>	<b>3,989</b>	<b>3,558</b>	<b>16,454</b>	<b>3,655</b>
Gross margin, %	26.4	25.8	25.8	23.7	25.5	24.1
Selling and administrative expenses	-2,291	-2,385	-2,105	-2,306	-9,087	-2,176
- as % of sales	13.5	13.9	13.6	15.4	14.1	14.4
Other operating income/expenses, net	-43	-3	24	-29	-51	1
Profit/loss from jointly controlled and associated companies	0	0	0	-2	-2	0
<b>Operating profit</b>	<b>2,136</b>	<b>2,049</b>	<b>1,908</b>	<b>1,221</b>	<b>7,314</b>	<b>1,480</b>
Operating margin, %	12.6	11.9	12.3	8.1	11.3	9.8
Operating margin excl. one-off items, %	12.6	12.7	12.3	10.2	12.0	11.4
Financial income and expense, net	-180	-275	-199	-252	-906	-243
<b>Profit before taxes</b>	<b>1,956</b>	<b>1,774</b>	<b>1,709</b>	<b>969</b>	<b>6,408</b>	<b>1,237</b>
Profit margin before taxes, %	11.6	10.3	11.0	6.5	9.9	8.2
Taxes	-630	-530	-458	26	-1,592	-419
<b>Net profit</b>	<b>1,326</b>	<b>1,244</b>	<b>1,251</b>	<b>995</b>	<b>4,816</b>	<b>818</b>
<b>Net profit attributable to</b>						
Shareholders of the parent	1,279	1,201	1,215	967	4,662	793
Non-controlling interests	47	43	36	28	154	25

## Reconciliation to profit before tax for the Group\*

<i>SEKm</i>	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Operating profit:						
SKF Industrial Market, Strategic Industries	1,016	938	816	354	3,124	<b>596</b>
SKF Industrial Market, Regional Sales and Service	810	814	878	733	3,235	<b>676</b>
SKF Automotive	238	194	158	-123	467	<b>173</b>
Other operations outside the business areas	104	113	102	148	467	<b>140</b>
Unallocated Group activities and adjustments, net	-32	-10	-46	109	21	<b>-105</b>
Financial net	-180	-275	-199	-252	-906	<b>-243</b>
<b>Profit before tax for the Group</b>	<b>1,956</b>	<b>1,774</b>	<b>1,709</b>	<b>969</b>	<b>6,408</b>	<b>1,237</b>

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

	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13
Operating profit excluding amortization, SEKm	2,196	2,110	1,971	1,275	7,552	1,540
Basic earnings per share, SEK	2.81	2.63	2.67	2.12	10.23	1.74
Diluted earnings per share, SEK	2.81	2.63	2.67	2.12	10.23	1.74
Dividend per share, SEK	-	5.50	-	-	5.50	-
Return on capital employed for the 12-month period, %	21.9	20.0	18.4	16.2	16.2	14.5
Gearing, %	47.1	51.3	55.5	52.8	52.8	52.3
Equity/assets ratio, %	39.1	35.7	33.7	37.0	37.0	36.1
Net worth per share, SEK	49	45	44	47	47	47
Additions to property, plant and equipment, SEKm	445	500	503	520	1,968	347
Registered number of employees	45,709	45,858	47,049	46,775	46,775	46,728

\* 2012 figures restated for amended IAS 19, see page 8.

## Enclosure 5

## Parent company condensed income statements

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
Revenue	946	1,063
Cost of revenue	-1,191	-1,491
General management and administrative expenses	-222	-248
Other operating income/expenses, net	1	1
<b>Operating profit/loss</b>	<b>-466</b>	<b>-675</b>
Financial income and expenses, net	-108	-93
<b>Profit before taxes</b>	<b>-574</b>	<b>-768</b>
Taxes	124	201
<b>Net profit</b>	<b>-450</b>	<b>-567</b>

## Parent company condensed statements of comprehensive income

<i>SEKm</i>	Jan-March 2013	Jan-March 2012
<b>Net profit</b>	<b>-450</b>	<b>-567</b>
<b>Other comprehensive income, that may be reclassified to the income statement</b>		
Available-for-sale assets	25	4
<b>Other comprehensive income, net of tax</b>	<b>25</b>	<b>4</b>
<b>Total comprehensive income</b>	<b>-425</b>	<b>-563</b>

## Parent company condensed balance sheets

<i>SEKm</i>	March 2013	December 2012
Intangible assets	891	843
Investments in subsidiaries	23,100	23,064
Receivables from subsidiaries	10,945	12,144
Other non-current assets	522	492
<b>Non-current assets</b>	<b>35,458</b>	<b>36,543</b>
Receivables from subsidiaries	4,526	4,923
Other receivables	309	73
<b>Current assets</b>	<b>4,835</b>	<b>4,996</b>
<b>Total assets</b>	<b>40,293</b>	<b>41,539</b>
<b>Shareholders' equity</b>	<b>11,908</b>	<b>12,363</b>
Untaxed reserves	1,040	1,040
Provisions	248	239
<b>Non-current liabilities</b>	<b>11,071</b>	<b>12,277</b>
<b>Current liabilities</b>	<b>16,026</b>	<b>15,620</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>40,293</b>	<b>41,539</b>
Assets pledged	0	0
Contingent liabilities	20	20

## 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

### 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.

### 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 (Tiers). Solutions for driveline, engine, E-powertrain, steering, suspension and wheel-end.

### Vehicle service market (VSM)

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

### Trucks

Truck, trailer and bus manufacturers (OEMs) and their sub-suppliers (Tiers). Solutions for driveline, engine, E-powertrain, steering, suspension and wheel-end.

### 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 2012 were SEK 64,575 million and the number of employees was 46,775. [www.skf.com](http://www.skf.com)*