

## SKF Year-end report 2010

Tom Johnstone, President and CEO:

*"SKF delivered a very good performance in 2010 with record operating profit and operating margin and a strong cash flow. We took a number of steps during the year to further strengthen the Group and opened three new factories and announced two more to support our development in the faster growing regions and segments. In addition, we completed the acquisition of Lincoln Industrial which complements our existing lubrication systems business. In the fourth quarter all regions and divisions showed very good growth, as expected.*

*Entering 2011 we expect to see a continued positive volume development. However, we will face headwinds due to currency and higher raw material costs, adding to those already faced in the fourth quarter. To support our long-term profit and growth targets we will step up our investments in manufacturing, research and development and in additional sales and engineering resources."*

	Q4 2010	Q4 2009	YTD 2010	YTD 2009
Net sales, SEKm	15,409	13,887	61,029	56,227
Operating profit, SEKm	2,202	1,004	8,452	3,203
Operating margin, %	14.3	7.2	13.8	5.7
Operating margin excl. one-off items, %	14.9	10.1	14.2	8.0
Profit before taxes, SEKm	2,048	765	7,549	2,297
Net profit, SEKm	1,350	505	5,296	1,705
Basic earnings per share, SEK	2.87	1.05	11.28	3.61

The increase of 11.0% in net sales for the quarter, in SEK, was attributable to: volume 16.3%, price/mix 0.9% and currency effects -6.2%. For the full year, the increase of 8.6%, in SEK, was attributable to: volume 14.1%, price/mix 0.1% and currency effects -5.6%.

The quarter included costs, affecting the operating profit, of around SEK 100 million due to the acquisition of Lincoln Industrial. Total one-off items impacting operating profit for the full-year amounted to SEK 190 million.

### Dividend proposal

Based on the strong performance, cash generation capacity and outlook, the Board has decided to propose to the Annual General Meeting an increase in the dividend of 43%, giving a dividend of SEK 5.00 (3.50) per share.

### Outlook for the first quarter of 2011

#### Development compared to the first quarter last year

The demand for SKF products and services is expected to be significantly higher for the Group, the divisions and for the different geographical areas.

#### Development compared to the fourth quarter 2010 and adjusted for normal seasonality

The demand is expected to be slightly higher for the Group and for the different geographical areas. The Industrial Division and the Service Division are expected to be slightly higher and the Automotive Division higher.

#### Manufacturing level

The manufacturing level will be significantly higher year on year and slightly higher compared to the fourth quarter, adjusted for normal seasonality.

### Development in the fourth quarter compared to the same period last year

Sales in local currencies were significantly higher for the Group, for Europe, North America, Latin America and Asia as well as for the divisions.

The manufacturing level was significantly higher than in the fourth quarter last year.

### Financial

<b>Key figures</b>	<b>31 December 2010</b>	30 September 2010	31 December 2009
Inventories, % of annual sales	<b>21.1</b>	20.2	20.9
ROCE for the 12-month period, %	<b>24.0</b>	20.7	9.1
ROE for the 12-month period, %	<b>28.4</b>	24.3	9.0
Equity/assets ratio, %	<b>36.0</b>	36.0	35.8
Gearing, %	<b>48.6</b>	47.6	49.3
Net debt/equity, %	<b>80.5</b>	61.5	68.9
Registered number of employees	<b>44,742</b>	42,475	41,172

The SKF Group's balance sheet and key figures above are impacted by the inclusion of Lincoln Industrial's preliminary balance sheet. Excluding Lincoln Industrial, inventories were 20.0% and the number of employees was 42,735. The total purchase price for Lincoln Industrial was SEK 7,047 million, and the cash outflow was SEK 6,764 million.

Cash flow, after investments and before financing, was SEK -5,966 million (1,445) for the fourth quarter and SEK -2,838 million (5,752) for the full year 2010. Excluding the acquisition of Lincoln Industrial it was SEK 798 million for the fourth quarter and SEK 3,926 million for the full year.

The financial net in the fourth quarter of 2010 was SEK -154 million (-239), for the full year it was SEK -903 million (-906). The full-year figure has a negative effect of SEK 225 million relating to a loss on the Ovako vendor note.

Exchange rates, the effects of translation and transaction flows, had a negative effect of SEK 50 million on SKF's operating profit in the fourth quarter and a negative effect of around SEK 400 million for the full year, compared to the corresponding period last year. It is estimated that there will be a negative effect of SEK 150 million on operating profit in the first quarter and for the full year a negative effect of SEK 900 million, based on current assumptions and exchange rates and compared to the corresponding period last year.

R&D expenditure was SEK 1,184 million (1,217), corresponding to 1.9% (2.2) of annual sales, excluding developing IT solutions. The number of first filings of patent applications was 251 (218).

### SKF's Performance Share Programme 2011

In order to continue to link the interests of the senior management and the shareholders, the Board proposes that a decision be taken at the Annual General Meeting in April 2011 on SKF's Performance Share Programme 2011. The terms and conditions of the proposed SKF's Performance Share Programme 2011 are in essence the same as the terms and conditions of the programmes for 2008, 2009 and 2010.

It is proposed that the programme covers a maximum of 310 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF class B shares. The number of shares that may be allotted must

be related to the degree of achievement of financial targets defined by the Board of Directors in accordance with the SKF Group's TVA management model and must pertain to the period commencing 2011 up to and including 2013. Under the programme, no more than 1,000,000 class B shares may be allotted.

The Performance Share programme 2008, which was decided by the AGM on April 16, 2008 will be settled in the first quarter 2011. The outcome is that about 250 managers of the SKF Group will receive around 117,000 SKF class B shares (around 12% of maximum) amounting to around SEK 25 million including social charges.

### **The year in brief**

The Group's ongoing cost reduction activities, combined with the improved volumes both in sales and manufacturing and the continued implementation of the Group's strategy, had a very positive effect on the Group's operating profit and resulted in a record operating profit and operating margin for the Group. The steps taken in recent years to make the company more robust is giving results which can be seen by the very positive development in 2010 and the resilient performance in 2009.

As a result of the strong performance and the strategy for the SKF Group new long-term financial targets were announced in October 2010. The new targets are to have an operating margin level of 15%, annual sales growth in local currencies of 8% and a return on capital employed of 27%. The inventory target of 18% of net sales remain. The main initiatives going forward to support the strategy and targets will be to accelerate profitable growth, to reduce costs and eliminate waste and to invest for growth.

Three new factories were opened during the year, two in India, at Haridwar and Ahmedabad, and one in Russia at Tver. These factories are built to the LEED (Leadership in Energy and Environmental Design) or equivalent standard as with all new SKF facilities. SKF also announced the construction of two new factories which will open in late 2011. A new seals factory is under construction in Mysore, India and a bearing factory is being established in Dalian, China to produce medium-sized bearings for the industrial market.

SKF continued to open new SKF Solution Factories throughout the year with nine being opened, bringing the total at the end of 2010 to 17. These SKF Solution Factories gather SKF's expertise under one roof and are already proving beneficial for customers and distributors by making SKF's knowledge more readily accessible to them.

To support the development in Asia, SKF opened a new Global Technical Centre in China to complement the centre opened in India in 2009. These new Global Technical Centres will be an integral part of the SKF Group's global technology network and will bring new product development closer to SKF's customers in this rapidly developing region.

### **Acquisition of Lincoln Industrial** (see separate press release dated 23 December 2010)

SKF's acquisition of Lincoln Holding Enterprises (Lincoln Industrial), a leading supplier of lubrication systems and tools was completed at the end of the year. Lincoln Industrial, headquartered in St. Louis, Missouri, USA has about 2,000 employees and generated sales of around USD 400 million in 2010 with an operating margin of around 24%.

The acquisition is in line with SKF's strategy to grow the lubrication systems market. Lincoln Industrial is highly complementary to SKF's existing lubrication system business when it comes to geographical sales coverage, technology and manufacturing footprint, in particular in North America and Asia. In addition, Lincoln Industrial provides SKF with improved access to the lubrication tools and equipment aftermarket in North America.

Lincoln Industrial is included in the Group's balance sheet at year-end 2010 with preliminary opening balances, as follows:

**Fair value of net assets acquired (SEKm):**

Intangibles assets	7,032
Operating assets	1,747
<u>Other liabilities</u>	<u>-1,732</u>
Total purchase price	7,047
<u>Cash and cash equivalents acquired</u>	<u>-283</u>
Cash outflow	6,764

Lincoln Industrial's income statement will be included in the Group from the first-quarter results of 2011, as part of a newly created business unit for lubrication systems within SKF Industrial Division.

Based on the preliminary opening balances, annual amortization and depreciation together are expected to be slightly below USD 25 million for acquired intangibles and plant, property and equipment after fair value adjustments. The operating profit will be negatively impacted primarily in the first quarter by around USD 15 million, representing the fair value adjustment on inventories as part of opening balances for Lincoln Industrial.

*Please see enclosure 8 for more information about the acquisition of Lincoln Industrial.*

**Divestment subsequent to year end**

SKF divested its forging business, Officine Meccaniche Villar Perosa SpA (OMVP), in Villar Perosa, Italy to the German based company Neumayer Tekfor Holding GmbH, one of the largest forging companies in Europe. The sale is fully in line with the SKF's strategy to divest non-core component manufacturing and will have a limited impact on the results and cash flow. OMVP has about 550 employees and net sales of around EUR 100 million, mainly to other SKF operations. The parties have agreed on continuing the supply and strengthening the cooperation.

**Divisions**

Comments on sales are based on local currencies and compared to the corresponding period for 2009. The operating margin has been calculated on sales including intra-Group sales.

**Industrial Division**

The operating profit for the fourth quarter amounted to SEK 902 million (237), resulting in an operating margin of 12.1% (3.5) on sales including intra-Group sales. The operating profit for the full year amounted to SEK 3,498 million (1,551), resulting in an operating margin of 11.8% (5.4). Sales including intra-Group sales for the quarter were SEK 7,443 million (6,745), and for the full year SEK 29,607 million (28,546).

Net sales for the fourth quarter amounted to SEK 4,904 million (4,508) and for the full year SEK 19,424 million (19,534). The increase of 8.8% for the quarter was attributable to: organic growth 16.6% and currency effects -7.8%.

For the full year the decrease of -0.6% was attributable to: organic growth 6.0% and currency effects -6.6%.

Sales in local currency for the fourth quarter were significantly higher in Europe, North America and Asia. For the full year they were lower in Europe, higher in North America and

significantly higher in Asia. The positive trend continued in all main segments with a particular good development in construction equipment, fluid power and industrial gearboxes.

### **Service Division**

The operating profit for the fourth quarter amounted to SEK 841 million (729), resulting in an operating margin of 14.6% (14.3). The operating profit for the full year amounted to SEK 3,036 million (2,585), resulting in an operating margin of 13.5% (13.0). Sales including intra-Group sales for the quarter were SEK 5,763 million (5,098), and for the full year SEK 22,408 million (19,957).

Net sales for the fourth quarter amounted to SEK 5,664 million (5,008) and for the full year SEK 22,029 million (19,599). The increase of 13.1% for the quarter was attributable to: organic growth 17.2% and currency effects -4.1%.

For the full year the increase of 12.4% was attributable to: organic growth 16.1% and currency effects -3.7%.

Sales in local currencies for the fourth quarter were significantly higher in Europe, Asia, North America and Latin America. In Middle East and Africa they were higher. For the full year they were significantly higher in Europe, Asia, Latin America and Middle East and Africa. In North America they were higher, affected by the ongoing distributor de-stocking.

### **Automotive Division**

The operating profit for the fourth quarter amounted to SEK 445 million (92), resulting in an operating margin of 8.2% (1.9). The operating profit for the full year amounted to SEK 1,859 million (-785), resulting in an operating margin of 8.5% (-4.1). Sales including intra-Group sales for the quarter were SEK 5,439 million (4,880), and for the full year SEK 21,989 million (19,103).

Net sales for the fourth quarter amounted to SEK 4,491 million (4,110) and for the full year SEK 18,231 million (16,051). The increase of 9.3% for the quarter was attributable to: organic growth 16.3% and currency effects -7.0%.

For the full year the increase of 13.6% was attributable to: organic growth 20.2% and currency effects -6.6%.

Sales in local currencies to the car and light truck industries in Europe and North America were higher for the quarter and significantly higher for the full year. In Asia sales were significantly higher both for the quarter and for the full year.

Sales to the heavy truck industries in Europe, North America and Asia were significantly higher both for the quarter and for the full year.

Sales to the vehicle service market in Europe, Latin America and Asia were significantly higher in the quarter and for the full year. In North America sales were significantly higher in the quarter and relatively unchanged for the full year.

Sales to the electrical industry in Europe as well as sales to the two-wheeler industry in Asia were significantly higher both for the quarter and for the full year.

Highlights in the quarter:

In Europe, a new contract for the SKF Low Friction Engine Seal with Isuzu was signed. The SKF Low Friction Engine Seal, launched in 2010, is used in many automotive applications, providing lower fuel consumption and reducing CO<sub>2</sub> emissions via significantly reduced friction.

In Germany, a SKF Gear Bearing Unit was developed with Daimler for their heavy duty engines. This is a customized tapered gear bearing unit designed to accommodate heavy loads.

A number of new offerings were launched during the quarter. The solutions include among others a pulley unit designed for the alternator in the engine and a unit that helps to reduce energy and water consumption for front loaded washing machines.

**Previous outlook statement:**

**Outlook for the fourth quarter of 2010**

Development compared to the fourth quarter last year

The demand for SKF products and services is expected to be significantly higher for the Group, the divisions and for the different geographical areas.

Development compared to the third quarter 2010 and adjusted for normal seasonality

The demand is expected to be slightly higher for the Group, the divisions and for the different geographical areas.

Manufacturing level

The manufacturing level will be significantly higher year on year and unchanged compared to the third quarter, adjusted for normal seasonality.

**Highlights in the previous quarters**

- SKF was awarded a contract with Guohua Energy Investment, a major Chinese energy company to supply 180 SKF WindCon systems to improve reliability maintenance for existing turbines. Guohua Energy Investment is also developing a new wind farm in Beijing to which SKF will supply 58 SKF WindCon systems.
- SKF has launched 13 new offerings to help customers increase reliability and safety as well as reduce costs, CO<sub>2</sub> emissions and environmental impact. The solutions include a four-row tapered roller bearing for rolling mills, a low friction X-Tracker wheel hub bearing unit for cars and light trucks, SKF Cam Follower Units for direct injection systems of cars and trucks, asset management services for cranes, specialized bearings for sub-sea and pumps in extreme environments in the oil and gas industry and a hydraulic-driven lubricator for hammers and breakers used in the construction industry.
- SKF has now documented over USD two billion savings by its customers as a result of using SKF solutions. This data was collected over a 10-year period with the close cooperation of customers and the use of a patented SKF program, SKF Documented Solutions Program.
- SKF is building a factory for medium-sized bearings in China. The factory will be located in Dalian, close to SKF's existing factory for large-sized bearings. The new investment amounts to around SEK 400 million and is expected to come into operation in 2011 employing 250 people.
- SKF will expand its present seals manufacturing capacity by building a new factory in Mysore, India that will serve customers within the automotive, railway and industrial applications segments. The investment amounts to around SEK 160 million and will be fully operational by the second half of 2012 employing about 600 people.
- SKF is investing around USD 18 million in a new heat treatment facility in Falconer, USA, as part of an expansion to its aeroengine operations in the country. The new facility will house a new high-tech vacuum furnace for the carburizing and hardening of a variety of materials and is a very critical operation in the bearing manufacturing process.

- Two new SKF Solution Factories were inaugurated in the quarter, one in the UK and one in Turkey. There are now fourteen SKF Solution Factories over the world.
- SKF's newly constructed manufacturing facility in Tver, Russia as well as the new corporate head office in Lansdale, USA have been designed and constructed according to the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standard. The factory in Tver has now been awarded Gold level and is the first manufacturing facility to have this type of certification anywhere in Russia, while the Lansdale office has achieved Platinum - the highest level in the LEED certification system.
- For the eleventh year in succession, SKF was selected to be a member of Dow Jones' Sustainability World Indexes and for the tenth year in succession, in the FTSE4Good Index Series.
- SKF inaugurated its new factory in Tver, Russia where the new generation of SKF's sealed and pre-lubricated compact tapered bearing units will be produced for the Russian and international railway customers. The factory will be one of the first in Russia and in Europe with LEED certification. The investment amounts to around SEK 235 million and the factory will employ 100 people.
- SKF inaugurated a Global Technical Centre China in Shanghai. The centre will be an integral part of SKF's global network of technical centres and will enable SKF to develop products and solutions for local and global customers in a faster and more cost effective way.
- SKF was awarded an agreement with ZF Sachs Italy to supply 140,000 oil seals and wiper seals for motorcycle forks.
- SKF signed a three-year contract worth around SEK 34 million with Valeo to supply SKF Rotor Positioning Bearings for the new i-StARS, Valeo's stop-start system. i-StARS automatically cuts off the vehicle's engine when slowing down under 8 km/h, e.g when stopping for a red light. The system enables further reduction in CO<sub>2</sub> emissions.
- SKF signed a framework agreement with the State Forestry Administration in China to plant new forests, in remote areas of the country. The project is expected to run for five years.
- SKF received the "Golden Mousetrap" award in the 2010 "Best products awards" announced by the magazine Design News. This was in the Electronics/Test and Measurement category and for the new SKF Machine Condition Advisor, a handheld instrument which simplifies machine monitoring and provides early warning of potential failures. Design News annual Golden Mousetrap Awards recognize engineering innovation and creativity in product design.
- SKF has assisted S-OIL, a large South Korean oil refinery, to increase productivity and reduce potential production downtime. The project resulted in a payback for S-OIL in less than 11 months. The SKF solution included the development of asset strategy, defect eliminations and operator driven reliability.
- Three new SKF Solution Factories were inaugurated, one in Schweinfurt, Germany, one in Montigny-le-Bretonneux, France and one in Moscow, Russia.
- SKF inaugurated two new factories in India. The factory in Haridwar will manufacture deep groove ball bearings and the Ahmedabad factory will manufacture medium to large-sized bearings of various types.
- A programme was concluded in March for adjusting the manufacturing capacity in Gothenburg, Sweden. The total cost of these activities, around SEK 90 million, mainly impacted the Industrial Division and has been charged to the income statement in the first

quarter. The benefit of these actions will be around SEK 50 million per year when fully implemented by the third quarter.

- The ninth SKF Solution Factory was inaugurated in Houston, USA.

### **Risks and uncertainties in the business**

The SKF Group operates in many different industrial, automotive and geographical segments that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets, could have a negative effect on the demand for the Group's products and services. There are also political and regulatory risks associated with the wide geographical presence. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations.

The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the USD and to US dollar-related currencies. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies. The parent company performs services of a common Group character. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower dividend income for the parent company, as well as a need for writing down values of the shares in the subsidiaries.

### **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 annual report (available on [www.skf.com](http://www.skf.com)) under the Administration Report; "Important factors influencing the financial results", "Financial risks" and "Sensitivity analysis", and in this full-year report under "Risks and uncertainties in the business."*

Gothenburg, 1 February 2011  
Aktiebolaget SKF  
(publ.)

Tom Johnstone  
President and CEO

AB SKF is required to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 12.00 on 1 February 2011.
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**Teleconference/meeting** - On 1 February at 13.30 (CET), 12.30 (UK):

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+44 (0)207 1620 177 European participants, ref.no. 885203

+1 334 323 6203 US participants, ref.no. 885203

Venue: Operaterrassen

Karl XII:s torg

Stockholm

Please don't use your phone's loudspeaker as this has a negative effect on the sound.

You will find all information regarding SKF Year-end results on the IR website.

<http://investors.skf.com/quarterlyreporting>

Enclosures:

Financial statements

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

Other financial statements

5. Consolidated financial information - yearly and quarterly comparisons
6. Segment information - yearly and quarterly comparisons
7. Parent company income statements, statements of comprehensive income, balance sheets and footnote
8. Acquisition of Lincoln Industrial

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards as adopted by EU. The SKF Group applies the same accounting policies and methods of computation in the interim financial statements as compared with the Annual Report 2009 including Sustainability Report. No new or amended IFRS effective 2010 had any significant impact on the Group.

The consolidated quarterly report has been prepared in accordance with IAS 34. The report for the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2. The report has not been reviewed by the company's auditors.

The SKF First-quarter report 2011 will be published on Tuesday, 19 April 2011.

The Annual General Meeting will be held on Thursday, 28 April 2011 in Gothenburg, Sweden.

The SKF Annual Report including Sustainability Report for 2010 will be published in a pdf-format on SKF's website <http://investors.skf.com> on 11 March 2011. The printed report will be delivered on 24 March 2011 and will be available at the company on that day.

Further information can be obtained from:

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**CONSOLIDATED INCOME STATEMENTS (SEKm)**

	<b>Oct-Dec 2010</b>	Oct-Dec 2009	<b>Jan-Dec 2010</b>	Jan-Dec 2009
Net sales	<b>15,409</b>	13,887	<b>61,029</b>	56,227
Cost of goods sold	<b>-11,139</b>	-11,049	<b>-44,216</b>	-45,024
<b>Gross profit</b>	<b>4,270</b>	2,838	<b>16,813</b>	11,203
Selling and administrative expenses	<b>-2,020</b>	-1,838	<b>-8,222</b>	-7,915
Other operating income/expenses - net	<b>-49</b>	2	<b>-139</b>	-74
Profit/loss from jointly controlled and associated companies	<b>1</b>	2	<b>0</b>	-11
<b>Operating profit</b>	<b>2,202</b>	1,004	<b>8,452</b>	3,203
Operating margin, %	<b>14.3</b>	7.2	<b>13.8</b>	5.7
Financial income and expense - net	<b>-154</b>	-239	<b>-903</b>	-906
<b>Profit before taxes</b>	<b>2,048</b>	765	<b>7,549</b>	2,297
Taxes	<b>-698</b>	-260	<b>-2,253</b>	-592
<b>Net profit</b>	<b>1,350</b>	505	<b>5,296</b>	1,705
<b>Net profit attributable to</b>				
Shareholders of the parent	<b>1,311</b>	476	<b>5,138</b>	1,642
Non-controlling interests	<b>39</b>	29	<b>158</b>	63
Basic earnings per share, SEK*	<b>2.87</b>	1.05	<b>11.28</b>	3.61
Diluted earnings per share, SEK*	<b>2.87</b>	1.05	<b>11.28</b>	3.61
Additions to property, plant and equipment	<b>460</b>	505	<b>1,651</b>	1,975
Number of employees registered	<b>44,742</b>	41,172	<b>44,742</b>	41,172
Return on capital employed for the 12-month period ended 31 December, %	<b>24.0</b>	9.1	<b>24.0</b>	9.1

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

**NUMBER OF SHARES**

Total number of shares	<b>455,351,068</b>	455,351,068	<b>455,351,068</b>	455,351,068
- whereof A shares	<b>44,915,604</b>	45,421,004	<b>44,915,604</b>	45,421,004
- whereof B shares	<b>410,435,464</b>	409,930,064	<b>410,435,464</b>	409,930,064
Total number of diluted shares outstanding	<b>455,351,068</b>	455,351,068	<b>455,351,068</b>	455,351,068
Total weighted average number of diluted shares	<b>455,351,068</b>	455,351,068	<b>455,351,068</b>	455,365,536

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (SEKm)**

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
<b>Net profit</b>	<b>1,350</b>	505	<b>5,296</b>	1,705
<b>Other comprehensive income</b>				
Exchange differences arising on translation of foreign operations	22	456	-1,660	-798
Available-for-sale assets	119	79	169	134
Cash flow hedges	14	-41	18	182
Actuarial gains and losses	839	-75	-616	-888
Income tax relating to components of other comprehensive income	-286	8	56	105
<b>Other comprehensive income, net of tax</b>	<b>708</b>	427	<b>-2,033</b>	-1,265
<b>Total comprehensive income</b>	<b>2,058</b>	932	<b>3,263</b>	440
<b>Total comprehensive income attributable to</b>				
Shareholders of AB SKF	2,012	869	3,131	412
Non-controlling interests	46	63	132	28

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

	December 2010	December 2009
Opening balance 1 January	18,280	19,689
Total comprehensive income	3,263	440
Cost for share programmes and exercise of options, net	8	-12
Non-controlling interests	-35	-208
Total cash dividends	-1,622	-1,629
<b>Closing balance</b>	<b>19,894</b>	18,280

Enclosure 3

**CONSOLIDATED BALANCE SHEETS (SEKm)**

	<b>December 2010</b>	December 2009
Goodwill	<b>6,309</b>	2,759
Other intangible assets	<b>4,164</b>	1,255
Property, plant and equipment	<b>12,922</b>	13,933
Deferred tax assets	<b>1,695</b>	1,665
Other non-current assets	<b>1,411</b>	1,502
<b>Non-current assets</b>	<b>26,501</b>	21,114
Inventories	<b>12,879</b>	11,771
Trade receivables	<b>9,859</b>	8,800
Other current assets	<b>2,839</b>	3,590
Other current financial assets	<b>3,146</b>	5,740
<b>Current assets</b>	<b>28,723</b>	29,901
<b>TOTAL ASSETS</b>	<b>55,224</b>	51,015
<b>Equity attributable to shareholders of AB SKF</b>	<b>18,935</b>	17,411
<b>Equity attributable to non-controlling interests</b>	<b>959</b>	869
Long-term financial liabilities	<b>10,850</b>	8,987
Provisions for post-employment benefits	<b>7,093</b>	7,020
Provisions for deferred taxes	<b>2,132</b>	754
Other long-term liabilities and provisions	<b>1,622</b>	1,599
<b>Non-current liabilities</b>	<b>21,697</b>	18,360
Trade payables	<b>4,476</b>	3,989
Short-term financial liabilities	<b>1,325</b>	2,018
Other short-term liabilities and provisions	<b>7,832</b>	8,368
<b>Current liabilities</b>	<b>13,633</b>	14,375
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55,224</b>	51,015

Enclosure 4

**CONSOLIDATED STATEMENTS OF CASH FLOW (SEKm)**

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
<b>Operating activities:</b>				
Operating profit	2,202	1,004	8,452	3,203
Depreciation, amortization and impairment	539	503	1,992	2,171
Net loss/gain (-) on sales of intangible assets, PPE, equity securities, businesses and assets held for sale	-30	15	-5	29
Taxes	-511	-227	-1,722	-1,068
Other including financial and non-cash items	-453	206	-1,950	590
Changes in working capital	-489	467	-1,216	3,076
<b>Net cash flow from operations</b>	<b>1,258</b>	<b>1,968</b>	<b>5,551</b>	<b>8,001</b>
<b>Investing activities:</b>				
Payments in intangible assets, PPE, businesses and equity securities	-7,239	-532	-8,496	-2,271
Sales of intangible assets, PPE, businesses, assets held for sale and equity securities	15	9	107	22
<b>Net cash flow used in investing activities</b>	<b>-7,224</b>	<b>-523</b>	<b>-8,389</b>	<b>-2,249</b>
<b>Net cash flow after investments before financing*</b>	<b>-5,966</b>	<b>1,445</b>	<b>-2,838</b>	<b>5,752</b>
<b>Financing activities:</b>				
Change in short- and long-term loans	3,636	-2,078	2,281	-2,048
Payment of finance lease liabilities	-1	0	-11	-6
Cash dividends	0	-1	-1,622	-1,629
Investments in short-term financial assets	-119	-169	-788	-2,831
Sales of short-term financial assets	631	1,441	996	2,461
<b>Net cash flow used in financing activities</b>	<b>4,147</b>	<b>-807</b>	<b>856</b>	<b>-4,053</b>
<b>NET CASH FLOW</b>	<b>-1,819</b>	<b>638</b>	<b>-1,982</b>	<b>1,699</b>
<b>Change in cash and cash equivalents:</b>				
Cash and cash equivalents at 1 October/1 January	4,193	3,761	4,430	2,793
Cash effect excl. acquired businesses	-2,102	638	-2,265	1,699
Cash effect of acquired businesses	283	0	283	0
Exchange rate effect	21	31	-53	-62
<b>Cash and cash equivalents at 31 December</b>	<b>2,395</b>	<b>4,430</b>	<b>2,395</b>	<b>4,430</b>

Change in net interest-bearing liabilities	Opening balance 1 Jan 2010	Translation effect	Cash change	Businesses acquired/sold	Other non cash changes	Closing balance 31 Dec 2010
Loans, long- and short-term	10,750	-1,289	2,281	0	54	11,796
Post-employment benefits, net	6,993	-760	-466	163	1,117	7,047
Financial assets, others	-1,512	76	208	-2	217	-1,013
Cash and cash equivalents	-4,430	53	2,265	-283	0	-2,395
<b>Net interest-bearing liabilities</b>	<b>11,801</b>	<b>-1,920</b>	<b>4,288</b>	<b>-122</b>	<b>1,388</b>	<b>15,435</b>

**\* Adjusted for acquisition of Lincoln Industrial**

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Net cash flow after investments before financing	-5,966	1,445	-2,838	5,752
Adjustment for acquisition of Lincoln Industrial	6,764	0	6,764	0
<b>Net cash flow after investments before financing after adjustment for acquisition of Lincoln Industrial</b>	<b>798</b>	<b>1,445</b>	<b>3,926</b>	<b>5,752</b>

**CONSOLIDATED FINANCIAL INFORMATION –  
YEARLY AND QUARTERLY COMPARISONS**  
(SEKm unless otherwise stated)

	1/09	2/09	3/09	4/09	Full year 2009	1/10	2/10	3/10	4/10	Full year 2010
Net sales	14,849	14,167	13,324	13,887	56,227	14,446	15,709	15,465	15,409	61,029
Cost of goods sold	-11,844	-11,656	-10,475	-11,049	-45,024	-10,701	-11,336	-11,040	-11,139	-44,216
<b>Gross profit</b>	<b>3,005</b>	<b>2,511</b>	<b>2,849</b>	<b>2,838</b>	<b>11,203</b>	<b>3,745</b>	<b>4,373</b>	<b>4,425</b>	<b>4,270</b>	<b>16,813</b>
Gross margin, %	20.2	17.7	21.4	20.4	19.9	25.9	27.8	28.6	27.7	27.5
Selling and administrative expenses	-2,219	-2,007	-1,851	-1,838	-7,915	-2,032	-2,128	-2,042	-2,020	-8,222
Other operating income/ expenses - net	-14	-25	-37	2	-74	-7	-7	-76	-49	-139
Profit/loss from jointly controlled and associated companies	-4	-5	-4	2	-11	-4	1	2	1	0
<b>Operating profit</b>	<b>768</b>	<b>474</b>	<b>957</b>	<b>1,004</b>	<b>3,203</b>	<b>1,702</b>	<b>2,239</b>	<b>2,309</b>	<b>2,202</b>	<b>8,452</b>
Operating margin, %	5.2	3.4	7.2	7.2	5.7	11.8	14.3	14.9	14.3	13.8
Financial income and expense - net	-237	-162	-268	-239	-906	-198	-192	-359	-154	-903
<b>Profit before taxes</b>	<b>531</b>	<b>312</b>	<b>689</b>	<b>765</b>	<b>2,297</b>	<b>1,504</b>	<b>2,047</b>	<b>1,950</b>	<b>2,048</b>	<b>7,549</b>
Profit margin before taxes,%	3.6	2.2	5.2	5.5	4.1	10.4	13.0	12.6	13.3	12.4
Taxes	-137	11	-206	-260	-592	-434	-596	-525	-698	-2,253
<b>Net profit</b>	<b>394</b>	<b>323</b>	<b>483</b>	<b>505</b>	<b>1,705</b>	<b>1,070</b>	<b>1,451</b>	<b>1,425</b>	<b>1,350</b>	<b>5,296</b>
<b>Net profit attributable to</b>										
Shareholders of the parent	390	314	462	476	1,642	1,033	1,405	1,389	1,311	5,138
Non-controlling interests	4	9	21	29	63	37	46	36	39	158
Basic earnings per share, SEK*	0.86	0.69	1.01	1.05	3.61	2.27	3.09	3.05	2.87	11.28
Diluted earnings per share, SEK*	0.86	0.69	1.01	1.05	3.61	2.27	3.09	3.05	2.87	11.28
Dividend per share, SEK	-	3.50	-	-	3.50	-	3.50	-	-	3.50
Return on capital employed for the 12-month period, %	18.7	13.4	10.2	9.1	9.1	11.9	16.8	20.7	24.0	24.0
Gearing, %**	50.1	51.1	52.9	49.3	49.3	48.3	47.4	47.6	48.6	48.6
Equity/assets ratio, %	35.9	34.6	33.5	35.8	35.8	36.2	36.0	36.0	36.0	36.0
Net worth per share, SEK*	43	40	36	38	38	38	38	37	42	42
Additions to property, plant and equipment	494	442	534	505	1,975	389	433	369	460	1,651
Registered number of employees	43,653	42,422	41,756	41,172	41,172	41,055	41,644	42,475	44,742	44,742

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

\*\* Current- plus non-current loans plus provisions for post-employment benefits, net, as a percentage of the sum of current- plus non-current loans, provisions for post-employment benefits, net, and shareholders equity, all at end of interim period/year end.

**SEGMENT INFORMATION - YEARLY AND QUARTERLY COMPARISONS\*\***  
 (SEKm unless otherwise stated)

	1/09	2/09	3/09	4/09	Full year 2009	1/10	2/10	3/10	4/10	Full year 2010
<b>Industrial Division</b>										
Net sales	5,802	4,844	4,380	4,508	19,534	4,695	4,873	4,952	4,904	19,424
Sales incl. intra-Group sales	8,187	7,120	6,494	6,745	28,546	7,105	7,514	7,545	7,443	29,607
Operating profit	635	344	335	237	1,551	713	909	974	902	3,498
Operating margin*	7.8%	4.8%	5.2%	3.5%	5.4%	10.0%	12.1%	12.9%	12.1%	11.8%
Operating margin excl. restructuring*	8.0%	5.5%	5.7%	6.6%	6.5%	11.2%	12.1%	12.9%	12.1%	12.1%
Assets and liabilities, net	18,734	17,474	15,948	15,966	15,966	15,511	15,960	14,843	23,392	23,392
Registered number of employees	19,010	18,616	18,093	17,853	17,853	17,701	17,715	17,882	19,922	19,922
<b>Service Division</b>										
Net sales	5,011	4,944	4,636	5,008	19,599	5,093	5,635	5,637	5,664	22,029
Sales incl. intra-Group sales	5,118	5,028	4,713	5,098	19,957	5,181	5,725	5,739	5,763	22,408
Operating profit	598	636	622	729	2,585	647	745	803	841	3,036
Operating margin*	11.7%	12.7%	13.2%	14.3%	13.0%	12.5%	13.0%	14.0%	14.6%	13.5%
Operating margin excl. restructuring*	11.7%	12.9%	13.5%	14.6%	13.1%	12.5%	13.0%	14.0%	14.6%	13.5%
Assets and liabilities, net	5,471	5,333	4,734	4,819	4,819	5,345	5,650	5,054	5,125	5,125
Registered number of employees	5,940	5,823	5,761	5,725	5,725	5,731	5,710	5,773	5,832	5,832
<b>Automotive Division</b>										
Net sales	3,747	4,126	4,068	4,110	16,051	4,362	4,850	4,528	4,491	18,231
Sales incl. intra-Group sales	4,555	4,884	4,784	4,880	19,103	5,230	5,825	5,495	5,439	21,989
Operating profit	-437	-468	28	92	-785	374	570	470	445	1,859
Operating margin*	-9.6%	-9.6%	0.6%	1.9%	-4.1%	7.2%	9.8%	8.5%	8.2%	8.5%
Operating margin excl. restructuring*	-6.2%	-0.6%	3.7%	5.5%	0.7%	7.2%	9.8%	8.5%	8.2%	8.5%
Assets and liabilities, net	10,359	9,143	8,177	8,073	8,073	8,437	8,502	7,976	8,034	8,034
Registered number of employees	14,318	13,744	13,778	13,480	13,480	13,569	14,002	14,399	14,469	14,469

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

**Reconciliation to profit before tax for the Group\*\***

	Jan-Dec 2010	Jan-Dec 2009
Operating profit:		
Industrial Division	<b>3,498</b>	1,551
Service Division	<b>3,036</b>	2,585
Automotive Division	<b>1,859</b>	-785
Other operations outside the divisions	<b>341</b>	158
Unallocated Group activities and adjustments, net	<b>-282</b>	-306
Financial net	<b>-903</b>	-906
<b>Profit before tax for the Group</b>	<b>7,549</b>	2,297

\*\* Previously published amounts have been restated to conform to the current Group structure in 2010. The structural changes include business units being moved between the divisions and between other operations/Group activities and divisions.

**PARENT COMPANY INCOME STATEMENTS (SEKm)**

	<b>Oct-Dec 2010</b>	Oct-Dec 2009	<b>Jan-Dec 2010</b>	Jan-Dec 2009
Net sales	<b>438</b>	447	<b>1,683</b>	1,623
Cost of services provided	<b>-438</b>	-447	<b>-1,683</b>	-1,623
<b>Gross profit</b>	<b>0</b>	0	<b>0</b>	0
Administrative expenses	<b>-95</b>	-18	<b>-213</b>	-101
Other operating income/expenses – net	<b>-2</b>	1	<b>-14</b>	0
<b>Operating loss</b>	<b>-97</b>	-17	<b>-227</b>	-101
Financial income and expenses - net	<b>-68</b>	-68	<b>1,718</b>	2,602
<b>Loss/profit before taxes</b>	<b>-165</b>	-85	<b>1,491</b>	2,501
Provisions to untaxed reserves	<b>-178</b>	-145	<b>-178</b>	-145
Taxes	<b>68</b>	53	<b>157</b>	99
<b>Net loss/profit</b>	<b>-275</b>	-177	<b>1,470</b>	2,455

**PARENT COMPANY STATEMENTS of COMPREHENSIVE INCOME (SEKm)**

	<b>Oct-Dec 2010</b>	Oct-Dec 2009	<b>Jan-Dec 2010</b>	Jan-Dec 2009
<b>Net loss/profit</b>	<b>-275</b>	-177	<b>1,470</b>	2,455
<b>Other comprehensive income</b>				
Available-for-sale assets	<b>118</b>	76	<b>168</b>	134
<b>Other comprehensive income, net of tax</b>	<b>118</b>	76	<b>168</b>	134
<b>Total comprehensive income</b>	<b>-157</b>	-101	<b>1,638</b>	2,589

**PARENT COMPANY BALANCE SHEETS (SEKm)**

<b>Note</b>	<b>December 2010</b>	December 2009
Investments in subsidiaries	<b>22,255</b>	17,211
Receivables from subsidiaries	<b>10,592</b>	8,614
Other non-current assets	<b>689</b>	524
<b>Non-current assets</b>	<b>33,536</b>	26,349
Receivables from subsidiaries	<b>3,285</b>	3,472
Other receivables	<b>154</b>	209
<b>Current assets</b>	<b>3,439</b>	3,681
<b>TOTAL ASSETS</b>	<b>36,975</b>	30,030
<b>Shareholders' equity</b>	<b>11,490</b>	10,208
<b>Untaxed reserves</b>	<b>1,417</b>	1,240
<b>Provisions</b>	<b>165</b>	151
<b>Non-current liabilities</b>	<b>10,581</b>	8,614
<b>Current liabilities</b>	<b>13,322</b>	9,817
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>36,975</b>	30,030
<b>Contingent liabilities</b>	<b>5</b>	5

**Note 1. Shareholders' equity (SEKm)**

	<b>December 2010</b>	December 2009
Opening balance 1 January	<b>10,208</b>	8,258
Dividends	<b>-1,594</b>	-1,594
Total comprehensive income	<b>1,638</b>	2,589
Exercise of options and cost for share programmes, net	<b>31</b>	-11
Group contribution, net	<b>1,207</b>	966
<b>Closing balance</b>	<b>11,490</b>	10,208



### Acquisition of Lincoln Industrial

On 28 December 2010 the Group acquired 100% of the shares of Lincoln Holdings Enterprises, Inc (Lincoln Industrial) from Harbour Group. Lincoln Industrial is a leader in the design, manufacture and supply of highly engineered lubrication systems, tools and equipment, and is headquartered in St. Louis, Missouri, USA.

Lincoln Industrial's three main product lines are automated lubrication systems, hose reels, and grease guns, with a focus on grease-based systems. Sales are mainly generated from automated lubrication systems and related products. Major end markets include industrial, energy, off-highway, mining, agriculture, and steel. The company has a global footprint with around 50% of its sales generated in North America, 25% in Europe and 20% in Asia Pacific. The company has around 2,000 employees with manufacturing operations in the US, Asia and Europe.

Lincoln Industrial will be part of a newly created business unit for lubrication systems within SKF's Industrial Division. The acquisition of Lincoln Industrial is in line with SKF's strategy and builds on a series of acquisitions made in the lubrication systems sector over the last six years. Lincoln Industrial is highly complementary to SKF's existing lubrication systems business, with limited product and geographical overlap. The acquisition furthers SKF's strategy including:

- improving the lubrication systems platform through Lincoln Industrial's complementary product portfolio.
- increasing the geographical sales coverage in North America and Asia.
- expanding the business to the automotive aftermarket in the US.
- expanding the manufacturing operations through Lincoln Industrial's strong US and Asian manufacturing footprint.

SKF expects to achieve significant synergies from the combination through improved sales opportunities and greater efficiencies.

Lincoln Industrial is included in the Group's balance sheet at 31 December 2010, with no impact on the Group's income statement for the year 2010. Their results will be included in the Group's income statement as from 1 January 2011.

A preliminary allocation of the acquisition cost to the identifiable assets acquired and liabilities assumed (net assets) was made. All allocations are only preliminary and are expected to be finalized in Q2 2011 pending the final audit and asset valuations. The preliminary values are as follows:

<b>Fair value of net assets acquired (SEKm):</b>	
Trademarks	1,020
Customer relationships	1,836
Other intangibles	287
Plant, property and equipment	358
Receivables	441
Inventory	648
Other assets	300
Deferred tax provisions	-1,225
Post-employment benefits	-163
Other liabilities	-344
	<hr/>
	3,158
Goodwill	3,889
	<hr/>
Total acquisition cost	7,047
	<hr/>
Cash and cash equivalents acquired	-283
Cash outflow	6,764

The acquisition cost is subject only to adjustments for the final audited cash, working capital, and indebtedness levels. The acquisition was paid using existing cash and credit facilities. Acquisition related-costs of SEK 99 million were expensed, of which SEK 80 million was included as Other operating expense and SEK 19 million was included as Selling expense in the Group's income statement.

Receivables arise from the normal course of business and include an allowance for uncollectibility of approximately SEK 16 million.

The acquisition of Lincoln Industrial included all Lincoln, Alemite and Reelcraft entities and brands. Consequently the opening balances include a preliminary valuation of trademarks of SEK 1,020 million, which the Group considers to have indefinite useful lives, as it is intended to continue to promote these brands in the foreseeable future. Preliminary values were allocated to other significant intangibles which included customer relationships to be amortized over an expected life of 15 years.

None of the goodwill is expected to be deductible for tax purposes. The preliminary goodwill arises due to Lincoln Industrial's expected ability to continuously renew its technology resulting in improved sales opportunities as well as their ability to deliver strong financial performance on a consistent basis.

#### **Proforma net sales and net profit**

Had Lincoln Industrial been acquired at 1 January 2010, the consolidated revenue for the Group would have amounted to SEK 63,858 million, and consolidated net profit would have been SEK 5,509 million. This unaudited proforma information adds Lincoln Industrial's income statement excluding their acquisition-related costs and financing costs, and adjusts for the additional amortizations, depreciations, and inventory costs arising from the fair value adjustment. Additionally, net financial costs were adjusted to reflect the change in the Group's net interest bearing liabilities caused by the payment of the purchase price. Income taxes have been included in all proforma adjustments.