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ANNUAL REPORT 2000

SKF

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THIS IS SKF

- SKF is the leading global supplier of products, customer solutions and services in the rolling bearing and seals business. SKF also has an increasingly important position in the market for Linear Motion products, as well as high precision bearings, spindles and spindle services for the machine tool industry.
- The solutions SKF offers its customers vary from high value-added sophisticated systems with integrated electronic components to the right bearing, seal or actuator that meets the demands of a specific application. It also includes programmes that will improve plant efficiency, and, with the help of advanced technology and maintenance management, increase the customer's competitiveness.
- SKF has 80 manufacturing sites distributed all over the world. With its own sales companies in 70 countries, supported by some 7 000 distributors and dealers worldwide, its e-business marketplace and global distribution system, SKF is always close to its customers for the supply of both products and services.
- This truly global network, combined with the accumulated, deep and thorough knowledge of all the different applications and the expertise of SKF's highly skilled employees, places the Group in a unique position to supply all its customers with the best possible solutions.
- From its very beginnings in 1907, SKF focused intensively on quality, technical development and marketing. It soon became the leading manufacturer in the bearing industry, and has maintained this position ever since.
- The results of the Group's efforts in the area of research and development has led to a growing number of innovations that have created new standards and new products in the bearing world. Every second working day a patent application is filed by SKF.
- Through its US based oil seals company Chicago Rawhide (CR), SKF is a leading supplier of elastomeric seals to the North American market. CR has expanded its activities in recent years into Asia and Europe.
- The Group includes specialty steel operations, i.e. the manufacture and sale of bearing steel and other high quality steel grades.
- The Group has a global ISO 14001 environmental certification. The various Divisions in the SKF Group have been approved for quality certification in accordance with either ISO 9000 or QS 9000.



KEY DATA	2000	1999	1998
Net sales, MSEK	39 848	36 693	37 688
Operating profit/loss, MSEK	3 674	2 520	- 999
Profit/loss before taxes, MSEK	3 002	1 769	- 2 063
Additions to tangible assets, MSEK	1 388	1 230	2 148
Earnings/loss per share, SEK	17.23	9.76	- 14.40
Dividend per share, SEK	5.25*	4.00	2.00
Cash flow after investments, before financing per share, SEK	25.30	19.49	- 10.73
Return on capital employed, %	16.2	11.2	- 2.8
Solvency, %	37.2	33.8	29.0
Number of employees registered	40 401	40 637	45 436

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

THE SKF GROUP

Financial targets and Company strategy

The Group's financial targets, set at the Annual General Meeting in April 2000, which should be reached in a couple of years, are:

- an operating profit of SEK 4 billion,
- an operating margin of 10%,
- earnings per share of SEK 20,
- a return on capital employed of 18%.

The four cornerstones of the strategy to reach these targets are:

Service. To develop and increase the service business by selling predictive and preventive maintenance, trouble-free operation, condition monitoring, reliability engineering and productivity improvements in process industries.

Trading. To further develop e-business. To buy complementary products to be able to offer customers complete solutions. To sell more of SKF's expertise and skills with regard to logistics and technology, etc.

Electronics. To further integrate electronics and software competencies in bearing and sealing technology in order to develop customized solutions for demanding applications. SKF's sensor technology has already been introduced in a number of applications, and more is being developed.

Partnership. To enter into partnerships with customers and other companies in order to gain competitive advantages by combining technological expertise and know-how and/or by creating joint manufacturing activities.

Drivers

In the daily work the Drivers of the organization are:

- Profitability
- Quality
- Innovation
- Speed

Values

All the Group's activities are based on the following Values:

- Empowerment
- High ethics
- Openness
- Teamwork



INDUSTRIAL DIVISION



AUTOMOTIVE DIVISION

Business

- Responsibility for product development and the production of a wide range of bearings and related products.
- Responsibility for sales to industrial OEM customers.
- Responsibility for the Business units for linear motion, machine tools and railways, which includes product development, production and sales of high precision bearings, spindles and a wide range of linear products.
- Responsibility for product development, production, and the sales of bearings and related products to the global automotive industry.
- Responsibility for sales to the vehicle replacement market (excl. North America) and for the development of kits for this aftermarket.

Important events in 2000

- Acquisitions of Electrac SA, Revolve Magnetic Bearings Inc., MTSR Ltd, and Roller Bearing Industries, Inc.
- Establishment of Business units for the printing and continuous casting industries, for the development of integrated systems for the fork-lift truck industry and for the wind-power sector.
- Explorer, the new generation of spherical roller bearings, gained market shares.
- Success of sealed Explorer and CARB® bearings in businesses where the environment and maintenance are key issues.
- Strong growth of supplies to freight car manufacturers in China.
- Prestigious quality awards received.
- The formation of a Business unit for Drive-by-Wire.
- Joint development agreement with Brembo for Brake-by-Wire for the car industry.
- Full European launch of a new range of water pumps called Aquamax for the vehicle replacement market.
- Launch of a new global website for the vehicle replacement market for quick and easy access to SKF product information and distribution, www.vsm.skf.com.
- Prestigious quality awards received.
- Ferrari won the F1 world constructors championship and the F1 world drivers championship. SKF is a technical sponsor and Ferrari's bearing partner.
- Production in Mülheim, Germany, was moved to a new factory in the same city.

In focus

- Customized solutions, systems and smart products integrating electronics and additional functions.
- Move towards electromechanics from hydraulics.
- To exploit e-business.
- Flexible manufacturing.
- To create more products and services for the vehicle replacement market.
- To develop Drive-by-Wire.
- To promote Value Leadership.
- To develop new value-added products.
- To establish new partnerships to strengthen product and service development.
- To exploit e-business.
- Flexible manufacturing.



ELECTRICAL DIVISION

- Responsibility for product development and the production of all deep groove ball bearings within SKF.
- Responsibility for the sales of bearings and related products to manufacturers of electric motors, household appliances, electric components for cars, power tools, office machinery and two-wheelers.



SERVICE DIVISION

- Responsibility for providing end-users with a full range of bearings and related products and services through a network of authorized distributor partners.
- Responsibility for the development of integrated service solutions for end-users in order to reduce overall maintenance costs and improve efficiency.



SEALS DIVISION

- Responsibility for product development, production, and the sales of seals and sealing systems for the automotive, industrial, electrical and aerospace markets. In addition, the Division develops and markets seals for use in bearings both for SKF and external customers.
- Responsibility for the sales of bearings, seals and related products to the vehicle replacement market in North America.



STEEL DIVISION

- Responsibility for product development, production, and the sales of special steels and steel components to the bearing industry and also for other highly demanding applications.

- Intensified development of sensor-bearing units, adding to the family Optical Encoder Units (suitable for motor control in electric-drive cars).
- Launch of motor commutation bearing units.
- Launch of mono-signal miniature sensor bearings.
- Launch of the industrial steering unit, Steer-by-Wire, including a sensor-bearing unit.

- More Integrated Maintenance Solutions (IMS) and other performance-based contracts around the world.
- SKF Logistics Services secured four third-party contracts for services.
- Acquisition of Diagnostic Instruments Ltd. (DI), Machine Support B.V. and the majority of Equipmen C.A.
- New wireless sensors and SKF Machine Analyst software introduced to the market.
- SKF was awarded the highly prestigious "Canada Awards for Excellence – Certificate of Merit" and the Belgian K2b Quality Award.

- The launch of magnetic impulse rings within seals for use in ABS and other drive control systems.
- The acquisition of Sealpool AB.
- The establishment of a global industrial seals organization to develop and support sales to industrial markets, both directly and through SKF's Industrial and Service Divisions.
- A significant increase in the sales of bearing seals outside the SKF Group.
- The seals facility in Varese, Italy, was moved to a new plant in the same area.
- Major awards received from Automotive Industries magazine and Boeing Aircraft Co.

- A very positive trend for premium quality steel for very high-pressure applications in fuel pumps.
- The strong growth of sales of rings from tubes.
- A strong customer interest in the cost-efficient and environmental series of air-hardening steel grades.
- A growing interest from the market outside SKF in forged products.
- The launch of a new nitriding steel.

- To support fast-growing customers in Eastern Europe, Latin America and Asia.
- To cooperate with leading companies in two-wheeler markets.
- To exploit e-business.
- To develop business opportunities within technical support (testing and software).

- To support the distributors through logistics efficiency plus more products and services solutions.
- To develop "smart" products, "smart" integrated systems, mechatronics, and wireless technology.
- To expand performance-based, maintenance contracts.
- To acquire more maintenance service companies.
- To expand third-party contracts for logistics operations.
- To exploit e-business.

- To develop the aerospace business for both seals and elastomeric products.
- To develop the industrial seals market.
- To exploit more synergies between bearings and seals for all markets.
- To develop manufacturing of world-class quality and at world-class cost.
- To exploit e-business.

- To continue to increase sales to the market outside SKF.
- To further develop the Total Cost Marketing concept offering cost-effective usage of the Division's steels and steel components.
- To move forward in the value chain (in-house manufacturing or alliances to develop the components business).
- To exploit e-business.

LETTER FROM THE PRESIDENT



The year 2000 was a good year for the SKF Group. A strong result improvement lifted the operating margin to 9.2%. Earnings per share increased by 77% to SEK 17.23.

The Board has decided to propose to the Annual General Meeting that a dividend of SEK 5.25 be paid for the year.

The market demand for SKF's products and services developed well last year in Europe, where SKF has half its sales. Demand declined in North America, especially in the automotive segment. In Asia, demand weakened in a number of countries after a strong start at the beginning of the year.

Market development during the fourth quarter confirmed that demand had begun to weaken. Production levels were lowered in most of SKF's factories at the end of last year in order to adapt the manufacturing to a period of weaker demand.

SKF's net sales increased by 8.6% last year. Despite intense competition on all the markets, the average price level increased by 1.6% in local currencies as a result of price increases, exiting of loss-making businesses and also the strategy to focus on higher value products and services.

The comprehensive restructuring in 1999 and high capacity utilization in most of SKF's factories engendered a good production economy last year.

The reshaping of the SKF Group continues with the aim of creating sustainable profit and sales growth and a higher stock market capitalization. At the last Annual General Meeting, a target of 10% operating margin for the Group, to be reached in a couple of years, was announced. This will require additional major improvements in a number of areas.

In order to make SKF's profit performance more robust to withstand swings in market demand, further reductions in capital employed and fixed costs will be made. The programme to outsource component manufacturing and indirect services will continue. Last year, the European steel ball manufacturing and the Group's machine tool manufacturing company, Lidköping Machine Tools AB, in Sweden, were divested.

During the year, opportunities to sell the Steel Division were considered without leading to a deal. For the time being the Division will be kept within the Group.

Creating high flexibility in manufacturing through the fast resetting of production channels, flexible shifts and working hours and by having multi-skilled operators will reduce both fixed costs and inventories. Last year total inventories were reduced to 23.2% of annual sales.

The work to improve SKF's performance is being based more and more on exploiting market opportunities and, in particular, on growing the business of customized products and solutions with a high-tech content, high customer value and performance-based pricing. Service, Trading, Electronics and Partnership are the cornerstones of SKF's strategy for growing its business.

In the service area, the build-up of field service and maintenance activities has gained momentum. The focus is on predictive and preventive maintenance, trouble-free operation, reliability engineering and productivity improvements in process industries. A number of technology companies and repair shops were acquired last year to support this initiative. Important contracts for integrated maintenance solutions were gained in several countries.

The introduction of the Internet marketplace *endorsia.com*TM and SKF's efficient logistics services create the platform for growth in trading activities. About 1 400 users in 23 countries are connected to *endorsia.com*TM and the transaction volume is increasing rapidly. Expansion in the industrial aftermarket and vehicle replacement market has high priority.

The aim of the cooperation agreement in the e-commerce and logistics field between SKF, Rockwell, Timken, INA and Sandvik is to provide the industrial aftermarket with extended and more efficient services.

The combination of bearings and seals technology with electronics and software competences offers opportunities to develop a wide range of customized solutions for demanding applications. SKF's sensor technology has now been introduced in a large number of applications in the automotive, industrial and railway

areas. New products in the field of wireless sensors and handheld computers for data acquisition and analysis were added to SKF's programme.

Developing partnership with customers and other companies in order to combine various technical competences as well as creating joint activities in manufacturing are important ways to gain competitive advantages. SKF started several cooperation projects last year. The development of Brake-by-Wire solutions, for example, will be carried out together with the Italian brake specialist, Brembo. A jointly-owned component manufacturing company has been established in Brazil together with Timken.

This shift in business direction requires additional and new types of competence and skill in the SKF organization. The internal management training programme has been adapted to support the focus on profit improvement, customer focus, innovative solutions and value selling.

The Group generates a strong cash flow and the financial position is healthy. This means that there is also a substantial capacity to support the growth of the Group through acquisitions. The challenge this year will be to protect the profit during a slowdown in the market and at the same time continue to build for the future.

Finally, on behalf of the Board, I would like to thank all SKF employees for excellent contributions to a successful year.

Göteborg, January 29, 2001



Sune Carlsson
President and CEO

BOARD OF DIRECTORS' REPORT

The SKF Group's operating profit in 2000 amounted to MSEK 3 674 (2 520). The operating profit was positively affected by non-recurring items, net, of MSEK 100, occurring in the first quarter. In 1999, the non-recurring items, net, were MSEK 388. Profit before taxes rose to MSEK 3 002 (1 769). The Group's net sales increased by 8.6% from MSEK 36 693 to MSEK 39 848.

The increase in net sales of 8.6% was attributable to volume +5.1%, price/mix +1.6%, structure -0.5% and currency effects +2.4%.

The growth in volume was mainly the result of better market demand. SKF maintained its high service level throughout the year. The manufacturing levels were raised at the end of 1999 and several times during the first half of 2000. They were lowered towards the end of the year in order to adapt the manufacturing to a period of weaker demand.

During the year, SKF continued to pri-

oritize profitability and to focus on moving business to higher valued products and services. Non-profitable businesses were discontinued and price increases were implemented.

Sales developed well for most of SKF's products and services during the first half of the year. They were strong in Europe throughout the year, particularly in Germany. Sales declined in North America. In the Asia-Pacific region there was a significant difference between the larger markets. Sales in South East Asia were much higher than in 1999, but they weakened during the year.

Sales developed positively in Central and Eastern Europe, and SKF strengthened its position on this market. Last year saw a healthy recovery as regards sales in Latin America and they increased substantially in Africa and the Middle East, particularly during the second half of the year.

The Group continued to reduce assets. Real estate and other capital assets were

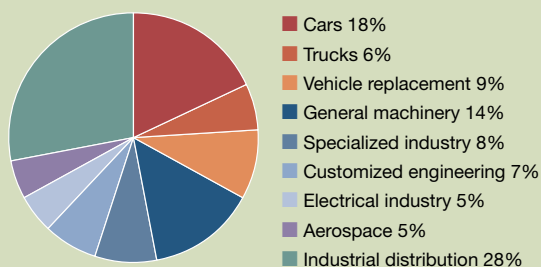
sold for MSEK 321. Last year the European steel ball manufacturing and the Group's machine tool manufacturing company, Lidköping Machine Tools AB, in Sweden, were divested.

During the year, opportunities to sell the Steel Division were considered without leading to a deal. For the time being the Division will be kept within the Group.

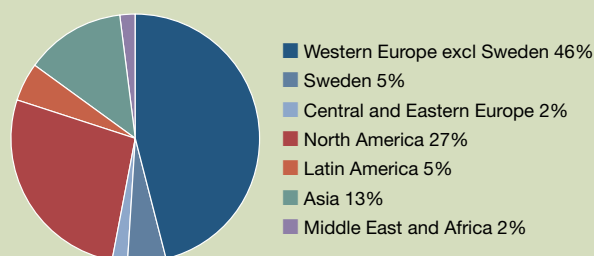
The Group's financial net was MSEK -672 (-751). Earnings per share amounted to SEK 17.23 (9.76). The Group's solvency improved to 37.2% from 33.8% at year end 1999. During the year, MSEK 986 of the interest-bearing loans were amortized. Interest-bearing loans at year end 2000 totaled MSEK 4 968 (5 976) while pension liabilities amounted to MSEK 6 746 (6 478). At year end, the Group had financial assets of MSEK 4 557 (2 894), whereof short-term financial assets of MSEK 3 481 (1 976).

As a result of over-consolidation, the Swedish insurance company Försäkrings-

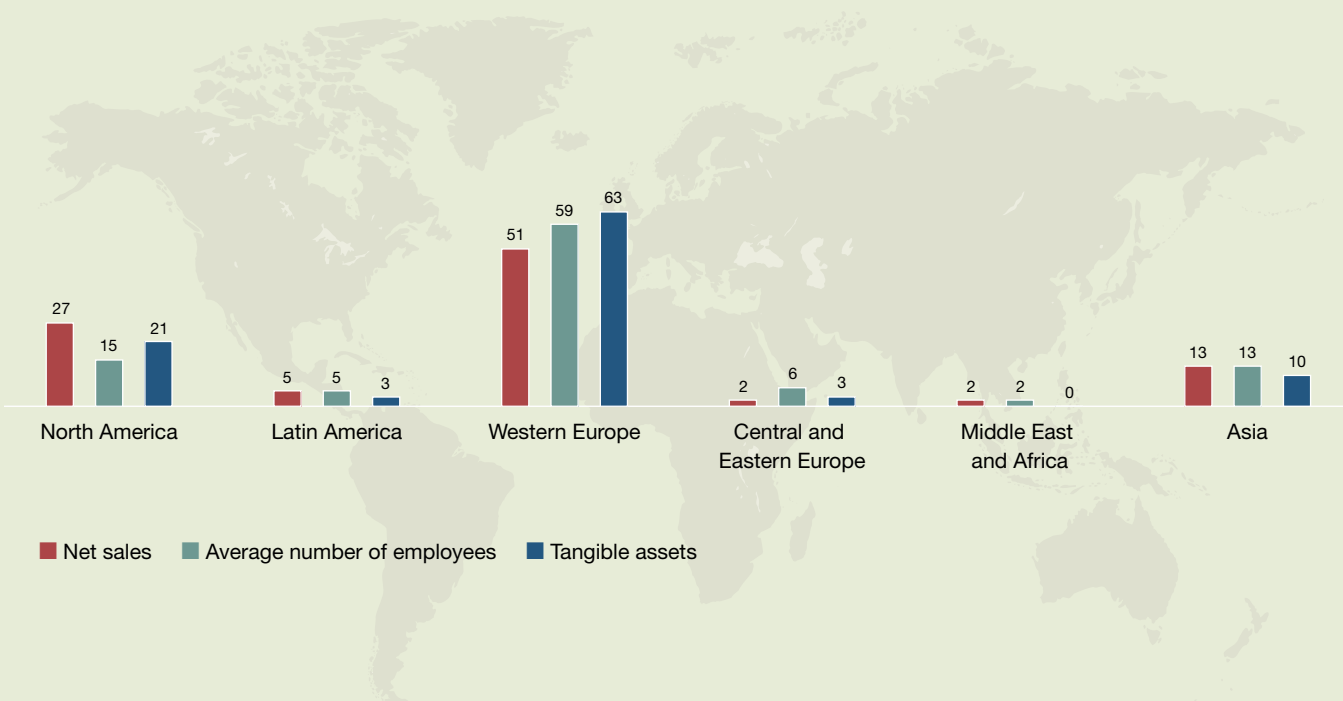
Net sales by customer segment 2000



Net sales by geographical area 2000



Geographical distribution of net sales, average number of employees and tangible assets (percent)



bolaget SPP (now Alecta pensionsförsäkring) decided on a non-recurring bonus distribution to its client companies. SKF was allocated MSEK 250 during the third quarter of the year. With some of the profit from the sale of properties, SKF posted a non-recurring gain of MSEK 367 for the third quarter. At the same time, a provision of MSEK 367 was posted, the purpose being to write down assets in the Steel Division.

SKF's capital expenditure in tangible assets amounted to MSEK 1 388 (1 230). Depreciation according to plan was MSEK 1 572. The comparable figure for 1999 was MSEK 1 725.

Of the Group's total capital expenditure, MSEK 47 (98) were attributable to environmental investments, the aim of which is to improve SKF's environment both internally and externally.

Expenditure in research and development amounted to MSEK 710 (756), corresponding to 1.8% (2.1) of annual sales. Development expenditure for IT solutions and customized designs is not included. The number of first-time patent applications in 2000 was 144. The number in 1999 was 129.

A growing number of maintenance and condition monitoring contracts were con-

cluded with customers in the process industry.

A number of service companies within different segments were acquired during the year, in accordance with the Group's strategy for growing its service business.

SKF's decision to launch an e-business marketplace, *endorsia.com*TM, has given the Group a leading position in e-business in the bearing world. Following the completion of a pilot project in late 1999, *endorsia.com*TM was rolled out in March 2000, and by the end of 2000, some 1 400 users in 23 countries were connected to the marketplace.

Activities of the Board of Directors of AB SKF during 2000

The Annual General Meeting of AB SKF, held in the spring of 2000, elected eight Board members. In addition hereto two members and two deputy members have been appointed by the employees.

The Board held ten meetings in 2000. The Board adopted written rules of procedure for its internal work. These rules prescribe i a

- the number of Board meetings and when they are to be held,
- the items normally included in the Board agenda,
- the presentation to the Board of reports from the external auditors.

The Board also issued written instructions as to

- when and how information required for the Board's assessment of the Company's and the Group's financial position shall be collected and reported to the Board,
- the allocation of the tasks between the Board and the President,
- the order in which the deputy Presidents shall act in the President's absence.

During the year, the Board established a Remuneration Committee.

Issues dealt with by the Board during the year include i a acquisitions and divestments of companies and the strategic direction of the SKF Group.

Nomination of Board members

The following applied regarding the nomination process of the Board members who will be proposed by a group of major shareholders for election at the Annual General Meeting in 2001.

In November/December 2000, the Chairman made an assessment of the work of the Board and its members during the year. He then met with representatives of Investor AB and presented his assessment of the need of special Board competence and compared such needs with available resources in the Board. The next step in the nomination process was that Investor AB met with the group of major shareholders in which Allmänna Pensionsfonden, Fjärde Fondstyrelsen, Försäkringsbolaget SPP (now Alecta pensionsförsäkring) and Livförsäkringsaktiebolaget Skandia are represented.



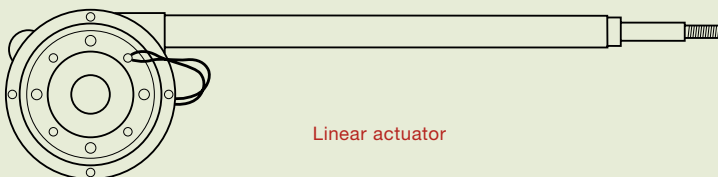
Rodolfo Cruz-Gutierrez inserting Solid Oil (lubricant) in spherical roller bearings at the SKF plant in Puebla, Mexico.



A mechanical bundle of muscles with technology from SKF

About three years ago, SKF was selected as the supplier of actuators for "Balder", an electric wheelchair developed by Hand Pro AS in Hønefoss, Norway. SKF's strong brand name, front-line technology and excellent service and logistics were the main reasons for entrusting SKF with the supply of customer-adapted actuators for the wheelchair.

The Balder wheelchair can change life dramatically for a person confined to a wheelchair. It can climb kerbs, the seat can be raised or lowered to the desired levels and adjusted to let the occupant stand upright. The SKF actuators transmit the rotation of the electric motor into linear movements that provide the wheelchair with these functions. Everything is controlled electronically with a joystick.



Linear actuator



Edwige Elbaz, Laboratory Technician, carries out regular checks on water from the Filter Room at the SARMA airframe component manufacturing plant at St. Vallier, France.

In the millennium year 2000, SKF achieved two major objectives in the fields of environment, health and safety. These were the certification to ISO 14001 of the Group's manufacturing units in China; and the launch of a new health and safety initiative: "Zero Accidents".

ISO 14001 in China

SKF's three bearing factories in China joined the Group's ISO 14001 certificate in 2000, making them among the first organizations in that country to be approved to the ISO standard for environmental management. This approval demonstrates SKF's determination to

work to the highest standards in all countries in which the Group operates.

Towards zero accidents

A further example of consistent high standards around the globe is a new health and safety initiative "Zero Accidents", which the Group implemented in 2000 throughout all its manufacturing units and distribution centres. SKF has moved from pursuing annual targets for injury reduction to aiming at the abolition of work-related accidents at every location. This requires an intensive focus on prevention rather than accident reduction measures.

A total of nine SKF units have achieved zero accidents since the campaign started in June 2000.

Environmental permits

The SKF Group has environmental permits and consents for all operations in every country in which it has manufacturing facilities. This includes the operations at five units in Sweden, comprising SKF Sverige AB and Ovako Steel AB and subsidiaries. The permits cover SKF's production of bearings, steel ingots and rolled products.

The environmental impact of the Group's operations is mainly in the areas of waste disposal, emissions to air and water, and noise. All impacts are controlled to ensure strict compliance with national and local regulations.

SKF Environmental Report 2000

The Environmental Report, which is distributed with the Annual Report, is a comprehensive description of the Group's environmental, health and safety activities. SKF has started to adopt the Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI), for its annual environmental report. The report for 2000 complies in some respects with the GRI guidelines; more comprehensive compliance is planned for future reports.

AWARDS

The quality of SKF's products and services is highly esteemed.

Below is a list of some of the awards received by the Group in 2000.

Quest for Excellence Award

Automotive Industries magazine, USA

Outstanding Supplier Award

Black & Decker, USA

Q-100 Quality Award

Boeing Aircraft Co., USA

Supplier of the Year

BOMAG, Germany

Award for Zero Complaint and Reliability in Delivery

Caterpillar, Belgium

Year 2000 Quality Award

CEJN AB, Sweden

"Ship To Use" status

Cummins India Ltd., India

Plaque of Recognition

Dole, Philippines

Contribution to the victory as 2000 Superbike World Manufacturers Champion

Ducati Corse, Italy

Outstanding Performance on Quality and Support on Taper Roller Bearings

Fiat, Italy

Silver World Excellence Award for Quality

Ford Motor Company, USA

Recognition of Achievement Award for Environmental Leadership

Ford Motor Company, USA

Quality & Delivery Award

Hitachi Koki, Malaysia

Supplier of the Year Award

Interroll Joki A/S, Denmark

Achieving Excellence Plaque In Recognition of

Outstanding Supplier Performance

John Deere, USA

Supplier of the Year

Kress-elektrik GmbH & Co., Germany

Supplier of the Year Award

NAPA Multiline Sales Group, USA

Canada Awards for Excellence – Certificate of Merit

National Quality Institute (NQI), Canada

Recognition Award

Outstanding Support and Contribution to Nissan's NEXT21 Programme

Nissan Sunderland, United Kingdom

OEMmie Award

OEM Off-Highway magazine, USA

Quality Award

Otis India Ltd., India

A – Supplier Award

Philips Machinefabrieken Nederland B.V., The Netherlands

Best Quality & Delivery Award

Proton Berhad, Malaysia

Quality Certificate

Same Deutz - Fahr Group S.p.A., Italy

Best Supplier of the Year

SMB, France

Quality Assurance Award

SNCF, France

Certified for Achievement in Quality Performance

Toyota, Japan

Belgian K2b Quality Award

Vlaams Centrum voor Kwaliteitszorg, Belgium

Outstanding Overall Service and Logistics as well as Zero Defects on

Taper Roller Bearings

Volkswagen, Germany

Performance of Quality &

Performance of Delivery Award

ZF Steering, Malaysia



INDUSTRIAL DIVISION

The Industrial Division is responsible for product development and the production of a wide range of bearings (in particular, spherical, cylindrical and angular contact bearings) and related products. The Division is also responsible for sales to industrial OEM customers. The businesses for Railways, Linear Motion and Machine Tools also come under the Industrial Division. The Division focuses on developing customized system solutions to enhance the competitiveness of SKF's customers.

External sales in 2000 amounted to MSEK 8 605 (8 011), an increase of 7.4%. Total sales (sales to external and internal customers) were MSEK 14 496 (13 147). The Division's operating result was MSEK 1 588 (961) with an operating margin of 11.0% (7.3).

The operating result was good throughout the year, due primarily to high capacity utilization, better prices

and an increase in the business for value added products and solutions.

Sales in Europe, the Division's largest market, developed strongly in the second half of the year. In North America sales began to slow down during the second quarter and in Asia they remained flat over the year.

Sales to light industry developed more positively than sales to the heavy equipment industry.

Considerable efforts were made to increase manufacturing flexibility. Among the measures introduced was greater flexibility in working hours. Agreements were concluded with trade unions to adapt capacity to meet fluctuations in demand without affecting the size of the workforce. Progress was also made in the further reduction of inventory. This was achieved through shorter lead times and smaller manufacturing



Manufacture of spherical roller bearings, SKF Poznan, Poland.

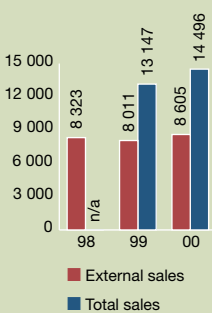


Assembly of large size bearings, SKF Sverige, Göteborg, Sweden.

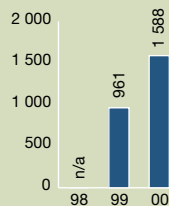


Machining of large size bearing components, SKF Sverige, Göteborg, Sweden.

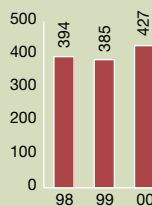
Sales, MSEK*



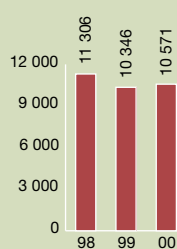
Operating result, MSEK



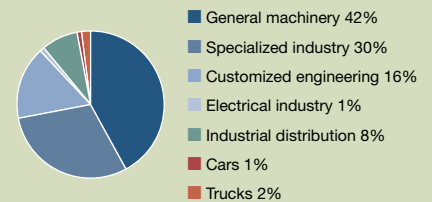
Additions to tangible assets, MSEK*



Registered number of employees*



External sales by customer segment 2000



* Previously published amounts have been restated to conform to current Group structure.

batches. SKF maintained a high level of delivery service to its customers in spite of disturbances in material supply.

The Division established separate Business units during the year for the printing applications, for the continuous casting applications, for the development of integrated bearing systems for the fork lift truck industry and for the windpower sector. To design these systems SKF will be drawing upon its competence and experience in sensor technology.

The Explorer bearings, the new generation of spherical roller bearings, launched at the end of 1999, and now replacing the previous generation, have been very well received in the industrial market. Many customers have specified this new performance standard for spherical roller bearings. One example is the SKF customer, IPSO USA Inc., a US manufacturer of commercial clothes washers. IPSO have exploited the opportunities offered by the combination of the Explorer bearing and the CARB® bearing to downsize their application.

Sealed Explorer bearings save the SKF customer, ABB Robotics, space and reduce costs in its new series of industrial robots. The savings have been achieved thanks to a more compact bearing arrangement with a longer service life.

Several new contracts for demanding applications were gained, for example:

- SKF will supply slewing bearings, spherical roller bearings and special seals for the world's first rotating boat lift, called the Falkirk Wheel, to be operated by British Waterways.
- The Italian sports goods company, Rollerblade, awarded SKF an order of six million deep groove ball bearings. Rollerblade selected SKF because of the quality of the product.
- Ship owners continue to favour pod-propulsion systems. Building on a unique product range and engineering expertise, SKF has continuously reinforced its position and is now supplying to the leading companies in the business.



Assembly of four-row taper roller bearings, SKF GmbH, Schweinfurt, Germany.

Railways

SKF is the bearing market leader in the railway business in both Europe and China. The high level of sales in 1999 to railway companies in Europe rose even higher during 2000 owing to good market demand and the modernization of rolling stock.

SKF's majority joint venture with the Chinese Railways, Beijing Nankou SKF Railway Bearings Co. Ltd., has developed favourably. Chinese Railways increased its investment in new freight cars by 50%, which led to the substantial growth of sales by the joint venture.

During the year, SKF launched a new safety bogie-monitoring system, developed in partnership with Sécheron, a Swiss market leader in speed-measuring systems.

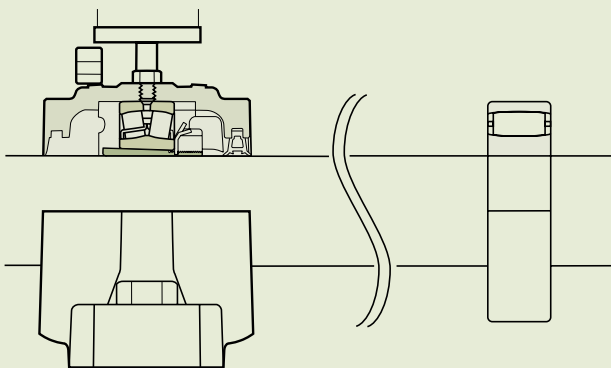
SKF's axlebox solution was approved for the European Norm standard for 25-ton axle loads.

Acquisitions

In June, SKF acquired Electrac S.A. SKF already had a minority holding in this company, which is a leading French manufacturer of electromechanical actuators for a number of areas, in particular, health care, ergonomics and medical equipment.

SKF also acquired all the outstanding shares in Revolve Magnetic Bearings Inc., in Calgary, Canada during the year. SKF already had a minority holding in this leading company in the development, application engineering and production of magnetic bearing systems in the industrial rotating equipment market.

At the end of the year, Roller Bearing Industries, Inc. (RBI), in the USA, and MTSR Ltd., were acquired. RBI is a rail-bearing service company that reconditions wheelset bearings for freight cars, and MTSR is a British machine tool service company.



Bearing arrangement with a CARB® toroidal roller bearing as non locating in combination with a spherical roller bearing in the axial locating position.

Improved steel production using a unique SKF solution

Continuous casting machines are among the heavy-duty machines in the steel industry and the loads on the bearings are exceptionally high. Extremely heavy loads, slow rotation speeds, contamination by the cooling water and steel scales, high thermal roll expansion, and a limited radial and axial space for the bearing installation lead to the rapid deterioration of most standard solutions.

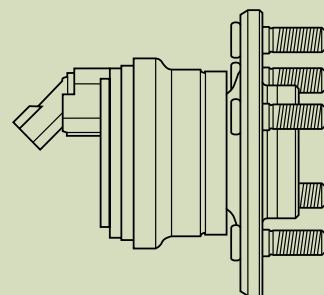
Danieli & Co. of Italy, one of the world's largest suppliers of steel plants and machinery for the iron and steel industry selected an SKF solution, for some of its latest Continuous Slab Casting and Thin Slab Casting Machines, that combines toroidal and spherical roller bearings on the same roll shaft. The CARB® toroidal roller bearing is the key feature of this technical solution, since it allows axial displacements when the roll changes length owing to the heat transmitted by the slab. Since both the toroidal and the spherical roller bearings are sealed, the influence of water contamination and the need for lubrication has been dramatically reduced which is of great advantage for the environment. All of this adds up to extended bearing life and increased productivity.



SKF, major supplier to Ford's new Mondeo

Almost all the vital mechanical systems in Ford's new Mondeo are equipped with bearings and seals from SKF.

The front wheels of the car are equipped with SKF hub bearing units with incorporated magnetic encoders for ABS and Traction Control Systems, and the rear wheels with SKF's third generation hub bearing units with active speed sensors. The steering and the PAS pump are equipped with SKF bearings, and there is a range of customized bearings in the gearbox. The new 2.5-litre V6 engine is equipped with front and rear crankshaft seals, and camshaft seals from Chicago Rawhide.



Hub bearing unit with electronic active speed sensors.

AUTOMOTIVE DIVISION

The Automotive Division is responsible for product development, production and sales to manufacturers of cars, light trucks, heavy trucks, buses and vehicle component producers. The Division product range includes hub bearing units, taper roller bearings, special automotive products and the specific kits for the vehicle replacement market. The Division is also responsible for sales to the vehicle replacement market (excl. North America).

External sales in 2000 amounted to MSEK 8 882 (8 527), an increase of 4.2%. Total sales (sales to external and internal customers) were MSEK 9 883 (9 676). The Division's operating result was MSEK 376 (237) with an operating margin of 3.8% (2.4).

Although still on an unsatisfactory level, the operating result in 2000 increased by nearly 60% compared with

1999. This has resulted from the focus on cost reductions and from promoting higher value added products.

Sales to the car and light truck segment remained stable in Europe throughout the year. The North American market weakened in the second half of the year. Sales in Brazil, however, developed positively after the crisis in 1999.

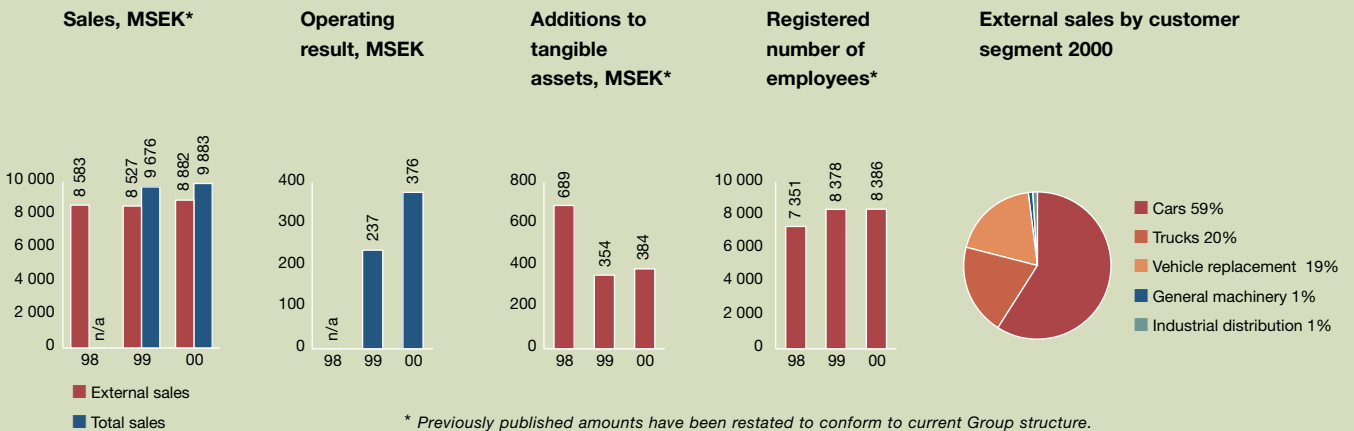
Sales in India were weak for both the car and the truck segments.

The European sales for heavy trucks remained at a high level throughout the year in contrast to North America, where sales fell heavily from the record level in 1999.

The vehicle replacement market in Europe weakened during the second half of the year, due to weaker demand and de-stocking. The same applied to the vehicle replacement market in North



Manufacturing line for hub bearing units, SKF USA, Aiken, South Carolina.





Prototype SKF-Brembo Brake-by-Wire calliper

This fully functioning smart electromechanical brake calliper, represents an interim stage in SKF and Brembo's on-going development work. The partnership between Brembo and SKF, announced in early 2000, is targeting 2004 as the start of serial production.



SKF AquaMax

SKF AquaMax, a water pump for cars with a unitized mechanical seal that virtually eliminates premature leaks. The blue anti-corrosion impeller, based on technology used in the aerospace industry, minimizes problems with contamination. The superior hydraulic performance of SKF AquaMax reduces the fuel consumption of the car.

America, which is managed by the Seals Division.

In order to give SKF a good base to significantly increase the business for the special automotive products, the production in Mülheim, in Germany, was moved to a newly built factory.

Important efforts were made during the year to promote greater flexibility and improve the response to the market within manufacturing. Programmes to significantly increase production frequency and to reduce resetting times were also strengthened, and substantial progress in these areas can be seen. Production frequency increased by 50%.

The Division formed a Drive-by-Wire Business unit in 2000. The Drive-by-Wire market is expected to develop rapidly over the coming years, a growth for which SKF is well prepared in view of its expertise in mechatronics. SKF

signed a joint development agreement with Brembo, Italy, to develop Brake-by-Wire solutions for the car industry.

SKF set up a new website, www.vsm.skf.com, for the worldwide vehicle replacement market. The website allows for quick and easy access to product and application information. In addition, SKF launched Aquamax, its new water pump range. This product offers improved cooling and sealing.

SKF received prestigious quality awards in 2000 from Ford, Fiat, VW, Nissan and Toyota, and was also given the Automotive Industries magazine Quest for Excellence Award for the supply of bearings to the US automotive market.

During the year, SKF began supplying Ford with products for the new Mondeo, which was launched at the Paris Motor Show.

With the advantage of a minimum amount of servicing and a keen focus on the environment, the CARB® bearing was chosen by Volvo Construction Equipment for their latest model of heavy haulers for the mining and earthmoving industries.

ELECTRICAL DIVISION

The Electrical Division is responsible for product development and the production of all deep groove ball bearings within SKF. It is also responsible for sales to manufacturers of electric motors, household appliances, electric components for cars, power tools, office machinery and two-wheelers. Of the Division's total sales, 75% are made through the other Divisions.

External sales in 2000 amounted to MSEK 1 575 (1 475), an increase of 6.8%. Total sales (sales to external and internal customers) were MSEK 6 169 (5 949). The Division's operating result was MSEK 460 (219) with an operating margin of 7.5% (3.7).

The doubling of the operating result was due mainly to increased sales volumes in Europe and in the USA, and to

the offer of more types of innovative products, mainly to the power tools segment.

Sales in Asia were good, in particular in the two-wheeler segment. Efforts to improve profitability in all the markets continued, and unprofitable businesses were exited in favour of customized solutions.

Cooperation with leading customers in the field of electric motors for consumer goods led to the optimization of the

motor design with the help of new proprietary software. SKF secured new business in the Electric Power Assisted Steering segment.

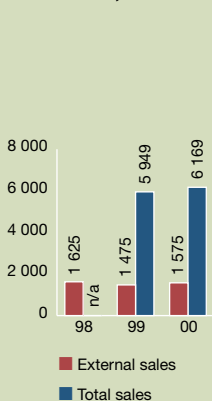
The business for sensor bearing units was augmented, not only by gaining new customers but also by the intensified development of new solutions.

During the year, SKF started to supply optical encoder units to the electric-vehicle motor business. As these have a

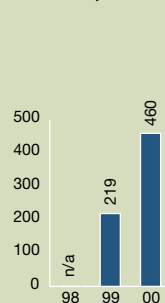


Manufacture of deep groove ball bearings, SKF France, St. Cyr.

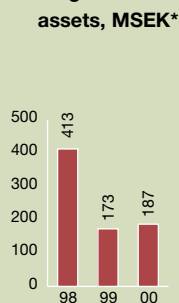
Sales, MSEK*



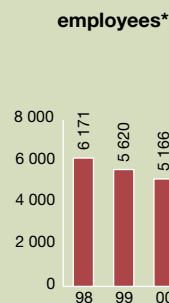
Operating result, MSEK



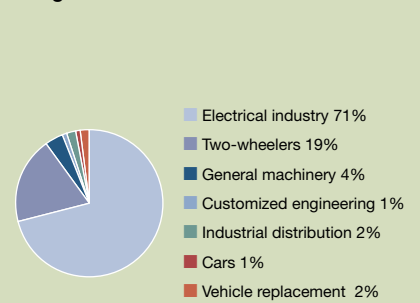
Additions to tangible assets, MSEK*



Registered number of employees*



External sales by customer segment 2000



* Previously published amounts have been restated to conform to current Group structure.



Above: The Arçelik "Turquoise" dishwasher and the electric motor equipped with SKF deep groove ball bearings.

Left: Mounting the electric motor to the machine body at the Arçelik plant in Istanbul, Turkey.

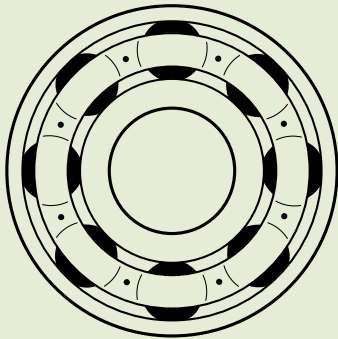
better resolution than traditional units equipped with the standard Hall cell, the feedback they send to the motion control units is far more precise.

Other new solutions were also developed and introduced such as mono-signal sensor units for small deep groove ball bearings. This is a simpler unit with only one sensor, which allows the speed of the motor to be monitored.

The already consolidated position in the market of industrial steering was

improved by the development of a complete steering unit. SKF will not only supply the sensor unit, but also the entire steering device.





Deep groove ball bearing

Economical washing-up with SKF bearings

SKF is a supplier to Arçelik, Turkey, one of Europe’s major producers of household appliances.

SKF’s world-leading competence in solving vibration problems and its wide experience of applications for electric motors were what decided Arçelik to choose SKF as its partner to collaborate on the development of a new electric motor for the half a million dishwashers the company sells every year.

In the new dishwasher model, "Turquoise", the latest improvement to the electric motor have reduced vibration and noise, increased life and lowered the use of energy.

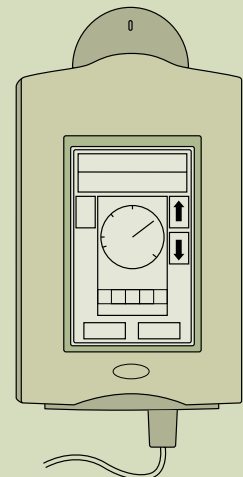


A breakthrough in Brazil for SKF's IMS system

SKF has won an important contract for its Integrated Maintenance Solutions (IMS) system with the Votorantim Group, one of the largest companies in Brazil.

The contract is for five years and is worth about USD 5 million. SKF has its own staff of service specialists working at the two mills. Services performed by SKF include predictive and proactive reliability maintenance, SKF condition monitoring hardware and software for data collection, monitoring and control, and IT equipment for connecting to the Votorantim Group's network. The terms of the contract also include lubricants and lubrication.

The background to the contract is that SKF and Votorantim have collaborated since 1998 on the mapping of all Votorantim's bearing installations and their influence on critical manufacturing operations at the Group's pulp and paper mill in Jacaréi in the state of São Paulo. A number of problems were solved during this project and the success of this joint effort convinced Votorantim of the advantages of signing a contract with SKF for condition-monitoring and maintenance not only at Jacaréi but also at the Group's paper mill in Piracicaba, which is also in the state of São Paulo.



Marlin™ – the Machine Reliability Inspection System device.

SERVICE DIVISION

The Service Division is responsible for sales to the industrial aftermarket of bearings and related products through a network of 7 000 distributors. The Division also supports industrial customers with knowledge-based service solutions aimed at optimizing asset efficiency by providing mechanical services, predictive and preventive maintenance, condition monitoring, decision-support systems and performance-based contracts.

External sales in 2000 amounted to MSEK 12 844 (11 380), an increase of 12.9%. Total sales (sales to external and internal customers) were MSEK 13 854 (12 173). The Division's operating result was MSEK 1 013 (848) with an operating margin of 7.3% (7.0).

High sales activity, a positive price development and excellent logistics contributed to the improvement in the result.

During the first half of the year, there was a positive sales development in most markets. However, in the second half of the year, sales slowed down. Sales in Central and Eastern Europe continued to grow strongly all through the year. The Middle East and Africa recovered in the second half of 2000.

Industrial Distribution

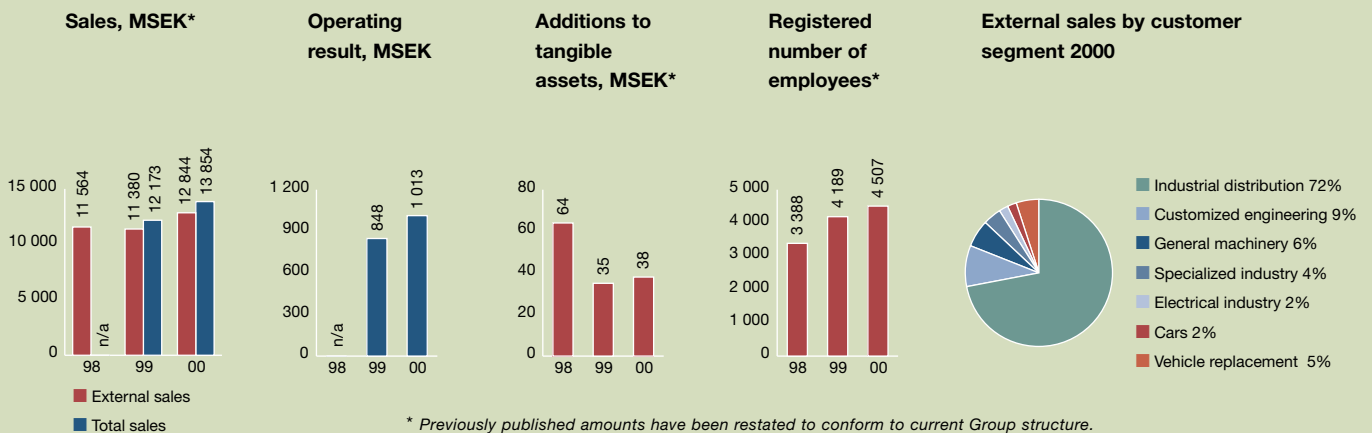
The core of the Division's sales comes from its global network of authorized

distributors and dealers. This highly-organized supply chain effectively serves the daily needs of end-user customers who require bearings and other products for MRO (Maintenance and Repair Operations) applications, and also small OEM customers.

Further efficiencies in the supply chain were provided by the rapid implementation of the web-based buying and selling marketplace, *endorsia.com*TM. This all-in-one service network, featur-



SKF employees José Cyriaco Camargo, Roberto Leal da Silva, M. Fatima Santana Bassetti, Glauco Bartolo Berreta and Maria Leopoldina Santos Branco carrying out maintenance operations at the Votorantim Group's papermill at Piracicaba/Jacareí, Brazil.



ing branded industrial goods and endorsed manufacturer know-how has buyers and sellers registered in 23 countries. The rapidly growing number of distributors who are connected log into endorsia.com™ to place orders, check order status and gain product knowledge.

SKF's service level to its distributors was maintained at a consistently high level throughout 2000.

Monitoring and Maintenance Service

SKF is developing a niche position in the service maintenance market, which is increasingly being outsourced to suppliers like SKF who can bring specific high-technology solutions to the customer site. The market potential for these reliability maintenance services is at least as large as the total world bearing market, and SKF, with its unparalleled knowledge base, is in a strong position to develop and grow in this marketplace. The emerging SKF Service Business enjoyed strong growth throughout 2000.

This business also broadened its market position in the industrial monitoring field with the introduction of several new product offerings. A new wireless sensor system for monitoring vibrations in rotating equipment was introduced in the process and manufacturing industries. Another launch was the application software, SKF Machine Analyst. It provides a comprehensive reliability solution for process and manufacturing plants, giving users complete control over condition monitoring data as well as analysis and reporting functions.

Penetration into the outsourced services market continued in providing customers with total life-cycle management. The offering is called Integrated Maintenance Solutions (IMS) and includes mechanical services, predictive and preventive maintenance, condition monitoring, decision-support systems and performance-based contracts.

IMS contracts were secured in the

paper, steel, petrochemical, mining and process industries. Five-year contracts were signed with two paper plants in the Votorantim Group in Brazil. Other major contracts include Companhia Vale do Rio Doce's iron ore terminal in Tubarão, also in Brazil. SKF will monitor and collect information from 13 000 points and provide the analysis for operation and maintenance scheduling. Fort James Paper in Cuyk, The Netherlands, signed a five-year IMS contract for full outsourced maintenance of the rotating equipment in their Paper Production section, including predictive and reliability maintenance, SKF condition-monitoring hardware and software for data collection, monitoring and control; lubrication, balancing, alignment and mounting/dismounting services and finally bearing and lubricant supply.

Logistics Services

SKF has developed efficient logistics systems to ensure the reliable supply of its products all over the world. SKF's major operating hubs in Europe, North America and Asia are also offered for use by external customers. In addition to earlier contracts with Rockwell Automa-

tion Powersystems, Euroball S.p.A. and RBC Glasgow, SKF Logistics Services signed a new agreement with the Finnish Evox Rifa Group to take over their logistics operations in Europe and their sea and airfreight traffic between Europe and Asia.

Acquisitions

During the year, several acquisitions strengthened SKF's position within the service area.

A majority shareholding was acquired in the Dutch service company, Machine Support B.V., which specializes in precision geometric alignment and rotating machine alignment, principally in the marine and offshore industries.

The addition of Diagnostic Instruments Ltd. (DI) has positioned SKF well in the fast-growing niche market for industrial mobile computing equipment and has strengthened SKF's existing business in condition-monitoring products and production test equipment.

At the end of the year, SKF also acquired 75% of Equipmen C.A. in Venezuela. This company supplies products and services for condition monitoring and maintenance.

THE WORLD BEARING MARKETS

SKF is the world market leader followed by the Japanese NSK. The other key international bearing suppliers include the German FAG and INA groups, the American Timken and Torrington, and the Japanese NTN and Koyo.

The world rolling bearing markets are worth about SEK 180 billion. Of this, the markets in Western Europe, the USA and Asia Pacific each account for about 30%. In Asia Pacific, the Japanese market accounts for approximately the half.

SKF is the largest supplier in Western Europe, the Middle East and Africa. In North America, Timken and Torrington together, have about one-third of the North American market. SKF is the market leader in Canada and Mexico, however, as well as the leader in the US industrial distributor market. SKF is also the largest supplier to the Latin American markets and has a very strong position in the Asia Pacific area. In Japan, the top five Japanese producers have more than 90% of the market.

SEALS DIVISION

The Seals Division is responsible for product development, production and sales of seals and sealing solutions for bearing arrangements and other industrial applications. The Division is also responsible for the sales of bearings, seals and related products to the vehicle replacement market in North America. Of the Division's sales, 70% are in the North American market. Automotive customers account for the same percentage of sales.

External sales in 2000 amounted to MSEK 4 130 (3 750), an increase of 10.1%. In local currencies, sales were at the same level as in 1999. Total sales (sales to external and internal customers) were MSEK 4 728 (4 313). The Division's operating result was MSEK 127 (49) with an operating margin of 2.7% (1.1).

The Division's business focuses on five Business areas: the Automotive OEM,

the Automotive Aftermarket (VSM), Bearing Seals, Industrial Seals and Products for the Aerospace Industry.

The year opened with good demand, particularly in North America. The restructuring measures undertaken in 1999 started to show results. The delivery service level was restored. The Division's high exposure to the North American automotive market led to a strong decline

in sales and lower margins during the second half of the year.

The Asian operation was still in the running-in stage in 2000, and consequently with low-level capacity and has therefore not contributed to the Division's profit.

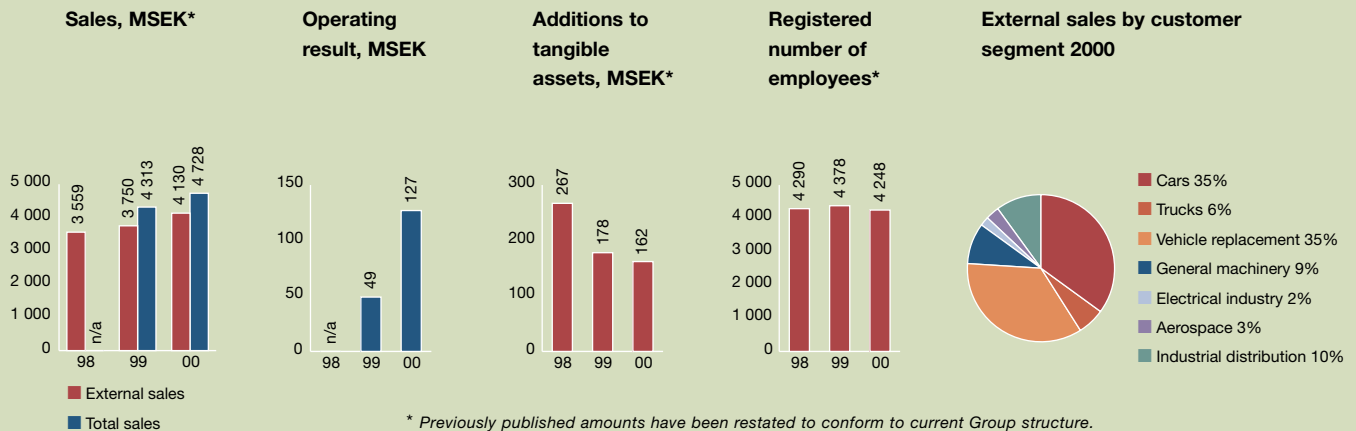
Important new business was secured, with Renault and Peugeot. The Division will begin delivering to these companies in 2001.



Manufacture of gas spring seals, CR Elastomere, Leverkusen, Germany.



New bearing seal compression moulding machine at RFT, Varese, Italy.





Rubber extruding machine at the RFT seals manufacturing plant at Varese, Italy.



The Italian factory in Varese was re-located to a new factory during the year in order to enhance effectiveness in its production.

CR Europe started to produce industrial seals in the SKF facility in Lutsk, Ukraine.

The third generation of engine seal technology, PTFE, has been successfully introduced into high-volume series production. This technology, using advanced bonding techniques, allows the use of thin PTFE wafers to seal rotating shafts,

giving a significantly higher sealing solution in automotive applications.

The Seals Division's automotive business launched several new products during the year. One of these was the Rotostat® Sealing Module with Sensor, a new integrated sealing module for engine crankshafts.

Another technological success has been the CR Magnetized Rubber Impulse Rings. Magnetic rubber impulse rings have been used successfully for

some time for the generation of a signal in ABS brake systems.

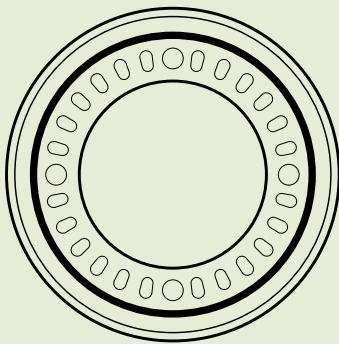
The Division is also focusing on increasing its business in the industrial area. It therefore acquired the Swedish company, Sealpool AB, in order to add to the product range for this market. Sealpool specializes in seals for hydraulic applications.



CR 4WD seals sell on performance and quality

Chicago Rawhide's advanced front output sealing solutions have been selected by the U.S. company New Venture Gear (NVG), the world's largest manufacturer of four-wheel-drive transfer cases.

The CR 4WD seal was approved by NVG as being the only seal that could take the punishment meted out by a 4WD vehicle navigating demanding terrain. Today, CR produces about one million 4WD seals for NVG a year.



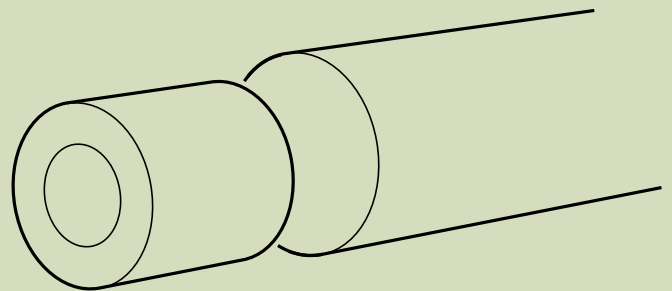
CR 4WD front output seal for transfer cases.



SKF secures important long-term contract in the USA

Technological edge, product quality and superior logistics. These were the deciding factors behind Ovako Steel's long-term supply agreement with Defiance Precision Products (DPP) in the USA to supply steel bar sections for the manufacture of cam follower rollers and other precision automotive parts at DPP, in its production of components for gas and diesel engines.

These steel bar sections are made of high quality steel, since the cam follower rollers must meet aircraft classification cleanliness standards. They must also be free of impurities, have a smooth surface and exact and consistent dimensions, in order to reduce machining and waste at DPP. No competitor could match Ovako Steel, now regarded at DPP as a total quality supplier, i.e. the best supplier in its niche.



Ovako steel bar turned into cam rollers.

STEEL DIVISION

The Steel Division is one of the world's leading manufacturers of bearing steel and other high-quality steel grades. A major part of its production is delivered as cut, forged and machined components. The Division has steel production facilities in Sweden, Germany, Italy, France, the UK and the USA.

External sales in 2000 amounted to MSEK 1 838 (1 572), an increase of 16.9%. Total sales (sales to external and internal customers) were MSEK 4 481 (4 057). The Division's operating result was MSEK 173 (54) with an operating margin of 3.9% (1.3).

The market, which turned upwards at the end of 1999, continued to be good and the demand for steel products was high. A flattening of demand occurred at the end of the year.

The operating result trebled during the year. Technical problems and an unfavourable cost development in the Swedish

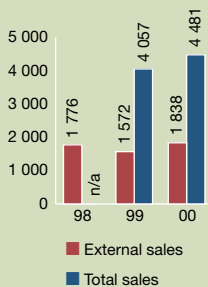
operations were the main reasons for the weak development of the result in the second half of the year.

The strategy to develop a customer base outside SKF showed good results and the potential of the new air-hardening steels allows the Division to penetrate new markets and develop new applications.

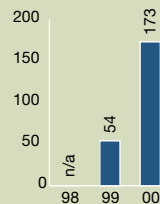


Manufacture of bearing components, Ovako Steel, Hofors, Sweden.

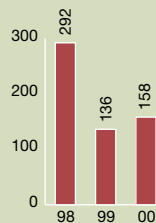
Sales, MSEK*



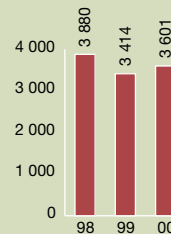
Operating result, MSEK



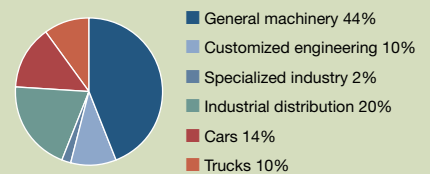
Additions to tangible assets, MSEK*



Registered number of employees*



External sales by customer segment 2000



* Previously published amounts have been restated to conform to current Group structure.

The air-hardening steel family developed by SKF provides an environmentally sound solution for the hardening process as no special cooling agent is required. These steels harden in a simple open air-cooling process. The slow and homogenous cooling process also results in components with very little distortion.

The share of machined components such as ring cuts increased during the year and there was a strong demand for the premium quality steel for very high-pressure applications in fuel pumps. Growth was also positive with regard to the newly launched nitriding steel.

Restructuring amongst mainly European tube makers has continued and a few major suppliers are emerging in the field of tubes for the bearing industry such as Ovako Steel, Vallourec & Mannesmann, and Timken.



Drilling of lubrication holes in outer rings for spherical roller bearings and manual inspection of the dimensions of soft-machined bearing rings, Ovako Steel, Hofors, Sweden



The new SKF Aero Bearing Service Center in Charleston, South Carolina, USA, provides service for all aero mainshaft and gearbox bearings in selected engine models.



Final measuring and inspection of an airframe rod carried out by Canterro José at the SARMA plant in St. Vallier, France.

Efforts continue to be made to increase SKF's penetration of the aerospace business and progress is being made. SKF is one of the world's leading bearing suppliers to the aerospace industry. The range of products and services consists of bearings for aircraft engines, gearboxes and airframes, and also bearing repair services for used engine bearings. A wide range of other products such as structural rods, rod ends, electromechanical equipment for Fly-by-Wire systems, and elastomeric bearings, dampers, seals and isolators are also supplied to this industry.

SKF's aerospace business – MRC and CR Aerospace in the USA, SARMA in France, SKF Avio in Italy and Ampep in the UK – developed favourably during the year. The business reached external sales of close on MSEK 1 700. Total sales amounted to MSEK 1 830 and the number of employees was 1 920.

MRC is the Group's producer of bearings for aircraft engines, particularly large engines. To further expand and develop its service business, MRC set up a new repair station in Charleston, South Carolina during the year. The facility has been approved by the FAA for the recon-

ditioning and the repair and remanufacturing of bearings for critical aerospace applications.

During the year, SARMA was given a five-year contract by Aerospatiale Matra Airbus for the supply of airframe bearings and metallic and composite rods. The total value of the contract is MSEK 500.



MRC Bearings, SKF's US subsidiary, supplies six different types of engine bearings for General Electric's GE90, one of three different engines approved for Boeing's 777 twin-engine aircraft. The bearings have undergone an extensive development process in order to meet General Electric's extremely high standards of performance and reliability.

Multi component bearing for the low pressure turbine on the aft end of the main shaft of an aircraft turbine engine. This bearing is currently mounted on the GE90 turbo fan engine, which produces some 90k pounds of thrust, and in the new GE90-115B engine with 115k pounds of thrust. The bearing incorporates several features such as oil damper system, spring beam system, mounting flange etc, and has some 3 000 measurable characteristics.



FINANCIAL OBJECTIVES AND DIVIDEND POLICY

Overall objective

SKF's overall financial objective is to create value for its shareholders. Over time, the return on the shareholders' investment in SKF should exceed the risk-free interest rate by some 5-6 percentage points. This is the basis for SKF's financial objectives and SKF's financial management model.

Financial targets

Early in 1999, SKF announced a financial target of an operating margin of 8%, and a comprehensive asset-reduction programme. This target was reached in the first quarter 2000, and the next target, which should be reached in a couple of years, was launched at the Annual General Meeting in April, 2000. This target comprises:

- an operating profit of MSEK 4 000,
- an operating margin of 10%,
- earnings per share of SEK 20,
- a return on capital employed of 18%.

The financial targets are cascaded down to the Divisions and operating units through SKF's financial management model.

Management model

SKF's management model is a simplified economic value-added model. This model, called TVA, promotes improved margins, capital reduction and profitable growth. TVA is the operating profit, less the cost of capital in the currency in which the business is conducted. The TVA result development for the Group correlates well with the trend of the share price over a longer period of time. The SKF Group's bonus and option programmes are based on this model.

Financial position

A strong financial position and a good credit rating are prerequisites for solid long-term growth and profitability in a business that is sensitive to changes in the business cycle.

SKF's solvency is currently at 37.2%, which is in line with the objective for solvency to be approximately 35%.

Dividend policy

SKF's dividend policy is based on the principle that the dividend should be adapted to the trend of earnings and cash flow, taking into account the Group's development potential and financial position. The Board of Directors' view is that the dividend should amount to approximately one third of SKF's average net result, calculated over an economic cycle.

Financing

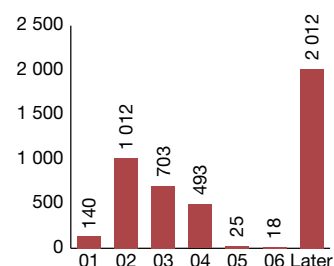
SKF's policy is that the financing of the Group's operations should be long-term. The objective is that the loans required to finance anticipated needs should have maturities exceeding three years. As of December 2000, the average maturity of SKF's loans was just over four years.

The Group's financial policy is that, in addition to this loan financing, SKF should have a payment capacity in the form of surplus liquidity and/or long-term credit facilities amounting to approximately MUSD 350. On December 31, 2000, the Parent Company had long-term loan commitments totalling MUSD 425 from ten banks.

The Group has been assigned a "BBB+" rating for long-term credits by Standard and Poor's and a "Baa2" rating by Moody's Investors Service.



Maturity year for interest-bearing loans, MSEK



FINANCIAL RISK MANAGEMENT

Financial risks

SKF's operations are exposed to various financial risks. The Group's financial policy defines currency, interest-rate and credit risks and establishes responsibility and authority for the management of these risks. The policy states that the objective is to eliminate or minimize risk and to contribute to a better return through the active management of risks.

The management of the risks and the responsibility for all treasury operations are largely centralized in SKF Treasury Centre, the Group's internal bank.

Currency risks

The most important currency risk to which the Group is exposed is changes in exchange rates in future flows of payments, transaction exposure.

The Group's principal commercial flows of foreign currencies pertain to exports from Europe to North America and Asia, and to flows of currencies within Europe. The introduction of the euro has reduced the currency risks.

SKF's policy is to hedge currency flows for three to six months on average.

This is the length of time deemed to be required to adjust to new conditions. Within the framework of established risk limits, it is possible for SKF Treasury Centre to deviate from this average period. Risks are managed, based on a risk-evaluation system that takes into account the volatility of currencies as well as their mutual relationship. As of year end, the lengths of the actual forward contracts conformed with the basic policy.

The Group's accounts are also affected by the effect of translating the results and net assets of foreign subsidiaries to Swedish kronor. For the time being, these currency exposures are not hedged.

SKF's principal competitors have the greater part of their production capacity in Germany, the USA or Japan. SKF's manufacturing is wider spread geographically, but with a greater concentration to continental Europe, the USA and Sweden.

More details about the hedging of foreign currency, financial instruments and credit risks will be found in Note 27 to the Consolidated Financial Statements.

NET CURRENCY FLOWS IN 2000

Currency flows are fully hedged for the next 3-4 months.

Currency	Flows in 2000, MSEK	Exchange rate in 2001*
USD	2 500	9.70
EUR	550	8.41
CAD	380	6.28
GBP	350	13.65
Other**	1 320	
SEK	-5 100	

* Average exchange rate used for the hedging for the first 3-4 months 2001.

** "Other" is a sum comprising some 10 different currencies.

SENSITIVITY ANALYSIS

The following shows the magnitude of changes in respect of a number of major factors influencing the Group's profit before taxes. The assessment has been made on the year-end figures. All the calculations have been made on the basis that everything else is equal.

- An increase of 1% in the cost of wages and salaries (incl. social security contributions) reduces profit before taxes by MSEK 140, and a 1% increase in the cost of direct material and components reduces profit before taxes by MSEK 80.
- A change of a one percentage point in the short-term interest rates affects financial expense with regard to the net debt and influences profit before taxes by MSEK 15.
- A weakening of 10% of the SEK against the USD or against the EUR, has a positive effect from net currency flows on profit before taxes of MSEK 250 and MSEK 55 respectively.

EMU

SKF operates extensively in the 12 member countries of the European Monetary Union, particularly in Germany, France and Italy. In 2000, the EMU countries accounted for approximately 40% of the Group's net sales, and for more than 50% of the Group's total production.

The introduction of a single currency in Europe is not expected to bring about any change in the Group's strategic direction. SKF has treated Europe as a single market for a number of years. However, during 2000 system adaptations were made. Almost all the concerned applications have been modified and tested in order to become "euro compliant". The SKF companies will gradually convert from local currencies to the euro during 2001. The migration from local currencies to the euro must be completed before January 1, 2002.

In 2000, the Swedish Parliament approved legislation allowing financial results to be reported in euro for Swedish companies. SKF has not yet decided if and when a conversion to euro should be made. The Group's financial accounts for 2001 will be prepared in SEK.



The SKF Group's recent shift in business direction, with the focus on service, trading, electronics, and partnership, requires the organization to acquire additional and new types of competence and skill.

A number of programmes have been launched to ensure that the desired competence is being developed. The programme, "Doing Profitable Business", drawn up in 1999, has been running for most of 2000.

The "Value Leadership Programme", aims to direct SKF's resources to the right areas of business by focusing on identifying customer value in the products and service offerings, as well as agreeing with the customers on how to deliver this. Some 350 frontline people in the Automotive Division attended the training course in 2000.

The "Solutions Sales Programme" was initiated in 2000, and in 2001 most frontline sales staff in the Service Division will be trained in the skills of selling solutions and services.

In addition to developing its own resources, SKF is growing its market capabilities by acquiring knowledge and technology-intensive companies, a number of which were acquired during 2000. These companies are people-critical, and the integration process of the knowledge capital is of crucial importance. To ensure that the acquired knowledge capital is utilized to the fullest extent, SKF has an "Acquisition Integration Process", which is aligned with the SKF strategy.

In 2000, SKF launched the concept of Asset Efficiency Optimisation (AEO). This concept is a unique way of maximizing customer value by offering Reliability Maintenance know-how together with supplies of products. The AEO concept provides the customers with a leading-edge partner in their daily maintenance work as well as for their maintenance strategy. SKF not only supplies the technology products, it also provides

Asset Intelligence, Maintenance Planning, Machine Maintenance & Improvements, and the supply process.

SKF is today building a culture of continuous change and learning. Cooperation, partnership and networking are the keys to SKF's success.

SKF finds dynamism in its wide network that has established contact with many universities and institutions in Europe, North America and Asia. These links, ranging from simply keeping in touch to contracts supporting Ph.D. students, are very valuable. This network is integrated in the scientific and technical efforts of SKF in both the product and process areas. Long-term relations have been established with prominent universities in many fields of scientific work of interest to SKF such as lubrication including grease behaviour, noise and vibration, sensors, coatings, ceramics and many other areas.

An example of a long period of cooperation throughout the '90s is the work done on the understanding of the effects of the particulate contamination on bearing life. This took place in collaboration with the Tribology Section of the Mechanical Engineering Department of

the Imperial College of Science, Technology and Medicine, London. The development of noise and vibration calculations, used in the SKF ORPHEUS computer program, was conducted together with the University of Twente in The Netherlands.

SKF is making continuous efforts to develop new solutions, new products and new knowledge. Over the years, the emphasis has switched from basic products to more value-added products and services. The focus is now more and more on customized solutions, system solutions and smart products, integrating electronics and additional functions.

The Queen's Tower at the Imperial College of Science, Technology and Medicine, London, U.K.



Below are a few examples of developments that highlight SKF's leading position in some important areas.

Mechatronics

The use of electronics in mechanical systems, mechatronics, and the miniaturization of such systems, are providing growing opportunities to add value in customer products with "mechatronic" bearings and other SKF products. This requires a thorough knowledge of customers' applications, which is helped by the efficient use of advanced numerical modelling and simulation.

High-resolution optical encoder units

SKF has developed a range of fully integrated optical encoder units, which are to be fitted to the electric drives of advanced electric vehicles. Thanks to this unit, a car can be driven with state-of-the-art accuracy; enabling brake control, drive control and stability control to an extent not reached before. The SKF design goes far beyond the mere bearing, adding not

only advanced positioning sensing, but also major structural and fixation functions of the drive motors.

Motor commutation sensor units

SKF sensor bearing units provide simple and reliable phase commutation of brushless DC motors and are integrated into a bearing unit. The SKF unit provides a preset, ready-to-use unit, replacing about five different parts with just one, and requiring much less assembly work and fewer tuning operations.

This is a technological breakthrough for brushless motors that makes them more attractive from the point of view of cost and efficiency.

Mono-signal miniature sensor units

The need for motor control of small, electric motors that have an enormous market has triggered the development of a very small, cost-effective integrated speed sensor-bearing unit; its design and process being targeted on the huge number of applications. This kind of product

can increase performance, whilst dramatically reducing the number of components, and thus making the motor assembly very cost-effective.

Wireless sensor system

The pulp and paper industry is an example of environment where cables from an on-line system for condition monitoring can be difficult to install or be in the way and interfere with the work. With the SKF wireless sensors, the sensor is placed by the roll and sends the signal via radio to a base station. The Wireless system can be used as a fixed system or as a temporary system for troubleshooting.

In the Braviken Paper Mill, four sensors were placed at different critical locations on one of the paper machines. Two were placed in the wet section and two in the calender. For three months, vibration measurement results were sent every hour around the clock with no sign of disturbance or lost information. Using PRISM 4 software to analyse the results, the maintenance personnel could follow the changes in vibration at the measuring points with every confidence. The vibration analyst could also monitor the machine from his office PC using the internal computer network.

Holmen Paper AB, Braviken Mill, was the first customer buying a wireless system for trouble shooting purposes in December 2000.

Bogie-monitoring system – added safety for today's railway industry

Railway networks need to be run safely, reliably and efficiently. Low life-cycle cost solutions are also required for customers to be able to run a competitive transport operation.

SKF and Sécheron have jointly developed a highly sophisticated bogie-monitoring system (BoMo). The axlebox bearing unit – the heart of the dynamic system of a railway bogie – is equipped with compact and integrated multifunc-



The highly sophisticated bogie-monitoring system (BoMo), jointly developed by SKF and Sécheron.

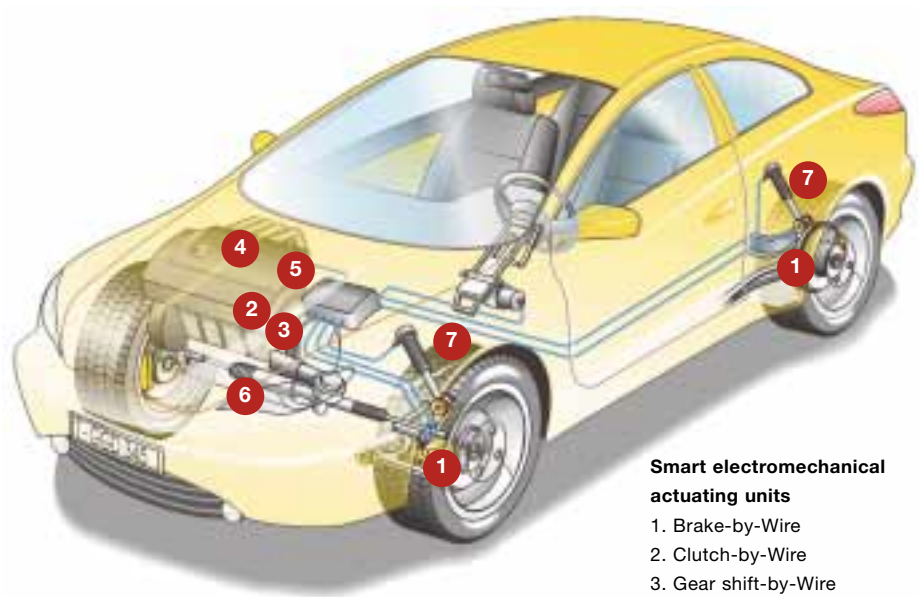
tion sensors. The equipment allows state-of-the-art signal analysis and monitoring techniques to be applied to extract critical safety indicators and to record the operating parameters of axlebox bearings and other train bogie components such as wheel condition and derailment. The output is fully compatible with train and bus systems, ensuring the transmission of data for maintenance optimization and the direct generation of warning signals.

Drive-by-Wire

The increased demand for safety, supported by high levels of dynamic driver assistance, as well as increased attention towards recycling and emissions are guiding the trends of the automotive industry. SKF has created the Drive-by-Wire Business unit to develop and lead the market with innovative electro-mechanical actuation functions and smart control with sensors for all by-Wire applications. The Mechanical Actuating Unit (MAU) is the mechanical heart of any by-Wire actuator and it is strongly protected by more than 30 patents for different applications. The business unit's core competence covers all smart electro-mechanical actuator components, which include MAU, seals, gears, sensors, electric motors and power electronics to provide the actuating function. The solutions offer efficient actuation in a compact, robust design and with smart control.

Roller screws

In modern injection-moulding machines, for example, electromechanical drives are used for rotating the worm and providing the linear movement for the injection of plastic into the mould. Electromechanical drives are also used for mould closing and opening, and ejection of the plastic part. At present, this type of drive is more widespread in Asia than elsewhere, where many designs still rely on hydraulics. However, it is clear that this is changing rapidly. Driving this major



Smart electromechanical actuating units

1. Brake-by-Wire
2. Clutch-by-Wire
3. Gear shift-by-Wire
4. Turbocharger-by-Wire
5. Throttle-by-Wire
6. Steering-by-Wire
7. Suspension-by-Wire

shift in technology, which is evident not only in injection-moulding but throughout almost all industries, is the demand for higher productivity and quality, and also stricter environmental legislation requiring clean solutions. Electro-mechanical actuators incorporating ball and roller screws meet these demands.

With regard to injection-moulding in particular, SKF is at the forefront of the trend providing a range of roller screws with special internal designs optimized to withstand the very heavy loads and short strokes characteristic of this application.

Customized products and system solutions

By utilizing its expertise and unique knowledge, SKF can customize products and develop system solutions that create more value for its customers. By utilizing this know-how and combining different products and technologies, SKF can obtain manifold leverage.

VCT Sensor Seal System

The new generation of engines using variable camshaft timing systems (VCT) needs to continuously signal the camshaft-to-crankshaft position. The newly developed VCT Sensor Seal System provides a very accurate position and speed signal from the camshaft that can be processed by the engine management system.

Due to the extremely compact unit consisting of a camshaft seal, a magnetized impulse wheel and a Hall sensor, together with a specially developed installation tool, it is now also possible to implement the system at the front end of the cylinder head.

Printing Cylinder Bearing Units (PCU)

Higher printing quality at higher speeds is the objective of the printing machine industry, especially for the production of newspapers and magazines. Web presses are large machine systems and higher speeds generate vibration that influences

printing quality. To increase the output (higher speed) and the quality (less vibration) simultaneously has been a challenge for SKF.

SKF Printing Cylinder Bearing Units (PCU) is an innovative bearing system solution for printing presses, leading to an extraordinary improvement in productivity. The result of this innovation proved to be an overwhelming success, permitting a more compact machine design, extreme system stiffness and the highest possible accuracy.

This system has become standard and is now the preferred solution for all leading offset press manufacturers worldwide. Over the past years, the output of newspaper machines has increased by more than 40% and is continuing to grow.

Truck Hub Unit

SKF Business Unit Truck offers a full assortment of Truck Hub Units to the truck and trailer market around the world. All the applications and customer requirements are met by these units.

THU1 is the first choice for all driven truck axles, but is also used for trailer axles depending on design and brake solutions.

THU2 with a small flange is a special development for European applications where larger diameters for wheels and brakes are used. The full-flange THU2 is used in the USA for non-driven steer axles and also for trailer axles.

The so-called A-TMU (Assembled Truck Matched Unit) offers the most advantages in regard to customer requirements, various brake designs and hub material, which could be aluminium, cast iron or ductile iron. These units are assembled by SKF, but can also be assembled at the customer's location, in accordance with special requirements.



Sectioned hub bearing unit for truck wheels.

NoWear™ bearings in paper-making machines

Paper mills often experience problems in the calendering operation where the paper is glazed between rolls. The bearings in these rolls operate in an environment where loads range from virtually zero to full loading during the operating cycle of the calender. When loaded, the bearing rollers are subject to rapid acceleration, which can cause smearing problems.

At Stora Enso Magazine Paper, near Karlsruhe in Germany, standard bearings were being replaced at least once a year. With NoWear™ bearings, the calender has been in operation for more than three years without any bearing problems. Since the calender rolls are removed to

have the surfaces reground every third year, the bearings now outlive the rolls.

Furthermore, there have not been any unplanned stops since NoWear™ was adopted.

Magnetic Bearings in high-speed motors

One of the key innovations in a motor drive is the use of magnetic bearings, which eliminate the need for an oil lubrication system. This oil-free system has no emissions on site, which is an important environmental factor. The SKF company Revolve Magnetic Bearings Inc. supplies magnetic bearing systems and MRC supplies auxiliary bearings. This product has already been delivered to ABB for a new high-speed motor.

There is a significant upside potential in the large turbo machinery market for the innovative HISPIN motor technology. Because of the elimination of the oil lubrication system from the driver, a market for oil-free systems in the driven equipment is opening up. This represents an excellent opportunity for magnetic bearings over the next few years, and SKF is poised to capture a large part of this expanding market.

Web-based applications and the use of artificial intelligence

SKF is currently consolidating different calculation features created by R&D into a common platform to obtain an integrated engineering support system, and making parts of this accessible via the Internet. This will further increase the speed and quality of SKF's customer support. In addition, this will be a further help to promote SKF technology and connect it closer to the Group's business, both by selling bearings/solutions and selling support to customers. Also, the use of artificial intelligence contributes to easier and faster access to global SKF expertise.

Manufacturing development

SKF has invested during the year in a new manufacturing development centre (MDC) located in Göteborg, Sweden. The MDC will focus on manufacturing process R&D for the SKF Group and will be a complement to SKF Engineering and Research Centre (ERC) in The Netherlands, which focuses mainly on product R&D. The MDC will be up and running at the beginning of 2001.

Together with the SKF Divisions and external partners, the MDC will develop world-class manufacturing processes for the SKF Group.

Flexible manufacturing

Grinding simulations – new usage for “BEAST” technology

The simulation tool “BEAST” has been further developed to be an aid in the grinding process simulation. A detailed grinding simulation system is of great help to improve both the finished ring quality and productivity. For example, the waviness of a bearing ring is reduced during the entire history of the grinding cycle, and the final result depends on a number of factors such as machine dynamics, ring flexibility, ring support, and feed profile, etc.

This new grinding simulation tool can be used as a cost-effective means to test new process strategies, new machine setups, etc.

An important aspect of this new tool is that it includes both the geometrical effect from the ring support, as well as the dynamic behaviour of the machine.

Resetting

In order to achieve an improved relation between inventory and customer service, the production frequency has been increased in most of SKF's factories. To support this increase, powerful resetting time reduction programmes have been implemented. As a result of improvements in the resetting organization, working methods and technology, the channel resetting time could be reduced substantially in many manufacturing channels. The results have shown that increased production frequency and reduced resetting times are strong drivers for improved manufacturing efficiency and customer service.

The positive experience and intelligent solutions for improvement are now being rolled out to the various manufacturing channels.

Laser cutting of cages

Tools for bearing cages are very expensive and the manufacturing lead time is normally long.

To gain speed and flexibility, SKF have invested in a laser-cutting cell and developed the process for cage manufacturing. This new technology will enable SKF to meet the market demand for speedy product development and “time to market”: no type-dependent tools, no investments are necessary for a new cage design. The possibilities of the new generation CAD/CAM systems provide the laser cell with automatically generated NC-programs. The short resetting time of the laser-cutting cell provides “just-in-time” opportunities.

CONSOLIDATED INCOME STATEMENTS

<i>Millions of Swedish kronor</i>		2000	1999	1998
Net sales		39 848	36 693	37 688
Cost of goods sold	<i>Note 2, 3</i>	- 30 143	- 28 822	- 30 715
Gross profit		9 705	7 871	6 973
Selling expenses	<i>Note 3</i>	- 5 840	- 5 362	- 6 412
Administrative expenses	<i>Note 3</i>	- 380	- 392	- 521
Other operating revenues		827	715	367
Other operating expenses		- 645	- 312	- 1 295
Profit/loss from Associated Companies		7	-	- 111
Operating profit/loss		3 674	2 520	- 999
Financial income and expense, net	<i>Note 4</i>	- 672	- 751	- 1 064
Profit/loss before taxes		3 002	1 769	- 2 063
Taxes	<i>Note 5</i>	- 1 001	- 650	377
Profit/loss after taxes		2 001	1 119	- 1 686
Minority interests' share in profit/loss for the year		- 39	- 8	44
Net profit/loss		1 962	1 111	- 1 642

Values by quarterly reports, 2000

<i>Millions of Swedish kronor unless otherwise stated</i>	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Full year 2000
Net sales	9 822	10 072	9 495	10 459	39 848
Operating profit	938	904	891	941	3 674
Profit before taxes	770	739	732	761	3 002
Earnings per share, SEK	4.37	3.75	4.44	4.67	17.23

COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

As from 2000, operating expenses for the Group are classified as cost of goods sold and/or selling and administrative expenses based on the type of operation rather than the type of expense. Previous years have been restated in accordance with the new principles.

Net sales

The SKF Group's sales in 2000 amounted to MSEK 39 848 (36 693 and 37 688)*.

The 8.6% increase in net sales, compared with 1999, was attributable to structure by -0.5%, to exchange-rate effects by +2.4%, to price and mix (volume shifts between various customer segments and products with different price levels) by +1.6%, and to volumes by +5.1%.

Operating profit/loss

The SKF Group's operating profit in 2000 amounted to MSEK 3 674 (2 520 and -999)*.

The operating margin for 2000 amounted to 9.2% (6.9 and -2.7)*. Operating profit was positively affected by non-recurring earnings/expenses, net, of MSEK 100 (388 and -3 025)*. Excluding non-recurring items, the margin was 9.0% (5.8 and 5.4)*. The improvement in the margin was attributable mainly to increased sales volumes, high capacity utilization, cost reductions, better prices and an increase in the business for value-added products and solutions.

The operating loss in 1998 included the costs of restructuring programmes decided on amounting to MSEK 3 025. The amount affecting cost of goods sold was MSEK 1 468, selling and administrative expenses were MSEK 408, other operating revenues and expenses, net, were MSEK 1 055 and the result from Associated Companies was MSEK 94. Excluding these provisions, the operating profit would have been MSEK 2 026.

Other operating revenues and expenses, net, in 2000 amounted to MSEK 182 (403 and -928)*. In 2000 other operating revenues included a bonus distribution of MSEK 250 allocated by the Swedish insurance company Försäkringsbolaget SPP (now Alecta pensionsförsäkring) and sales of real estate. Other operating expenses included a provision of MSEK 367 with the purpose of writing down assets in the Steel Division. The non-recurring earnings, net, amounted to MSEK 100.

In 1999 other operating revenues and expenses included a capital gain of 133 MSEK for the sale of the head office building in Göteborg, sales of other capital assets and MSEK 150 of released excess restructuring provisions. The total non-recurring earnings, net, amounted to MSEK 388.

In 1998 other operating revenues and expenses included the costs for divestment of the production of textile machinery components in Germany, the close-down of the production of seals in Gastonia and taper roller bearings in Glasgow, USA and the forging mill in Arvika, Sweden. The total non-recurring expenses, net, amounted to MSEK -1 055.

The profit/loss from Associated Companies includes the SKF Group's share of profit/losses in these companies. In 1998 it also included the SKF Group's cost to exit its share in the joint-venture WPB Water pump bearing GmbH (JV), Germany.

Profit/loss before taxes

In 2000 the SKF Group's profit before taxes amounted to MSEK 3 002 (1 769 and -2 063)*. In 1998 the loss before taxes included the costs for restructuring programmes decided on amounting in total to MSEK 3 135. Excluding provisions the SKF Group would have shown a profit before taxes amounting to MSEK 1 072.

The financial income and expense, net for the SKF Group amounted to MSEK -672 (-751 and -1 064)* and was positively affected by decreased borrowings in 2000 and 1999 respectively. 1998 was negatively affected by high borrowings, exchange losses in Asian joint-ventures and a MSEK 110 write-down of the shares in the Chinese bearing company Wafangdian Bearing Company Limited.

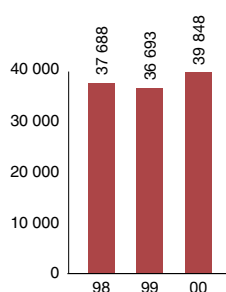
Profit/loss after taxes

In 2000 the SKF Group's profit after taxes amounted to MSEK 2 001 (1 119 and -1 686)*.

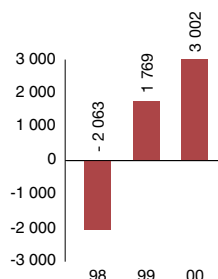
The actual tax rate in 2000 was 33 percent (37 and 18)*. The tax income in 1998, which amounted to MSEK 377, arose mainly as a result of tax losses carry-forwards. These tax losses carry-forwards occurred due to provisions and were judged to result in future tax reductions for the Group.

* Amounts in parentheses refer to comparable figures for 1999 and 1998 respectively.

Net sales, MSEK



Profit/loss before taxes, MSEK



CONSOLIDATED BALANCE SHEETS

<i>Millions of Swedish kronor</i>		2000	1999	1998
ASSETS				
Capital assets				
Intangible assets	<i>Note 6</i>	1 119	944	1 042
Long-term deferred tax assets	<i>Note 5</i>	426	885	1 197
Tangible assets	<i>Note 7</i>	13 089	13 074	14 568
Investments	<i>Note 28</i>	328	196	200
Long-term financial assets	<i>Note 8</i>	1 076	918	884
		16 038	16 017	17 891
Short-term assets				
Inventories	<i>Note 9</i>	9 262	8 640	10 183
Accounts receivable – trade	<i>Note 10</i>	7 091	6 563	6 738
Short-term tax assets	<i>Note 5</i>	601	592	658
Other short-term assets	<i>Note 11</i>	1 341	1 035	1 192
Short-term financial assets	<i>Note 12</i>	3 481	1 976	2 353
		21 776	18 806	21 124
Total assets				
		37 814	34 823	39 015
EQUITY, PROVISIONS AND LIABILITIES				
Shareholders' equity <i>Note 13</i>				
Restricted equity				
Share capital		1 423	1 423	1 423
Restricted reserves		6 781	6 524	7 029
Unrestricted equity				
Unrestricted reserves		3 428	2 309	4 122
Profit/loss for the year		1 962	1 111	- 1 642
		13 594	11 367	10 932
Minority interest				
		467	398	367
Provisions				
Provisions for pensions and other postretirement benefits	<i>Note 14</i>	6 746	6 478	7 139
Provisions for deferred taxes	<i>Note 5</i>	1 596	1 509	1 488
Other provisions	<i>Note 15</i>	3 046	2 795	4 095
		11 388	10 782	12 722
Long-term liabilities				
Long-term loans	<i>Note 16</i>	4 263	4 753	4 842
Other long-term liabilities	<i>Note 17</i>	94	79	88
		4 357	4 832	4 930
Short-term liabilities				
Short-term loans	<i>Note 19</i>	705	1 223	3 337
Accounts payable – trade	<i>Note 20</i>	3 099	2 785	2 884
Short-term tax liabilities	<i>Note 5</i>	294	–	106
Other short-term liabilities	<i>Note 21</i>	3 910	3 436	3 737
		8 008	7 444	10 064
Total equity, provisions and liabilities				
		37 814	34 823	39 015
Assets pledged <i>Note 22</i>				
		490	639	734
Contingent liabilities <i>Note 23</i>				
		147	65	178

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

Assets and liabilities

The SKF Group's inventories at December 31, 2000 amounted to MSEK 9 262 (8 640 and 10 183)*. Inventories as a percentage of annual sales totalled 23.2% (23.5 and 27.0)*. This is in line with the plan to reduce inventory by 2% per year and to reach the level of 20%.

The SKF Group's trade accounts receivable at December 31, 2000 amounted to MSEK 7 091 (6 563 and 6 738)*. Trade accounts receivable as a percentage of annual sales totalled 17.8% (17.9 and 17.9)*.

During the year the SKF Group continued to reduce assets. Real estate and other capital assets were sold for MSEK 321.

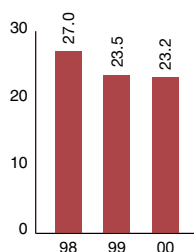
The value of total assets increased in 2000 by approximately 5%, compared with 1999, due to a weaker Swedish krona.

Financing

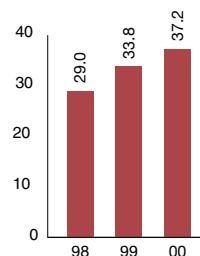
At year-end, the SKF Group's total interest-bearing loans amounted to MSEK 4 968 (5 976 and 8 179)*. Provisions for pensions and other postretirement benefits totalled MSEK 6 746 (6 478 and 7 139)*. At the same time, financial assets totalled MSEK 4 557 (2 894 and 3 237)*, of which MSEK 3 481 (1 976 and 2 353)* consisted of short-term financial assets. Change in net interest-bearing liabilities during 2000 is disclosed in the Group's consolidated statements of cash flow.

* Amounts in parentheses refer to comparable figures for 1999 and 1998 respectively.

**Inventories,
% of annual
net sales**



**Solvency
(equity/assets
ratio), %**



CONSOLIDATED STATEMENTS OF CASH FLOW

<i>Millions of Swedish kronor</i>	2000	1999	1998
Profit/loss before taxes	3 002	1 769	- 2 063
Depreciation on tangible assets and goodwill amortization	1 633	1 873	2 097
Net gain(-)/loss on sales of tangible assets and businesses	- 227	- 248	12
Taxes	- 166	- 355	- 387
Changes in working capital:			
Inventories	- 244	1 381	181
Accounts receivable – trade	- 59	- 187	481
Accounts payable – trade	- 2	123	- 367
Other operating assets, liabilities and provisions – net	- 1	- 1 391	936
Cash flow from operations	3 936	2 965	890
Investments in tangible assets and businesses	- 1 551	- 1 303	- 2 505
Sales of tangible assets and businesses	551	554	240
Change in equity securities	- 56	3	154
Cash flow after investments before financing	2 880	2 219	- 1 221
Change in loans	- 986	- 1 994	- 402
Change in pensions	17	- 323	566
Change in long-term financial assets	- 62	- 12	- 16
Cash dividends, AB SKF shareholders	- 455	- 228	- 598
Cash effect on short-term financial assets	1 394	- 338	- 1 671
Change in short-term financial assets			
Opening balance, January 1	1 976	2 353	3 931
Cash effect	1 394	- 338	- 1 671
Exchange rate effect	111	- 39	93
Closing balance, December 31	3 481	1 976	2 353

Change in net interest-bearing liabilities in 2000

	Opening balance January 1, 2000	Exchange rate effect	Change in loans/assets	Acquired and sold businesses	Closing balance December 31, 2000
Loans, long- and short-term	5 976	42	- 986	- 64	4 968
Provisions for pensions	6 478	322	17	- 71	6 746
Financial assets, long-term	- 918	- 99	- 62	3	- 1 076
short-term	- 1 976	- 111	- 1 394	-	- 3 481
Net interest-bearing liabilities	9 560	154	- 2 425	- 132	7 157

The consolidated statements of cash flow presented above have been adjusted for acquired and sold businesses with the following net amounts:

<i>Millions of Swedish kronor</i>	2000	1999	1998
Net gain(-)/loss on sold businesses	- 70	- 31	12
Adjustment of Changes in working capital due to acquired and sold businesses:			
Inventories	- 95	- 40	63
Accounts receivable – trade	- 23	- 14	21
Accounts payable – trade	- 12	39	- 30
Other operating assets, liabilities and provisions – net	- 72	84	233
Cash flow effect from operations in acquired and sold businesses	- 272	38	299
Cash paid for acquired businesses	- 163	- 70	- 357
Settlement in other forms	-	- 3	-
Cash received for sold businesses	230	20	69
Settlement in other forms	73	-	-
Cash flow effect from acquired and sold businesses after investments before financing	- 132	- 15	11
Adjustment of Change in loans due to acquired and sold businesses	64	6	- 16
Adjustment of Change in pensions due to acquired and sold businesses	71	9	-
Adjustment of Change in long-term financial assets due to acquired and sold businesses	- 3	-	5
Cash effect in acquired and sold businesses	0	0	0

COMMENTS ON THE CONSOLIDATED STATEMENTS OF CASH FLOW

As from 1999, the consolidated statements of cash flow are to be presented in accordance with recommendation RR7 "Cash Flow Statements" of the Swedish Financial Accounting Standards Council.

As from 2000, changes in net interest-bearing liabilities are disclosed individually in the consolidated statements of cash flow.

Previous years have been restated accordingly.

Cash flow from operations

The SKF Group's gross cash flow, defined as operating profit/loss plus depreciation according to plan and one-time write-downs, amounted to MSEK 5 307 (4 393 and 1 098)*. The gross cash flow was 13.3% (12.0 and 2.9)* of annual sales. An improvement of operating profit, which in 2000 amounted to MSEK 3 674 (2 520 and -999)*, contributed to the strong cash flow.

Cash flow after investments before financing

The SKF Group's capital expenditure in tangible assets amounted to MSEK 1 388 (1 230 and 2 148)*. Of the Group's total additions to tangible assets approximately MSEK 47 (98 and 149)* were invested in measures to improve the environment, both internally and externally.

In 2000, the SKF Group paid MSEK 163 for new businesses, primarily:

- Machine Support B.V., in the Netherlands, services within laser alignment,
- Electrac S.A., in France, manufacturer of electromechanical actuators,
- Sealpool AB, in Sweden, supplier of sealing systems mainly within the hydraulic and pneumatic market areas,
- Diagnostic Instruments Ltd., in the UK, industrial mobile computing equipment,

- Revolve Magnetic Bearings Inc., in Canada, manufacturer of magnetic bearing systems,
- MTSR Ltd, in the UK, machine tool service company.

These businesses were included in the SKF Group's consolidated financial statements in 2000.

Sales of businesses related principally to the machine-tool manufacturer LMT, Lidköping Machine Tools AB in Sweden and manufacturing of chrome steel balls in the Pinerolo plant in Italy. Real estate in the Netherlands, Peru and Singapore was also sold in 2000.

The statements of cash flow have been adjusted for acquired and sold businesses as specified in the footnote.

Cash effect on short-term financial assets

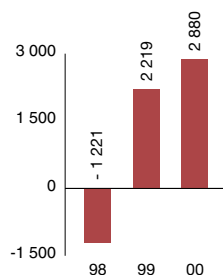
The SKF Group's loans were amortized by MSEK 986 (1 994 and 402)*. Interest-bearing loans totalled MSEK 4 968 MSEK at year end (5 976 and 8 179)*, while pension liabilities amounted to MSEK 6 746 (6 478 and 7 139)*. Interest payments amounted to MSEK 719 (759 and 715)* and interest received to MSEK 262 (254 and 406)* (see Note 4).

Short-term financial assets increased by MSEK 1 505 (-377 and -1 578)*. The SKF Group considers short-time financial assets to be cash and cash equivalents (see Note 12). In 2000 short-term financial assets were affected positively by MSEK 111 (-39 and 93)* owing to changes in exchange rates, mainly USD.

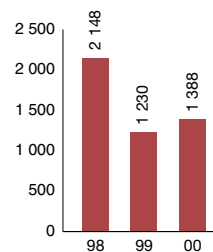
The consolidated statements of cash flow have been adjusted for changes in exchange rates as unrealized gains or losses arising from changes in foreign currency exchange rates do not represent cash flow.

* Amounts in parentheses refer to comparable figures for 1999 and 1998 respectively.

Cash flow after investments, before financing, MSEK



Additions to tangible assets, MSEK



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts in millions of Swedish kronor (MSEK) unless otherwise stated. Amounts in parentheses refer to comparable figures for 1999 and 1998, respectively.

1. ACCOUNTING PRINCIPLES

General

The consolidated financial statements include the Parent Company AB SKF and all the companies in which AB SKF, directly or indirectly, owns shares representing more than 50% of the voting rights. AB SKF and its subsidiaries are referred to as "the SKF Group" or "the Group".

Companies, representing 20 to 50% of the voting rights, and where the SKF Group has a significant influence, are referred to as "Associated Companies" (see Note 28).

All the companies within the Group apply the accounting rules as stated in the "SKF Accounting and Financial Reporting Manuals". These rules are based on generally accepted accounting principles in Sweden (Swedish GAAP). In general, the 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 described in Note 27.

The accounting rules below refer to the SFAS (Statements of Financial Accounting Standards) recommendations issued by the Financial Accounting Standards Board in the U.S.

Consolidation – subsidiaries

The consolidated financial statements are prepared using the purchase method. 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 the shareholders' equity of that subsidiary at the time of acquisition, adjusted in accordance with the Group's accounting principles, is accounted for:

- as goodwill in the consolidated balance sheets, if the cost of acquiring the subsidiary is higher than the shareholders' equity, or
- as a decrease in the value of acquired capital assets, if the cost of acquiring the subsidiary is lower than the shareholders' equity.

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

Investments in Associated Companies

Investments in Associated Companies are reported 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 in the results of these companies is based on their profit/loss after taxes.

Translation of foreign financial statements

The current rate method is used for translating the income statements and balance sheets of the majority of the foreign subsidiaries into Swedish kronor. All balance-sheet items in foreign subsidiaries have been translated in Swedish kronor based on the year-end exchange rates. Income Statement items are translated at average exchange rates. The translation adjustments that arise as a result of the current rate method 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) according to the SFAS No. 52 "Foreign Currency Translation." Monetary balance sheet items are translated at year-end exchange rates and non-monetary balance sheet items, as well as 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. Translation differences that arise are included in the related lines in the income statement.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated at year-end exchange rates. The resulting gains and losses are classified as either operational or financial items in the income statement. Operating gains and losses are included in Other operating revenue and Other operating expense. Financial gains and losses are included in Financial income and expense, net.

Forward exchange contracts

Forward exchange contracts hedge part of the budgeted flow of goods and services between countries. These forward contracts are not reflected in the income statement until the cash flow related to the budgeted goods and services occurs. Consequently, only realized gains and losses are included in financial exchange differences related to Other financial income.

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

Forward exchange contracts which are not considered hedges have been valued at market value. Gains and losses are included in Financial income and expense, net.

Exchange rates

The following exchange rates have been used when translating the financial statements of foreign subsidiaries operating in the countries shown below into SEK:

Country	Unit	Currency	Average rate			Year-end rate		
			2000	1999	1998	2000	1999	1998
Belgium	100	BEF	20.80	21.84	21.40	21.94	21.19	23.41
Canada	1	CAD	6.15	5.58	5.37	6.33	5.86	5.21
France	1	FRF	1.29	1.35	1.34	1.35	1.30	1.44
Germany	1	DEM	4.32	4.53	4.50	4.52	4.37	4.83
India	100	INR	20.38	19.28	19.26	20.37	19.57	18.99
Italy	100	ITL	0.44	0.46	0.46	0.46	0.44	0.49
Japan	100	JPY	8.49	7.25	6.03	8.27	8.33	7.01
The Netherlands	1	NLG	3.84	4.01	4.00	4.02	3.88	4.29
Spain	100	ESP	5.08	5.32	5.31	5.32	5.14	5.68
Switzerland	1	CHF	5.48	5.79	5.35	5.81	5.32	5.91
United Kingdom	1	GBP	13.88	13.42	13.20	14.20	13.75	13.52
USA	1	USD	9.16	8.31	7.94	9.51	8.51	8.08

Debt and marketable equity securities

The Group applies SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". There are no marketable equity securities held. Debt securities are held only for trading purposes intended to be sold in the near future, and are recorded at market value with changes in value recognized in the income statement.

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, labour and manufacturing overheads.

Tangible and intangible assets

Depreciation is provided on a straight-line basis and 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 on a straight-line basis, normally over 10 years, but in some cases over 20 years. Amortization of goodwill is included in selling expenses.

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

Leases

The Group applies SFAS 13 "Leases" which agrees with the Swedish accounting recommendation RR 6 "Accounting for leas-

ing agreements." 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 earnings over the lease term.

Revenue recognition

Revenues are recognized when realized or realizable and earned. Revenue from the sale of goods and services is generally recognized when (1) an arrangement with a customer exists, (2) delivery has occurred or services have been rendered, (3) the price is determinable and (4) collection of the amount due is reasonably assured.

Provisions for pensions

Provisions for pensions are calculated based on local legislation and rules in each country except in cases when a true and fair view would not be reflected.

Other operating revenue and other operating expense

Other operating revenue and Other operating expense include items such as gains and losses on sales of non-production related capital assets, gains and losses on sales or closures of companies and operations, rental revenues and exchange gains and losses arising on operating assets and liabilities.

Research and development

Research and development expenditures are charged against earnings as incurred and accounted for as cost of goods sold in the consolidated income statement.

Income taxes

All the 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 taxes are accounted for according to SFAS 109 "Accounting for Income Taxes". SFAS 109 requires that deferred taxes be calculated on differences between the book and tax bases of assets and liabilities in accordance with the liability method which, among other things, means that changes in tax rates affect the year's earnings. Additionally, it allows the recognition of loss carry-forwards if they, more likely than not, can be utilized. The difference between the gross effect and the amounts expected to be utilized is provided for in a valuation allowance.

Other taxes, in Note 5, refer to taxes other than income taxes which should not, according to GAAP, be included elsewhere in the income statements.

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 of foreign subsidiaries.

Provisions

Provisions are defined as obligations related to the current or previous financial years as a result of a business transaction or decision. Such obligations are accounted for when the business transaction is known, but as long as there is some uncertainty as to the final amount and the settlement date, the obligation should be accounted for as a provision. Pensions and other postretirement benefits, deferred taxes, restructuring reserves and similar items such as warranty reserves and benefits to employees, other than pensions, are classified as provisions in the balance sheet.

Provisions for pensions

Provisions for pensions are calculated based on local legislation and rules in each country except in cases when a true and fair view would not be reflected.

Provisions for postretirement benefits

The Group applies SFAS 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" which requires the cost of health insurance and other similar benefits for employees after their retirement to be expensed during the active service life of the employee. Up until 1992, the cost of these benefits was expensed on a cash basis.

Cash flow statements

As from 1999, the consolidated statements of cash flow are presented in accordance with recommendation RR 7 "Cash Flow

Statements" of the Swedish Financial Accounting Standards Council. Previous years have been restated to conform to the new recommendation.

Changes in accounting principles

The Parent Company includes received and paid Group contributions and certain allowances for shareholders' contribution in the Income statements until the recommendation RR 9 "Income Taxes", issued by the Swedish Financial Accounting Standards Council, becomes effective in 2001. According to a statement from the Swedish Emergency Issue Task Force, such items should preferably be charged directly against shareholders' equity.

Beginning in 2000, operating expenses for the Group are classified as cost of goods sold and/or selling and administrative expenses based on the type of operation rather than the type of expense.

Previous years have been restated in accordance with the new principles.

Definitions of key figures

The majority of the subsidiaries within the SKF Group report the results of their operations and financial position eleven times a year (ten for 1993 to 1996). The key figures presented in the Annual Report have been calculated using average values based on these interim reports. Consequently, 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, as a percentage of total assets at year end.
2. *Solvency (Equity/assets ratio)*
Shareholders' equity plus minority interest, as a percentage of total assets at year end.
3. *Return on total assets*
Operating profit/loss plus interest income, as a percentage of average total assets.
4. *Return on capital employed*
Operating profit/loss plus interest income, as a percentage of average total assets less the average of non-interest bearing liabilities.
5. *Return on shareholders' equity*
Profit/loss after taxes, as a percentage of average shareholders' equity.
6. *Operating margin*
Operating profit/loss, as a percentage of net sales.

7. *Profit margin*

Operating profit/loss plus interest income, as a percentage of net sales.

8. *Turnover of total assets*

Net sales in relation to average total assets.

9. *Earnings/loss per share in Swedish kronor*

Profit/loss after taxes and minority interest divided by the number of shares.

10. *Yield*

Dividend as a percentage of share price at year end.

11. *P/E ratio*

Share price at year end divided by earnings per share.

12. *Average number of employees*

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

2. RESEARCH AND DEVELOPMENT

Research and development expenditure charged against earnings totalled 710 (756 and 702). Additionally, the Group enters into external research and development contracts where, the Group develops or produces prototypes of various products on behalf of a third party. Expenses under such contracts were 10 (11 and 7).

3. DEPRECIATION

	2000	1999	1998
Land improvements	6	7	7
Buildings	117	185	168
Machinery, supply systems, machine tools, tooling and factory fittings	1 437	1 620	1 839
Goodwill	61	48	70
Revaluations	12	13	13
	1 633	1 873	2 097

Depreciations according to plan accounted for as:

	2000	1999	1998
Cost of goods sold	1 421	1 645	1 855
Selling expenses	189	195	211
Administrative expenses	23	33	31
	1 633	1 873	2 097

A one-time write-down of 0 (100 and 375) was included in depreciation according to plan.

4. FINANCIAL INCOME AND EXPENSE

	2000	1999	1998
Income from equity securities and long-term financial investments	120	61	- 54
Other financial income and similar items	475	402	280
Interest expense and similar items	- 1 267	- 1 214	- 1 290
	- 672	- 751	- 1 064

Specification of financial income and expense, net

	2000	1999	1998
<i>Dividends related to</i>			
- income from equity securities and long-term financial investments	10	9	11
Total dividends	10	9	11

Interest income related to

- income from equity securities and long-term financial investments	9	20	32
- other financial income and similar items	323	225	224
Total interest income	332	245	256

Interest expense for

- financial liabilities related to interest expense and similar items	- 561	- 620	- 729
- pensions and other post-retirement benefits (see Note 14) related to interest expense and similar items	- 358	- 372	- 398
Total interest expense	- 919	- 992	- 1 127

Financial exchange gains and losses related to

- income from equity securities and long-term financial investments	101	32	13
- other financial income and similar items	152	177	56
- interest expense and similar items	- 348	- 222	- 163
Total financial exchange gains and losses	- 95	- 13	- 94

Write-downs related to

- income from equity securities and long-term financial investments	-	-	- 110
Total write-downs	-	-	- 110

Financial income and expense, net

	- 672	- 751	- 1 064
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Adjustment to market value of trading securities affected financial income and expense by -3 (-15 and -11).

Interest received amounted to 262 (254 and 406). Interest payments amounted to 719 (759 and 715).

5. TAXES

	2000	1999	1998
Taxes on profit/loss before taxes			
- current taxes	- 510	- 185	- 399
- deferred taxes, net	- 460	- 453	793
Other taxes	- 31	- 12	- 17
	- 1 001	- 650	377

Deferred taxes for 2000 included an income of 80 related to the net change in the valuation allowance. Of this income, 1 represented an adjustment of the opening balance of the valuation allowance still existing at year end. The adjustment was due to a change in circumstances which affected the judgement on the realizability of the related deferred tax asset in future years.

	2000	1999	1998
Deferred tax assets:			
- long-term	426	885	1 197
- short-term	601	577	658
	1 027	1 462	1 855
Provisions for deferred taxes:			
- long-term	1 323	1 254	1 304
- short-term	273	255	184
	1 596	1 509	1 488
Provisions for deferred taxes/ deferred tax assets – net	- 569	- 47	367
Short-term income taxes receivable	-	15	-
Short-term income taxes payable	294	-	106
	294	15	106

Gross deferred tax assets and provisions were related to the following items:

	2000	1999	1998
Provisions for pensions and other postretirement benefits	514	488	453
Tax loss carry-forwards	1 143	1 646	1 890
Other	1 362	1 336	1 830
Gross deferred tax assets	3 019	3 470	4 173
Valuation allowance	- 912	- 992	- 1 216
Gross deferred tax assets after valuation reserve	2 107	2 478	2 957

	2000	1999	1998
Provisions for pensions and other postretirement benefits	18	18	31
Inventories	482	414	444
Tangible capital assets	1 987	1 905	1 926
Other	189	188	189
Gross provision for deferred taxes	2 676	2 525	2 590
Provisions for deferred taxes/ deferred tax assets – net	- 569	- 47	367

Corporate income tax

The corporate nominal income tax rate in Sweden was 28% in 2000, 1999 and 1998. The actual tax rate on profit/loss before taxes was 33% (37 and 18). A reconciliation of the statutory tax in Sweden to the actual tax is outlined below:

	2000	1999	1998
Tax calculated on statutory tax rate in Sweden	- 841	- 495	578
Difference between statutory tax rate in Sweden and foreign subsidiaries'			
weighted statutory tax rate	- 194	- 47	34
Other taxes	- 31	- 12	- 17
Permanent differences	- 39	6	41
Tax loss carry-forwards, net of changes in valuation allowance	101	- 92	- 289
Other, including translation adjustments	3	- 10	30
Actual tax	- 1 001	- 650	377

Tax loss carry-forwards

At December 31, 2000, the Parent Company and certain subsidiaries, principally in Germany had tax loss carry-forwards amounting to 3 379 (4 791 and 5 526). Such tax loss carry-forwards expire as follows:

2001	77
2002	63
2003	79
2004	267
2005	36
2006 and thereafter	2 857

At December 31, 2000, the total tax loss carry-forwards have resulted in deferred tax assets of 523, net of valuation allowances, which are included in gross deferred tax assets above. Losses can be used to reduce future taxable income, but since their benefit has already been recorded, their future use will not reduce the total tax charge for the Group with the exception for release of valuation allowance.

6. INTANGIBLE ASSETS

Acquisition cost:

	2000	Additions	Disposals	Other	Translation effects	1999	1998
Goodwill	1 283	138	–	1	113	1 031	970
Patents and similar rights	28	14	–	2	1	11	16
Leaseholds	29	–	–	1	2	26	28
Deferred charges	509	23	–	–	23	463	478
	1 849	175	–	4	139	1 531	1 492

Accumulated depreciation according to plan:

	2000	Additions	Disposals	Other	Translation effects	1999	1998
Goodwill	566	61	–	2	50	453	432
Patent and similar rights	10	2	–	–	–	8	13
Leaseholds	3	1	–	–	–	2	5
Deferred charges	151	24	–	–	3	124	–
	730	88	–	2	53	587	450
Net book value	1 119	87	–	2	86	944	1 042

Write-downs of goodwill included in depreciation were 0 (0 and 43).

7. TANGIBLE ASSETS

Acquisition cost:

	2000	Additions	Disposals	Other	Translation effects	1999	1998
Land, land improvements and buildings	5 643	76	- 526	163	264	5 666	5 972
- Revaluations	505	1	- 6	11	17	482	513
Machinery and supply systems	21 765	920	- 963	138	1 076	20 594	21 826
- Revaluations	23	–	- 2	- 5	2	28	46
Machine tools, tooling, factory fittings, etc	3 445	232	- 254	- 2	161	3 308	3 417
Construction in process including advances	1 027	159	- 35	- 154	48	1 009	1 448
	32 408	1 388	- 1 786	151	1 568	31 087	33 222

Accumulated depreciation according to plan:

	2000	Additions	Disposals	Other	Translation effects	1999	1998
Land improvements and buildings	2 918	123	- 258	79	116	2 858	2 995
- Revaluations	255	12	- 1	5	8	231	238
Machinery and supply systems	13 641	1 174	- 713	- 66	661	12 585	13 174
- Revaluations	57	–	- 2	- 5	2	62	71
Machine tools, tooling, factory fittings, etc	2 448	263	- 196	- 14	118	2 277	2 176
	19 319	1 572	- 1 170	- 1	905	18 013	18 654
Net book value	13 089	- 184	- 616	152	663	13 074	14 568

Write-down of tangible assets of 0 (100 and 375) was included in depreciation according to plan.

Divested and acquired companies are included in the column Other.

Capital leases included in tangible assets consisted of the following:

Acquisition value:

	2000	1999	1998
Land, land improvements and buildings	76	70	70
Machinery and supply systems	3	1	93
Machine tools, tooling, factory fittings, etc	68	48	41
	147	119	204

Accumulated depreciation according to plan:

	2000	1999	1998
Land, land improvements and buildings	53	46	43
Machinery and supply systems	2	1	58
Machine tools, tooling, factory fittings, etc	28	19	13
	83	66	114

Tax value of Swedish tangible assets:

	2000	1999	1998
Land	128	108	131
Buildings	576	595	706
	704	703	837

8. LONG-TERM FINANCIAL ASSETS

	2000	1999	1998
Long-term financial receivables	1 052	895	864
- Associated companies	-	1	-
Debt securities	24	22	20
	1 076	918	884

Substantially all the long-term financial receivables are recorded at market value.

9. INVENTORIES

Inventories, net of allowance for obsolescence, consist of the following:

	2000	1999	1998
Raw materials and supplies	1 821	1 542	1 657
Work in process	1 781	1 650	1 996
Finished goods	5 660	5 448	6 530
	9 262	8 640	10 183

10. ACCOUNTS RECEIVABLE – TRADE

	2000	1999	1998
Accounts receivable	6 941	6 408	6 342
Acceptances receivable	436	423	697
	7 377	6 831	7 039
Allowance for doubtful accounts	- 286	- 268	- 301
	7 091	6 563	6 738

The change in allowance for doubtful accounts charged against profit/loss amounted to 57 (54 and 80).

11. OTHER SHORT-TERM ASSETS

	2000	1999	1998
Other short-term receivables	701	673	746
- Associated Companies	-	1	1
Prepaid expenses	461	219	333
Accrued income	140	100	66
Advances to suppliers	39	42	46
	1 341	1 035	1 192

12. SHORT-TERM FINANCIAL ASSETS

	2000	1999	1998
Short-term investments			
- in bonds and other securities	425	557	549
- in treasury bills and government bonds	1 250	96	451
- with banks	443	314	251
- other	520	417	292
Cash and bank accounts	843	592	810
	3 481	1 976	2 353

Unrealized holding loss on trading securities as per December 31, included in financial income and expense amounted to 3 (15 and 11).

13. SHAREHOLDERS' EQUITY

Share capital

The share capital at December 31, 2000, consisted of the following shares (par value SEK 12.50 per share):

	Number of shares authorized and outstanding	Aggregate par value
A shares	49 256 332	616
B shares	64 581 435	807
	113 837 767	1 423

An A share has one vote and a B share has one-tenth of one vote.

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.

The Swedish Companies Act requires that 10% of net profit be transferred to the legal reserve (part of restricted reserves) until the legal reserve together with the premium reserve amounts to 20% of the share capital. As of 1997, premiums paid on new share issues must be transferred to the premium reserve. Premiums on new share issues prior to 1997 have been transferred to the legal reserve.

In countries where legal revaluations of assets are made, an amount corresponding to the net revaluation must be transferred to legal reserves.

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 profit so that it remains in the business without being taxed immediately. In the balance sheet the cumulative value of these allocations, less the related deferred tax liabilities, is shown under restricted reserves.

Differences between statutory reporting and reporting for Group purposes are also treated as restricted reserves.

In May 1992, AB SKF issued zero coupon convertible bonds amounting to XEU 145 million after a discount of 8.75%. If fully converted on the due date, the nominal amount of XEU 286 million would have resulted in the issuance of 7 122 928 B shares.

In June 1997, SKF called for redemption of the convertible bonds. A number of holders opted to convert their bonds into shares and as a result of the conversion, 838 211 new B shares were issued in July 1997. The total number of shares issued is now 113 837 767. The conversion rate was slightly less than SEK 225 per share, which means that shareholders' equity increased by MSEK 189.

Unrestricted equity

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. The unrestricted equity has been reduced by accumulated losses in other subsidiaries. In determining the remittable amounts, consideration has been given to legal and exchange restrictions, but not to the financial position of the remitting subsidiaries.

Changes in shareholders' equity

	Share capital	Re- stricted reserves	Unre- stricted equity	Total
Opening balance 1998-01-01	1 423	5 760	5 405	12 588
Cash dividend	-	-	- 598	- 598
Net loss	-	-	- 1 642	- 1 642
Transfer between restricted and unrestricted reserves	-	604	- 604	-
Translation adjustments	-	665	- 81	584
Closing balance 1998-12-31	1 423	7 029	2 480	10 932
Cash dividend	-	-	- 228	- 228
Net profit	-	-	1 111	1 111
Transfer between restricted and unrestricted reserves	-	- 200	200	-
Translation adjustments	-	- 305	- 143	- 448
Closing balance 1999-12-31	1 423	6 524	3 420	11 367
Cash dividend	-	-	- 455	- 455
Net profit	-	-	1 962	1 962
Transfer between restricted and unrestricted reserves	-	- 341	341	-
Translation adjustments	-	598	122	720
Closing balance 2000-12-31	1 423	6 781	5 390	13 594

As described in Note 1, translation adjustments arising from the application of the current rate method were transferred directly to shareholders' equity. Changes in cumulative translation adjustments included in shareholders' equity, were as follows:

	2000	1999	1998
Balance at beginning of year	- 93	355	- 229
Translation adjustments	720	- 448	560
Gains/losses from hedges (net of taxes) of net investments in foreign subsidiaries	-	-	24
Balance at end of year	627	- 93	355

14. PROVISIONS FOR PENSIONS AND OTHER POSTRETIREMENT BENEFITS

	2000	1999	1998
Provisions for pensions	5 261	5 177	5 935
Provisions for other postretirement benefits	1 485	1 301	1 204
	6 746	6 478	7 139

Provisions for pensions

Charges against profit for pensions were 478 (654 and 848), which include an interest cost calculated at 243 (274 and 309). The interest arose mainly on obligations for pensions in Sweden, Germany and the U.S.

Interest rates used vary by country, and were 4.2% (3.6 and 4.9) for indexed Swedish pensions and 3.5% (3.5 and 3.5) for fixed Swedish pensions. An interest rate of 6.0% (6.0 and 6.5) was used for the German companies, which represented in average 72% of the Group's total pension obligation.

Provisions for other postretirement benefits

SKF sponsors several defined postretirement benefit plans covering most salaried and hourly employees in the United States. The plans, which are unfunded, provide certain health care and life insurance benefits for eligible retired employees. Net periodic postretirement benefit costs were 136 (121 and 106), which include an interest cost calculated at 115 (98 and 89).

For more information, see reconciliation to U.S. GAAP in Note 27.8 Provisions for pensions and postretirement benefits.

15. OTHER PROVISIONS

	2000	1999	1998
Provisions for employee benefits other than pensions	924	891	981
Other provisions	2 122	1 904	3 114
	3 046	2 795	4 095

Provisions for employee benefits other than pensions include an employee's right to certain benefits when leaving the company either before or on the retirement. The benefit is paid out in a lumpsum and not during the remaining lifetime of the employee. Italy accounted for approximately 73% of the provision.

16. LONG-TERM LOANS

Long-term loans at the end of the year, excluding the short-term portion were:

	2000	1999	1998
Debentures (maturing from 2002 to 2008) bearing interest from 6.6 to 14.5% *	2 945	3 118	3 100
Bank loans (maturing from 2002 to 2007) bearing interest from 4.0 to 21.4% *	1 098	1 122	1 109
Other loans (maturing from 2002 to 2019) bearing interest from 3.2 to 8.5% *	220	513	633
	4 263	4 753	4 842

* December 31, 2000.

The short-term portion of long-term loans is included in short-term loans (see Note 19).

Maturities of long-term loans outstanding at December 31, 2000 are as follows:

2002	1 012
2003	703
2004	493
2005	25
2006	18
2007 and thereafter	2 012

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

Of the long-term loans 283 (370 and 511) were secured at December 31, 2000.

The market value of long-term loans was approximately the same as the book value after taking related interest rate swaps into account. The market value was calculated by discounting the future cash flows of the loans using the interest rates currently available.

17. OTHER LONG-TERM LIABILITIES

	2000	1999	1998
Long-term portion of capital leases (see Note 18)	30	25	32
Other	64	54	56
	94	79	88

18. LEASES

Future minimum rental commitments at December 31, 2000, for capital leases and non-cancellable (within one year) operating leases were as follows:

	Capital leases	Operating leases
2001	18	246
2002	13	181
2003	10	135
2004	9	108
2005	6	95
2006 and thereafter	4	360
Less: Interest and executory costs	- 12	
Present value of minimum lease payments under capital leases	48	
Less: Current portion	- 18	
Long-term portion (see Note 17)	30	

Net rental expense related to operating leases was 220 (186 and 300). Contingent rentals and sub-lease revenues were not significant in any of the years presented.

19. SHORT-TERM LOANS

	2000	1999	1998
Bank loans	377	751	1 486
Other short-term loans	188	206	193
	565	957	1 679
Short-term portion of long-term loans	140	266	1 658
	705	1 223	3 337

The maximum of the monthly short-term loans outstanding, excluding the short-term portion of long-term loans, was 1 787 (2 100 and 2 348). The average of monthly short-term loans outstanding during the year was 1 201 (1 654 and 1 605). The weighted average interest rate was 5.7% (5.7 and 7.8). 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. The interest rate at December 31, 2000 was 6.6%.

At December 31, 2000, the Group had unutilized long-term lines of credit of 4 041 expiring in 2003. Commitment fees ranging from 0.0825% to 0.125% are required on these lines of credit.

20. ACCOUNTS PAYABLE - TRADE

	2000	1999	1998
Accounts payable	2 837	2 546	2 578
Acceptances payable	262	239	306
	3 099	2 785	2 884

21. OTHER SHORT-TERM LIABILITIES

	2000	1999	1998
Other short-term liabilities	790	838	897
Accrued expenses and deferred income	3 120	2 598	2 840
	3 910	3 436	3 737

Accrued expenses and deferred income included accrued vacation pay of 669 (605 and 701). Accrued social charges (including payroll taxes) of 394 (417 and 473) were also included.

22. ASSETS PLEDGED

Assets that have been pledged to secure loans and other obligations:			
	2000	1999	1998
Mortgages on real estate	307	345	465
Chattel mortgages	141	294	269
Other mortgages	42	-	-
	490	639	734

Mortgages are stated at the nominal value of the mortgage deeds and other pledged assets are stated at net book value. The pledged assets secured loans and other obligations of 430 at December 31, 2000, (580 and 638).

23. CONTINGENT LIABILITIES

	2000	1999	1998
Discounted bills	12	11	51
Other guarantees and contingent liabilities	135	54	127
	147	65	178

24. GEOGRAPHIC INFORMATION

Net sales per geographic area were as follows:

	2000	1999	1998
Sweden	1 850	1 674	1 983
Europe (excluding Sweden)	19 295	18 351	19 371
USA and North America	10 795	9 643	9 454
Other countries	7 908	7 025	6 880
	39 848	36 693	37 688

Identifiable assets (total assets excluding cash, bank accounts, short-term investments, intercompany receivables and shareholdings, but before consolidation eliminations), amounted at December 31 to 36 424 (34 533 and 38 278). The geographic location of these assets were as follows:

	2000	1999	1998
Sweden	6 346	6 033	6 175
Europe (excluding Sweden)	15 634	15 340	18 004
USA and North America	8 690	7 703	7 986
Other countries	5 754	5 457	6 113
	36 424	34 533	38 278

25. SPECIFICATION OF SALARIES, WAGES AND REMUNERATIONS FOR EMPLOYEES

	2000	2000	1999	1999	1998	1998
	Salaries, wages and other remunerations	Social charges (whereof pension cost)	Salaries, wages and other remunerations	Social charges (whereof pension cost)	Salaries, wages and other remunerations	Social charges (whereof pension cost)
Parent Company in Sweden	83	65 (52)	102	77 (61)	116	89 (80)
Subsidiaries in Sweden	1 529	683 (145)	1 503	635 (141)	1 627	865 (291)
Subsidiaries abroad	8 741	2 507 (250)	8 281	2 470 (451)	8 800	3 000 (473)
	10 353	3 255 (447)	9 886	3 182 (653)	10 543	3 954 (844)

Specification of salaries, wages and remunerations:

	2000	2000	1999	1999	1998	1998
	Board and President (whereof bonus, etc)	Other employees	Board and President (whereof bonus, etc)	Other employees	Board and President (whereof bonus, etc)	Other employees
Parent Company in Sweden	18 (6)	65	9 (5)	93	32	84
Total Parent Company in Sweden		83		102		116
Subsidiaries in Sweden	17 (2)	1 512	13	1 490	12 (1)	1 615
Total subsidiaries in Sweden		1 529		1 503		1 627
Subsidiaries abroad	86 (3)	8 655	82 (2)	8 199	97 (2)	8 703
Total subsidiaries abroad		8 741		8 281		8 800
Group	121 (11)	10 232	104 (7)	9 782	141 (3)	10 402
Total Group		10 353		9 886		10 543

Geographic specification of salaries, wages and remunerations in subsidiaries abroad:

	2000	2000	1999	1999	1998	1998
	Board and President (whereof bonus, etc)	Other employees	Board and President (whereof bonus, etc)	Other employees	Board and President (whereof bonus, etc)	Other employees
France	10	1 063	7	986	10	996
Germany	12 (1)	2 179	11	2 195	11	2 642
Italy	6 (1)	1 240	6 (1)	1 277	4	1 341
Western Europe excluding Sweden	16	1 053	16	951	20 (1)	985
Central and Eastern Europe	2	94	3	92	7	105
USA	4	2 221	7	2 018	6 (1)	1 897
North America	–	46	–	42	–	43
Latin America	15	249	9	192	17	237
Asia	21 (1)	416	22 (1)	359	19	364
Africa	–	94	1	87	3	93
	86	8 655	82	8 199	97	8 703
Total subsidiaries abroad		8 741		8 281		8 800

At the Annual General Meeting held in 2000 it was decided that the Board shall be entitled to an allotment of SEK 2 350 000. At the Statutory Board Meeting it was decided that this allotment should be divided among the Board Members elected by the Annual General Meeting as follows. SEK 700 000 should be distributed to the Chairman of the Board and SEK 275 000 to each elected Board Member who is not employed by AB SKF.

Giovanni Mario Rossignolo is Chairman of SKF's Italian subsidiary. His fee for 2000 for this assignment amounted to ITL 213 430 000.

Sune Carlsson, Chief Executive Officer and President of AB SKF, received as salary and other remunerations SEK 10 012 314, of which SEK 2 829 000 was a bonus and SEK 548 389 was related to options. Sune Carlsson's fixed annual salary for 2000 amounted to SEK 6 500 000. AB SKF made provisions in 2000 corresponding to 35% of Sune Carlsson's fixed annual salary for the future pension benefit of Sune Carlsson. In the event of termination at the request of AB SKF, Sune Carlsson will receive a severance payment amounting to maximum two years' salary.

Members of Group management will receive an additional pension over and above the ordinary plan. The total commitment for this benefit was fully provided for in the Group accounts. In the event of termination at the request of AB SKF, Group management

members will receive severance payments amounting to maximum two years' salary.

In 2000 SKF introduced a stock option programme on shares already issued for the Group's senior executives. The programme for year 2000 is based on the Group's results. The stock option programme replaced the option programme introduced in 1996. Allocation according to the stock option programme took place in February 2001. 402 000 stock options to buy existing SKF B-shares have been granted to 183 managers. Each option gives the right to purchase one existing SKF B-share at the exercise price of SEK 174 during a period of six years. The stock options can be exercised to acquire shares two years from the date of grant at the earliest, provided the employment with SKF still exists.

Fee to Group statutory auditor, Arthur Andersen AB, regarding audit amounted to MSEK 17 for 2000. Fees for other assignments than audit amounted to MSEK 10. The parent company's share of the Group's audit fee amounted to TSEK 127 and fee for other assignments amounted to TSEK 3 072.

26. AVERAGE NUMBER OF EMPLOYEES

	2000	2000	1999	1999	1998	1998
	Number of employees	Whereof men	Number of employees	Whereof men	Number of employees	Whereof men
Parent Company in Sweden	115	62%	124	65%	151	62%
Subsidiaries in Sweden	5 104	81%	5 229	82%	5 993	83%
Subsidiaries abroad	34 338	82%	35 394	80%	38 814	80%
	39 557	82%	40 747	81%	44 958	80%

Geographic specification of subsidiaries abroad:

	2000	2000	1999	1999	1998	1998
	Number of employees	Whereof men	Number of employees	Whereof men	Number of employees	Whereof men
France	3 968	84%	3 833	84%	3 930	83%
Italy	4 995	83%	5 522	85%	5 864	85%
Germany	5 935	89%	5 725	89%	6 741	88%
Western Europe excluding Sweden	3 162	85%	3 048	85%	3 153	85%
Central/Eastern Europe	2 368	66%	3 427	64%	4 253	63%
USA	5 874	74%	5 902	70%	6 278	69%
North America	191	83%	168	79%	151	81%
Latin America	1 872	85%	1 896	86%	2 223	86%
Asia	5 198	84%	5 103	83%	5 313	84%
Africa	775	78%	770	68%	908	76%
Total subsidiaries abroad	34 338	82%	35 394	81%	38 814	80%

U.S. GAAP

27. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

An annual report, Form 20-F, is submitted to the Securities and Exchange Commission (SEC) in the U.S.

1. Deferred income taxes

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

2. Revaluation of tangible assets

In certain countries, tangible assets have been revalued at an amount in excess of cost. U.S. GAAP does not permit the revaluation of tangible 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 tangible assets. Such interest expense is required to be capitalized in accordance with U.S. GAAP and depreciated according to plan.

4. Capitalization of internally developed software costs

The SKF Group has not capitalized costs associated with developing or acquiring computer software intended for internal use. According to U.S. GAAP costs incurred during the development stage are required to be capitalized and such costs should be amortized over their estimated useful lifetime.

5. Provisions for restructuring

Provisions for restructuring have been made based on Swedish generally accepted accounting principles. U.S. GAAP is more restrictive relating to when provisions for restructuring plans can be recorded. For example, for involuntary employee termination costs, the terms of such restructuring plans must be communicated to the employees concerned before year end. Voluntary employee termination costs are not recognized until the employee has accepted and signed the contract of retirement. Those provisions which have been reversed for U.S. GAAP purposes are mainly reversed since the above mentioned criteria are not fulfilled.

Certain provisions, reflected as a liability in accordance with Swedish GAAP, amounting to MSEK 367, have in accordance with U.S. GAAP been defined as an impairment of fixed assets and have been reclassified accordingly as a deduction from the carrying value of the relevant assets.

6. Gains on sale of real estate

Gains on sale of real estate leased back in the form of operational leases are reflected at the date of transaction according to Swedish GAAP but should be deferred and amortized over the lifetime of the lease contract according to U.S. GAAP. Gains on sales of real estate in Spain, Sweden and the Netherlands have been deferred in accordance with these principles.

Previous years have been restated accordingly.

7. Non-recurring bonus distribution

As a result of overconsolidation, the Swedish insurance company Försäkringsbolaget SPP (now Alecta pensionsförsäkring) decided on a non-recurring bonus distribution to its client companies. In year 2000 the Group received MSEK 227 in cash out of the decided distribution of MSEK 250. According to U.S. GAAP only the cash amount should be recognized in earnings while Swedish GAAP allows the full amount to be recognized.

8. Provisions for pensions and postretirement benefits

Periodic pension cost and liability and postretirement benefits are calculated by the Group according to local laws and accounting principles.

Provisions for pensions

Under U.S. GAAP, the annual pension cost comprises the estimated future compensation levels, retirement age and other factors, depending on the plan adjusted for any surplus or deficit arising at the time SFAS 87 was adopted, which differ somewhat from the amounts computed under local laws.

The Group sponsors benefit plans, defined according to SFAS 87, 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.

The U.S. and French 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.

SFAS 132 requires a reconciliation of beginning and ending balances of the benefit obligation, the fair value of plan assets, assumptions used in the accounting for the plans, the funded status of the plan and certain other disclosures.

The following tables summarize disclosures under SFAS 132.

	2000	1999	1998
Change in benefit obligation (PBO)			
Benefit obligation at beginning of year	9 289	9 146	8 285
Service cost	153	162	151
Interest cost	608	571	550
Transfers to external pension insurance companies	- 65	- 298	-
Plan amendments	19	19	- 4
Adjustments*	-101	52	30
Actuarial gain(-)/loss	- 63	96	520
Benefits paid	- 597	- 549	- 618
Other	- 2	- 3	- 1
Currency translation adjustment	614	93	233
Benefit obligation (PBO) at end of year	9 855	9 289	9 146

* Adjustments made for new/sold companies and businesses.

	2000	1999	1998
Change in plan assets			
Fair value of plan assets			
at beginning of year	5 055	4 054	3 712
Actual return on plan assets	318	950	526
Employer contribution	24	20	16
Plan amendments	-	-	- 32
Benefits paid	- 286	- 252	- 321
Other	- 55	-	1
Currency translation adjustment	588	283	152
Fair value of plan assets			
at end of year	5 644	5 055	4 054
Funded status	- 4 210	- 4 234	- 5 092
Unrecognized transition amount			
at introduction of SFAS 87	44	125	91
Unrecognized prior service cost	126	124	116
Unrecognized actuarial gain(-)/loss	- 278	- 358	306
Net amount recognized	- 4 318	- 4 343	- 4 579

Weighted average assumptions as of December 31

Discount rate	6.4	6.4	6.2
Expected return on plan assets	9.9	9.9	9.9
Rate of compensation increase	3.6	3.5	3.3

Components of net periodic benefit cost

Service cost	153	162	151
Interest cost	608	571	550
Expected return on plan assets	- 459	- 368	- 318
Amortization of			
- unrecognized transition amount	12	15	22
- prior service cost	22	19	18
- recognized losses	11	7	10
Other*	9	93	5
Net periodic benefit cost	356	499	438

* Incl. cost of 72 in 1999 due to close-down of operations.

PBO = Projected Benefit Obligation

Adjustment required to recognize minimum liability	551	463	506
Amount included within other comprehensive income from a change in minimum pension liability	- 88	43	- 279

Plan assets are invested primarily in securities and bonds.

Provisions for postretirement benefits

SKF sponsors several postretirement benefit plans, defined according to SFAS 106, and covering most salaried and hourly employees in the United States. The plans provide certain health care and life insurance benefits for eligible retired employees. There is no difference between Swedish and U.S. GAAP for postretirement benefits.

	2000	1999	1998
Change in benefit obligation			
Benefit obligation			
at beginning of year	1 501	1 380	1 231
Service cost	19	16	16
Interest cost	115	98	89
Participant contribution	4	2	2
Actuarial loss	91	8	97
Benefits paid	- 108	- 103	- 85
Other	12	26	-
Currency translation adjustment	176	74	30
Benefit obligation at end of year	1 810	1 501	1 380

Change in plan assets

Employer contribution	104	101	83
Participant contribution	3	2	2
Benefits paid	- 107	- 103	- 85
Fair value of plan asset			
at end of year	-	-	-
Funded status	- 1 810	- 1 501	- 1 380
Unrecognized prior service cost	1	- 11	- 23
Unrecognized actuarial loss	324	210	199
Net amount recognized	- 1 485	- 1 302	- 1 204

Weighted-average assumptions as of December 31

Discount rate	7.00	7.00	6.75
Health care cost trend rate for retirees			
- under the age of 65	7.00	7.50	8.00
- 65 and older	6.75	7.00	7.25

The Health Care cost rate was assumed to decline by 0.375% per year to an ultimate rate of 6%.

An increase in the assumed health care cost trend rates by one percentage point would affect the accumulated postretirement benefit obligation as of December 31 by 114 (105 and 104) and the aggregate of the service and interest cost components of the net periodic postretirement benefit by 10 (9 and 9).

A corresponding one percentage point decrease would affect the accumulated postretirement benefit obligation as of December 31 by -100 (-92 and -92) and the aggregate of the service and interest cost components of the net periodic postretirement benefit by -9 (-8 and -7).

Components of net periodic postretirement benefit cost			
	2000	1999	1998
Service cost	19	16	16
Interest cost	115	98	89
Amortization of			
- prior service cost	- 11	-13	- 12
- recognized losses	9	9	6
Other	4	11	7
Net periodic postretirement benefit cost	136	121	106

9. Statements of cash flow

Under Swedish GAAP, the cash effect of changes in pensions provisions is treated as a financing cash flow. Under U.S. GAAP the cash flow arising from pensions provisions should be classified as operational cash flow. Therefore, at December 31, 2000, an amount of MSEK 17 (-323 and 566) should be reclassified from financial to operational cash flow.

10. Forward exchange contracts

According to U.S. GAAP, a forward exchange contract is reported as a hedge only when there is a firm commitment. Contracts hedging anticipated transactions, not covered by firm commitments, are accounted for as the difference between the agreed forward rate and the market forward rate on the closing day, according to U.S. GAAP.

According to Swedish GAAP, contracts hedging anticipated transactions, not covered by firm commitments, are also reported as hedges. In these cases, a valuation of the contract is not made.

At December 31, 2000, a net unrealized gain of 28 (loss of 13 and gain of 3) was deferred with respect to hedges of anticipated transactions. The accounting for this amount represents a difference between U.S. GAAP and Swedish GAAP. All hedges of firm commitments and anticipated transactions at December 31, 2000, will mature between 2001 and 2002, but mainly in 2001.

11. Financial instruments and credit risks

Financial instruments

The Group has a policy for the management of financial risks, including currency, interest rate and credit risks. This policy is discussed in the Annual Report in the section, "Financial risk management". The policy sets forth the financial risk mandates and the

financial instruments authorized for use in the management of financial risks. Derivative financial instruments are used primarily to hedge the Group's exposure to fluctuations in foreign currency exchange rates and interest rates. The Group also uses derivative financial instruments for trading purposes, limited according to Group policy.

During 2000, forward exchange contracts, cross currency swaps and currency options were the derivative financial instruments used to hedge foreign currency rate exposure, including the hedging of firm commitments, anticipated transactions and internal bank activities. Cross currency swaps and interest rate swaps were used to manage the interest rate exposure on foreign currency borrowings, by swapping fixed interest rates to floating interest rates.

The accounting policies for derivative financial instruments are described in Note 1.

The table below summarizes the gross contractual amounts of the Group's derivative financial instruments by type and purpose as of December 31:

Derivative financial instruments			
	2000	1999	1998
<i>Type of instruments:</i>			
Forward exchange contracts	15 785	12 869	17 306
Currency options	914	425	886
Interest rate swaps	3 133	3 528	5 347
	19 832	16 822	23 539
<i>Purpose:</i>			
Hedging of:			
- firm commitments	4 584	4 239	5 719
- anticipated transactions	3 233	1 822	1 746
- other internal bank activities	8 165	7 094	8 008
Trading	717	139	2 719
Interest rate management	3 133	3 528	5 347
	19 832	16 822	23 539

At December 31, 2000, the total carrying amounts and fair values of all derivative financial instruments were 57 and 108 (-149 and -185 for 1999, and 674 and 915 for 1998) respectively. The high values in 1998 were mainly due to hedging of foreign currency rate exposure in Asia and Latin America. The fair value of these financial derivative instruments was calculated as the amount that the Group would receive or pay to terminate the contracts at year end. Market quotes were obtained for all financial derivative instruments.

Credit risks

The Group's concentration of operational credit risk is limited primarily because of its many geographically and industrially diverse customers.

The Group is exposed to credit losses in the event of non-performance by the counterparties to its financial instruments but does not expect any counterparties to fail to meet their obligations. The Group deals only with well-established international financial institutions. The Group does not obtain collateral or other security to support financial derivative instruments subject to credit risk.

Recently Issued Accounting Standards

In August 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments. SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheets. This new standard, as amended by SFAS 137 and 138, is effective for the Group for the year beginning January 1, 2001. The Group plans to adopt the new standard in 2001. The Group's present intention is not to apply hedge accounting. The Group has not yet quantified the effects of adopting the new standard.

12. Comprehensive income/loss according to SFAS 130

Swedish GAAP does not require the presentation of comprehensive income in addition to profit/loss for the year. The comprehensive income/loss required to be presented under U.S. GAAP was as follows:

	2000	1999	1998
Net profit/loss in accordance with U.S. GAAP	1 874	826	- 1 064
Translation adjustments	720	- 448	560
Gains/losses from hedges (net of taxes) of net investments in foreign subsidiaries	-	-	24
Change in minimum pension liability	- 88	43	- 279
Comprehensive income/loss in accordance with U.S. GAAP	2 506	421	- 759

13. Summary

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

Net profit/loss:

	2000	1999	1998
As reported in the consolidated income statements	1 962	1 111	- 1 642
Items increasing/decreasing net profit/loss:			
27.1 Deferred income taxes	7	112	- 238
27.2 Depreciation on revaluation of assets including effect in connection with sale	14	21	21
27.3 Capitalization of interest expense	6	18	48
27.4 Capitalization of internally developed software costs	52	90	-
27.5 Provisions for restructuring	- 64	- 353	700
27.6 Gains on sale of real estate	- 80	- 148	-
27.7 Non-recurring bonus distribution	-23	-	-
27.8 Pensions	- 28	- 12	- 14
27.10 Forward exchange contracts	28	- 13	61
Net change in net profit/loss:	- 88	- 285	578
Net profit/loss in accordance with U.S. GAAP	1 874	826	- 1 064

Shareholders' equity:

	2000	1999	1998
As reported in the consolidated balance sheets	13 594	11 367	10 932
Items increasing/decreasing shareholders' equity:			
27.1 Deferred income taxes	45	38	- 74
27.2 Reversal of revaluation of assets	- 214	- 217	- 251
27.3 Capitalization of interest expense	241	235	217
27.4 Capitalization of internally developed software costs	142	90	-
27.5 Provisions for restructuring	283	347	700
27.6 Gains on sale of real estate	- 228	- 148	-
27.7 Non-recurring bonus distribution	- 23	-	-
27.8 Pensions	- 233	- 205	- 193
27.10 Forward exchange contracts	18	- 10	3
Net change in shareholders' equity	31	130	402
Shareholders' equity in accordance with U.S. GAAP	13 625	11 497	11 334

Earnings/loss per share, in SEK:

	2000	1999	1998
Basic and diluted earnings/loss per share in accordance with U.S. GAAP	16.46	7.26	- 9.35
Weighted average number of shares outstanding	113 837 767	113 837 767	113 837 767

Summary comparing the reported consolidated balance sheets with the balance sheets after adjustments to U.S. GAAP:

	As reported in the			Amounts after		
	consolidated balance sheets			adjustments to U.S. GAAP		
	2000	1999	1998	2000	1999	1998
Intangible assets	1 119	944	1 042	1 704	1 237	1 143
Long-term deferred tax assets	426	885	1 197	507	933	1 097
Tangible assets	13 089	13 074	14 568	12 748	13 092	14 534
Long-term financial assets	1 404	1 114	1 084	1 404	1 114	1 084
Inventories	9 262	8 640	10 183	9 262	8 640	10 183
Short-term tax assets	601	592	658	615	600	658
Other short-term assets	8 432	7 598	7 930	8 427	7 598	7 933
Short-term financial assets	3 481	1 976	2 353	3 481	1 976	2 353
Total assets	37 814	34 823	39 015	38 148	35 190	38 985
Shareholders' equity	13 594	11 367	10 932	13 625	11 497	11 334
Minority interest	467	398	367	467	398	367
Provisions for pensions and other postretirement benefits	6746	6 478	7 139	7 561	7 006	7 561
Provision for deferred taxes, long-term	1 323	1 254	1 304	1 369	1 272	1 277
Provision for deferred taxes, short-term	273	255	184	277	255	185
Other provisions	3 046	2 795	4 095	2 256	2 328	3 267
Long-term loans	4 263	4 753	4 842	4 263	4 753	4 842
Other long-term liabilities	94	79	88	297	211	88
Short-term loans	705	1 223	3 337	705	1 223	3 337
Other short-term liabilities	7 303	6 221	6 727	7 328	6 247	6 727
Total equity, provisions and liabilities	37 814	34 823	39 015	38 148	35 190	38 985

28. INVESTMENTS

	2000	1999	1998
Investments in Associated Companies	125	0	–
Other investments	203	196	200
	328	196	200

Investments in Associated Companies

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Held by Parent Company:					
Momentum Industrial Maintenance Supply AB, Göteborg, Sweden	33.1	3 313	SEK	331	41 500
NN Euroball ApS, Denmark	22.5	–	EUR	26	219 422
					260 922
Adjustment to Group book value					-139 313
Held by subsidiaries:					
Tubearings AB, Göteborg, Sweden	40.00	2 000	SEK	200	200
Sealpool A/S, Denmark	50.00	100	DKK	100	134
Sealpool Ltd., U.K.	50.00	117	GBP	65	806
RC DEI a/s, Norway	50.00	25 000	NOK	25	1 478
DEI Services Sdn. Bhd., Malaysia	30.00	30 000	MYR	30	170
DEI Services Ltd., U.K.	50.00	2	GBP	1	14
					124 411

Other investments

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Held by Parent Company					
Bostadsrättsföreningen Kristinelundsgatan nr 5, Göteborg, Sweden		1	SEK	–	2 884
Prästgårdsmarkens villaägare, ek. fören., Göteborg, Sweden		30	SEK	30	30
FlexLink AB, Göteborg, Sweden	10.0	2 170 000	SEK	2 170	21 700
Hofors Energi AB, Hofors, Sweden	49.0	2 000	SEK	2 000	2 000
AEC Japan Co. Ltd., Japan	50.0	400	JPY	20 000	820
ADELA Investment Company, Luxemburg		2 080	USD	208	0
b-business partners B.V., The Netherlands	1.0	70 000	EUR	70	14 197
S2M, France	11.9	153 093	FRF	2 570	8 681
The Swedish-American Chamber of Commerce, USA		50	USD	50	318
Wafangdian Bearing Company Limited, Peoples Republic of China	19.7	65 000 000	CNY	65 000	120 009
Société Immobilière de l'Ecole Scandinave, Belgium		20	BEF	400	0
Other shares and securities					5
					170 644

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Held by subsidiaries					
Jernkontoret, Stockholm, Sweden	0.8	8	SEK	187	187
Gävle Sjöfarts AB, Gävle, Sweden	2.5	270	SEK	27	54
AB Järnbruksförnödenheter, Stockholm, Sweden	20.0	300	SEK	30	69
Företagshälsövarlden i Hofors, Hofors, Sweden	50.0	500	SEK	50	50
Tågåkeriet i Bergslagen AB, Kristinehamn, Sweden	10.0	2	SEK	60	60
IUC Sandviken AB, Sandviken, Sweden	12.5	500	SEK	50	50
Industrikompetens i Östergötland AB, Linköping, Sweden	2.0	180	SEK	18	160
Suomen Voimansiirto Oy, Finland	1.0	1	FIM	70	104
Voimansiirto Oy, Finland	10.0	60	FIM	60	82
Industrilink A/S, Denmark	20.0	1	DKK	10	12
Société Immobilière de l'Ecole Scandinave, Belgium	12.0	150	BEF	3 000	658
Gemeinnützige Wohnungsbaugesellschaft Schweinfurt GmbH, Germany	25.0	1	DEM	250	1 131
Gesellschaft z. Entsorgung v. Sondermüll in Bayern mbH, Germany	0.4	1	DEM	80	362
GKS Gemeinschaftskraftwerk Schweinfurt GmbH, Germany	16.5	1	DEM	3 300	14 932
IPO, France	0.1	1	FRF	100	243
SKF Reamur, s.a.s, France	0.1	1	FRF	250	337
Indesit, Italy	0.17	12 775	ITL	23 000	–
Housing Development Finance Corp. Ltd., India	0.01	25 000	INR	250	51
United Trust of India, India	0.01	2 150 000	INR	21 500	5 963
Housing Development Finance Corp. Bank Ltd., India	0.01	37 700	INR	377	77
Bearhold Philippines, Philippines	40.0	38	PHP	144	176
FAIRSKQ Taiwan Co. Ltd., Taiwan	40.0	2 080	TWD	20 800	6 890
Skefko Bearings Newcastle, Australia	30.0	12 000	AUD	12	63
Other					806
Total					32 517

Total investments

Held by subsidiaries					32 517
Held by Parent Company					170 644
Total investments SKF Group					203 161

Name and location	Holding in percent	Owned by subsidiary in:
Investments in SKF subsidiaries held by other subsidiaries*		
SKF GmbH, Schweinfurt, Germany	99.9	The Netherlands
SKF Industrie S.p.A, Turin, Italy	100	The Netherlands
SKF France S.A., Clamart, France	100	France
SKF (U.K.) Ltd., Luton, U.K.	100	U.K.
SKF Española, S.A., Madrid, Spain	100	Italy
SKF Bearings India Ltd., Bombay, India	0.85	Sweden
SKF Bearings India Ltd., Bombay, India	7.52	U.K.
SKF do Brasil Ltda., Guarulhos-São Paulo, Brazil	0.1	Sweden
RFT S.p.A., Turin, Italy	100	Italy
SKF Argentina S.A., Buenos Aires, Argentina	0.1	The Netherlands
SKF Japan Ltd., Tokyo, Japan	100	The Netherlands
CR Elastomere GmbH, Leverkusen-Opladen, Germany	100	Germany
Ovako Ajax Inc., York, USA	100	USA
SKF Canada Ltd., Scarborough, Canada	37.5	The Netherlands
SKF Gleitlager GmbH, Püttlingen (Saar) Germany	100	Germany
SKF B.V., Veenendaal, The Netherlands	100	The Netherlands
SKF Bearing Industries (Malaysia) Sdn.Bhd., Nilai, Malaysia	26.8	Germany
SKF Bearing Industries (Malaysia) Sdn.Bhd., Nilai, Malaysia	73.2	The Netherlands
SARMA, Saint Vallier s/Rhone Cedex, France	100	France
SKF China Ltd., Hong Kong, China	100	Hong Kong
Ovako Stahl GmbH, Germany	100	Sweden
SKF Linearsysteme GmbH, Schweinfurt, Germany	99.9	Germany

* For investments in subsidiaries held by the Parent Company, see Note 4 in footnotes to the Parent Company.

PARENT COMPANY INCOME STATEMENTS

<i>Millions of Swedish kronor</i>		2000	1999	1998
Administrative expenses	<i>Note 3</i>	- 134	- 192	- 143
Other operating revenues		132	14	9
Other operating expenses		- 12	- 8	0
Operating loss		- 14	- 186	- 134
Financial income and expense - net	<i>Note 1</i>	251	171	- 1 279
Profit/loss before provisions to untaxed reserves		237	- 15	- 1 413
Provisions	<i>Note 2</i>	657	304	- 590
Net profit/loss		894	289	- 2 003

PARENT COMPANY BALANCE SHEETS

<i>Millions of Swedish kronor</i>		2000	1999	1998
ASSETS				
Capital assets				
Tangible assets	<i>Note 3</i>	13	25	42
Investments in consolidated subsidiaries	<i>Note 4</i>	8 889	8 563	8 296
Long-term receivables from consolidated subsidiaries		3 625	4 041	4 005
Investments in Associated Companies	<i>Note 4</i>	261	0	0
Other investments	<i>Note 4</i>	171	155	159
		12 959	12 784	12 502
Short-term assets				
Short-term receivables from consolidated subsidiaries		1 055	884	1 285
Other short-term assets	<i>Note 5</i>	80	45	15
Short-term financial assets	<i>Note 6</i>	1	1	5
		1 136	930	1 305
Total assets				
		14 095	13 714	13 807
EQUITY, PROVISIONS AND LIABILITIES				
Shareholders' equity				
<i>Note 7</i>				
Restricted equity				
Share capital (113 837 767 shares, nominal value SEK 12.50 per share)		1 423	1 423	1 423
Legal reserve		633	633	633
Unrestricted equity				
Retained earnings		3 064	3 230	5 461
Net profit/loss		894	289	- 2 003
		6 014	5 575	5 514
Untaxed reserves				
	<i>Note 2</i>	2	12	14
Provisions				
Provisions for pensions and similar commitments	<i>Note 8</i>	239	244	394
Other provisions		7	6	24
		246	250	418
Long-term liabilities				
Long-term loans	<i>Note 9</i>	3 606	4 026	3 993
Long-term liabilities to consolidated subsidiaries		2 024	1 732	1 040
		5 630	5 758	5 033
Short-term liabilities				
Short-term loans	<i>Note 10</i>	14	14	895
Accounts payable - trade		10	11	7
Short-term liabilities to consolidated subsidiaries		1 971	1 873	1 706
Other short-term liabilities	<i>Note 11</i>	208	221	220
		2 203	2 119	2 828
Total equity, provisions and liabilities				
		14 095	13 714	13 807
Assets pledged				
	<i>Note 12</i>	42	–	1
Contingent liabilities				
	<i>Note 13</i>	175	95	101

PARENT COMPANY STATEMENTS OF CASH FLOW

<i>Millions of Swedish kronor</i>	2000	1999	1998
Profit/loss before provisions to untaxed reserves	237	- 15	- 1 413
Depreciation on tangible assets	3	3	3
Write-downs of equity securities	32	446	1 613
Net loss/gain(-) on sales of tangible assets and equity securities	- 96	6	9
Exchange rate effects on short-term financial assets	-	0	- 1
Group contribution and allowance for shareholders' contribution – net	647	302	- 591
Changes in working capital:			
Accounts payable	- 1	4	- 3
Other operating assets, liabilities and provisions – net	- 120	552	494
Cash flow from operations	702	1 298	111
Investments in tangible assets and equity securities	- 647	- 717	- 1 425
Sales of tangible assets and equity securities	117	16	24
Cash flow after investments before financing	172	597	- 1 290
Change in loans	- 756	- 1 026	- 373
Change in pensions	- 5	- 150	11
Change in other long-term assets and liabilities – net	1 044	803	2 220
Cash dividends to shareholders	- 455	- 228	- 598
Cash effect on short-term financial assets	0	- 4	- 30
Change in short-term financial assets			
Opening balance, January 1	1	5	34
Cash effect	0	- 4	- 30
Exchange rate effect	0	0	1
Closing balance, December 31	1	1	5

Change in net interest-bearing liabilities during 2000

	Opening balance January 1, 2000	Exchange rate effect	Change in loans/assets	Closing balance December 31, 2000
Loans, long- and short-term	4 040	336	- 756	3 620
Loans from subsidiaries, long- and short-term	2 094	0	500	2 594
Provisions for pensions	244	-	- 5	239
Receivables from subsidiaries, long- and short-term	- 4 039	- 338	764	- 3 613
Financial assets, short-term	- 1	-	0	- 1
Net interest-bearing liabilities	2 338	- 2	503	2 839

Cash flow effect from operations in acquired and sold equity securities

<i>Millions of Swedish kronor</i>	2000	1999	1998
Cash paid for acquired equity securities	- 644	- 714	- 1 410
Settlement in other forms	- 3	-	-
Cash received for sold equity securities	117	6	0
Settlement in other forms	0	-	20

Interest received amounted to 292 (353 and 366). Interest payments amounted to 400 (400 and 365).

AB SKF considers short-term financial assets to be cash and cash equivalents (see Note 6).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PARENT COMPANY

Amounts in millions of Swedish kronor (MSEK) unless otherwise stated.

For description of accounting principles, see Note 1 to the Consolidated Financial Statements.

1. FINANCIAL INCOME AND EXPENSE

	2000	1999	1998
Income from investments in consolidated subsidiaries	371	247	- 1 136
Income from investments in associated companies	-	-	- 26
Income from other equity securities and long-term financial investments	634	516	346
Other financial income and similar items	1	3	14
Interest expense and similar items	- 755	- 595	- 477
	251	171	- 1 279

Specification of financial income and expense, net

	2000	1999	1998
--	------	------	------

Dividends related to

- investments in consolidated subsidiaries	298	693	351
- income from other equity securities and long-term financial investments	4	4	6
Total dividends	302	697	357

Interest income related to

- income from other equity securities and long-term financial investments	291	327	349
- other financial income and similar items			
- consolidated subsidiaries	0	1	12
- other	1	2	1
Total interest income	292	330	362

Interest expense for

- financial liabilities related to interest expense and similar items			
- consolidated subsidiaries	- 112	- 68	- 8
- other	- 296	- 331	- 350
- pensions and other postretirement benefits related to interest expense and similar items	- 10	- 10	- 19
- interest expense and similar items	0	- 3	0
Total interest expense	- 418	- 412	- 377

	2000	1999	1998
<i>Financial exchange gains and losses related to</i>			
- income from other equity securities and long term financial investments			
- consolidated subsidiaries	339	184	100
- other financial income and similar items			
- consolidated subsidiaries	-	-	0
- other	-	-	1
- interest expense and similar items			
- consolidated subsidiaries	-	-	1
- other	- 337	- 183	- 101
Total financial exchange gains and losses	2	1	1

Capital gains and losses from sales related to

- investments in consolidated subsidiaries	105	0	- 10
- other equity securities and long-term financial assets	0	1	1
Total capital gains and losses from sales	105	1	- 9

Write-downs related to

- income from investments in			
- consolidated subsidiaries	- 32	- 446	- 1 477
- associated companies	-	-	- 26
- income from other equity securities and long-term financial investments	-	-	- 110
Total write-downs	- 32	- 446	- 1 613

Financial income and expense, net 251 171 - 1 279

2. PROVISIONS AND UNTAXED RESERVES

Provisions

	2000	1999	1998
Change in accelerated depreciation reserve	9	3	1
Change in other reserves	1	- 1	0
	10	2	1
Group contribution received	889	641	93
Group contribution paid	- 180	- 191	- 672
Allowance for shareholders' contribution	- 62	- 148	- 12
	647	302	- 591
	657	304	- 590

Untaxed reserves

	2000	1999	1998
Accelerated depreciation reserve	2	11	14
Other reserves	-	1	-
	2	12	14

3. TANGIBLE ASSETS

Acquisition cost:

	2000	Additions during the year	Disposals	1999	1998
Land, land improvements and buildings	13	–	- 2	15	27
Machinery and supply systems	12	0	- 19	31	36
	25	–	- 21	46	63

Accumulated depreciation according to plan:

	2000	Depreciation during the year	Disposals	1999	1998
Land, land improvements and buildings	2	1	- 1	2	2
Machinery and supply systems	10	2	- 11	19	19
	12	3	- 12	21	21
Net book value	13	- 3	- 9	25	42

Depreciation according to plan is included in administrative expenses.

Tax value of tangible assets:

	2000	1999	1998
Land and land improvements	2	2	3
Buildings	5	6	8
	7	8	11

4. INVESTMENTS

Investments in subsidiaries are specified below. For specification of investments in Associated Companies and other investments held by the Parent Company, see Note 28 to the Consolidated Financial Statements.

Investments in subsidiaries held by the Parent Company on December 31, 2000

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Manufacturing companies					
SKF Sverige AB, Göteborg, Sweden	100	2 650 000	SEK	265 000	363 300
SKF USA Inc., Pa., USA	99.8	1 444 447	USD	72 222	770 617
SKF Österreich AG, Austria	100	200	ATS	200 000	175 958
SKF GmbH, Germany	0.1	–	DEM	218	1 813
SKF Poznań S.A., Poland	99.8	3 346 548	PLN	66 931	152 516
Lutsk Bearing Plant, Ukraine	94.5	237 760 708	UAH	59 440	177 457
SKF Actuators AB, Göteborg, Sweden	100	1 000	SEK	1 000	0
SKF AutoBalance Systems AB, Göteborg, Sweden	91.0	9 100	SEK	910	912
SKF de Mexico S.A. de C.V., Mexico	100	40 000	MXN	40	0
SKF do Brasil Limitada, Brazil	99.9	99 327 664	BRL	99 328	164 191
SKF Argentina S.A., Argentina	99.9	500 259	ARP	500	10 936
SKF Bearings India Ltd., India	42.4	1 067 248	INR	106 725	0
CR Seals India Private Limited, India	0.0	153	INR	2	0
SKF Mekan AB, Katrineholm, Sweden	100	27 500	SEK	27 500	33 348
Sealpool AB, Landskrona, Sweden	100	10 000	SEK	1 000	51 175
Carried forward					1 902 223

NOTES, PARENT COMPANY

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Carried forward					1 902 223
Share subscription in Anhui CR Seals Co. Ltd, Peoples Republic of China	60.0				25 212
Beijing Nankou SKF Railway Bearings Company Limited, Peoples Republic of China	51.0	–	CNY	126 713	93 524
SKF Automotive Components Corporation, Republic of Korea	100	6 650 000	KRW	33 250 000	64 926
CR Korea Co., Ltd., Republic of Korea	50.0	100 320	KRW	1 003 200	9 653
PT. SKF Indonesia, Indonesia (incl. share subscription)	60.0	22 540	IDR	22 540 000	32 249
Sales companies					
SKF Danmark A/S, Denmark	100	5	DKK	5 000	0
SKF Norge A/S, Norway	100	50 000	NOK	5 000	0
Oy SKF Ab, Finland	100	48 400	FIM	12 100	12 378
SKF Portugal Rolamentos, Limitada, Portugal	95.0	–	PTE	12 350	0
SKF Ložiska, a.s., Czech Republic	100	430	CZK	43 000	9 945
SKF Svéd Golyóscsapágy Részvenytársaság, Hungary	100	3 000	HUF	600	14
SKF Hellas S.A., Greece	100	2 000	GRD	45 320	0
SKF Canada Limited, Canada	62.5	50 000	CAD	–	0
SKF Colombia S.A., Colombia	13.4	279 148	COP	69 787	0
SKF del Peru S.A., Peru	100	1 806 122	PES	1 806	0
SKF Chilena S.A.I.C., Chile	100	88 192	CLP	467 923	0
SKF Venezolana S.A., Venezuela	100	4 758	VEB	4 758	0
SKF Türk Sanayi ve Ticaret Limited Sirketi, Turkey	0.0	50	TRL	250	1
SKF South East Asia (Pte) Ltd., Singapore	100	1 000 000	SGD	1 000	0
SKF Australia Pty Ltd., Australia	100	96 500	AUD	193	0
SKF New Zealand Limited, New Zealand	100	375 000	NZD	750	0
SKF Zimbabwe (Private) Limited, Zimbabwe	0.0	1	ZWD	0	0
SKF (Zambia) Ltd., Zambia	0.0	1	ZMK	0	0
SKF Kenya Limited, Kenya	0.0	1	KES	0	0
SKF Eurotrade AB, Göteborg, Sweden	100	83 500	SEK	8 350	10 169
SKF Multitec AB, Helsingborg, Sweden	100	29 500	SEK	2 950	4 545
SKF Service AB, Göteborg, Sweden	100	278 000	SEK	27 800	33 605
Other Companies					
SKF Bearings Ltd., United Kingdom	100	10 000	GBP	10	0
Trelanoak Ltd., United Kingdom	20.0	6 965 000	GBP	6 965	119 817
SKF Holding Maatschappij Holland B.V., The Netherlands	100	60 000	NLG	60 000	5 035 746
SKF Engineering & Research Services B.V., The Netherlands	13.4	121	NLG	12	7 684
SKF Verwaltungs AG, Switzerland	100	500	CHF	250	501 898
SKF Holding Mexicana, S.A. de C.V., Mexico	98.0	22 687 633	MXN	2 269	120 029
SKF (China) Investment Co. Ltd., Peoples Republic of China	100	–	USD	30 000	244 139
Barseco (Pty) Ltd, South Africa	100	300	ZAR	0	61 619
SKF Australia (Manufacturing) Pty. Ltd., Australia	100	1 000 000	AUD	2 000	0
Compania SKF Nicaragua S.A., Nicaragua	100	140	NIC	140	0
Latinoamericana de Administracion S.A., Panama	100	50	USD	5	0
Revolve Magnetic Bearings Inc., Canada	100	1 395 495	CAD	–	0
Carried forward					8 289 376

Name and location	Holding in percent	Number of shares	Currency	Nominal value in thousands	Book value in SEK thousands
Carried forward					8 289 376
SKF Lager AB, Göteborg, Sweden	100	150 000	SEK	3 000	0
SKF Vehicle Parts AB, Göteborg, Sweden	100	115 000	SEK	11 500	13 872
Nordiska Kullager Aktiebolaget, Göteborg, Sweden	100	1 000	SEK	100	101
AB SKF-Agenturer, Göteborg, Sweden	100	100	SEK	100	0
SKF Logistics Services AB, Göteborg, Sweden	100	80 000	SEK	6 400	9 760
AB Compania Sudamericana SKF, Göteborg, Sweden	100	300	SEK	300	0
AB S.A. des Roulements à Billes Suédois SKF, Göteborg, Sweden	100	100	SEK	100	0
SKF International AB, Göteborg, Sweden	100	20 000	SEK	20 000	319 908
SKF Reinsurance Co. Ltd., Göteborg, Sweden	100	30 000	SEK	30 000	80 200
SKF Fondförvaltning AB, Göteborg, Sweden	100	10 000	SEK	1 000	998
AB Svenska Kullagerfabriken, Göteborg, Sweden	100	1 000	SEK	100	101
SKF Dataservice AB, Göteborg, Sweden	100	1 000	SEK	100	0
SKF Nova AB, Göteborg, Sweden	100	1 000	SEK	100	0
Bagaregården 16:7 KB, Göteborg, Sweden	99.9	–	SEK	250 103*	15 617
KB Nya Kulan, Göteborg, Sweden	99.0	–	SEK	290 615*	31 075
KB Gamlestaden 1:10, Göteborg, Sweden	0.0	–	SEK	1	1
SKF Fastighetsförvaltning AB, Göteborg, Sweden	100	2 000	SEK	200	245
Endorsia.com International AB, Göteborg, Sweden	100	170 000	SEK	17 000	20 400
Ovako Couplings Holding AB, Göteborg, Sweden	100	2 800 000	SEK	280 000	106 470
Ovako Tube AB, Göteborg, Sweden	100	5 000	SEK	500	600
Ovako Steel Holding AB, Göteborg, Sweden	100	9 600 000	SEK	960 000	27
					8 888 751

* As face value the original investment capital for each of the limited partnership companies is disclosed.

5. OTHER SHORT-TERM ASSETS

	2000	1999	1998
Other short-term receivables	64	40	15
Prepaid expenses	16	5	0
	80	45	15

6. SHORT-TERM FINANCIAL ASSETS

	2000	1999	1998
Short-term financial receivables	–	–	1
Cash and bank accounts	1	1	4
	1	1	5

7. SHAREHOLDERS' EQUITY

The distribution of share capital between share types is shown in Note 13 to the Consolidated Financial Statements.

Changes in shareholders' equity

	Share capital	Legal reserve	Un-restricted equity	Total
Opening balance 1998-01-01	1 423	633	6 059	8 115
Cash dividend	–	–	- 598	- 598
Net loss	–	–	- 2 003	- 2 003
Closing balance 1998-12-31	1 423	633	3 458	5 514
Cash dividend	–	–	- 228	- 228
Net profit	–	–	289	289
Closing balance 1999-12-31	1 423	633	3 519	5 575
Cash dividend	–	–	- 455	- 455
Net profit	–	–	894	894
Closing balance 2000-12-31	1 423	633	3 958	6 014

8. PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Charges against profit/loss for pensions and similar plans were 52 (61 and 80) which include an interest cost calculated at 10 (10 and 19).

Provisions for pensions include pensions in the FPG - PRI (Pension Registration Institute) system by 212 (193 and 307).

9. LONG-TERM LOANS

Long-term loans at the end of the year, excluding the short-term portion:

	2000	1999	1998
Bonds	2 731	2 912	2 897
Bank loans	713	638	606
Other borrowings	162	476	490
	3 606	4 026	3 993

The above loans were denominated in the following currencies:

	2000	1999	1998
Swedish kronor	513	1 177	1 292
United States dollars	3 093	2 849	2 701
	3 606	4 026	3 993

Maturities of long-term loans as at December 31, 2000, were as follows:

2002	877
2003	508
2004	212
2005	11
2006	11
2007 and thereafter	1 987
	3 606

The terms of certain loan agreements contain various restrictions, relating principally to further pledging of assets.

10. SHORT-TERM LOANS

	2000	1999	1998
Current portion of long-term loans	14	14	895
	14	14	895

11. OTHER SHORT-TERM LIABILITIES

	2000	1999	1998
Other short-term liabilities	6	2	4
Accrued expenses and deferred income	202	219	216
	208	221	220

Accrued expenses and deferred income include accrued interest of 130 (144 and 177).

12. ASSETS PLEDGED

	2000	1999	1998
Shares	42	–	–
Receivables	–	–	1
	42	–	1

13. CONTINGENT LIABILITIES

	2000	1999	1998
Guarantees in respect of consolidated subsidiaries' obligations	73	71	70
Other guarantees and contingent liabilities	102	24	31
	175	95	101

14. AVERAGE NUMBER OF EMPLOYEES, WAGES, SALARIES AND REMUNERATIONS

For wages, salaries and other remunerations to employees – see Note 25 to the Consolidated Financial Statements.

For the average number of employees – see Note 26 to the Consolidated Financial Statements.

PROPOSED DISTRIBUTION OF SURPLUS

Retained earnings	SEK	3 064 232 186
Profit for the year	SEK	894 418 594
Total surplus	SEK	3 958 650 780

The Board of Directors and the President recommend,
that a dividend of 5.25 Swedish kronor per share

be paid to the shareholders	SEK	597 648 277
that the balance be carried forward	SEK	3 361 002 503
	SEK	3 958 650 780

The results of operations and the financial position of the Parent Company and the Group in 2000 are given in the income statements and in the balance sheets together with related notes.

Stockholm, January 29, 2001

Anders Scharp
Sune Carlsson
Sören Gyll
Helmut Werner

Vito H Baumgartner
Ulla Litzén
Philip N Green
Clas Åke Hedström

Göran Johansson
Owe Andersson
Lennart Alverå
Anders Olsson

AUDITORS' REPORT

**To the general meeting of the shareholders of AB SKF,
corporate identity number 556007-3495.**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB SKF for the year 2000. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the President. We also examined whether any Board Member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or

the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, February 28, 2001

Arthur Andersen AB

Hans Pihl
Authorized public accountant

SHARES AND SHAREHOLDERS

Exchange listing of SKF shares, location, year of introduction and distribution of shares as per December 31, 2000

		Stockholm (1914)	London (1928)	Paris (1929)	Zürich (1930*)	New York (1985)
A shares, unrestricted	49 256 332	•				
B shares, unrestricted	64 581 435	•	•	•	•	•
Total	113 837 767					

* Genève 1930, Basel 1985, Zürich 1985.

An A share has one vote and a B share has one-tenth of one vote.

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

Changes in share capital 1982–2000

	Amount paid MSEK	Share capital MSEK	Number of shares in millions	Par value SEK per share
1982 Bonus issue 1:4		1 350	27.0	50.00
1989 Split 4:1		1 350	108.0	12.50
1990 Conversion of debentures	62	1 412	113.0	12.50
1997 Conversion of bonds	11	1 423	113.8	12.50

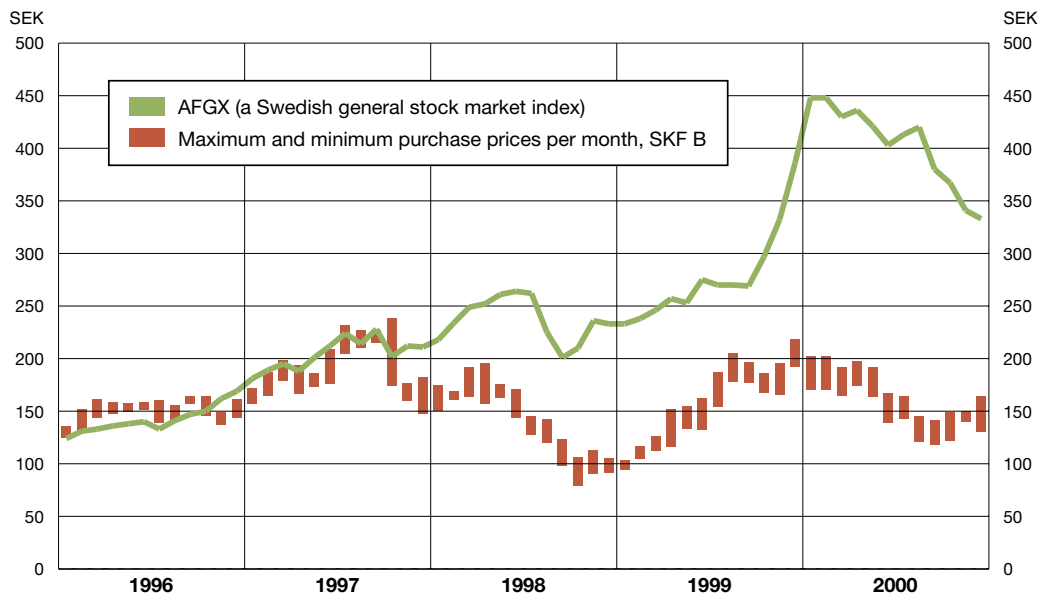
SKF shares are mainly traded in Stockholm and London

Year	Stockholm		London	
	Number of shares	MSEK	Number of shares	MSEK
1994	94 423 000	13 129	99 666 000	*
1995	89 040 000	12 414	72 060 000	*
1996	76 636 130	11 281	70 224 523	10 267
1997	80 880 606	15 335	79 329 702	15 746
1998	114 360 493	16 070	72 421 778	10 841
1999	118 193 348	18 752	54 476 302	8 992
2000	184 190 098	29 327	108 613 511	17 605

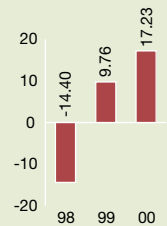
Source: Stockholm Stock Exchange, London Stock Exchange

* No information available

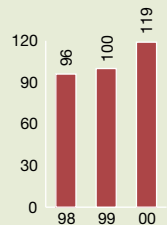
Price development of the SKF B share



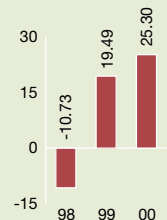
Earnings/loss per share, SEK



Shareholders' equity per share, SEK



Cash flow after investments, before financing, per share, SEK



Share savings fund for employees

SKF Allemansfond, a national security savings fund in which SKF employees in Sweden can save, was started in April 1984. A major portion of the fund has been invested in SKF shares. On December 31, 2000, the SKF Allemansfond had 742 members and assets amounting to MSEK 58.

Distribution of shareholding

Shareholding	Number of shareholders	Percent	Number of shares	Percent
1 – 1 000	33 362	92.1	7 287 813	6.4
1 001 – 10 000	2 391	6.6	5 552 995	4.9
10 001 – 100 000	340	0.9	11 103 159	9.7
100 001 –	126	0.4	89 893 800	79.0
	36 219	100.0	113 837 767	100.0

Source: VPC AB (Securities Register Centre) as of 2000-12-29

The ten largest shareholders

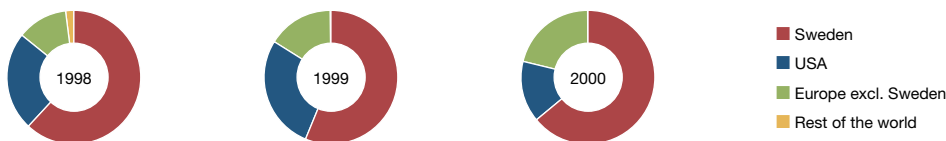
	A-shares	B-shares	Number of shares	Number of votes	In percent of voting rights	In percent of share capital
1) Investor AB	16 210 252	65 000	16 275 252	16 216 752	29.1	14.3
2) Alecta pensionsförsäkring incl.SPP Liv, (pension funds)	3 301 011	807 518	4 108 529	3 381 763	6.1	3.6
3) The National Insurance Fund, Fourth Fund Managing Board	2 024 000	1 728 000	3 752 000	2 196 800	3.9	3.3
4) Skandia (Insurance Group)	1 903 866	728 607	2 632 473	1 976 727	3.5	2.3
5) AMF (Insurance Group)	231 400	7 056 197	7 287 597	937 020	1.7	6.4
6) Nordbanken savings funds	688 600	41 900	730 500	692 790	1.2	0.6
7) The Knowledge Foundation	603 700	100 000	703 700	613 700	1.1	0.6
8) Svenska Handelsbanken savings funds	336 500	1 732 281	2 068 781	509 728	0.9	1.8
9) Gamla Livförsäkringsaktiebolaget SEB Trygg Liv (Insurance Company)	430 000	574 300	1 004 300	487 430	0.9	0.9
10) FPG (Insurance Company)	404 100	147 300	551 400	418 830	0.8	0.5
					49.2	34.3

Source: VPC AB's public share register as of 2000-12-29.

As of December 29, 2000, about 37.7% of the share capital was owned by foreign investors, about 53.1% by Swedish companies, institutions and mutual funds, and about 9.2% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered.

Geographical ownership

Source: SIS Ågarservice AB



Per-share data (Definitions see note 1)

Swedish kronor/share	1994	1995	1996	1997	1998	1999	2000
Earnings/loss per share ⁽¹⁾	11.25	18.10	14.90	13.70	- 14.40	9.76	17.23
Dividend per A and B share	4.25	5.25	5.25	5.25	2.00	4.00	5.25 ²⁾
Total dividends paid in millions of Swedish kronor	-	480	593	593	598	228	455
Purchase price of B shares at year-end on the Stockholm Stock Exchange	122.50	127	160	169	94.50	207	142.50
Shareholders' equity per share ⁽¹⁾	81	89	99	111	96	100	119
Yield in percent (B) ⁽¹⁾	3.5	4.1	3.3	3.1	2.1	1.9	3.7
P/E ratio, B ⁽¹⁾	10.9	7.0	10.8	12.3	neg	21.2	8.3
Cash flow after investments, before financing per share	-	-	-	-	- 10.73	19.49	25.30

1) Data per share has been recalculated due to changed accounting principles of the Group (see Note 1) and to take into account the conversion of 838 211 shares in July 1997.

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

Analysts who follow SKF

- ABG Securities
Klas Andersson
- Alfred Berg Research
Stefan Lundewall
- Aros Maizels
Hans Westerberg
- BNP Paribas
Simon Fenwick
- D. Carnegie
Anders Bruzelius
- Credit Suisse First Boston
Patrick Marshall
- CAI Chevreux Nordic
Peter Karlsson
- Danske Securities
Mikael Sens
- Deutsche Bank
Andrew Carter
Kenneth Toll
- Dresdner Kleinwort Benson
Marcus Storr
- Enskilda Securities
Anders Eriksson
- Goldman Sachs
Colin Gibson
- Hagströmer & Qviberg
Ola Asplund
- Handelsbanken Investment Banking
Olof Jonasson
- HSBC
Roddy Bridge
- J P Morgan Securities
Michael Clark
- Lehman Brothers
Peter Lawrence
- Matteus JP Bank
Peter Eklöf
- Merrill Lynch
Mark Troman
- Morgan Stanley
Gideon Franklin
Daniel Cunliffe
- Nordiska Fondkommission
Stuart Fredriksson
- Schroder Salomon Smith Barney
Tim Adams
- Société Générale
Fabrice Theveneau
- Swedbank Markets
Mats Liss
- UBS Warburg
Patrik Sjöblom
Graham Phillips
- West LB Panmure
Jochen Kottmann
- Öhman Fondkommission
Anders Roslund

BOARD OF DIRECTORS

ANDERS SCHARP*

Born 1934. Chairman.
Board member since 1992.
Chairman Saab AB, Atlas Copco AB and The Swedish Employers' Confederation.
Board member Investor AB and The Federation of Swedish Industries.
Shareholding in SKF: 25 000

GÖRAN JOHANSSON

Born 1945. Employee representative.
Board member since 1975.
Chairman Executive Committee of the City Council of Göteborg.
Chairman Liseberg AB.
Board member Vattenfall.
Shareholding in SKF: 100

SUNE CARLSSON

Born 1941. President and Chief Executive Officer.
Board member since 1991.
Board member Atlas Copco AB.
Shareholding in SKF: 5 000 and 502 734 stock options

SÖREN GYLL*

Born 1940. Board member since 1997.
Chairman Genesis-IT AB, DHJ Media AB, Capedal AB and The Federation of Swedish Industries.
Board member AB Volvo, Skanska AB, SCA Svenska Cellulosa Aktiebolaget, Askus AB, Oresa Ventures S.A. (Belgium) and The Royal Swedish Academy of Engineering Sciences (IVA).
Shareholding in SKF: 2 000

HELMUT WERNER

Born 1936. Board member since 1998.
Chairman of the Supervisory Boards of EXPO 2000 Hannover GmbH I.L., mg technologies AG, GEBB mbH and F-LOG AG.
Member of the Supervisory Boards of Alcatel (Paris), BASF AG, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfer Gesellschaft, Gerling-Konzern Versicherungs-Beteiligungs AG and FirstMark Communications Europe S.A.
Shareholding in SKF: 670

VITO H BAUMGARTNER*

Born 1940. Board member since 1998.
Group President Caterpillar Inc.
Vice Chairman of the European-American Industrial Council (EAIC).
Member of the Nomination Committee of the Swiss-American Chamber of Commerce.
Member of the Management Board of the Federation des Syndicats Patronaux (Employers' Federation).
Board member Aeroport International de Geneve.
Member of the Executive Committee of International Institute for Management Development (IMD).
Member of the Russian Academy of Transportation in St. Petersburg.
Shareholding in SKF: 600

ULLA LITZÉN

Born 1956. Board member since 1998.
Managing Director, Investor AB.
Board member Atlas Copco AB.
Shareholding in SKF: 6 000

OWE ANDERSSON

Born 1939. Employee representative.
Board member since 2000.
Vice Chairman SIF (The Swedish Union of Clerical and Technical Employees in Industry), SKF, Göteborg.

CLAS ÅKE HEDSTRÖM

Born 1939. Board member since 2000.
President and Chief Executive Officer of Sandvik AB.
Board member Sandvik AB, Scania AB and The Association of Swedish Engineering Industries.
Shareholding in SKF: 1000

PHILIP N GREEN

Born 1953. Board member since 2000.
Executive Director, Reuters Plc.
Chief Executive, Reuters Financial.
Board member Reuters Group plc.

Deputy Board Members

LENNART ALVERÅ

Born 1952. Employee representative.
Deputy board member since 1987.
Shareholding in SKF: 60

ANDERS OLSSON

Born 1952. Employee representative.
Deputy board member since 1998.
Chairman SIF (The Swedish Union of Clerical and Technical Employees in Industry), Ovako Steel AB, Hällefors.
Shareholding in SKF: 33

Honorary Chairman

LENNART JOHANSSON

Honorary Chairman of the Board of Directors of AB SKF.

Auditor

HANS PIHL

Authorized Public Accountant
Arthur Andersen AB.

* member of the Remuneration Committee



Anders Scharp



Göran Johansson



Sune Carlsson



Sören Gyll



Helmut Werner



Vito H Baumgartner



Ulla Litzén



Owe Andersson



Clas Åke Hedström



Philip N Green



Lennart Alverå



Anders Olsson



Lennart Johansson



Hans Pihl

MANAGEMENT



Sune Carlsson



Gunnar Gremlin



Tom Johnstone



Christer Gyberg



Giuseppe Donato



Phil Knights



Martin Ivert



Kaj Thorén



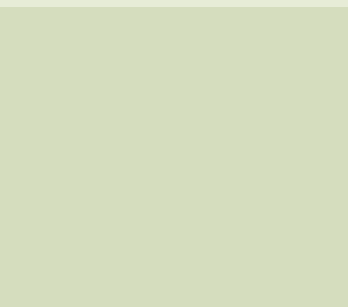
Lars G Malmer



Tore Bertilsson



Carina Bergfelt



Bengt Olof Hansson



Henning Wittmeyer



Sten Malmström

President and Chief Executive Officer

SUNE CARLSSON*

Born 1941

Employed since 1998

Shareholding in SKF: 5 000 and 502 734 stock options

Board member Atlas Copco AB

Executive Vice President AB SKF and President SKF GmbH, Schweinfurt, Germany

GUNNAR GREMLIN

Born 1945

Employed since 1969

Shareholding in SKF: 300 and 3 767 stock options

Board member AB Th Nederman & Co.

Executive Vice President AB SKF and President Automotive Division and Seals Division

TOM JOHNSTONE*

Born 1955

Employed since 1977

Shareholding in SKF: 3 767 stock options

Industrial Division

CHRISTER GYBERG*

Born 1947

Employed since 1972

Shareholding in SKF: 1 000 and 3 637 stock options

Electrical Division

GIUSEPPE DONATO*

Born 1944

Employed since 1979

Shareholding in SKF: 3 637 stock options

Service Division

PHIL KNIGHTS*

Born 1948

Employed 1987-1993 and since 1996.

Shareholding in SKF: 2 100

Steel Division

MARTIN IVERT

Born 1948

Employed since 1974

Shareholding in SKF: 175 and 3 767 stock options

Group Business Development

KAJ THORÉN

Born 1944

Employed since 1975

Shareholding in SKF: 5 051 and 3 767 stock options.

Board member FlexLink AB and Tradex Converting AB

Group Communication

LARS G MALMER

Born 1943

Employed since 1974

Shareholding in SKF: 1 200 and 3 767 stock options

Board member West Sweden Chamber of Commerce and Industry, International Council of Swedish Industries and Chalmers Teknikpark

Group Finance

TORE BERTILSSON*

Born 1951

Employed since 1989

Shareholding in SKF: 3 000 and 1 367 stock options

Board member SEB Fondinvest, Ågrenska, Trygg-stiftelsen and Momentum Maintenance Supply AB

Group Legal

CARINA BERGFELT

Born 1960

Employed since 1990

Shareholding in SKF: 2 702 stock options

Board member Forskarpatent i Västsvrige AB and Forskarpatent i Väst AB

Group Quality & Human Resources

BENGT OLOF HANSSON

Born 1947

Employed since 1964

Shareholding in SKF: 1 367 stock options

Group Technology Development

HENNING WITTMAYER

Born 1942

Employed since 1971

Shareholding in SKF: 3 000 and 3 767 stock options.

Chairman SCEMM, Scandinavian Center of Maintenance Management
Board member the Association for Surface Chemistry Research**SKF USA Inc.**

STEN MALMSTRÖM

Born 1943

Employed since 1973

Shareholding in SKF: 1 027 and 3 767 stock options

** member of the Group Executive Committee*

SEVEN-YEAR REVIEW OF THE SKF GROUP

<i>Amounts in millions of Swedish kronor unless otherwise stated</i>	1994	1995	1996	1997	1998	1999	2000
Income statements							
Net sales	33 273	36 700	33 589	36 922	37 688	36 693	39 848
Sweden	1 837	2 202	1 869	1 967	1 983	1 674	1 850
Operating expenses	- 30 833	- 32 775	- 31 122	- 34 717	- 37 648	- 34 576	- 36 363
Other operating revenue/expense - net	151	75	407	799	- 928	403	182
Profit/loss in associated companies	-	-	-	- 55	- 111	-	7
Operating profit/loss	2 591	4 000	2 874	2 949	- 999	2 520	3 674
Financial income and expense, net	- 714	- 611	- 462	- 843	- 1 064	- 751	- 672
Profit/loss before taxes	1 877	3 389	2 412	2 106	- 2 063	1 769	3 002
Taxes	- 570	- 1 301	- 701	- 583	377	- 650	- 1 001
Profit/loss after taxes	1 307	2 088	1 711	1 523	- 1 686	1 119	2 001
Minority interest	- 28	- 30	- 19	35	44	- 8	- 39
Net profit/loss for the year	1 279	2 058	1 692	1 558	- 1 642	1 111	1 962
Balance sheets							
Intangible assets	1 793	1 374	1 261	1 291	2 239	1 829	1 545
Tangible assets	11 092	11 264	12 541	13 631	14 568	13 074	13 089
Long-term financial assets	1 348	1 212	1 063	1 185	1 084	1 114	1 404
Inventories	8 606	8 972	9 476	9 924	10 183	8 640	9 262
Short-term assets	7 517	7 276	7 352	8 478	8 588	8 190	9 033
Short-term financial assets	2 356	2 897	2 091	3 931	2 353	1 976	3 481
Total assets	32 712	32 995	33 784	38 440	39 015	34 823	37 814
Shareholders' equity	9 183	10 122	11 310	12 588	10 932	11 367	13 594
Provisions for pensions and other postretirement benefits	6 260	6 089	6 030	6 171	7 139	6 478	6 746
Provisions for taxes	1 386	1 420	1 701	1 642	1 488	1 509	1 596
Other provisions	2 159	2 377	2 130	2 981	4 095	2 795	3 046
Long-term loans (including convertible loans)	4 954	4 584	4 846	6 538	4 842	4 753	4 263
Other long-term liabilities, including minority interest	948	935	362	359	455	477	561
Short-term loans	2 047	1 715	1 693	1 853	3 337	1 223	705
Other short-term liabilities	5 775	5 753	5 712	6 308	6 727	6 221	7 303
Total equity, provisions and liabilities	32 712	32 995	33 784	38 440	39 015	34 823	37 814
Key figures (in percentages unless otherwise stated)							
Return on total assets	9.1	13.2	9.9	9.1	- 1.6	7.5	10.9
Return on capital employed	13.0	19.0	14.7	13.0	- 2.8	11.2	16.2
Return on shareholders' equity	13.4	19.4	15.9	13.0	- 13.3	10.2	16.0
Operating margin	7.8	10.9	8.6	8.0	- 2.7	6.9	9.2
Profit margin	9.4	12.4	10.0	9.0	- 2.0	7.5	9.9
Turnover of total assets, times	0.97	1.07	0.99	1.00	0.97	0.98	1.08
Share of risk-bearing capital	28.1	31.9	35.8	37.8	32.8	38.1	41.4
Solvency (equity/assets ratio)	28.5	31.2	34.3	33.5	29.0	33.8	37.2
Investments and employees							
Additions to tangible assets	1 356	2 296	2 710	2 664	2 148	1 230	1 388
Sweden	293	427	655	918	434	211	304
Research and development expenses	542	598	751	757	702	756	710
Patents - number of first filings	59	65	130	146	145	129	144
Average number of employees	40 072	42 641	42 451	41 863	44 958	40 747	39 557
Sweden	6 282	6 418	6 348	6 290	6 144	5 353	5 219
Number of employees registered at December 31	41 732	43 754	43 123	43 241	45 436	40 637	40 401
Salaries, wages and social charges	12 869	13 744	13 066	13 681	14 497	13 068	13 608
Sweden	2 117	2 361	2 464	2 480	2 697	2 317	2 360

WORDS IN SKF'S WORLD

Bearing The function of a bearing is to minimize the friction between moving machine parts and to carry a load. The majority of bearings nowadays are rolling bearings consisting of an inner ring, an outer ring, a number of rolling elements (balls or rollers) and a cage. Most bearings are made of steel, but other materials are also used, such as ceramics. In addition to rolling bearings, SKF produces spherical plain bearings, where the outer and inner rings are separated from each other by an oil film, and magnetic bearings where friction is eliminated because the moving parts are separated by a magnetic field.

Seal A seal is a steel or rubber component which is used to separate a machine element from the outside world, to prevent dirt and moisture from getting in and lubricants from leaking to the outside. In a bearing, the seal is mounted between the outer and the inner ring, or around the shaft outside the bearing. In certain applications, e.g. heavily contaminated environments, the seal is crucial to the function of the bearing. Other kinds of seal include e.g. valve stem seals, shock absorber seals and crank shaft seals.

Steel The steel from which rolling bearings are produced is vital to the quality of the bearing. The precision of the analysis and freedom from inclusions are factors that are critical to the bearing's operational life. The SKF Steel Division produces the cleanest steel in the world.

Aftermarket Those customers, such as distributors, who buy bearings for resale as spare parts.

Angular contact ball bearing Bearing in which the raceways of the inner and outer ring are displaced with respect to each other in the direction of the bearing axis. This means that the bearing is particularly suitable for the accommodation of simultaneously acting radial and axial loads.

Axial load Load acting in the direction along the shaft/axis.

Axlebox Bearing housing for railway applications.

Ball bearing Bearing with balls as rolling elements. May contain one or more rows of balls. Has lower friction than a roller bearing.

Bearing housing Product in which a rolling bearing is mounted for protection and support. Made of cast metal or plastic and used in many different applications, such as fans, paper-making machines, etc.

Bearing unit Product in which the bearing has been integrated with other components in a single unit. The bearing is greased for its entire lifetime.

by-Wire technology The integration of electronics into a system, such as the brake, steering, gearshift and clutch in a vehicle to provide new levels of safety, performance and environmental compatibility.

Cage Bearing component which keeps the balls or rollers separated from each other when the bearing is rotating. Normally made of steel, but sometimes of brass or plastic.

CARB® Toroidal roller bearing – new bearing type which can accommodate misalignment and axial displacement of the shaft, and also is compact. It has not been possible to combine these properties in one bearing before.

Compact HHM (hub halfshaft module) New product for the automotive industry which reduces vehicle weight and offers greater flexibility in suspension and steering design.

Composite material Artificial material made of several components.

Cylindrical roller bearing Roller bearing with cylindrical rollers.

Deep groove ball bearing Ball bearing where the balls run in grooves in the inner and outer ring. The bearing is a radial bearing but can also take a certain axial load. Used in such applications as electric motors.

Elastomer Synthetic rubber.

Electric Power Assisted Steering An energy efficient steering system which uses a direct connection between an electric motor and the steering system, without the use of hydraulic fluid, power steering pump, or hoses.

Electromechanical flight control system System using electromechanical actuators for moving the control surface of the aircraft.

endorsia.com™ SKF's new e-commerce network that connects industrial customers, distributors and suppliers via the Internet.

Explorer New generation of spherical roller bearings that has set a new world standard by having up to three times the life of existing spherical roller bearings.

Fly-by-Wire System in which the surface controls of the aircraft are powered by

electrically signaled actuators associated to position transducers and flight control computers.

Hub Bearing Unit Easy-to-mount, compact bearing unit for car and truck wheels.

Hybrid bearing Rolling bearing with rings of steel and rolling elements of ceramic material.

IMS contract (Integrated Maintenance Solutions). A contract where customers depend on SKF and its distributors to maintain machine uptime through maintenance and customized monitoring programmes.

Kits Kits where the bearing is supplied together with the other components that the customer requires in order to perform a given repair.

Linear products Precision manufactured components, units and systems for linear movement.

Marlin™ A data management system for machine reliability.

Mechanical Actuator Unit New SKF solution which converts rotational into linear motion in a high-power density unit, used in by-Wire applications.

Mechatronics The term is a blend of mechanics and electronics. A cross-disciplinary combination of mechanics, electronics, electrical engineering and computing - in essence the use of microelectronics to control mechanical devices.

Needle roller bearing Bearing with long, thin cylindrical rollers. Used in applications where space is limited, e.g. in gearboxes.

OEM customers (Original Equipment Manufacturers). Those customers who buy bearings to use them in their own products, e.g. manufacturers of cars, household appliances, machines, etc.

Pod propulsion Electromechanical propulsion.

Precision bearing Bearing for machine tools with very high rotating speed. Used in such applications as spindle units.

Radial bearing Ball or roller bearing for radial loads.

Radial load Load acting in a direction perpendicular to the shaft/axis, i.e. along the radius.

Radial seal A type of oil seal.

Roller bearing Bearing with rollers as rolling elements. May contain one or more rows of rollers. Has higher load carrying capacity than a ball bearing.

Rolling bearing steel Very clean special steel for rolling bearing production.

Rolling bearings Common name for ball and roller bearings.

Rolling elements Common name for the balls and rollers in a bearing.

Rolling Method of processing steel to produce the desired products (bar, wire, sheet and tube).

Sensor Electric transmitter which registers revolutions, speed, temperature, vibration, etc. Integrated in more and more applications.

Shock absorber seal Sealing ring, specially designed for short, shock-loaded axial movements.

SKF Engineering & Research Centre (ERC) SKF's research center in the Netherlands.

Slewing bearing Compact large-sized bearings specifically designed to accommodate oscillating movements. Mainly used in construction machinery, hoisting, mechanical handling equipment and steel industry. May be several meters in diameter.

Spherical bearing Ball or roller bearing where the inside surface of the outer ring is part of a sphere, which means that the bearing is self-aligning, i.e. it can adapt itself to misalignment of the shaft. SKF was founded on Sven Wingquist's revolutionary invention of the self-aligning spherical ball bearing.

Spindle unit Complete bearing unit with precision bearings for machine tools.

Structural rod Metallic bar used in airframes.

Taper roller bearing Roller bearing with tapered rollers.

TFO (Trouble-Free Operation®). A concept, developed by SKF, which aims at giving the customer as trouble-free an operation as possible. The concept is often tailor-made and includes products and service, maintenance products, training, monitoring and other equipment.

Thrust bearing Ball or roller bearing for axial loads.

Valve stem seal Seal for control and metering of oil lubrication for inlet and outlet valves of combustion engines.

Vehicle replacement market Automotive aftermarket.

FINANCIAL GLOSSARY

Accounting Principles Principles for how specific transactions should be accounted for.

Associated company A company in which the SKF Group has an interest representing between 20 and 50% of the voting rights, and where the SKF Group has a significant influence.

Break-even The sales volume where income and costs are equal, i.e. a zero result is achieved.

Capital employed The value of a company's total assets, minus non-interest bearing liabilities.

Cash management Control strategies over the company's cash flows, in addition to investment strategies on excess funds.

Cash Flow A company's cash surplus/deficit from the ongoing operations.

Convertible Bonds An option to convert a loan for a predetermined number of common shares.

Cost efficiency Within SKF there is an ongoing effort to eliminate non-value added activities and to standardize remaining activities to achieve high profitability and efficiency.

Credit risk Risk that the borrower does not fulfill his obligations towards the lender.

Deferred tax Differences between accounted and fiscal valuations of assets and debts creates deferred tax liabilities and deferred tax assets, representing future tax payment.

FIFO (First In First Out) The method used by SKF to calculate which products are still in stock, compared with LIFO (Last In First Out).

Financial derivatives An instrument which is derived from, for example, an underlying currency or interest rate. (See also Forward exchange contracts.)

Financial year A financial year is the period in which the result of the operations is measured. In SKF the financial year is the same as the calendar year.

Forward exchange contracts A derivative instrument where the company agrees to buy or sell a certain currency at a predetermined rate and date. The agreement is obligatory for the company.

Hedge A financial contract made in order to secure the value of an asset or liability or a future cash flow.

Interest-rate risk Risk for a loss in a fixed interest rate security due to changes in the interest rate.

Issue A group of stocks or bonds that are offered or sold at the same time.

Joint-venture company A company, formed by two or more companies, in which the risk is shared in relation to, for example capital input.

Operating income Result generated from a company's operations, i.e. income minus cost of goods sold minus sales and administrative expenses.

Price and mix Volume shifts between various customer segments with different price levels.

Rating Official judgement of a company's financial strength made by a financial institute on behalf of potential lenders.

Return Yield, in the form of dividends or interest payments, on invested capital.

Risk-bearing capital The invested capital in a company, usually stock and equity as opposed to bonds and loans.

Risk limits The maximum acceptable risk of loss according to the predetermined risk policy.

Sale/lease back A transaction where an asset is sold, and then leased back by the original owner.

SFAS Accounting recommendations issued by the U.S. Financial Accounting Standards Board.

Solvency The part of the company's total financing that is not financed with loans or other liabilities, i.e. shareholders' equity's part of total assets.

Volatility A statistical function that measures the speed of change of the price of a commodity.

U.S. GAAP Generally Accepted Accounting Principles in the USA.

THREE-YEAR REVIEW OF SKF'S DIVISIONS

<i>Amounts in millions of Swedish kronor unless otherwise stated</i>	Full year 1998	Full year 1999	1/00	2/00	3/00	4/00	Full year 2000
Industrial Division							
External sales	8 323	8 011	2 162	2 126	2 062	2 255	8 605
Total sales	–	13 147	3 469	3 705	3 489	3 833	14 496
Operating result	–	961	371	418	411	388	1 588
Invested capital	–	6 915	7 022	7 149	7 338	7 427	7 427
Registered number of employees	–	10 346	10 409	10 515	10 589	10 571	10 571
Automotive Division							
External sales	8 583	8 527	2 310	2 291	2 022	2 259	8 882
Total sales	–	9 676	2 512	2 603	2 255	2 513	9 883
Operating result	–	237	124	127	60	65	376
Invested capital	–	5 697	5 750	5 822	6 081	5 965	5 965
Registered number of employees	–	8 378	8 373	8 369	8 378	8 386	8 386
Electrical Division							
External sales	1 625	1 475	404	403	372	396	1 575
Total sales	–	5 949	1 556	1 642	1 431	1 540	6 169
Operating result	–	219	93	138	121	108	460
Invested capital	–	3 544	3 541	3 380	3 545	3 467	3 467
Registered number of employees	–	5 620	5 596	5 209	5 202	5 166	5 166
Service Division							
External sales	11 564	11 380	2 939	3 232	3 206	3 467	12 844
Total sales	–	12 173	3 133	3 473	3 462	3 786	13 854
Operating result	–	848	206	259	280	268	1 013
Invested capital	–	3 813	4 058	4 434	4 277	4 228	4 228
Registered number of employees	–	4 189	4 316	4 384	4 469	4 507	4 507
Seals Division							
External sales	3 559	3 750	1 056	1 050	1 018	1 006	4 130
Total sales	–	4 313	1 238	1 210	1 122	1 158	4 728
Operating result	–	49	39	58	31	- 1	127
Invested capital	–	2 850	2 853	2 884	3 170	2 954	2 954
Registered number of employees	–	4 378	4 372	4 346	4 350	4 248	4 248
Steel Division							
External sales	1 776	1 572	487	472	395	484	1 838
Total sales	–	4 057	1 205	1 184	961	1 131	4 481
Operating result	–	54	73	57	21	22	173
Invested capital	–	2 566	2 562	2 582	2 552	2 663	2 663
Registered number of employees	–	3 414	3 541	3 633	3 623	3 601	3 601

The financial information per Division is based on SKF's Management reporting, which in certain areas differs from the Group reporting. The sum of the operating result and invested capital for the Divisions therefore differs from the reported Group figures. Total sales are sales and deliveries to external and internal customers. Invested capital is defined as the sum of Inventories, external Trade Accounts Receivable and Tangible Assets less external Trade Accounts Payable. Previously published amounts for external sales have been restated to conform to current Group structure.

Financial information and reporting

AB SKF will publish the following financial reports in 2001

Year-end report for 2000	.....	January 29
Annual Report 2000	.....	March 9
First-quarter report 2001	.....	April 24
Half-year report 2001	.....	July 17
Nine-months report 2001	.....	October 18

The reports are available in Swedish and English. They are sent automatically to those shareholders who have informed the company that they wish to receive them. They can also be ordered from

SKF Investor Relations
SE-415 50 Göteborg
Sweden
tel +46-31-337 19 88
fax +46-31-337 17 22
e-mail kerstin.lorentzon@skf.com

The financial reports are also published on SKF's homepage on the Internet, www.skf.com (Investor relations/Financial reports and history). A subscription service for press releases and interim reports is available on the homepage under News Centre/Subscription.

An annual report, Form 20-F, is produced for the Securities and Exchange Commission in the USA.

SKF Environmental Report 2000

The Environmental Report, which is distributed together with the Annual Report, is a comprehensive description of the SKF Group's environmental activities during the year.

Annual General Meeting

The Annual General Meeting will be held at SKF Kristinedal, Byfogdegatan 4, Göteborg, Sweden, at 3.30 p.m. on Tuesday, April 24, 2001.

For the right to participate in the meeting, shareholders *must* be recorded in the shareholders' register kept by VPC AB by Thursday, April 12, 2001 and *must* notify the company before 12 noon on Wednesday, April 18, 2001, by letter to AB SKF, Group Legal, SE-415 50 Göteborg, Sweden, or by fax +46 31 337 16 91, or by phone +46 31 337 24 36.

When notifying the company, which preferably should be done in writing, details of name, address, telephone number, registered shareholding and possible advisors shall be given. Where representation is being made by proxy, the original of the proxy form shall be sent to the company before the date of the meeting.

Shareholders whose shares are registered in the name of a trustee must have the shares registered temporarily in their own name in order to take part in the meeting. Any such re-registration for the purpose of establishing voting rights shall take place by Thursday, April 12, 2001. This means that the shareholder should give notice of his/her wish to be included in the shareholders' register to the trustee in plenty of time before that date. A re-registration fee will normally be payable to the trustee.

Payment of dividend

The Board of Directors proposes a dividend of SEK 5.25 per share for 2000. April 27, 2001, is proposed as the record date for shareholders entitled to receive dividends for 2000. If this date is accepted by the Annual General Meeting, it is expected that VPC AB will send out notices of payment on May 3, 2001.