

SKF reduces capacity and cost in light of weakening demand

The automotive segments have continued to rapidly fall and a negative trend is now also seen for the industrial segments leading to a much lower total demand for the Group in the fourth quarter. SKF has initiated a number of actions involving a reduction of the workforce by around 2,500 people globally.

In conjunction with the nine-month report, SKF presented an outlook for the fourth quarter expecting slightly lower total demand for the Group. The negative development within the automotive business has accelerated during the fourth quarter leading to significantly weaker demand than foreseen. Many customers have reduced production and are taking an extended shutdown period in December and January.

Demand is now also reducing in the industrial markets. This trend has accelerated during the quarter. The demand from industrial OEM and aftermarket is lower than for the same period last year. Segments like railway, aerospace and energy continue to develop well, however at a lower growth level than anticipated.

Actions were started already during the third quarter to reduce the Group's production and adapt to this lower demand level. These actions have been intensified during the current quarter. Overtime has been significantly reduced, reductions are being made with temporary workers, the full use of flexibility arrangements including time-banks is being made and short time working has been implemented in a number of factories. The number of temporary workers will reduce by around 1,300. About 2,400 people, primarily in Europe, will be in short time working at the end of this quarter.

The total estimated volume decrease for the SKF Group for the fourth quarter, compared to last year, will be around 15%. With the activities taken, plus a very positive price/mix and positive currency effects, the estimated operating profit for the Group for the fourth quarter, before restructuring and impairments, will be around SEK 1,600 million to SEK 1,700 million, based on current assumptions.

As previously communicated, the SKF Group will take restructuring and impairment charges in the fourth quarter to adapt the overall capacity to the new market conditions. This will affect a number of operations primarily in Europe and USA and will involve an additional reduction of around 1,200 people globally, mainly within the Automotive Division. Main countries affected are USA, France, Italy, Ukraine, Brazil and Argentina.

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The total restructuring and impairment cost involved is around SEK 470 million. During the fourth quarter around SEK 340 million will be taken of which SEK 250 million in the Automotive Division. Around SEK 90 million are write downs and impairments, not affecting the future cash flow. The benefit of these actions is around SEK 250 million per year when fully implemented by early 2010.

SKF's financial net will be negatively impacted by around SEK 170 million in the fourth quarter, as around USD 100 million of USD hedged currency flows for 2009 are defined as economic hedges which are recognized immediately.

Cautionary statement

This press release 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; "Most important factors influencing the financial results", "Financial risks" and "Sensitivity analysis", and in the latest quarterly report under "Risks and uncertainties in the business".

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Tom Johnstone
President and CEO

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 08.30 am on 10 December 2008.

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SKF is a leading global supplier in the areas of bearings, seals, mechatronics, services and lubrication systems. The Group's service offer includes technical support, maintenance services, engineering consultancy and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. The Group's annual sales 2007 were SEK 58,559 million. The number of employees was 42,888.

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