

Annual Report of
AKTIEBOLAGET
SVENSKA KULLAGERFABRIKEN

(THE SWEDISH BALL BEARING COMPANY)

for the Fifty-third Fiscal Year
ended
31st December, 1959

SKF

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GENERAL MEETING TO BE HELD AT THE OFFICES OF SKANDINAVISKA BANKEN IN GOTHENBURG

3.30 p.m. ON TUESDAY, 31st MAY, 1960

Shareholders who wish to attend are requested to notify the Board
of Directors before noon, 27th May, 1960

AKTIEBOLAGET
SVENSKA KULLAGERFABRIKEN

Head office in Gothenburg

1959

DIRECTORS

JACOB WALLENBERG, Chairman, Stockholm

ERIK WETTER, Vice-Chairman, Stockholm

SVERRE R:SON SOHLMAN, Karlskoga

RAOUL NORDLING, Paris

PETER K:SON MARK, Billdal

JOEL LARSSON, Gothenburg

INGE STENBERG, deputy, Gothenburg

EXECUTIVE MANAGEMENT

JOEL LARSSON, Managing Director

INGE STENBERG, Vice Managing Director

AUDITORS

HAKON LEFFLER

NILS ZETTERHOLM

STIG DANIELSON

ELON JACOBSSON

Bankers

SKANDINAVISKA BANKEN, Gothenburg

STOCKHOLMS ENSKILDA BANK, Stockholm

REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S ACTIVITIES

in 1959

With reference to the attached Profit and Loss Account and Balance Sheet, the Board of Directors and the Managing Director submit the following report for the year 1959.

At the beginning of 1959 the available surplus was	Kr 24,339,847
After providing Kr 33,171,209 for depreciation on plant and property etc., setting aside Kr 26,000,000 for taxation, transferring Kr 3,400,000 to the special pension fund for workers, Kr 25,000,000 to the trade equalization account and Kr 47,000,000 to the plant renewal fund, trading in 1959 resulted in a net profit of	38,938,781
The total available surplus therefore amounts to	<u>Kr 63,278,628</u>
The Board of Directors and the Managing Director recommend that a dividend of Kr 12:— per share be paid against coupon No. 50, which will absorb	Kr 28,080,000
and that the balance be left in the available surplus account	35,198,628
	<u>Kr 63,278,628</u>

The Board of Directors and the Managing Director also recommend that the Company's share capital be increased from Kr 234,000,000 to Kr 312,000,000—a total increase of Kr 78,000,000—by capitalizing Kr 11,000,000 from the available surplus account and Kr 67,000,000 from the plant renewal fund. Shareholders will receive one new share of Kr 100 for every three shares held. The new shares will not be eligible for dividends paid in respect of the year 1959.

In addition, it is proposed that Kr 15,600,000 be transferred to the reserve fund from available surplus account, bringing the total of the reserve fund up to Kr 62,400,000.

The attached Balance Sheet and Accounts do not include the changes arising from the proposed increase in the share capital and reserve fund. In other respects the disposal of the surplus has been shown in accordance with the recommendations of the Board of Directors and the Managing Director, subject to the approval of the shareholders.

THE PARENT COMPANY

SALES

The total sales of the Parent Company during 1959 amounted to Kr 470.4 million, an increase of about 7% over the previous year. The sales of products manufactured in Gothenburg and Katrineholm increased by just over 7% and the sales of Hellefors products by about 12%, whereas the sales of Hofors products increased by only 3.4% as compared with 1958, the productive capacity of the Hofors works being utilized to a greater extent for internal deliveries. Of the Company's sales of ball and roller bearings and other products manufactured in Gothenburg and Katrineholm, 69.7% went to the export market, and 30.3% to the home market. Of the total sales, the proportion was 68.2% and 31.8% respectively.

ORDERS RECEIVED

The improving trend in orders received for ball and roller bearings which became apparent towards the end of 1958 continued during the whole of 1959, and led to an average increase of about 30 % in the value of orders received during the year, and an increase in the number of units of 24 % as compared with 1958. Orders received for Hofors and Hellefors products increased even more.

DELIVERIES

The value of deliveries from the Gothenburg and Katrineholm works increased by 5 % in relation to 1958; in the number of units delivered the increase was 9 %. The value of deliveries from Hofors and Hellefors was 3 % and 12 % higher respectively than in 1958. Deliveries both from Gothenburg and Katrineholm, and from Hofors and Hellefors, were thus considerably less than orders received, both in value and in number of units, resulting in an increase in orders on hand.

ORDERS ON HAND

Calculated at values comparable to "net sales", orders on hand at the Parent Company in millions of kronor at December 31st for the period 1950—1959 have been as follows:

	Gothenburg and Katrineholm	Hofors	Hellefors	Total
1950	144.6	34.8	—	179.4
1951	217.8	71.4	—	289.2
1952	156.9	53.9	—	210.8
1953	107.1	24.8	—	131.9
1954	134.8	34.0	—	168.8
1955	188.6	64.8	—	253.4
1956	213.3	56.9	—	270.2
1957	181.1	36.3	24.0	241.4
1958	144.6	28.2	25.8	198.6
1959	169.2	54.1	43.6	266.9

PRODUCTION

The labour force at the Gothenburg works progressively increased by about 200 workers thus enabling turning operations to be increased to full capacity. This led to an increase in the stock of semi-finished products, and is expected to produce a noticeable increase in the deliveries to stock of finished products during the current year.

The labour force was increased both at Hofors and at Hellefors in conjunction with the increase in production.

The production of ingots and steel deliveries from Hofors and Hellefors were as follows:

	Production of ingots	Steel deliveries			Internal between Hofors & Hellefors	Total deli- veries
		To custom- ers outside SKF	To SKF companies	Total		
	Tons	Tons	Tons	Tons	Tons	Tons
Hofors	190,858	34,077	73,447	107,524	17,750	125,274
Hellefors	74,995	45,891	6,623	52,514	21,535	74,049
	<u>265,853</u>	<u>79,968</u>	<u>80,070</u>	<u>160,038</u>	<u>39,285</u>	<u>199,323</u>

At Katrineholm, orders received increased considerably and consequently production was also increased in relation to 1958. A corresponding increase in the labour force was made. The production of iron castings amounted to 13,242 tons (against 11,207 tons in 1958). Deliveries of finished products from the workshop and foundry to stock reached 10,832 tons (9,993 tons in 1958).

PLANT AND PROPERTY

The gross value of plant and property increased by Kr 40.8 million during the year.

Preparatory work started in Gothenburg on an extension of the factory for the manufacture of bearings with an outside diameter of more than 450 mm. No other extensions were made.

At Hofors, the reconstruction of the blast furnaces was almost completed, and the new Cowper recuperators came into use. This work is expected to be completed in the spring of 1960. Reconstruction of the cast iron foundry has begun and is also expected to be completed in the first half of 1960. A new steel store was erected at Hofors.

At Hellefors, the building for the new blooming mill was completed, the mill was mounted and came into production in March this year. The bar rolling mill has undergone radical reconstruction.

In February 1960 SKF sold to Gunnebo Bruks Aktiebolag one half of the shares in its wholly-owned subsidiary Aktiebolaget Svenska Stållinor. This company, which had not been active for several years, was made over to SKF in 1957 at the time of the acquisition of Hellefors Jernverk together with its steel wire rope plant at Kristinehamn. In connection with this transfer of shares, an increase of the share capital of Aktiebolaget Svenska Stållinor was made, and in exchange for shares allotted to them, SKF and Gunnebo Bruks Aktiebolag made over their steel wire rope factories at Kristinehamn (belonging to SKF and referred to above) and at Varberg (belonging to Gunnebo Bruks Aktiebolag) to Aktiebolaget Svenska Stållinor.

At Katrineholm, no major building work was carried out.

Normal additions to machinery and auxiliary equipment were made at all the Swedish factories.

SHAREHOLDINGS

The increase in the Company's shareholdings is due mainly to an issue of new shares by the Canadian SKF Co. Ltd., Scarborough, to the amount of Kr 13.6 million, of which Kr 10.3 million were shown in 1958 under the heading Accounts receivable from Subsidiary Companies.

The share capital of SKF Kugellagerfabriken GmbH, Schweinfurt, was increased from DM 60 million to DM 150 million by an issue of new shares. When subscribing to the new shares allotted in respect of the Company's previous stockholding in the German company, the Parent Company utilized the extra dividend declared by the German company in 1959, referred to below under Dividends. This dividend made use of the available surplus in the German company brought forward from previous years, together with other reserves no longer required. The new shares, amounting to a nominal value of Kr 111.3 million, have been written off in the Balance Sheet.

INVENTORIES

The increase in the value of stocks, Kr 34.3 million, shown in the Balance Sheet, is due partly to an increase in volume. Also included, however, is an amount of Kr 27 million, previously a taxed inventory reserve, now credited to Profit & Loss Account.

OTHER ACCOUNTS RECEIVABLE

The increase mainly refers to a non-recurrent compensation due to the Company (see Sundry Income, page 9), and also includes a short-term loan to Krångede AB.

BONDS AND OTHER SECURITIES

This item chiefly comprises Swedish State bonds to the amount of Kr 30 million and Krångede Aktiebolag's bonds and notes to the amount of Kr 2.3 million.

CASH AT BANKS AND IN HAND

As shown in the Balance Sheet, this item includes an amount of Kr 18 million, deposited in blocked account with Sveriges Riksbank. All other amounts included under this heading are on current or deposit accounts with the Company's usual bankers, or represent cash in the Company's safes.

TRADE EQUALIZATION ACCOUNTS

During the year, Kr 5.4 million was used with the permission of the State Employment Board. A corresponding amount was transferred to the depreciation account for buildings. A further Kr 25 million was set aside during the year for the trade equalization account.

TAXES

The amount of Kr 5.1 million set aside for taxes is sufficient to cover all unpaid state and municipal taxes in respect of the Company's operations up to and including the year 1959.

THE COMPANY'S OWN CAPITAL

The following table shows how the Company's own capital, contributed by shareholders or retained in the business, has been employed. The proposed dividend for the year, shown amongst the liabilities in the Balance Sheet, has in this table been included in the Company's own capital.

Share capital	Kr 234,000,000
Reserve fund	46,800,000
Plant renewal fund	97,000,000
Insurance funds	9,301,795
Surplus (including proposed dividend)	63,278,628
Total of the Company's own capital	<u>Kr 450,380,423</u>
Adding the amount set aside for trade equalization accounts	49,495,206
the total will be	<u>Kr 499,875,629</u>
This has been employed as follows:	
Current assets	Kr 430,094,071
Liabilities (excluding proposed dividend)	228,646,937
Working capital	<u>Kr 201,447,134</u>
Plant and property (after depreciation)	165,020,161
Shares and other interests	131,925,740
Accounts receivable of a permanent nature	1,066,280
Deferred charges	416,314
	<u>Kr 499,875,629</u>

The Company's share capital, amounting to Kr 234,000,000 (nominal value per share Kr 100), consists of:

A-shares	nom. value	Kr 136,750,500
B-shares	» »	93,328,200
» not free	» »	3,921,300
	nom. value	<u>Kr 234,000,000</u>

Of the Company's shares, the A-shares and all the B-shares are quoted on the Stockholm Stock Exchange, all the B-shares on the London Stock Exchange, the free B-shares on the Paris Stock Exchange, and the free B-shares except those relating to the 1955 scrip issue on the Geneva Stock Exchange.

GROSS PROFIT

The increase in gross profit over 1958 is due partly to increased sales and better utilization of the productive capacity of the Company's factories, and partly to an adjustment of the reserve for inventories referred to above.

DIVIDENDS

The amount of Kr 133.3 million shown under this heading includes, in addition to the normal dividend from the German company, an extra dividend of Kr 111.3 million net, as mentioned above under Shareholdings.

Dividends were received as usual from the British and French companies, but the dividend from the American company was not received until 1960. The other SKF companies paid approximately the same dividends as last year.

SUNDRY INCOME

The increase over 1958 chiefly refers to a non-recurrent compensation payable to the Company for relinquishing the right to perpetual royalty according to an agreement made in 1929, and to compensation from Czechoslovakia in connection with war losses.

DEPRECIATION ON CAPITAL ASSETS

Depreciation on property, machinery etc. amounted to Kr 33,171,209 (Kr 27,574,605 in 1958) and is shown on page 17. In view of current tax regulations, depreciation on machinery, tools, furniture etc. acquired during 1955—1959 has been provided at 20 % of cost. Assets of this nature purchased before 1955 have previously been fully written off. Depreciation on buildings etc. has been provided in accordance with the usual principles.

Had the depreciation not been limited by current tax regulations and if the principles normally applied by the Company had been followed the year's depreciation would have amounted to Kr 40.3 million.

In addition to the above-mentioned depreciation, capital assets have been depreciated by Kr 5.4 million, using funds shown under Trade equalization accounts.

Shares, interests etc. have been written down by a total amount of Kr 111.6 million, as shown in the Profit and Loss Account.

SALARIES AND WAGES

Average number of workers in Sweden during 1959	9,917
Average number of other employees during 1959	2,665
	12,582
Total amount of salaries, wages etc.:	
To members of the Board, Managing Directors and other officials of the Company	Kr 1,848,264
To workers	133,074,013
To other employees	47,402,500
	Kr 182,324,777

AMOUNTS PAID OR PAYABLE TO WORKERS AND OTHER EMPLOYEES, THE GOVERNMENT, MUNICIPALITIES AND SHAREHOLDERS

	In 1959		In 1958	
	(thousands of Kronor)			
To workers and other employees as wages, salaries etc.	182,325	76 %	172,405	64 %
To pension funds	3,400	1 %	40,000	15 %
To the Government and municipalities as taxes	26,000	11 %	26,900	10 %
To shareholders as dividends	28,080	12 %	28,080	11 %
	<u>239,805</u>	<u>100 %</u>	<u>267,385</u>	<u>100 %</u>

LIDKÖPINGS MEKANISKA VERKSTADS AB

Owing to a decline in orders received during 1958, the turnover of this company was slightly less in 1959 than in the previous year. Orders on hand increased considerably during 1959, partly owing to decisions taken concerning factory extensions and new investments at several of the companies of the SKF Group abroad, and at the end of 1959 amounted to Kr 25.2 million. Results, after provision for pension funds and the trade equalization account, show a satisfactory surplus. The company paid a dividend of 15 % which is included in the Parent Company's Accounts for 1959.

MANUFACTURING COMPANIES ABROAD

USA

The activity of SKF Industries Inc., Philadelphia, benefited by the substantial rise in trade in the United States during the year. Orders received were about 50 % higher than in 1958, and the turnover was about 30 % higher. Production was increased correspondingly and results were satisfactory, although during the last few months of 1959 deliveries and production were unfavourably affected by the steel strike. SKF Industries acquired in 1959 a small company, the Reed Instrument Bearing Company, which manufactures miniature precision ball bearings in Los Angeles.

ENGLAND

The Skefko Ball Bearing Company Ltd. achieved a further increase in turnover during 1959, and results remained good. A substantial increase in orders during the latter half of 1959 has led to a corresponding increase in production. The Company's share capital was increased in 1959 from £ 4.5 million to £ 6.0 million by a scrip issue.

FRANCE

The SKF Compagnie d'Applications Mécaniques S. A. (CAM), Paris, again increased their sales during the year, and results remained satisfactory.

Orders received were at approximately the same level as last year but did not quite equal deliveries, and accordingly orders on hand at December 31st, 1959 diminished. CAM finished reconstruction of the Ivry-Port plant in 1959. Work on factory extensions already decided upon was continued, although at a slightly reduced rate.

Établissements Malicet & Blin S. A. (MaB), Aubervilliers, further increased their turnover during 1959. Factory extensions are being carried out in order to improve production.

GERMANY

Orders received by SKF Kugellagerfabriken GmbH, Schweinfurt, declined slightly during the first half of the year but increased substantially during the second half, so that, on an average, they were much higher than in 1958. Turnover increased by about 10 % and a corresponding increase in production was

effected. The share capital of the company was increased in 1959 from DM 60 million to DM 150 million by an issue of new shares. To meet the rapidly increasing demand for its products, the company acquired in 1959 a small factory at Mülheim a. d. Donau.

The turnover of J. N. Eberle & Cie GmbH, Augsburg, increased during the year by about 7 % over 1958, and results improved.

HOLLAND

The turnover of N. V. Nederlandsche Maatschappij van Kogellagers SKF, Veenendaal, was about 17 % better in 1959 than in 1958, and corresponded to a similar increase in orders received.

CANADA

The rise in trade in Canada enabled the Canadian SKF Co. Ltd., Scarboro, to increase their turnover by nearly 30 % and to increase production accordingly. The result is substantially better than in previous years.

BRAZIL

The Company has decided to erect a factory in Brazil, and for this purpose the Brazilian sales company, Companhia SKF do Brasil Rolamentos, acquired a building site in Guarulhos, some 20 km. from the centre of São Paulo. Construction has started, and the factory is expected to be ready for production early in 1961.

AUSTRALIA

The Company, together with the British SKF company, The Skefko Ball Bearing Co. Ltd., Luton, and the British ball bearing manufacturing company Ransome and Marles Bearing Co. Ltd., Newark-on-Trent, entered into an agreement regarding the acquisition of the Government-owned ball bearing factory at Echuca, Victoria. A new company, United Bearing Corporation (Pty) Ltd., was formed for this purpose, and this company will take over the assets and production of the Echuca factory as from June 1st, 1960.

SKF GROUP*

CONSOLIDATED ACCOUNTS

The consolidated accounts have been made up in accordance with the same general principles as previously, and all companies belonging to the Consolidated Group have been included.

The capital assets have been converted at rates of exchange not exceeding the average rates ruling during the years when they were acquired, and the current assets, on the basis of the rates ruling at the end of the year 1959.

The surplus of the Group amounts to Kr 424,058,951, provision having been made for the proposed dividend to the Parent Company's shareholders and for profits allocated to minority shareholders in the other companies.

The Group's sales to outside customers in all countries increased during 1959 by about Kr 184 million and reached the figure of Kr 1,869,429,068, all inter-company sales having been deducted (see diagram, page 21).

* i. e. the Parent Company and its subsidiaries.

The total net income of the Group in 1959, before depreciation and taxes, amounted to	Kr 516,286,423
Depreciation on buildings, machinery, etc.	Kr 111,737,448
Reserved for taxes	228,731,795 340,469,243
Net profit for 1959	Kr 175,817,180
The minority shareholders in associated companies will participate	
in the net profits with	Kr 9,669,021
Transferred to reserve and debt-regulation funds	1,270,616
and to special funds and reserves	47,075,317 58,014,954
Out of the balance	Kr 117,802,226
the Board has proposed that a dividend of	28,080,000
be paid on the share capital of the Parent Company, leaving the remainder	Kr 89,722,226

to be carried over to the surplus account.

Orders received at the Gothenburg and Katrineholm works during the first quarter of 1960 remained at about the same level as the second half of 1959, and deliveries to finished stores were increased. Orders received by the steel works also continued to be good and are now enabling both Hofors and Hellefors to make the fullest possible use of their capacity.

Orders received at the other European factories have been rising during the first quarter of 1960, except in France where they remained at the 1959 level. Orders received at the factories in the United States and in Canada are still high.

In view of the orders received and the orders on hand at the present time, the Management of the Company expects to be able to maintain full production at all works of the SKF Group throughout 1960.

The countries belonging to the European Economic Community and the European Free Trade Area have been specially marked on the map on page 26 which shows the organisation of the SKF Group. This has been done in order to illustrate how SKF is affected by the integration of European commerce and industry in various countries, including Sweden. The map shows—as is doubtless well known—that the SKF Group possesses manufacturing units both in EEC countries (Germany, France and Holland) and in EFTA countries (Sweden and England). In spite of this, the Management of the Company views with some concern the division of the European market into two different areas, EEC and EFTA, as this division will be an obstacle to the exchange of products which has always taken place between the various European markets and factories of the SKF Group. This exchange could develop even further within a free trade area comprising the whole of Western Europe.

The elimination of tariff barriers between the countries belonging to each of the two areas, or within a possible single free trade area will, without doubt, have important consequences affecting the production and selling policy of the Group. The Management of the Company is consequently giving urgent attention to all developments in this connection.

The Company wishes to express its sincere thanks to all its employees for their loyal and successful work during the past year.

Gothenburg, March 31st, 1960

J. Wallenberg

E. Wetter

Sverre R:son Sohlman

Raoul Nordling

Peter K:son Mark

Joel Larsson
Managing Director

AKTIEBOLAGET SVENSKA KULLAGERFABRIKEN

Profit and Loss and Surplus Accounts for 1959

	1959 Kr	1958 Kr
NET SALES	470,411,789	439,433,331
GROSS PROFIT	127,927,922	118,555,715
Less: General administrative expenses	4,377,395	4,152,029
Other commercial expenses	29,250,175	27,727,896
	33,627,570	31,879,925
Balance	94,300,352	86,675,790
Sundry expenses etc. not deducted from the gross profit	6,209,973	5,193,488
Total net income from manufacture and selling before providing for taxes	88,090,379	81,482,302
OTHER INCOME:		
Dividends from Subsidiary Companies	131,677,090	21,357,798
Other dividends	1,667,241	904,610
Interest from Subsidiary Companies	1,300,920	3,436,380
Other interest	7,761,654	5,082,390
Profit on sales of capital assets	534,550	801,975
Sundry income	26,971,623	3,960,002
	169,913,078	35,543,155
Total income for the year 1959	258,003,457	117,025,457
Less: Reserved for taxes	26,000,000	26,900,000
Interest to Subsidiary Companies	380,411	124,005
Other interest expenses	5,039,591	3,642,325
	31,420,002	30,666,330
Net income for the year 1959	226,583,455	86,359,127
Less: Provision for pensions for workers	3,400,000	21,000,000
Provision for pensions for salaried employees	—	19,000,000
Provision for Trade equalization accounts	25,000,000	10,000,000
Provision for Plant renewal fund	47,000,000	—
Depreciation on shares in Subsidiary Companies	111,619,479	1,093,231
Depreciation on other shares	538	2,647
Sundry other amounts not connected with the year's operations	624,657	506,028
	187,644,674	51,601,906
NET PROFITS FOR 1959	38,938,781	34,757,221
Dividend on Coupon No. 50 as proposed by the Board of Directors	28,080,000	28,080,000
Balance carried over to Surplus Account	10,858,781	6,677,221
Balance in Surplus Account at 31st December, 1958	24,339,847	17,662,626
SURPLUS 31st December, 1959, as proposed by the Board of Directors	35,198,628	24,339,847
Depreciation for the year (page 17)	33,171,209	27,574,605

	<i>J. Wallenberg</i>	
<i>E. Wetter</i>	<i>Sverre R:son Sohlman</i>	<i>Raoul Nordling</i>
<i>Peter K:son Mark</i>	<i>Joel Larsson</i>	
	Managing Director	

Referring to our certificate of to-day's date we hereby certify that the above Profit and Loss Account agrees with the Company's books, which we have audited.

Gothenburg, April 14th, 1960

<i>Hakon Leffler</i>	<i>Nils Zetterholm</i>	<i>Stig Danielson</i>	<i>Elon Jacobsson</i>
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AKTIEBOLAGET SVENSKA

Balance sheet,

	1959 Kr	1958 Kr
CAPITAL ASSETS:		
Plant and Property (page 16)	524,652,006	483,876,372
Less depreciation (page 16)	359,631,845	323,746,108
	165,020,161	160,130,264
Shares in Subsidiary Companies	118,675,410	104,809,097
Other shares	13,250,330	13,250,333
	131,925,740	118,059,430
Accounts receivable from Subsidiary Companies	1,066,280	11,396,604
	298,012,181	289,586,298
DEFERRED CHARGES	416,314	350,978
CURRENT ASSETS:		
Inventories	114,365,103	80,109,064
Accounts receivable from Subsidiary Companies	45,595,607	36,167,633
Other accounts receivable	72,886,917	44,408,660
Shares (Kr 477,800 par value treasury shares at no value)	243,381	242,284
Bonds and other securities	32,348,828	32,766,328
Acceptances receivable	2,080,170	1,424,689
Cash at banks and in hand (including Kr 18,000,000 on blocked account with Sveriges Riksbank)	162,574,065	139,439,725
	430,094,071	334,558,383
	728,522,566	624,495,659

KULLAGERFABRIKEN

31st December, 1959

	1959 Kr	1958 Kr
SHARE CAPITAL	234,000,000	234,000,000
RESERVE FUND.	<u>46,800,000</u>	<u>46,800,000</u>
SPECIAL FUNDS AND RESERVES:		
Insurance funds	9,301,795	8,395,730
Plant renewal fund	97,000,000	50,000,000
	<u>106,301,795</u>	<u>58,395,730</u>
TRADE EQUALIZATION ACCOUNTS.	<u>49,495,206</u>	<u>29,850,000</u>
LONG TERM LIABILITIES:		
Pension provision for workers:		
Balance 1st January, 1959	54,579,951	33,323,177
Increase during 1959	3,727,593	21,256,774
Balance 31st December, 1959	<u>58,307,544</u>	<u>54,579,951</u>
Due to pensions fund for salaried employees	62,373,421	58,429,013
Due to special fund for employees	2,256,373	2,289,540
Due to Subsidiary Companies	4,158,665	4,098,755
Other long term liabilities	8,534,159	7,853,736
	<u>135,630,162</u>	<u>127,250,995</u>
SHORT TERM LIABILITIES:		
Unpaid dividends and repayment of capital	1,113,228	1,098,718
Accounts payable to Subsidiary Companies	9,398,679	4,416,448
Unpaid taxes	5,130,242	—
Other accounts payable	77,374,626	70,263,921
Dividend on Coupon No. 50 as proposed by the Board of Directors	28,080,000	28,080,000
	<u>121,096,775</u>	<u>103,859,087</u>
SURPLUS (page 17)	<u>35,198,628</u>	<u>24,339,847</u>
	<u>728,522,566</u>	<u>624,495,659</u>
Contingent liabilities	44,770,645	51,298,804
Acceptances discounted	905,760	182,977
Securities pledged	161,645	161,781
Pensions paid in 1959 not charged to Provision for pensions (including Kr 774,599 as per commitments)	1,645,608	1,605,295

J. Wallenberg

E. Wetter *Sverre R:son Sohlman* *Raoul Nordling*
Peter K:son Mark *Joel Larsson*
Managing Director

Referring to our certificate of to-day's date we hereby certify that the above Balance Sheet agrees with the Company's books, which we have audited.

Gothenburg, April 14th, 1960

Hakon Leffler *Nils Zetterholm* *Stig Danielson* *Elon Jacobsson*

Plant and Property 1959

	1959		1958	
	Assessed value	Fire insurance value	Book value	Book value
	Kr	Kr	Kr	Kr
Agricultural and forest real estate	22,151,400	42,954,600	2,661,354	2,567,823
Less depreciation			2,661,353	2,567,822
			<u>1</u>	<u>1</u>
Mines	—	—	220,009	225,708
Less depreciation			220,008	225,707
			<u>1</u>	<u>1</u>
Waterfalls.	—	—	83,600	83,600
Less depreciation			83,599	83,599
			<u>1</u>	<u>1</u>
Factory property and other real estate	174,082,500	315,436,600	207,426,023	201,429,462
Less depreciation			109,766,570	94,186,607
			<u>97,659,453</u>	<u>107,242,855</u>
Machinery, motors, tools, furniture and fixtures, patterns, etc.	—	517,625,100	290,780,449	269,522,006
Less depreciation			241,533,434	220,037,888
			<u>49,247,015</u>	<u>49,484,118</u>
Construction orders in process.	—	20,091,000	23,480,571	10,047,773
Less depreciation			5,366,881	6,644,485
			<u>18,113,690</u>	<u>3,403,288</u>
Total cost of Plant and Property	—		<u>524,652,006</u>	<u>483,876,372</u>
Total depreciation			<u>359,631,845</u>	<u>323,746,108</u>
		<u>896,107,300</u>	<u>165,020,161</u>	<u>160,130,264</u>

Note: The assessed value of mines and waterfalls is included in the amounts shown for agricultural and forest real estate and for factory property and other real estate respectively.

The assessed value of factory property and other real estate includes a "special machinery value" amounting to Kr 38,025,800.

Since the latest real-estate assessment, a total amount of Kr 17,914,802 has been used for the erection, enlargement or conversion of buildings, but has not yet caused any change to be made in the assessed values.

Land, mines, waterfalls, paving, tracks, foundation reinforcements, etc. are not insured.

Depreciation 1959

	1959 Kr	1958 Kr
Depreciation for the year:		
On factory property and other real estate	5,428,539	5,230,499
On machinery, motors, tools, furniture and fixtures, patterns, etc.	23,500,370	22,344,106
On construction orders in process	4,242,300	
Total depreciation	33,171,209	27,574,605
Add: Amount transferred to Trade equalization accounts	5,354,794	
	38,526,003	27,574,605
Less: Net amount of other debits and credits	2,640,266	2,276,466
Net amount	35,885,737	25,298,139

Surplus 1959

	1959 Kr	1958 Kr
Balance at 31st December, 1958, before transfers as proposed by the Board of Directors	52,419,847	43,402,626
Distribution decided upon by the Shareholders' Meeting in 1959:		
Dividend on Coupon No. 49	28,080,000	25,740,000
	24,339,847	17,662,626
Net profit for 1959	38,938,781	34,757,221
Available surplus	63,278,628	52,419,847
Less: Amount to be disposed of by the Shareholders' Meeting in 1960 as proposed by the Board of Directors	28,080,000	28,080,000
SURPLUS as per Balance Sheet (page 15)	35,198,628	24,339,847

AKTIEBOLAGET SVENSKA KULLAGER-

Consolidated balance

	1959 Kr	1958 Kr
CAPITAL ASSETS:		
Plant and Property	1,457,943,105	1,321,755,550
Less depreciation	970,365,920	874,632,753
	487,577,185	447,122,797
Shares in other Companies	14,409,642	14,447,280
	501,986,827	461,570,077
 DEFERRED CHARGES	6,981,174	5,576,594
 CURRENT ASSETS:		
Inventories	680,567,160	605,499,865
Accounts receivable	282,827,594	225,507,967
Shares, bonds and other securities	35,201,888	45,854,984
Acceptances receivable	26,689,181	17,250,702
Cash at banks and in hand	343,972,039	300,467,641
	1,369,257,862	1,194,581,159
	1,878,225,863	1,661,727,830

FABRIKEN AND SUBSIDIARY COMPANIES

sheet, 31st December, 1959

	1959 Kr	1958 Kr
CAPITAL LIABILITIES:		
Share Capital	234,000,000	234,000,000
Reserve Fund	46,800,000	46,800,000
Subsidiary Companies' Reserve Funds and Debt-regulation Funds . . .	37,902,957	36,632,341
Capital and proportion of Reserve Funds and Surplus of Subsidiary Companies not owned	84,397,796	74,865,784
	<u>403,100,753</u>	<u>392,298,125</u>
SPECIAL FUNDS AND RESERVES	<u>393,735,512</u>	<u>346,660,195</u>
RESERVE FOR EXCHANGE RISKS	<u>40,000,000</u>	<u>40,000,000</u>
OTHER LIABILITIES:		
Provisions for pensions	163,324,420	148,195,681
Bonded debt	28,811,830	16,533,612
Loans and acceptances	73,717,633	81,985,689
Accounts payable	231,630,718	207,181,419
Unpaid taxes	88,343,756	63,818,634
Unpaid dividends as proposed	31,502,290	30,717,750
	<u>617,330,647</u>	<u>548,432,785</u>
SURPLUS:		
Available at beginning of year	334,336,725	301,122,107
Net increase during year after allocation of profits (page 12)	89,722,226	33,214,618
	<u>424,058,951</u>	<u>334,336,725</u>
Out of this amount: Available surplus as per the Parent Company's Balance		
Sheet	35,198,628	24,339,847
Remainder	388,860,323	309,996,878
	<u>424,058,951</u>	<u>334,336,725</u>
	<u>1,878,225,863</u>	<u>1,661,727,830</u>
CONTINGENT LIABILITIES	34,853,495	38,935,556
ACCEPTANCES DISCOUNTED	15,017,189	13,544,833

Gothenburg, March, 1960

Joel Larsson
Managing Director

Note: A transfer of the surplus at the companies abroad is dependent on various regulations and is also subject to additional taxation.

Auditors' certificate for 1959

We, the undersigned, duly elected as auditors of AKTIEBOLAGET SVENSKA KULLAGER-FABRIKEN, hereby submit the following report for 1959.

In connection with our audit we have examined the Company's accounts and records, the minutes of the Board of Directors and other evidence regarding the Company's financial position and administration.

The stocks of raw materials, shop supplies, semi-finished and finished products on hand as shown by inventories, certified by officials of the Company, have been valued on a conservative basis.

Shares and other securities held in Sweden by the Company have been checked and the insurance policies examined and found to be in order.

The provisions for pensions, shown in the Balance Sheet, have been examined and are in order.

The accounts of the Company have been examined during the year by J. E. Stenbergs Revisionsbyrå AB, authorized public accountants, who have certified that everything is in order.

We have received information regarding the Company's transactions with its subsidiary companies, and a consolidated balance sheet has been prepared, showing the Group's position at the end of 1959. The consolidated balance sheet is made up on the basis of the balance sheets of the 75 companies belonging to the Group, most of which are audited by chartered accountants in their respective countries. We have examined the principles followed in the preparation of this consolidated balance sheet and, in our opinion, it should give a correct view of the financial position of the Group.

The proposal made by the Board of Directors as regards the disposition of the Company's profits has been duly considered by us in connection with our audit of the consolidated balance sheet. We have no objection to make in reference to the proposed scrip issue.

There is no cause for remarks with respect to the reports presented to us, the accounts of the Company, the specification of its assets, or otherwise regarding the administration of the Company. We accordingly recommend that the Shareholders' Meeting resolve:

To approve the balance sheet as per 31st December 1959 duly signed by us,

To dispose of the available surplus, Kr 63,278,628, in accordance with the proposal made by the Board of Directors, which is not contrary to legal funding provisions.

To grant the Board of Directors discharge for their administration during 1959.

Gothenburg, April 14th, 1960.

Hakon Leffler

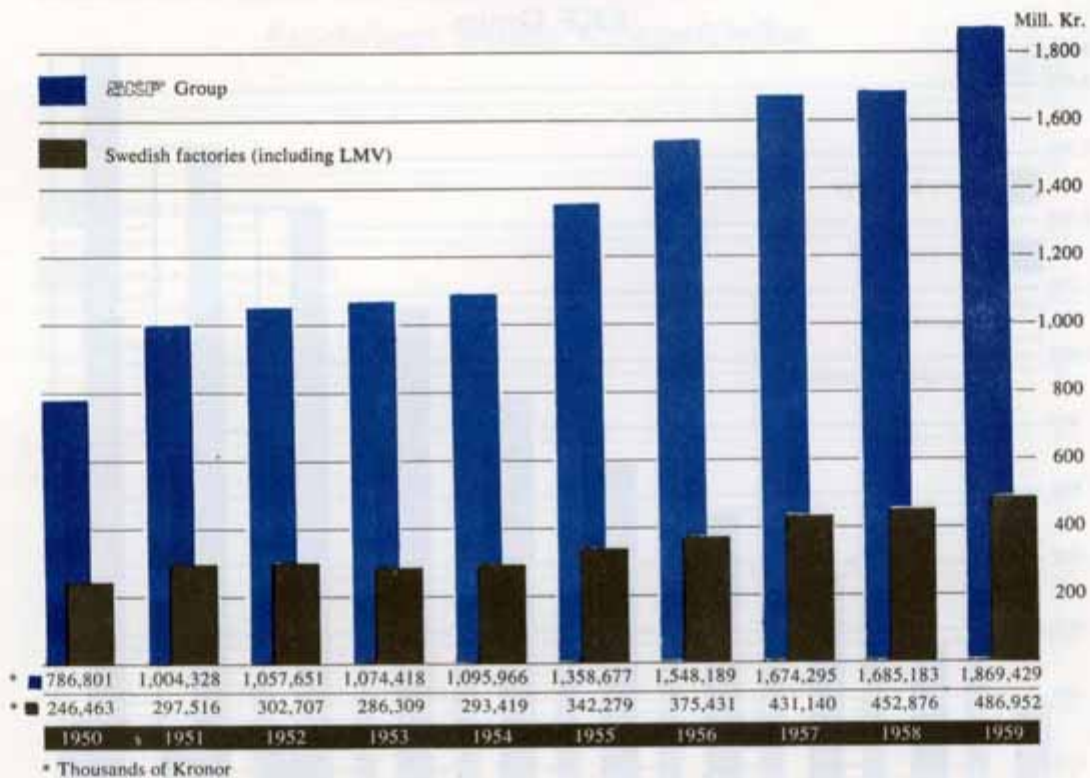
Nils Zetterholm

Stig Danielson

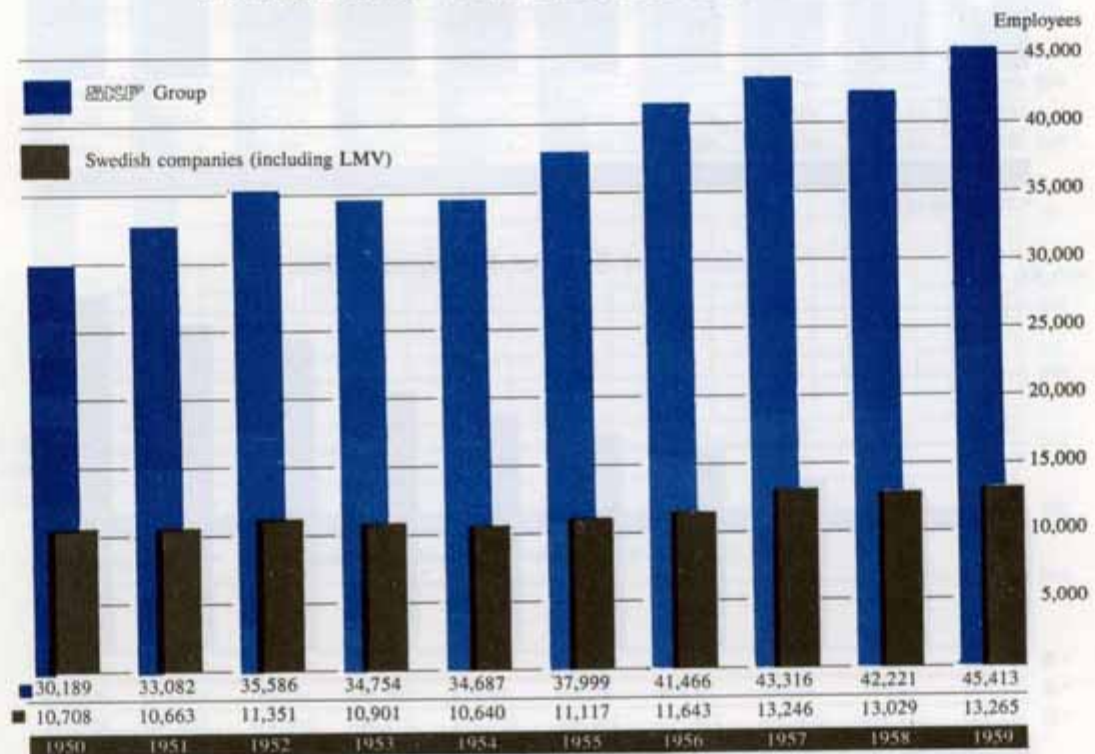
Elon Jacobsson

Authorized public
accountant

SALES 1950-1959

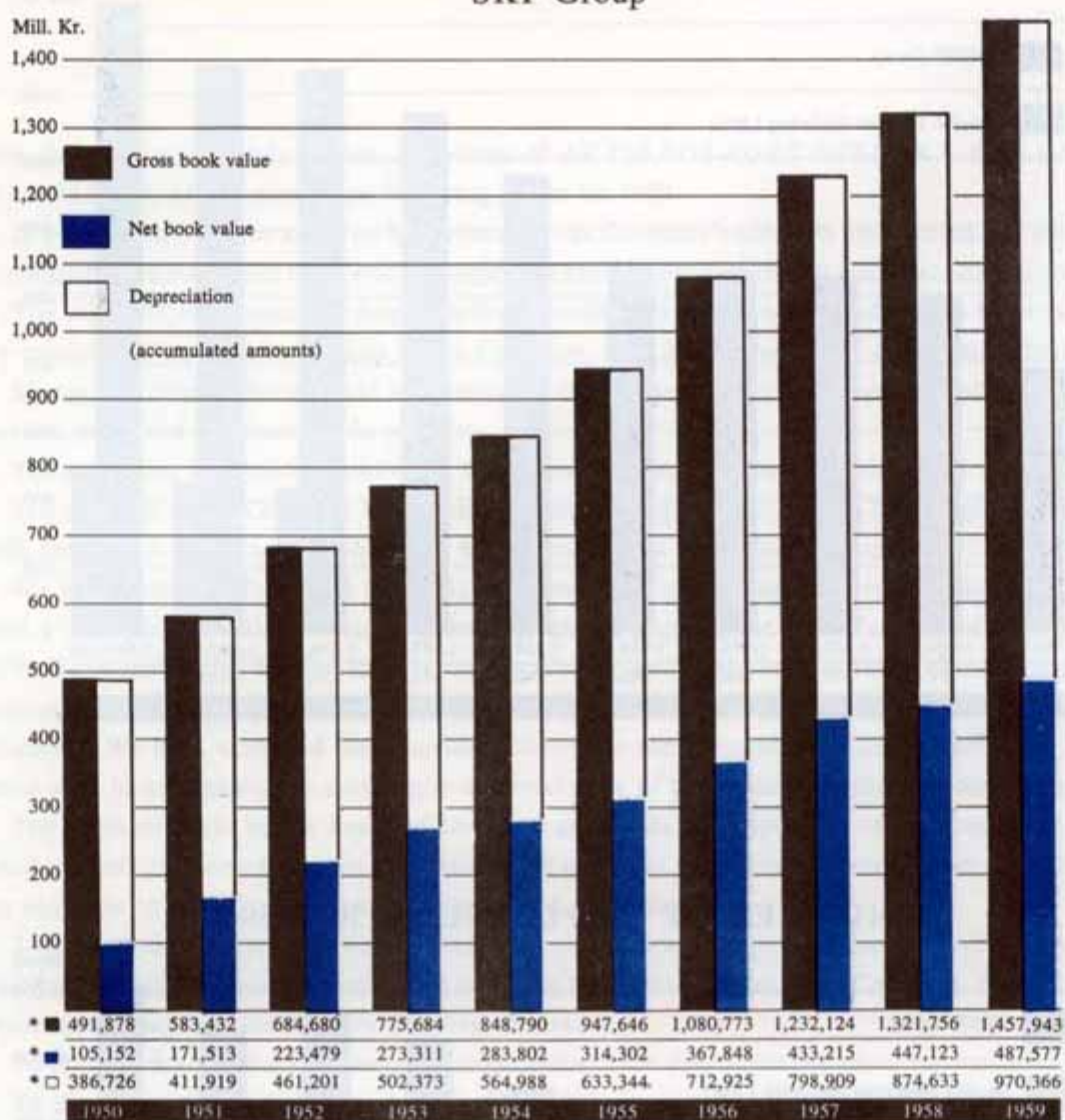


NUMBER OF EMPLOYEES 1950-1959



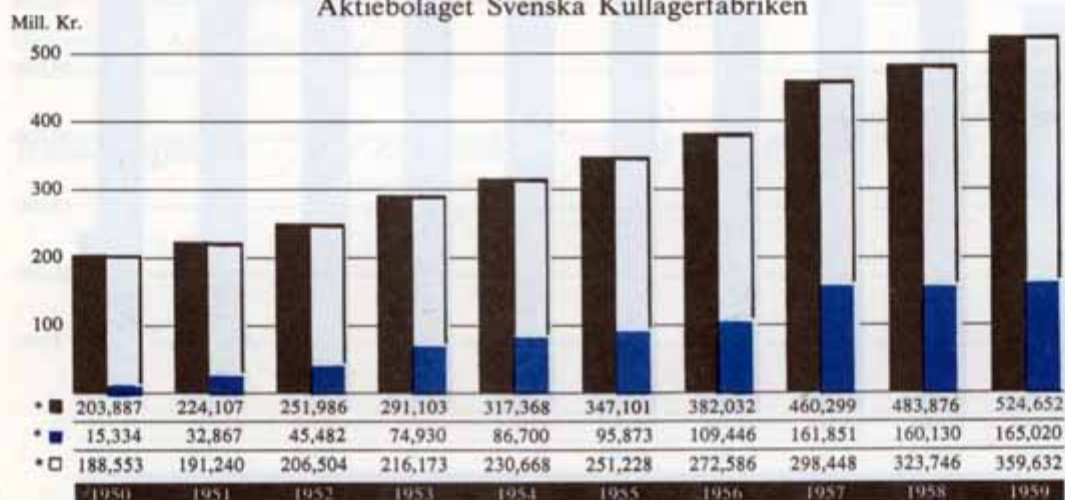
INVESTMENTS IN PLANTS AND PROPERTIES 1950-1959

SKF Group



* Thousands of Kronor

Aktiebolaget Svenska Kullagerfabriken

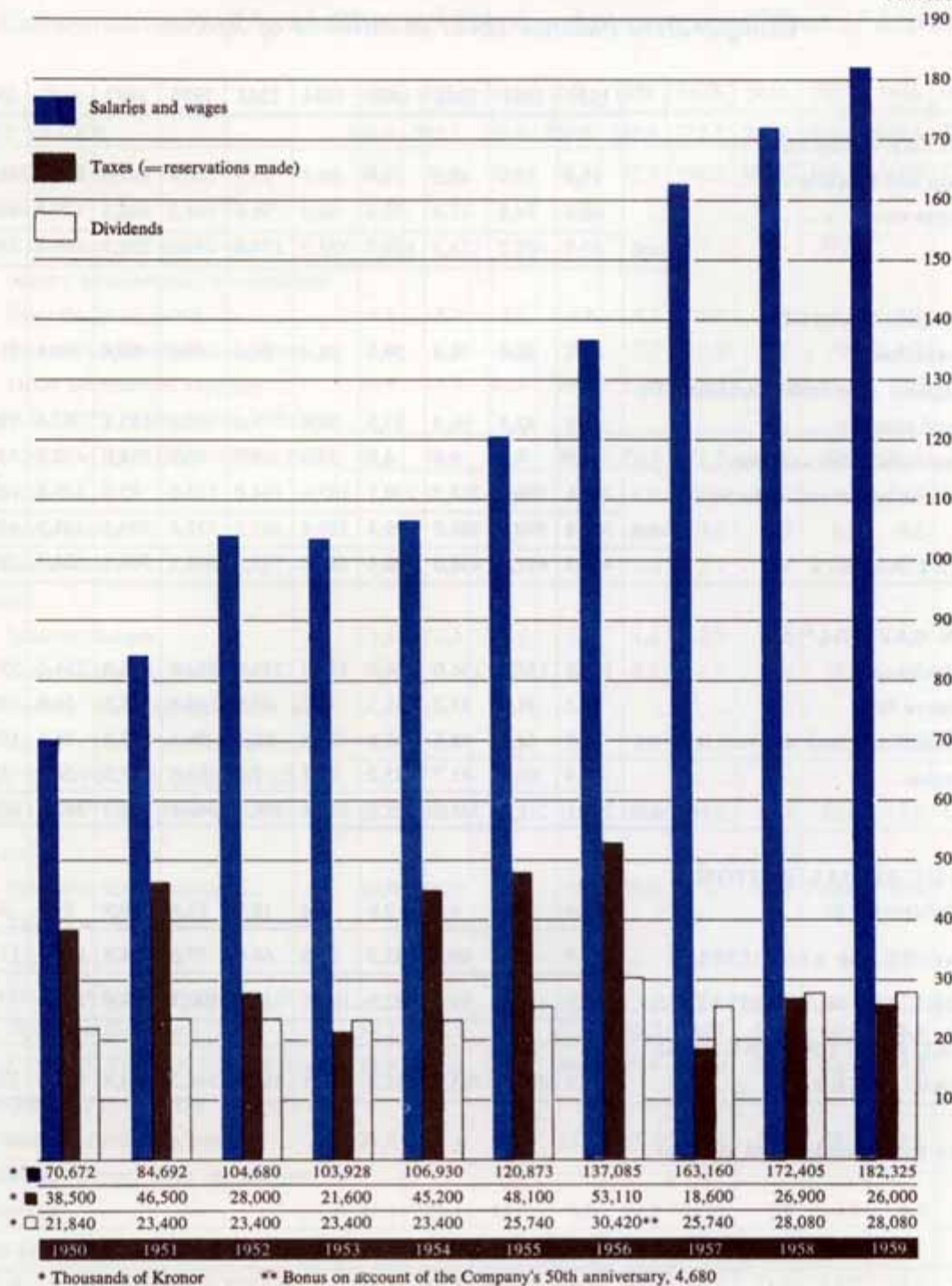


* Thousands of Kronor

SALARIES AND WAGES, TAXES, DIVIDENDS 1950-1959

Aktiebolaget Svenska Kullagerfabriken

Mill. Kr.



Comparative balance sheet in millions of kronor

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
CAPITAL ASSETS										
Plant and Property	15,3	32,9	45,5	74,9	86,7	95,9	109,4	161,9	160,1	165,0
Shares etc.	68,6	74,3	77,8	78,4	94,6	98,6	104,2	108,8	129,5	133,0
Total	83,9	107,2	123,3	153,3	181,3	194,5	213,6	270,7	289,6	298,0
CURRENT ASSETS										
Inventories	43,6	46,6	58,4	59,3	58,4	59,8	70,6	80,4	80,1	114,4
Accounts receivable (including De- ferred charges)	18,8	42,5	60,8	55,9	58,8	73,0	93,3	103,8	82,4	120,9
Bonds and other securities	9,9	4,9	9,8	4,8	24,8	35,7	43,9	34,0	33,0	32,6
Cash at banks and in hand	293,1	296,4	212,7	209,1	187,8	194,0	124,8	75,9	139,4	162,6
Total	365,4	390,4	341,7	329,1	329,8	362,5	332,6	294,1	334,9	430,5
TOTAL ASSETS	449,3	497,6	465,0	482,4	511,1	557,0	546,2	564,8	624,5	728,5
OWN CAPITAL*)										
Share capital	156,0	156,0	156,0	156,0	156,0	234,0	234,0	234,0	234,0	234,0
Reserve fund	31,2	31,2	31,2	31,2	31,2	46,8	46,8	46,8	46,8	46,8
Special funds and reserves	32,5	54,0	54,5	55,0	55,5	56,1	56,8	57,6	58,4	106,3
Surplus	65,4	69,8	81,7	85,2	92,7	9,2	11,0	17,7	24,3	35,2
Total	285,1	311,0	323,4	327,4	335,4	346,1	348,6	356,1	363,5	422,3
TRADE EQUALIZATION ACCOUNTS										
	9,9	9,9	9,9	9,9	9,9	19,9	19,9	19,9	29,9	49,5
LONG TERM LIABILITIES	41,5	42,2	40,3	42,5	57,0	64,6	77,6	84,8	127,2	135,6
SHORT TERM LIABILITIES	112,8	134,5	91,4	102,6	108,8	126,4	100,1	104,0	103,9	121,1
TOTAL OWN CAPITAL AND LIABILITIES	449,3	497,6	465,0	482,4	511,1	557,0	546,2	564,8	624,5	728,5

*) The year's dividend not included.

SUMMARY

Comparative Profit and Loss and Surplus Accounts in millions of kronor

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
NET SALES	238,3	292,2	296,0	280,8	285,9	332,3	367,4	421,3	439,4	470,4
GROSS PROFIT	92,4	98,5	73,7	64,5	97,9	101,5	101,6	102,4	118,6	127,9
Less:										
Adjustment of stock value	+ 8,5	—	—	—	—	—	—	26,0	—	—
Sundry expenses etc., not deducted from the gross profit	4,1	4,6	5,5	4,9	4,2	6,2	6,1	6,6	5,2	6,2
General administrative expenses	3,8	4,5	4,2	3,7	3,7	4,0	4,0	4,0	4,2	4,4
Other commercial expenses	10,9	13,9	16,5	16,4	17,7	19,5	21,6	25,3	27,7	29,2
TOTAL NET INCOME FROM MANUFACTURE AND SELLING	82,1	75,5	47,5	39,5	72,3	71,8	69,9	40,5	81,5	88,1
Dividends	5,8	12,6	8,9	4,9	6,4	20,6	19,2	18,1	22,3	133,3
Interest income	6,2	8,8	7,3	7,4	8,0	9,0	9,5	6,8	8,5	9,0
Other income	1,8	2,3	2,3	1,9	2,5	2,1	2,8	3,7	4,8	27,5
Less:										
Interest charges	1,1	1,5	1,6	1,5	1,6	2,3	2,6	4,3	3,8	5,4
Depreciation on shares	—	—	—	0,3	1,1	1,9	0,3	2,1	1,1	111,6
Sundry other amounts not con- nected with the year's operations	1,4	0,4	1,1	0,4	0,4	0,3	1,2	6,7	0,5	0,6
NET PROFIT BEFORE TAXES AND OTHER PROVISIONS	93,4	97,3	63,3	51,5	86,1	99,0	97,3	56,0	111,7	140,3
Less:										
Provision for pensions etc.	10,0	2,0	—	3,0	10,0	5,0	12,0	5,0	40,0	3,4
Provision for Trade equalization accounts	—	—	—	—	—	10,0	—	—	10,0	25,0
Provision for Plant renewal fund	—	—	—	—	—	—	—	—	—	47,0
Provision for taxes	38,5	46,5	28,0	21,6	45,2	48,1	53,1	18,6	26,9	26,0
NET PROFITS FOR THE YEAR	44,9	48,8	35,3	26,9	30,9	35,9	32,2	32,4	34,8	38,9
DISTRIBUTION OF PROFITS										
Dividends (including bonus)	21,8	23,4	23,4	23,4	23,4	25,7	30,4	25,7	28,1	28,1
Balance carried over to surplus account	23,1	¹⁾ 25,4	11,9	3,5	7,5	²⁾ 10,2	1,8	6,7	6,7	10,8
AVAILABLE SURPLUS AT										
THE END OF THE YEAR	65,4	69,8	81,7	85,2	92,7	9,2	11,0	17,7	24,3	35,2
DEPRECIATION	16,6	4,8	17,6	11,6	16,0	20,3	24,3	28,3	27,6	33,2
ORDERS ON HAND at Dec. 31st	179,4	289,2	210,8	131,9	168,8	253,4	270,2	241,4	198,6	266,9

¹⁾ Including 21 million kronor — provision for Plant renewal fund.

²⁾ » 5 » » — » » » » »