

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aktiebolaget SKF will be held at SKF Kristinedal, Byfogdegatan 4, Göteborg, Sweden, at 14.30 on Thursday, 28 April 2011. The doors are open from 13.30.

## Annual General Meeting

For the right to participate at the meeting, shareholders must be recorded in the shareholders' register kept by Euroclear Sweden AB by Wednesday, 20 April 2011 and must notify the company at the latest on Wednesday, 20 April 2011 by letter to AB SKF, c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden, or via the company's website [www.skf.com](http://www.skf.com), or by phone +46 31 337 25 50 (between 09.00 and 16.00). When notifying the company, preferably in writing, this should include details of name, address, telephone number, registered shareholding and advisors, if any. Where representation is being made by proxy, the original of the proxy form shall be sent to the company before the annual general 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 Wednesday, 20 April 2011 at the latest. This means that the shareholder should give notice of his/her wish to be included in the shareholders' register to the trustee well in advance before that date.

## Agenda

1. Opening of the Annual General Meeting.
2. Election of a Chairman for the meeting.
3. Drawing up and approval of the voting list.
4. Approval of agenda.
5. Election of persons to verify the minutes.
6. Consideration of whether the meeting has been duly convened.
7. Presentation of annual report and audit report as well as consolidated accounts and audit report for the Group.
8. Address by the President.
9. Matter of adoption of the income statement and balance sheet and consolidated income statement and consolidated balance sheet.
10. Resolution regarding distribution of profits.
11. Matter of discharge of the Board members and the President from liability.
12. Determination of number of Board members and deputy members.
13. Determination of fee for the Board of Directors.
14. Election of Board members and deputy Board members including Chairman of the Board of Directors.

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15. Determination of fee for the auditors.
16. The Board of Directors' proposal concerning amendment of the Articles of Association.
17. The Board of Directors' proposal for a resolution on principles of remuneration for Group Management.
18. The Board of Directors' proposal for a resolution on SKF's Performance Share Programme 2011.
19. The Board of Directors' proposal for an authorization to the Board of Directors to decide upon the repurchase of the company's own shares for the period until the next Annual General Meeting.
20. Resolution regarding Nomination Committee.

### **Proposal under item 10**

The Board of Directors proposes a dividend for the financial year 2010 of SEK 5 per share. It is proposed that shareholders with holdings recorded on Tuesday, 3 May 2011 be entitled to receive the proposed dividend. Subject to resolution by the Annual General Meeting in accordance with this proposal, it is expected that Euroclear will distribute the dividend on Friday 6 May 2011.

### **Proposals under items 2, 12, 13, 14 and 15**

The Nomination Committee formed according to a resolution of the Annual General Meeting 2010 consists of, besides the Chairman of the Board of Directors, representatives of Foundation Asset Management, Skandia Liv, Alecta and Swedbank Robur funds, shareholders who together represent more than 40% of the votes of the total number of company shares. The Nomination Committee has informed the company that it proposes:

- that Leif Östling is elected Chairman of the Annual General Meeting;
- that the Board of Directors shall consist of ten members and no deputy members;
- that the Board of Directors for the period up to the end of the next Annual General Meeting, receive a fee according to the following:
  - a) a firm allotment of SEK 4,500,000 to be distributed with SEK 1,200,000 to the Chairman of the Board of Directors and with SEK 412,500 to each of the other Board members elected by the Annual General Meeting and not employed by the company;
  - b) a variable allotment corresponding to the value, calculated as below, of the number of shares in the company of series B the value of which after the Annual General Meeting shall amount to SEK 400,000 to be received by the Chairman and the number of shares in the company of series B the value of which after the Annual General Meeting shall amount to SEK 137,500 to be received by each of the other Board members; and

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- c) an allotment for committee work of SEK 685,000 to be distributed with SEK 175,000 to the chairman of the Audit Committee, with SEK 125,000 to each of the other members of the Audit Committee, with SEK 100,000 to the chairman of the Remuneration Committee and with SEK 80,000 to each of the other members of the Remuneration Committee.

A prerequisite for obtaining an allotment is that the Board member is elected by the Annual General Meeting and not employed by the company.

When deciding upon the variable allotment, (i) the number of shares shall be determined by dividing the amount in b) above with the average latest payment rate of a share of series B according to the quotations on the NASDAQ OMX Stockholm AB during the five trading days immediately following the day on which the share is traded without any right to receive dividend for 2011 and (ii) the value of a share of series B shall be determined at the average latest payment rate according to the quotations on the NASDAQ OMX Stockholm AB during the five trading days after publication of the company's press release for the financial year 2011;

- re-election of the Board members Leif Östling, Ulla Litzén, Tom Johnstone, Winnie Fok, Lena Treschow Torell, Peter Grafoner, Lars Wedenborn, Joe Loughrey and Jouko Karvinen. Hans-Olov Olsson has declined re-election and Babasaheb N. Kalyani is proposed to be newly elected. Leif Östling is proposed to be the Chairman of the Board of Directors.

Babasaheb N. Kalyani is the Managing Director of Bharat Forge Ltd since 1993 and has held several senior positions in Bharat Forge Ltd since 1972. He is also Chairman of the Kalyani Group, Bharat Forge Ltd and of a number of other companies in the Kalyani Group, and board member of a number of companies in the Kalyani Group and of Hikal Limited. Babasaheb N. Kalyani has a Master of Science from the Massachusetts Institute of Technology, USA, and a Bachelor in Mechanical Engineering from Birla Institute of Technology, India; and

- that the auditor is paid for work performed according to approved invoice.

#### **Proposal under item 16**

For the purpose of aligning the Articles of Association with the amendments to the Swedish Companies Act that entered into force on 1 January 2011, the Board of Directors proposes that the Annual General Meeting decides that article 11 of the Articles of Association be amended as follows:

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## Existing wording

### § 11

Notice to attend a General Meeting shall be issued through announcement in Post- och Inrikes Tidningar and in Dagens Nyheter.

Notice to attend an Annual General Meeting and notice to attend an Extra General Meeting where an issue relating to a change of the Articles of Association will be dealt with shall be issued no earlier than six weeks and no later than four weeks prior to the General Meeting. Notice to attend another kind of Extra General Meeting shall be issued no earlier than six weeks and no later than two weeks prior to the General Meeting.

## Proposed wording

### § 11

Notice to attend a General Meeting shall be issued through announcement in Post- och Inrikes Tidningar and on the Company's website. The fact that notice has been issued shall be announced in Dagens Nyheter.

Notice to attend an Annual General Meeting and notice to attend an Extra General Meeting where an issue relating to a change of the Articles of Association will be dealt with shall be issued no earlier than six weeks and no later than four weeks prior to the General Meeting. Notice to attend another kind of Extra General Meeting shall be issued no earlier than six weeks and no later than three weeks prior to the General Meeting.

## **Proposal under item 17**

The Board of Directors has decided to submit the following principles of remuneration for SKF Group Management to the Annual General Meeting.

Group Management is defined as the President and the other members of the management team.

The Board of Directors' proposal is that the remuneration of Group Management members shall be based on market competitive conditions and at the same time support the shareholders' best interests. The total remuneration package for a Group Management member shall primarily consist of fixed salary, variable salary, performance shares, pension benefits, conditions for notice of termination and severance pay, and other benefits such as a company car. The objective of the principles of remuneration is to ensure that the SKF Group can attract and retain the best people in order to support the SKF Group's mission and business strategy.

The fixed salary shall be at a market competitive level. Competence, responsibility and performance shall be taken into account when the fixed salary is established.

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The variable salary runs according to a performance-based program and the maximum variable salary is capped at a certain percentage of the fixed annual salary varying between 40 and 70%.

The Board of Directors proposes that a decision be taken at the Annual General Meeting on SKF's Performance Share Programme 2011. The programme is proposed to cover not more than 310 senior managers and key employees in the SKF Group with an opportunity to be allotted, free of charge, SKF B shares. (See further item 18 below.)

SKF strives to establish pension plans based on defined contribution models.

A Group Management member may terminate his/her employment by giving six months' notice. In the event of termination of employment at the request of the company, employment shall cease immediately. A severance payment related to the number of years' service shall, however, in this case be paid out, provided that it shall always be maximized to two years' fixed salary.

The Board of Directors also proposes that the Annual General Meeting resolves to authorize the Board of Directors to, in certain cases, deviate from the principles of remuneration decided by the Annual General Meeting.

## **Proposal under item 18**

### Background

At the Annual General Meeting in 2008 the SKF Group introduced a long-term performance share programme for senior managers and key employees (SKF's Performance Share Programme 2008). The Annual General Meetings 2009 and 2010 resolved on SKF's Performance Share Programmes 2009 and 2010, respectively, with in essence the same terms and conditions as SKF's Performance Share Programme 2008.

### SKF's Performance Share Programme 2011

The Board proposes, in order to continue to link the interests of the participants and the shareholders long-term, that a decision be taken at the Annual General Meeting on SKF's Performance Share Programme 2011. The terms and conditions of the proposed SKF's Performance Share Programme 2011 are in essence the same as the terms and conditions of SKF's Performance Share Programmes 2008, 2009 and 2010.

The programme is proposed to cover not more than 310 senior managers and key employees in the SKF Group with an opportunity to be allotted, free of charge, SKF B shares in accordance with the following principal terms and guidelines.

Under the programme, not more than in total 1,000,000 SKF B shares may be allotted. The number of shares that may be allotted must be related to the degree of achievement of the Total Value Added (TVA) target level, as defined by the Board of Directors, for the financial year 2011, and the TVA development for the financial year 2013 compared to the financial

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year 2011. TVA is a simplified, economic value-added model promoting greater operating profit, capital efficiency and profitable growth. TVA is the operating profit, less the pre-tax cost of capital in the country in which the business is conducted.

Based on the TVA for the financial year 2011, the participants of the programme may be preliminarily allotted a number of shares per person, however, not exceeding the following number of shares per person within the various key groups:

CEO and President – 10,000 shares

Division Presidents and Executive Vice President – 5,000 shares

Other members of Group Management – 3,500 shares

Managers of large business units and other senior managers – 1,250 - 1,800 shares

Following the expiry of the financial year 2013 a comparison is made between TVA for the financial year 2011 and TVA for the financial year 2013. The development in TVA between the two financial years is set out in percentage. Final allotment of shares is established by the preliminary number of allotted shares being multiplied with the percentage development in TVA. If the development is positive the participants will thus receive an increased number of shares in final allotment compared to the number preliminary allotted, whereas if the development is negative the participants will receive a decreased number of shares in final allotment compared to the number preliminary allotted. Final allotment may, however, never exceed 200% of the preliminarily allotted number of shares per person. The participants in the programme may thus in final allotment receive not more than the following number of shares per person within the various key groups:

CEO and President – 20,000 shares

Division Presidents and Executive Vice President – 10,000 shares

Other members of Group Management – 7,000 shares

Managers of large business units and other senior managers – 2,500 - 3,600 shares

The participants shall not provide any consideration for their rights under the programme.

Participants shall receive compensation in cash equal to the dividend paid out during the three year calculation period.

Allotment of shares normally requires that the persons covered by the programme are employed in the SKF Group during the entire calculation period. If all the conditions included in SKF's Performance Share Programme 2011 are met, allotment of shares shall be made free of charge following the expiry of the three year calculation period, i.e. during 2014.

The Board of Directors is furthermore entitled to introduce an alternative incentive solution for employees in countries where participation in SKF's Performance Share Programme

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2011 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2011.

The company has 455,351,068 shares as per 31 January, 2011. In order to comply with the obligations of SKF's Performance Share Programme 2011, a maximum number of 1,000,000 B shares are required corresponding to approximately 0.2% of the total number of outstanding shares.

Assuming maximum allocation under the Performance Share Programme 2011 and a share price of SEK 180, the cost, including social security cost, is estimated at approximately SEK 216 million. On the basis of a share price of SEK 230, the cost, including social security cost, is estimated at approximately SEK 276 million. In addition the administrative costs are estimated at approximately SEK 2 million.

The Board of Directors does not propose for the time being to take any action to hedge the SKF Group's obligations under the programme. Delivery of shares under the programme shall not take place until 2014.

#### Majority requirements

A valid resolution in respect of the Board of Directors' proposal at the Annual General Meeting requires that the resolution be supported by shareholders with more than half of the votes cast or, in the event of a tied vote, through the Chairman exercising his casting vote.

#### **Proposal under item 19**

The Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors to decide upon the repurchase of the company's own shares for the period until the next Annual General Meeting. The authorization is proposed to embrace shares of series A as well as series B.

The shares may be repurchased by operations on the NASDAQ OMX Stockholm AB. The total amount of shares that can be repurchased, at the most, is so many shares that the company thereafter holds a maximum of 5% of all shares issued by the company.

A repurchase on the NASDAQ OMX Stockholm AB may only be made within the band of prices applying on the exchange. This band of prices pertains to the range between the highest purchase price and the lowest selling price. A repurchase shall be made in accordance with the provisions concerning the repurchase of a company's own shares set out in the rules issued by NASDAQ OMX Stockholm AB.

The shares shall be paid in cash and repurchase of shares may be made on one or more occasions.

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The purpose of the proposal is to be able to adapt the capital structure of the company to the capital needs of the company and in order thereby to contribute to an increased shareholder value.

To the extent shares are repurchased based on a possible Annual General Meeting authorization, the Board of Directors intends to propose to cancel such own shares through reduction of the share capital.

## **Proposal under item 20**

The Nomination Committee has informed the company that it will propose to the Annual General Meeting to resolve:

1. that the company shall have a Nomination Committee formed by one representative of each one of the four major shareholders with regard to the number of votes held as well as the Chairman of the Board of Directors. When constituting the Nomination Committee, the shareholdings on the last banking day in August 2011 will determine which shareholders are the largest with regard to the number of votes held. The names of the four shareholder representatives will be published as soon as they have been elected, however not later than six months before the Annual General Meeting in 2012. The Nomination Committee shall remain in office until a new Nomination Committee has been appointed;
2. in the event that the shareholder the member represents would no longer be one of the four major shareholders with regard to the number of votes held, such member, if the Nomination Committee so deems appropriate, may resign and a representative of the shareholder next in turn size-wise with regard to the number of votes held be offered the opportunity of being elected in his/her place;

and in the event that a shareholder representative no longer represents the shareholder, the shareholder is asked to elect a new representative to become a member of the Nomination Committee;

3. that the Nomination Committee is to furnish proposals on the following matters to be presented to, and resolved by, the Annual General Meeting in 2012:
  - a) proposal for Chairman of the Annual General Meeting
  - b) proposal for Board of Directors
  - c) proposal for Chairman of the Board of Directors
  - d) proposal for fee to the Board of Directors
  - e) proposal for fee to the auditor
  - f) proposal for a Nomination Committee ahead of the Annual General Meeting of 2013; and

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4. that the Nomination Committee, when performing its duties, will fulfill the tasks that rest upon the Nomination Committee under the Swedish Code of Corporate Governance, among other things to supply the company with certain information in order to enable the company to fulfill its information obligation under the code.

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#### **Number of shares and votes, and documentation**

When this notice is issued, the total number of shares in the company are 455,351,068, represented by 44,740,604 series A shares and 410,610,464 series B shares, with a total number of votes of 85,801,650. The company holds no own shares.

The Board of Directors' complete proposal according to item 16, 17, 18 and 19 of the agenda and the Board of Directors' statement pursuant to Chapter 19, Section 22 of the Swedish Companies Act are available at the company and at the company's homepage, [www.skf.com](http://www.skf.com), and will be sent to shareholders who request this and state their address.

#### **Information at the Annual General Meeting etc.**

The Board of Directors and the President shall, upon request by any shareholder and where the Board of Directors believes that it may take place without significant harm to the company, provide information in respect of any circumstances which may affect the assessment of a matter on the agenda, any circumstances which may affect the assessment of the company's or a subsidiary's financial position and the company's relationship to other group companies. Anyone who wishes to dispatch questions in advance may do so to AB SKF, Att. General Counsel, SE-415 50 Göteborg, Sweden, or by e-mail: [chairman@skf.com](mailto:chairman@skf.com).

SKF's web-based financial report including the sustainability report in English was made public on 11 March 2011.

Proxy forms will be available at the company's homepage, [www.skf.com](http://www.skf.com), and may also be requested by letter to AB SKF, c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden or by phone +46 31 337 25 50.

Gothenburg in March 2011  
Aktiebolaget SKF  
(publ)

The Board of Directors

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## **Visit SKF's factory in connection with the Annual General Meeting**

Shareholders are welcome to visit SKF's factory in Gamlestaden, Gothenburg, in connection with the AGM. The tour starts at 12.30 and will last for around 45 minutes. Please inform the company that you wish to take part in this tour at the same time as you notify that you will be attending the AGM. Please note that the number of participants is limited.

AB SKF may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 08.00 am CET on 22 March 2011.

For further information, please contact:

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*SKF is a leading global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. Annual sales in 2010 were SEK 61,029 million and the number of employees was 44,742. [www.skf.com](http://www.skf.com)*

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