

Press release

SKF focuses on new area of operations

SKF has acquired all of the shares in the American company, Russell T. Gilman Inc., one of the leading producers of spindles for machine tools in the United States.

The acquisition is a step in a strategic bid by SKF to become a major player in the non-captive market of spindles for machine tools. High-precision bearings are vital spindle components which ensure the efficiency and performance of machine tools. Today, SKF is already a major supplier of such bearings. Accordingly, there is a strong relationship between spindle technology and the SKF Group's core operating skills.

SKF also has a position at the forefront of other bearing technologies, magnetic, ceramic and gas bearings, all of which offer attractive and advanced applications for the spindles used in machine tools.

Today, SKF already conducts spindle production operations at LMT in Lidköping, Sweden, for its own machine tools, and in Schweinfurt, Germany. The Group also carries out spindle assembly operations in Chino, Japan.

The global non-captive spindles market, which has a value of around USD 1.5 billion, corresponding to about SEK 12 billion, is highly fragmented with no large players.

Approximately 50 percent of this market is accounted for by repair and maintenance operations, where lead times and reliability are decisive competitive factors. The Group's global presence and technological expertise mean that SKF is well equipped to service this market. SKF presently repairs and re-manufactures spindles, mainly for its own use, in twenty facilities world wide. Gilman also repairs and manufactures at their Grafton location.

SKF's sales in the spindles market sector currently amount to about SEK 80 million. The acquisition of Gilman virtually doubles this figure to SEK 150 million. Gilman itself has total sales of approximately SEK 140 million, with linear products, such as slides, index tables and special modules for machine tools, accounting for about 50 percent. These are important complementary products and are important to machine tool builders who also purchase spindles.

By strengthening its position as a producer of spindles for machine tools, SKF brings itself closer to end customers. This improves the company's potential to conduct

cost-effective product and technology development in cooperation with customers, while simultaneously improving profitability.

The acquisition of Gilman provides SKF with immediate access to the important North American market and means that the company has now established its own presence in the key markets of Europe, Japan and the United States.

SKF, which now plans to coordinate its international spindle operations to become a major player in this segment, sees the potential for achieving strong growth in this segment, a development that will also strengthen the Group's bearings operations.

The initial goal is to double sales of spindles from the current level of SEK 150 million within the next five years.

Russell T. Gilman Inc., which was established in 1952, is based in Grafton, Wisconsin, and has 120 employees. Organizationally, the company will become part of SKF Industrial Division.

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For further information, please contact:

Lars G Malmer, SKF Group Communication, tel +46-8-662 63 35, 0705-371541

Åke Svanberg, SKF Group Communication, tel +46-31-3372005