

## 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 3.30 p.m. on Wednesday, April 16, 2008.

## Annual General Meeting

For the right to participate at the meeting, shareholders must be recorded in the shareholders' register kept by VPC AB by Thursday, April 10, 2008 and must notify the company before 12 noon on Thursday, April 10, 2008 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. 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 date of the 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 Thursday, April 10, 2008 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 in plenty of time before that date. The trustee may charge a re-registration fee.

## 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.

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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 fee for the auditors.
16. The Board of Directors' proposal for a resolution on principles for remuneration of Group Management.
17. The Board of Directors' proposal for a resolution on the introduction of a performance share programme for senior managers and key employees.
18. The Board of Directors' proposal for a resolution on an automatic redemption procedure of shares, including
  - a. a share split
  - b. a reduction of the share capital for repayment to the shareholders
  - c. an increase of the share capital by way of a bonus issue
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 2007 of SEK 5.00 per share. It is proposed that shareholders with holdings recorded on Monday, April 21, 2008 be entitled to receive the proposed dividend. Subject to resolution by the Annual General Meeting in accordance with this proposal, it is expected that VPC will distribute the dividend on Thursday, April 24, 2008.

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

The Nomination Committee formed according to a resolution of the Annual General Meeting 2007 consists of, besides the Chairman of the Board of Directors, representatives of Foundation Asset Management Sweden AB, Skandia Liv, Alecta and Swedbank Robur, 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 Anders Scharp 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 3,500,000, 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
  - c) an allotment for committee work of SEK 675,000 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 OMX Nordic Exchange Stockholm during the five trading days after publication of the company's press release for the financial year 2008.

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- re-election of the Board members Vito H Baumgartner, Ulla Litzén, Clas Åke Hedström, Tom Johnstone, Winnie Kin Wah Fok, Leif Östling, Hans-Olov Olsson and Lena Treschow Torell. Peter Grafoner and Lars Wedenborn to be newly elected. (Peter Grafoner is a Board member of Symrise AG, Chairman of VTI Technologies Oy, vice Chairman of MASA AG, and Executive Vice President and shareholder of TopManagerTeam GmbH. Lars Wedenborn is CEO of FAM (Foundation Asset Management) and Chairman of the Board of Novare Holding AB and Board member of OMX and The Grand Hotel). Anders Scharp and Eckhard Cordes have declined re-election. Leif Östling is proposed to be the Chairman of the Board of Directors.

- that the auditor is paid for work performed as invoiced.

## **Proposal under item 16**

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

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 conditions that are market competitive and at the same time support the shareholders' best interest. 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 for example 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 in line with market conditions. Competence, responsibility and performance shall be taken into account when the fixed salary is established.

The variable salary is 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 the introduction 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. (See also item 17 below.)

SKF shall strive for establishing pension plans that are based on defined contribution models.

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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, the employment shall cease immediately. A severance payment related to the years of service shall, however, in this case be paid out, provided that it shall always be maximized to two years' salary.

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

## **Proposal under item 17**

### Background

The Board of Directors has decided to present to the Annual General Meeting a proposal for a resolution on the introduction of a performance share programme for senior managers and key employees.

Since 2005, SKF has had a performance based variable salary programme with a short-term and a long-term element. The programme's long-term element makes it possible for senior managers and key employees to receive remuneration in cash after a three year performance period and is linked to continued employment during the performance period and achievement of targets determined by the Board of Directors in accordance with SKF's financial management model, Total Value Added ("TVA").

In order to further link the interests of the participants and the shareholders it is proposed that the long-term performance related variable salary programme be replaced by a performance share programme for senior managers and key employees (SKF's Performance Share Programme 2008).

### Performance Share Programme

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 2008 up to and including 2010.

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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 2008 are met, allotment of shares shall be made free of charge following the expiry of the three year calculation period, i.e. during 2011.

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 2008 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2008.

The company had 455,351,068 shares as per December 31, 2007. In order to comply with the obligations of SKF's Performance Share Programme 2008, 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.

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 2011.

## 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**

### Background

Against the background of the Group's strong balance sheet, cash generating capacity and outlook the Board of Directors proposes that the Annual General Meeting 2008 resolves on an automatic redemption of shares, according to which procedure each share is to be divided into two shares (share split 2:1), of which one share will be redeemed at SEK 5 and, as a result, a total amount of SEK 2,276,755,340 will be distributed to the shareholders. To make it possible to distribute funds in an easy and time-efficient way, the Board of Directors further proposes that a bonus issue be implemented by a transfer of SEK 569,188,835 from the company's non-restricted equity to the share capital. For this reason, the Board of Directors proposes that the Annual General Meeting resolves in accordance with, in principle, the following proposal.

### (A) Share split

The Board of Directors proposes that the quota value of the share (the share capital divided by the number of shares) is changed by way of a so called share split, so that each share be divided into two shares (of the same series) of which one is to be named redemption share in the VPC system and be redeemed in the manner described under Section B below. The record day at VPC AB (the Swedish Central Security Depository) for implementation of the share split is set to May 9, 2008. After implementation of the share split, the number of shares in the company will increase from 455,351,068 to 910,702,136, each share with a quota value of SEK 1.25.

### (B) Reduction of the share capital for repayment to the shareholders

The Board of Directors proposes that the General Meeting resolves that the share capital of the company is reduced for repayment to the shareholders by SEK 569,188,835 (the reduction amount) by way of redemption of 455,351,068 shares, each share with a quota value of SEK 1.25, whereby redemption of redemption shares of series A and series B respectively is to be in proportion to the number of shares of each series by the time of the record day for the redemption shares. The shares that are to be redeemed are the shares which, after implementation of the share split in accordance with Section A above, are named redemption shares in the VPC system, whereby the record day for the right to receive redemption shares according to Section A above is to be May 9, 2008.

For each redeemed share (irrespective of the series of shares) a redemption price of SEK 5 is to be paid in cash, of which SEK 3.75 exceeds the quota value of the share. In addition to the reduction amount of SEK 569,188,835, a total amount of SEK 1,707,566,505 will be distributed, by use of the company's non-restricted equity. Payment for the redeemed shares is to be made as early as possible, however not later than ten banking days after the Swedish Companies Registration Office's registration of all resolutions pursuant to Sections A – C.

After implementation of the reduction of the share capital, the company's share capital will amount to SEK 569,188,835, divided into, in total, 455,351,068 shares, each share with a quota value of SEK 1.25. Apart from the reduction of the share capital, the company's restricted equity will not be affected.

#### (C) Increase of the share capital by way of a bonus issue

The Board of Directors further proposes that the Annual General Meeting resolves that the company's share capital be increased by way of a bonus issue, by SEK 569,188,835 to SEK 1,138,377,670 by a transfer of SEK 569,188,835 from the non-restricted equity. No new shares are to be issued in connection with the increase of the share capital.

The number of shares in the company will, after implementation of the increase of the share capital, be 455,351,068, each share with a quota value of SEK 2.50. In the company's Articles of Association there is a conversion clause according to Chapter 4, Section 6 of the Swedish Companies Act.

#### Majority requirements

Resolutions adopted by the Annual General Meeting pursuant to item 18, Sections A – C above are to be adopted as one single resolution. To be valid, the Annual General Meeting's resolution must be supported by shareholders holding at least two thirds of both the votes cast and the shares represented at the meeting.

#### Authorization

Finally, the Board of Directors proposes that the Annual General Meeting resolves to authorise the company's CEO to make the small adjustments of the resolutions pursuant to item 18, Sections A – C above that may be required in connection with the registration of the resolutions by the Swedish Companies Registration Office or VPC.

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

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



The shares may be repurchased by transactions on the OMX Nordic Exchange Stockholm. 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 OMX Nordic Exchange Stockholm 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 Agreement with the OMX Nordic Exchange Stockholm.

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 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 that the shares so repurchased should be cancelled through a 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 2008 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 2009. 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 2009:

- 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 auditor
- f) proposal for fee to the auditor
- g) proposal for a Nomination Committee facing the Annual General Meeting of 2010; 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 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 48,996,034 series A shares and 406,355,034 series B shares, with a total number of votes of 89,631,537.4.

The Board of Directors' complete proposal according to item 16, 17, 18 and 19 of the agenda and the Board of Directors' statement and the auditor's statement pursuant to Chapter 20, Section 8, and the auditor's statement pursuant to Chapter 20, Section 14, 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. An information brochure regarding the proposed automatic redemption procedure will be distributed to shareholders that are registered as shareholders per March 19, 2008.

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**SKF's web-based financial report including the sustainability report in English will be made public on March 12, 2008.**

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, 10 March 2008

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 on 10 March 2008.

For further information, please contact:

PRESS: Ingall Östman, SKF Group Communication, tel: +46 31-337 3260, mobile: +46 706-973260, e-mail: [ingall.ostman@skf.com](mailto:ingall.ostman@skf.com)

IR: Marita Björk, SKF Investor Relations, tel: +46 31-337 1994, mobile: +46 705-181994, e-mail: [marita.bjork@skf.com](mailto:marita.bjork@skf.com)

**Aktiebolaget SKF**

SE-415 50 Göteborg, Sweden

Tel +46-31-337 10 00 Fax +46-31-337 28 32 [www.skf.com](http://www.skf.com)