

Esteemed shareholders, Mr Chairman

2007 was an intensive year for the SKF Group. As you know, we celebrated SKF's 100th anniversary and a number of events took place around the world. Let's take a look at a few of them.

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For me personally the celebration meant that I met around 5 000 customers and over 10 000 employees in 35 countries and I must say that I am very proud of the strong commitment for SKF which I came across. One of the highlights during the year was naturally when the King and Queen could honour us with their presence at our gala dinner on 16 February. 2007 was the year when we really put SKF on the map – we will use this to further strengthen SKF's leading position and trademark in the future.

2007 was also a strong financial year – the best ever in the Group's history. Sales rose by more than 10%, the operating profit by more than 12% and profit before taxes by almost 12%. Cash flow was strong. We have a good position with room for acquisitions for example. So, if you so decide today, we will pay out a good dividend to you shareholders.

What was especially gratifying during the year was that we did well at all fronts. Sales increased in all regions in the world and the development was especially strong in the fast growing regions in Asia and Eastern Europe, but also in Western Europe. All divisions generated good growth. Growth was clearly higher than for industry in general and we strengthened our position in most markets.

The results for 2007 are well in line with our long-term targets. We have achieved this despite a negative currency development and a tough development of the prices of raw material, mainly steel, and components. A fantastic joint performance by more than 40,000 employees around the world.

If we take a look at the first quarter for this year, it still looks good. Compared with the same quarter last year, sales rose by more than 8%, operating profit by around 8% and profit before taxes by more than 5%. All in all, it was a good quarter and a good start of the year.

Demand during the second quarter is expected to be higher in Europe, relatively unchanged in North America and significantly higher in both Asia and Latin America. We can expect some headwind in the form of rates of exchange and raw material prices but we expect to be able to compensate for this during the year.

Looking now at our offers, SKF is not only a manufacturer of products but a supplier of complete solutions, systems and services to customers. By combining our five technical platforms with our experience from different customer segments, we have been able to present a number of new offers during the year. During the last three years we have in fact launched over 60 new offers to the industry. Here you can see examples of some of our

new products. This slide shows some of the new ones. Let me mention a few:

- SKF Agri Hub, this is a new, simple and environmentally friendly bearing unit for rotating tillage discs used in farming machinery.
- Down to the right you can see a truck hub unit which provides great benefits in the form of lower environmental impact and less maintenance. We have developed this unit together with Haldex.

The main part of SKF's offer reaches the market via our 15,000 distributors around the world. Let me show you some examples of how we develop solutions for customers through a concept called "More with SKF".

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The concept "More with SKF" supports our distributors in delivering more value to their customers at the same time as SKF's position in this important market is strengthened.

During the year we also continued to develop our offers through acquisitions. We acquired companies to the value of 1.2 billion kronor. Within Service, we made a number of small acquisitions to strengthen our expertise and local offers but also to support our efforts in sustainability. One example is Baker Instruments, which is a leading manufacturer of diagnostic instruments for electric motor assessment. They will provide us with valuable expertise in our work to provide our customers with energy efficient solutions.

We also increased our focus on research and development of products, solutions and services which will help our customers to reduce the energy consumption in their operations. As I mentioned last year, we then launched our new energy efficient bearings which decrease energy losses by at least 30%. Deliveries of these bearings start this year. We have also added a new tool which will help our customers find out how they can decrease the energy consumption in their equipment or plant.

Well, as you can hear we have a strong focus on what we call sustainability and energy efficiency and further development within this area is planned.

To secure our long-term growth and competitiveness we have both invested in new factories and taken steps to restructure our activities. It is important to be present, with resources both for sales and manufacture, where the demand is. Today we have more than 100 production sites around the world and more are on their way.

Last year we started up two new factories in Korea, one bearing factory in Busan and one seals factory in Taegu. We also opened a bearing factory in Shanghai in China. These factories will above all serve the fast growing automotive industry in Asia.

We have also announced several large investments planned for this year:

- A new factory in (Haridwar Uttarkhand), India which will manufacture ball bearings.
- A new factory in India for large bearings which will employ about 300 people when working at full capacity.
- A new factory in Russia for tapered roller bearing units for the fast growing railway market there.
- And last but not least we invested 600 million kronor in Göteborg to increase capacity here.

In total, we plan to invest more than 2 billion kronor in our factories this year.



We also announced several new ventures in cooperation with others. Together with GE Aviation we formed a company which will refurbish and manufacture bearings for GE's engines for large aircrafts.

A new company was also formed together with Bao Steel in China for the refurbishing of large bearings.

An important activity for the whole of SKF during the past four years has been the implementation of Six Sigma. This is a way for us to always focus on how we can improve our working methods and our processes, to become more efficient and naturally also lower our costs. This work is going very well and last year we saved more than 300 million kronor thanks to our Six Sigma activities. This was a substantial increase in savings compared with 2006. We also use Design for Six Sigma increasingly in the Group and thus expand the work to cover programs and training for our customers.

I would like to come back to the matter of sustainability. We feel that it is difficult to interpret the word "sustainability" so that is why we call it SKF Care.

SKF Care has four dimensions: Business Care – to ascertain strong financial results and the right earnings for our shareholders; Environment Care – to minimize our negative impact on the environment; Employee Care – for a safe working environment and better health and training for our employees and last Community Care – to play an active role where we live and have our operations. SKF Care is a guiding principle for all of us at SKF and has earned us a number of awards. We have now been included in the Dow Jones Sustainability Index, for the 8th year running and in the FTSE4Good Index, for the 7th year.

In the same way as we are helping our customers to lower their energy consumption and thereby their carbon dioxide emissions, we also do this in our own operations. Carbon dioxide emissions in our factories have decreased by 2.2% during 2007 and at the same time production increased by 12%. We did not quite reach our target but a number of activities which were started will pay off during the coming years. Our target is to be considerably more offensive than any other similar international target.

An important part of SKF Care is our employees. To attract, retain and develop employees has been a key area for SKF for a long time. Never before has this felt so urgent. We are well aware that in the present labour market, we are competing with other industrial enterprises, consultancy firms and consumer businesses for the best employees and it is important to make SKF come across as an attractive employer. We already do a lot and will increase our activities and contacts with universities and colleges to become the students' first choice when they seek employment.

Proof that we are asserting ourselves is that SKF was recently voted Sweden's best employer. This was down in a survey called "Career Barometer" when more than 14,000 academics under the age of 40 and in active employment, answered questions about their expectations on future employers and attitude in relation to their careers.

All in all, 2007, our 100th year, was a very good year for the SKF Group, both financially and business-wise. We delivered well in line with our targets and took important steps forward to further strengthen the Group and realize our vision to become "The knowledge engineering company".



A person who has taken part in our journey for many years is our chairman Anders Scharp. Anders, I would now like to thank you for your excellent work on the board but also for your personal support to me in my work. A big thank you!

At last I would sincerely like to thank all SKF employees for the outstanding work they are carrying out – not just when we celebrate our centenary – but every working day.
THANK YOU!