

**Esteemed shareholders, Mr Chairman,
dear colleagues, ladies and gentlemen.**

When I stood here a year ago we had left the deep recession behind us, and the expectations were that 2010 would be a year of recovery. We had had a good start and the outlook was positive.

We had identified five areas on which to put extra focus to continue to drive SKF forward ...and that's what we have done.



The result was better than expected! We experienced an increasingly stronger world economy and not only did we manage to meet the market demand but we also met our financial targets and took important steps to strengthen the SKF Group. More about this a little bit later on.

Sales in 2010 rose by over 14%, the operating profit and operating margin were record high and the earnings per share were more than eleven kronor.

Thanks to the good result for 2010 and the positive outlook for 2011, the Board is able to recommend the Annual General Meeting to increase the dividend by 43% to five kronor. 2010 was a very good year for SKF.

Let's now look ahead.

Our vision remains firm: "To equip the world with SKF knowledge". We continue to develop products, systems and solutions to help our customers become more successful in their businesses, and at the same time we increase our focus to develop offers that help our customers reduce their environmental impact

Sustainability, or SKF Care as we call it, is our guiding light and permeates everything we do. Let's therefore take a look at SKF from the perspective of the four dimensions of SKF Care.

The first dimension, Business Care, is about how we do business and create value for our customers and shareholders.

During 2010 we reached our earlier long-term strategic targets and we therefore raised the bar. Our new long-term target is a margin of 15%, yearly growth of 8% and a return on capital employed of 27%. By working towards the new targets we will ensure that SKF will remain financially strong and able to invest in the business also in the future.

To reach our new targets we have identified three important areas which are:

- to accelerate profitable growth
- to reduce costs and unnecessary work in our operations
- to invest in growth.

Let me go through some examples within each area, starting with profitable growth.

To take care of and develop the relationship with our customers is the key to growth. We concentrate both on acquiring new customers and at the same time widening the relationship we have with existing ones and offer products and solutions from all of our technical platforms. Here are examples of some new important businesses.

Goldwind is one of the big global manufacturers of wind turbines. They have chosen the SKF Nautilus tapered roller bearing for their new 2.5 MW direct drive turbine. The contract is one of the biggest ever for SKF in the wind energy industry. WinWinD is a Finnish manufacturer of wind turbines and we have signed a four-year contract with them worth 20 million euro. Wind energy is one of our growing markets, and SKF's solutions are important to the development of this industry. Renewable energy accounts for nearly 5% of our sales and apart from wind energy we also do business and have cooperation within both solar energy and wave power.

We have signed several new contracts within the railway industry, for example with CSR Zhuzhou Electric Locomotive Co. Ltd. for the supply of bearings for their axleboxes and drive systems. The contract is worth 14 million euro.

The automotive seals business has developed favourably. We supply Izuzu in Europe with our engine seal with low friction which helps to lower fuel consumption and carbon dioxide emissions considerably compared with conventional solutions.

Several global car customers have also increased their business with us, among them Volkswagen and GM.

Regarding trucks, I can mention that we have strengthened our relationship even further with Fuwa Engineering, the largest trailer axle manufacturer in the world. In addition to roller bearings, we also supply them with seals.

We have a very good relationship with our distributors, and we continuously work to help them in their work with our customers. There are special programmes for this. One of them is SKF Distributor College. At present there are more than 30 courses in about 15 languages, and the number of courses is growing all the time. In this picture you can see the happy recipient of the prize for certificate no. 100,000 from SKF Distributor College.

To reach our growth target we also need to make acquisitions and at the end of last year we bought Lincoln, an American lubrication systems group with sales of 400 million dollar, nine factories and 2000 employees around the world. This acquisition complements our other lubrication systems business in a good way, and the business has had a very good start this year.

To be able to grow, it's of course important to develop new offers. We develop more than 20 new offers every year and in the picture behind me you can see some of the latest ones.

Here are two examples:

SKF MetroCon is a complete service package for condition monitoring control and improvement of reliability in escalators.

X-Tracker is a wheel bearing unit with extra low friction which reduces the carbon dioxide emission from average sized cars by 1.3 g per kilometre.

We already have orders for both of these products.

As you will notice, reduced environmental impact is a very important factor when we develop our products and solutions.

One example is the SKF Energy Efficient bearings with lower friction and thereby reduced energy use. In the picture you can see some examples of where they are used. The first one is from a Chinese mine where 130,000 conveyor bearings were replaced by SKF Energy Efficient bearings. As a result the carbon dioxide emissions from the plant were reduced by over 900 tonnes per year.

We all know that the car industry has the challenge to develop cars that consume less fuel and emit lower amounts of carbon dioxide. SKF continues to launch ball bearings with sensors for new stop/start systems for cars. One example is the contract from Valeo for their new system called i-StARS, which reduces the carbon dioxide emissions by more than 25% in rush hour traffic.

To reach our strategic targets it is also important to reduce internal costs and unnecessary work in our operations.

Last year I mentioned Manufacturing Excellence which we have introduced to develop our manufacture and continuously be better at serving our customers. It was nice to see that some of you took the opportunity to visit us here in Gothenburg today, and I hope you got a good overview of how we work with continuous improvements in the factory.

I must say that I'm very impressed to see what we achieve with the help of our employees' strong commitment and drive.

We now widen the concept to include all fields of activity and processes in the company, and we call this SKF Business Excellence. It builds on many of the steps that we have taken previously during the years. We have started to introduce Business Excellence within product development and accounting, for example, and there are already many positive results. Business Excellence will become a very important area for SKF for many years ahead, and I'm sure there will be reasons to come back to this at annual general meetings in the future.

We have now arrived at the investments we make to be able to grow.

We increased our investments in research and development by 5% between 2009 and 2010, and this year they will be increased by a further 15%. Our ambition is not only to maintain but also to strengthen our technical leadership, and last year the number of first patent filings increased by 13% to 251 in total.

SKF has a global network of research centres. Our global technical centre in Shanghai, which I mentioned last year, has now opened and our centre in India is growing. These investments are important for us to be able to develop new products close to our customers in these fast growing markets.

It's also important to cooperate with the best universities in the world. In the first instance they will support the development within important technical areas but also make us more visible to students to secure competence in the future. Our technical centre for tribology at Imperial College London, which I mentioned last year, has now opened. We have also signed an agreement with the Tsinghua University in Beijing for cooperation within the development of seals materials.

And I can now inform you that we today signed a contract with the Chalmers University of Technology for the cooperation within the area of sustainability and environment. I'm very pleased that we will also have a University Technical Centre here in Gothenburg.

During 2010 we opened 9 new SKF Solutions Factories bringing the total to 17. In the SKF Solution Factories we gather all competences under one roof to solve difficult challenges and produce customized solutions. During the next few years the number will increase to over 30.

To increase our presence in the market and support growth in fast growing regions and industries, we also opened three new factories last year. Two in India and one in Russia. And a further three factories are underway – one in India, Mysore and two in China, in Dalian and in Jinan.

Asia is a very important region for SKF. During the last 8 years we have increased our sales there threefold, and Asia now accounts for 27% of Group sales. We have also increased the number of employees there – by over 1,000 last year – and there are now more than 10,000 employees in Asia.

As we develop our production, it's also important to have good suppliers. The Group's purchasing policy states that all suppliers should take responsibility as specified in the SKF code of conduct, and we have routines and methods to make sure that this happens. Strategic suppliers that are energy intensive are also included in our demands for carbon dioxide reporting, and we audit them regularly.

As I said at the beginning, Business Care is about how we do business and create value for our customers and our shareholders.

As far as the SKF share is concerned, it has developed considerably better than the stock exchange index which I take as a sign that we are doing the right things to create value for you, our shareholders.

Let's now carry on to Environmental Care, the next dimension of SKF Care.

We not only invest in new factories but also in improvements of the indoor and outdoor environment in existing ones. Here are some examples. It's about better management of compressed air, introduction of more energy-saving lighting, and waste heat recycling and much, much more.

In 2006 we set a target to reduce our carbon dioxide emissions by 5% per year in absolute terms. It's a tough target but thanks to many different investments around the world we have managed this. We must keep on working hard with this and reduce our energy use and at the same time buy green energy to achieve our targets in the future.

In 2010 we decided that all new SKF offices and factories should be built according to the highest environmental standard, the so called LEED standard, or equivalent. I'm very pleased that the factory in Tver has been awarded a LEED gold medal, the first ever in Russia, and our American head office has got a platinum medal.

What does it mean to become a LEED-certified factory? Our factory in Tver uses 40% less energy and 40% less water than a normal factory – a big saving both as far as money and the environment are concerned.

The next important part of SKF Care is Employee Care.

This is both about creating a safe working environment and an inspiring workplace where our employees have the opportunity to develop. As from 2006 our goal has been zero accidents, and in 2010 more than 100 of SKF's units reported zero accidents for at least one year. The accident rate went down to 1.18 but we carry on working to get closer to zero.

All SKF employees are entitled to an individual development plan and, with the Group's strategic targets as a basis, our employees are offered different training. This is done via courses, e-learning, project works and so one, and our five colleges in USA, Argentina, India, China and Gothenburg, play an important role in this work.

This brings us to the last part of SKF Care – Community Care:

All of our 130 countries are encouraged to take part in local voluntary work, training and support to those in difficulties. We have received reports of activities amounting to more than 20 million kronor during 2010.

Here in Gothenburg we support the Gothia Cup for instance, and this year there will be nearly 20 SKF teams from around the world who come here to play football and meet other youngsters. This is important to us because today's youth can be future SKF employees, customers, suppliers or shareholders. And it's a way for us to build our brand at the same time as we make a contribution.

Now you have seen how we work with all parts of SKF Care, and I hope you have noticed that it is our guiding light and an important part of everything we do.

Our work has created attention for many years through some fine awards. But we don't do this work for that reason but because it really is an integral part of how we develop our operations and how we do business. I'm quite convinced that it is a competitive advantage.

Let me make a summary of SKF's developments during 2010 and up to the present.

2010 was a very strong year. We made many investments for the future and set new financial targets. The first quarter of this year was a record one both with regard to sales, result and margin. The outlook for the second quarter for the Group as a whole looks good.

Our focus going forward is to

- develop the business in line with our long-term financial goals
- drive the initiatives we have started to be able to grow in a profitable way
- fully integrate our acquisition Lincoln
- to work with Business Excellence and carry on the competence development of our employees.

We have strong offers and are well positioned in the market, especially within areas such as the environment and energy efficiency.

And last – a big thank you to the SKF management for their great work and to each and every SKF employee for his or his commitment. A thank you also to the Board and to you, our shareholders, for your support.

THANK YOU!