

## 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 15.30 on Tuesday, 21 April 2009. The doors are open from 14.30.

### Annual General Meeting

For the right to participate at the meeting, shareholders must be recorded in the shareholders' register kept by Euroclear Sweden AB (former VPC AB) by Wednesday, 15 April 2009 and must notify the company at the latest on Wednesday, 15 April 2009 by letter to AB SKF, Group Legal, SE-415 50 Göteborg, Sweden, or by fax +46 31 337 16 91, 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 16.30). 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, 15 April 2009 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.
15. Determination of number of auditors and deputy auditors.
16. Determination of fee for the auditors.

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17. Election of auditor and deputy auditor.
18. The Board of Directors' proposal for a resolution on principles for remuneration of Group Management.
19. The Board of Directors' proposal for a resolution on the introduction of SKF's Performance Share Programme 2009.
20. 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.
21. Resolution regarding Nomination Committee.

### **Proposal under item 10**

The Board of Directors proposes a dividend for the financial year 2008 of SEK 3.50 per share. It is proposed that shareholders with holdings recorded on Friday, 24 April 2009 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 Wednesday, 29 April 2009.

### **Proposals under items 2, 12, 13, 14, 15, 16 and 17**

The Nomination Committee formed according to a resolution of the Annual General Meeting 2008 consists of, besides the Chairman of the Board of Directors, representatives of Foundation Asset Management Sweden AB, 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 they propose:

- that Leif Östling 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 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 3,175,000, to be distributed with SEK 900,000 to the Chairman of the Board of Directors and with SEK 325,000 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 3,200 company shares of series B to be received by the Chairman and 1,200 shares of series B to be received by each of the other Board members; and

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- c) an allotment for committee work of SEK 575,000 to be divided with SEK 150,000 to the chairman of the Audit Committee, with SEK 100,000 to each of the other members of the Audit Committee and with SEK 75,000 to each of the 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, 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 2009;

re-election of the Board members Leif Östling, Ulla Litzén, Tom Johnstone, Winnie Kin Wah Fok, Hans-Olov Olsson, Lena Treschow Torell, Peter Grafoner and Lars Wedenborn. Joe Loughrey to be newly elected. (Joe Loughrey was President and Chief Operating Officer of Cummins Inc. until 2008. He is vice Chairman of Cummins Inc. until 1 April 2009. He is also a Board member of Sauer-Danfoss, Inc., Hillenbrand, Inc., the Lumina Foundation, the Cummins Foundation and the US National Association of Manufacturers). Vito Baumgartner and Clas Åke Hedström have declined re-election. Leif Östling is proposed to be the Chairman of the Board of Directors;

- that one auditor without any deputy auditor is elected;
- that the auditor is paid for work performed according to approved invoice; and
- that KPMG is re-elected as auditor for the time up to the closing of the Annual General Meeting 2013.

### **Proposal under item 18**

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 Chief Executive Officer 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

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severance pay, and other benefits such as a company car. The objective of the principles for remuneration is to ensure that SKF can attract and retain the best people in order to support SKF'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.

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 2009. 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 class B shares. (See also item 19 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 SKF, 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 19**

### Background

In 2005, SKF introduced a performance based variable salary programme with both a short-term and a long-term element. At SKF's Annual General Meeting 2008 it was resolved that the long-term element of the performance based variable salary programme be replaced by a performance share programme for senior managers and key employees (SKF's Performance Share Programme 2008).

### SKF's Performance Share Programme 2009

The Board proposes, in order to continue to link the interests of the participants and the shareholders, that a decision be taken at the Annual General Meeting on SKF's Performance Share Programme 2009. The terms and conditions of the proposed SKF's

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Performance Share Programme 2009 are in essence the same as the terms and conditions of SKF's Performance Share Programme 2008.

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 class B shares in accordance with the following principal terms and guidelines.

Under the programme, not more than 1,000,000 SKF class B shares may be allotted. The number of shares that may be allotted must be related to the degree of achievement of financial targets defined by the Board of Directors in accordance with the Group's TVA management model and must pertain to the period commencing 2009 up to and including 2011.

The participants in the programme may receive not more than the following number of shares 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 for cash dividend 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 2009 are met, allotment of shares shall be made free of charge following the expiry of the three year calculation period, i.e. during 2012.

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 2009 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2009.

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The company has 455,351,068 shares as per 31 January, 2009. In order to comply with the obligations of SKF's Performance Share Programme 2009, a maximum number of 1,000,000 class B shares are required corresponding to approximately 0.2 per cent of the total number of outstanding shares.

Assuming maximum allocation under the Performance Share Programme 2009 and a share price of SEK 75, the cost, including social security cost, is estimated at approximately SEK 90 million. On the basis of a share price of SEK 135, the cost, including social security cost, is estimated at approximately SEK 162 million. In addition the administrative costs are estimated at approximately SEK 3 million.

The Board of Directors 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 2012.

#### 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 20**

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. Repurchase may be decided so that the company's holding of own shares, at any given time, amount to a maximum of 5 percent 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 purchase of a company's own shares in the Listing Rules of the NASDAQ OMX Stockholm AB.

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

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.

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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 21**

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 2009 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 2010. 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 in the following matters to be presented to, and resolved by, the Annual General Meeting in 2010:
  - 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 facing the Annual General Meeting of 2011; and
4. that the Nomination Committee, when performing its duties, will fulfill the tasks that rest upon the Nomination Committee under the Swedish Code of

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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 47,746,004 series A shares and 407,605,064 series B shares, with a total number of votes of 88,506,510.4.

The Board of Directors' complete proposal according to item 18, 19 and 20 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.

SKF's web-based financial report including the sustainability report in English was made public on 11 March 2009.

Proxy forms will be available at the company's homepage, [www.skf.com](http://www.skf.com), and may also be requested at the address AB SKF, Group Legal, SE-415 50 Göteborg, Sweden or by fax +46 31 337 1691.

Göteborg, 17 March 2009

Aktiebolaget SKF  
(publ)

The Board of Directors

AB SKF may be required to disclose the information provided herein according to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 09.00 am CET on 17 March 2009.

For further information, please contact:

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*SKF is a leading global supplier in the areas of bearings, seals, mechatronics, services and lubrication systems. The Group's service offer includes technical support, maintenance services, engineering consultancy and training. SKF is represented in more than 130 countries and has 15,000 distributor locations worldwide. The Group's annual sales 2008 were SEK 63,361 million. The number of employees was 44,799.*

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