

The American Industrial Renaissance

Tom Johnstone, President and CEO, SKF Group



At SKF, we believe in the long-term development of the U.S. industrial economy.

The reindustrialization is supported by a strong university-based research network, a competitive workforce and energy supply from domestic energy resources. However, there are still challenges, particularly regarding the availability of skilled labor. Business, education and governments have a responsibility to work together to ensure this is not the bottleneck in U.S. industrial development. I am particularly pleased with and support the work the National Association of Manufacturers is doing in this area.

I also welcome the recent joint U.S.-China announcement on climate change, which states “technological innovation is essential... for new zero- and low-carbon technologies.” I think this will be a driver for upgrading or replacing older, less efficient plants and equipment, whether it’s for the latest generation of electric vehicles, jet engines or multi-megawatt wind turbines. There is a growing demand for highly efficient, highly reliable solutions, and SKF can play an important role in this development.

Over the last few years SKF has stepped up its investment in innovation and in our North American presence. We have been active in the United States since 1912, but during the last five years we have invested over \$2.5 billion in North America in acquisitions, new facilities and upgrades. The single largest SKF Group investment to date has been the acquisition of U.S.-based Kaydon Corporation in 2013. This helped complete our bearing and sealing solution product portfolios, strengthening our offerings in industries from renewables, marine and medical, to oil and gas.

Kaydon also quickly expanded our manufacturing footprint in the U.S.,

adding 13 manufacturing facilities to our existing 33 U.S. plant locations.

Innovation is the lifeblood for a company like SKF, and we are continuing to step up our investments in this area. We have just broken ground on a new \$30 million Global Technical Center - Americas, located near Chicago. It will focus on working closely with our customers to develop even more energy-efficient solutions, which will become part of our BeyondZero portfolio. This portfolio brings together many products and applications that deliver real energy savings for our customers. One good example in the United States is how we have worked closely with Spencer Pump on an aeration blower pump using our magnetic bearing system and permanent magnet motors to help significantly reduce energy used in waste water treatment.

The new U.S. technical center, scheduled to be open by the end of next



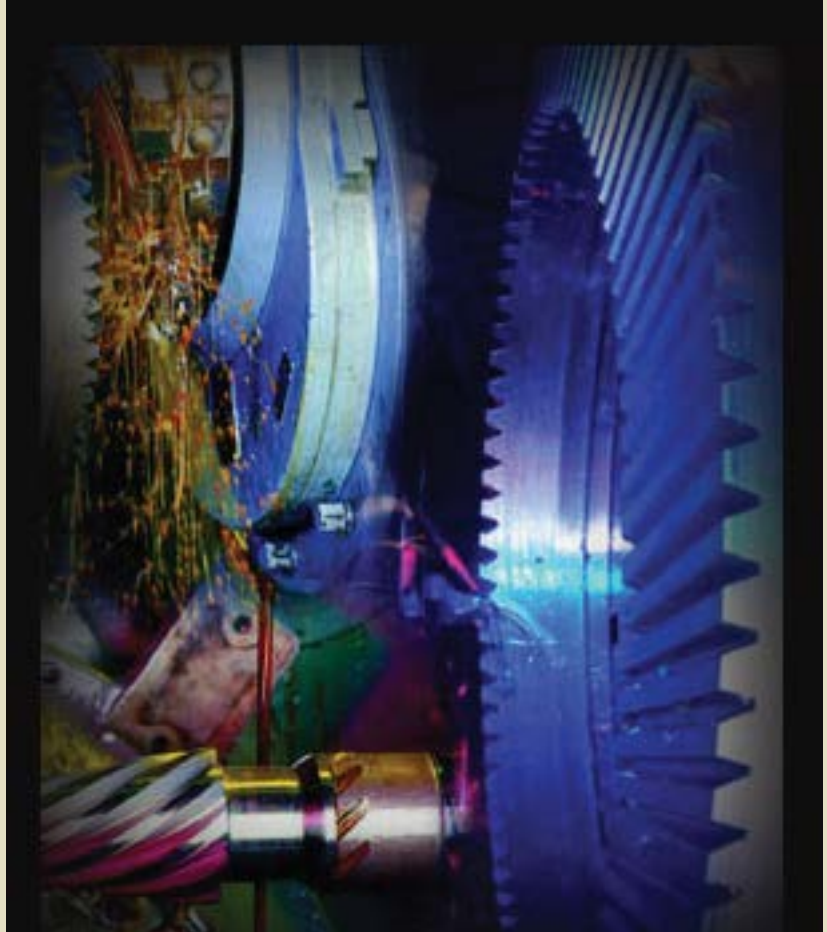
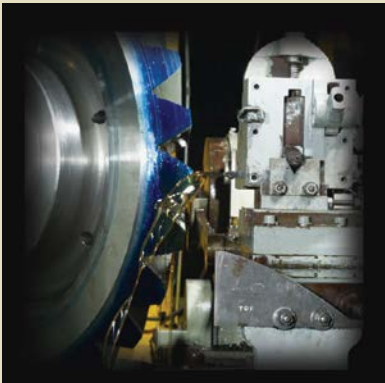
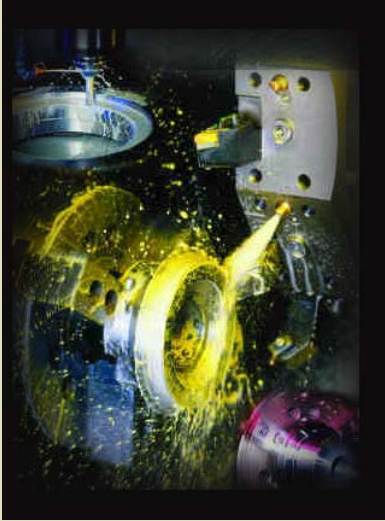
(From left): Poul Jeppesen, President and CEO of SKF USA Inc., A. George Pradel, Mayor of Naperville, IL, and Tom Johnstone, President and CEO of the SKF Group, break ground on the company’s new Global Technical Center - America. The groundbreaking took place in November, and the facility should be open by the end of 2015.



Artist's rendering of the new SKF technical center being built near Chicago.

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year, completes a global network of centers including new facilities in India, China, the Netherlands and Sweden. It is part of our strategy to more rapidly bring our technology even closer to where it's most needed—to our customers. As part of this effort, the center will include something we call an SKF Solution Factory. It is part engineering center, part manufacturing center, and it helps apply and

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deliver technology solutions to meet the needs of its local customers. We opened our sixth in North America in Birmingham, AL in October and it was our 29th in the world.

In summary, I think we are in the early stages of an industrial renaissance in the United States. We believe that the United States will play an important role in the development of a new low-carbon economy and in the industrial “smart” revolution, or the internet of things that now includes industrial devices. We are embedding sensors in our components and linking them into intelligent systems that can reach new levels of energy efficiency, reliability and cost effectiveness. Today SKF is already a leader in stand-alone condition monitoring systems, and for tomorrow we see these self-powered, micro-sized sensors as key additions to bearings and related components in critical applications.

With our global technologies, combined with the local investments we have been making, I am confident SKF will play a key role in the development of sustainable solutions to secure profitable and responsible growth in this dynamic market. **PTE**