

Annual Report 1991

CONTENTS

Board of Directors' report 2

Proposed distribution of
surplus 8

Auditors' report 8

Consolidated income
statements 9

Consolidated balance
sheets 10

Consolidated statements of
cash flow 11

Notes to the consolidated
financial statements 12

Exchange rates 12

U.S. GAAP 22

Parent Company
– summary 26

The President and Group
Chief Executive's
comments 27

Bearings 28

CTT Tools 34

Parent Company board of
directors 36

Group organization 38

Group units and associated
companies 39

Shares and shareholders 42

Seven-year review of the
SKF Group 44

FINANCIAL INFORMATION AND REPORTING

AB SKF is publishing the following financial reports during 1992:

Report on 1991 operations	February 27
Annual Report	April 8
Report in first quarter	April 29
Report on first six months	August 7
Report on first nine months	October 28

The above reports are available in Swedish and English.

In addition to these reports, an annual report, Form 20-F, is produced for the Securities and Exchange Commission, U.S.A.

The Annual Report and Report on first six months will be sent directly to shareholders who have advised the Securities Register Centre (VPC AB) that they wish to receive them. All the reports can also be ordered from AB SKF, Group Public Affairs, at the below address.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at SKF Kristinedal, Byfogdegatan 4, Göteborg, at 3.30 p.m. on Wednesday April 29, 1992.

In order to participate in the meeting, shareholders must be recorded in the shareholders' register maintained by the Securities Register Centre (VPC AB) by Thursday April 16, and must notify the Company before noon Friday April 24 of their intention to attend (AB SKF, Group Legal, S-415 50 Göteborg, Sweden, tel. +46-31-37 26 52), giving details of name, address, telephone and shareholding.

PAYMENT OF DIVIDENDS

The Board recommends that shareholders with holdings recorded in the register on May 7 be entitled to receive dividends for 1991. If this date is accepted by the Annual General Meeting it is expected that the Securities Register Centre will send out notices of payment to recorded shareholders and listed depositaries on May 14, 1992.

To facilitate payment of dividends, shareholders who have changed address are recommended to inform VPC AB, S-171 18 Solna, Sweden, well before May 7.

COVER PICTURE

From raw material to finished high-precision products.

During 1991 the SKF manufacturing units produced over half a billion bearings of all types, in sizes ranging from 3 mm to several metres in diameter. They were delivered by our own sales companies or by distributors to SKF customers in more than 130 countries.

This annual report is a translation of the Swedish original.

Aktiebolaget SKF, S-415 50 Göteborg, Sweden

Telephone +46-31-37 10 00, Fax +46-31-37 28 32, Telex 2350, Cable KULLAGER

The SKF Group

SKF is the world's leading company in the rolling bearing industry. Its share of the world market, excluding mainland China and the former Comecon countries, is about 20 percent, a market share that is almost double that of its nearest competitor. SKF's strongest market position is in Europe.

Rolling bearings and rolling bearing related products are the Group's core business and account for more than 90 percent of total sales. The tool business has developed from a zero position to the world's leading company in cutting tools made of high-speed steel.

The SKF Group's strength is in technical leadership that guarantees products of the very highest quality, modern manufacturing facilities in which key machinery is developed within the Group, and an international presence in manufacturing and sales which assures that SKF is always within the reach of the customer. An increasing amount is being continuously invested in research and development to ensure technological leadership.

SKF 1991 IN BRIEF

- The workforce was reduced by 6 000 persons
- Inventories were reduced by SEK 1 500 million
- Capital expenditure amounted to SEK 1 800 million
- Approximately SEK 540 million was allocated to research and development
- Sales volume declined 10 percent

	1991	1990	Change percent
Net sales, SEK m	26 302	27 766	- 5.3
Result after financial income and expense, SEK m	- 221	1 750	-112.6
Loss/earnings per share, SEK	- 10.40	7.70	
Dividend per share, SEK	4.25 *	4.25	
Average number of employees at work	45 285	49 305	

* Dividend according to the Board's proposed distribution of surplus.

Board of Directors' Report

The Group consolidated result after financial income and expense amounted to -221 million Swedish kronor (SEK m) in 1991, compared with SEK 1 750 m in the preceding year.

Group sales decreased SEK 1 464 m, or 5.3 percent during the year, from SEK 27 766 m in 1990 to SEK 26 302 m.

For SKF, 1991 was characterized by the comprehensive measures taken to adapt the Group to a considerably lower level of demand.

These measures will strengthen the Group's competitiveness and give SKF a good base to capitalize on the upturn in the economic climate expected to start during 1993.

ECONOMIC RECESSION

The downturn in the world economy, which started in 1990, continued throughout 1991.

Industrial production, which has proved to be a reliable instrument for measuring trends in the Group's main customer categories, slowed down compared with 1990 in all of SKF's most important markets, namely the United States, Germany, Italy, France and the United Kingdom. In the U.S., Italy and the U.K., not only did the rate of industrial production slow down, but the production itself declined as well compared with 1990.

Investment rates also declined in a number of key countries during 1991. In the U.K., France, Italy and the U.S., for example, investment levels were lower than in the preceding year. In Germany, an increase in investments was still recorded compared with 1990, however at a slower rate.

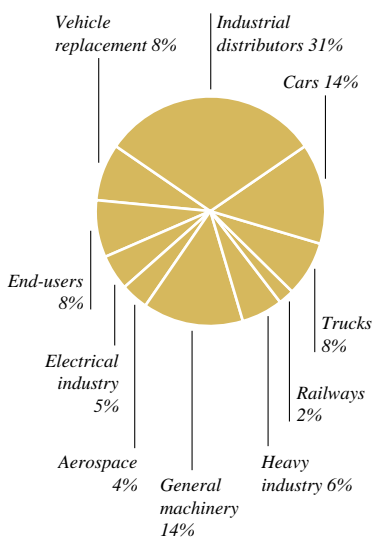
This development resulted in weakened demand for the Group's products during the year in the two major markets, Europe and the U.S., which account for approximately 80 percent of SKF's total annual sales. Virtually all sectors were affected in the consumer and capital goods areas, resulting in the greater part of the Group's product range being adversely affected.

The downturn was aggravated as customers in the distribution and machinery segments, in response to the recession, reduced the inventories they had built up during the latter part of the latest economic upswing.

NEW CAR BUSINESS

Although the entire bearings industry experienced a generally negative trend, SKF strengthened its position in the automotive market. In the U.S., contracts were signed for deliveries on a number of new car models. In Europe, SKF reached agreement with Nissan

SALES BY APPLICATION FIELD 1991



covering deliveries to Nissan's cars produced in Europe.

During the year, SKF established itself as a supplier to the South Korean automobile industry.

ADAPTATION TO BUSINESS CONDITIONS

During the second half of 1990, when business conditions deteriorated sharply, SKF took the decision to swiftly adjust production and inventories to the new situation.

SKF had already implemented a recruitment stoppage and discontinuation of overtime at the beginning of 1990. During the autumn, these measures were followed by shortened work weeks and workforce reductions.

The implementation of this policy continued throughout 1991, leading to personnel reductions in virtually all SKF factories. The only exceptions related to the plants in Poona and Bangalore, India, where local demand remained favorable. The production level was decreased by more than 20 percent.

The adjustment of the workforce resulted in cutbacks of 6 106 during the year, a decrease of 11 percent.

INVENTORIES REDUCED BY SEK 1.5 BILLION

The implemented production cutbacks resulted in a production level that was

lower than the Group's sales level at the end of the year. The Group's combined inventories were thereby reduced by SEK 1 510 m during 1991. At year-end, inventories totaled SEK 8 444 m, compared with SEK 9 954 m in 1990. Inventories as a percentage of sales in 1991 and 1990 amounted to 32.1 percent and 35.0 percent, respectively.

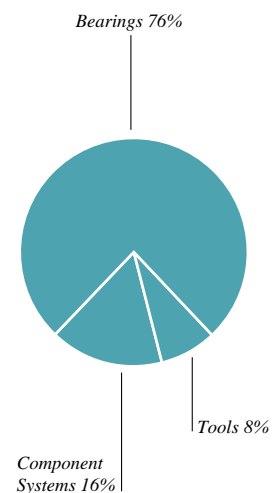
COSTLY ADJUSTMENTS

The reduction in personnel together with short-time work resulted in redundancy payments and other expenses. These costs in 1991, which were of a nonrecurring nature, can be estimated at SEK 950 m. Of this amount, approximately SEK 250 m refer to costs for additional personnel reductions in 1992 of nearly 2 000.

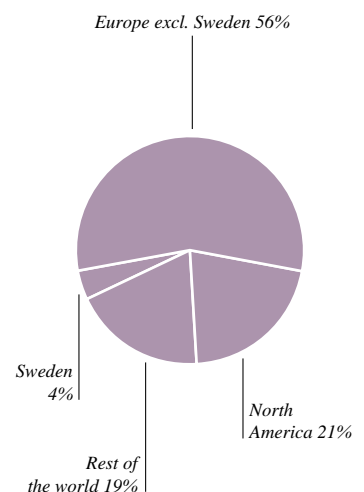
This means that during a period of slightly more than two years, the SKF Group will have reduced the number of employees by nearly 10 000 persons, or 20 percent.

Most indicators at the beginning of 1992 point to the continuation of the present recession for some time before any noticeable recovery. Due to the measures already implemented in relation to production levels and cost savings, the SKF Group is well prepared for meeting such an economic trend.

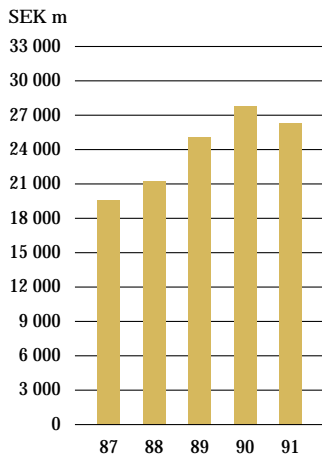
GROUP PRODUCT SALES 1991



SALES BY GEOGRAPHICAL AREA 1991



NET SALES



SKF's three product areas — bearings, tools and component systems — are all suppliers to industrial customers. The trend of business was similar in all three product areas and the measures implemented applied to all parts of the Group.

OVAKO AND SKF

SKF and the Finnish company, Metra Oy Ab, have each held a 50-percent ownership interest in the special steels company Ovako AB. The special steels industry was severely affected by the downturn in the business climate during 1991.

The business operated at a considerable loss and both owners contributed SEK 150 m each during the first half of 1991. Various alternatives for resolving Ovako's problems were explored during the year.

The different focuses between Ovako's Swedish and Finnish operations resulted in the owners mutually agreeing to split the entity into two separate parts, one called Ovako, which became a subsidiary of the SKF Group, and one called Imatra Steel, which became a subsidiary of the Metra Group.

The split was formally implemented at the beginning of December 1991. Ovako is today a wholly-owned SKF subsidiary consisting of the Swedish operations in Hofors and Hällefors,

Ovako Profiler AB, Luleå, the Cromax operation, the forging unit in Arvika, manufacturing units in the U.S. and France, and a number of sales companies in and outside Sweden.

Ovako's strategy is to focus even more closely on ball-bearing steel and related special steels. Operations outside this core business will be sold or liquidated.

Ovako Profiler AB in Luleå is a major loss-maker. In December 1991, there was no option but to enter into negotiations with unions regarding the closure of this operation.

Over a longer perspective, in order to strengthen the company's development, it is planned that Ovako will seek cooperation opportunities with international companies in the same industry.

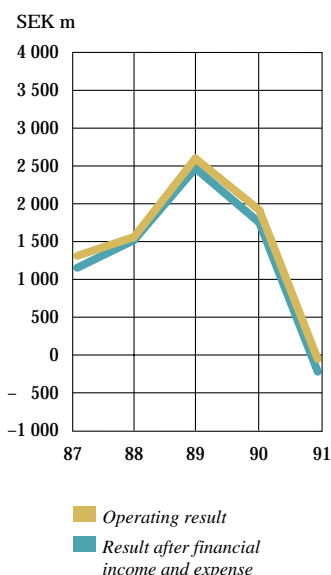
As the split was implemented at the beginning of December 1991, Ovako is reported as an Associated Company in 1991, but will be fully consolidated beginning in 1992.

NEW ORGANIZATION

During the year, the organizational structure of the Group's core business, rolling bearings, was gradually concentrated. The changes brought about decreased administration.

Effective January 1, 1992, SKF's bearings operation is organized as four operating divisions consisting of rolling

RESULT



bearings and related products. The Group also has a tool operation, CTT Tools, and the Ovako steel operations.

The four bearings divisions are:

Industrial and Automotive Division

Includes companies in those countries where SKF has manufacturing operations, with the exception of companies belonging to the Specialty Components Division.

Sales Companies Division

Consists of sales companies in Europe, Latin America, Africa and the Middle East.

Sales Asia-Pacific Division

Includes the sales companies in the Asia-Pacific region.

Specialty Components Division

Consists of companies engaging in the manufacture and sales of special, often customized, bearings and bearings-related products.

EASTERN EUROPE

During 1991, political and economic changes characterized developments in the former Comecon countries. The transformation to a market-based economy is a difficult and time-consuming process. The greater part of the region's heavy industries is experiencing low demand for their products.

The first positive effects of the new market economy-based policies became apparent in 1991 in Hungary and Poland, and to a certain extent in Czechoslovakia.

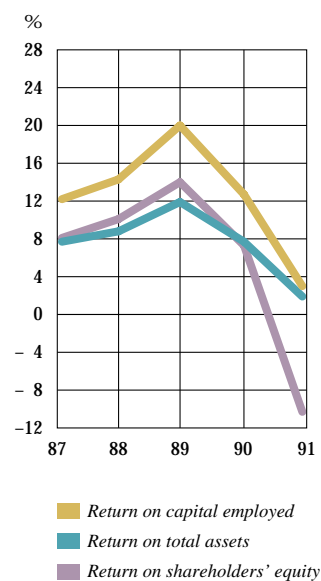
SKF has had wholly-owned sales companies in Hungary and Czechoslovakia for many years. A comprehensive process of change was implemented in the Hungarian company, resulting in sales successes. Similar activities are in progress in other markets at the rate allowed by the economic development. In Czechoslovakia, measures to effect the change process have been started. New sales companies were opened in Poland and Bulgaria.

At the beginning of 1992, the SKF company in Germany, which has been assigned sales responsibility for the former East Germany region, inaugurated a new sales office in Leipzig. This office covers the southern area of eastern Germany, while the sales office in Berlin covers for the northern area.

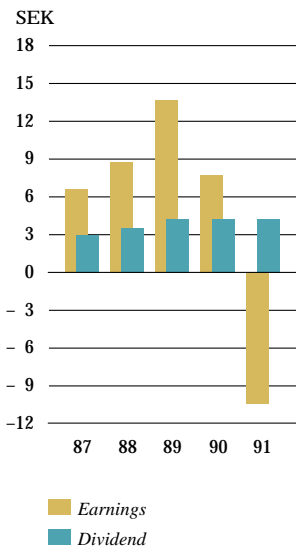
DUMPING ISSUE IN THE U.S.

During late spring 1991, the U.S. Department of Commerce gave its ruling on the importation of SKF bearings into the U.S. during the period November 1989 through April 1990. The Department's decision led to significantly decreased import tariffs. Further, in accordance with the Department's

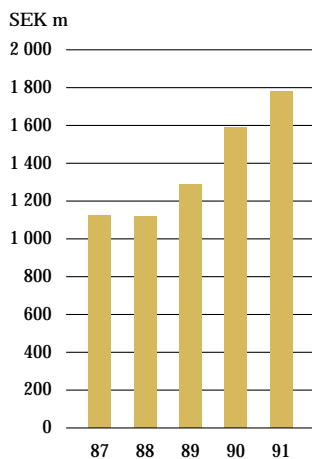
PROFITABILITY
(Definition see note 1)



EARNINGS AND DIVIDENDS PER SHARE
(Definition see note 1)



CAPITAL EXPENDITURES



decision, the deposits made by SKF for this period are to be repaid.

Additionally, the decision allowed SKF to release a reserve established for the alleged dumping. A corresponding amount was allocated to a rationalization reserve, which was utilized during the latter part of 1991.

During spring 1991, SKF also requested an audit by the Department for the period May 1990 through April 1991.

GROUP RESULT

Operating result of the SKF Group for 1991, after depreciation according to plan of SEK 1 077 m (951) amounted to SEK -56 m (1 915).

Net financial items remained unchanged at SEK -165 m. Increased interest expenses were partly offset by the favorable impact of the financial activities described below.

Of the Group's result after financial income and expense, SEK -221 m (1 750), bearings operations accounted for SEK 54 m (1 385), tools for SEK -103 m (40) and component systems for SEK -175 m (282).

Taxes for the year, including current and deferred tax, totaled SEK 66 m (719).

Minority interests in Group results amounted to SEK -17 m (26). The Group's share in the loss of Ovako was SEK -907 m (-133).

Group net result for 1991 was SEK -1 177 m (1 014).

Loss/earnings per share amounted to SEK -10.40 (7.70). Loss/earnings per share, excluding share in the loss of Associated Companies was SEK -2.40 (8.90). The return on capital employed was 3.0 percent (12.7) and on shareholders' equity, -10.3 percent (7.3).

LIQUIDITY AND FINANCING

The Group's total financial assets at year-end amounted to SEK 4 655 m (4 889). Of this amount, SEK 3 645 m (3 812) was invested short-term and SEK 1 010 m (1 077) long-term.

The Group's net borrowings rose during the year, from SEK 2 349 m to SEK 3 039 m. The rise is almost completely attributable to the increased engagement in Ovako. The level of indebtedness of other Group operations was limited primarily due to cash generated from the reduction in inventories. The Group's cash flow for the next years is expected to be positive because of continuing capital rationalization measures, and a number of major investment projects having now been completed.

The Group's borrowing is mainly done through various market programs and bank credits. At year-end, the Parent Company's unutilized lines of credit, with firm commitments from

banks, amounted to SEK 2 647 m. The Group's total unutilized credit facilities of the same type, amounted to SEK 6 683 m.

The financial net improved in relation to the increase in net borrowings. This was, inter alia, a result of the Group's hedging of foreign net assets, lower dollar interest rates and an increased contribution from trading in currencies and interest-bearing securities.

CASH FLOW AND CAPITAL EXPENDITURE

The SKF Group operations generated a cash flow, before financing and investments, of SEK 2 475 m (1 662), following a decrease in working capital of SEK 1 402 m (increase of 1 347 in 1990).

Capital expenditures during 1991 in property, plant and equipment amounted to SEK 1 778 m (1 589). The largest projects were the ongoing restructuring of the Group's European bearings operations, the expansion of rolling bearings capacity in India and the new plant in Malaysia.

Research and development during the year totaled SEK 538 m (534).

PERSONNEL

The average number of employees at work was 45 285 (49 305), of which 4 500 (4 996) were located in Sweden (see

Note 28 "Average number of employees at work, wages and salaries"). The number of employees registered at December 31, 1991 was 47 939, a decrease of 11 percent. The number of employees in the Group declined by 6 106 persons in 1991, as a result of production cutbacks and restructuring measures made during the year.

PARENT COMPANY

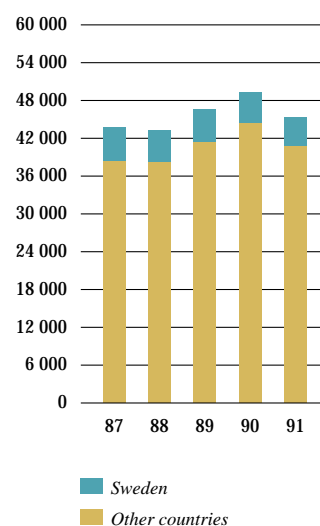
The operations of the Parent Company consist exclusively of the management staff functions for the Group and the divisions. The Parent Company's result after financial income and expense was SEK 579 m (1 145). Operating result before financial items totaled SEK -71 m (32).

Dividend income from subsidiaries amounted to SEK 545 m (1 040), and from other companies to SEK 0 m (34). The net of interest income and financial exchange differences was SEK 105 m (39). Extraordinary items, including Group and shareholder contributions, totaled SEK -91 m (-93), of which SEK 150 m represents a shareholder's contribution to Ovako AB.

Reported result for the year, after provisions, was SEK 488 m (1 068).

The average number of employees at work was 206 (212).

AVERAGE NUMBER OF EMPLOYEES AT WORK
(Definition see note 1)



Proposed distribution of surplus

Retained earnings	Kronor	1 891 247 412
Reported result for the year	Kronor	488 341 514
Total surplus	Kronor	2 379 588 926

The Board of Directors and Managing Director recommend		
that a dividend of 4.25 Swedish kronor per share		
be paid to the shareholders	Kronor	480 248 113
that the balance be carried forward	Kronor	1 899 340 813
	Kronor	2 379 588 926

The results of operations and the financial position of the Parent Company and the Group 1991 are given in the income statements and in the balance sheets together with related notes.

Göteborg, February 27, 1992

Lennart Johansson
Alf Åkerman
Göran Johansson
Bengt Haak
Per-Olof Eriksson
Inger Stenström

Peter Wallenberg
Holger Bohlin
Mauritz Sahlin
Gösta Bystedt
Giovanni Mario Rossignolo
Claes Dahlbäck

Auditors' report

We have examined the annual report, the consolidated financial statements, the accounting records and the administration of the board of directors and the managing director for the year 1991. Our examination was made in accordance with generally accepted auditing standards.

PARENT COMPANY

The annual report has been prepared in accordance with the Swedish Companies' Act.

We recommend that the general meeting of the shareholders resolve to adopt the income statement and the balance sheet, distribute the surplus in accordance with the proposal in the board of directors' report, and discharge the board of directors and the managing director from liability for their administration of the company for the year 1991.

GROUP

The consolidated financial statements have been prepared in accordance with the Swedish Companies' Act.

We recommend that the general meeting of the shareholders resolve to adopt the consolidated income statement and the consolidated balance sheet.

Göteborg, March 5, 1992

Olof Herolf
Authorized
Public Accountant,
Price Waterhouse

Åke Gustavsson

Nils Brehmer
Authorized
Public Accountant,
Öhrlings Reveko AB

The Audit Report refers to the entire Annual Report as required under Swedish law, which includes the complete accounts of the Parent Company.

Consolidated income statements

<i>Millions of Swedish kronor</i>		1991	1990	1989
Net sales		26 302	27 766	25 066
Other operating income		238	164	305
Cost of goods sold		- 19 181	- 19 011	- 16 859
Selling, administrative and technical expenses	<i>note 2</i>	- 6 338	- 6 053	- 5 087
Depreciation according to plan	<i>note 3</i>	- 1 077	- 951	- 826
Operating result		- 56	1 915	2 599
Financial income and expense - net	<i>note 4</i>	- 165	- 165	- 129
Result after financial income and expense		- 221	1 750	2 470
Taxes on income	<i>note 5</i>	- 66	- 719	- 989
Equity in results of Associated Companies	<i>note 6, 13-</i>	907	- 133	78
Minority interest		17	- 26	- 32
Result after taxes		- 1 177	872	1 527
Extraordinary income	<i>note 7</i>	-	145	235
Extraordinary expense	<i>note 7</i>	-	- 37	- 230
Taxes on extraordinary income and expense	<i>note 5</i>	-	34	- 19
Net result		- 1 177	1 014	1 513
Provisions	<i>note 24</i>	- 129	- 843	- 515
Reversal of deferred taxes	<i>note 24</i>	- 199	327	181
Minority interest in provisions	<i>note 24</i>	17	11	- 9
Reported result for the year		- 1 488	509	1 170

Consolidated balance sheets

<i>Millions of Swedish kronor</i>		1991	1990	1989
ASSETS				
Current assets				
Current financial assets	<i>note 8</i>	3 645	3 812	3 417
Trade accounts receivable	<i>note 9</i>	4 465	4 976	4 941
Inventories	<i>note 10</i>	8 444	9 954	8 382
Other current assets	<i>note 11</i>	1 018	931	660
		17 572	19 673	17 400
Blocked account in Central Bank of Sweden				
		-	0	2
Capital assets				
Long-term financial assets	<i>note 12</i>	1 010	1 077	1 003
Investments	<i>note 13</i>	326	760	853
Property, plant and equipment	<i>note 14</i>	9 507	9 057	7 504
Other capital assets	<i>note 15</i>	830	737	163
		11 673	11 631	9 523
Total assets		29 245	31 304	26 925
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term liabilities				
Short-term loans	<i>note 16</i>	4 493	3 469	2 417
Trade accounts payable	<i>note 17</i>	1 987	2 324	2 117
Short-term tax liabilities	<i>note 5</i>	73	408	597
Other short-term liabilities	<i>note 18</i>	3 180	3 375	3 051
		9 733	9 576	8 182
Long-term liabilities				
Long-term loans	<i>note 19</i>	3 201	3 769	1 704
Pensions	<i>note 20</i>	4 197	3 955	3 479
Long-term tax liabilities	<i>note 5</i>	1 436	1 395	1 439
Other long-term liabilities	<i>note 21</i>	182	214	295
Convertible debentures	<i>note 23</i>	-	-	236
		9 016	9 333	7 153
Minority interest				
In special reserves of consolidated subsidiaries	<i>note 24</i>	71	54	- 28
In equity of consolidated subsidiaries		101	186	174
		172	240	146
Shareholders' equity				
	<i>note 24</i>			
Share capital		1 412	1 412	1 350
Restricted reserves		2 703	3 501	3 862
Unrestricted earnings		3 031	4 299	3 767
Special reserves		3 178	2 943	2 465
		10 324	12 155	11 444
Total liabilities and shareholders' equity		29 245	31 304	26 925
Assets pledged				
	<i>note 25</i>	1 917	1 765	1 689
Contingent liabilities	<i>note 26</i>	811	1 391	1 103

Consolidated statements of cash flow

<i>Millions of Swedish kronor</i>	1991	1990	1989
Operating income before depreciation and goodwill amortization	1 073	2 901	3 432
Extraordinary income and expense - net	-	108	5
Changes in working capital:			
Inventories	1 510	- 1 572	- 1 252
Trade accounts receivable	511	- 35	- 593
Trade accounts payable	- 336	207	187
Other current assets and liabilities - net	- 283	53	329
Cash flow from operations and before financing	2 475	1 662	2 108
Additions to property, plant and equipment	- 1 778	- 1 589	- 1 290
Additions to property, plant and equipment through acquisition of companies	- 111	- 1 068	-
Sales of property, plant and equipment	115	67	191
Change in investments	111	- 40	26
Purchase of Ovako, including shareholder's contribution	- 552	-	-
Change in other capital assets	- 145	- 609	4
Cash flow before financial transactions	115	-1 577	1 039
Financial income and expense - net	- 165	- 165	- 129
Taxes on income, including extraordinary	- 66	- 685	-1 008
Cash dividends, AB SKF shareholders	- 480	- 459	- 378
Cash dividends, minority shareholders	- 4	- 6	- 8
Cash flow before financing	- 600	-2 892	- 484
Proceeds from minority shareholder in CTT Tools	-	99	-
Change in tax liabilities	- 294	- 233	475
Change in loans	456	3 117	- 521
Change in other financial items - net	279	317	302
Cash flow	- 159	408	- 228
Translation adjustments	- 8	- 13	34
Change in current financial assets	- 167	395	- 194

Notes to the consolidated financial statements

(Amounts in millions of Swedish kronor unless otherwise stated)

NOTE 1 - ACCOUNTING PRINCIPLES

General

The consolidated financial statements include the Parent Company AB SKF and all companies in which AB SKF, directly or indirectly, owns shares representing more than 50 percent of the voting rights, with the exception of Ovako (see note 6). AB SKF and its subsidiaries are referred to as "the SKF Group" or "the Group".

Investments in companies, representing 20 to 50 percent of the voting rights, and where the SKF Group has a significant influence, are referred to as "Associated Companies".

All companies within the Group apply the accounting rules as stated in the "SKF Accounting and Financial Reporting Manuals". These accounting rules are primarily based on generally accepted accounting principles in Sweden (Swedish GAAP). In general, the accounting rules applied by the SKF Group are also in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Significant differences between Swedish GAAP and U.S. GAAP are further described in note 29.

As an adjustment to international accounting standards, net result does not include provisions made primarily for tax purposes, or other timing differences that may arise as a result of differences between local and Group accounting rules. Accordingly shareholders' equity is unaffected by these provisions. The aggregate of these provisions, less individually calculated deferred tax liabilities, is reported as "Special reserves" within shareholders' equity.

Consolidation - subsidiaries

The consolidated financial statements are prepared using the purchase method. The consolidated shareholders' equity includes the Parent Company's equity and that part of the equity in subsidiaries which has arisen after the acquisition.

The difference between the cost of acquiring the shares in a subsidiary and that subsidiary's shareholder's equity at the time of acquisition, adjusted for revaluations of assets and liabilities, is accounted for:

- as goodwill in the consolidated balance sheet, if the cost of acquiring the subsidiary is higher than the shareholder's equity, or

- as a decrease in the value of acquired capital assets, if the cost of acquiring the subsidiary is lower than the shareholder's equity.

Intercompany accounts, transactions and unrealized profits have been eliminated in the consolidated financial statements.

Accounting for investments in Associated Companies

Investments in Associated Companies are accounted for in accordance with the equity method. The value of the investments is equal to the Group's share of shareholders' equity in these companies, determined in accordance with the accounting rules of the Group. The Group's share of these companies results is based on their results after taxes.

Translation of foreign financial statements

The current rate method is used for translating the financial statements of foreign subsidiaries into Swedish kronor. Under this method, all assets and liabilities are translated into Swedish kronor at year-end exchange rates, whereas income and expense items are translated at average exchange rates. The translation adjustments that arise are transferred directly to shareholders' equity.

For the translation of financial statements of subsidiaries operating in highly inflationary economies, the Group applies the monetary/non-monetary method (MNM-method). Monetary balance sheet items are translated at year-end exchange rates and non-monetary balance sheet items, including related income and expense items, are translated at rates in effect at the time of acquisition (historical rates). Other income and expense items are translated at average exchange rates. All translation differences that arise are treated either as operational or financial items, and affect net income.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated at year-end exchange rates. The resulting gains and losses are treated as either operational or financial items and affect net income.

Forward exchange contracts

Forward exchange contracts, which serve as hedges of the flow of goods and services between countries, have been treated such that trade accounts receivables and

Exchange rates

In translating the financial statements of foreign subsidiaries operating in the countries shown below, the following exchange rates have been used:

Currency	Average rate			Year-end rate			
	1991	1990	1989	1991	1990	1989	
Belgium	100 BEF	17.68	17.70	16.36	17.75	18.14	17.43
Canada	1 CAD	5.28	5.08	5.43	4.78	4.90	5.37
France	1 FRF	1.07	1.08	1.02	1.07	1.10	1.07
Germany	1 DEM	3.64	3.65	3.43	3.66	3.75	3.66
Great Britain	1 GBP	10.65	10.50	10.54	10.39	10.81	9.95
India	100 INR	27.01	33.01	39.11	21.30	30.80	35.90
Italy	100 ITL	0.49	0.49	0.47	0.48	0.50	0.49
Japan	100 JPY	4.50	4.08	4.68	4.41	4.20	4.32
Netherlands	1 NLG	3.23	3.24	3.04	3.24	3.32	3.24
Spain	100 ESB	5.81	5.77	5.43	5.73	5.86	5.65
Switzerland	1 CHF	4.22	4.27	3.94	4.11	4.39	4.02
USA	1 USD	6.06	5.93	6.44	5.54	5.69	6.21

payables have been valued at the applicable forward rates. In those cases where receivables and payables have not yet arisen, valuation of the forward exchange contracts has not been made.

The SKF Group has in previous years valued forward exchange contracts covering the budgeted, but not contracted flows, at market value. The cumulative effect of this change in accounting principle is not material.

Gains and losses on forward exchange contracts and loans, serving as hedges of net investments in foreign subsidiaries, are excluded from the determination of net result. These gains and losses, less current and deferred income taxes, are transferred directly to shareholders' equity, thereby offsetting gains and losses arising on the translation of the financial statements of the foreign subsidiaries. For these forward exchange contracts, the interest difference between currencies is evenly allocated over the life of the contract.

Forward exchange contracts which are not considered hedges of firm commitments have been valued at market value. Gains and losses are included in financial income and expense.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market (net realizable value). Net realizable value is defined as the lower of current replacement cost or market value less selling cost. Cost includes material, labor and manufacturing overheads.

Capital and intangible assets

Depreciation according to plan is calculated based on the cost of the asset. In some countries, legal revaluations are made in addition to cost, and depreciation is then based on the revalued amounts.

The rates of depreciation are based on the estimated economic lives of the assets, generally 33 years for buildings, 10-17 years for machines and 4-5 years for tools, office equipment and vehicles.

Goodwill is amortized over 10 years on a straight-line basis, except for goodwill related to significant strategic acquisitions, which is amortized over a maximum of 20 years. Amortization of goodwill is included in administrative expenses.

Patents and similar rights are stated at cost and are amortized on a straight-line basis over their legal lives.

Leases

Leases which transfer virtually all benefits and risks incident to the ownership of the property to the Group (capital leases), are capitalized and accounted for as assets and incurrence of obligations. Rentals for other leases (operating leases) are charged against income over the lease term.

Research and development

Research and development expenditures are charged against income as incurred.

Income taxes

All companies within the SKF Group compute current income taxes in accordance with the tax rules and regulations of the countries where the income is taxable.

Deferred income taxes are calculated in accordance with the deferred method. Comprehensive allocation is applied and the net deferred tax liability, as reported in the balance sheet, is the cumulative sum of deferred

income taxes charged and credited to the income statement over the years. Current year losses and tax loss carry-forwards have been considered in calculating deferred income taxes.

In February 1992, the U.S. Financial Accounting Standards Board issued Statement of Financial Accounting No. 109, "Accounting for Income Taxes". The Group is reviewing the provisions of FAS 109 to determine the impact of its implementation upon the financial statements of the Group.

Provisions have been made in the consolidated financial statements for estimated taxes on earnings of subsidiaries expected to be remitted in the following year, but not for tax liabilities which may arise on distribution of the remaining unrestricted earnings, as they are expected to be reinvested.

Reclassifications

Certain reclassifications have been made to the 1990 and 1989 financial statements to conform to the 1991 presentation.

Definitions of key figures

The majority of the subsidiaries within the SKF Group report their results of operations and financial position ten times a year. The key figures presented in the Annual Report have been calculated using average values based on these interim reports. Therefore, the calculation of these key figures using the year-end values presented, may give slightly different results.

1. Portion of risk-bearing capital

Shareholders' equity plus minority interest and deferred taxes related to special reserves, as a percentage of total assets at year-end.

2. Solvency

Shareholders' equity plus minority interest, as a percentage of total assets at year-end.

3. Return on total assets

Operating result plus financial income minus financial translation adjustments, as a percentage of average total assets.

4. Return on capital employed

Operating result plus financial income minus financial translation adjustments, as a percentage of average total assets less the average of non-interest bearing liabilities.

5. Return on shareholders' equity

Result after taxes, as a percentage of average shareholders' equity.

6. Operating margin

Operating result plus financial income minus financial translation adjustments, as a percentage of net sales.

7. Turnover of total assets

Net sales in relation to average total assets.

8. Earnings per share in Swedish kronor

Result after taxes divided by average number of shares.

9. Yield

Dividend as a percentage of share price at year-end.

10. P/E ratio

Share price at year-end divided by earnings per share.

11. Average number of employees at work

Total number of working hours of all employees, divided by the normal total working time during the year.

NOTE 2 - RESEARCH AND DEVELOPMENT

Research and development expenditures charged against income were 538 in 1991, 534 in 1990 and 465 in 1989.

Additionally, the Group enters into research and development contracts to develop or produce prototypes of various products. Expenses under these contracts were 19, 20 and 15 in 1991, 1990 and 1989 respectively, and have been fully reimbursed.

NOTE 3 - DEPRECIATION ACCORDING TO PLAN

	1991	1990	1989
Land improvements	6	6	6
Buildings	114	102	92
Machinery and equipment	901	805	674
Leases	45	29	34
Leaseholds	2	1	1
Revaluations	9	8	19
	1 077	951	826

In 1991, 1990 and 1989, 912, 798 and 660, respectively, of the total depreciation related to assets used in manufacturing. The remainder relates to assets used within selling, administrative and technical areas.

NOTE 4 - FINANCIAL INCOME AND EXPENSE

	1991	1990	1989
Dividend income	10	11	10
Interest income	685	600	520
Interest expense	- 863	- 820	- 652
Financial exchange gains and losses	- 97	- 4	- 84
Financial translation adjustments (MNM-method)	100	48	77
	- 165	- 165	- 129

The net interest cost component of the pension cost, which is included in the operating result, amounts to 49 in 1991, and 368 and 104 in 1990 and 1989 respectively. (Also see note 20 - Pensions.)

Included in financial translation adjustments are financial exchange gains and losses related to subsidiaries operating in highly inflationary economies.

NOTE 5 - TAXES ON INCOME

	1991	1990	1989
Taxes on result after financial income and expense			
current taxes	148	580	845
deferred taxes	- 82	139	144
	66	719	989
Income taxes on extraordinary items	-	- 34	19
Taxes included in net result	66	685	1 008

Tax liabilities consisted of the following:

	1991	1990	1989
Income taxes currently payable	92	230	512
Deferred income taxes			
- short-term	- 19	178	85
Short-term tax liabilities	73	408	597
Deferred income taxes			
- long-term	1 436	1 395	1 439
	1 509	1 803	2 036

171 in 1991, 353 in 1990 and 206 in 1989 of short-term tax liabilities, and 1 379 in 1991, 1 444 in 1990 and 1 264 in 1989 of long-term tax liabilities, relate to deferred taxes on special reserves.

Deferred income taxes result mainly from accelerated depreciation claimed for tax purposes by certain subsidiaries.

The utilization of tax loss carry-forwards reduced taxes on income by 53 in 1991, 230 in 1990 and 76 in 1989. Tax loss carry-backs reduced taxes on income by 34 in 1991, 10 in 1990 and by 17 in 1989.

Corporate income tax

The corporate nominal income tax rate in Sweden amounted to 30 percent in 1991 and 40 percent in 1990 and 1989.

The effective tax rate on result after financial income and expense and extraordinary items, but before shares of income in Associated Companies and minority interest, was -30 percent in 1991, 37 percent in 1990 and 40 percent in 1989. The main reasons for the differences between the statutory tax rates and the effective tax rates are outlined below (in percent):

	1991	1990	1989
Statutory tax rate in Sweden	30	40	40
Difference between statutory tax rate in Sweden and foreign subsidiaries' weighted statutory tax rate	- 3	4	5
Permanent differences	33	- 7	- 5
Utilization of tax loss carry-forwards	24	- 14	- 3
Utilization of loss carry-back	15	-	-
Losses in subsidiaries, not currently deductible	- 165	13	5
Tax credits	38	- 3	-
Other	- 2	4	- 2
Effective consolidated tax rate	- 30	37	40
Effective consolidated tax rate excluding extraordinary items	- 30	41	40

Tax loss carry-forwards

The Parent Company and certain subsidiaries, principally in the United Kingdom, France, the United States and Mexico, at December 31, 1991 had tax loss carry-forwards amounting to 1 510 (742 in 1990 and 811 in 1989) that may be utilized to reduce taxable income. Such tax loss carry-forwards expire as follows:

<i>Year of expiration</i>	
1992	56
1993	33
1994	100
1995	177
1996	189
1997 and thereafter	955

In addition to these tax loss carry-forwards, the Group has unutilized deductions amounting to 755 (555 in 1990 and 77 in 1989), which have reduced deferred tax liabilities. These deductions can be used to reduce future taxable income, but since they have already reduced the deferred tax liabilities, the use of the deductions will not reduce the total tax charge for the SKF Group.

In addition, the Parent Company at December 31, 1991, had unutilized tax deductions on dividends paid which expire through 2011. Under Swedish tax law, these are deductible in determining the base for the corporate income tax. An amount of 306 (347 in 1990 and 173 in 1989) may be deducted in determining taxable income during the periods through December 31, 2011.

NOTE 6 - EQUITY IN RESULTS OF ASSOCIATED COMPANIES

For the period 1986 through November 1991, the SKF Group owned a 50 percent investment in the Ovako Group (Old Ovako) and accounted for this investment as an Associated Company. Accordingly, the SKF Group's share of Old Ovako's results during this period is shown under the caption Equity in results of Associated Companies.

In December, 1991, Old Ovako was split between the two owners, the SKF Group and Metra Oy, whereby the SKF Group became the sole owner of approximately 50 percent of the Old Ovako. This wholly-owned group is hereafter referred to as New Ovako.

The balance sheet for New Ovako at December 31, and their results for the month of December have not been fully consolidated in the SKF Group's consolidated balance sheet and income statement. Instead, the net equity of New Ovako of 246 at December 31 is included in the consolidated balance sheet under the caption Investments and their December result is included in the consolidated income statement as Equity in results of Associated Companies.

The Equity in results of Associated Companies is comprised of the following:

Equity share of net result in Old Ovako for the period January-November 1991	- 229
December operating result for New Ovako	- 133
Estimated expenses for the shutdown of Ovako Profiler AB in Luleå	- 500
Other net, including deferred tax income of 61	- 45
	<hr/>
	- 907

Summarized 1991 consolidated financial information for Ovako is shown in the following table. The balance sheet information represents New Ovako, whereas income statement information represents Old Ovako's result for January-November and New Ovako's result for December.

Current assets	1 831
Capital assets	1 855
Current liabilities	1 827
Long term liabilities	1 613
Shareholder's equity	246
Net sales	4 680
Net result	- 1 135

Refer also to note 13 - Investments.

NOTE 7 - EXTRAORDINARY INCOME AND EXPENSE

	1991	1990	1989
<i>Extraordinary income:</i>			
Gain on sale of real estate in Göteborg	-	145	235
	<hr/>	<hr/>	<hr/>
	-	145	235
<i>Extraordinary expense:</i>			
Discontinuance of plasma-technology operations	-	- 37	- 230
	<hr/>	<hr/>	<hr/>
	-	- 37	- 230

NOTE 8 - CURRENT FINANCIAL ASSETS

	1991	1990	1989
Cash and bank accounts	760	742	1 192
Debt securities	640	459	353
Promissory notes	5	7	652
Government securities	420	645	480
Other short-term financial receivables	1 820	1 959	740
	3 645	3 812	3 417

Cash and bank accounts include time deposits of 144 at December 31, 1991, 286 at December 31, 1990 and 773 at December 31, 1989.

NOTE 9 - TRADE ACCOUNTS RECEIVABLE

	1991	1990	1989
Acceptances receivable	501	572	630
Accounts receivable	4 155	4 573	4 465
	4 656	5 145	5 095
Allowance for doubtful accounts	- 191	- 169	- 154
	4 465	4 976	4 941

Provision for doubtful accounts charged against income amounts to 66 in 1991, 45 in 1990 and 40 in 1989.

NOTE 10 - INVENTORIES

Inventories at December 31, net of allowance for obsolescence, consists of the following:

	1991	1990	1989
Finished goods	5 428	6 401	4 876
Work in process	1 985	2 217	2 209
Raw materials	564	835	862
Supplies	467	501	435
	8 444	9 954	8 382

NOTE 11 - OTHER CURRENT ASSETS

	1991	1990	1989
Advances to suppliers	65	114	41
Prepaid expenses	189	185	135
Accrued income	313	218	136
Other current receivables	451	414	348
	1 018	931	660

NOTE 12 - LONG-TERM FINANCIAL ASSETS

	1991	1990	1989
Long-term financial receivables	993	1 069	999
Debt securities	17	8	4
	1 010	1 077	1 003

NOTE 13 - INVESTMENTS

In 1991, investments include 246 related to the net investment in New Ovako (see note 6). In 1990 and 1989 investments related to Associated Companies amounted to 567 and 725 respectively. These companies are primarily engaged in bearing- and steel activities. Old Ovako accounts for the largest individual investment with 566 in 1990 and 724 in 1989.

Summarized combined financial information for the Associated Companies as a group is as follows:

Balance sheet data

	1991	1990	1989
Current assets	1 831	2 853	2 973
Capital assets	1 855	3 270	2 844
Current liabilities	1 827	2 775	2 043
Long-term liabilities	1 613	2 215	2 327
Shareholders' equity	246	1 133	1 447
The SKF Group's share of shareholders' equity	246	567	725

Income statement data

	1991	1990	1989
Net sales	4 680	6 048	6 621
Net result	- 1 135	- 265	141
The SKF Group's share of net result	- 907	- 133	70

A complete list of Group investments can be obtained from AB SKF, Group Public Affairs, S-415 50 Göteborg, Sweden.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1991		1990		1989	
	Acqui- sition cost	Accumu- lated depr	Acqui- sition cost	Accumu- lated depr	Acqui- sition cost	Accumu- lated depr
Land	433	2	386	2	254	2
Land improvements	210	134	210	133	205	125
Buildings	3 775	1 622	3 675	1 622	3 192	1 472
Machinery and equipment	14 288	7 991	13 815	7 734	11 890	6 892
Capital leases	281	165	256	129	255	100
Leaseholds	7	4	31	10	12	10
Revaluations	578	213	459	217	466	205
	19 572	10 131	18 832	9 847	16 274	8 806
Net	9 441		8 985		7 468	
Advances to suppliers	66		72		36	
	9 507		9 057		7 504	

Capital leases consist of the following:

	1991	1990	1989
Land	7	7	7
Buildings	71	73	77
Machinery and equipment	203	176	171
	281	256	255

NOTE 15 - OTHER CAPITAL ASSETS

	1991		1990		1989	
	Acqui- sition cost	Accumu- lated amort	Acqui- sition cost	Accumu- lated amort	Acqui- sition cost	Accumu- lated amort
Goodwill	799	110	711	83	96	27
Patents and similar rights	16	11	47	37	38	30
	815	121	758	120	134	57
Net	694		638		77	
Deferred charges	136		99		86	
	830		737		163	

NOTE 16 - SHORT-TERM LOANS

	1991	1990	1989
Bank loans	2 914	2 680	1 577
Commercial papers	1 004	408	236
Other short-term loans	124	62	139
	4 042	3 150	1 952
Current portion of long-term loans	451	319	465
	4 493	3 469	2 417

The maximum month-end amount of short-term loans outstanding, excluding the current portion of long-term loans, was 4 449 in 1991, 4 013 in 1990 and 2 480 in 1989. The average month-end amount outstanding during the year was 4 146 in 1991, 3 001 in 1990 and 2 254 in 1989. The weighted average interest rate was 9.6 percent, 11.6 percent and 11.3 percent in 1991, 1990 and 1989, respectively, and was 9.3 percent at December 31, 1991. Average amounts outstanding and weighted average interest rates have been computed based on the amounts outstanding at the end of each month and related interest expense.

At December 31, 1991 the SKF Group maintained committed lines of credit at financial institutions in certain countries in which it operates. The unused portion of these lines of credit, excluding lines of credit indicated below, aggregated 3 108. The entire amount was available in currencies other than Swedish kronor. Certain of the revolving credit facilities require an overdraft facility fee ranging from 0.03 percent to 2.5 percent of the full amount of the facility, and other facilities require a commitment fee ranging from 0.06 percent to 1.5 percent of the unused portion of the facility.

At December 31, 1991, the Group had unutilized long-term credit lines of 3 575 expiring in 1994 to 1995.

NOTE 17 - TRADE ACCOUNTS PAYABLE

	1991	1990	1989
Acceptances payable	344	239	249
Accounts payable	1 643	2 085	1 868
	1 987	2 324	2 117

NOTE 18 - OTHER SHORT-TERM LIABILITIES

Other short-term liabilities include accrued vacation pay of 408, 433 and 392 at December 31, 1991, 1990 and 1989, respectively, and accrued social security charges (including payroll taxes) of 466, 468 and 429 at December 31, 1991, 1990 and 1989, respectively.

NOTE 19 - LONG-TERM LOANS

Long-term loans at the end of the year, excluding the current portion of long-term loans, are:

	1991	1990	1989
Debentures (maturing from 1993 to 2005) bearing interest from 10.0 to 15.0 percent *	194	289	194
Bank loans (maturing from 1993 to 2006) bearing interest from 3.0 to 15.5 percent *	2 697	3 168	1 222
Other loans (maturing from 1993 to 2010) bearing interest from 1.5 to 20.0 percent *	310	312	288
	3 201	3 769	1 704

* December 31, 1991

The current portion of long-term loans is included in short-term loans (see note 16).

Maturities of long-term loans outstanding at December 31, 1991 were as follows:

1993	662
1994	1 008
1995	849
1996	166
1997	189
1998 and thereafter	327

The terms of certain loan agreements contain various restrictions, relating principally to the further pledging of fixed assets, the amounts of additional loans and payment of intercompany dividends.

Of the long-term loans, 711, 1 020 and 745 were secured at December 31, 1991, 1990 and 1989, respectively.

NOTE 20 - PENSIONS

Charges against income in 1991, 1990 and 1989 for pension and similar plans were 621, 547 and 514, which include a net interest cost of 49, 368 and 104 respectively. The interest income portion of this net interest cost represents actual return on assets, whereas the interest expense portion has been calculated on the average of the opening and closing balances of the pension obligation. Interest rates used vary by country, and were 12.5, 12.1 and 9.5 percent in 1991, 1990 and 1989 for indexed Swedish pensions and 3.5 percent in 1991, 1990 and 1989 for fixed Swedish pensions. An interest rate of 8.7, 8.9 and 7.1 percent was used in 1991, 1990 and 1989 respectively for the German companies, which represent 66 percent of the Group's total pension obligation in 1991 and 1990, and 65 percent in 1989.

NOTE 21 - OTHER LONG-TERM LIABILITIES

	1991	1990	1989
Liabilities for capital leases	87	78	101
Other	95	136	194
	182	214	295

NOTE 22 - LEASES

Future minimum rental commitments at December 31, 1991 for capital leases and non-cancellable (within one year) operating leases are as follows:

	Capital leases	Operating leases
1992	38	349
1993	35	278
1994	18	203
1995	15	149
1996	13	130
1997 and thereafter	29	1 152
	148	2 261
Less: Amount representing interest and executory costs	-	30
Present value of minimum lease payments under capital leases	118	
Less: Current portion	-	31
Long-term portion	87	

Operating leases also include the leases for those portions of the Parent Company's real estate in Göteborg, which in 1990, 1989 and 1987 were sold and leased back.

Net rental expense related to operating leases was 319 in 1991, 226 in 1990 and 247 in 1989. Contingent rentals and sublease income were not significant in any of the years presented.

NOTE 23 - CONVERTIBLE DEBENTURES

In October 1984, the Parent Company issued convertible debentures in the amount of 237 to employees of the SKF Group in Sweden.

During 1989 and 1990, the debentures, with a nominal value of 190 Swedish kronor, were converted into B shares, or redeemed. The conversion price was 47.50 Swedish kronor, after the 4:1 split of the Company's shares during 1989.

During 1990, 4 867 044 restricted B shares and 101 194 unrestricted B shares were issued through conversion. In 1989, the number of restricted and unrestricted B shares increased through conversion by 29 018 and 2 300, respectively.

NOTE 24 - SHAREHOLDERS' EQUITY

Share capital

The share capital at December 31, 1991 consisted of the following shares (nominal value SEK 12.50 per share):

	Number of shares authorized and outstanding	Aggregate nominal value
A shares, unrestricted	80 640	1
A shares, restricted	49 175 692	615
B shares, unrestricted	41 008 274	512
B shares, restricted	22 734 950	284
	112 999 556	1 412

The designations A and B indicate the voting power of the shares. An A share has one vote, a B share one-thousandth of one vote. Only unrestricted shares may, by subscription or transfer, be acquired by foreign nationals and other controlled persons. However, the Board of Directors has suggested that the clause restricting the acquisition of shares be abolished by the Annual General Meeting, so that all shares become unrestricted. Such a decision must be approved by the Swedish government.

On May 23, 1989, a split of shares in the ratio of 4:1 was made.

Option certificates

In 1990, AB SKF issued 11 000 000 option certificates. Each option entitles the holder to subscribe for one new restricted B share at the price of 190 Swedish kronor. Provided that the Annual General Meeting decides to abolish the clause restricting the acquisition of shares, and this is approved by the Swedish government, each option will instead entitle the holder to subscribe for one new unrestricted B share. These certificates become exercisable beginning July 1, 1993 through June 30, 1995.

Restricted reserves

In accordance with statutory requirements in Sweden and certain other countries in which the SKF Group operates, the Parent Company and its subsidiaries maintain restricted reserves which are not available for distribution as dividends. Increases or decreases in restricted reserves have no effect on net income.

The Swedish Companies Act requires that 10 percent of net income be transferred to the legal reserve (part of restricted reserves) until the legal reserve amounts to 20 percent of the share capital. Premiums paid on new share issues must also be transferred to the legal reserve.

In countries where legal revaluations of assets are made, the revaluation surplus must be transferred to legal reserves.

Unrestricted earnings

Unrestricted earnings include earnings distributable by the Parent Company and those net earnings that may be remitted from subsidiaries to the Parent Company within one year. In determining the remittable amounts, consideration has been given to legal and exchange restrictions, but not to the financial position of the remitting subsidiaries.

Provisions and Special reserves

General

Tax laws in Sweden and certain other countries permit allocations to reserves that are deductible for tax purposes. To a certain extent, companies can thus allocate income so that it remains in the business without being taxed immediately.

Such allocations from income which have been made to retain funds in the business, are shown in the income statement under Provisions. In the balance sheet the accumulated value of these allocations, less the related deferred tax liabilities, is shown as Special reserves. Differences between statutory reporting and reporting for consolidation purposes are also treated as provisions in the income statement and as special reserves in the balance sheet.

Significant special reserves are:

Inventory reserves

Inventory reserves consist of inventory related appropriations, in excess of actual requirements, which are deductible for tax purposes.

Investment reserves

Certain countries have tax laws permitting the deferral of gains on sales of property, plant and equipment. These deferrals can be used for writedowns of capital assets to be acquired. Further, the tax laws of some countries allow companies to appropriate a portion of their pretax income to an investment reserve to be used for future writedowns of capital assets to be acquired.

Accelerated depreciation reserves

In certain countries, tax regulations allow depreciation at rates exceeding those applied by the Group.

Other reserves

Other reserves generally represent the aggregate differences between statutory reporting and reporting for Group consolidation purposes.

Analysis of changes in shareholders' equity

	1991	1990	1989
Share capital at beginning of year	1 412	1 350	1 350
Conversion of debentures	-	62	0
Share capital at end of year	1 412	1 412	1 350
Restricted reserves at beginning of year	3 501	3 862	3 790
Conversion of debentures	-	174	1
Translation adjustments and revaluations	42	- 84	187
Net transfer to unrestricted earnings	- 840	- 451	- 116
Restricted reserves at end of year	2 703	3 501	3 862
Unrestricted earnings at beginning of year	4 299	3 767	2 913
Reported income for the year	-1 488	509	1 170
Cash dividends	- 480	- 459	- 378
Translation adjustments	- 140	31	- 54
Net transfer from restricted reserves	840	451	116
Unrestricted earnings at end of year	3 031	4 299	3 767
Special reserves at beginning of year	2 943	2 465	2 019
Provisions	311	505	343
Translation adjustments	- 76	- 27	103
Special reserves at end of year	3 178	2 943	2 465
Total shareholders' equity at end of year	10 324	12 155	11 444

As described in note 1, translation adjustments arising from the application of the current rate method are transferred directly to shareholders' equity.

Changes in cumulative translation adjustments are as follows:

	1991	1990	1989
Balance at beginning of year	- 292	- 212	- 448
Aggregate translation adjustments	- 352	- 74	249
Gains/losses from hedges (net of taxes) of investments in foreign subsidiaries	57	- 6	- 2
Losses on intercompany loan transactions	-	-	- 11
Balance at end of year	- 587	- 292	- 212

Special reserves

	1991	1990	1989
Inventory reserves	588	764	690
Investment reserves	199	303	182
Accelerated depreciation reserves	2 702	2 671	2 163
Other reserves	1 310	1 056	872
	4 799	4 794	3 907
Deferred taxes	- 1 550	- 1 797	- 1 470
Minority interest	- 71	- 54	28
	3 178	2 943	2 465

The distribution of accelerated depreciation reserves was as follows:

	1991	1990	1989
Land improvements	59	67	71
Buildings	523	540	496
Machinery and equipment	2 120	2 064	1 596
	2 702	2 671	2 163

Provisions

	1991	1990	1989
Changes in inventory reserves	- 175	124	22
Changes in investment reserves	- 95	117	100
Changes in accelerated depreciation reserves	105	477	179
Changes in other reserves	294	125	214
	129	843	515
Deferred taxes	199	- 327	- 181
Minority interest	- 17	- 11	9
	311	505	343

NOTE 25 - ASSETS PLEDGED

The following assets have been pledged to secure loans:

	1991	1990	1989
Mortgages on real estate	1 180	1 036	940
Chattel mortgages	181	95	100
Other mortgages	544	605	621
Total mortgages	1 905	1 736	1 661
Government securities	12	27	25
Other assets pledged	0	2	3
	1 917	1 765	1 689

Mortgages are stated at the nominal value of the mortgage deeds and other assets are stated at net book value. The pledged assets secured obligations of 711 at December 31, 1991, 1 020 in 1990 and 745 in 1989.

NOTE 26 - CONTINGENT LIABILITIES

	1991	1990	1989
Acceptances receivable discounted	86	107	137
Unrecognized vested and unvested retirement benefits	413	461	451
Other guarantees and contingent liabilities	312	823	515
	811	1 391	1 103

NOTE 27 - GEOGRAPHICAL INFORMATION

External sales for the Group per geographical area were as follows:

	1991	1990	1989
Sweden	1 003	1 176	1 223
Europe (excluding Sweden)	14 826	16 323	14 450
United States and Canada	5 620	5 530	4 854
Other countries	4 853	4 737	4 539
	26 302	27 766	25 066

The Group's identifiable assets (total assets, excluding cash, bank accounts, short-term investments, intercompany receivables and shareholdings, but before consolidation eliminations), amounted at December 31, 1991 to 25 972, 27 499 in 1990 and to 23 380 in 1989. The geographical location of these assets were as follows:

	1991	1990	1989
Sweden	2 337	2 658	2 515
Europe (excluding Sweden)	15 393	16 897	14 737
United States and Canada	4 715	4 342	2 743
Other countries	3 527	3 602	3 385
	25 972	27 499	23 380

Dividends of 344 in 1991, 1 040 in 1990 and 366 in 1989 have been received by the Parent Company from foreign subsidiaries.

NOT 28 - AVERAGE NUMBER OF EMPLOYEES AT WORK, WAGES AND SALARIES

	1991	1990	1989
<i>Operations in Sweden</i>			
Number of work sites	18	16	16
Total average number of employees at work	4 500	4 996	5 305
Wages and salaries:			
Boards and Managing Directors	18	18	14
Other employees	935	983	940
Total in Sweden	953	1 001	954
<i>Operations abroad</i>			
Number of countries	50	49	46
Total average number of employees at work	40 785	44 309	41 362
Wages and salaries:			
Boards and Managing Directors	128	99	86
Other employees	7 186	7 039	5 940
Total abroad	7 314	7 138	6 026
Total average number of employees at work	45 285	49 305	46 667
Total wages and salaries	8 267	8 139	6 980

Of the average number of employees at work in Sweden during 1991, 784 were women and 3 716 were men. The corresponding figures for 1990 were 786 women and 4 210 men. Of the average number of employees at work abroad during 1991, 7 190 were women and 33 595 were men. The corresponding figures for 1990 were 8 230 women and 36 079 men.

The companies in the countries below represent 79 percent in 1991 and 78 percent in 1990 and 1989, of the total number of employees at work, and 86 percent in 1991, 1990 and 1989 of the total wages and salaries.

	Number of employees			Total wages and salaries		
	1991	1990	1989	1991	1990	1989
Germany	9 728	10 237	10 135	2 373	2 232	1 939
USA	6 570	7 125	4 735	1 244	1 188	928
Italy	5 961	6 882	6 630	1 236	1 276	1 073
Sweden	4 500	4 996	5 305	953	1 001	954
France	4 682	4 342	4 213	807	736	608
Great Britain	2 326	2 766	2 825	372	399	351
Brazil	1 934	2 354	2 663	101	155	148
	35 701	38 702	36 506	7 086	6 987	6 001

A complete specification of employees (in Swedish) can be obtained from AB SKF, Group Public Affairs, S-415 50 Göteborg, Sweden.

U.S. GAAP

NOTE 29 - RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Accounting policies of the SKF Group that differ significantly from U.S. GAAP are as follows:

1. *Deferred income taxes*

U.S. GAAP requires deferred tax allocation on all significant timing differences, including the allocations to untaxed reserves. Although there is no requirement for comprehensive recognition of deferred income taxes under Swedish accounting practice, it is the Group's policy that net income and shareholders' equity is determined after consideration of deferred income taxes. Consequently, no adjustment needs to be made for deferred taxes when applying U.S. GAAP.

Adjustments for deferred income taxes in the reconciliation to U.S. GAAP are attributable to the differences described below.

2. *Revaluation of assets*

In certain countries, assets have been revalued at an amount in excess of cost. U.S. GAAP does not permit the revaluation of assets in the financial statements.

3. *Capitalization of interest expense*

In accordance with Swedish GAAP, the SKF Group has not capitalized interest expense incurred in connection with the financing of expenditures for construction of property, plant and equipment. Such interest expense is required to be capitalized in accordance with U.S. GAAP.

4. *Accounting for early termination benefits*

The SKF Group has in previous years allocated the costs for early termination benefits between early and normal retirement for certain Group companies. U.S. GAAP requires costs for early termination benefits to be expensed in the year when the benefits are accepted by the employees.

5. *Gains on sale of real estate*

During 1991, 1990 and 1989 the Group sold real estate in Sweden which is partially leased back, or completely leased back with the option to repurchase the property. Gains recognized from these transactions are not permitted to the same extent under U.S. GAAP.

6. *Pensions*

Periodic pension cost and liability is calculated by the Group according to local laws and accounting principles. Under U.S. GAAP, the periodic pension cost and liability should be calculated according to the Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (FAS 87).

The Group sponsors defined benefit plans in several countries, principally Sweden, Germany, France, the United States and Spain. The Swedish plan supplements statutory pensions where benefits are established by national organizations. The subsidiaries in France sponsor a retirement indemnity plan in accordance with French National Employer/Employee agreements. Plans in Germany, Spain and the United States are designed to supplement these countries' social security pensions. Only the U.S. plans are funded. Benefits are based on a combination of age, salary and service and are available to all employees meeting age, service and other requirements.

The following tables summarize approximate disclosures under FAS 87.

Net periodic pension cost for the plans described above, included in the Group's approximate U.S. GAAP income statement includes the following components:

	1991	1990	1989
Service cost	107	105	89
Interest cost	415	378	329
Actual return on assets	- 392	- 42	- 211
Other, net	311	- 69	147
Net periodic pension cost	441	372	354

Assumptions used in the calculations:

	1991	1990	1989
Discount rates	7-10%	7-10%	6-9.5 %
Rates of increase in compensation level	2.5-7%	2.5-7%	3-7 %
Investment return	11%	8-11%	11 %

The following table sets forth these plans' funded status and amounts recognized in the Group's approximate U.S. GAAP balance sheet:

	1991	1990	1989
Actuarial present value of:			
Vested benefit obligation	4 661	4 267	3 968
Accumulated benefit obligation	4 819	4 441	4 126
Projected benefit obligation	5 371	4 983	4 552
Plan assets at fair value	- 1 835	- 1 486	- 1 248
Projected benefit obligation in excess of plan assets	3 536	3 497	3 304
Unrecognized net loss	151	31	142
Unrecognized net obligation at initial application	- 616	- 673	- 723
Unrecognized prior service cost	- 99	- 83	- 89
Adjustment required to recognize minimum liability	421	566	539
Pension liability	3 393	3 338	3 173

Plan assets are invested primarily in securities and bonds.

7. Forward exchange contracts

According to U.S. GAAP, gains or losses on forward exchange contracts covering budgeted, but not contracted flows of goods and services between countries, shall be periodically recognized during the life of the forward contracts. According to Swedish GAAP, gains are deferred until the maturity of the forward contracts whereas losses are immediately recognized.

8. Statements of cash flow

The Group prepares the statements of cash flow in accordance with Swedish GAAP, which requires a cash flow statement differing from that required by the Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("FAS 95"). Additional approximate disclosures if the Group were to comply with FAS 95 are as follows:

	1991	1990	1989
Borrowings of long-term debt	421	1 892	440
Repayments of long-term debt	671	949	918
Additions to debt through acquisitions	13	979	-
Cash interest paid	851	793	669
Cash taxes paid	195	820	588

Significant non-cash transactions are conversion of debentures (see note 23), deferred tax provisions (see note 5), provisions for pensions (see note 20), extraordinary expense (see note 7), equity in Associated Companies (see note 6) and minority interest in income as disclosed in the income statement.

The Group considers current financial assets to be cash and cash equivalents. Refer to note 8 for a description of current financial assets.

9. Discontinued operations

In 1987, the Board of Directors of AB SKF decided that the SKF Group would gradually withdraw from the field of plasma technology. In 1990 and 1989, provisions were made for anticipated costs of withdrawal and writedown of part of the Group's investment in ScanDust AB and SwedeChrome AB, both in the plasma technology field.

In 1989, a decision was made to shut down the SKF Foundry operations in the U.S. The provision reflects the estimated loss on disposal.

Results, net of taxes, related to the discontinued operations are as follows:

	1991	1990	1989
Discontinuance of SKF Foundry operations in the U.S.	-	-	- 17
Discontinuance of plasma technology operations	-	19	- 238
	-	19	- 255

10. Postretirement benefits

In December, 1990, the U.S. Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions". (FAS 106). Application of FAS 106 is required for U.S. plans beginning in 1993 and in 1995 for non-U.S. plans.

The Group is currently reviewing the provisions of FAS 106 to determine the impact of its implementation upon the financial statements of the Group.

11. Off-balance sheet risk and concentrations of credit risk

The Group has a firm policy to hedge its exposure to foreign currency exchange rate fluctuations, as well as against unfavourable fluctuations in interest rates, through many different strategies, including the use of various financial instruments such as interest rate caps and floors, foreign currency and interest rate swaps and forward exchange contracts. At year-end the Group had in excess of 19 000 in net forward exchange contracts outstanding. A significant majority of these contracts involve the Swedish krona, German mark, U.S. dollar, Italian lira and French franc.

The contracts are placed with several well-established international financial institutions, therefore management believes credit risk to be very low. The majority of these contracts serve as hedges of net investments in foreign subsidiaries and other commitments. The gains and losses on these contracts would to a great extent be offset by gains and losses resulting from the translation of the foreign subsidiaries' financial statements and other foreign currency commitments.

Concentrations of credit risk is limited, primarily because the Group's customer base consists of many geographically and industrially diverse customers.

12. Summary

The application of U.S. GAAP would have the following approximate effect on consolidated net income, shareholders' equity and loss/earnings per share.

	1991	1990	1989
Net result as reported in the consolidated income statements	- 1 177	1 014	1 513
Items increasing/decreasing net result:			
Deferred income taxes	- 21	- 4	17
Depreciation on revaluation of assets including effect in connection with sale	15	11	128
Capitalization of interest expense	- 4	- 12	- 13
Early termination benefits	- 6	- 10	- 2
Gains on sales of real estate	- 23	- 160	- 235
Pensions	17	55	- 9
Forward exchange contracts	82	-	-
Net increase/decrease in net result	60	- 120	- 114
Approximate net result in accordance with U.S. GAAP	- 1 117	894	1 399
	1991	1990	1989
Shareholders' equity as reported in the consolidated balance sheets	10 324	12 155	11 444
Items increasing/decreasing reported equity:			
Deferred income taxes	- 11	10	14
Revaluation of assets	- 333	- 233	- 237
Capitalization of interest expense	76	80	92
Early termination benefits	- 31	- 25	- 16
Gains on sales of real estate	- 651	- 629	- 468
Pensions	61	44	- 10
Forward exchange contracts	82	-	-
Net decrease in reported shareholders' equity	- 807	- 753	- 625
Approximate shareholders' equity in accordance with U.S. GAAP	9 517	11 402	10 819
	1991	1990	1989
Loss/earnings per share, in Swedish kronor:			
Loss/earnings from continuing operations	- 10.35	5.90	15.10
Loss/earnings from discontinued operations	-	0.15	- 2.40
Loss/earnings before extraordinary credit	- 10.35	6.05	12.70
Extraordinary credit:			
Income tax benefit from utilizing loss carry-forwards	0.45	1.85	0.25
Net loss/earnings per share in accordance with U.S. GAAP	- 9.90	7.90	12.95
Weighted average number of shares outstanding	112 999 556	112 999 556	108 016 000
Loss/earnings per share, in Swedish kronor after full conversion:			
Loss/earnings from continuing operations	- 10.35	5.90	14.50
Loss/earnings from discontinued operations	-	0.15	- 2.25
Loss/earnings before extraordinary credit	- 10.35	6.05	12.25
Extraordinary credit:			
Income tax benefit from utilizing loss carry-forwards	0.45	1.85	0.25
Net loss/earnings per share in accordance with U.S. GAAP	- 9.90	7.90	12.50
Weighted average number of shares outstanding	112 999 556	112 999 556	113 000 000

The following is a summary comparing the reported consolidated balance sheets with the balance sheets after approximate adjustments to U.S. GAAP.

	As reported in the consolidated balance sheets			Approximate amounts after adjustment to U.S. GAAP		
	1991	1990	1989	1991	1990	1989
Current financial assets	3 645	3 812	3 417	3 645	3 812	3 417
Inventories	8 444	9 954	8 382	8 444	9 953	8 382
Other current assets	5 483	5 907	5 603	5 564	5 907	5 603
Investments	326	760	853	321	756	851
Property, plant and equipment	9 507	9 057	7 504	9 274	8 959	7 412
Other capital assets	1 840	1 814	1 166	2 210	2 329	1 688
Total assets	29 245	31 304	26 925	29 458	31 716	27 353
Short-term loans	4 493	3 469	2 417	4 493	3 469	2 417
Other current liabilities	5 259	5 929	5 680	5 261	5 929	5 680
Long-term loans	3 201	3 769	1 940	3 870	4 443	2 459
Pensions	4 197	3 955	3 479	4 536	4 455	4 027
Other long-term liabilities	182	214	295	182	214	295
Deferred income taxes	1 417	1 573	1 524	1 427	1 564	1 510
Minority interest	172	240	146	172	240	146
Shareholders' equity	10 324	12 155	11 444	9 517	11 402	10 819
Total liabilities and shareholders' equity	29 245	31 1304	26 925	29 458	31 716	27 353

Parent Company

The following presents condensed financial statements for the Parent Company, AB SKF. A complete annual report for AB SKF (in Swedish) can be obtained from AB SKF, Group Public Affairs, S-415 50 Göteborg, Sweden.

Parent Company income statements

<i>Millions of Swedish kronor</i>	1991	1990	1989
Operating result	- 71	32	- 99
Dividend income from subsidiaries	545	1 040	357
Result after financial income and expense	579	1 145	328
Taxes on income	-	-	175
Extraordinary income and expense	- 91	- 93	42
Taxes related to extraordinary income and expense	-	33	- 40
Net result	488	1 085	505
Provisions	- 0	16	- 13
Reversal of deferred income taxes	-	- 33	- 135
Reported result for the year	488	1 068	357

Parent Company balance sheets

<i>Millions of Swedish kronor</i>	1991	1990	1989
ASSETS			
Current assets	1 655	1 602	1 526
Blocked account in Central Bank of Sweden	-	0	2
Investments	4 284	3 913	3 429
Other capital assets	476	394	271
Total assets	6 415	5 909	5 228
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities	1 535	1 066	955
Long-term liabilities	451	424	447
Convertible debentures	-	-	236
Special reserves	182	182	198
Shareholders' equity			
Share capital	1 412	1 412	1 350
Legal reserve	455	453	279
Total restricted equity	1 867	1 865	1 629
Retained earnings	1 892	1 304	1 406
Reported result for the year	488	1 068	357
Total unrestricted earnings	2 380	2 372	1 763
Total shareholders' equity	4 247	4 237	3 392
Total liabilities and shareholders' equity	6 415	5 909	5 228
Assets pledged	1	-	-
Contingent liabilities	891	887	747

Analysis of changes in shareholders' equity

	1991	1990	1989
Share capital at beginning of year	1 412	1 350	1 350
Conversion of debentures	-	62	0
Share capital at end of year	1 412	1 412	1 350
Legal reserve at beginning of year	453	279	278
Conversion of debentures	-	174	1
Sale of bonus shares	2	-	-
Legal reserve at end of year	455	453	279
Unrestricted earnings at beginning of year	2 372	1 763	1 784
Cash dividends	- 480	- 459	- 378
Reported result for the year	488	1 068	357
Unrestricted earnings at end of year	2 380	2 372	1 763
Total shareholders' equity at end of year	4 247	4 237	3 392

The President and Group Chief Executive's comments

For SKF, the year 1991 was one of rapid adjustments dictated by severely reduced customer demand. The high rate of change, which started in the summer of 1990, was costly for SKF in terms of both money and effort. Capacity reduction, staff cutbacks, cost reduction and lower inventories were key words in our daily operations during the year.

The recession has set the tone for the beginning of 1992 as well. Demand continues to be low and is still falling in certain customer segments. Various branches of the engineering industry account for the majority of our customers. Few analysts foresee an improvement in this sector until some time in 1993. This analysis is also the basic premise for our planning.

After the large adjustments in production and inventories made in 1990 and 1991, product flow is now in good balance. As production levels are below sales at the beginning of the year, even a decline in demand during the year can be balanced.

Efforts to reduce fixed costs will continue during the year. This will result in additional reductions in the number of employees.

One of SKF's strengths is the ability to raise productivity continually. This is being achieved primarily through a combination of a streamlined production organization and investments in new technology. Such measures are imperative in times of stiff competition. During 1991 the rate of investments was high due to a number of large new construction projects in Malaysia, India and the United States in combination with what I like to call the normal rationalization program. In 1992 the rate of investments will be lower and focus on a number of technology development projects. We have learned that our own development work, together with developments in the world around us, constantly offer new opportunities for improvement.

The recession has hastened the process of change in all of our product areas. The Ovako steel operations, in particular, have been subjected to strong pressures, which have resulted in substantial changes and related high costs. The guiding principle in these changes has been to consolidate and simplify. This has led to shutdowns and divestitures of operations. This process will continue within Ovako in 1992.

FUTURE

Following a three-year (1990-1992) period of adjustments under difficult market conditions, SKF is prepared for an expected upturn. A leaner Group organization and increased consolidation of operations have improved our competitiveness.

Preparations for the opportunities that the new European Community will offer were completed at SKF long ago.

Investments in marketing and production in Southeast Asia at the end of the 1980s and the beginning of the 1990s have established the foundation for a stronger presence for SKF in that market.

In the U.S., an expanded production base has created good conditions for a continued increase in market share.

The investments in production and marketing reflect our positive outlook on the future.

Bearings

Bearings and related products is the Group's core business and accounted for more than 90 percent of total Group sales in 1991.

The product program includes a large variety of ball and roller bearings, special bearings, tools for mounting and dismounting of bearings, lubricants, measuring and control instruments, technical consulting and training packages, components and systems for aircraft, textile machinery components, machine tools, sealing systems and retaining rings.

The manufacturing of these products is carried out at 85 factories in 19 countries. The sales organization consists of a large number of wholly-owned sales companies and more than 7 000 industrial distributor outlets, and covers most countries of the world.

Bearings (SEK m)	1991	1990	1989
Net sales	21 104	22 181	21 144
Result after financial income and expense	54	1 385	2 032
Additions to property, plant and equipment	1 516	1 325	1 138
Average number of employees at work	34 661	37 593	38 118

The SKF rolling bearings operations were adversely affected by the severe recession that characterized world economies throughout 1991. Sales volumes declined by nearly 10 percent, resulting in production cutbacks and a reduction in the number of employees. However, conditions varied between the different segments and markets.

The sales organization within the bearing companies is focused on three market segments: the automotive industry, which encompasses the electrical industry, the machinery industry and the after-market.

NEW AUTOMOTIVE ORDERS

The automotive segment comprises passenger cars, trucks and buses. During 1991, deliveries to the automotive industry accounted for 22 percent of Group sales. The major portion was attributable to the European market, in

which SKF holds a strong position. In total, European automotive production declined by approximately 3 percent, or around 400 000 cars. Germany, where automotive production remained unchanged at approximately 4.8 million cars, was an exception to this trend. The Italian automotive industry suffered the sharpest decline, with production decreasing by more than 200 000 cars, compared with 1990. The North American automotive industry reported a decline of approximately 7 percent, or 450 000 cars.

In this harsh business climate, SKF advanced its position in the automotive market. In the U.S., SKF closed agreements regarding the sale of wheel-bearing units to Ford and Chrysler, which, in the latter case, included the company's highly successful van models.

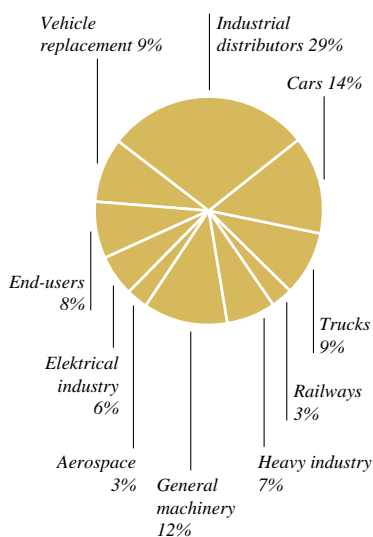
With respect to the largest U.S. automotive manufacturer, General Motors, SKF increased its share of the free-wheel clutches segment, with bearing units for automatic transmission systems.

CR Industries, SKF's American oil seals company, whose principal customers are the three largest automotive manufacturers, was affected by weak demand. However, despite the weak business conditions, CR succeeded in increasing its share of the U.S. market. In addition, an agreement was signed between CR and Toyota's U.S. company regarding deliveries of rear-wheel seals.

During the year, CR prepared a venture into the European market, in coop-

BEARINGS

SALES BY APPLICATION FIELD 1991



eration with the Italian oil seals operations acquired by the Group in 1990.

NEW CAR MARKET

In the European market, SKF signed a contract covering deliveries of wheel bearings to Nissan's U.K. plant. Two South Korean car manufacturers, Hyundai and Kia, signed long-term agreements for deliveries of SKF wheel bearings. Although volumes involved are limited in the initial stages, the agreements stipulate that levels will increase. One particular benefit derived from these agreements is that they represent a breakthrough into a new, expansive and highly attractive market.

Volume trends for truck operations were negative during the year. Germany constituted an exception also in this segment, with an increase in manufacturing levels, although production declined in both Europe and the U.S.

Trends in the automotive industry also affected the SKF companies involved in the manufacture of fastening systems, Seeger-Orbis GmbH in Germany, Anderton International Ltd. in the U.K. and Seeger, Inc. in the U.S. Despite high activity in Germany during the first part of the year, overall demand fell sharply. Seeger-Orbis increased its share of the German market, through the successful launching of new applications.

Demand in the domestic appliances segment, a primary target group for bearing operations that focus on the

electrical industry, declined significantly during the year. Nevertheless, SKF's American company reported favorable trends in this segment.

MACHINERY INDUSTRY

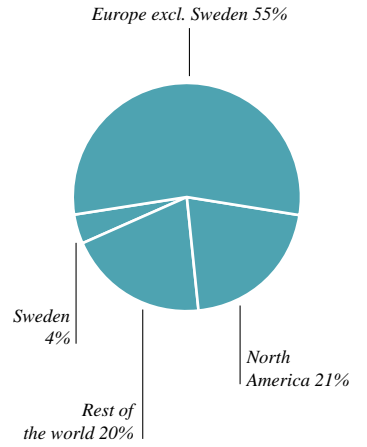
The economic recession resulted in a sharply declining interest in investments. The number of orders received fell continuously throughout the year. Europe and the U.S. were affected by similarly adverse trends which affected most segments of the machinery industry, for example, contracting machinery, machine tools, agricultural machinery and textile machinery.

The machinery industry and the after-market were the two areas in which the build-up of inventories was most substantial during 1989/1990. Consequently, these segments were most severely affected when demand diminished following the start of the Kuwait war in August 1990. Certain signs of a stabilization became noticeable around year-end 1991.

FAVORABLE TREND

SKF's supplies of railway rolling stock materials developed favorably during 1991. Investment activity in this segment rose, as a result of increased interest in rail transportation in Europe and other regions. In addition, railway administrations in various countries, notably Germany and France, increased their purchases of replacement bearings.

BEARINGS
SALES BY
GEOGRAPHICAL AREA 1991



Component Systems (SEK m)	1991	1990	1989
Net sales	4 134	3 710	3 208
Result after financial income and expense	- 175	282	328
Additions to property, plant and equipment	146	202	126
Average number of employees at work	6 180	5 531	5 020

SKF, which holds a leading position in the European market for railway bearings, was able to derive benefits from this trend.

A new generation of express trains (Inter City Express) were placed in regular traffic in Germany during the year. SKF supplies bearings for axle boxes, transmissions and traction motors for these trains. Sweden's high-speed train, the X2000, is also equipped with SKF bearings in these respects.

SKF's strong position in the European railway market is based on the Company's broad product range, strong local organizations and advanced technical service.

TEXTILE MACHINERY COMPONENTS

The fall in demand for spinning machines, which first became noticeable during the second half of 1990, continued throughout 1991. This resulted in weaker demand for textile machinery components, particularly in Germany, Switzerland and Italy. Demand in East European markets, which had formerly been major consumers of spinning machines, virtually disappeared.

In the Japanese market, demand remained buoyant throughout the year, and this country has now overtaken Germany as the largest single market for SKF's textile machinery components. A sustained level of demand was also reported in the Chinese market.

NEW ORDERS FROM THE AIRCRAFT INDUSTRY

As a result of SKF's efforts to further strengthen its position as a leading supplier to the aircraft industry, the Group gained several new orders during the year. The contracts secured by MRC Bearings, the Group's American manufacturer of aircraft engine bearings, included an order from General Electric for the supply of main shaft bearings for the U.S. company's new GE90 engine, which is to be fitted into Boeing 777s and other large aircraft.

Pratt & Whitney, another major aircraft engine manufacturer, selected MRC as the supplier of a number of bearing applications for its new engines.

Lucas Western Industries, the largest U.S. supplier of aircraft gearboxes, also selected MRC as a supplier of bearings for several new and existing gearboxes for both fixed-wing aircraft and helicopters.

In the helicopter segment, MRC concluded a supply agreement with the McDonnell Douglas Helicopter Corporation, resulting in new orders for the company.

These successes could not compensate for the effects that the general economic recession and sharp cutbacks in U.S. defense expenditures had on the result.

Income was also affected adversely by the closure of SKF's factory in Philadelphia, Pennsylvania, the Group's oldest in the U.S., and the transfer of these operations to the factories in Jamestown and Falconer, both situated in New York State. The concentration of operations from three to two units will yield significant rationalization benefits. This restructuring measure was implemented in its entirety during 1991.

SUCCESSSES FOR SARMA

During the year, SKF's French subsidiary, SARMA, strengthened its position as a supplier to Airbus, by signing contracts for the two new long-distance aircraft, A330 and A340. SARMA also received orders for the supply of support structures, consisting of carbon fiber struts, for these aircraft. Serial manufacturing of carbon fiber

struts was started up during the year at the factory in Lons-Le-Saunier.

In the American market, in which the company still holds a small share, SARMA gained a new order for deliveries of cable tension regulators (a regulator that ensures that the wires in an aircraft's manoeuvre system are adequately taut, irrespective of temperature conditions) for the Boeing 757. SARMA already supplies products for the Boeing 767.

Even the new SAAB 2000, which made its first public appearance in December 1991, is equipped with SARMA tension regulators.

MATERIALS HANDLING

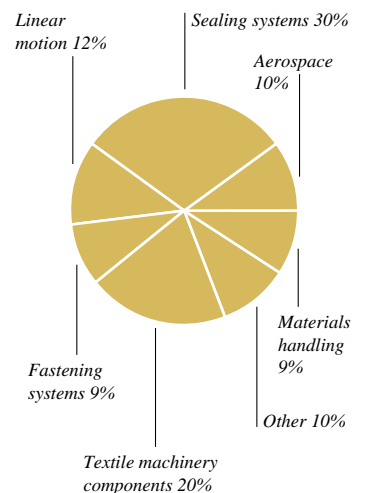
In both Japan and the U.S., the focus on separate sales companies for Flex-Link chain conveyor systems resulted in positive trends. A distribution center for the European market was established in the Netherlands, with the purpose of improving the level of service and reducing inventories.

The Group sold two units during the year, SKF Transportwielen B.V. in the Netherlands and Gamfior in Italy, whose operations were not compatible with the Group's long-term strategy.

AFTER-MARKET

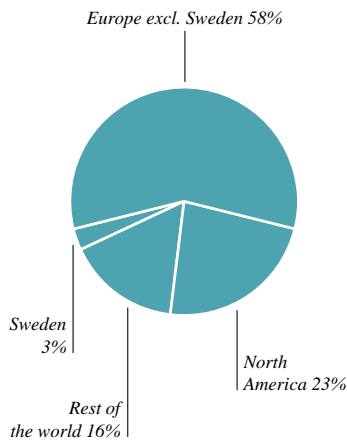
The Group continued efforts in enhancing its profile in the industrial after-market which is largely a distributor market and accounts for more than 40 percent of SKF's total sales. In the U.S.,

COMPONENT SYSTEMS SALES BY PRODUCT CATEGORY 1991



COMPONENT SYSTEMS

SALES BY
GEOGRAPHICAL AREA 1991



“Trouble-Free Operation” partnerships were entered into between SKF, its industrial distributors and major end users in the steel, chemical and paper industries. These partnerships contribute to machine uptime with enhanced bearing service life through preventive maintenance, maintenance and supply. SKF’s competitiveness in this area was strengthened by the addition of a range of monitoring systems, marketed by the U.S. subsidiary, SKF Condition Monitoring.

In the automotive after-market, the Group continued to focus on kits, which are complete collections of bearings and other components required for the replacement of a bearing in a vehicle. Efforts in this area mainly concentrated on the European market and sales increased again in 1991. Separate kits are available for both passenger cars and trucks.

During the year, distributors decided to cut back on their own inventories, in order to reduce their financial commitments in the prevailing recession. This had a negative impact on SKF’s sales to distributors. However, continuingly favorable trends were reported in certain Latin American markets, the entire African continent and the Middle East, although these markets account for only a minor portion of SKF’s total business. Group sales also developed well in the Asia-Pacific region.

Service levels in the Brazilian and Mexican markets were improved by the

central warehouse in Port Everglades, Florida, U.S.A., now acting as supplier to SKF companies in these countries. The benefits derived from this change include shorter lead-times and a well-adapted product range.

CONTINUED RATIONALIZATION MEASURES

The decline in production level led to major adjustments of the Group’s production activities.

The Group’s two major rationalization projects, the Channel concept, at an operational level, and the MS90 (Manufacturing Structure for the Nineties), at a structural level, have now entered their final phases.

The transfers of production between various companies, required as part of the MS90, are now virtually completed. However, certain structural changes remain to be implemented within a few companies. For example, the concentration of ball bearing manufacturing at the Göteborg factory is still in progress. In addition, the transfer of the manufacturing of certain types of spherical roller bearings from France to Göteborg has been initiated.

The so-called Swedish problems, high rates of absence and personnel turnover at the Göteborg factory, are in the process of being resolved. This is attributable both to the effects of Sweden’s economic recession and to extensive internal programs implemented within SKF. Accordingly, the

rate of short-term absence due to illness was reduced from 10 percent to 7 percent, while the rate of personnel turnover was cut from approximately 15 percent to 8 percent.

The Channel concept has resulted in shorter lead and throughput times and reduced inventories of both semifinished and finished products. Consequently, costs were reduced and service levels improved.

In parallel with the major projects, ongoing measures continued in order to modernize the machine park and further improve quality.

NEW WORK ORGANIZATION

The introduction of the Channel concept into manufacturing operations not only enhances the efficiency of manufacturing activities, it also results in changes in the work organization. Each channel can be seen as a factory within a factory, whereby specific skills are required if work in each channel is to be conducted satisfactorily. More extensive skills will be needed and the work content increased.

MALAYSIA FACTORY IN OPERATION

In February 1990, the SKF Board of Directors approved plans to construct a new factory in Malaysia, just south of the capital Kuala Lumpur. This factory is part of the Group's strategy of increasing manufacturing capacity in Asia and thereby coming into closer contact with end users. The factory

building, covering an area of 15 000 square meters, is now completed and operations were started up, as planned, at the beginning of 1992.

Extensive resources have been devoted to the training of SKF employees at the factory. A nine-week course for new employees was arranged at an early stage, in cooperation with a local school. This was necessary in order to prepare employees for a more intensive training program at the Group's European factories, where they subsequently underwent six- to nine-month courses in bearing manufacturing. A follow-up training program was implemented on their return to Malaysia.

The factory, which manufactures a limited range of bearings, will serve the Asia-Pacific region.

CTT Tools

CTT Tools has the responsibility for manufacture and sales of cutting tools, primarily made of high-speed steel.

The product program covers a broad range of twist drills, taps and dies, milling tools and other cutting tools of standard and special designs. The program is supplemented in certain markets by carbide turning, drilling and milling tools.

CTT Tools has 24 companies in 11 countries.

Tools (SEK m)	1991	1990	1989
Net sales	1 978	1 332	1 246
Result after financial income and expense	- 103	40	127
Additions to property, plant and equipment	89	61	84
Average number of employees at work	4 364	3 331	3 249

As a result of the acquisitions in 1990 of the Italian tool company, Cofler & C., and American Union Butterfield, as well as the formation of CTT Tools through the merger with German Günther & Co, CTT doubled its sales.

Accordingly, 1991 was a period of consolidation, requiring extensive changes in company structures.

The economic recession, which forced industries throughout the western world to make adjustments during the year, also had an adverse impact on the tools industry.

Sales to distributors, which account for approximately 70 percent of CTT's sales, were adversely affected by distributors electing to reduce their own inventories.

Despite the unfavorable business climate, CTT implemented its consolidation process according to plan. In the U.K., decisions were taken to close the old tool factory in central Sheffield and transfer manufacturing to

two other factories in the region. In connection with this transfer, investments were made in new machines in order to increase productivity, enhance quality and raise the level of production per unit of factory floor space.

SYNERGISTIC EFFECTS

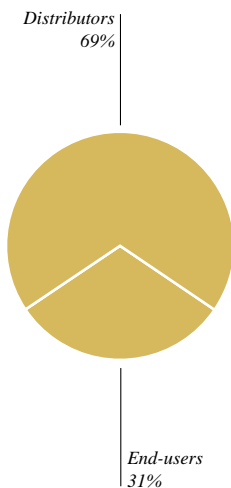
The reductions in CTT Tools' workforce were attributable both to the lower volumes, resulting from the decline in sales, and to the synergistic benefits derived from the expansion of operations.

CTT Tools' workforce was reduced by more than 15 percent in Europe during the year. Workforce adaptations in the U.S. and Brazil were largely implemented during 1990. Income for the year was adversely affected by the costs incurred during 1991 for cutting the number of employees, and by the provisions made for restructuring measures, ongoing reductions in the workforce and reducing inventories.

In the U.S., sales activities were concentrated to the company in Asheville, North Carolina. The manufacturing unit in Gaffney, North Carolina, was reorganized and its operations concentrated on the production of drills and end mills.

Tools operations in Brazil recovered during the latter part of the year. The Brazilian company's previously negative trends were broken by reductions in the

SALES BY APPLICATION FIELD 1991



workforce, rationalization measures and an increase in its share of the important export market, thus restoring profitability.

A product catalogue on diskette, indicating the proper tools and cutting data for specific materials and applications, was launched during the year.

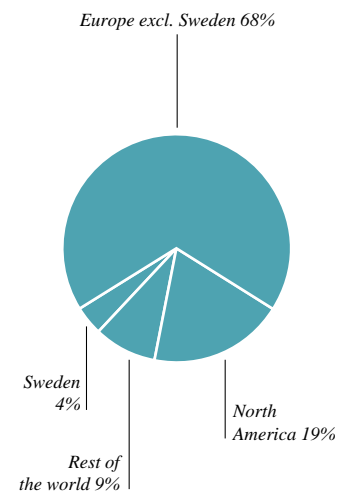
NEW RANGE

One of CTT's German subsidiaries, DT-Diamant-Technik GmbH, in Frankfurt, developed a number of new products which, through an electrolytic process are provided with a natural diamond coating. The new products include crushing rollers used for the honing of

grinding wheels that have complex shapes. The continuous development in this area will enable CTT Tools to offer a range of diamond-coated tools, which in certain types of material, for example composite materials, are far superior to conventional tools.

The reorganization of production activities into cells, currently in progress at the various manufacturing units, will provide significant benefits in the form of shorter lead and production times, lower costs, improved quality and reduced inventories.

SALES BY GEOGRAPHICAL AREA 1991



Parent Company board of directors

BOARD OF DIRECTORS

LENNART JOHANSSON

Born 1921. Chairman. Board member since 1970.
Vice Chairman ESAB AB.
Board member Atlas Copco AB and Federation of Swedish Industries.
Shareholding in SKF: 26 139

PETER WALLENGERBERG

Born 1926. Vice Chairman. Board member since 1972.
First Vice Chairman Skandinaviska Enskilda Banken.
Chairman ASEA AB, Atlas Copco AB, AB Investor, Förvaltnings AB Providentia, Stora Kopparbergs Bergslags AB (STORA), The Wallenberg Foundation and co-chairman of ABB Asea Brown Boveri, Zürich (Switzerland).
Vice Chairman AB Electrolux and Telefon AB LM Ericsson (Ericsson).
Board member Incentive AB, SAS, Aerotransport, SILA and the Nobel Foundation a o.
Board of Directors of Per Jacobsson Foundation (USA), Wharton Center for International Management Studies and Lauder Institute, University of Pennsylvania (USA) and Board of the International Advisors of Swiss Bank Corporation (Switzerland).
Past President of the International Chamber of Commerce (ICC), Paris (France).
Shareholding in SKF: 20 000

ALF ÅKERMAN

Born 1923. Board member since 1973.
Chairman Trygg Hansa SPP Holding AB, Trygg Life, Svenska Nestlé AB, BASF Svenska AB, Westpartner AB and BioVäst-Gruppen AB, a o.
Board member NCC AB, Nordstjernan Förvaltning AB, NCC Fastigheter AB, Effjohn Oy, Helsinki (Finland), Mölnlycke AB, Forbo S.A., Zürich (Switzerland), Kabi Pharmacia AB, AB Färdig Betong and Federation of Swedish Industries, a o.

HOLGER BOHLIN

Born 1921. Board member since 1975.
Professor emeritus of Industrial Management, Chalmers University of Technology, Göteborg.
Chairman Chalmers Innovation AB and Chalmers Industriteknik (CIT).
Board member Bergman & Beving AB, AB Geveko, Teleinvest AB and Teli AB.

GÖRAN JOHANSSON

Born 1945. Employee representative. Board member since 1975.
First Vice Chairman Executive Committee of the City Council of Göteborg.
Chairman Liseberg AB.
Board member Första Sparbanken, Götaverken Miljö AB and Statens Vattenfallsverk.

MAURITZ SAHLIN

Born 1935. President and Group Chief Executive. Board member since 1976
Board member AB Export-Invest, Saab-Scania AB, Saab-Automobile AB, AB Investor, Skandinaviska Enskilda Banken, Chalmers Industriteknik (CIT) and Federation of Swedish Industries.
Member of Verwaltungsbeirat, Dresdner Bank AG (Germany).
Shareholding in SKF: 25 092 plus 2 000 warrants

BENGT HAAK

Born 1925. Board member since 1981.
Chairman AB Custos.
Board member Skandinaviska Enskilda Banken and AB Volvo.

GÖSTA BYSTEDT

Born 1929. Board member since 1982.
Chairman AB Scanditronix, Dagab and Nilörngruppen AB.
Vice Chairman AB Electrolux, AB Export-Invest, Åhlens AB and Axel Johnson AB.
Board member Skandinaviska Enskilda Banken, ESAB AB, Atlas Copco AB and Federation of Swedish Industries.

PER-OLOF ERIKSSON

Born 1938. Board member since 1987.

Group President and CEO of Sandvik AB.

Chairman Svenska Kraftnät (Swedish National Grid).

Board member Sandvik AB, SSAB Swedish Steel Corporation, Handelsbanken and Federation of Swedish Industries.

GIOVANNI MARIO ROSSIGNOLO

Born 1930. Board member since 1987.

Chairman Industrie Zanussi, Seleco, Atlas Copco Italia and Perstorp Italia.

Vice Chairman and member of the Ericsson Executive Committee.

Board member Ducati Energia, Consortium and Fiar (Italy), Electrolux Holding (Spain) and Schroder Bank.

INGER STENSTRÖM

Born 1933. Employee representative. Board member since 1990.

Chairman SIF (The Swedish Union of Clerical and Technical Employees in Industry), AB SKF, Göteborg.

CLAES DAHLBÄCK

Born 1947. Board member since 1991.

Managing Director AB Investor.

Board member ASEA AB, AB Astra, Incentive AB, Vin & Sprit AB, AB Electrolux, Feldmühle AG (Germany), OM Group, AB Papyrus, SNS and Stora Kopparbergs Bergslags AB (STORA).

DEPUTY BOARD MEMBERS

LENNART ALVERÅ

Born 1952. Employee representative. Deputy board member since 1987.

Chairman Metalworkers' Union, AB SKF, Göteborg.

Shareholding in SKF: 20

SUNE CARLSSON

Born 1941. Deputy board member since 1991.

Deputy Managing Director of the ABB Group.

CLEMENS KARLSSON

Born 1934. Employee representative. Deputy board member since 1987.

Vice Chairman SIF (The Swedish Union of Clerical and Technical Employees in Industry), Lidköping Machine Tools AB.

Shareholding in SKF: 32

MARCUS WALLENBERG

Born 1956. Deputy board member since 1988.

Deputy board member AB Astra, AB Investor, Förvaltnings AB Providentia, Saab-Scania AB and The Wallenberg Foundation.

Shareholding in SKF: 6 000

Group organization

Group Chief Executive
MAURITZ SAHLIN

Finance & Administration
KAJ THORÉN

Treasury
TORE BERTILSSON

Legal
KRISTER PEIL

Personnel & Organization
OLLE RANÄNG

Public Affairs
LARS G MALMER

Business Development & Marketing
STEN MALMSTRÖM

Manufacturing Process & Technology
ROLF JACOBSON

Research & Quality
HENNING WITTMAYER

Special Assignments
INGEMAR FERNLUND

Industrial & Automotive Division

TOMMY H
KARLSSON

Sales Companies Division

ANDERS
BRÄNNSTRÖM

Sales Asia-Pacific Division

DALE
CAMPKIN-SMITH

Specialty Components Division

H CLIVE
FRANKLIN

CTT

ANDERS
ILSTAM

Ovako

GUNNAR
GREMLIN

Group units and associated companies

* Number of employees registered at the year-end.

Country	Name, location	Head	Employees*	Group Holdings %	
BEARINGS					
Argentina	SKF Argentina S.A., Buenos Aires	Raúl H Gaspar	400	99.9	
	Huber S.A.I.C., Buenos Aires	Raúl H Gaspar	97	74	
	Rodamientos Steyr Sudamericana, Buenos Aires	Marcos Pejacsevich	6	75	
Australia	SKF Australia Pty. Ltd., Oakleigh	Anders Kjellman	81	100	
	Steyr Nationwide Bearings Pty. Ltd., Mordialloc	Bengt Olof Hansson	22		
	CR Industries Pty. Ltd., Mentone	Fred Hunt	14	100	
Austria	SKF Österreich AG, Steyr	Klaus Dieter Stroehmann	778	75	
	Steyr Wälzlager Ges.m.b.H., Steyr	Per Arestad	137	75	
	Compensa Handel Ges.m.b.H., Wien	Walter Kral	9	100	
	Seeger Gesellschaft m.b.H., Wien	Jürgen Dziadek	6	100	
Belgium	SKF Forecasting & Supply Office (FSO), Bruxelles	Fred Orre	36	100	
	SKF Belgium S.A., Bruxelles	Svante Bursie	87	100	
	SKF Intertrade S.A., Bruxelles	Björn Uby	82	100	
	SKF Multitec N.V./S.A., Bruxelles	Hans A Bender	23	100	
Brazil	Seeger-Orbis S.A., Bruxelles	Bernard Tilleuil	9	100	
	SKF do Brasil Ltda., São Paulo	Liberto Sanz	1 094	100	
	CBR-Comercial Brasileira de Rolamentos Ltda., São Paulo	Silvio N Barros	39	100	
Bulgaria	Seeger-Reno Indústria e Comércio Ltda., São Paulo	João Scivoletto	251	100	
	SKF Sofia, Sofia	Ivan Stoimenov	3	100	
Canada	SKF Canada Limited, Scarborough	Jan Lindhe	177	100	
	CR Services Canada, Oakville	Ron Starr	43	100	
Chile	SKF Chilena S.A.I.C., Santiago	Johan Wersäll	61	100	
China, Peoples Republic	SKF Shanghai Office, Shanghai	Ralph Woo Chung Yuen	3	100	
	SKF Beijing Service Centre, Beijing	William Sun Wai Yim	5	100	
Colombia	SKF Colombia S.A., Bogota	Francisco Alvarez	21	100	
Croatia	SKF Services d.o.o., Zagreb	Börje Nordman	3	100	
Czechoslovakia	SKF Československo a.s., Praha	Per Hanngren	34	100	
Denmark	SKF Danmark A/S, Brøndby	Bent Røddik	69	100	
	Nordtransmission A/S, Ry	Per Møller	1	26	
	SKF Maintenance Systems A/S, Brøndby	Steen Damsgaard	6	100	
Finland	Oy SKF Ab, Espoo	Göran Westerholm	60	100	
	SKF Tohmac Transmission Oy, Tohmajärvi	Antti Hämäläinen	10	100	
	SKF France S.A., Clamart	Jacques Bischoff	2 466	99.9	
France	SKF Auto Parts S.A., Bezons	Christer Boman	21	100	
	SOS Roulements S.n.c., Rungis	Alain Zins	21	100	
	SKF Roulements Spécialisés S.n.c. (ADR), Thomery	Jean-François Combe	283	100	
	SKF Slewing Bearings (RKS S.A.), Avallon	Bernard Lefevre	300	100	
	CGR Roulements s.n.c., Beauchamp	Willy Tartour	76	100	
	Steyr Roulements France E.U.R.L., Bonneuil sur Marne	Gérard Platon	6	75	
	SARMA, Saint-Vallier-sur-Rhone	Pierre Raynal	697	100	
	Transrol S.n.c., Chambéry	Daniel Lemaire	293	100	
	SKF Equipements S.n.c., Montigny-le-Bretonneux	Francis Soubestre	93	100	
	SKF GmbH, Schweinfurt	Michael Haupt	6 935	99.9	
Germany	SKF Service GmbH, Schweinfurt	Ruud Amelink (acting)	157		
	SKF Gleitlager GmbH, Püttlingen	Hartmut Hutter	571	100	
	Lidköping Werkzeugmaschinen GmbH, Erkrath	Rolf Eriksson	10	100	
	Deutsche Steyr Wälzlager GmbH, Essen	Gerd Meyer	11	100	
	Seeger-Orbis GmbH, Königstein/Schneidhain	Bernd Latteman	327	100	
	Seeger-Orbis in Wilischthal GmbH, Wilischthal	Hilmar Kittel	137	100	
	SKF Textilmaschinen-Komponenten GmbH, Stuttgart	Max Hartmannsgruber	1 115	100	
	SKF Linearsysteme GmbH, Schweinfurt	Harald Betsch	136	100	
	SKF Multitec GmbH, Dreieich-Sprendlingen	Bengt Hjärpe	109	100	
	Mikronwerk GmbH, Aschaffenburg	Karl Sieber	62	100	
	SKF Hellas S.A., Athina	Philip Avratoglou	64	100	
	SKF China Limited, Hong Kong	Bee Kek Chng	37	100	
	Hungary	SKF Svéd Golyóscsapágy Rt., Budapest	István Kállay	52	100
	India	SKF Bearings India Ltd., Bombay	Richard Gresko	2 882	51
Skefko India Bearing Co. Ltd., Bombay		Harshad M Chhaya	145	39.9	
Iran	AB SA des Roulements à Billes Suédois SKF Tehran, Tehran	Ulf Ulin	15	100	

Country	Name, location	Head	Employees*	Group Holdings %	
Italy	SKF Industrie S.p.A., Rivoli	Luca Paveri Fontana	4 585	100	
	SKF Cuscinetti S.p.A., Torino	Luca Paveri Fontana	177	100	
	SKF Avio, Villar Perosa and SKF Precision Bearings, Villar Perosa	Giovanni Marino	453	100	
	RFT S.p.A., Villanova d'Asti	Giuseppe Donato	626	100	
	Steyr Italiana Cuscinetti S.r.l., Saronno	Rudolf Pirklbauer	4	100	
	SKF Componenti Industriali S.p.A., San Mauro Torinese	Mario Nepote	64	100	
	Anderton Italia S.p.A., Trezzano S/N	Bruno Resmini	23	90	
	Ivory Coast	SKF Abidjan, Abidjan	Bernard Durand	9	100
		Japan	SKF Japan Ltd., Tokyo	Claes Grill	77
	SKF Component Supplies Ltd., Osaka		Claes Grill	4	100
SKF Product Service Centre, Chino	Yoshinori Kishi		24	100	
SKF Multitec K.K., Tokyo	Isao Nagayama		14	100	
Kenya	SKF Kenya Limited, Nairobi	David Roberts	26	100	
Korea	SKF Korea Ltd., Pusan	Björn Sidoff	10	100	
Malaysia	SKF Bearing Industries (Malaysia) Sdn. Bhd., Nilai	Lars-Göran Arvidsson	142	100	
	SKF Malaysia Sdn. Bhd., Kuala Lumpur	Ong Eng Yeow	37	100	
Mexico	SKF de México, S.A. de C.V., Mexico, D.F.	Geo Stammer	803	100	
The Netherlands	SKF Kogellagerindustrie B.V., Veenendaal	Anton Meijer	404	100	
	SKF Nederland B.V., Veenendaal	Ingvar Karlsson	124	100	
	SKF Maintenance Products B.V., Mijdrecht	Hans Jonsson	42	100	
	SKF Multitec B.V., Amsterdam	Joop N J van der Kwaak	29	100	
New Zealand	SKF New Zealand Limited, Auckland	Kevin Brown	15	100	
Norway	SKF Norge A/S, Oslo	Bjarne Johansen	55	100	
	SKF Multitec A/S, Oslo	Kenneth Holmgren	8	100	
Panama	SKF Panama Region, Panama City	Manfred Vogel	27	100	
	SKF Latintrade, Inc., Panama City	Manuel Penha	11	100	
Peru	SKF del Perú S.A., Lima	Lars Andrén	42	100	
Philippines	SKF Philippines, Inc. Manila	Jan Brons	26	40	
Poland	SKF Centrala Handlowo-Techniczna sp.z.o.o., Warszawa	Claes Sturegård	5	100	
Portugal	Sociedade SKF Limitada, Lisboa	Lennart Nyström	57	100	
Singapore	SKF South East Asia & Pacific Pte. Ltd., Singapore	Phil Knights	123	100	
	SKF Manufacturing Singapore (Pte) Ltd., Singapore	Siegfried Klein	221	100	
South Africa	SKF South Africa (Pty) Ltd., Boksburg (Johannesburg)	Nils Bonde	130	100	
	SKF Bearing Manufacturers (Pty) Ltd., Uitenhage	Lennart Johansson	304	100	
Spain	SKF Española S.A., Madrid	Carl-Gustaf Nordheim	1 029	100	
	SKF Productos Industriales S.A., Barcelona	José A Parrilla	32	100	
Sweden	SKF Sverige AB, Göteborg	Sten-Åke Aronsson	2 843	100	
	SKF Vehicle Parts AB, Göteborg	Johan Vickhoff	58	100	
	SKF Eurotrade AB, Göteborg	Claes Sturegård	33	100	
	SKF Mekan AB, Katrineholm	Martin Ivert	586	100	
	Lidköping Machine Tools AB, Lidköping	Sten Wendin	447	100	
	Fixtur-Laser AB, Mölndal	Nils Andersson	18	60	
	SKF Specialty Products AB, Göteborg	Staffan Lindblom	129	100	
	Stellana AB, Laxå	Börje Persson	44	100	
	SKF Multitec AB, Helsingborg	Göran Wahlberg	41	100	
	SKF Transmission AB, Jönköping	Göran Wahlberg	11	100	
	Switzerland	SKF (Schweiz), Schwerzenbach	Rolf Nordahl	50	100
		SKF Multitec AG, Mammern	Kerry Larsson	34	100
		SMM Spindel AG, Uster	Lars Fossum	96	100
Taiwan, R.O.C.	SKF Bearing Services Taiwan Ltd., Taipei	Göran Gustafsson	60	100	
	FSQ Taiwan Co. Ltd., Taipei	Tony Yeh	70	40	
Thailand	SKF (Thailand) Ltd., Bangkok	Pelle Eriksen	65	49	
Turkey	SKF Bileli Rulmanlari Ltd. Sti., Istanbul	Tosun Benk	48	99.96	
United Kingdom	SKF (U.K.) Limited, Luton	Ulf Jemsby	923	100	
	Steyr Bearings (UK) Ltd., Nottingham	Barry Pickering	3	100	
	Anderton International Ltd., Bingley	Robert Wieremiej	212	100	
	Ampep P.L.C., Clevedon	Robert Benion	173	100	
	SKF Engineering Products Limited, Milton Keynes	Bo Hägg	61	100	
Uruguay	SKF Uruguay S.A., Montevideo	Lloyd Brown	16	100	

Country	Name, location	Head	Employees*	Group Holdings %
USA	SKF USA, Inc., King of Prussia, PA	Raymond B Langton	1 866	99.8
	Nice Specialty Bearings, Kulpsville, PA	Roger H Hayes	162	99.8
	Bearing Services, King of Prussia, PA	Kevin F Carrigan	243	99.8
	CR Services, Elgin, IL	William S Wade, Jr.	346	100
	Korody-Colyer Corp., Compton, CA	Eugene Zamiska	264	100
	SKF Specialty Bearings Sales Co., Kulpsville, PA	Dennis C Wolfe	22	99.8
	SKF Plain Bearings, Winsted, CT	Sonnie Wing	36	100
	SKF Condition Monitoring, Inc., Carlsbad, CA	Marianne Ericsson	49	66.7
	CR Industries, Elgin, IL	Dennis B Clark	1 767	100
	MRC Bearings, Jamestown, NY	Bengt Nilsson	1 062	99.8
	Steyr Bearings, Clifton Park, NY	Richard D Scott	1	75
	Seeger, Inc., Somerset, NJ	Ronald M England	102	100
	SKF Component Systems Co., Bethlehem, PA	Walter F Mannherz	24	99.8
	SKF Handling Systems Co., Bethlehem, PA	Jon Badju	22	99.8
	SKF Textile Products, Inc., Gastonia, NC	E Gordon Summey	5	100
Venezuela	SKF Venezolana S.A., Caracas	Reginaldo T Marques	48	100
Vietnam	SKF (Ho Chi Minh City), Ho Chi Minh City	Fredrik Jönsson	1	
	SKF (Hanoi), Hanoi	Fredrik Jönsson	0	
Yugoslavia	SKF Commerce d.o.o., Beograd	Börje Nordman	1	100
	UNIS Tvornica Valjčanih Ležaja-UTL, Vogošća	Mato Marić	836	23
	UNIS Tvornica Kotrljajnih Ležaja-Sokolac, Sokolac	-	155	17
Zambia	SKF (Zambia) Ltd., Kitwe	Kent Jägnert	104	100
Zimbabwe	SKF (Zimbabwe) (Pvt.) Ltd., Harare	Jim Pattison	40	100

CTT TOOLS

Austria	Prototyp Präzisionswerkzeug Ges.m.b.H., Wien	Jürgen Dziadek	7	70
	Günther & Co Ges.m.b.H., Wien	Eckhard Planegger	8	70
Belgium	SKF Tools N.V./S.A., Mortsel	Ben Luyckx	6	70
Brazil	SKF Ferramentas S.A., São Paulo	Mauricio Costin	651	66
Canada	SKF Tools Canada Ltd., Mississauga	Richard E Tunstill	69	70
France	Société Gunther & Co, Soultz-sous-Forêts	Louis Blangenwitsch	474	70
	SKF Tools S.A., L'Hay-les-Roses	Fabio Giadrossi	17	70
Germany	Günther & Co. GmbH, Frankfurt	Jürgen Gesekus	786	70
	Prototyp-Werke GmbH, Zell-Harmersbach	Klaus Scholl	529	70
	SKF Werkzeuge GmbH, Erkrath	Dick Geerlings	50	70
	DT-Diamant-Technik GmbH, Frankfurt	Eberhardt Krantz	11	70
Italy	Cofler & C. S.p.A., Rovereto	Håkan Larsson	195	70
	SKF Utensili S.p.A., Givoletto and SKF Tools S.p.A., Trezzano S/N	Fabrizio Resmini	145	70
The Netherlands	SKF Tools B.V., Veenendaal	Ingemar Broström	10	70
Sweden	SKF Tools AB, Halmstad	Mats Christenson	278	70
United Kingdom	SKF & Dormer Tools (Sheffield) Ltd., Sheffield	Göran Hjertstedt	796	70
	SKF & Dormer Tools UK Sales Ltd., Sheffield	Rob Knol	55	70
	Titex Tools Ltd., Halesowen	Harry W Coxill	20	70
USA	Union Butterfield Corporation, Asheville, NC	Adrian Waple	44	70
	SKF Tools Corporation, Asheville, NC	Richard Tunstill	167	70

OTHER COMPANIES

France	Société de Mécanique Magnétique S.A., Vernon	Claude Langlade	60	18.1
The Netherlands	SKF Engineering & Research Centre B.V., Nieuwegein	Henning Wittmeyer	191	100
	SKF College of Engineering, Nieuwegein	Kjell Johannesson	3	100
Sweden	SKF Nova AB, Göteborg	Börje Andersson	23	100
	SKF Dataservice AB, Göteborg	Kaj Thorén	119	100
	SKF International AB, Göteborg	Per Thorén	12	100
	SKF Reinsurance Co. Ltd., Göteborg	Per Åke Wetterqvist	6	100
	SKF Support AB, Göteborg	Göran Gustafsson	103	100
	SKF Fastighetsförvaltning AB, Göteborg	Hans Kalmner	50	100
	Ovako AB, Danderyd	Gunnar Gremlin (acting)	4 530	100
	ScanDust AB, Landskrona	Ulf Helgesson	77	75

Shares and shareholders

DISTRIBUTION OF SHARES AS PER 31 DECEMBER 1991

	Stockholm (1916)	London (1928)	Paris (1929)	Geneva (1935)	Basel (1985)	Zürich (1985)	New York (1985)
A shares, unrestricted	80 640	•					
A shares, restricted	49 175 692	•					
B shares, unrestricted	41 008 274	•	•	•	•	•	•
B shares, restricted	22 734 950	•					
Total	112 999 556						

Year of introduction on respective stock exchange is indicated within brackets.

The designations A and B indicate the voting power of the share. An A share has one vote and a B share has one-thousandth of one vote. Foreign nationals and other controlled persons may, by subscription or transfer, acquire unrestricted shares only. The Board of Directors of AB SKF has suggested that the clause restricting the acquisition of shares be abolished by the Annual General Meeting, so that all shares become unrestricted. Such a decision must be approved by the Swedish government.

The SKF share is traded in the USA through the NASDAQ system via American Depositary Receipts (ADR).

CHANGES IN SHARE CAPITAL 1981-1991

	Amount paid SEK m	Share capital SEK m	Number of shares in millions
1981 Right issue 1:5 75 SEK	270	1 080	21.6
1982 Bonus issue 1:4		1 350	27.0
1989 Split 4:1		1 350	108.0
1990 Conversion of debentures	62	1 412	113.0

STOCKHOLM STOCK EXCHANGE TRADING IN SKF SHARES

Year	Number of shares	SEK m
1987	7 420 000	2 396
1988	5 403 000	1 588
1989	8 426 000	1 802
1990	13 845 000	1 727
1991	27 212 000	2 659

Source: Stockholm Stock Exchange

CONVERTIBLE DEBENTURES

In October 1984 AB SKF issued convertible debentures for 237 million Swedish kronor, to which employees of the Parent Company and its subsidiaries in Sweden, as well as the SKF Aktiesparfond and the SKF Allemansfond could subscribe.

Each debenture had a nominal value of 190 Swedish kronor and an interest coupon of 13 percent. Conversion into SKF B shares, or redemption, was possible up to February 1, 1990. The conversion rate was 47.50 Swedish kronor after split during 1989. Full conversion of the debentures lead to an increase of the number of shares by 4 999 556, or 4.6 percent.

SHARE SAVINGS FUND FOR EMPLOYEES

SKF Aktiesparfond, a savings fund in which SKF employees in Sweden could save during the period 1981 to 1984 was liquidated during 1991, as changes in tax legislation made this type of fund unfavorable. The fund's assets, SKF-shares, were distributed to the members.

A new fund with the same purpose, SKF Allemansfond, was started in April 1984. Most of the means of the fund have been invested in SKF shares. On December 31, 1991, the SKF Allemansfond had 891 members and assets amounting to 41 million Swedish kronor.

DISTRIBUTION OF SHAREHOLDING

Number per shareholder	Number of shareholders	Percent	Number of shares	Percent
1- 1 000	39 338	90.9	9 547 901	8.4
1 001- 10 000	3 609	8.3	9 038 056	8.0
10 001-100 000	271	0.6	7 799 260	6.9
100 001-	82	0.2	86 611 085	76.7
Subtotal	43 300	100.0	112 996 302	100.0
Unclaimed bonus shares			3 254	0.0
			112 999 556	100.0

Source: VPC AB's public share register as of 1991-12-30

TEN LARGEST SHAREHOLDERS

	Number of shares	Number of votes	In percent of share capital	In percent of voting rights
1) Skanska AB	14 055 400	12 442 615	12.4	25.2
2) AB Investor	9 675 028	9 675 028	8.6	19.6
3) Förvaltnings AB Providentia	9 275 024	9 275 024	8.2	18.8
4) Försäkringsbolaget SPP	5 866 586	1 176 031	5.2	2.4
5) Fjärde Allmänna Pensionsfonden	3 534 276	2 161 974	3.1	4.4
6) Trygg Ömsesidig Livförsäkring	2 768 788	32 939	2.5	0.1
7) Skandia	2 401 728	204 099	2.1	0.4
8) Allmänna Pensionsfonden tredje löntagarfondsstyrelsen	2 225 976	2 225 976	2.0	4.5
9) AMF, Pensionsförsäkringar	1 741 600	806 936	1.5	1.6
10) Fond Väst	1 297 700	600 198	1.1	1.2
			46.7	78.2

Source: VPC AB's public share register as of 1991-12-30.

PER-SHARE DATA (DEFINITIONS SEE NOTE 1)

Swedish kronor/share	1985	1986	1987	1988	1989	1-6	1991
Earnings per share	4.95	6.30	6.65	8.80	13.65	7.70	-10.40
Dividend per A and B share	2.50	2.75	3.00	3.50	4.25	4.25	4.25 ¹⁾
Dividend per C share ²⁾	2.50	-	-	-	-	-	-
Total dividends in millions of Swedish kronor	270	297	324	378	459	480	480
Purchase price of B shares (unrestricted) at year-end on the Stockholm Stock Exchange	75	84	58	99	157	66	94
Shareholders' equity per share	78	84	87	91	101	108	91
Risk-bearing capital per share	89	95	99	103	116	126	107
Yield in percent (B unrestricted)	3.4	3.3	5.2	3.5	2.7	6.4	4.5
P/E ratio, B unrestricted	14.9	13.0	8.4	10.9	11.1	8.6	- 9.0

¹⁾ Dividend according to the Board's proposed distribution of surplus.

²⁾ All C shares were converted into B shares on May 7, 1986.

The above data has been adjusted to reflect the 1989 stock split and the conversion of debentures into shares in 1990.

Seven-year review of the SKF Group

<i>Amounts in millions of Swedish kronor unless otherwise stated</i>							
	1985	1986	1987	1988	1989	1990	1991
Income statements							
Net sales	17 336	18 180	19 604	21 248	25 066	27 766	26 302
Sweden	813	878	983	1 042	1 143	1 137	969
Other operating income	195	261	212	177	305	164	238
Operating expenses	- 16 408	- 17 120	- 18 504	- 19 865	- 22 772	- 26 015	- 26 596
Operating result	1 123	1 321	1 312	1 560	2 599	1 915	56
Financial income and expense - net	- 113	- 74	- 158	- 41	- 129	- 165	- 165
Result after financial income and expense	1 010	1 247	1 154	1 519	2 470	1 750	221
Taxes on income	- 459	- 519	- 430	- 543	- 989	- 719	- 66
Equity in loss/income of associated companies	12	- 1	42	37	78	- 133	- 907
Minority interest	- 22	- 31	- 27	- 34	- 32	- 26	17
Result after taxes	541	696	739	979	1 527	872	- 1 177
Extraordinary income and expense, net of taxes	-	- 97	0	-	- 14	142	-
Net result	541	599	739	979	1 513	1 014	- 1 177
Balance sheets							
Current financial assets	3 706	3 854	3 227	3 611	3 417	3 812	3 645
Trade accounts receivable	3 407	3 779	3 889	4 348	4 941	4 976	4 465
Inventories	6 388	7 139	7 550	7 130	8 382	9 954	8 444
Other current assets	314	427	665	672	662	931	1 018
Property, plant and equipment	5 469	6 474	6 737	7 032	7 504	9 057	9 507
Other capital assets	1 202	1 167	1 494	1 796	2 019	2 574	2 166
Total assets	20 486	22 840	23 562	24 589	26 925	31 304	29 245
Short-term loans	2 004	2 248	2 483	2 890	2 417	3 469	4 493
Other short-term liabilities	3 348	4 253	4 456	5 052	5 765	6 107	5 240
Long-term loans (including convertible debentures)	3 090	2 875	2 681	1 989	1 940	3 769	3 201
Other long-term liabilities	3 341	4 085	4 163	4 461	5 213	5 564	5 815
Minority interest	97	111	147	125	146	240	172
Shareholders' equity	8 606	9 268	9 632	10 072	11 444	12 155	10 324
Total liabilities and shareholders' equity	20 486	22 840	23 562	24 589	26 925	31 304	29 245
Key figures (in percentages unless otherwise stated)*							
Return on total assets	8.4	7.9	7.7	8.8	11.9	7.7	1.9
Return on capital employed	12.3	12.2	12.2	14.3	20.0	12.7	3.0
Return on shareholders' equity	6.3	7.8	8.1	10.1	14.0	7.3	- 10.3
Operating margin	9.9	9.4	9.0	10.0	12.3	8.3	2.2
Turnover of total assets, times	0.85	0.84	0.85	0.89	0.97	0.92	0.84
Share of risk-bearing capital	48	46	47	47	49	41	41
Solvency	42	41	42	41	43	40	36
Loss/earnings per share, kronor	4.95	6.30	6.65	8.80	13.65	7.70	- 10.40
Shareholders' equity per share, kronor	78	84	87	91	101	108	91
Investments and employees							
Additions to property, plant and equipment	698	1 010	1 126	1 119	1 290	1 589	1 778
Sweden	86	124	122	88	76	98	129
Research and development expenses	345	343	398	414	465	534	538
Average number of employees at work*	40 280	41 997	43 693	43 331	46 667	49 305	45 285
Sweden	5 263	5 233	5 401	5 125	5 305	4 996	4 500
Number of employees registered at December 31	42 355	45 863	45 685	47 178	49 413	53 995	47 939
Salaries, wages and social charges	6 780	7 398	8 106	8 468	9 658	11 142	11 279
Sweden	1 053	1 118	1 230	1 318	1 438	1 519	1 488
Product areas							
Net sales							
Bearings	15 055	15 480	16 641	17 839	21 144	22 181	21 104
Tools	850	1 035	1 094	1 165	1 246	1 332	1 978
Component Systems	1 770	2 095	2 344	2 803	3 208	3 710	4 143
Other and eliminations	- 339	- 430	- 475	- 559	- 532	543**	- 923
	17 336	18 180	19 604	21 248	25 066	27 766	26 302
Result after financial income and expense							
Bearings	791	972	868	1 208	2 032	1 385	54
Tools	115	157	111	142	127	40	- 103
Component Systems	64	128	130	209	328	282	- 175
Other and eliminations	40	- 10	45	- 40	- 17	43**	3
	1 010	1 247	1 154	1 519	2 470	1 750	- 221

* For definitions, see note 1.

** Includes Chicago Rawhide which was not included in any product area for 1990.

SKF is one of the world's most international companies, with operations on all continents and in most countries.

The Group's position as a world leader in its industry is based on, among other things, the cooperation and mutual trust of the Group's 45 000 employees. People of different backgrounds, different faiths and different cultures and customs are working together every day in our companies.

The plants in Göteborg are a good example of the company's pluralistic world. Every day, people of nearly 40 different nationalities come together in these plants.

As a result of this plurality, we are learning from each other. And without each other we would not be able to do our jobs.