

SKF Year-end report 2013

"During the quarter SKF completed the acquisition of Kaydon which enables us to better support our customers with a more complete offer. Their sales and operating profit developed as planned and the integration into the Group is going very well.

Operational cash flow for the Group was good and sales in total developed in line with expectations sequentially and grew strongly compared to the weak fourth quarter in 2012. The mix was more negative than expected due to stronger automotive sales and industrial OEM sales. We continued to take steps to support our profitable growth. We gained a number of important new orders in all three business areas. We opened 4 new SKF Solution Factories in the quarter and now have 27 worldwide. Investment in R&D increased in the year and the number of patents was up over 10%. We have also announced the establishment of 2 new Global Technical Centres in Europe which will further strengthen our R&D activities.

Profit was heavily impacted in the fourth quarter by the provision for the expected fine from the European Commission and one-off costs primarily related to the acquisition of Kaydon and restructuring. It was also impacted by steps taken to reduce inventory and by the negative mix.

Looking forward we expect demand to be slightly higher compared to the first quarter last year and to the fourth quarter."



Tom Johnstone, President and CEO

Key figures (Kaydon Corporation is included from 16 October 2013)	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Net sales, SEKm	16,430	14,984	63,597	64,575
Operating loss/profit, SEKm	-1,547	1,221	3,693	7,314
Operating profit excluding one-time costs, SEKm	1,803	1,521	7,568	7,754
Operating margin, %	-9.4	8.1	5.8	11.3
Operating margin excluding one-time costs, %	11.0	10.2	11.9	12.0
Loss/profit before taxes, SEKm	-1,760	969	2,821	6,408
Net loss/profit, SEKm	-2,043	995	1,044	4,816
Basic earnings per share, SEK	-4.57	2.12	2.00	10.23

The operating loss/profit for Q4 includes one-time costs of SEK 3,350 m (300), whereof SEK 3,000 m relates to a probable amount of a fine in relation to the ongoing investigation by the European Commission, SEK 260 m relates to the acquisition of Kaydon and SEK 90 m (300) to other one-time costs. The full year results include one-time costs of SEK 3,875 m (440).

Net sales change y-o-y, in SEK, attributable to:	Volume	Price/mix	Structure	Currency effect	Total
Q4 2013	7.1%	-0.2%	4.8%	-2.1%	9.6%
Full year 2013	-0.7%	0.0%	2.5%	-3.3%	-1.5%

Sales in the fourth quarter in local currencies and excluding structure increased by 3.4% in Europe, by 3.8% in North America, by 10.5% in Latin America, by 14.7% in Asia and by 15.8% in Middle East and Africa. Manufacturing in the fourth quarter was higher compared to last year.

Sales for the full year in local currencies and excluding structure decreased by 2.7% in Europe and by 2.5% in North America. In Asia they increased by 1.6%, in Latin America by 10.3% and in Middle East and Africa by 3.3%. Manufacturing for the full year was relatively unchanged compared to last year.

Dividend proposal

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

Outlook for the first quarter of 2014

Demand compared to the first quarter 2013

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

Demand compared to the fourth quarter 2013

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

Manufacturing

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

SKF demand outlook for Q1 2014 per region, business area and main industry

Percent of sales 2013	Regions	Sequential trend	y-o-y	Percent of sales 2013	Main industries	Sequential trend
42%	Europe		+	29%	Industrial distribution	
24%	Asia Pacific		++	14%	Cars and light vehicles	
24%	North America		+	11%	Vehicle service market	
7%	Latin America		-	11%	Industrial, general	
Business areas				12%	Industrial, heavy, special and off-highway	
29%	Strategic Industries		+/-	5%	Energy	
39%	Regional Sales and Service		+	5%	Aerospace	
27%	Automotive		++	3%	Two-wheelers and electrical	
Total				5%	Railway	
				5%	Trucks	

For explanations of arrows, see page 7.

Key figures (definitions, see page 20)

	31 December 2013	30 September 2013	31 December 2012
Inventories, % of annual sales	21.5*	21.3	19.9
ROCE for the 12-month period, %	7.5	13.5	16.2
ROE for the 12-month period, %	4.6	18.2	21.6
Equity/assets ratio, %	29.8	36.4	37.0
Gearing, %	59.2	52.3	52.8
Net debt/equity, %	117.3	73.2	72.5
Net debt, SEKm	24,804	16,830	16,280
Registered number of employees	48,401	46,187	46,775

* Kaydon Corporation is included from 16 October 2013. Excluding Kaydon inventory was 20.9% of sales.

Cash flow

Cash flow, after investments and before financing, was SEK -6,732 million (1,076) for the fourth quarter 2013 and excluding acquisitions and divestments SEK 1,170 million (1,076). For the full year it was SEK -5,342 million (3,555) and excluding acquisitions and divestments SEK 3,117 million (4,188).

Financial net

The financial net in the fourth quarter was SEK -213 million (-252), for the full year it was SEK -872 million (-906).

Currency impact

The effects of translation and transaction flows, had a negative impact of SEK 150 million on SKF's operating profit in the fourth quarter and of SEK 660 million for the full year, compared to the corresponding period last year. It is estimated that there will be a negative effect of SEK 90 million on the operating profit in the first quarter 2014 and for the full year a negative effect of SEK 300 million, based on current assumptions and exchange rates and compared to the corresponding period last year.

R&D

R&D expenditure was SEK 1,840 million (1,607), corresponding to 2.9% (2.5) of annual sales, excluding developing IT solutions. The number of first filings of patent applications was 468 (421).

European Commission investigation

As previously advised, the European Commission is investigating possible infringements of European competition law by certain bearing manufacturers regarding the supply of bearings to the automotive manufacturing industry in Europe.

SKF has fully cooperated with the Commission and has undertaken its own investigation. Based on this and SKF's best estimate of a probable amount of a fine, SKF has included a provision of SEK 3 billion in its fourth quarter result. SKF believes that the Commission may impose a fine on SKF in 2014.

SKF's Performance Share Programmes

- In order to continue to link the interests of the senior management and the shareholders, the Board proposes that a decision be taken at the Annual General Meeting 2014 on SKF's Performance Share Programme 2014. The terms and conditions of the proposed SKF's Performance Share Programme 2014 are in essence the same as the terms and conditions of the yearly programmes started in 2008.

It is proposed that the programme covers a maximum of 310 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF B shares.

The number of shares that may be allotted must be related to the degree of achievement of the TVA target level, as defined by the Board of Directors, for the financial year 2014, and the TVA development for the financial year 2016 compared to the financial year 2014. Under the programme, no more than 1,000,000 B shares may be allotted.

- SKF's Performance Share Programme 2011, which was decided by the Annual General Meeting on 28 April 2011 will be settled in the first quarter 2014.

The outcome is that about 240 managers of the SKF Group will receive around 172,000 SKF class B shares (around 17% of the maximum number of shares approved by the Annual General Meeting), based on the degree of achievement of TVA during the three year period 2011 to 2013. The total cost for this programme in 2011 to 2013 amounts to around SEK 40 million including social charges.

Repurchase of shares

The Annual General Meeting in April 2013 authorized the Board, until the next Annual General Meeting, to decide on the repurchase of the company's own shares.

In 2013, no repurchases were made and the company owns no SKF shares.

Highlights

- SKF's acquisition of US-based Kaydon Corporation was closed on 16 October. SKF paid around USD 1.2 billion in an all-cash transaction, including around USD 60 million of net debt.
Kaydon had sales of USD 475 million in 2012, with an adjusted operating profit of around 16% and has over 2,100 employees. Kaydon is included in "Other operations outside the business areas" in Q4 2013 and from 1 January 2014 in "Specialty Business". For information about the acquisition of Kaydon, please refer to Enclosure 6.
- SKF issued senior unsecured notes for EUR 750 million with a seven year maturity and 2.375% coupon rate. The proceeds of the issue will primarily be used to refinance the debt related to the acquisition of Kaydon Corporation.
- Kent Viitanen, Director for SKF's Renewable Energy business, was appointed Senior Vice President, Group People & Business Excellence. Kent Viitanen joined SKF in 1988 and has held a number of global managerial positions mainly within manufacturing, as well the position of HR Director for the former SKF Industrial Division. He assumed his new role from 1 January 2014.



New ROCE and Net working capital targets

- Since the current ROCE target of 27% was established in autumn 2010 the SKF Group has made a number of important acquisitions such as Lincoln, General Bearing Corp, Blohm + Voss Industries and most recently Kaydon Corporation.

Mainly as a result of these acquisitions, goodwill and other intangible assets have risen from around SEK 3,400 million before the Lincoln acquisition to around SEK 19,000 million at the end of 2013. The ROCE target has therefore been reviewed taken account of this change in goodwill and other intangible assets combined with the current growth and operating margin targets. The new ROCE target is 20%.

- The SKF Group will also introduce a new broader net working capital target to replace the existing inventory target. This new target combines inventory, accounts receivables and accounts payables and better supports the focus and activities to reduce net working capital within the Group and improve operating cash flow. The new net working capital target is 27% of sales.

SKF's financial targets	Previous targets	New targets
Operating margin, level	15%	15%
Annual sales growth in local currencies	8%	8%
ROCE	27%	20%
Net working capital of sales	-	27%
Inventories of sales	18%	-

SKF's customer industries (see page 20)

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

	Q4 2013					Full year 2013				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Industrial distribution	+	+/-	+++	++	+++	--	--	+++	-	+/-
Industrial, general	+/-	+++		+		--	+		---	
Industrial, heavy, special and off-highway	-	---	+++	+++	+++	--	---	+++	+/-	++
Energy	---	-		+++		---	---		+++	
Aerospace	+	+		+++		++	++		++	
Railway	+++	+++		+++		+/-	+++		+++	
Cars and light vehicles	+++	+++	---	+++		+	+/-	---	+++	
Vehicle service market	++	+++	+++	+++	---	++	++	+++	+	+/-
Trucks	+++	+++		+++		+++	---		+++	
Two-wheelers and electrical	++	---	+++	+++		+	---	+++	+++	

Specialty Business - New business area as of 1 January 2014

The SKF Group has a number of businesses which have been reported as operations outside the business areas. The businesses are SKF Logistic Services, PEER Bearing Company, General Bearing Corporation and Kaydon Corporation. From the first quarter 2014 they will be jointly reported under a new fourth business area called Specialty Business. The same financial information as for the current three business areas will be given - sales, operating profit, operating margin, asset and liabilities, net and registered number of employees.

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	Q2/13	Q3/13	Q4/13	Full year 2013
Net sales	5,342	5,450	4,791	4,510	20,093	4,529	4,819	4,620	4,628	18,596
Sales incl. intra-Group sales	8,503	8,644	7,577	7,196	31,920	7,305	7,693	7,360	7,387	29,745
Operating profit	1,016	938	816	354	3,124	596	790	687	565	2,638
Operating margin *	11.9%	10.9%	10.8%	4.9%	9.8%	8.2%	10.3%	9.3%	7.6%	8.9%
Operating margin excluding one-time costs	11.9%	12.3%	10.8%	7.3%	10.7%	10.4%	11.9%	10.3%	8.3%	10.2%
Assets and liabilities, net	22,617	22,865	21,883	21,543	21,543	21,033	21,864	20,702	21,150	21,150
Registered number of employees	19,250	19,206	19,238	19,080	19,080	18,805	18,522	17,828	17,687	17,687

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

Previously published figures for 2012 were restated in the Q1 report 2013, to conform to the current Group structure.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q4 2013	6.4%	-3.5%	-0.3%	2.6%
Full year 2013	-4.1%	-1.3%	-2.1%	-7.5%

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

	Q4 2013			Full year 2013		
	Europe	North America	Asia	Europe	North America	Asia
Strategic Industries	+/-	+/-	+++	--	--	+/-

New business

- SKF signed a long-term contract with one of the leading providers of stone milling technology, for an extremely robust bearing for demanding application conditions. The customer needed a solution for re-designing its gyratory crusher and SKF was chosen as the partner due to its high technical skills, flexibility and reliability. The solution includes a customized spherical plain bearing with special features and overall robustness. This business will widen SKF's offer and lead to significant growth for the company in this area.



A gyratory crusher is one of the main types of primary crushers in a mine or ore processing plant.

- Using SKF's bearings and engineering support, a US-based pump producer for London's Lee Tunnel Project is building its largest-ever waste water pump which will contribute to London's storm water and sewage overflow issues. SKF is providing engineering support, including modelling and calculations to help in the bearing's arrangement selection. The main thrust bearing is a radially-relieved spherical roller thrust bearing. The radial forces is handled by a spherical roller bearing. The drive end radial bearing at the top of the pump is a large tapered

roller bearing, which is also designed to handle any reverse thrust loads. In addition, SKF is providing circulating oil lubrication systems for the pump.

- SKF received an order for compact tapered bearing unit from Tikhvin Freight Car Building Plant, affiliated to United Wagon Company LLC. The bearings help significantly to increase reliability and extend maintenance intervals and are for new freight rolling stocks produced for traffic in Russia, the other CIS states and the Baltic states. SKF will deliver 40,000 pieces from its factory in Tver, Russia with the start in Q4 2013 and continue throughout 2014. The value of the order is around SEK 120 million.
- SKF was awarded by CSR ZHUZHOU ELECTRIC CO., LTD in China the Excellent Supplier Award for 2013 and also a contract for locomotive bearings for a value of SEK 76 million.

Awards

- SKF was awarded Supplier of the Year 2013 by Nanjing Gearbox / China High Speed Transmission, the leading gearbox manufacturer in China.
- SKF won first prize in the category "components for rolling stock and infrastructure" in Moscow at the 4th International conference organized by the Union of Industries of Railway Equipment. SKF received the award for the innovative compact tapered bearing units produced in the Tver factory.

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	Q2/13	Q3/13	Q4/13	Full year 2013
Net sales	6,613	6,778	6,070	5,979	25,440	5,882	6,309	6,066	6,243	24,500
Sales incl. intra-Group sales	6,720	6,887	6,163	6,069	25,839	5,982	6,424	6,178	6,341	24,925
Operating profit	810	814	878	733	3,235	676	749	738	850	3,013
Operating margin *	12.0%	11.8%	14.2%	12.1%	12.5%	11.3%	11.7%	11.9%	13.4%	12.1%
Operating margin excluding one-time costs	12.0%	11.8%	13.1%	13.0%	12.5%	11.5%	11.8%	11.9%	13.6%	12.2%
Assets and liabilities, net	6,170	6,331	5,584	5,306	5,306	6,816	6,984	6,612	6,585	6,585
Registered number of employees	6,476	6,563	6,361	6,401	6,401	6,785	6,760	6,870	6,951	6,951

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

Previously published figures for 2012 were restated in the Q1 report 2013, to conform to the current Group structure.

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q4 2013	4.7%	3.4%	-3.7%	4.4%
Full year 2013	-2.1%	2.6%	-4.2%	-3.7%

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

	Q4 2013					Full year 2013				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Regional Sales and Service	+/-	+	+++	++	+++	--	--	+++	+/-	+/-

New business

- ArcelorMittal Bremen GmbH has chosen SKF to customize and supply 30 electromechanical actuators for use in the continuous casting of steel. The order is one of the biggest for a mechatronics solution that SKF Germany has ever received from a customer in the metals industry.
- SKF gained lubrication business worth SEK 38 million from a heavy industry customer in Peru.

Documented delivered value

- In 2013, SKF provided around SEK 4 billion in verified savings for customers. From 2003 until 2013, the figure is over SEK 27 billion. The SKF Documented Solutions Program enables SKF to measure and confirm the value delivered.

New SKF Solution Factories

- SKF opened four new SKF Solution Factories: in Toronto, Canada, in Manesar, India, in Urumqi, China and in Abu Dhabi, United Arab Emirates. There are now 27 SKF Solution Factories worldwide.

Inauguration of the SKF Solution Factory in Toronto, Canada.

SKF Distributor College

- SKF Distributor College has awarded its 200,000th certificate. The recipient is Yang Chunxiao, an employee of Shandong Jiarui Industry Develop Co, Ltd, one of SKF's Certified Maintenance Partners in China, who completed a course on "selling value".



Awards

- For a third year running, the mechanical and thermal process engineering company Bühler – a major supplier to the Food and Beverage industry – presented SKF with a certificate recognizing its exceptional commitment and outstanding performance in relation to on-time delivery, quality, cooperation and cost-efficiency.



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	Q2/13	Q3/13	Q4/13	Full year 2013
Net sales	4,562	4,530	4,099	3,932	17,123	4,173	4,646	4,319	4,283	17,421
Sales incl. intra-Group sales	5,539	5,484	4,968	4,776	20,767	5,032	5,578	5,220	5,145	20,975
Operating profit/loss	238	194	158	-123	467	173	290	251	95	809
Operating margin *	4.3%	3.5%	3.2%	-2.6%	2.3%	3.4%	5.2%	4.8%	1.9%	3.9%
Operating margin excluding one-time costs	4.3%	3.7%	3.2%	-1.7%	2.5%	4.1%	5.8%	5.0%	2.2%	4.3%
Assets and liabilities, net	8,756	8,736	8,443	8,233	8,233	8,560	8,695	8,478	8,475	8,475
Registered number of employees	14,687	14,748	14,804	14,715	14,715	14,568	14,668	14,717	14,748	14,748

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

Net sales change in SEK, attributable to:	Organic growth	Structure	Currency effect	Total
Q4 2013	10.8%	0.0%	-1.9%	8.9%
Full year 2013	5.3%	0.0%	-3.6%	1.7%

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

	Q4 2013				Full year 2013			
	Europe	North America	Latin America	Asia	Europe	North America	Latin America	Asia
Automotive	+++	+++	-	+++	++	+/-	+/-	+++

New business

- SKF started deliveries of wheel hub bearing units and MacPherson suspension bearing units to Volvo Car Corporation in their new factory in Chengdu, China for the delivery of the newly launched Volvo S60L car model.
- SKF has been nominated by Hyundai Motors as a supplier for business valued at around SEK 370 million. SKF will deliver the recently launched robust MacPherson suspension bearing unit (MSBU).

The solutions will be equipping both Hyundai and Kia vehicles like Ceed, Forte, Soul, i30, Sonata, K5, i40, Grandeur, K7, Santa Fe and Sorento.










New products

- SKF developed a *deep groove ball bearing including a NUBS (non uniform ball spacing) cage* that prevents noise during cold start. The cage is designed especially for use in bearings for alternators, starter-alternators and electric traction motor bearings for hybrid and electric vehicles.
- The new *robust angular steering column bearing* provides a smoother steering feeling through a low and constant friction torque, better vibration absorption and reduced noise level.
- *High pressure valve stem seals with lower friction* increases the resistance to pressure while minimizing the friction. The seal design minimizes wear and extends the life of the valve train.

Awards

- SKF received the Fiat Qualitas Award which is given to Fiat's best suppliers and recognizes companies for their outstanding contribution to improved vehicle value.
- SKF has been awarded the Tesla Motors Excellent Quality award which is given to suppliers achieving outstanding performance in the areas of quality, delivery, and customer service.

Explanations of arrows:

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

Previous outlook statement:

Outlook for the fourth quarter of 2013

Demand compared to the fourth quarter 2012

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

Demand compared to the third quarter 2013

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

Manufacturing

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

Highlights in the previous quarter

In Q1

- 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 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.
- 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.
- 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.
- 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.
- 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 CO₂ emissions related to the life cycle of the product.
- 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.
- 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 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.
- SKF started to deliver its integrated monotube seal to Öhlins Racing AB, a manufacturer of high-performance suspension systems for automotive, motorcycle, snow-mobile, 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 CO₂ 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.
- 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.

In Q2

- In April, SKF raised a loan of EUR 100 million with the Nordic Investment Bank, maturing in 2020 and replacing the bond maturing in December 2013.
- At the beginning of July SKF completed the divestiture of its metallic rods business to US-based Precision Castparts Corporation for around EUR 40 million on a cash and debt free basis. The business had sales in 2012 of around EUR 46 million and has its operations at the SKF sites in St-Vallier-sur-Rhône, France and in Monroe, Washington, USA. The sale affects around 230 employees in France and around 25 in USA.
- SKF Restructuring Programme*: One-time costs of around SEK 190 million were included in cost of goods sold in the quarter. The annual savings are expected to be around SEK 80 million, when fully implemented in 2014. About 320 employees are affected, mainly in Germany and Italy. The one-time costs impact as follows:
 - Strategic Industries with around SEK 125 m
 - Automotive with around SEK 35 m
 - Regional Sales and Service with around SEK 10 m
 - Central units with around SEK 20 m.
 Costs and expected savings:

SEKm	Restructuring activities launched in:			
	Q4/12	Q1/13	Q2/13	Total
One-time costs	200	250	190	640
Annual savings when fully implemented	150	100	80	330

The savings for the second half year 2013 will be around SEK 150 million, evenly split between the third and the fourth quarter.

**The restructuring programme is part of SKF's programme to improve efficiency, reduce costs and strengthen profitable growth. For more information see press release of 14 January 2013.*

- SKF signed a 10-year contract worth around SEK 900 million with Turbomeca, a division of the French-based Safran. The contract includes the supply of bearings for the latest Turbomeca helicopter engine, Arrano.
- SKF held its eighth SKF Windfarm Management Conference in Warsaw, Poland. This annual event brings together all the important players from the industry to share knowledge and best practice experiences of managing windfarms and improving asset efficiency. A total of 148 participants from 21 countries took part in presentations and panel debates on topics such as wind turbine lifetime costs, advanced condition based maintenance and also operation and maintenance experiences.
- SKF Telescopic pillars series CPMA and CPMB provides a universal "plug and play" lifting solution for a range of medical equipment such as baby incubators and warmers and ophthalmic chairs and tables. The two series feature a soft start/stop motion with very silent lifting and a built in universal power supply.

- SKF and INSA Lyon started a research programme called "Lubricated Interfaces for the Future". This aims to explore the identification, modeling and understanding of the behavior of lubricants under extreme conditions for aerospace.
- SKF won service contracts worth more than SEK 200 million to provide companies in Latin America with different asset management services including machine lubrication and condition monitoring. Latin America is the fastest growing region for SKF's service business.
- SKF opened two new SKF Solution Factories – one in Madrid, Spain and one in Katowice, Poland, bringing the total number to 23 SKF Solution Factories worldwide.
- SKF hosted an Asset Management Conference in Dallas, USA. More than 160 customers signed up for the event, which included presentations covering everything from SKF Life Cycle Management to reliability engineering, condition monitoring and mechanical maintenance. It gave customers an opportunity to benchmark their asset management practices.
- SKF Distributor College awarded its 180,000th certificate. The recipient is an employee of one of SKF's authorized distributors in India, who completed a course on Y-bearings.
- SKF was awarded a significant contract to supply wheel hub bearing units (HBU3) to Volvo Car Corporation for their next generation of premium vehicles. The HBU3, is optimized for lower weight and includes high performance seals with reduced friction.
- SKF has participated in a project called "SÅNÄTT" which aim was to reduce the weight of a car by 20-40%. This project was supported by both industry and academia with the common goal of strengthening the competitiveness of the Swedish automotive industry. The results were presented in June in Gothenburg, Sweden and SKF contributed by developing a carbon-fibre-reinforced polymer knuckle with integrated bearing outer raceway including several other parts. The complete chassis solution reduces the weight with over 50% compared to today's system.
- SKF has extended its driveline offer for the vehicle aftermarket to now include a range of 200 steering boot kits for popular cars and light trucks. The new range of SKF steering boot kits covers a large part of the European car fleet.

In Q3

- SKF and Kaydon Corporation have agreed that SKF will acquire Kaydon in an all-cash transaction valued at around USD 1.25 billion, including USD 95 million of net debt. Kaydon Corporation is a leading designer and manufacturer of bearings and velocity control products such as industrial shock absorbers, gas springs and vibration isolation products.
In 2012, the company had sales of USD 475 million, with an adjusted operating profit of around 16% and has over 2,100 employees. SKF will use existing

cash and credit facilities to finance the acquisition which will be accretive to SKF earnings in year one. All necessary anti-trust approvals have been obtained and the tender offer to Kaydon's shareholders will expire on 15 October 2013.

For more details see press releases on skf.com

- SKF has been included for the 14th year in a row as one of the world's most sustainable companies in both the Dow Jones Sustainability World Index (DJSI) and the Dow Jones Sustainability Index for Europe. DJSI rated SKF as best in class for the company's approach to environmental management.
- The factory for medium size bearing in Dalian, China was awarded the LEED Gold certification (Leadership in Energy and Environmental Design).
- At the beginning of July SKF completed the divestiture of its metallic rods business to US-based Precision Castparts Corporation for around EUR 40 million on a cash and debt free basis. The business had sales in 2012 of around EUR 46 million and has its operations at the SKF sites in St-Vallier-sur-Rhône, France and in Monroe, Washington, USA. The sale affects around 230 employees in France and around 25 in USA.
- Gained a supply agreement with the leading Chinese wind turbine manufacturer Goldwind, worth SEK 100 million for SKF Nautilus bearing units to be delivered in 2013 and 2014.
- Received major orders from the Chinese companies Tangshan Loco and Changchun Railway Co for wheel set bearings for high speed trains.
- Received an order worth SEK 22 million for bearings from a Chinese customer for upgrading local coal power plants aimed at reducing toxic emissions.
- Received a SEK 21 million order from an European customer for cryogenic bearings to the application loading arms for Liquefied Natural Gas (LNG) ships.
- New products:
 - *SKF Condition Based Lubrication* for wind turbines combines SKF condition monitoring and automatic lubrication systems.
 - *SKF axial excluder seals* extend service life in wind turbine main shaft bearings.
 - *Sealed SKF single row angular contact ball bearings* are ready-to-use units that are fitted with two non-contact seals that reduce frictional heat and extend the service life. These bearings are used in e.g. pumps, gearboxes and electric motors.
 - *A new series of super precision bearings* for wood-working applications, providing a cost-effective solution which meets specific customer requirements.
- A major oil and gas exploration and production company in Latin America has awarded SKF a three-year contract, worth SEK 43 million, to provide preventive, corrective and predictive maintenance services for its rotating equipment.
- New products:
 - *Reinforced all-rubber HSS seals* that protect large size bearings in heavy industrial applications.

- A *digital oil pressure gauge* developed for use with the SKF Drive-up Method that is suitable for applications where the pressure has to be measured very accurately.
- *Grid and gear coupling grease*, developed for a wide range of operating conditions.
- An *oil storage station*, designed to minimise the risk of lubricating oils becoming contaminated during storage or transfer.
- In September, SKF opened a gearbox remanufacturing centre at the SKF Solution Factory in Tianjin, China. In addition, this will help its customers to improve the reliability of their driveline machinery.
- SKF Distributor College awarded its 190,000th certificate. The recipient is an employee of Hoogland-Mennens, one of SKF's Authorized Distributors in the Netherlands, who completed a course on self-aligning ball bearings.
- SKF signed an agreement with Wuhan Iron & Steel Heavy Industry Group Co, Ltd (WISCO Heavy) to establish a remanufacturing centre in Wuhan, China, that will provide remanufacturing service for bearings and continuous caster rolls.
- Two agreements with Fiat for the delivery of wheel hub bearing units for the front and rear wheels for four different models to be sold under the Fiat and Jeep brands. The two agreements are for seven years each, and their combined value is around SEK 1 billion.
- The Chinese car manufacturer, Great Wall Motors, has awarded further business to SKF for high pressure valve stem seals for engine valve train and bearing retainers for transmissions. SKF and Great Wall have also signed a strategic partnership agreement to increase cooperation developing sustainable solutions for energy efficient vehicles.
- For the 5th consecutive year SKF received the "Qualitas Award" from Fiat Argentina. The award recognize suppliers for fulfilling the objectives in terms of quality, service and competitiveness of goods or services supplied.
- For the second time in a row SKF was awarded "Preferred Supplier" of the Bosch Group. SKF earned this due to a close and long-term partnership with the highest level of quality and efficiency.

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 ex-change 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. 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. SKF believes that the European Commission may impose a fine on SKF in 2014. Given the nature of the investigation, the amount of such fine is likely to materially affect the Group's results and cash flow. SKF has fully cooperated with the Commission and has undertaken its own investigation. Based on this and SKF's best estimate of a probable amount of a fine, SKF has included a provision of SEK 3 billion in its fourth quarter result 2013.

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

Gothenburg, 28 January 2014
Aktiebolaget SKF
(publ.)

Tom Johnstone
President and CEO

AB SKF is required to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at around 13.00 on 28 January 2014.

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

You will find all information regarding
SKF Year-end results 2013 on:

investors.skf.com/quarterlyreporting

Enclosures:

Financial statements

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

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 First-quarter report 2014 will be published on Thursday, 17 April 2014.

The Annual General Meeting will be held on Friday, 28 March 2014 in Gothenburg, Sweden.

The SKF Annual Report 2013 - Financial, environmental and social performance will be published in a pdf format on SKF's website investors.skf.com on 5 March 2014. The printed report will be delivered on 17 March 2014 and will be available at the company on that day.

Enclosure 1

Condensed consolidated income statements*

<i>SEKm</i>	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Net sales	16,430	14,984	63,597	64,575
Cost of goods sold	-12,567	-11,426	-47,925	-48,121
Gross profit	3,863	3,558	15,672	16,454
Selling and administrative expenses	-2,327	-2,306	-8,868	-9,087
Other operating income/expenses, net	-3,084	-29	-3,113	-51
Profit/loss from jointly controlled and associated companies	1	-2	2	-2
Operating loss/profit	-1,547	1,221	3,693	7,314
Operating margin, %	-9.4	8.1	5.8	11.3
Financial income and expense, net	-213	-252	-872	-906
Loss/profit before taxes	-1,760	969	2,821	6,408
Taxes	-283	26	-1,777	-1,592
Net loss/profit	-2,043	995	1,044	4,816
Net loss/profit attributable to				
Shareholders of the parent	-2,081	967	912	4,662
Non-controlling interests	38	28	132	154
Key figures (definitions, see page 20)				
Basic earnings per share, SEK	-4.57	2.12	2.00	10.23
Diluted earnings per share, SEK	-4.57	2.12	2.00	10.23
Additions to property, plant and equipment	589	520	1,746	1,968
Number of employees registered	48,401	46,775	48,401	46,775
Return on capital employed for the 12-month period ended 31 December, %	7.5	16.2	7.5	16.2

Condensed consolidated statements of comprehensive income*

<i>SEKm</i>	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Net loss/profit	-2,043	995	1,044	4,816
Items that will not be reclassified to the income statement				
Actuarial gains and losses	-332	188	844	-1,543
Income taxes	138	-119	-315	457
	-194	69	529	-1,086
Items that may be reclassified to the income statement				
Exchange differences arising on translation of foreign operations	351	149	-290	-1,227
Available-for-sale-assets	1	44	16	20
Cash-flow hedges	-11	-1	-39	144
Income taxes	73	55	104	-141
	414	247	-209	-1,204
Other comprehensive income, net of tax	220	316	320	-2,290
Total comprehensive income	-1,823	1,311	1,364	2,526
Total comprehensive income attributable to				
Shareholders of AB SKF	-1,884	1,306	1,303	2,446
Non-controlling interests	61	5	61	80

* 2012 figures restated for amended IAS 19, see page 12.

Enclosure 2

Condensed consolidated balance sheets

<i>SEKm</i>	December 2013	December 2012
Goodwill	10,717	5,720
Other intangible assets	8,306	4,080
Property, plant and equipment	14,095	13,086
Deferred tax assets	2,015	1,835
Other non-current assets	1,276	1,188
Non-current assets	36,409	25,909
Inventories	13,700	12,856
Trade receivables	11,189	10,084
Other current assets	3,492	2,851
Other current financial assets	6,201	9,057
Current assets	34,582	34,848
Total assets	70,991	60,757
Equity attributable to shareholders of AB SKF	20,100	21,340
Equity attributable to non-controlling interests	1,052	1,128
Long-term financial liabilities	19,698	12,730
Provisions for post-employment benefits	9,902	9,881
Provisions for deferred taxes	2,207	481
Other long-term liabilities and provisions	1,291	1,294
Non-current liabilities	33,098	24,386
Trade payables	4,740	4,189
Short-term financial liabilities	1,646	2,945
Other short-term liabilities and provisions	10,355	6,769
Current liabilities	16,741	13,903
Total equity and liabilities	70,991	60,757

Condensed consolidated statements of changes in shareholders' equity

<i>SEKm</i>	Jan-Dec 2013	Jan-Dec 2012
Opening balance 1 January	22,468	22,455
Total comprehensive income	1,364	2,526
Cost for performance share programmes, net	-39	-40
Other, including transactions with non-controlling interests	-106	78
Total cash dividends	-2,535	-2,551
Closing balance	21,152	22,468

Condensed consolidated statements of cash flow

<i>SEKm</i>	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Operating activities:				
Operating loss/profit*	-1,547	1,221	3,693	7,314
Depreciation, amortization and impairment	499	534	1,893	1,831
Net loss/gain (-) on sales of intangible assets, PPE and businesses	-10	-27	-38	-129
Taxes	-457	-739	-2,351	-2,839
Other including financial and non-cash items*	3,421	-62	3,186	-631
Changes in working capital	-23	718	-1,068	657
Net cash flow from operations	1,883	1,645	5,315	6,203
Investing activities:				
Payments for intangible assets, PPE and businesses	-8,653	-583	-11,004	-2,944
Sales of PPE and businesses	38	14	347	296
Net cash flow used in investing activities	-8,615	-569	-10,657	-2,648
Net cash flow after investments before financing	-6,732	1,076	-5,342	3,555
Financing activities:				
Change in short- and long-term loans	4,191	-1,429	4,983	2,691
Change in finance lease liabilities	-4	-1	-9	-4
Cash dividends	-4	-3	-2,535	-2,551
Investments in short-term financial assets	-122	-138	-262	-446
Sales of short-term financial assets	101	122	317	238
Net cash flow used in financing activities	4,162	-1,449	2,494	-72
Net cash flow	-2,570	-373	-2,848	3,483
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 October/1 January	7,914	8,617	8,244	4,825
Cash effect excl. acquired/sold businesses	-3,226	-373	-3,647	3,393
Cash effect of acquired/sold businesses	656	0	799	90
Exchange rate effect	25	0	-27	-64
Cash and cash equivalents at 31 December	5,369	8,244	5,369	8,244

* 2012 figures restated for amended IAS 19, see page 12.

Change in net interest-bearing liabilities	Closing balance 31 December 2013	Cash change	Businesses acquired/sold	Other non cash changes	Translation effect	Opening balance 1 January 2013
Loans, long- and short-term	20,874	4,983	0	-30	653	15,268
Post-employment benefits, net	9,815	-625	398	-16	229	9,829
Financial assets, others	-1,203	55	0	-89	26	-1,195
Cash and cash equivalents	-5,369	3,647	-799	0	27	-8,244
Net interest-bearing liabilities	24,117	8,060	-401	-135	935	15,658

Number of shares	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Total number of shares	455,345,290*	455,330,518	455,332,624*	455,345,945
- whereof A shares	38,558,266	42,649,282	38,558,266	42,649,282
- whereof B shares	416,787,024*	412,681,236	416,774,358*	412,696,663
Total number of diluted shares outstanding	455,345,290	455,593,228	455,332,624	455,533,407
Total weighted average number of diluted shares	455,345,290	455,593,228	455,332,624	455,533,407

* To fulfill AB SKF's obligations under the Performance Share Programmes 2010 and 2011, which are settled in 2013 and 2014 respectively, SKF International AB (SKF Treasury Centre) entered into equity swap agreements with a financial institution. The agreements include the possibility to get delivery of SKF shares from the financial institution to the participants of the program. As the financial institution's acquisition of SKF B shares is equivalent to, from an accounting perspective only, a repurchase of treasury shares in accordance with IAS 32, the total number of shares in the table above has been reduced.

Enclosure 4

Condensed consolidated financial information - yearly and quarterly figures*

Amounts in SEKm unless otherwise stated.					Full year				Full year	
	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13	Q3/13	Q4/13	2013
Net sales	16,931	17,174	15,486	14,984	64,575	15,152	16,392	15,623	16,430	63,597
Cost of goods sold	-12,461	-12,737	-11,497	-11,426	-48,121	-11,497	-12,338	-11,523	-12,567	-47,925
Gross profit	4,470	4,437	3,989	3,558	16,454	3,655	4,054	4,100	3,863	15,672
Gross margin, %	26.4	25.8	25.8	23.7	25.5	24.1	24.7	26.2	23.5	24.6
Selling and administrative expenses	-2,291	-2,385	-2,105	-2,306	-9,087	-2,176	-2,249	-2,116	-2,327	-8,868
- as % of sales	13.5	13.9	13.6	15.4	14.1	14.4	13.7	13.5	14.2	13.9
Other operating income/expenses, net	-43	-3	24	-29	-51	1	32	-62	-3,084	-3,113
Profit/loss from jointly controlled and associated companies	0	0	0	-2	-2	0	0	1	1	2
Operating profit/loss	2,136	2,049	1,908	1,221	7,314	1,480	1,837	1,923	-1,547	3,693
Operating margin, %	12.6	11.9	12.3	8.1	11.3	9.8	11.2	12.3	-9.4	5.8
Operating margin excl. one-time items, %	12.6	12.7	12.3	10.2	12.0	11.4	12.4	12.9	11.0	11.9
Financial income and expense, net	-180	-275	-199	-252	-906	-243	-210	-206	-213	-872
Profit/loss before taxes	1,956	1,774	1,709	969	6,408	1,237	1,627	1,717	-1,760	2,821
Profit margin before taxes, %	11.6	10.3	11.0	6.5	9.9	8.2	9.9	11.0	-10.7	4.4
Taxes	-630	-530	-458	26	-1,592	-419	-523	-552	-283	-1,777
Net profit/loss	1,326	1,244	1,251	995	4,816	818	1,104	1,165	-2,043	1,044
Net profit/loss attributable to										
Shareholders of the parent	1,279	1,201	1,215	967	4,662	793	1,077	1,123	-2,081	912
Non-controlling interests	47	43	36	28	154	25	27	42	38	132

Reconciliation to profit before tax for the Group*

SEKm	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013
Operating profit/loss:										
SKF Industrial Market, Strategic Industries	1,016	938	816	354	3,124	596	790	687	565	2,638
SKF Industrial Market, Regional Sales and Service	810	814	878	733	3,235	676	749	738	850	3,013
SKF Automotive	238	194	158	-123	467	173	290	251	95	809
Other operations outside the business areas	104	113	102	148	467	140	149	142	-23	408
Unallocated Group activities and adjustments, net	-32	-10	-46	109	21	-105	-141	105	-3,034	-3,175
Financial net	-180	-275	-199	-252	-906	-243	-210	-206	-213	-872
Profit/loss before tax for the Group	1,956	1,774	1,709	969	6,408	1,237	1,627	1,717	-1,760	2,821

Key figures* (definitions, see page 19)

	Q1/12	Q2/12	Q3/12	Q4/12	Full year 2012	Q1/13	Q2/13	Q3/13	Q4/13	Full year 2013
Operating profit/loss excluding amortization, SEKm	2,196	2,110	1,971	1,275	7,552	1,540	1,903	1,991	-1,436	3,998
Basic earnings per share, SEK	2.81	2.63	2.67	2.12	10.23	1.74	2.36	2.47	-4.57	2.00
Diluted earnings per share, SEK	2.81	2.63	2.67	2.12	10.23	1.74	2.36	2.47	-4.57	2.00
Dividend per share, SEK	-	5.50	-	-	5.50	-	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	13.8	13.5	7.5	7.5
Gearing, %	47.1	51.3	55.5	52.8	52.8	52.3	53.9	52.3	59.2	59.2
Equity/assets ratio, %	39.1	35.7	33.7	37.0	37.0	36.1	34.8	36.4	29.8	29.8
Net worth per share, SEK	49	45	44	47	47	47	46	48	44	44
Additions to property, plant and equipment, SEKm	445	500	503	520	1,968	347	373	437	589	1,746
Registered number of employees	45,709	45,858	47,049	46,775	46,775	46,728	46,637	46,187	48,401	48,401

* 2012 figures restated for amended IAS 19, see page 12.

Enclosure 5

Parent company condensed income statements

<i>SEKm</i>	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Revenue	1,848	1,212	4,892	4,655
Cost of revenue	-1,341	-984	-5,035	-5,462
General management and administrative expenses	-286	-265	-1,000	-967
Other operating income/expenses, net	-3,002	-4	-3,002	-5
Operating loss	-2,781	-41	-4,145	-1,779
Financial income and expenses, net	1,018	-63	7,865	2,668
Loss/profit before taxes	-1,763	-104	3,720	889
Appropriations	909	2,232	909	2,232
Taxes	-243	-573	113	-39
Net loss/profit	-1,097	1,555	4,742	3,082

Parent company condensed statements of comprehensive income

<i>SEKm</i>	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Net loss/profit	-1,097	1,555	4,742	3,082
Other comprehensive income, that may be reclassified to the income statement				
Available-for-sale assets	-3	42	12	18
Other comprehensive income, net of tax	-3	42	12	18
Total comprehensive income	-1,100	1,597	4,754	3,100

Parent company condensed balance sheets

<i>SEKm</i>	December 2013	December 2012
Intangible assets	1,206	843
Investments in subsidiaries	32,964	23,064
Receivables from subsidiaries	19,276	12,144
Other non-current assets	640	492
Non-current assets	54,086	36,543
Receivables from subsidiaries	2,861	4,923
Other receivables	153	73
Current assets	3,014	4,996
Total assets	57,100	41,539
Shareholders' equity	14,569	12,363
Untaxed reserves	255	1,040
Provisions	3,295	239
Non-current liabilities	19,408	12,277
Current liabilities	19,573	15,620
Total shareholders' equity, provisions and liabilities	57,100	41,539
Assets pledged	0	0
Contingent liabilities	22	20

Acquisition of Kaydon Corporation

On 16 October 2013, the SKF Group acquired 100% of the shares of Kaydon Corporation (Kaydon) through an all-cash tender offer on the New York Stock Exchange. Kaydon has over 2,100 employees and is headquartered in Ann Arbor, Michigan.

The company is a leading designer and manufacturer of bearings and velocity control products such as industrial shock absorbers, gas springs and vibration isolation products. Their specialty products include filters and filtrations systems, custom rings and seals as well as environmental services. These products are used by customers in a variety of industries such as aerospace, defense, medical, semiconductor, wind energy, material handling and machine tool. The company has a global footprint with 62% of its sales generated in North America, 24% in Europe, 12% in Asia Pacific and 2% in the rest of the world. Kaydon has 19 manufacturing sites located in North America, Europe and Asia.

SKF expects significant synergies from cost efficiencies and improved sales opportunities. The acquisition of Kaydon is in-line with SKF's strategy to strengthen its technology platforms:

- Kaydon is a leader in its product categories, such as split bearings and thin section bearings, with highly engineered, performance-critical products.
- Kaydon's industry recognized brands and leading technologies serve high value, global market segments.
- Kaydon's product offering is highly complementary with SKF's product portfolio and will enhance SKF's offering to its customers worldwide.
- Kaydon serves a number of segments that are less represented in SKF's current customer base and provides an opportunity to expand the product offering to those customers.
- Kaydon has maintained a long track record of strong financial performance with robust profit margins and cash flow.

The table below shows the preliminary fair values of the net assets acquired in Kaydon.

Preliminary fair values of net assets acquired

SEKm

Trademarks	771
Technology	800
Customer relations	1,897
Plant and equipment	861
Inventory	800
Accounts receivables	473
Other assets	769
Post-employment benefits	-193
Deferred tax provisions	-1,300
Other liabilities	-649
	<hr/>
	4,229
Goodwill	4,329
Total acquisition cost	<hr/> 8,558
Less:	
Cash and cash equivalents acquired	-656
Cash outflow	<hr/> 7,902

Selected trademarks and tradenames within Kaydon have been valued, including, Kaydon Bearings, Cooper, ACE, Hahn, Fabreeka and Purafil brands. Such preliminary valuations assume an indefinite useful life as SKF expects to promote these for the foreseeable future. Preliminary values were allocated to other significant intangibles which included customer relationships to be amortized over an expected life of 15 years, and technology to be amortised over 12 years.

The preliminary assessment of goodwill is attributable to the significant expected synergies, market opportunities and potential efficiencies, as well as Kaydon's ability to deliver strong financial performance on a consistent basis. None of the goodwill is expected to be deductible for tax purposes.

The acquisition was paid using existing cash and credit facilities. Acquisition related costs of SEK 60 m were expensed as other operating expense.

Kaydon Corporation's results were included in the Group's income statement as from 16 October 2013. Kaydon Corporation contributed with net sales of around SEK 700 m and net loss of around SEK 40 m to the Group's results for 2013 which includes the amortization of the inventory fair value adjustment of SEK 200 m, and excludes acquisition related costs.

See press releases 5 and 16 September, 8 and 16 October 2013.

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 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

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.

SKF is a leading global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. Annual sales in 2013 were SEK 63,597 million and the number of employees was 48,401. www.skf.com