

## SKF Year-end report 2007

***SKF reports record profits and record sales for the full year. The Board proposes a 11.1% increase in the dividend to SEK 5.00 per share and an extra distribution of SEK 2,277 million, corresponding to SEK 5.00 per share, adding up to a total distribution to shareholders of SEK 4,554 million. The outlook is for continued good volume growth for the first quarter of 2008.***

- Net sales for the fourth quarter of 2007 were SEK 15,070 m (13,895), and for the full year SEK 58,559 m (53,101).
- Operating profit for the fourth quarter was SEK 1,831 m (1,858), and the operating margin was 12.1% (13.4). Excluding expenses for restructuring activities and other one-time items, the operating profit for the fourth quarter was SEK 2,131 m (1,778), and the operating margin 14.1% (12.8).

Operating profit for the full year was SEK 7,539 m (6,707), and the operating margin was 12.9% (12.6). Excluding restructuring and other one-time items the operating profit was SEK 7,839 m (6,382), and the operating margin 13.4% (12.0).

- Profit before taxes for the fourth quarter was SEK 1,710 m (1,846). The profit before taxes for the full year was SEK 7,138 m (6,387).
- Net profit for the fourth quarter was SEK 1,105 m (1,257). Net profit for the full year was SEK 4,767 m (4,432).
- Basic earnings per share for the fourth quarter were SEK 2.33 (2.67), and for the full year SEK 10.09 (9.48). Diluted earnings per share for the fourth quarter were SEK 2.33 (2.66), and for the full year SEK 10.07 (9.45).

The increase of 8.5% in net sales for the quarter, in SEK, was attributable to: volume 6.3%, structure 1.0%, price/mix 3.2% and currency effects -2.0%. For the full year, the increase of 10.3%, in SEK, was attributable to: volume 7.7%, structure 3.1%, price/mix 2.4% and currency effects -2.9%.

The fourth quarter included expenses for restructuring activities and other one-time items of around SEK 300 million (400). 2006 also included an income from the associated company Oy Ovako Ab of SEK 725 million, whereof SEK 480 million in the fourth quarter.

### **Outlook for the first quarter of 2008** (compared to the fourth quarter 2007)

The market demand for SKF's products and services in the first quarter of 2008 is expected to be higher for the Group. The demand is expected to be higher in Europe, significantly higher in Asia and Latin America and relatively unchanged in North America. The demand is expected to be higher in all divisions.

The manufacturing level for the first quarter 2008 will be unchanged compared to the fourth quarter 2007, and higher than the first quarter 2007.

**Sales development 2007** (calculated in local currencies excl. structural effects and compared to the same period last year)

Sales for the Group and for Europe, Latin America and Asia were significantly higher both for the fourth quarter and for the full year. Sales in North America were higher both for the fourth quarter and for the full year. For the Industrial Division and the Automotive Division sales for the fourth quarter were higher and for the Service Division they were significantly higher. For the full year sales were significantly higher for all the divisions.

#### **The manufacturing level**

The manufacturing level for the fourth quarter of 2007 was unchanged compared to the third quarter 2007 and significantly higher compared to the fourth quarter last year.

#### **Financial**

The financial net in the fourth quarter of 2007 was SEK -121 million (-12), including revaluation of share swaps of SEK -41 million (45), positive effects from both currency and reassessment of interest cost for pensions. The financial net for the full year was SEK -401 million (-320), which includes the revaluation of share swaps amounting to SEK 4 million (35).

Key figures for the full year of 2007 (full year 2006):

- Inventories, % of annual sales, 19.8% (18.7)
- ROCE for the 12-month period, 25.4% (24.7)
- ROE for the 12-month period, 25.5% (23.6)
- Equity/assets ratio, 39.6% (42.4)
- Gearing, 40.1% (39.1)
- Registered number of employees, 42,888 (41,090)

Additions to property, plant and equipment for the fourth quarter totalled SEK 584 million (637) and for the full year SEK 1,907 million (1,933). Depreciations, amortizations and impairments for the quarter amounted to SEK 537 million (643), and for the full year SEK 1,776 million (1,834). The tax rate for the fourth quarter was 35.4% (31.9) and for the full year 33.2% (30.6).

Cash flow, after operating investments and before financial items (i.e. excluding the effect of financial investments) was SEK 617 million (1,561) for the fourth quarter and SEK 2,126 million (2,158) for the full year. The cash flow includes acquisitions of SEK 506 million for the fourth quarter and of SEK 1,209 million for the full year.

Exchange rates for the fourth quarter of 2007, including the effects of translation and transaction flows, had a negative effect on SKF's operating profit of about SEK 140 million. For the full year the negative effect was around SEK 640 million. Based on current assumptions and exchange rates, it is estimated that they will be slightly negative for the first quarter of 2008 and for the full year around SEK 150 million.

The shortage of raw material and components experienced in the third quarter continued in the fourth quarter and particularly impacted the Industrial Division.

Prices for specialty steel and steel components increased further during the fourth quarter and will be higher again in the first quarter. SKF expects to be able to continue to compensate for this through productivity, sourcing and pricing.

Expenditure on research and development was SEK 900 million (875), which was 1.5% (1.6) of sales in 2007. Expenditure on research and development does not include expenditure on IT solutions and customized solutions. The number of first filings of patent applications was 186 (175).

#### **Distribution to shareholders**

Due to the company's strong performance, cash generation capacity and outlook, the Board of Directors proposes an increase in the dividend of 11.1%, giving a dividend of SEK 5.00 per share.

The Board of Directors also proposes a share split 2:1 combined with an automatic redemption procedure. Through this procedure the shareholders will receive one new ordinary share and one redemption share, which will be automatically redeemed for SEK 5.00. The proposal means that SEK 2,277 million will be distributed to the shareholders, in addition to the proposed dividend distribution. The total distribution to shareholders will be SEK 4,554 million.

In brief,

- The company carries out a share split 2:1.
- Every other share, the redemption share, is redeemed automatically for SEK 5.00.
- The proposed record day for the split is on or about 9 May 2008.
- For shareholders interested in selling their redemption shares before redemption takes place, trading in these shares is proposed to take place on OMX Nordic Exchange Stockholm during the period on or about 12 May – 23 May 2008.
- Payment of the redemption amount is proposed to be made on or about 5 June 2008.

Furthermore, the Board proposes that the Annual General Meeting resolves to authorize the Board, until the next Annual General Meeting, to decide upon the repurchase of the company's own shares. The total amount of shares that can be repurchased, at the most, is so many shares that the company thereafter holds a maximum of 5% of all shares issued by the company. If shares are repurchased, the Board intends to cancel such own shares through reduction of the share capital.

These proposals are subject to resolutions by the Annual General Meeting in April 2008.

The Annual General Meeting in April 2007 resolved to authorize the Board, until the next Annual General Meeting, to decide on the repurchase of the company's own shares. In 2007, no repurchases were made and the company owns no SKF shares.

#### **Performance share programme**

Since 2005, SKF has had a performance related variable salary programme with a short-term and a long-term element. In order to further link the interests of the participants and the shareholders it is proposed that the Annual General Meeting of shareholders in April 2008 adopts a resolution by which the current cash based long-term performance related variable salary programme is replaced by a long-term performance based share programme for senior managers and key employees. The programme will apply to a maximum of 310 senior managers and key employees with a maximum total allocation of 1,000,000 SKF Class B shares. Allotment of shares pursuant to the programme is intended to be made free of charge during 2011.

#### **Highlights in the fourth quarter**

- SKF decided to close its manufacturing facility in Glasgow, United States, and to reduce the number of employees at the Fontenay-le-Comte facility in France. The

total cost of these restructuring activities will amount to around SEK 360 million and will reduce the number of employees by 500. The expense taken in the fourth quarter was around SEK 300 million, whereof around SEK 270 million in Automotive Division and around SEK 30 million in Industrial Division. Out of the SEK 300 million impairments amounted to SEK 60 million.

- SKF's acquisition of S2M, a leading company in magnetic bearings was completed. S2M will be part of SKF's Industrial Division and will be included as from 2008 in the Group's consolidated income statement and is included in the balance sheet as of fourth quarter 2007 by a preliminary purchase price allocation. SKF paid a total amount of SEK 497 million net of cash.
- SKF and GE Aviation have agreed to establish a new company, which will manufacture and refurbish bearings for GE's engines for large aircrafts. The new company, with SKF holding 51% and GE Aviation 49%, will be located in Charleston, South Carolina in the USA. It will start deliveries during 2008 and will have about 100 employees when in full production.
- SKF decided to build a factory in Russia for tapered bearing units to supply the fast growing Russian railway market. The construction of the new factory will start in September 2008 and will be in operation by April 2010. The Group's investment will amount to around SEK 235 million and the number of employees will be about 150.

#### **Highlights in previous quarters 2007**

SKF acquired the following companies for SEK 690 million, net of cash and cash equivalents:

- ABBA Linear Tech Co., Ltd., a manufacturer of profile rail guides, Taiwan. Included in income statements from the third quarter.
- Baker Instruments Company, a manufacturer of test and diagnostic instruments for electric motor assessment, USA. Included in income statements from the third quarter.
- the remaining 40% shareholding in SKF (Shanghai) Bearing Company Ltd, China.
- Automatic Lubrication Systems, Canada. Included in income statements from the second quarter.
- Preventive Maintenance Company Inc., USA. Included in income statements from the third quarter.

Other highlights in previous quarters.

- announced investments of SEK 700 million for two new factories in India.
- announced for investment in Sweden of SEK 600 million to increase production capacity.
- a company was set up together with Baosteel for a new large bearing remanufacturing facility in China.
- sale of the forging business at the Lüchow factory in Germany.
- announcement of the development of energy-efficient bearings and a number of other energy-efficient solutions.
- distribution of SEK 6,603 million in dividend and redemption to shareholders during the second quarter.
- member of Dow Jones' Sustainability World Indexes (DJSI World) and the pan-European sustainability benchmark (DJSI STOXX) for the eighth year in succession
- inclusion in the FTSE4Good Index for the seventh year in succession.
- deregistration under the US Securities Exchange Act of 1934.

#### **Divisions**

Comments on sales are based on local currencies and compared to the corresponding period for 2006. The operating margin has been calculated on sales including intra-Group sales.

**Industrial Division**

The operating profit for the fourth quarter of 2007 amounted to SEK 859 million (607), resulting in an operating margin of 11.4% (8.6) on sales including intra-Group sales. The quarter included expenses for restructuring activities and other one-time items of around SEK 30 million (210). The operating profit for the full year of 2007 amounted to SEK 3,430 million (3,027), resulting in an operating margin of 11.7% (11.3).

Net sales for the fourth quarter amounted to SEK 4,846 million (4,572) and for the full year SEK 19,266 million (17,176). Sales including intra-Group sales for the fourth quarter were SEK 7,504 million (7,040), and for the full year SEK 29,318 million (26,698).

The increase of 6.0% in net sales, in SEK, for the quarter was attributable to: organic growth 6.8%, structure 1.0%, and currency effects -1.8%. For the full year, the increase in net sales, in SEK, of 12.2% was attributable to: organic growth 10.0%, structure 5.0% and currency effects -2.8%.

Sales for the fourth quarter were significantly higher in all regions.

Sales for the full year were significantly higher in Europe and Asia and higher in North America. Some segments that showed significantly higher sales were energy, heavy industrial machinery, off-highway vehicles, aerospace and railways.

SKF and Knorr-Bremse Systeme für Schienenfahrzeuge GmbH have started a joint project to develop condition monitoring capability for rolling stock integrated in Knorr-Bremse's brake control systems.

**Service Division**

The operating profit for the fourth quarter amounted to SEK 857 million (709), resulting in an operating margin of 14.5% (13.5). The operating profit for the full year amounted to SEK 2,846 million (2,362), resulting in an operating margin of 13.3% (12.0).

Net sales for the fourth quarter amounted to SEK 5,399 million (4,810) and for the full year SEK 19,597 million (17,984). Sales including intra-Group sales for the fourth quarter were SEK 5,895 million (5,260), and for the full year SEK 21,393 million (19,761).

The increase of 12.3% in net sales, in SEK, for the quarter was attributable to: organic growth 14.4%, structure 1.0%, and currency effects -3.1%. For the full year, the increase in net sales, in SEK, of 9.0% was attributable to: organic growth 12.0%, structure 0.8% and currency effects -3.8%.

Sales in the fourth quarter as well as for the full year were significantly higher in all regions.

SKF has signed a long-term contract (2007-2010) with ArcelorMittal as one of the preferred partners for bearings and related products for ArcelorMittal operations in Europe. The contract includes large size bearing remanufacture services as well as other reliability systems services. After first implementation phase in Europe, the contract is planned to be expanded globally.

**Automotive Division**

The operating profit for the fourth quarter amounted to SEK 50 million (162), resulting in an operating margin of 0.8% (3.0). The quarter included expenses for restructuring activities and other one-time items of around SEK 270 million (170). The operating profit for the full year amounted to SEK 1,154 million (946), resulting in an operating margin of 4.8% (4.3).

Net sales for the fourth quarter amounted to SEK 4,807 million (4,493) and for the full year SEK 19,617 million (17,869). Sales including intra-Group sales for the fourth quarter were SEK 5,883 million (5,467), and for the full year SEK 23,795 million (21,807).

The increase of 7.0% in net sales, in SEK, for the quarter was attributable to: organic growth 7.2%, structure 0.8%, and currency effects -1.0%. For the full year, the increase in net sales, in SEK, of 9.8% was attributable to: organic growth 8.3%, structure 3.8% and currency effects -2.3%.

For the fourth quarter, sales to the car and light truck industry in Europe were significantly higher. Sales in North America were higher. Sales to the heavy truck industry were significantly higher in Europe and significantly lower in North America. Sales to the vehicle service market were unchanged in Europe, higher in North America and significantly higher in Asia. Sales to the electrical business and to two-wheeler producers were higher in Europe and significantly lower in Asia.

For the full year, sales to the car and light truck industry in Europe and North America were higher. Sales to the heavy truck industry in Europe were significantly higher and significantly lower in North America. Sales to the vehicle service market were significantly higher in Europe, slightly higher in North America and significantly higher in Asia. Sales to the electrical business and to two-wheeler producers were significantly higher in Europe and lower in Asia.

SKF has developed a new pinion unit solution providing 30% friction reduction compared to existing solutions. The first customer for the SKF Hybrid Pinion Unit is a major transmission supplier.

#### **Previous outlook statement**

Nine-month report 2007:

##### Outlook for the fourth quarter of 2007 (compared to the third quarter 2007)

The market demand for SKF's products and services in the fourth quarter of 2007 is expected to be higher for the Group. The demand is expected to be higher in Europe, significantly higher in Asia and Latin America and relatively unchanged in North America. The demand is expected to be higher in all divisions.

The manufacturing level for the fourth quarter 2007 will be unchanged compared to the third quarter 2007, while higher in absolute terms due to normal seasonality, and significantly higher than the fourth quarter 2006.

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

*The company 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.*

*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 risks for the parent company are the same as described for the Group.*

**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 Board of Directors' Report; "Most important factors influencing the financial result", "Financial risks" and "Sensitivity analysis", and in this quarterly report under "Risks and uncertainties in the business."*

Göteborg, 31 January 2008  
Aktiebolaget SKF  
(publ.)

Tom Johnstone  
President and CEO

**Presentation from SKF**

A presentation will be published on SKF's website at the following address:  
[investors.skf.com](http://investors.skf.com) (click on Presentations).

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 12.30 am on 31 January 2008.

Enclosures:

Financial statements

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

Other financial statements

4. Consolidated financial information - yearly and quarterly comparisons
5. Segment information - yearly and quarterly comparisons
6. Parent company income statements, balance sheets and footnotes.

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards. The SKF Group applies the same accounting policies and methods of computation in the interim financial statements as compared with the Annual Report including Sustainability Report 2006, except as described in the first quarter report 2007.

The consolidated year-end report has been prepared in accordance with IAS34. The year-end report for the Parent company has been prepared in accordance with the Annual Accounts Act and RR32:06. The report has not been reviewed by the company's auditors.

The SKF First-quarter report 2008 will be published on the date of the company's Annual General Meeting on Wednesday, 16 April 2008. The Annual General Meeting will be held in Göteborg, Sweden.

The SKF Annual Report including Sustainability Report for 2007 will be published in a pdf-format on SKF's website <http://investors.skf.com> on 12 March 2008. The printed report will be delivered on 20 March 2008 and will be available at the company on that day.

Further information can be obtained from:

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Enclosure 1

**CONSOLIDATED INCOME STATEMENTS (SEKm)**

	<b>Oct-Dec 2007</b>	Oct-Dec 2006	<b>Jan-Dec 2007</b>	Jan-Dec 2006
Net sales	<b>15,070</b>	13,895	<b>58,559</b>	53,101
Cost of goods sold	<b>-11,179</b>	-10,400	<b>-43,172</b>	-39,493
<b>Gross profit</b>	<b>3,891</b>	3,495	<b>15,387</b>	13,608
Selling and administrative expenses	<b>-2,061</b>	-2,098	<b>-7,864</b>	-7,617
Other operating income/expenses - net	<b>5</b>	-33	<b>19</b>	-22
Profit/loss from jointly controlled and associated companies	<b>-4</b>	494	<b>-3</b>	738
<b>Operating profit</b>	<b>1,831</b>	1,858	<b>7,539</b>	6,707
Operating margin, %	<b>12.1</b>	13.4	<b>12.9</b>	12.6
Financial income and expense - net	<b>-121</b>	-12	<b>-401</b>	-320
<b>Profit before taxes</b>	<b>1,710</b>	1,846	<b>7,138</b>	6,387
Taxes	<b>-605</b>	-589	<b>-2,371</b>	-1,955
<b>Net profit</b>	<b>1,105</b>	1,257	<b>4,767</b>	4,432
<b>Net profit attributable to</b>				
Shareholders of the parent	<b>1,061</b>	1,215	<b>4,595</b>	4,317
Minority	<b>44</b>	42	<b>172</b>	115
Basic earnings per share, SEK*	<b>2.33</b>	2.67	<b>10.09</b>	9.48
Diluted earnings per share, SEK*	<b>2.33</b>	2.66	<b>10.07</b>	9.45
Dividend per share, SEK	-	-	<b>4.50</b>	4.00
Additions to property, plant and equipment	<b>584</b>	637	<b>1,907</b>	1,933
Number of employees registered	<b>42,888</b>	41,090	<b>42,888</b>	41,090
Return on capital employed for the 12-month period ended 31 December, %	<b>25.4</b>	24.7	<b>25.4</b>	24.7

**NUMBER OF SHARES**

	<b>31 December 2007</b>	31 December 2006
Total number of shares	<b>455,351,068</b>	455,351,068
- whereof A shares	<b>48,996,034</b>	49,533,030
- whereof B shares	<b>406,355,034</b>	405,818,038

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



Enclosure 2

**CONSOLIDATED BALANCE SHEETS (SEKm)**

	December 2007	December 2006
Intangible assets	3,516	2,586
Deferred tax assets	989	948
Property, plant and equipment	11,960	11,388
Investments, non-current financial and other assets	1,769	1,429
<b>Non-current assets</b>	<b>18,234</b>	<b>16,351</b>
Inventories	11,563	9,939
Assets classified as held for sale	86	335
Current assets	12,588	10,635
Investments in jointly controlled company	3	48
Financial investments and cash and cash equivalents	3,857	8,930
<b>Current assets</b>	<b>28,097</b>	<b>29,887</b>
<b>TOTAL ASSETS</b>	<b>46,331</b>	<b>46,238</b>
<b>Equity attributable to shareholders of AB SKF</b>	<b>17,587</b>	<b>18,973</b>
<b>Equity attributable to minority interests</b>	<b>768</b>	<b>634</b>
Non-current loans	7,006	7,006
Provisions for post-employment benefits	4,840	4,731
Provisions for deferred taxes	1,333	1,243
Other non-current liabilities and provisions	1,965	1,606
<b>Non-current liabilities</b>	<b>15,144</b>	<b>14,586</b>
Current loans	729	1,047
Other current liabilities and provisions	12,103	10,939
Liabilities related to assets classified as held for sale	-	59
<b>Current liabilities</b>	<b>12,832</b>	<b>12,045</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,331</b>	<b>46,238</b>

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

	December 2007	December 2006
Opening balance 1 January	19,607	18,233
Total exchange differences arising on translation of foreign operations	333	-1,262
Change in fair value of investments in equity securities and cash flow hedges	372	165
Release on disposal of investments in equity securities and cash flow hedges	-52	-99
Net profit	4,767	4,432
Exercise of share options	-40	-24
Other, including transactions with minority owners	25	30
Redemption of shares	-4,554	-
Total cash dividends	-2,103	-1,868
<b>Closing balance</b>	<b>18,355</b>	<b>19,607</b>

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

	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
<b>Operating activities:</b>				
Profit before taxes	1,710	1,846	7,138	6,387
Depreciation, amortization and impairment	537	643	1,776	1,834
Net gain (-) on sales of intangible assets, PPE, equity securities, businesses and assets held for sale	-30	4	-79	-15
Taxes	-640	-607	-2,361	-1,947
Other including non-cash items	406	-537	278	-661
Changes in working capital	-291	82	-1,826	-571
<b>Net cash flow from operations</b>	<b>1,692</b>	<b>1,431</b>	<b>4,926</b>	<b>5,027</b>
<b>Investing activities:</b>				
<i>Operating investments:</i>				
Investments in intangible assets, PPE, businesses and equity securities	-1,112	-1,095	-3,167	-4,140
Sale of intangible assets, PPE, businesses, assets held for sale, equity securities and pre-liquidation proceeds	37	1,225	367	1,271
<i>Subtotal operating investments</i>	<i>-1,075</i>	<i>130</i>	<i>-2,800</i>	<i>-2,869</i>
Investments in financial and other assets	-454	-1,119	-636	-2,173
Sale of financial and other assets	43	35	1,525	3,018
<b>Net cash flow used in investing activities</b>	<b>-1,486</b>	<b>-954</b>	<b>-1,911</b>	<b>-2,024</b>
<b>Net cash flow after investments before financing</b>	<b>206</b>	<b>477</b>	<b>3,015</b>	<b>3,003</b>
<b>Financing activities:</b>				
Change in short- and long-term loans	-61	3,774	-664	3,881
Payment of finance lease liabilities	-2	-3	-5	-5
Redemption	-	-	-4,554	-
Cash dividends	-4	-	-2,103	-1,868
<b>Net cash flow used in financing activities</b>	<b>-67</b>	<b>3,771</b>	<b>-7,326</b>	<b>2,008</b>
<b>NET CASH FLOW</b>	<b>139</b>	<b>4,248</b>	<b>-4,311</b>	<b>5,011</b>
<b>Change in cash and cash equivalents:</b>				
Cash and cash equivalents at 1 October/1 January	2,781	3,040	7,242	2,379
Cash effect, excl. acquired businesses	123	4,255	-4,355	4,514
Cash effect of acquired businesses	16	-7	44	497
Exchange rate effect	26	-46	15	-148
<b>Cash and cash equivalents at 31 December</b>	<b>2,946</b>	<b>7,242</b>	<b>2,946</b>	<b>7,242</b>

**ADDITIONAL CASH FLOW INFORMATION****Cash flow after operating investments before financial items:**

Net cash flow from operations	1,692	1,431	4,926	5,027
Subtotal operating investments	-1,075	130	-2,800	-2,869
	<b>617</b>	<b>1,561</b>	<b>2,126</b>	<b>2,158</b>

Change in net interest-bearing liabilities	Opening balance 1 Jan 2007	Exchange rate effect	Cash flow change	Acquired and sold businesses	Other	Closing balance 31 Dec 2007
Loans, long- and short-term	8,053	335	-664	114	-103	7,735
Post-employment benefits, net	4,540	41	-418	18	357	4,538
Financial assets, others	-2,425	2	889	-	-97	-1,631
Cash and cash equivalents	-7,242	-15	4,355	-44	-	-2,946
<b>Net interest-bearing liabilities</b>	<b>2,926</b>	<b>363</b>	<b>4,162</b>	<b>88</b>	<b>157</b>	<b>7,696</b>

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

	<u>1/06</u>	<u>2/06</u>	<u>3/06</u>	<u>4/06</u>	<u>Full year 2006</u>	<u>1/07</u>	<u>2/07</u>	<u>3/07</u>	<u>4/07</u>	<u>Full year 2007</u>
Net sales	13,289	13,373	12,544	13,895	53,101	14,371	14,963	14,155	15,070	58,559
Cost of goods sold	-9,915	-9,882	-9,296	-10,400	-39,493	-10,583	-10,993	-10,417	-11,179	-43,172
<b>Gross profit</b>	<b>3,374</b>	<b>3,491</b>	<b>3,248</b>	<b>3,495</b>	<b>13,608</b>	<b>3,788</b>	<b>3,970</b>	<b>3,738</b>	<b>3,891</b>	<b>15,387</b>
Gross margin, %	25.4	26.1	25.9	25.2	25.6	26.4	26.5	26.4	25.8	26.3
Selling and administrative expenses	-1,868	-1,887	-1,764	-2,098	-7,617	-1,904	-1,997	-1,902	-2,061	-7,864
Other operating income/ expenses - net	16	-9	4	-33	-22	2	44	-32	5	19
Profit/loss from jointly controlled and associated companies	87	107	50	494	738	0	2	-1	-4	-3
<b>Operating profit</b>	<b>1,609</b>	<b>1,702</b>	<b>1,538</b>	<b>1,858</b>	<b>6,707</b>	<b>1,886</b>	<b>2,019</b>	<b>1,803</b>	<b>1,831</b>	<b>7,539</b>
Operating margin, %	12.1	12.7	12.3	13.4	12.6	13.1	13.5	12.7	12.1	12.9
Financial income and expense - net	-10	-182	-116	-12	-320	-61	-62	-157	-121	-401
<b>Profit before taxes</b>	<b>1,599</b>	<b>1,520</b>	<b>1,422</b>	<b>1,846</b>	<b>6,387</b>	<b>1,825</b>	<b>1,957</b>	<b>1,646</b>	<b>1,710</b>	<b>7,138</b>
Profit margin before taxes, %	12.0	11.4	11.3	13.3	12.0	12.7	13.1	11.6	11.3	12.2
Taxes	-461	-449	-456	-589	-1,955	-611	-683	-472	-605	-2,371
<b>Net profit</b>	<b>1,138</b>	<b>1,071</b>	<b>966</b>	<b>1,257</b>	<b>4,432</b>	<b>1,214</b>	<b>1,274</b>	<b>1,174</b>	<b>1,105</b>	<b>4,767</b>
<b>Net profit attributable to</b>										
Shareholders of the parent	1,114	1,050	938	1,215	4,317	1,169	1,233	1,132	1,061	4,595
Minority	24	21	28	42	115	45	41	42	44	172
Basic earnings per share, SEK*	2.45	2.30	2.06	2.67	9.48	2.57	2.71	2.48	2.33	10.09
Diluted earnings per share, SEK*	2.44	2.30	2.05	2.66	9.45	2.56	2.70	2.48	2.33	10.07
Return on capital employed for the 12-month period, %	22.7	23.0	22.9	24.7	24.7	24.9	25.3	25.9	25.4	25.4
Gearing, %**	31.6	32.7	32.2	39.1	39.1	37.5	44.1	41.4	40.1	40.1
Equity/assets ratio, %	45.8	44.4	45.4	42.4	42.4	43.0	35.9	37.8	39.6	39.6
Net worth per share, SEK*	41	38	40	42	42	46	34	36	39	39
Additions to property, plant and equipment	368	469	459	637	1,933	431	403	489	584	1,907
Registered number of employees	38,752	38,941	39,984	41,090	41,090	41,348	41,477	42,393	42,888	42,888

\* 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>1/06</u>	<u>2/06</u>	<u>3/06</u>	<u>4/06</u>	<u>Full year 2006</u>	<u>1/07</u>	<u>2/07</u>	<u>3/07</u>	<u>4/07</u>	<u>Full year 2007</u>
<b>Industrial Division</b>										
Net sales	4,276	4,289	4,039	4,572	17,176	4,849	4,986	4,585	4,846	19,266
Sales incl. intra-Group sales	6,637	6,711	6,310	7,040	26,698	7,251	7,497	7,066	7,504	29,318
Operating profit	824	838	758	607	3,027	880	917	774	859	3,430
Operating margin*	12.4%	12.5%	12.0%	8.6%	11.3%	12.1%	12.2%	11.0%	11.4%	11.7%
Assets and liabilities, net	10,396	10,150	11,490	11,543	11,543	12,646	12,683	12,852	13,776	13,776
Registered number of employees	16,540	16,448	17,494	17,760	17,760	17,940	18,039	18,454	18,650	18,650
<b>Service Division</b>										
Net sales	4,381	4,402	4,391	4,810	17,984	4,495	4,828	4,875	5,399	19,597
Sales incl. intra-Group sales	4,812	4,877	4,812	5,260	19,761	4,923	5,270	5,305	5,895	21,393
Operating profit	541	545	567	709	2,362	624	692	673	857	2,846
Operating margin*	11.2%	11.2%	11.8%	13.5%	12.0%	12.7%	13.1%	12.7%	14.5%	13.3%
Assets and liabilities, net	3,658	3,677	3,531	3,437	3,437	3,898	4,042	4,064	4,342	4,342
Registered number of employees	5,061	5,116	5,165	5,279	5,279	5,330	5,409	5,618	5,780	5,780
<b>Automotive Division</b>										
Net sales	4,615	4,658	4,103	4,493	17,869	5,004	5,130	4,676	4,807	19,617
Sales incl. intra-Group sales	5,605	5,695	5,040	5,467	21,807	6,067	6,176	5,669	5,883	23,795
Operating profit	242	324	218	162	946	354	431	319	50	1,154
Operating margin*	4.3%	5.7%	4.3%	3.0%	4.3%	5.8%	7.0%	5.6%	0.8%	4.8%
Assets and liabilities, net	9,360	9,422	9,574	9,786	9,786	10,504	10,039	9,689	9,552	9,552
Registered number of employees	16,029	16,238	16,106	16,832	16,832	16,880	16,836	17,042	17,185	17,185

Previously published amounts have been restated to conform to the current Group structure in 2007. The structural changes include business units being moved between the divisions and from other operations to divisions.

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

Enclosure 6

**PARENT COMPANY INCOME STATEMENTS (SEKm)**

	Note	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
Net sales		531	449	1,647	1,439
Cost of services provided		-531	-449	-1,647	-1,439
<b>Gross profit</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Administrative expenses		-96	-186	-298	-326
Other operating income/expenses – net		1	3	5	13
<b>Operating loss</b>		<b>-95</b>	<b>-183</b>	<b>-293</b>	<b>-313</b>
Financial income and expenses - net	1	406	6,319	2,162	8,502
<b>Profit before taxes</b>		<b>311</b>	<b>6,136</b>	<b>1,869</b>	<b>8,189</b>
Provisions to untaxed reserves		-245	-315	-245	-315
Taxes		60	95	111	165
<b>Net profit</b>		<b>126</b>	<b>5,916</b>	<b>1,735</b>	<b>8,039</b>

**PARENT COMPANY BALANCE SHEETS (SEKm)**

	Note	December 2007	December 2006
Investments in subsidiaries		10,213	9,469
Receivables from subsidiaries		7,291	7,335
Other non-current assets		609	677
<b>Non-current assets</b>		<b>18,113</b>	<b>17,481</b>
Receivables from subsidiaries		2,164	5,174
Other receivables		329	219
<b>Current assets</b>		<b>2,493</b>	<b>5,393</b>
<b>TOTAL ASSETS</b>		<b>20,606</b>	<b>22,874</b>
<b>Shareholders' equity</b>	2	<b>8,915</b>	12,653
<b>Untaxed reserves</b>		<b>1,120</b>	875
<b>Provisions</b>		<b>133</b>	122
<b>Non-current liabilities</b>		<b>7,086</b>	7,832
<b>Current liabilities</b>		<b>3,352</b>	1,392
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>20,606</b>	<b>22,874</b>

**Note 1. Financial income and expenses - net**

The net change in financial income and expenses is primarily attributable to a decrease in dividends from investments in subsidiaries.

**Note 2. Shareholders' equity (SEKm)**

	December 2007	December 2006
Opening balance 1 January	12,653	5,293
Dividends	-2,049	-1,821
Redemption of shares	-4,554	-
Net profit	1,735	8,039
Group contribution, net	838	1,144
Other changes	292	-2
<b>Closing balance</b>	<b>8,915</b>	<b>12,653</b>