

SKF First-quarter report 2010

Tom Johnstone, President and CEO:

"SKF delivered a very strong result in the quarter with better volume and higher manufacturing levels resulting in an operating margin of 11.8%. Demand developed positively during the quarter particularly within the automotive business which adversely affected our price/mix. We saw a very positive development of our business in Asia and Latin America and some improvement in North America. However, Europe still remains weak if we exclude our automotive business.

Going forward into the second quarter we expect demand to be significantly higher than the same quarter last year and slightly higher sequentially. As a result of this demand picture we increased our manufacturing as the first quarter progressed which gave a good effect on our cost absorption, particularly in March. We will keep this manufacturing level during the second quarter."

	Q1 2010	Q1 2009
Net sales, SEKm	14,446	14,849
Operating profit, SEKm	1,702	768
Operating margin, %	11.8	5.2
Profit before taxes, SEKm	1,504	531
Net profit, SEKm	1,070	394
Basic earnings per share, SEK	2.27	0.86

Note: some of these key figures were already published on 16 April 2010.

The decrease of 2.7% in net sales for the quarter, in SEK, was attributable to: volume 5.3%, price/mix -0.3% and currency effects -7.7%.

The quarter included expenses for restructuring activities of around SEK 90 million, mainly impacting the Industrial Division.

Outlook for the second quarter of 2010

Sales development compared to second quarter last year

The demand for SKF products and services is expected to be significantly higher for the Group in total. In Europe and North America it is expected to be higher and in Asia and Latin America significantly higher. It is expected to be slightly higher for the Industrial Division and significantly higher both for the Service Division and Automotive Division.

Sales development compared to the first quarter 2010

The demand is expected to be slightly higher for the SKF Group in total. In Europe and North America it is expected to be slightly higher and in Asia and Latin America higher. For both the Industrial Division and Service Division it is expected to be slightly higher and for the Automotive Division higher.

Manufacturing level

The manufacturing level will be significantly higher year on year and higher compared to the average of the first quarter 2010.

Sales performance in the first quarter

Sales in local currencies were higher for the Group, compared to last year. They were lower in Europe, relatively unchanged in North America and significantly higher in Asia, Latin America and Middle East and Africa.

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

Financial

	31 March 2010	31 December 2009	31 March 2009
Key figures			
Inventories, % of annual sales	21.0	20.9	24.2
ROCE for the 12-month period, %	11.9	9.1	18.7
ROE for the 12-month period, %	13.0	9.0	20.8
Equity/assets ratio, %	36.2	35.8	35.9
Gearing, %	48.3	49.3	50.1
Net debt/equity, %	65.5	68.9	77.2
Registered number of employees	41,055	41,172	43,653

Cash flow, after investments and before financing, was SEK 32 million (523). The financial net was SEK -198 million (-237).

Exchange rates, including the effects of translation and transaction flows, had a negative effect of SEK 200 million SKF's operating profit in the first quarter. Based on current assumptions and exchange rates it is estimated that there will be a negative effect on the second quarter 2010 of SEK 200 million and for the full year a negative effect of SEK 500 million.

Highlights

- SKF inaugurated two new factories in India:
 - The Haridwar factory will manufacture deep groove ball bearings and primarily serve the two-wheeler market and the vehicle service market in India. The total investment is around SEK 250 million and the factory will employ about 200 people.
 - The Ahmedabad factory will manufacture medium to large size bearings of various types to serve customer segments such as wind energy and heavy industries. The investment amount to around SEK 450 million and the factory will employ about 300 people when full capacity is reached.
- 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.

Industrial Division

The operating profit for the first quarter amounted to SEK 713 million (635), resulting in an operating margin of 10.0% (7.8) on sales including intra-Group sales. The quarter included expenses for restructuring activities of around SEK 80 million (20). Sales including intra-Group sales for the quarter were SEK 7,105 million (8,187).

Net sales for the first quarter amounted to SEK 4,695 million (5,802). The decrease of 19.1% for the quarter was attributable to: organic growth -12.1% and currency effects -7.0%.

Sales in local currency for the first quarter were significantly lower in Europe and North America. In Asia they were significantly higher. Sales to the aerospace industry and the wind energy sector were significantly lower and did not show any signs of recovery during the quarter. Segments that showed a positive trend in the first quarter were fluid power, industrial gearboxes, pulp and paper and construction equipment.

Service Division

The operating profit for the first quarter amounted to SEK 647 million (598), resulting in an operating margin of 12.5% (11.7). Sales including intra-Group sales for the quarter were SEK 5,181 million (5,118).

Net sales for the first quarter amounted to SEK 5,093 million (5,011). The increase of 1.6% for the quarter was attributable to: organic growth 8.2% and currency effects -6.6%.

Sales in local currencies for the first quarter were relatively unchanged in Europe and slightly lower in North America. In Asia, Latin America and Middle East and Africa sales were significantly higher.

Automotive Division

The operating result for the first quarter amounted to SEK 374 million (-437), resulting in an operating margin of 7.2% (-9.6). Sales including intra-Group sales for the quarter were SEK 5,230 million (4,555).

Net sales for the first quarter amounted to SEK 4,362 million (3,747). The increase of 16.4% for the quarter was attributable to: organic growth 26.2% and currency effects -9.8%.

Sales in local currencies to the:

- car and light truck industries in Europe and North America were significantly higher.
- heavy truck industry in Europe and North America were significantly higher.
- vehicle service market in Europe, Asia and Latin America were significantly higher.
- vehicle service market in North America were lower.
- electrical industry in Europe were higher.
- two-wheeler industry in Asia were significantly higher.

Previous outlook statement

Outlook for the first quarter of 2010

Sales development compared to first quarter last year

The demand for SKF products and services is expected to be slightly higher for the Group in total. In Europe and North America it is expected to be slightly lower and in Asia and Latin America significantly higher. It is expected to be significantly lower for the Industrial Division, slightly higher for the Service Division and significantly higher for the Automotive Division.

Sales development compared to the fourth quarter 2009

The demand is expected to be slightly higher for the SKF Group in total. It is expected to be slightly higher in Europe, Asia and Latin America, and relatively unchanged in North America. For the Industrial Division it is expected to be relatively unchanged, and slightly higher for both the Service Division and Automotive Division.

Manufacturing level

The manufacturing level will be higher year on year and slightly higher compared to the fourth quarter 2009.

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 Groups 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) 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, 20 April 2010
Aktiebolaget SKF
(publ.)

Tom Johnstone
President and CEO

Presentation

On SKF's website <http://investors.skf.com/> (click on Presentations).

Teleconference

On 20 April at 09.00 (CET), 08.00 (UK):

+46 (0)8 5052 0114 Swedish participants

+44 (0)207 1620 177 European participants

+1 334 420 4950 US participants

Please note that the use of a loudspeaker when taking part in the teleconference has a negative influence on the quality of the sound, which affects all participants.

It is also possible just to listen to the teleconference on <http://investors.skf.com/>

AB SKF may be required to disclose the information provided herein according to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 08.00 (CET) on 20 April 2010.

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 footnotes.

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 IAS34. The report for the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2.2. The report has not been reviewed by the company's auditors.

The SKF Half-year report 2010 will be published on Thursday, 15 July 2010.

The Annual General Meeting will be held on Thursday, 29 April 2010 in Gothenburg, Sweden.

Further information can be obtained from:

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CONSOLIDATED INCOME STATEMENTS (SEKm)

	Jan-Mar 2010	Jan-Mar 2009
Net sales	14,446	14,849
Cost of goods sold	-10,701	-11,844
Gross profit	3,745	3,005
Selling and administrative expenses	-2,032	-2,219
Other operating income/expenses - net	-7	-14
Profit/loss from jointly controlled and associated companies	-4	-4
Operating profit	1,702	768
Operating margin, %	11.8	5.2
Financial income and expense - net	-198	-237
Profit before taxes	1,504	531
Taxes	-434	-137
Net profit	1,070	394
Net profit attributable to		
Shareholders of the parent	1,033	390
Non-controlling interests	37	4
Basic earnings per share, SEK*	2.27	0.86
Diluted earnings per share, SEK*	2.27	0.86
Additions to property, plant and equipment	389	494
Number of employees registered	41,055	43,653
Return on capital employed for the 12-month period ended 31 March, %	11.9	18.7

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

NUMBER OF SHARES

Total number of shares	455,351,068	455,351,068
- whereof A shares	45,166,004	47,746,004
- whereof B shares	410,185,064	407,605,064
Total number of diluted shares outstanding	455,351,068	455,351,068
Total weighted average number of diluted shares	455,351,068	455,408,941

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (SEKm)

	Jan-Mar 2010	Jan-Mar 2009
Net profit	1,070	394
Other comprehensive income		
Exchange differences arising on translation of foreign operations	-531	499
Available-for-sale assets	-3	87
Cash flow hedges	-97	-56
Actuarial gains and losses	-301	231
Income tax relating to components of other comprehensive income	44	-72
Other comprehensive income, net of tax	-888	689
Total comprehensive income	182	1,083
Total comprehensive income attributable to		
Shareholders of AB SKF	119	1,039
Non-controlling interests	63	44

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEKm)

	March 2010	March 2009
Opening balance 1 January	18,280	19,689
Total comprehensive income	182	1,083
Exercise of options and cost for share programmes, net	1	-10
Total cash dividends	-1	-1
Closing balance	18,462	20,761

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CONSOLIDATED BALANCE SHEETS (SEKm)

	March 2010	December 2009
Goodwill	2,676	2,759
Other intangible assets	1,198	1,255
Property, plant and equipment	13,540	13,933
Deferred tax assets	1,634	1,665
Other non-current assets	1,430	1,502
Non-current assets	20,478	21,114
Inventories	11,706	11,771
Trade receivables	9,818	8,800
Other current assets	3,458	3,590
Other current financial assets	5,563	5,740
Current assets	30,545	29,901
TOTAL ASSETS	51,023	51,015
Equity attributable to shareholders of AB SKF	17,530	17,411
Equity attributable to non-controlling interests	932	869
Long-term financial liabilities	8,485	8,987
Provisions for post-employment benefits	7,138	7,020
Provisions for deferred taxes	661	754
Other long-term liabilities and provisions	1,572	1,599
Non-current liabilities	17,856	18,360
Trade payables	4,206	3,989
Short-term financial liabilities	2,092	2,018
Other short-term liabilities and provisions	8,407	8,368
Current liabilities	14,705	14,375
TOTAL EQUITY AND LIABILITIES	51,023	51,015

Enclosure 4

CONSOLIDATED STATEMENTS OF CASH FLOW (SEKm)

	Jan-Mar 2010	Jan-Mar 2009
Operating activities:		
Operating profit	1,702	768
Depreciation, amortization and impairment	464	581
Net loss/gain (-) on sales of intangible assets, PPE, equity securities, businesses and assets held for sale	12	3
Taxes	-516	-269
Other including financial and non-cash items	-668	-129
Changes in working capital	-617	73
Net cash flow from operations	377	1,027
Investing activities:		
Investments in intangible assets, PPE, businesses and equity securities	-400	-508
Sales of intangible assets, PPE, businesses, assets held for sale and equity securities	55	4
Net cash flow used in investing activities	-345	-504
Net cash flow after investments before financing	32	523
Financing activities:		
Change in short- and long-term loans	-5	999
Payment of finance lease liabilities	-6	-2
Cash dividends	-1	-1
Investments in short-term financial assets	-42	-273
Sales of short-term financial assets	134	175
Net cash flow used in financing activities	80	898
NET CASH FLOW	112	1,421
Change in cash and cash equivalents:		
Cash and cash equivalents at 1 January	4,430	2,793
Cash effect excl. acquired businesses	112	1,421
Exchange rate effect	8	64
Cash and cash equivalents at 31 March	4,550	4,278

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 March 2010
Loans, long- and short-term	10,750	-568	-5	-	-9	10,168
Post-employment benefits, net	6,993	-243	-120	-	484	7,114
Financial assets, others	-1,512	-12	92	-	65	-1,367
Cash and cash equivalents	-4,430	-8	-112	-	-	-4,550
Net interest-bearing liabilities	11,801	-831	-145	-	540	11,365

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

	<u>1/09</u>	<u>2/09</u>	<u>3/09</u>	<u>4/09</u>	<u>Full year 2009</u>	<u>1/10</u>
Net sales	14,849	14,167	13,324	13,887	56,227	14,446
Cost of goods sold	-11,844	-11,656	-10,475	-11,049	-45,024	-10,701
Gross profit	3,005	2,511	2,849	2,838	11,203	3,745
Gross margin, %	20.2	17.7	21.4	20.4	19.9	25.9
Selling and administrative expenses	-2,219	-2,007	-1,851	-1,838	-7,915	-2,032
Other operating income/ expenses - net	-14	-25	-37	2	-74	-7
Profit/loss from jointly controlled and associated companies	-4	-5	-4	2	-11	-4
Operating profit	768	474	957	1,004	3,203	1,702
Operating margin, %	5.2	3.4	7.2	7.2	5.7	11.8
Financial income and expense - net	-237	-162	-268	-239	-906	-198
Profit before taxes	531	312	689	765	2,297	1,504
Profit margin before taxes,%	3.6	2.2	5.2	5.5	4.1	10.4
Taxes	-137	11	-206	-260	-592	-434
Net profit	394	323	483	505	1,705	1,070
Net profit attributable to						
Shareholders of the parent	390	314	462	476	1,642	1,033
Non-controlling interests	4	9	21	29	63	37
Basic earnings per share, SEK*	0.86	0.69	1.01	1.05	3.61	2.27
Diluted earnings per share, SEK*	0.86	0.69	1.01	1.05	3.61	2.27
Dividend per share, SEK	-	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
Gearing, %**	50.1	51.1	52.9	49.3	49.3	48.3
Equity/assets ratio, %	35.9	34.6	33.5	35.8	35.8	36.2
Net worth per share, SEK*	43	40	36	38	38	38
Additions to property, plant and equipment	494	442	534	505	1,975	389
Registered number of employees	43,653	42,422	41,756	41,172	41,172	41,055

* 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 plus 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)

	<u>1/09</u>	<u>2/09</u>	<u>3/09</u>	<u>4/09</u>	Full year <u>2009</u>	<u>1/10</u>
Industrial Division						
Net sales	5,802	4,844	4,380	4,508	19,534	4,695
Sales incl. intra-Group sales	8,187	7,120	6,494	6,745	28,546	7,105
Operating profit	635	344	335	237	1,551	713
Operating margin*	7.8%	4.8%	5.2%	3.5%	5.4%	10.0%
Operating margin excl. restructuring*	8.0%	5.5%	5.7%	6.6%	6.5%	11.2%
Assets and liabilities, net	18,734	17,474	15,948	15,966	15,966	15,511
Registered number of employees	19,010	18,616	18,093	17,853	17,853	17,701
Service Division						
Net sales	5,011	4,944	4,636	5,008	19,599	5,093
Sales incl. intra-Group sales	5,118	5,028	4,713	5,098	19,957	5,181
Operating profit	598	636	622	729	2,585	647
Operating margin*	11.7%	12.7%	13.2%	14.3%	13.0%	12.5%
Operating margin excl. restructuring*	11.7%	12.9%	13.5%	14.6%	13.1%	12.5%
Assets and liabilities, net	5,471	5,333	4,734	4,819	4,819	5,345
Registered number of employees	5,940	5,823	5,761	5,725	5,725	5,731
Automotive Division						
Net sales	3,747	4,126	4,068	4,110	16,051	4,362
Sales incl. intra-Group sales	4,555	4,884	4,784	4,880	19,103	5,230
Operating profit	-437	-468	28	92	-785	374
Operating margin*	-9.6%	-9.6%	0.6%	1.9%	-4.1%	7.2%
Operating margin excl. restructuring*	-6.2%	-0.6%	3.7%	5.5%	0.7%	7.2%
Assets and liabilities, net	10,359	9,143	8,177	8,073	8,073	8,437
Registered number of employees	14,318	13,744	13,778	13,480	13,480	13,569

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

Reconciliation to profit before tax for the Group* *

	Jan-March 2010	Jan-March 2009
Operating profit:		
Industrial Division	713	635
Service Division	647	598
Automotive Division	374	-437
Other operations outside the divisions	67	37
Unallocated Group activities and adjustments, net	-99	-65
Financial net	-198	-237
Profit before tax for the Group	1,504	531

** 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.

Enclosure 7

PARENT COMPANY INCOME STATEMENTS (SEKm)

	Jan-March 2010	Jan-March 2009
Net sales	369	401
Cost of services provided	-369	-401
Gross profit	0	0
Administrative expenses	-71	-57
Other operating income/expenses – net	4	0
Operating loss	-67	-57
Financial income and expenses - net	-47	61
Profit before taxes	-114	4
Taxes	29	25
Net profit	-85	29

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME (SEKm)

	Jan-March 2010	Jan-March 2009
Net profit	-85	29
Other comprehensive income		
Available-for-sale assets	-3	88
Other comprehensive income, net of tax	-3	88
Total comprehensive income	-88	117

PARENT COMPANY BALANCE SHEETS (SEKm)

	Note	March 2010	March 2009
Investments in subsidiaries		17,282	14,779
Receivables from subsidiaries		8,144	13,582
Other non-current assets		520	459
Non-current assets		25,946	28,820
Receivables from subsidiaries		2,306	989
Other receivables		202	302
Current assets		2,508	1,291
TOTAL ASSETS		28,454	30,111
Shareholders' equity	1	10,120	8,365
Untaxed reserves		1,240	1,095
Provisions		154	174
Non-current liabilities		8,131	13,578
Current liabilities		8,809	6,899
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		28,454	30,111
Contingent liabilities		5	4

Note 1. Shareholders' equity (SEKm)

	March 2010	March 2009
Opening balance 1 January	10,207	8,258
Total comprehensive income	-88	117
Exercise of options and cost for share programmes, net	1	-10
Closing balance	10,120	8,365