

SKF Nine-month report 2005

SKF reports an increase in sales, measured in local currencies and excl. structural changes, of 7.2% for the third quarter 2005, compared to last year. In the third quarter, profit before taxes increased by 27% and the operating margin was 12,1%.*

- The SKF Group reports a profit before taxes for the third quarter 2005 of MSEK 1 409 (1 110). The profit for the first nine months of 2005 was MSEK 3 852 (2 974).
- Net profit for the third quarter amounted to MSEK 974 (729). Net profit for the first nine months was MSEK 2 658 (2 131).
- Basic and diluted earnings per share for the third quarter were SEK 2.09 (1.43), and for the first nine months, SEK 5.69 (4.23).
- Net sales for the third quarter amounted to MSEK 12 027 (11 184), and for the first nine months to MSEK 36 637 (33 290).

The operating profit for the third quarter 2005 was MSEK 1 454 (1 189). The operating profit for the first nine months was MSEK 4 025 (3 251). The operating margin for the third quarter amounted to 12.1% (10.6), and for the first nine months to 11.0% (9.8).

The increase of 7.5% in net sales for the quarter, in SEK, was attributable to: volume 5.1%, structure -2.9%, price/mix 2.1% and currency effect 3.2%. For the first nine months, the increase of 10.0%, in SEK, was attributable to: volume 7.0%, structure -0.2%, price/mix 2.9% and currency effect 0.3%.

Sales development

Sales for the SKF Group in the third quarter, calculated in local currencies and compared to sales (excl. Ovako Steel) in the same quarter last year, were higher in Europe, significantly higher in North America and Asia and higher in Latin America.

The manufacturing level for the third quarter 2005 was unchanged compared to the second quarter, but higher than for the third quarter last year.

Outlook for the fourth quarter 2005

The market demand for SKF's products and services in the fourth quarter, compared to the previous quarter, is expected to remain on a high level in Europe, to be slightly higher in North America, significantly higher in Asia and to remain on a high level in Latin America. This is in addition to normal seasonality.

The manufacturing level will be unchanged during the fourth quarter, compared to the third quarter, while higher in absolute terms due to normal seasonality.

* Structural changes are defined as acquired and sold companies and businesses.

Financial

The Group's financial net for the third quarter was MSEK -45 (-79) and for the first nine months MSEK -173 (-277). Additions to property, plant and equipment for the third quarter totalled MSEK 379 (360) and for the first nine months MSEK 1 049 (961). At the end of September 2005, the Group's inventories were 19.9% (20.5) of annual sales. The return on capital employed for the 12-month period ended September 30 was 22.2% (16.1). Return on equity was 20.5% (15.6). On September 30, SKF's equity/assets ratio was 43.5% (48.0). The gearing was 34.7% (26.4). The registered number of employees at the end of September was 38 624 (39 804).

Cash flow, after investments before financing, for the third quarter was MSEK 1 495 (516), and for the first nine months MSEK 1 901 (1 610).

Exchange rates for the third quarter 2005, including the effects of translation and transaction flows, had no significant effect on SKF's operating profit. Based on current assumptions and exchange rates, a slightly positive effect is expected for the fourth quarter giving a negative effect for the total year of slightly below MSEK 200.

Major events during the quarter

For the sixth year in succession, SKF has been selected to be a member of Dow Jones' Sustainability World Indexes (DJSI World) and the pan-European sustainability benchmark (DJSI STOXX). The FTSE Group has also confirmed that SKF has, for the fifth year in succession, been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Divisions

Comments on net sales per geographical region are based on local currencies and compared to the corresponding period for 2004. The operating margin has been calculated on sales including intra-Group sales.

Industrial Division

The operating profit for the third quarter 2005 amounted to MSEK 507 (407), resulting in an operating margin of 10.7% (9.6) on sales incl. intra-Group sales. The operating profit for the first nine months amounted to MSEK 1 459 (1 233), resulting in an operating margin of 10.3% (10.0).

Net sales for the third quarter amounted to MSEK 3 110 (2 768), an increase of 12.4%. Net sales for the first nine months amounted to MSEK 9 491 (8 023), an increase of 18.3%. Sales incl. intra-Group sales for the third quarter were MSEK 4 745 (4 229), and for the first nine months were MSEK 14 201 (12 344).

Sales for the third quarter were slightly higher in Europe, and significantly higher in North America and Asia. Sales within the segments wind energy, industrial transmission, machine tools and metals industry showed good growth due to focused efforts to offer higher value added solutions to the customers.

SKF gained a large contract for European locomotive axleboxes from Alstom. Some 1000 diesel and electrical PRIMA locomotives for the French SNCF and Belgian SNCB railways

will be equipped with SKF axleboxes. SKF offered a new technical solution to achieve lower life cycle cost by using a new optimized design and improved axlebox material.

SKF acquired Sommers Indusriteknik AB, a distributor of Vogel lubrication systems located in Linköping, Sweden. Sommers Indusriteknik has a turnover of some MSEK 16 and will function as a lubrication competence centre for the SKF sales units in the Nordic countries.

Service Division

The operating profit for the third quarter 2005 amounted to MSEK 581 (416), resulting in an operating margin of 13.0% (10.6). The operating profit for the first nine months amounted to MSEK 1 488 (1 179), resulting in an operating margin of 11.7% (10.4).

Net sales for the third quarter amounted to MSEK 4 092 (3 586), an increase of 14.1%. Net sales for the first nine months amounted to MSEK 11 531 (10 297), an increase of 12.0%. Sales incl. intra-Group sales for the third quarter were MSEK 4 477 (3 936), and for the first nine months, MSEK 12 666 (11 354).

Sales in the third quarter in Europe were higher and in Asia and North America they were significantly higher. Sales in Latin America were higher and sales in Middle East/Africa were significantly higher.

Automotive Division

The operating profit for the third quarter was MSEK 168 (123), resulting in an operating margin of 4.0% (3.2). The operating profit for the first nine months amounted to MSEK 352 (497), resulting in an operating margin of 2.7% (4.2). The operating profit for the first nine months is affected by the restructuring cost of MSEK 190 in the second quarter.

Net sales for the third quarter amounted to MSEK 3 707 (3 438), an increase of 7.8%. Net sales for the first nine months amounted to MSEK 11 385 (10 634), an increase of 7.1%. Sales incl. intra-Group sales for the third quarter were MSEK 4 182 (3 851), and for the first nine months MSEK 12 812 (11 857).

In the third quarter, sales to the car and light truck industry in Europe were slightly higher but slightly lower in North America. Sales to the heavy truck industry in Europe and North America were slightly higher. Sales to the vehicle service market were significantly higher in all regions.

SKF announced during the quarter a contract with Magna Drivetrain of America, Inc. for ball bearings to the transfer case on the 2005 Jeep® Grand Cherokee. The ball bearing enables the SUV to handle higher loads and helps extend the life of the transfer case.

SKF gained the contract for the wheel hub bearing units on all the four wheels for the new 2006 Cadillac STS-V. SKF is supplying its X-Tracker™ unit which is a new bearing design improving the performance, cornering and stability characteristics. The X-Tracker is an asymmetrical hub bearing unit that increases the bearing's load carrying capacity and operational life.

Electrical Division

The operating profit for the third quarter 2005 amounted to MSEK 145 (99), resulting in an operating margin of 7.9% (5.9). The operating profit for the first nine months amounted to MSEK 339 (222), resulting in an operating margin of 6.2% (4.4).

Net sales for the third quarter amounted to MSEK 514 (466), an increase of 10.3%. Net sales for the first nine months amounted to MSEK 1 593 (1 458), an increase of 9.3%. Sales incl. intra-Group sales for the third quarter were MSEK 1 827 (1 682), and for the first nine months, MSEK 5 508 (5 094).

Sales in the third quarter in Europe were lower. Sales in Asia were significantly higher, particularly in India and Indonesia.

During the quarter, SKF gained a business with Candy Elettrodomestici S.r.l. for a new version of the washing machine drum unit introduced to the market by SKF last year.

The strong demand for the Group's ball bearings from the two-wheeler market in Asia has led to a need for increased manufacturing capacity. SKF therefore decided to build a second factory next to the existing one on its premises in Jakarta, Indonesia. The new factory, which will double SKF's capacity in Indonesia, will be completed in 2007 and will employ some 200 people. The total investment is planned to be MSEK 200.

Aero and Steel Division

The operating profit for the third quarter amounted to MSEK 74 (49), resulting in an operating margin of 7.9% (3.2). The operating profit for the third quarter includes MSEK 50 from Oy Ovako Ab. In the third quarter last year the profit from Ovako Steel was MSEK 15. The operating profit for the first nine months amounted to MSEK 409 (116), resulting in an operating margin of 9.9% (2.4)

Net sales for the third quarter were MSEK 589 (443, excl. Ovako Steel), an increase of 33.0% and for the first nine months MSEK 1 661 (1 355), an increase of 22.6%. Sales incl. intra-Group sales for the third quarter were MSEK 937 (724, excl. Ovako Steel). Sales incl. intra-Group sales for the first nine months were MSEK 2 727 (2 237, excl. Ovako Steel).

In the third quarter sales to the aerospace industry in both Europe and North America were significantly higher. The business activity, in terms of sales and new orders, increased both to the aerospace original equipment industry and to the aftermarket during the quarter.

Previous outlook statement

Half-year report 2005:

The market demand for SKF's products and services in the third quarter, compared to the previous quarter, is expected to remain on a high level in Europe, to be slightly higher in North America, higher in Latin America and significantly higher in Asia. However, the third quarter is seasonally lower than the second quarter.

The manufacturing level will be unchanged during the third quarter, compared to the second quarter, while lower in absolute terms due to normal seasonality.

Presentation from SKF

A presentation will be published on SKF's website at the following address:
investors.skf.com (choose Presentations).

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest 20-F report on file with the SEC (United States Securities and Exchange Commission) under "Forward-Looking Statements" and "Risk Factors".

Göteborg, October 18, 2005
Aktiebolaget SKF
(publ.)

Tom Johnstone
President and CEO

Auditor's Review Report for AB SKF, Org nr 556007-3495

We have reviewed this interim report in accordance with standards issued by FAR. A review is significantly less in scope than an examination in accordance with generally accepted auditing standards. During our review nothing came to our attention to indicate that the interim report does not comply with the requirements of the Act governing Securities Exchanges and Clearing Operations and the Annual Accounts Act.

Göteborg, October 18, 2005

KPMG Bohlins AB, Thomas Thiel, Authorized Public Accountant

Enclosures:

Financial statements

1. Consolidated income statements
2. Consolidated balance sheets and Consolidated statements of changes in shareholders' equity
3. Consolidated statements of cash flow

Other financial information

4. Consolidated financial information - yearly and quarterly comparisons (Group and Divisions/Segments)
5. Consolidated segment information - yearly and quarterly comparisons

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards, see SKF's press release dated 19 April, 2005, SKF's transition to International Financial Reporting Standards (IFRS).

The SKF Year-end report 2005 will be published on Thursday, January 26, 2006.
The Annual General Meeting will be held on Tuesday, April 25, 2006 in Göteborg, Sweden.

Further information can be obtained from:

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Enclosure 1

CONSOLIDATED INCOME STATEMENTS (MSEK)

	July-Sept 2005	July-Sept 2004	Jan-Sept 2005	Jan-Sept 2004
Net sales	12 027	11 184	36 637	33 290
Cost of goods sold	-8 886	-8 393	-27 547	-25 208
Gross profit	3 141	2 791	9 090	8 082
Selling and administrative expenses	-1 760	-1 618	-5 304	-4 873
Other operating income/expenses - net	15	15	103	44
Profit/loss from Associated Companies	58	1	136	-2
Operating profit	1 454	1 189	4 025	3 251
Operating margin, %	12.1	10.6	11.0	9.8
Financial income and expense - net	-45	-79	-173	-277
Profit before taxes	1 409	1 110	3 852	2 974
Taxes	-435	-381	-1 194	-843
Net profit	974	729	2 658	2 131
Net profit attributable to				
Shareholders of the parent	949	709	2 590	2 097
Minority	25	20	68	34

KEY FIGURES

Basic earnings per share, SEK*	2.09	1.43**	5.69	4.23**
Diluted earnings per share, SEK*	2.09	1.43**	5.69	4.23**
Dividend per share, SEK	-	-	3.00**	2.50**
Additions to property, plant and equipment	379	360	1 049	961
Number of employees registered	38 624	39 804	38 624	39 804
Return on capital employed for the 12-month period ended September 30, %	22.2	16.1	22.2	16.1

NUMBER OF SHARES

	September 30, 2005	December 31, 2004
Total number of shares	455 351 068	113 837 767
- whereof A shares	59 579 152	16 957 861
- whereof B shares	395 771 916	96 879 906

* Basic and diluted earnings per share are based on net profit attributable to shareholders of the parent.

** Figures have been recalculated due to the split and redemption 2005.

Enclosure 2

CONSOLIDATED BALANCE SHEETS (MSEK)

	September 2005	December 2004
Intangible assets	2 466	1 797
Property, plant and equipment	10 817	11 012
Investments, long-term financial and other assets	<u>2 200</u>	<u>803</u>
Total non-current assets	15 483	13 612
Inventories	9 567	8 985
Short-term assets	9 599	8 852
Short-term financial assets	<u>4 636</u>	<u>3 565</u>
Total current assets	23 802	21 402
TOTAL ASSETS	39 285	35 014
Shareholders' equity including minority interest	17 073	17 245
Long-term loans	4 250	904
Provisions for post-employment benefits	4 820	4 655
Provisions for deferred taxes	1 027	1 091
Other long-term liabilities and provisions	<u>1 745</u>	<u>1 322</u>
Total non-current liabilities	11 842	7 972
Short-term loans	125	212
Other short-term liabilities and provisions	<u>10 245</u>	<u>9 585</u>
Total current liabilities	10 370	9 797
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	39 285	35 014

**CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (MSEK)**

	September 2005	December 2004
Opening balance January 1	17 245	15 852
Change in accounting principle, IAS 39	165	-
Other changes	-35	43
Changes in cash flow hedges and available-for-sale investments	-191	-
Cash dividends	-1 399	-1 173
Redemption	-2 846	-
Net profit	2 658	2 976
Translation adjustments	<u>1 476</u>	<u>-453</u>
Closing balance	17 073	17 245

Enclosure 3

CONSOLIDATED STATEMENTS OF CASH FLOW

(MSEK)

	July-Sept 2005	July-Sept 2004	Jan-Sept 2005	Jan-Sept 2004
Operating activities				
Profit before taxes	1 409	1 110	3 852	2 974
Depreciation, amortization and impairment	374	396	1 290	1 193
Net gain (-) on sales of intangible assets, PPE and businesses	-6	-1	-89	-29
Taxes	-282	-159	-1 129	-669
Other including non-cash items	-	-64	-143	-260
Changes in working capital	<u>361</u>	<u>221</u>	<u>-489</u>	<u>-132</u>
Cash flow from operations	1 856	1 503	3 292	3 077
Investing activities				
Investments in intangible assets, PPE, businesses, and equity securities	-376	-992	-1 615	-1 633
Sales of intangible assets, PPE, businesses and equity securities	13	14	224	160
Change in long-term financial and other assets	<u>2</u>	<u>-9</u>	<u>-</u>	<u>6</u>
Net cash flow used in investing activities	-361	-987	-1 391	-1 467
Cash flow after investments before financing	1 495	516	1 901	1 610
Financing activities				
Change in short- and long-term loans	9	-230	3 028	-457
Contributions to funded pension plans	-	-	-	-3 111
Payment of finance lease liabilities	-1	-2	-4	-8
Change in marketable securities and other liquid assets	-1 780	530	-1 574	2 937
Redemption	-	-	-2 846	-
Cash dividends	<u>-</u>	<u>-</u>	<u>-1 399</u>	<u>-1 177</u>
Net cash flow used in financing activities	-1 772	298	-2 795	-1 816
Increase(+)/decrease(-) in cash and cash equivalents	-277	814	-894	-206
Cash and cash equivalents at July 1/Jan1	2 620	1 988	3 076	2 976
Cash effect, excl. acquired businesses	-303	814	-920	-206
Cash effect of acquired businesses	26	-	26	-
Cash effect of sold businesses	-	-	-32	-
Exchange rate effect	-7	-16	186	16
Cash and cash equivalents at September 30	2 336	2 786	2 336	2 786

Change in net interest-bearing liabilities	Opening balance Jan 1, 2005	Exchange rate effect	Change in items	Acquired and sold businesses	Other	Closing balance Sept 30, 2005
Loans, long- and short-term	1 116	214	3 028	17	-	4 375
Post-employment benefits, net	4 607	363	-302	-260	294	4 702
Financial assets, others	-937	-100	-1 438	-134	-	-2 609
Cash and cash equivalents	<u>-3 076</u>	<u>-186</u>	<u>920</u>	<u>6</u>	<u>-</u>	<u>-2 336</u>
Net interest-bearing liabilities	1 710	291	2 208	-371	294	4 132

CONSOLIDATED FINANCIAL INFORMATION - YEARLY AND QUARTERLY COMPARISONS

(MSEK unless otherwise stated)

	Full year 2003	1/04	2/04	3/04	4/04	Full year 2004	1/05	2/05	3/05	Year- to-date 2005
Net sales	41 377	10 689	11 417	11 184	11 536	44 826	11 871	12 739	12 027	36 637
Cost of goods sold	-32 081	-8 236	-8 579	-8 393	-8 558	-33 766	-9 037	-9 624	-8 886	-27 547
Gross profit	9 296	2 453	2 838	2 791	2 978	11 060	2 834	3 115	3 141	9 090
Gross margin, %	22.5	22.9	24.9	25.0	25.8	24.7	23.9	24.5	26.1	24.8
Selling and administrative expenses	-6 108	-1 583	-1 672	-1 618	-1 822	-6 695	-1 672	-1 872	-1 760	-5 304
Other operating income/ expenses - net	100	36	-7	15	28	72	28	60	15	103
Profit/loss from Associated Companies	19	-3	-	1	-1	-3	-2	80	58	136
Operating profit	3 307	903	1 159	1 189	1 183	4 434	1 188	1 383	1 454	4 025
Operating margin, %	8.0	8.4	10.2	10.6	10.3	9.9	10.0	10.9	12.1	11.0
Financial income and expense - net	-506	-88	-110	-79	-70	-347	-64	-64	-45	-173
Profit before taxes	2 801	815	1 049	1 110	1 113	4 087	1 124	1 319	1 409	3 852
Profit margin before taxes, %	6.8	7.6	9.2	9.9	9.6	9.1	9.5	10.4	11.5	10.5
Taxes	-703	-146	-316	-381	-268	-1 111	-345	-414	-435	-1 194
Net profit	2 098	669	733	729	845	2 976	779	905	974	2 658
Net profit attributable to Shareholders of the parent	2 042	649	739	709	829	2 926	753	888	949	2 590
Minority	56	20	-6	20	16	50	26	17	25	68
Basic earnings per share, SEK	4.12*	1.31*	1.49*	1.43*	1.67*	5.90*	1.52*	1.95	2.09	5.69
Return on capital employed for the 12-month period, %	13.9	13.7	14.5	16.1	19.0	19.0	20.5	21.6	22.2	22.2
Equity/assets ratio, %	43.4	43.8	47.0	48.0	49.3	49.3	50.0	41.8	43.5	43.5
Net worth per share, SEK	31*	33*	32*	33*	34*	34*	37*	34	36	36
Additions to property, plant and equipment	1 379	281	320	360	440	1 401	265	405	379	1 049
Registered number of employees	38 700	38 615	38 574	39 804	39 867	39 867	39 460	37 610	38 624	38 624

* Basic earnings per share and Net worth per share are based on net profit attributable to shareholders of the parent. Figures have been recalculated due to the split and redemption 2005.

CONSOLIDATED SEGMENT INFORMATION - YEARLY AND QUARTERLY COMPARISONS

(MSEK unless otherwise stated)

	Full year 2003	1/04	2/04	3/04	4/04	Full year 2004	1/05	2/05	3/05	Year- to-date 2005
Industrial Division										
Net sales	9 665	2 550	2 705	2 768	2 762	10 785	3 054	3 327	3 110	9 491
Sales incl. intra-Group sales	15 139	3 939	4 176	4 229	4 296	16 640	4 496	4 960	4 745	14 201
Operating profit	1 456	381	435	407	362	1 585	448	504	507	1 459
Operating margin*	9.6%	9.7%	10.4%	9.6%	8.4%	9.5%	10.0%	10.2%	10.7%	10.3%
Assets and liabilities, net	5 716	6 050	6 037	6 507	6 711	6 711	7 053	7 358	7 554	7 554
Registered number of employees	10 649	10 747	10 721	11 688	11 609	11 609	11 439	11 490	12 502	12 502
Service Division										
Net sales	12 947	3 200	3 511	3 586	3 818	14 115	3 418	4 021	4 092	11 531
Sales incl. intra-Group sales	14 307	3 542	3 876	3 936	4 200	15 554	3 766	4 423	4 477	12 666
Operating profit	1 414	336	427	416	509	1 688	396	511	581	1 488
Operating margin*	9.9%	9.5%	11.0%	10.6%	12.1%	10.9%	10.5%	11.6%	13.0%	11.7%
Assets and liabilities, net	2 687	3 128	3 252	3 055	3 016	3 016	3 117	3 544	3 283	3 283
Registered number of employees	4 469	4 463	4 511	4 606	4 617	4 617	4 662	4 733	4 737	4 737
Automotive Division										
Net sales	13 344	3 486	3 710	3 438	3 420	14 054	3 631	4 047	3 707	11 385
Sales incl. intra-Group sales	14 804	3 889	4 117	3 851	3 822	15 679	4 062	4 568	4 182	12 812
Operating profit	471	165	209	123	115	612	154	30	168	352
Operating margin*	3.2%	4.2%	5.1%	3.2%	3.0%	3.9%	3.8%	0.7%	4.0%	2.7%
Assets and liabilities, net	5 912	6 233	6 177	6 094	5 826	5 826	6 505	6 730	6 567	6 567
Registered number of employees	9 608	9 599	9 732	9 770	9 762	9 762	9 684	9 635	9 543	9 543
Electrical Division										
Net sales	1 833	491	501	466	473	1 931	539	540	514	1 593
Sales incl. intra-Group sales	6 459	1 668	1 744	1 682	1 730	6 824	1 779	1 902	1 827	5 508
Operating profit	172	55	68	99	75	297	72	122	145	339
Operating margin*	2.7%	3.3%	3.9%	5.9%	4.3%	4.4%	4.0%	6.4%	7.9%	6.2%
Assets and liabilities, net	2 492	2 549	2 503	2 502	2 324	2 324	2 467	2 629	2 651	2 651
Registered number of employees	7 615	7 578	7 392	7 447	7 517	7 517	7 520	7 593	7 591	7 591
Aero and Steel Division										
Net sales	3 551	951	975	910	1 038	3 874	1 213	783	589	2 585
Sales incl. intra-Group sales	6 016	1 648	1 667	1 509	1 760	6 584	1 906	1 307	937	4 150
Operating profit/loss	-179	29	38	49	90	206	145	190	74	409
Operating margin*	-3.0%	1.8%	2.3%	3.2%	5.1%	3.1%	7.6%	14.5%	7.9%	9.9%
Assets and liabilities, net	2 850	2 890	2 839	2 832	2 744	2 744	2 860	2 636	2 724	2 724
Registered number of employees	4 978	4 903	4 905	4 918	4 993	4 993	4 798	2 801	2 821	2 821

Previously published amounts have been reclassified to conform to the current Group structure in 2005 and IFRS.

* Operating margin is calculated on sales including intra-Group sales.