

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

As you know, sustainability, or SKF Care as we call it, has been our guiding light for a long time. It is just as important for us to take responsibility for the environment, our employees and the communities where we are active, as having a sound economic development – all parts belong together.



What has happened since last year within the four perspectives of SKF Care?

We start with Business Care which is about how we do business and create value for our customers and shareholders.

As you will remember from last year, we had achieved our earlier long-term financial targets, we therefore raised the bar. Our present long-term targets are to have an operating margin level of 15%, annual sales growth of 8% and a return on capital employed of 27%. As you can see, we are now above our growth target and are getting closer to the others. These are targets that we shall reach in a sustainable manner, and we have a number of initiatives to make sure of this. More about this later on.

2011 was a challenging year with an unstable world economy, to say the least. The first half of the year was characterized by growth in almost all industries. But during the second half, the development slowed down due to a number of factors, among them the monetary crisis in Europe. To put it simply, we did two things within SKF. Firstly, we focused on the customers and made good use of the demands from our markets. Secondly, our programmes for profitable growth and business development paid off. This meant that we could deliver record figures for sales, operating profit and operating margin. Sales rose by over 8% and earnings per share was over SEK 13. The good result for 2011 and prospects for 2012 means that the Board is recommending the shareholders' meeting today to increase the dividend by 10% to SEK 5.50.

Let me now give you some examples of what we accomplished last year.

To take care of and develop the contacts with our customers is the key to growth. Here are three examples of some new important businesses. You will find many more in our annual report.

– Our undertaking to move product development close to our customers, to growing markets, is paying off. In the autumn we signed a contract with China National Heavy Duty Truck Group for delivery of products to their latest trucks. The contract is the result of our work to develop products that are specially adapted for the Chinese market. It's worth around 5.2 billion kronor and is SKF's largest order ever.

– In Sweden we signed an agreement with Sandvik Mining and Construction. We will for instance handle their inventories of SKF products which in turn will enable

Sandvik to reduce their costs and in addition serve their customers better. With the help of our five technical platforms we are also cooperating in order to develop Sandvik's mining products and construction equipment for increased productivity and safety.

– As you know, we do not just sell products but also services. The last example is from a paper mill in Lithuania where we have introduced an asset efficiency programme. It will help the mill to increase its production by 10% through more efficient condition monitoring of its machines.

I can also mention that during 2011 we strengthened our human resources working close to the market by 600 sales people and engineers to serve our customers even better.

Let's now take a look at what we are doing to continue being the customers' first choice.

Research and development are important to us. Innovations are the lifeblood of a company like SKF, and our ambition is not only to maintain but also to increase our technical leadership.

During the year we opened our Global Technical Centre in Bengaluru, India. Together with our centre in Shanghai, it is an important building stone to be able to develop new products close to our customers in the fast growing markets.

We have purposefully increased our investments in research and development during several years, and last year the increase was more than 20%. The number of patents rose by nearly 30% to 325. We continue along the same lines and are increasing the investments by a further 10% this year.

We also continue to cooperate with the best universities in the world. As I mentioned last year, their main purpose is to support our development work within a number of important technical areas but also to make SKF more visible to the students. We now have five technical centres at different universities, and the latest additions are actually in Sweden. One at Luleå Technical University with focus on condition monitoring and asset optimization, and one here in Gothenburg at Chalmers for research within sustainable development and environment. Here are pictures from the inaugurations a few weeks ago.

Our investments within research and development should naturally lead to new offerings. During 2011 we developed as many as 30 new products and solutions, and the picture shows a number of the latest ones. There are more to be found in our annual report and at skf.com.

These are different products aimed at the service market. They are used for testing equipment, collecting data, discovering breakdowns before they happen – all in order to increase productivity in our customers' plants. These are products that may not be so well known but are becoming increasingly important in our business.

Let me now show you something really exciting that is under way and which we

are testing together with our customers at the moment.

More than a hundred years experience of development and manufacture of bearings has given us a unique understanding of rotating parts in machines and how they affect the industrial processes. We often say that the bearings constitute the heart of the machine. The heartbeat of a bearing is a sign of how the machine is doing and how it performs. Our knowledge of bearings, plus our experience from working with all major industries for many years, makes it possible for us to interpret these heartbeats. For this purpose we already have a number of world leading products within this area, both portable and online. The key to a successful concept for the monitoring of machines is to know what to listen to, how to interpret the signals and how to use the knowledge to improve the processes.

But what if we could make the bearings not just the heart of the machine but also the brain?

That's exactly what we have done. We have taken the intelligence in our products and shrunk all electronics and all sensors to make room for them inside the bearing instead. The bearing is now both the heart and the brain of the machinery. But not only is the bearing now intelligent, the power needed for the electronics is generated by the rotating bearing.

This is not an innovation on the drawing board but we are right now conducting tests at customers' plants in different industries. As a first step we are aiming at making the new technology become standard in the SKF Nautilus bearings used in wind turbines. We are also testing it in passenger and freight trains as well as steel works. The steel industry has high demands on the equipment being used. You can easily imagine what it takes to cope with the high temperatures in a steel mill.

Let me quote a development manager of the steel company ArcelorMittal. He says: "There are many advantages with the innovation. Now we can – despite the demanding working environment – measure loads, temperature and other factors that arise when materials are subjected to different types of stress." Thanks to the good results, ArcelorMittal are discussing a co-operation with us to introduce the technology in all of their steel works. There are lots of other exciting news about this innovation and I look forward to telling you about that in the near future.

I'll now mention something about acquisitions.

We are constantly keeping track of what's available on the market and have a list of companies that we are interested in. At the beginning of this year we bought a bearings company called General Bearing Corporation. They manufacture bearings for trucks, cars and trailers, etc. The head office and the customers are located in the US but the four factories are located in China. The products will be marketed under the brands The General and Hyatt, and we will keep them as separate brands in the same way as we do with the PEER brand. We expect the acquisition to be finalized during the second quarter of this year.

Regarding Lincoln, which we acquired in 2010, I can say that the integration is going well. The sale of lubrication systems is growing well above other

businesses in the Group and profitability is developing well. The Lincoln and SKF teams are working together within many areas, such as research and development. The slide shows some of the new products.

As usual we have also put some new factories on the map. In September we opened a yet another bearings factory in Dalian, China. It manufactures medium size bearings for the Asian market.

We are also building three more factories. One seals factory in Mysore, India; one bearings factory in Jinan, China and one factory for the manufacture of lubrication systems in Bengaluru, India. All three are important investments to meet customer demands in these markets.

You have now heard of some of our investments in growth. But to reach our targets we must also work internally to decrease costs and unnecessary work in our operations.

As I mentioned last year we are working with Business Excellence – and this work continues. It is our model for business development in the entire company, factories as well as offices. The work is going according to plan, and we have trained nearly 200 managers in leadership for Business Excellence as well as a hundred so called Champions who are experts in the methodologies used. I'm convinced that both customers and employees will clearly see the benefit of this during the coming years.

I have now talked for a while about Business Care and how we develop the company. I would like to add that a very important target is to give our shareholders good earnings.

If we look at the total earnings of the SKF share, it has been significantly better also during 2011 than the stock exchange index. I take this as a sign that we are doing the right things to create value for you, our shareholders.

Let's move now to the next dimension of SKF Care – Environmental Care.

This is not just about environmental issues in our production but about the entire supply chain, from supplier to customer and right until the end of use of the product, i.e. with a focus on the entire life cycle.

Let's take some examples from our own operations.

Our work to decrease carbon dioxide emissions has been going on for many years. In 2006 we set a target to decrease our carbon dioxide emissions by 5% every year in absolute terms. It was a tough target but thanks to many different activities around the world we managed that. It's partly about building new factories conforming to the highest environmental standards but also about improvements in existing facilities.

The slide shows some examples. To mention one, our factory in Airasca, Italy, has introduced an energy conservation programme including better control of the compressed air, low energy lighting, more efficient motors in pumps and lots of other things. The result was a decrease of carbon dioxide emissions by 308 tonnes.

This is an ongoing work which will really never end and we can always become better. But the biggest potential is not in our own operations but to develop solutions that will help our customers to decrease their environmental impact.

Here are three examples of such products.

- At the top is the SKF Bus Door Actuator. If a bus uses these instead of pneumatics to open and shut doors, as much as 1,900 kg of carbon dioxide per year can be saved. We have tested this on Volvo buses.
- In the middle is the SKF ConRo roll line unit for the steel industry. These are modular units containing bearings, seals, housing, grease and roll bodies. Thanks to this solution carbon dioxide emissions can be reduced by 600 tonnes per year in an average size caster.
- At the bottom is the SKF StopGo solution for motorbikes, i.e. the one that stops the engine at red lights. It has been developed by our engineers in India and decreases the carbon dioxide emissions by 5 gram per kilometre.

There are many more examples of products with better environmental performance than conventional products. Our strong focus on this continues in the future. You will be hearing more about it within short.

So to our employees.

Employee Care is both about creating a safe working environment and possibilities for employees to develop. Zero accidents has been a target within SKF from the year 2000, and 120 of our units reported zero accidents for at least one year during 2011.

Regarding training, we have a wide selection of courses both for training in skills and leadership development as well as personal development. I told you last year about the five SKF Colleges around the world which makes it possible to train employees efficiently.

To attract and recruit young talents is very important for the future. Therefore, each country is working on creating relations with selected schools and universities already while the students are studying.

There are also a number of trainee programmes within SKF, both national and international. The programmes will give the students an insight in the different opportunities that SKF can offer, both domestically and globally. In China we have a national trainee programme to make sure that we recruit and develop engineers in China. There is also an international programme with the purpose of filling the need of leaders and managers in the future. Both programmes were started during 2006, and in principle we have retained all students within SKF. Generally we can conclude that trainee programmes are a good way to attract students but also an efficient way of retaining them in the company during a critical first period.

And now we arrive at the last part of SKF Care – Community Care.

All of our 130 countries are working locally, doing voluntary work, training and various community work. The work is developing and is driven by our units, and I'm not going to mention more about that today.

However, I would like to give you an update of our work with Meet the World and Gothia Cup. In 2011 we had nineteen Meet the World tournaments around the world and the winning teams were invited to Gothenburg to take part in Gothia Cup. Let's look at the film.

This year there will be 25 Meet the World tournaments. As from this year we also support the Kim Källström Trophy in co-operation with Special Olympics, that is competitions for disabled children. These means that we now have teams in all categories, boys, girls and Special Olympics. Meet the World and Gothia Cup are important for us as the youngsters of today may be employees, suppliers, customers or shareholders to SKF in the future. It is a way for us to build our brand at the same time as we achieve something good.

You have now seen how we work with all parts of SKF Care and I hope it's evident that it has been our guiding light and part of everything we did in 2011.

Let me also briefly show a picture of the result for the first quarter this year. It was a very good result both with regard to sales and cash flow, and the report was very positively received in the market. We look positively at the future and the prospects for our sales during the second quarter are looking good. Our offers are strong, and we are well positioned in the market, especially within areas such as environment and energy efficiency.

I hope you now have a good overview of the company. If you want to know more I can recommend you to download some of the SKF apps. As you know, our vision is to equip the world with SKF knowledge and as the world is becoming more mobile, we are using the latest technology to make our knowledge available to customers, partners, and students. That's why we have developed a number of SKF apps that are available from App Store and Google Play. By downloading the apps on their smart phones, the users can make calculations and learn more about SKF and our products and solutions.

SKF Care

Information about the company, where we are located, our employees and our business can be found in the SKF Care app.

SKF Calculator

There are also apps that make it easier for our own and our customers' engineers to make different calculations, to determine the life of bearings and lubricants. Earlier this had to be done using different tables and formulae. We have now collected this digitally which saves a lot of time.

We have some ten apps now and we will continue to offer our customers and partners mobile tools as it makes a big difference in understanding, using and equipping the world with SKF knowledge.

And last – a big thank you to the SKF management for their excellent work and to each and every SKF employee for his or her commitment.

Thank you also to the Board and to you, our shareholders, for your support.

THANK YOU!