

Press release

SKF Nine-Month Report 2002

Profit before taxes up 28% in the third quarter

The SKF Group reports a profit before taxes for the third quarter 2002 of MSEK 877 (685). The profit for the first nine months of 2002 was MSEK 2 563 (2 296).

Earnings per share for the third quarter were SEK 5.11 (4.30), and SEK 15.33 (13.80) for the first nine months.

Total sales in the third quarter, calculated in local currencies, increased by 6.5% compared with the same period last year. Sales in Europe grew slightly in the third quarter. In North America, sales increased. The good growth in the Asian region continued.

Outlook

The overall demand for SKF's products and services is expected to continue to grow in the fourth quarter.

Summary:

- The operating profit for the third quarter was MSEK 950 (816).
The figure for the first nine months of 2002 was MSEK 2 901 (2 703).
- The operating margin for the SKF Group for the third quarter of 2002 amounted to 9.5% (8.0), and for the first nine months to 9.1% (8.4).
- Cash flow after investments before financing for the third quarter was MSEK 1 368 (1 092), and for the first nine months MSEK 2 085 (2 838).
- Net sales for the third quarter amounted to MSEK 10 047 (10 228), and for the first nine months MSEK 31 765 (32 282).
- The decrease of 1.8% in net sales for the third quarter was attributable to: structure 2.0%, volume 3.3%, price/mix 1.2% and currency effect -8.3%.
For the first nine months the decrease of 1.6% was attributable to: structure 1.8%, volume -1.5%, price/mix 1.3% and currency effect -3.2%.
- Net profit for the third quarter amounted to MSEK 582 (489). Net profit for the nine months was MSEK 1 747 (1 571).

The Group's financial net for the third quarter was MSEK -73 (-131), and for the first nine months MSEK -338 (-407). Additions to tangible assets totalled MSEK 360 (365) for the third quarter and for the first nine months MSEK 971 (1 041).

At the end of September, the Group's inventories amounted to 20.6% (22.5) of annual sales. The equity/assets ratio was 41.9% (39.4). Return on capital employed for the 12-month period ended September 30 was 16.0% (15.3). Return on equity was 14.8% (14.5). The registered number of employees was 39 796 (38 466).

Exchange rates for the third quarter of 2002, compared with the corresponding quarter of 2001, had a small negative effect on SKF's profit before taxes.

Divisions

The result by Division is based on SKF management reporting.

The Industrial Division's operating result for the third quarter of 2002 amounted to MSEK 360 (364), resulting in an operating margin of 9.7% (9.7) on total sales (sales and deliveries to external and internal customers). The result for the first nine months of 2002 amounted to MSEK 1 166 (1 206), resulting in an operating margin of 10.0% (10.2) on total sales including internal deliveries.

External sales for the third quarter of 2002 amounted to MSEK 2 339 (2 355), a decrease of 0.7%. External sales for the first nine months of 2002 amounted to MSEK 7 345 (7 511), a decrease of 2.2%. Total sales in the third quarter were MSEK 3 708 (3 761) and for the first nine months MSEK 11 698 (11 856).

Sales were fairly flat in Europe and Asia compared with the same period last year. Sales in North America were somewhat higher than last year.

The Automotive Division's operating result for the third quarter of 2002 amounted to MSEK 110 (65), resulting in an operating margin of 3.1% (1.8) on total sales including internal deliveries. The operating result for the first nine months of 2002 amounted to MSEK 430 (324), resulting in an operating margin of 3.8% (2.9) on total sales including internal deliveries.

External sales for the third quarter 2002 amounted to MSEK 3 194 (3 161), an increase of 1.0%. External sales for the first nine months of 2002 amounted to MSEK 10 255 (10 111), an increase of 1.4%. Total sales for the third quarter were MSEK 3 553 (3 540) and for the first nine months MSEK 11 363 (11 324).

Sales of bearing and seal products to the car and the light truck industry in Europe were higher compared with the third quarter last year. In North America, sales were significantly higher than for the same period a year ago.

Sales to the heavy truck industry in Europe were at the same level as for the third quarter last year. Sales to the heavy trucks industry in North America were higher than for the same period last year.

SKF's vehicle service business reported considerably higher sales figures for the third quarter this year compared with the same period last year.

The Electrical Division's operating result for the third quarter of 2002 amounted to MSEK 97 (56), resulting in an operating margin of 6.2% (3.4) on total sales including internal deliveries. The operating result for the first nine months of 2002 amounted to MSEK 284 (251), resulting in an operating margin of 5.7% (4.8) on total sales including internal deliveries.

External sales for the third quarter 2002 amounted to MSEK 459 (458). External sales for the first nine months of 2002 amounted to MSEK 1 454 (1 490), a decrease of 2.4%. Total sales for the third quarter were MSEK 1 568 (1 634) and for the first nine months MSEK 5 012 (5 257).

Sales were higher for the third quarter than for the same period a year ago. The improvement was due to the continued strong sales to the two-wheeler market in the Asian region.

After extensive technical tests in Japan of carbonitrided bearings for crankshaft application, sales started in Indonesia to a leading Japanese two-wheeler manufacturer during the quarter.

The Service Division's operating result for the third quarter of 2002 amounted to MSEK 357 (344), resulting in an operating margin of 10.0% (9.3) on total sales including internal deliveries. The operating result for the first nine months of 2002 amounted to MSEK 994 (914), resulting in an operating margin of 9.1% (8.1) on total sales including internal deliveries.

External sales for the third quarter 2002 amounted to MSEK 3 219 (3 333), a decrease of 3.4%. External sales for the first nine months of 2002 amounted to MSEK 9 857 (10 121), a decrease of 2.6%. Total sales for the third quarter were MSEK 3 582 (3 706) and for the first nine months MSEK 10 979 (11 298).

Sales in Europe were the same compared with the third quarter last year. Sales in North America were below last year's level while sales in Asia continued to grow and were higher than for the same period last year.

SKF's Dutch subsidiary, Delta Consult BV, has signed a long-term agreement with the Royal Netherlands Air Force (RNLAf) for support of their helicopter maintenance operations. The agreement covers a period of five years.

The first order for Windcon (a customized condition-monitoring system for wind turbines) was received in Germany for a leading windfarm operation. It includes equipment, installation and a service contract.

The Aero and Steel Division's operating result for the third quarter of 2002 amounted to MSEK 28 (39), resulting in an operating margin of 2.0% (2.6) on total sales including internal deliveries. The operating result for the first nine months of 2002 amounted to MSEK 147 (166), resulting in an operating margin of 3.1% (3.3) on total sales including internal deliveries.

External sales for the third quarter 2002 amounted to MSEK 832 (912), a decrease of 8.8%. External sales for the first nine months of 2002 amounted to MSEK 2 838 (3 006), a decrease of 5.6%. Total sales for the third quarter were MSEK 1 404 (1 501) and for the first nine months MSEK 4 766 (5 054).

Sales to the aerospace industry continued to decline in the third quarter and were significantly weaker than for the same period a year ago.

Ovako Steel, part of the Aero and Steel Division, reported for the third quarter an operating result of MSEK 1 (-30). Total sales were MSEK 649 (630) for the same period. The operating result for the first nine months amounted to MSEK 4 (-33) and total sales MSEK 2 260 (2 312).

During the third quarter, Ovako continued to report an increasingly higher demand from both SKF and external customers.

Previous outlook statement

Second quarter 2002: "The predicted recovery in market demand this year for the Group is progressing step by step in a number of segments and regions. Production will be increased to meet the expected higher market demand".

Overhead presentation from SKF

An overhead presentation will be published on SKF's website at the following address: <http://investors.skf.com> (choose presentations).

Göteborg, October 15, 2002
Aktiebolaget SKF
(publ.)

Sune Carlsson
President and CEO

Enclosures:

Consolidated financial information

Consolidated balance sheets

Consolidated statements of cash flow

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

The accounting principles and methods of calculation are those described in Note 1 in the Annual Report 2001. The report has not been audited by the Company's auditors.

SKFs report on the full year 2002 will be published on Tuesday, January 28, 2003.

Further information can be obtained from:

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CONSOLIDATED FINANCIAL INFORMATION (MSEK)

	July-Sep 2002	July-Sep 2001	Jan-Sep 2002	Jan-Sep 2001
Net sales	10 047	10 228	31 765	32 282
Cost of goods sold *	<u>-7 439</u>	<u>-7 782</u>	<u>-23 953</u>	<u>-24 678</u>
Gross profit	2 608	2 446	7 812	7 604
Selling and administrative expenses *	-1 620	-1 661	-4 904	-4 984
Other operating income/expense - net	-52	26	-29	71
Result of associated companies	<u>14</u>	<u>5</u>	<u>22</u>	<u>12</u>
Operating profit	950	816	2 901	2 703
Operating margin, %	9.5	8.0	9.1	8.4
Financial income and expense - net	<u>-73</u>	<u>-131</u>	<u>-338</u>	<u>-407</u>
Profit before taxes	877	685	2 563	2 296
Taxes	<u>-288</u>	<u>-192</u>	<u>-803</u>	<u>-694</u>
Profit after taxes	589	493	1 760	1 602
Minority interest	<u>-7</u>	<u>-4</u>	<u>-13</u>	<u>-31</u>
Net profit	582	489	1 747	1 571
Earnings per share after tax, SEK	5.11	4.30	15.33	13.80
Additions to tangible assets	360	365	971	1 041
Number of employees registered	39 796	38 466	39 796	38 466
Return on capital employed for the 12-month period ended September 30, %	16.0	15.3	16.0	15.3

* Beginning in 2002, management expenses are classified as Cost of goods sold and/or Selling and administrative expenses based on the type of operation. Previous years have been restated in accordance with the new principles.

Number of shares**
September 30, 2002

December 31, 2001

Total number of shares	113 837 767	113 837 767
- whereof A-shares	36 732 366	49 256 332
- whereof B-shares	77 105 401	64 581 435

** At SKF's Annual General Meeting on April 18, 2002 it was decided to insert a share conversion right of A-shares to B-shares.

CONSOLIDATED BALANCE SHEETS (MSEK)

	September 2002	December 2001
Intangible assets	1 748	1 678
Tangible assets	12 631	13 599
Investments and long-term financial assets	<u>1 744</u>	<u>1 814</u>
Total capital assets	16 123	17 091
Inventories	8 848	9 113
Short-term assets	9 093	9 306
Short-term financial assets	<u>5 572</u>	<u>5 387</u>
Total short-term assets	23 513	23 806
TOTAL ASSETS	39 636	40 897
Shareholders' equity	16 012	16 224
Provisions for pensions and other postretirement benefits	6 426	7 044
Provisions for taxes	2 097	1 893
Other provisions	<u>3 617</u>	<u>3 429</u>
Total provisions	12 140	12 366
Long-term loans	1 843	2 830
Other long-term liabilities, including minority interest	<u>652</u>	<u>667</u>
Total long-term liabilities	2 495	3 497
Short-term loans	830	711
Other short-term liabilities	<u>8 159</u>	<u>8 099</u>
Total short-term liabilities	8 989	8 810
TOTAL EQUITY, PROVISIONS AND LIABILITIES	39 636	40 897
Changes in Shareholders' equity:		
Opening balance January 1	16 224	13 594
Cash dividend	-683	-598
Net profit	1 747	2 167
Translation adjustments	<u>-1 276</u>	<u>1 061</u>
Closing balance	16 012	16 224

CONSOLIDATED STATEMENTS OF CASH FLOW (MSEK)

	July-Sep 2002	July-Sep 2001	Jan-Sep 2002	Jan-Sep 2001
Profit before taxes	877	685	2 563	2 296
Depreciation on tangible assets and goodwill amortization	415	438	1 288	1 325
Net gain on sales of tangible assets and businesses	-8	11	-88	-72
Result of associated companies	-14	-5	-22	-12
Taxes	-194	-290	-495	-348
Changes in working capital	<u>594</u>	<u>755</u>	<u>30</u>	<u>847</u>
Cash flow from operations	1 670	1 594	3 276	4 036
Investments in tangible assets and businesses	-363	-530	-1 480	-1 386
Sales of tangible assets and businesses	<u>61</u>	<u>28</u>	<u>289</u>	<u>188</u>
Cash flow after investments before financing	1 368	1 092	2 085	2 838
Change in loans	-433	-133	-649	-983
Change in pensions	13	-159	-254	-168
Change in long-term financial assets	-41	-25	-101	-79
Cash dividends, AB SKF shareholders	<u>-</u>	<u>-</u>	<u>-683</u>	<u>-598</u>
Cash effect on short-term financial assets	907	775	398	1 010
Change in short-term financial assets				
July 1 / January 1	4 685	3 862	5 387	3 481
Cash effect	907	775	398	1 010
Exchange rate effect	-20	11	-213	157
September 30	5 572	4 648	5 572	4 648

Change in net interest-bearing liabilities

	Opening balance	Exchange rate effect	Change in items	Acquired and sold businesses	Closing balance
Loans, long- and short-term	3 541	-315	-649	96	2 673
Provisions for pensions	7 044	-351	-254	-13	6 426
Financial assets, long-term	-1 410	174	-101	-1	-1 338
short-term	<u>-5 387</u>	<u>213</u>	<u>-398</u>	<u>-</u>	<u>-5 572</u>
Net interest-bearing liabilities	3 788	-279	-1 402	82	2 189

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

	<u>Full year 2000</u>	<u>1/01</u>	<u>2/01</u>	<u>3/01</u>	<u>4/01</u>	<u>Full year 2001</u>	<u>1/02</u>	<u>2/02</u>	<u>3/02</u>	<u>Year- to-date 2002</u>
Net sales	39 848	10 906	11 148	10 228	11 088	43 370	10 665	11 053	10 047	31 765
Cost of goods sold *	-30 461	-8 425	-8 471	-7 782	-8 427	-33 105	-8 155	-8 359	-7 439	-23 953
Gross profit	9 387	2 481	2 677	2 446	2 661	10 265	2 510	2 694	2 608	7 812
Gross margin, %	23.6	22.7	24.0	23.9	24.0	23.7	23.5	24.4	26.0	24.6
Selling & admin. expenses *	-5 902	-1 605	-1 718	-1 661	-1 763	-6 747	-1 642	-1 642	-1 620	-4 904
Other operating income/ expense - net	182	32	13	26	33	104	34	-11	-52	-29
Result of associated companies	7	-	7	5	-	12	1	7	14	22
Operating profit	3 674	908	979	816	931	3 634	903	1 048	950	2 901
Operating margin, %	9.2	8.3	8.8	8.0	8.4	8.4	8.5	9.5	9.5	9.1
Financial income & exp. - net	-672	-117	-159	-131	-107	-514	-142	-123	-73	-338
Profit before taxes	3 002	791	820	685	824	3 120	761	925	877	2 563
Profit margin before taxes, %	7.5	7.3	7.4	6.7	7.4	7.2	7.1	8.4	8.7	8.1
Taxes	-1 001	-220	-282	-192	-215	-909	-231	-284	-288	-803
Profit after taxes	2 001	571	538	493	609	2 211	530	641	589	1 760
Minority interest	-39	-9	-18	-4	-13	-44	-1	-5	-7	-13
Net profit	1 962	562	520	489	596	2 167	529	636	582	1 747
Earnings per share after tax, SEK	17.23	4.94	4.56	4.30	5.24	19.04	4.64	5.58	5.11	15.33
Return on capital employed for the 12-month period, %	16.2	15.8	15.8	15.3	14.9	14.9	14.8	15.3	16.0	16.0
Equity/assets ratio, %	37.1	38.7	37.6	39.4	41.1	41.1	41.2	40.0	41.9	41.9
Net worth per share, SEK	119	131	133	140	143	143	140	133	141	141
Additions to tangible assets	1 388	339	337	365	362	1 403	289	322	360	971
Registered number of employees	40 401	39 770	39 247	38 466	38 091	38 091	38 205	39 926	39 796	39 796

* Beginning in 2002, management expenses are classified as Cost of goods sold and/or Selling and administrative expenses based on the type of operation. Previous years have been restated in accordance with the new principles.

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

	Full year 2000	1/01	2/01	3/01	4/01	Full year 2001	1/02	2/02	3/02	Year- to-date 2002
Industrial Division										
External Sales	8 800	2 610	2 546	2 355	2 454	9 965	2 493	2 513	2 339	7 345
Total sales	14 417	4 119	3 976	3 761	4 122	15 978	3 950	4 040	3 708	11 698
Operating result	1 675	413	429	364	456	1 662	376	430	360	1 166
Operating margin	11.6%	10.0%	10.8%	9.7%	11.1%	10.4%	9.5%	10.6%	9.7%	10.0%
Invested capital	6 832	7 195	7 262	7 213	6 970	6 970	7 235	6 815	6 740	6 740
Registered number of employees	10 645	10 630	10 486	10 371	10 343	10 343	10 567	10 457	10 455	10 455
Automotive Division										
External Sales	12 634	3 382	3 568	3 161	3 327	13 438	3 457	3 604	3 194	10 255
Total sales	13 976	3 817	3 967	3 540	3 698	15 022	3 831	3 979	3 553	11 363
Operating result	479	117	142	65	83	407	123	197	110	430
Operating margin	3.4%	3.1%	3.6%	1.8%	2.2%	2.7%	3.2%	5.0%	3.1%	3.8%
Invested capital	7 910	8 558	8 441	8 220	7 906	7 906	7 759	7 145	6 921	6 921
Registered number of employees	10 860	10 506	10 265	10 185	9 994	9 994	9 993	10 012	9 995	9 995
Electrical Division										
External Sales	1 765	518	514	458	451	1 941	492	503	459	1 454
Total sales	7 084	1 808	1 815	1 634	1 732	6 989	1 674	1 770	1 568	5 012
Operating result	465	95	100	56	63	314	75	112	97	284
Operating margin	6.5%	5.3%	5.5%	3.4%	3.6%	4.5%	4.5%	6.3%	6.2%	5.7%
Invested capital	3 564	3 780	3 778	3 811	3 563	3 563	3 118	2 975	2 983	2 983
Registered number of employees	7 086	6 906	6 820	6 737	6 637	6 637	6 596	8 119	8 082	8 082
Service Division										
External Sales	12 899	3 319	3 469	3 333	3 851	13 972	3 176	3 462	3 219	9 857
Total sales	14 096	3 713	3 879	3 706	4 254	15 552	3 539	3 858	3 582	10 979
Operating result	1 023	270	300	344	385	1 299	275	362	357	994
Operating margin	7.3%	7.3%	7.7%	9.3%	9.1%	8.4%	7.8%	9.4%	10.0%	9.1%
Invested capital	3 824	3 917	3 793	3 592	3 234	3 234	3 189	3 004	2 922	2 922
Registered number of employees	4 536	4 573	4 545	4 491	4 462	4 462	4 536	4 650	4 658	4 658
Aero and Steel Division										
External Sales	3 602	1 055	1 039	912	984	3 990	1 043	963	832	2 838
Total sales	6 400	1 795	1 758	1 501	1 584	6 638	1 733	1 629	1 404	4 766
Operating result	235	62	65	39	29	195	58	61	28	147
Operating margin	3.7%	3.5%	3.7%	2.6%	1.8%	2.9%	3.3%	3.7%	2.0%	3.1%
Invested capital	3 597	3 757	3 736	3 809	3 669	3 669	3 443	3 486	3 420	3 420
Registered number of employees	5 521	5 493	5 381	5 293	5 274	5 274	5 163	5 353	5 211	5 211

* Previously published amounts have been restated to conform to the current Group structure of 2002.

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, other Short-term Assets and Tangible Assets less external Trade Accounts Payable and other Short-term Liabilities.