Press release

SKF - Year-end report for 1998

* The SKF Group reported a substantial loss for 1998 due to comprehensive provisions for restructuring. The loss after financial income and expense amounted to MSEK 2 063 compared to a profit of MSEK 2 106 in 1997. Excluding provisions of MSEK 3 135, the Group would have reported a profit of MSEK 1 072. In the fourth quarter, the profit amounted to MSEK 103 before provisions of MSEK 1 919.

* The Group reported an operating loss of MSEK 999, compared with a profit of MSEK 2 949 in 1997. Excluding provisions, SKF would have shown an operating profit of MSEK 2 026.

* Group net sales increased 2% from MSEK 36 922 in 1997 to MSEK 37 688. After a strong start, net sales weakened in the latter part of the year.

* The 2% increase in net sales was attributable to: volume, +3.5%; price/mix, -2.0%; structural changes (operations that were added or divested), -0.5%; and currency effects, +1.0%.

* The business 1998 was marked by an increasingly difficult market climate and by extensive changes within SKF aimed at improving profitability. Demand is expected to continue to decline this year. Earnings for the next few quarters are likely to remain weak until the efficiency improvement program starts to improve the profit.

* It is proposed that a dividend of SEK 2.00 per share be paid for the 1998 fiscal year (5.25).

* The Board of Directors decided to present a proposal at the Annual General Meeting for an amendment of the Articles of Association that will give each B share 1/10 of a vote instead of 1/1000.

The weakening of Group earnings during 1998, which continued during the fourth quarter, was caused by three main factors: first, the crisis in Asia, which also led to a considerable drop in demand for Western exporters of heavy machinery, secondly, increasing price pressure, and thirdly, higher manufacturing costs due to production curtailments during the second half-year.

A comprehensive efficiency program was decided and the implementation started in the second half of the year in order to create a positive earnings trend for the Group. The decision to withdraw from the unprofitable textile machinery components business area is now being implemented. The decision was also taken to close a plant for the production of seals in Gastonia, North Carolina, US. Production is being transferred to other Seals division units in the United States.

To restore profitability within the automotive business in the Americas, the decision has been taken to terminate the production of taper roller bearings in the US and to significantly reduce the production of taper roller bearings and hub units at the SKF plant in Brazil.

A decision has also been taken to exit the forging business in Arvika, Sweden. In Argentina, a factory manufacturing special car components will be closed and the production transferred to another SKF plant. SKF has agreed to sell its 40% shareholding in a company producing and selling water pump spindles in Italy to INA. Due to the major drop in demand within Eastern Europe and in particular Russia, the Lutsk facility in Ukraine will be restructured.

The cost-reduction measures announced in autumn 1997 and June 1998 will result in cost decreases amounting to approximately MSEK 1 500. The restructuring program decided in autumn 1998 is intended to improve earnings by some MSEK 600.

At year-end 1998, there were 45 436 registered employees in the Group (43 241). During the year, 4 739 employees were added as a result of acquisitions, while 2 544 left the Group as a result of the efficiency and restructuring programs.

Bearings

The Group's bearing operations reported an operating loss of MSEK 1 177 (2 294) in 1998 on net sales of MSEK 32 453 (31 991). The operating loss for the fourth quarter totalled MSEK 1 618 (496) on net sales of MSEK 8 178 (8 083). Excluding provisions, operating profit totalled MSEK 1 705 for the year as a whole and MSEK 287 for the fourth quarter.

The 1.4% increase in net sales derived mainly from increased deliveries to car and truck manufacturers, particularly in the United States. Manufacturers of electric motors for the white goods segment also contributed to the increase in sales, as did the aviation industry.

SKF sales to the industrial aftermarket declined in both the US and Asia Pacific, whilst Western Europe grew slightly. Structural changes in the American distributor area contributed to this trend. The crisis in Asia curtailed demand from heavy industry segments in both Western Europe and the US. Sales to some of the most profitable customer segments were affected during the year by weaker demand.

Net sales within SKF’s bearing divisions were distributed as follows: SKF Automotive Division, MSEK 8 650; SKF Industrial Division, MSEK 8 189; SKF Electrical Division, MSEK 1 621; SKF Service Division, MSEK 11 669.

Seals

The Group's Seals operations reported an operating profit of MSEK 65 (377) in 1998 on net sales of MSEK 4 129 (3 779). The operating loss for the fourth quarter totalled MSEK 56 (88) on net sales of MSEK 1 037 (943). Excluding provisions, the division would have reported an operating profit of MSEK 164 for the year as a whole and an operating loss of MSEK 42 for the fourth quarter.

In the US, which accounts for approximately 65% of the division's sales, operations were adversely affected by structural changes in the distributor area. Furthermore, the acquisition of new customers contributed to an unfavorable cost trend. Deliveries to American auto manufacturers continued to grow as a result of the increased sale of new products.

Sales to customers in Western Europe, mainly vehicle producers, developed favorably. New products also made a contribution to this favorable trend.

In Asia, the division continued to strengthen its manufacturing base through two newly established companies in Korea and India.

Steel

The Steel division reported an operating profit of MSEK 1 (242) in 1998 on net sales of MSEK 3 229 (3 391). The operating loss for the fourth quarter totalled MSEK 25 (78) on net sales of MSEK 754 (899). Excluding provisions, operating profit in 1998 totalled MSEK 45.

After a strong start to the year, the market demand gradually declined as the effects of the Asian crisis impacted on the Western European market. Around mid-year, a more general inventory reduction trend commenced in the distribution area at the same time as production rates in the Group's bearing plants were curtailed.

During the year, Ovako Steel's new hot-rolling mill was inaugurated in Hofors, an investment of about MSEK 500. The new mill will strengthen Ovako Steel's position as a leading supplier of seamless hot-rolled tubes.

Group earnings

The SKF Group reported an operating loss of MSEK 999 in 1998, compared with profit of MSEK 2 949 in 1997. Depreciation according to plan totalled MSEK 1 629 (1 528). The Group's financial net was MSEK -1 064 (-843). The deterioration was mainly attributable to increased borrowing during the year, currency losses in joint-venture companies in Asia and a MSEK 110 write-down of SKF's shareholding in the Chinese bearing company Wafangdian Bearing Company Limited. The Group showed a loss after financial income and expense in 1998 of MSEK 2 063 (2 106). Excluding provisions, the Group posted a profit after financial income and expense of MSEK 1 072.

Provisions of MSEK 1 919 were charged against profit for the fourth quarter. This amount is distributed as follows: cost of goods sold MSEK 752; selling and administrative expenses MSEK 111; other operating expenses, MSEK 962; and associated companies MSEK 94. The net cash flow effect will be approximately MSEK 800.

The loss per share amounted to SEK 14.40, compared with earnings per share of SEK 13.70 in 1997.

As a result of the provisions made for the efficiency-improvement program, Group solvency deteriorated from 33.5% at year-end 1997 to 29.0% at the end of 1998.

Interest-bearing loans at year-end 1998 totalled MSEK 8 179 (8 391), while pension liabilities amounted to MSEK 7 139 (6 171). As of the same date, the Group had financial assets of MSEK 3 237 (4 761), including short-term financial assets of MSEK 2 353 (3 931).

SKF's capital expenditure in tangible assets amounted to MSEK 2 148 (2 664). Of the Group's total capital expenditure, approximately MSEK 149 (120) is attributable to environmental investments to improve SKF's internal and external environments. The SKF Group also received global environmental certification in accordance with ISO 14001 during the year. This certificate is the most extensive of its kind.

Capital expenditure during the next few years are expected to be slightly lower than annual Group depreciations.

Investments in research and development amounted to MSEK 702 (757), corresponding to 1.9% (2.1) of annual sales. This amount includes only investments that are directly related to product and process development.

Göteborg, January 28, 1998
Aktiebolaget SKF
(publ.)

Sune Carlsson
President

Enclosures:
Consolidated financial information
Consolidated balance sheets
Consolidated statements of cash flow
Consolidated financial information - yearly and quarterly comparisons

This report has not been audited by the Company's auditors.

The 1998 Annual Report will be published on Monday, March 15, 1999 and will be available at the Company as of that date.

The report on SKF's first-quarter earnings in 1999 will be published
on the date of the Company's Annual General Meeting on Thursday, April 22, 1999.

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CONSOLIDATED FINANCIAL INFORMATION (MSEK)

	1998		1997	
	MSEK	**%**	MSEK	%
Net sales	**37 688**	**100.0**	36 922	100.0
Cost of goods sold	**-30 414**	**-80.7**	-27 790	-75.3
Gross profit	**7 274**	**19.3**	9 132	24.7
Selling and administrative expenses	**-7 234**	**-19.2**	-6 927	-18.8
Other operating income/expense - net	**-928**	**-2.5**	799	2.2
Loss in associated companies	**-111**	**-0.3**	-55	-0.1
Operating loss/profit	**-999**	**-2.7**	2 949	8.0
Financial income and expense - net	**-1 064**	**-2.8**	-843	-2.3
Loss/profit after financial income and expense	**-2 063**	**-5.5**	2 106	5.7
Taxes	**377**	**1.0**	-583	-1.6
Loss/profit after taxes	**-1 686**	**-4.5**	1 523	4.1
Minority interest	**44**	**0.1**	35	0.1
Net loss/profit	**-1 642**	**-4.4**	1 558	4.2

	1998	1997
Loss/earnings per share after tax, SEK	**-14.40**	13.70
Number of shares	**113 837 767**	113 837 767
Additions to tangible assets	**2 148**	2 664
Number of employees registered	**45 436**	43 241
Return on capital employed for the 12-month period ended Dec 31, %	**-2.8**	13.0

Enclosure 2

CONSOLIDATED BALANCE SHEETS (MSEK)

	1998	1997
Intangible assets	**2 239**	1 291
Tangible assets	**14 568**	13 631
Long-term financial assets	**1 084**	1 185
Total capital assets	**17 891**	16 107
Inventories	**10 183**	9 924
Short-term assets	**8 588**	8 478
Short-term financial assets	**2 353**	3 931
Total short-term assets	**21 124**	22 333
TOTAL ASSETS	**39 015**	38 440
Shareholders' equity	**10 932**	12 588
Provisions for pensions and other postretirement benefits	**7 139**	6 171
Provisions for taxes	**1 488**	1 642
Other provisions	**4 095**	2 981
Total provisions	**12 722**	10 794
Long-term loans	**4 842**	6 538
Other long-term liabilities, including minority interest	**455**	359
Total long-term liabilities	**5 297**	6 897
Short-term loans	**3 337**	1 853
Other short-term liabilities	**6 727**	6 308
Total short-term liabilities	**10 064**	8 161
TOTAL EQUITY, PROVISIONS AND LIABILITIES	**39 015**	38 440

CONSOLIDATED STATEMENTS OF CASH FLOW* (MSEK)

	1998	1997
Operating loss/profit	**-999**	2 949
Depreciation and writedowns on tangible assets and goodwill amortization	**2 097**	1 528
Net loss/gain (-) on sales of businesses and tangible assets	**12**	-743
Changes in working capital	**1 288**	-363
Cash flow from operations	**2 398**	3 371
Investment in companies and additions to tangible assets	**-2 505**	-2 954
Sales of businesses and tangible assets	**240**	1 289
Cash flow after investments	**133**	1 706
Financial income and expense - net	**-1 064**	-843
Taxes	**-387**	-554
Change in other long-term assets, liabilities and provisions - net	**573**	221
Issue of new shares in AB SKF	-	189
Cash dividends, AB SKF shareholders	**-598**	-593
Translation adjustments	**-7**	-86
Cash flow before financing	**-1 350**	40
Change in loans	**-228**	1 800
Change in short-term financial assets	**-1 578**	1 840

* The consolidated statements of cash flow have been adjusted for acquired and sold companies and businesses.

CONSOLIDATED FINANCIAL INFORMATION - QUARTERLY COMPARISONS
(MSEK unless otherwise stated)

	Full year 1996	Full year 1997	1/98	2/98	3/98	4/98	Full year 1998
GROUP							
Net sales	33 589	36 922	9 476	9 695	9 075	9 442	37 688
Operating loss/profit	2 874	2 949	678	630	-706	-1 601	-999
Loss/profit after financial income and expense	2 412	2 106	466	351	-1 064	-1 816	-2 063
Loss/earnings per share after tax, SEK	14.90	13.70	2.30	2.00	-8.05	-10.65	-14.40
Additions to tangible assets	2 710	2 664	496	495	574	583	2 148
BUSINESS AREAS							
Total sales							
Bearings	29 204	31 991	8 153	8 304	7 818	8 178	32 453
Seals	3 125	3 779	1 014	1 069	1 009	1 037	4 129
Steel	3 271	3 391	916	863	696	754	3 229
Operating loss/profit							
Bearings	2 482	2 294	548	481	-588	-1 618	-1 177
Seals	242	377	79	73	-31	-56	65
Steel	153	242	51	50	-75	-25	1
Invested capital*							
Bearings	20 827	22 525	23 428	23 881	24 067	23 736	23 736
Seals	2 082	2 456	2 566	2 611	2 633	2 775	2 775
Steel	2 108	2 416	2 573	2 621	2 548	2 512	2 512
KEY FIGURES							
Net worth per share, SEK	99	111	112	110	103	96	96
Solvency, %	34.3	33.5	33.7	32.9	31.2	29.0	29.0
Return on capital employed for the 12-month period ended Dec 31, %	14.7	13.0	12.6	11.7	6.5	-2.8	-2.8

* Invested capital is defined as the sum of Goodwill, Inventories, Trade Accounts Receivable and Tangible Assets less Trade Accounts Payable and Customer Advances at the end of the period.