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## Notice of Annual General Meeting

Gothenburg, 18 February 2019: Notice is hereby given that the Annual General Meeting of Aktiebolaget SKF, reg. no. 556007-3495, will be held at SKF Kristinedal, Byfogdegatan 4, Gothenburg, Sweden, at 13.00 on Thursday, 28 March 2019. The doors are open from 11.00. Refreshments will be served prior to the Annual General Meeting between 11.00 and 12.30.

### **Annual General Meeting**

For the right to participate at the Annual General Meeting, shareholders must be recorded in the shareholders' register kept by Euroclear Sweden AB by Friday, 22 March 2019 and must notify the company at the latest on the same day by letter to Computershare AB, "AGM 2019 of AB SKF", 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 (weekdays 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 number of advisors, if any. Where representation is being made by proxy, the original of the proxy form shall be sent to the company to the above address 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 Annual General Meeting. Any such re-registration for the purpose of establishing voting rights shall take place so that the shareholder is recorded in the shareholders' register by Friday, 22 March 2019. 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 Annual General 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 Annual General 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 for the Group
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 members
14. Election of Board members and deputy Board members
  - 14.1 *Hans Stråberg*
  - 14.2 *Lars Wedenborn*
  - 14.3 *Hock Goh*
  - 14.4 *Alrik Danielson*
  - 14.5 *Nancy Gougarty*
  - 14.6 *Ronnie Leten*
  - 14.7 *Barb Samardzich*
  - 14.8 *Colleen Replier*
  - 14.9 *Geert Follens*
15. Election of Chairman of the Board of Directors
16. The Board of Directors' proposal for a resolution on principles of remuneration for Group Management
17. The Board of Directors' proposal for a resolution on SKF's Performance Share Programme 2019
18. Resolution regarding Nomination Committee

## **Proposal under item 10**

The Board of Directors proposes a dividend of SEK 6.00 per share. It is proposed that shareholders with holdings recorded on Monday, 1 April 2019 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 Thursday, 4 April 2019.

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

The Nomination Committee formed according to a resolution of the Annual General Meeting 2018 to represent all shareholders of the company consists of, besides the Chairman of the Board of Directors, representatives of FAM, Alecta, Skandia and AFA Försäkring, shareholders who together represent close to 40% of the votes of the total number of company shares. The Nomination Committee has informed the company about the following proposal:

- that Sven Unger is elected Chairman of the Annual General Meeting;
- that the Board of Directors shall consist of nine members and no deputy members;
- that the Board members elected by the Annual General Meeting and not employed by the company, 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 7,257,000 to be distributed with SEK 2,133,000 to the Chairman of the Board of Directors and SEK 732,000 to each of the other Board members; and
  - b) an allotment for committee work to be distributed with SEK 248,000 to the Chairman of the Audit Committee, with SEK 176,000 to each of the other members of the Audit Committee, with SEK 145,000 to the Chairman of the Remuneration Committee and with SEK 114,000 to each of the other members of the Remuneration Committee; and

- re-election of the Board members Hans Stråberg, Lars Wedenborn, Hock Goh, Alrik Danielson, Nancy Gougarty, Ronnie Leten, Barb Samardzich and Colleen Repplier. It is proposed that Geert Follens is to be newly elected. Hans Stråberg is proposed to be the Chairman of the Board of Directors.

Geert Follens has a Master of Science in Electromechanical Engineering and a post-graduate degree in Business Economics from the University of Leuven, Belgium. He is Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB. He has held several leading positions within the Atlas Copco Group in Sweden, Belgium and the UK since 1995, including General Manager of Atlas Copco Compressor Technique customer center, President of the Portable Energy division and President of the Industrial Air division.

A presentation of the proposed Board can be found at the company's website [www.skf.com](http://www.skf.com). Peter Grafoner have declined re-election.

## **Proposal under item 16**

The Board of Directors has decided to submit the following principles of remuneration for SKF's 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, experience and performance shall be taken into account when the fixed salary is established.

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 50 and 70%.

The Board of Directors proposes that a decision be taken at the Annual General Meeting on SKF's Performance Share Programme 2019. The programme is proposed to cover not more than 225 senior managers and key employees in the SKF Group with an opportunity to be allotted, free of charge, SKF B shares. (See further item 17 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 according to the agreement 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 17**

### 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). Since 2008 the Annual General Meeting has resolved each year upon a performance share programme. The terms and conditions of SKF's Performance Share Programme 2019 are the same as for SKF's Performance Share Programme 2018 that was resolved at the Annual General Meeting 2018.

### SKF's Performance Share Programme 2019

The Board proposes, in order to continue to link the long-term interests of the participants and the shareholders, that a decision be taken at the Annual General Meeting 2019 on SKF's Performance Share Programme 2019.

The programme is proposed to cover not more than 225 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 to not more than 225 senior managers and key employees in the Group. 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, for the TVA development for the financial years 2019–2021 compared to the financial year 2018. 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. After the expiry of the financial year 2021 a comparison is made between the average TVA for the financial years 2019–2021 and TVA for the financial year 2018. The TVA change is expressed as a percentage.

The allocation of shares is based on the level of TVA increase. In order for allocation of shares to take place the TVA increase must exceed a certain minimum level (the threshold level). In addition to the threshold level a target level is set. Maximum allotment is awarded if the target level is reached or exceeded.

Provided that the TVA increase reaches the target level, the participants of the programme may be allotted the following maximum number of shares per person within the various key groups:

CEO and President – 30,000 shares  
Other members of Group Management – 13,000 shares  
Managers of large business units and similar – 4,500 shares  
Other senior managers – 3,000 shares  
Other key persons – 1,250 shares

If the TVA increase exceeds the threshold level for allotment of shares but the final allotment is below 5% of the target level, payment will be made in cash instead of shares, whereupon the amount of the cash payment shall correspond to the value of the shares calculated on the basis of the closing price for SKF's B share the day before settlement.

Allotment of shares 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 2019 are met, allotment of shares shall be made free of charge following the expiry of the three year calculation period, *i.e.* during 2022.

Before the number of shares to be allotted is finally determined, the Board shall examine whether the allotment is reasonable considering SKF's financial results and position, the conditions on the stock market as well as other circumstances, and if not, as determined by the Board, reduce the number of shares to be awarded to the lower number of shares deemed appropriate by the Board.

The Board is furthermore entitled to introduce an alternative incentive solution for employees in countries where participation in SKF's Performance Share Programme 2019 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2019.

The company has 455,351,068 shares in issue as per 31 January 2019. In order to comply with the obligations of SKF's Performance Share Programme 2019, 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 2019 and a share price of SEK 153, the cost, including social security cost, is estimated at approximately MSEK 184. On the basis of a share price of SEK 180, the cost, including social security cost, is estimated at approximately MSEK 216. In addition the administrative costs are estimated at approximately MSEK 2.

The Board does not propose for the time being to take any action to hedge SKF's obligations under the programme. Delivery of shares under the programme shall not take place until 2022.

#### 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 18**

The Nomination Committee has informed the company that it proposes 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 2019 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 2020. 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, if the Nomination Committee so deems appropriate, may offer the fifth largest shareholder to elect a member of the Nomination Committee and thereby increase the Nomination Committee by one additional shareholder representative;
4. that the Nomination Committee is to furnish proposals on the following matters to be presented to, and resolved by, the Annual General Meeting in 2020:
  - 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 a Nomination Committee ahead of the Annual General Meeting of 2021;and
5. that the Nomination Committee, when performing its duties, will fulfil 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 fulfil 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 33,221,095 series A shares and 422,129,973 series B shares, with a total number of votes of 75,434,092. The company holds no own shares.

The Board of Directors' complete proposal according to item 16 and 17 of the agenda and the Nomination Committee's reasoned statement are available at the company and at the company's website, [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 Gothenburg, Sweden, or by e-mail: [chairman@skf.com](mailto:chairman@skf.com).

SKF's web-based financial report in English will be made public on 6 March 2019.

Proxy forms will be available at the company's website, [www.skf.com](http://www.skf.com), and may also be requested by letter to Computershare AB, "AGM 2019 of AB SKF", Box 610, SE-182 16 Danderyd, Sweden or by phone +46 31 337 25 50.

Gothenburg in February 2019

Aktiebolaget SKF  
(publ)

The Board of Directors

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### **Visit SKF's factory in Gamlestaden, Gothenburg**

Shareholders are welcome to visit SKF's factory in Gamlestaden, Gothenburg, in connection with the Annual General Meeting, directly after the close of the Annual General Meeting, alternatively on 29 March 2019 at 09.00. Shareholders that wish to participate shall notify the requested visiting date, complete name and contact details (preferably email address alternatively a cell phone number) to: SKF Sverige AB, Besöksservice HK3/3, 415 50 Gothenburg alternatively via email to: Lars.Werner@skf.com. Please note that the number of participants is limited.

### **Processing of Personal Data**

Personal data related to a shareholder which is gathered from the shareholders' register, notification on participation in the Annual General Meeting and information about advisors that are to participate or any other information that is otherwise given as set out above, will be processed mainly to register the shareholder, form part of the voting list at the Annual General Meeting and if necessary, the minutes from the Annual General Meeting. The personal data is processed in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council. For complete information on the company's processing of your personal data in connection with the Annual General Meeting and your rights, see SKF's website [www.skf.com](http://www.skf.com) under the heading "About AGM" (which is located under the section "Investors" and "Corporate Governance").

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*SKF's mission is to be the undisputed leader in the bearing business. SKF offers solutions around the rotating shaft, including bearings, seals, lubrication, condition monitoring and maintenance services. SKF is represented in more than 130 countries and has around 17,000 distributor locations worldwide. Annual sales in 2018 were SEK 85 713 million and the number of employees was 44,428.*  
[www.skf.com](http://www.skf.com)

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