

Press release

SKF Year-end report for 2000

SKF's operating margin for the full year of 2000 amounted to 9.2% (6.9) and for the fourth quarter to 9.0% (9.2). Excluding non-recurring items, the margin was 9.0% (5.8) for the full year and 9.0% (7.3) for the fourth quarter.

Market demand for SKF's products and services developed well last year in Europe, where SKF has half its sales. Demand declined in North America, especially in the automotive segment. In Asia, demand weakened in a number of countries after a strong start at the beginning of the year.

Market development during the fourth quarter confirmed that demand had begun to weaken. Production levels were lowered in most of SKF's factories at the end of last year in order to adapt the manufacturing to a period of weaker demand.

- The SKF Group increased its profit before tax to MSEK 3 002 (1 769), excluding non-recurring items, MSEK 2 902 (1 381). Profit for the fourth quarter was MSEK 761 (693), excluding non-recurring items, MSEK 761 (518).
- The operating profit for the year amounted to MSEK 3 674 (2 520). The figure for the fourth quarter was MSEK 941 (851).
- Cash flow after investments before financing amounted to MSEK 2 880 (2 219). Cash flow for the fourth quarter was MSEK 1 088 (417).
- Net sales for 2000 amounted to MSEK 39 848 (36 693), an increase of 8.6% compared with 1999. Net sales for the fourth quarter amounted to MSEK 10 459 (9 300), an increase of 12.5% compared with the corresponding period in 1999.
- The increase in net sales for 2000 was attributable to: structure -0.5% volume +5.1%, price/mix +1.6% and currency effect +2.4%. A comparison between the fourth quarter 2000 and 1999 shows: structure +0.4% volume +2.4%, price/mix +2.8% and currency effect +6.9%
- Net profit amounted to MSEK 1 962 (1 111) and profit per share to SEK 17.23 (9.76). Net profit for the fourth quarter was MSEK 532 (416).
- The Board proposes that a dividend of SEK 5.25 (4.00) per share be paid for the 2000 financial year.

The Group's financial net for 2000 was MSEK -672 (-751). Interest-bearing loans at year-end 2000 totalled MSEK 4 968 (5 976), while pension liabilities amounted to MSEK 6 746 (6 478). At year-end, the Group had financial assets of MSEK 4 557 (2 894), whereof short-term financial assets of MSEK 3 481 (1 976). Group solvency at year-end was 37.2% (33.8).

Additions to tangible assets totalled MSEK 1 388 (1 230). Of the Group's total additions to tangible assets, approximately MSEK 47 (98) was invested in measures to improve the environment both internally and externally. Depreciation according to plan was MSEK 1 572. The comparable figure for 1999 was MSEK 1 725.

Expenditure in research and development amounted to MSEK 710 (756), corresponding to 1.8 % (2.1) of annual sales. Development expenditure for IT solutions and customized designs is not included. The number of first-time patent applications in 2000 was 144. The number in 1999 was 129.

The average number of employees was 39 557 (40 747) and the registered number of employees was 40 401 (40 637).

At the end of December, the Group's inventories amounted to 23.2% (23.5) of annual sales. Return on capital employed for the 12-month period ended December 31 was 16.2% (11.2). Return on equity was 16.0% (10.2).

During the year, SKF continued to prioritize profitability and to focus on moving business to higher valued products and services. Non-profitable businesses were discontinued and price increases were implemented.

Sales developed well for most of SKF's products and services during the first half of the year. They were strong in Europe throughout the year, particularly in Germany. Sales declined in North America. In the Asia-Pacific region there was a significant difference between the larger markets. While SKF's sales increased rapidly in China, they declined in India. Sales in South East Asia were much higher than in 1999, but they weakened during the year.

Sales developed positively in Central and Eastern Europe, and SKF strengthened its position on this market. Last year saw a healthy recovery as regards sales in Latin America and they increased substantially in Africa and the Middle East, particularly during the second half of the year.

The Group continued to reduce assets. Real estate was sold for MSEK 321. Last year the European steel ball manufacturing and the Group's machine tool business were divested.

During the year, opportunities to sell the Steel Division were considered without leading to a deal. For the near future the Division will be kept within the Group.

SKF's decision to launch an e-business market place, endorsia.comTM, has given the Group a leading position in e-business in the bearing world. By the end of 2000, some 1 400 users in 23 countries were connected to the marketplace.

The recently announced cooperation agreement in the e-commerce and logistics field between SKF, Rockwell, Timken, INA and Sandvik is aiming at providing the industrial aftermarket with extended and more efficient services.

Divisions

The result by Division is based on SKF management reporting.

Industrial Division

External sales in 2000 amounted to MSEK 8 605 (8 011), an increase of 7.4%. Total sales (sales to external and internal customers) were MSEK 14 496 (13 147). The Division's operating result was MSEK 1 588 (961) with an operating margin of 11.0% (7.3).

The operating result was good throughout the year, due primarily to high capacity utilization, better prices and an increase in the business for value added products and solutions.

Sales in Europe, the Division's largest market developed strongly in the second half of the year. In North America sales began to slow down during the second quarter and in Asia they remained flat over the year.

Sales to light industry developed more positively than sales to the heavy equipment industry.

A number of companies were acquired during the year:

- Electrac SA, manufacturer of electromechanical actuators,
- Revolve Magnetic Bearings Inc., manufacturer of magnetic bearing systems.
- MTSR Ltd, machine tool service company,
- Roller Bearing Industries Inc., a rail-bearing service company.

The Automotive Division

External sales in 2000 amounted to MSEK 8 882 (8 527), an increase of 4.2%. Total sales (sales to external and internal customers) were MSEK 9 883 (9 676). The Division's operating result was MSEK 376 (237) with an operating margin of 3.8% (2.4).

Although still on an unsatisfactory level, the operating result in 2000 increased by nearly 60% compared with 1999. This has resulted from the focus on cost reductions and from promoting higher value added products.

Sales to the car and light truck segment remained stable in Europe throughout the year. The North American market weakened in the second half of the year. Sales in Brazil, however, developed positively after the crisis in 1999.

Sales in India were weak for both the car and the truck segments.

The European sales for heavy trucks remained at a high level throughout the year in contrast to North America, where sales fell heavily from the record level in 1999.

The vehicle aftermarket in Europe weakened during the second half of the year, due to weaker demand and de-stocking. The same applied to the vehicle aftermarket in North America, which is managed by the Seals Division.

The Division formed a Drive-by-Wire Business area in 2000. SKF signed a joint development agreement with Brembo, Italy, to develop Brake-by-Wire solutions for the car industry.

The Electrical Division

External sales in 2000 amounted to MSEK 1 575 (1 475), an increase of 6.8%. Total sales (sales to external and internal customers) were MSEK 6 169 (5 949). The Division's operating result was MSEK 460 (219) with an operating margin of 7.5% (3.7).

The doubling of the operating result was due mainly to increased sales volumes in Europe and in the USA, and to the offer of more types of innovative products, mainly to the power tools segment.

Sales in Asia were good, in particular in the two-wheeler segment. Efforts to improve profitability in all the markets continued, and unprofitable businesses were exited in favour of customized solutions.

Several new solutions based on the use of sensors in bearing applications were developed and introduced during the year.

The Service Division

External sales in 2000 amounted to MSEK 12 844 (11 380), an increase of 12.9%. Total sales (sales to external and internal customers) were MSEK 13 854 (12 173). The Division's operating result was MSEK 1 013 (848) with an operating margin of 7.3% (7.0).

High sales activity, positive price development and high performance in logistics contributed to the result.

During the first half of the year, there was a positive sales development in most markets. However, in the second half of the year, sales slowed down. Sales in Central and Eastern Europe continued to grow strongly all through the year. The Middle East and Africa recovered in the second half of 2000.

A growing number of maintenance and condition-monitoring contracts were concluded during the year with customers in the process industry.

Several acquisitions strengthened SKF's position within the service business:

- Development Engineering International Ltd. (DEI). Services for maintenance engineering.

- Machine Support BV. Services within laser alignment.
- Diagnostic Instruments Ltd. (DI). Industrial mobile computing equipment.

The Seals Division

External sales in 2000 amounted to MSEK 4 130 (3 750), an increase of 10.1%. In local currencies, sales were at the same level as in 1999. Total sales (sales to external and internal customers) were MSEK 4 728 (4 313). The Division's operating result was MSEK 127 (49) with an operating margin of 2.7% (1.1).

The year opened with good demand, particularly in North America. The restructuring measures undertaken in 1999 started to show results. The delivery service level was restored. The Division's high exposure to the North American automotive market led to a strong decline in sales and lower margins during the second half of the year.

The Steel Division

The external sales in 2000 amounted to MSEK 1 838 (1 572), an increase of 16.9%. Total sales (sales to external and internal customers) were MSEK 4 481 (4 057). The Division's operating result was MSEK 173 (54) with an operating margin of 3.9% (1.3).

The market, which turned upwards at the end of 1999, continued to be good and the demand for steel products was high. A flattening of demand occurred at the end of the year.

The operating result trebled during the year. Technical problems and an unfavourable cost development in the Swedish operations were the main reasons for the weak development of the result in the second half of the year.

The strategy to develop a customer base outside SKF showed good results.

The Aerospace business

SKF's aerospace business developed favourably during the year. The business reached external sales of close on MSEK 1 700 in 2000 and employed 1 920 people.

During the year, a five-year contract was signed with Aerospatiale-Matra Airbus for the supply of airframe bearings and metallic composite rods. The total value of the contract is MSEK 500.

Göteborg, January 29, 2001
Aktiebolaget SKF
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Sune Carlsson
President



Enclosures:

Consolidated financial information

Consolidated balance sheets

Consolidated statements of cash flow

Consolidated financial information - yearly and quarterly comparisons (Group and Divisions)

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

The SKF Annual Report 2000 will be published on Friday, March 9, 2001
and will be available at the Company as of that date.

The report on SKF's first-quarter earnings in 2001 will be published
on the date of the Company's Annual General Meeting on Tuesday, April 24, 2001.

Further information can be obtained from:

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CONSOLIDATED FINANCIAL INFORMATION (MSEK)

	2000		1999	
	MSEK	%	MSEK	%
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Net sales	39 848	100.0	36 693	100.0
Cost of goods sold*	<u>-30 143</u>	<u>-75.6</u>	<u>-28 822</u>	<u>-78.5</u>
Gross profit	9 705	24.4	7 871	21.5
Selling and administrative expenses*	-6 220	-15.6	-5 754	-15.7
Other operating income/expense - net	182	0.4	403	1.1
Result of associated companies	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating profit	3 674	9.2	2 520	6.9
Financial income and expense - net	<u>-672</u>	<u>-1.7</u>	<u>-751</u>	<u>-2.1</u>
Profit before taxes	3 002	7.5	1 769	4.8
Taxes	<u>-1 001</u>	<u>-2.6</u>	<u>-650</u>	<u>-1.8</u>
Profit after taxes	2 001	4.9	1 119	3.0
Minority interest	<u>-39</u>	<u>-</u>	<u>-8</u>	<u>-</u>
Net profit	1 962	4.9	1 111	3.0
Earnings per share after tax, SEK	17.23		9.76	
Number of shares	113 837 767		113 837 767	
Additions to tangible assets	1 388		1 230	
Number of employees registered	40 401		40 637	
Return on capital employed for the 12-month period ended Dec 31, %	16.2		11.2	

* Beginning in 2000, operating expenses for the Group are classified as cost of goods sold and/or selling and administrative expenses based on the type of operation rather than the type of expense. Previous years have been restated in accordance with new principles.

CONSOLIDATED BALANCE SHEETS (MSEK)

	2000	1999
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Intangible assets	1 545	1 829
Tangible assets	13 089	13 074
Investments and long-term financial assets	1 404	1 114
Total capital assets	16 038	16 017
Inventories	9 262	8 640
Short-term assets	9 033	8 190
Short-term financial assets	3 481	1 976
Total short-term assets	21 776	18 806
TOTAL ASSETS	37 814	34 823
Shareholders' equity	13 594	11 367
Provisions for pensions and other postretirement benefits	6 746	6 478
Provisions for taxes	1 596	1 509
Other provisions	3 046	2 795
Total provisions	11 388	10 782
Long-term loans	4 263	4 753
Other long-term liabilities, including minority interest	561	477
Total long-term liabilities	4 824	5 230
Short-term loans	705	1 223
Other short-term liabilities	7 303	6 221
Total short-term liabilities	8 008	7 444
TOTAL EQUITY, PROVISIONS AND LIABILITIES	37 814	34 823

CONSOLIDATED STATEMENTS OF CASH FLOW (MSEK)

	2000	1999*			
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Profit before taxes	3 002	1 769			
Depreciation on tangible assets and goodwill amortization	1 633	1 873			
Net gain on sales of tangible assets and businesses	-227	-248			
Taxes	-166	-355			
Changes in working capital	-306	-74			
Cash flow from operations	3 936	2 965			
Investments in tangible assets and businesses	-1 551	-1 303			
Sales of tangible assets and businesses	551	554			
Changes in equity securities	-56	3			
Cash flow after investments before financing	2 880	2 219			
Change in loans	-986	-1 994			
Change in pensions	17	-323			
Change in long-term financial assets	-62	-12			
Cash dividends, AB SKF shareholders	-455	-228			
Cash effect on short-term financial assets	1 394	-338			
Change in short-term financial assets					
January 1	1 976	2 353			
Cash effect	1 394	-338			
Exchange rate effect	111	-39			
December 31	3 481	1 976			
Change in net interest-bearing liabilities					
	Opening balance	Exchange rate effect	Change in loans/assets	Acquired and sold companies	Closing balance
Loans, long- and short-term	5 976	42	-986	-64	4 968
Provisions for pensions	6 478	322	17	-71	6 746
Financial assets, long-term	-918	-99	-62	3	-1 076
short-term	-1 976	-111	-1 394	-	-3 481
Net interest-bearing liabilities	9 560	154	-2 425	-132	7 157

* Previously published amounts have been restated since the items included in Net interest-bearing liabilities are disclosed individually in the cash flow analysis.

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

	Full year 1998	1/99	2/99	3/99	4/99	Full year 1999	1/00	2/00	3/00	4/00	Full year 2000
Net sales	37 688	9 308	9 612	8 473	9 300	36 693	9 822	10 072	9 495	10 459	39 848
Operating profit/loss	-999	476	527	666	851	2 520	938	904	891	941	3 674
Profit/loss before taxes	-2 063	273	345	458	693	1 769	770	739	732	761	3 002
Earnings/loss per share after tax, SEK	-14.40	1.60	1.70	2.80	3.66	9.76	4.37	3.75	4.44	4.67	17.23
Solvency, %	29.0	29.2	29.0	31.7	33.8	33.8	34.1	34.2	35.6	37.2	37.2
Additions to tangible assets	2 148	262	320	295	353	1 230	249	282	394	463	1 388
Net worth per share, SEK	96	95	95	96	100	100	103	104	113	119	119
Return on capital employed for the latest 12-month period, %	-2.8	-3.6	-4.1	1.2	11.2	11.2	13.1	14.8	15.8	16.2	16.2

CONSOLIDATED FINANCIAL INFORMATION - QUARTERLY COMPARISONS (DIVISIONS)

(MSEK unless otherwise stated)

	Full year 1998	1/99	2/99	3/99	4/99	Full year 1999	1/00	2/00	3/00	4/00	Full year 2000
<u>Industrial Division</u>											
External Sales	8 323	2 139	2 094	1 840	1 938	8 011	2 162	2 126	2 062	2 255	8 605
Total sales						13 147	3 469	3 705	3 489	3 833	14 496
Operating result						961	371	418	411	388	1 588
Invested capital						6 915	7 022	7 149	7 338	7 427	7 427
Registered number of employees						10 346	10 409	10 515	10 589	10 571	10 571
<u>Automotive Division</u>											
External Sales	8 583	2 147	2 260	1 966	2 154	8 527	2 310	2 291	2 022	2 259	8 882
Total sales						9 676	2 512	2 603	2 255	2 513	9 883
Operating result						237	124	127	60	65	376
Invested capital						5 697	5 750	5 822	6 081	5 965	5 965
Registered number of employees						8 378	8 373	8 369	8 378	8 386	8 386
<u>Electrical Division</u>											
External Sales	1 625	406	395	324	350	1 475	404	403	372	396	1 575
Total sales						5 949	1 556	1 642	1 431	1 540	6 169
Operating result						219	93	138	121	108	460
Invested capital						3 544	3 541	3 380	3 545	3 467	3 467
Registered number of employees						5 620	5 596	5 209	5 202	5 166	5 166
<u>Service Division</u>											
External Sales	11 564	2 743	2 870	2 714	3 053	11 380	2 939	3 232	3 206	3 467	12 844
Total sales						12 173	3 133	3 473	3 462	3 786	13 854
Operating result						848	206	259	280	268	1 013
Invested capital						3 813	4 058	4 434	4 277	4 228	4 228
Registered number of employees						4 189	4 316	4 384	4 469	4 507	4 507
<u>Seals Division</u>											
External Sales	3 559	926	997	914	913	3 750	1 056	1 050	1 018	1 006	4 130
Total sales						4 313	1 238	1 210	1 122	1 158	4 728
Operating result						49	39	58	31	-1	127
Invested capital						2 850	2 853	2 884	3 170	2 954	2 954
Registered number of employees						4 378	4 372	4 346	4 350	4 248	4 248
<u>Steel Division</u>											
External Sales	1 776	430	429	320	393	1 572	487	472	395	484	1 838
Total sales						4 057	1 205	1 184	961	1 131	4 481
Operating result						54	73	57	21	22	173
Invested capital						2 566	2 562	2 582	2 552	2 663	2 663
Registered number of employees						3 414	3 541	3 633	3 623	3 601	3 601

The financial information per Division is based on SKF's Management reporting, which in certain areas differs from the Group reporting. The sum of operating results and invested capital for the Divisions therefore differs from the reported Group figures. Total sales are sales and deliveries to external and internal customers.

Invested capital is defined as the sum of Inventories, external Trade Accounts Receivable and Tangible Assets less external Trade Accounts Payable.

Previously published amounts for external sales have been restated to conform to current Group structure.