

Information to the shareholders of AB SKF regarding redemption of shares 2007

This document does not constitute an offer and is merely information on the Board of Directors' of Aktiebolaget SKF ("SKF") proposal of capital distribution to the shareholders of SKF though a mandatory redemption of shares. The purpose of this document is to provide the shareholders in SKF with information for the Annual General Meeting on April 24, 2007, which is proposed to resolve on a mandatory redemption of shares. The Board of Directors' complete proposal which includes decisions on changes to the company's Articles of Association, share split, a reduction of the share capital by repayment to the company's shareholders and the restoring of the share capital through a bonus issue, is available at the company and at the company's website, www.skf.com, from April 10, 2007 and onwards and is sent to shareholders registered to the Annual General Meeting.

This document is a translation of the Swedish version. In the event of any discrepancies between this translation and the Swedish version, the Swedish version shall prevail.

Table of contents

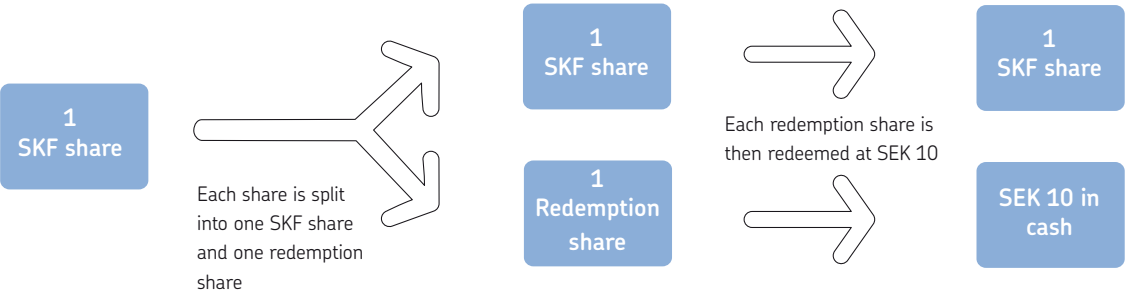
- 2 Short description of the redemption procedure
- 3 Background and reasons to the redemption procedure
- 3 Detailed description of the share redemption procedure
- 4 Financial effects for SKF
- 5 Tax considerations in Sweden
- 7 Questions and answers

No action needs to be taken on behalf of the shareholders in SKF in order to receive the payment of the redemption amount as the redemption procedure is automatic.

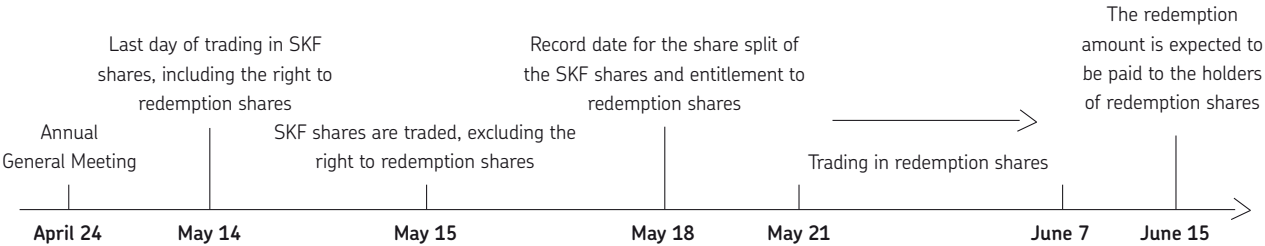
Please note that for shareholders with a limited tax liability in Sweden (principally shareholders that are domiciled outside of Sweden), Swedish withholding tax will not be payable if the redemption shares are sold in the market during the period May 21, 2007 to June 7, 2007, inclusive. Swedish withholding tax will, however, be payable if the redemption shares are not sold in the market but instead redeemed by SKF.

Short description of the redemption procedure

- Upon the approval of shareholders at the Annual General Meeting on April 24, 2007, each SKF share (A as well as B) is split into two shares (of the same series) of which one will be named redemption share in the VPC system
- Record date for the share split and entitlement to redemption shares is May 18, 2007
- The redemption share is automatically redeemed at SEK 10
- Payment of the redemption amount is expected to occur on June 15, 2007



Timetable 2007



Background and reasons to the redemption procedure

On January 30, 2007, the Board of Directors of SKF announced a proposal of a mandatory redemption procedure. The background to the Board's proposal to distribute a substantial lump-sum amount to shareholders is SKF's strong performance, cash flow and future outlook.

Through the procedure the shareholders will receive one new ordinary share and one redemption share, which will be automatically redeemed for SEK 10. The proposal means that SEK 4,554 million will be distributed to the shareholders, in addition to the proposed dividend distribution. The

total distribution to shareholders will be SEK 6 603 million. The reason for the proposal, which is subject to a decision at the Annual General Meeting on April 24, 2007, is that it is a simple and easy way to transfer capital to shareholders.

Further information about the redemption procedure is provided in this brochure, which has been compiled to provide further information ahead of the Annual General Meeting.

Gothenburg, March 2007
Aktiebolaget SKF

Detailed description of the share redemption procedure

Share split and redemption

Those registered with VPC as shareholders in SKF on the record date for the share split May 18, 2007 are entitled to redemption shares. For each A-share and B-share held, the share holders receive two shares (of the same series), of which one will be named redemption share in the VPC system. Each redemption share will be automatically redeemed, at a cash payment of SEK 10 per redemption share.

Last day for trading in shares including the right to redemption shares

The last day for trading in SKF shares including the right to redemption shares will be May 14, 2007. Starting May 15, 2007 the SKF share will be listed excluding the right to redemption shares.

Record date

The record date at VPC for the share split of the SKF share and entitlement to redemption shares is May 18, 2007. The redemption shares are thereafter booked into the shareholders' VP-account. The shareholder will receive a VP-notice as confirmation of the number of redemption shares received.

Trading in redemption shares

Trading in redemption shares will take place on the Stockholm Stock Exchange during the period May 21, 2007 to June 7, 2007, inclusive. Banks and other securities companies with the necessary permits can assist with trading in redemption shares.

Payment of redemption amount

In connection with the payment of the redemption amount, the redemption shares registered in the shareholder's VP-account will be removed. A VP-notice relating to this will not be sent out.

Cash payment of SEK 10 for each redemption share is expected to take place on June 15, 2007. Payment will be made

via VPC to the yield account linked to the shareholder's VP-account. A VP-notice will be sent out as confirmation of payment.

Shares registered with nominees

Shareholders in SKF whose shares are registered with a nominee, for example a bank or another securities company, will receive redemption shares in accordance with the information given by each nominee.

Foreign shareholders

Shareholders who are not tax resident in Sweden and participate in the redemption procedure are obliged to pay Swedish withholding tax if their shares are redeemed, see the section "Tax considerations in Sweden". Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount. However, no Swedish withholding tax is payable if the redemption shares are sold in the market.

Information for ADR holders

Citigroup, as depository for SKF's ADR program, intends to sell all redemption shares attributable to American Depository Shares on deposit in the ADR program on the Stockholm Stock Exchange, and to remit the net proceeds to the ADR holders as of the redemption record date.

Preconditions for the redemption procedure

The redemption procedure requires resolution by the Annual General Meeting on April 24, 2007 of a mandatory redemption procedure in accordance with the proposal by the Board of Directors. The proposal regarding the redemption procedure will include decisions on changes to the company's Article of Association, share split, a reduction of the share capital by repayment to the company's shareholders and the restoring of the share capital through a bonus issue.

Financial effects for SKF

To illustrate how the redemption procedure and the ordinary dividend would have affected the SKF Group's consolidated financial statements as of December 31, 2006, pro-forma figures are presented below for certain balance sheet items

as well as certain key ratios. The balance sheet items and the key ratios are prepared assuming that the redemption procedure and the ordinary dividend was completed as of December 31, 2006, financed by a reduction of liquid assets.

Financial effects of the redemption procedure for the SKF Group

Key ratios	December 31 2006	Adjustment for dividend and redemption	Pro-forma December 31, 2006
Shareholders' equity, MSEK	19,607	-6,603	13,004
Interest-bearing net debt, MSEK ¹⁾	3,663	6,603	10,266
Gearing, % ²⁾	39.1	10.0	49.1
Equity/assets ratio, % ³⁾	42.4	-9.6	32.8

1) Total interest-bearing debt reduced by liquid assets

2) Interest-bearing debt as a percentage of shareholders' equity and interest-bearing debt

3) Shareholders' equity as a percentage of total assets

Changes in shareholders' equity in the SKF Group, pro-forma (MSEK)

Balance sheet as of December 31, 2006	Before the transaction	Ordinary dividend	Split 2:1	Redemption of shares in SKF	Bonus issue	Pro-forma after the transaction
<i>Shareholders' equity</i>						
Share capital	1,138			-569	569	1,138
Other equity	18,469	-2,049		-3,984	-569	11,866
Quota value per share, SEK	2.50		1.25	1.25	2.50	2.50
Number of shares – total, millions	455.4		910.7	455.4	455.4	455.4

Note) Due to rounding, the columns in the table do not always add up

Tax considerations in Sweden

The presentation below is a summary of certain Swedish tax regulations that apply to shareholders in SKF as a result of the redemption procedure.

Tax considerations for shareholders in Sweden

Receipt of redemption shares

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original SKF A and B shares immediately

ly before the split shall be allocated between the redemption shares and the ordinary shares in SKF. The allocation will be made separately regarding A shares and B shares, based on the market values of the redemption shares and the ordinary shares in relation to the split and the detachment of the redemption shares. SKF intends to seek general advice from the Swedish Tax Agency regarding how this allocation shall be made.¹

Example of allocation of acquisition cost

Assume in this example, that a shareholder has one B share in SKF with an average acquisition cost of SEK 100 immediately before the split, that the trading price at the time of the split is SEK 125 and that the price of the redemption share is SEK 10. Furthermore, assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 92 per cent (note that this is solely an assumption) of the acquisition cost for one original B share will be allocated to the ordinary share and 8 per cent shall be allocated to the series B redemption share. The acquisition cost of the redemption share will consequently be SEK 8 (8 per cent of SEK 100). The acquisition cost of the ordinary share will then be SEK 92 (92 per cent of SEK 100). Thus, when the redemption share is redeemed a capital gain of $(10-8) = \text{SEK } 2$ will arise on each redemption share. The same consequence will arise if the redemption share is sold for SEK 10.

Redemption and sale of redemption shares

Redemption of shares and sale of redemption shares, for example by sale in the market, give rise to capital gains taxation. A capital gain or capital loss shall be computed based on the difference between the received payment, after deduction of sales costs, if any, and the acquisition cost of the shares redeemed or sold. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the split shall be calculated by allocating the acquisition cost as described above under the heading "Receipt of redemption shares". The acquisition cost of shares acquired in the market is the actual acquisition cost for the shares. The acquisition cost of all shares of the same series and type shall be computed collectively in accordance with the average method. It should be noted that the redemption shares of series A and B respectively are no longer considered to be

of the same series and type as the ordinary SKF shares. For shares that are quoted on a market, the acquisition cost may alternatively be determined in accordance with the standard method to 20 per cent of the sales price after deduction of sales costs.

For *individuals*, the capital gain is taxed in the capital income category. The tax rate is 30 per cent. A capital loss on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70 per cent deductible against other income from capital. If an overall capital deficit arises, a reduction from tax on income from employment and business operations as well as real estate tax is granted. A tax reduction of 30 per cent is provided for deficits that do not exceed SEK 100,000 and 21 per cent of any remaining deficit. Deficits cannot be carried forward to later fiscal years.

1) Information on the Swedish Tax Agency's general advice will be published on SKF's website (www.skf.com) and the Swedish Tax Agency's website (www.skatteverket.se).

In the case of *limited liability companies*, capital gains on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 28 per cent. Deductible capital losses on shares and other securities that are taxed as shares may only be offset against taxable capital gains on shares and other securities that are taxed as shares. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

Certain tax considerations for shareholders who are not tax resident in Sweden

In the case of shareholders that have a limited tax liability in Sweden, the redemption of shares for cash payment is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The tax rate is 30 per cent but is generally reduced under tax treaties that Sweden has concluded with other countries. Swedish withholding tax is levied regardless of the redemption shares being received by the split or acquired in the market. A refund for the withholding tax that is attributable to the acquisition cost of the shares or, provided that the shares

are quoted, 20 per cent of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example under the heading "Receipt of redemption shares". A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with a limited tax liability in Sweden and who are not carrying on business operations from a fixed place or a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder with a limited tax liability in Sweden, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under a domestic rule to tax such a holder. This right to tax is, however, limited by several tax treaties that Sweden has concluded with other countries.

→ It should be noted that no Swedish withholding tax is payable if the redemption shares are sold in the market.

Unless otherwise stated, the summary is based on regulations and practice currently in force for shareholders with an unlimited tax liability in Sweden. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of "qualified shares" in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder's home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder's specific circumstances. All shareholders should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure for their part.

Questions and answers

When will the payment occur under the redemption procedure?

The money will be paid to the yield account linked to your VP-account on or about June 15, 2007. If you want to receive payment earlier, you may choose to sell your redemption shares at the Stockholm Stock Exchange during the trading period of May 21, 2007 to June 7, 2007, inclusive, at the prevailing market price.

Are there any conditions to the implementation of the redemption procedure?

Yes, the implementation is conditional on a decision on the procedure by the Annual General Meeting on April 24, 2007.

What is a redemption share?

A redemption share is a share in SKF that will be automatically redeemed for SEK 10. Payment for redemption shares will be made on or about June 15, 2007.

How will I know the price of the redemption shares when they are traded?

The redemption shares will be listed on the Stockholm Stock Exchange. This means that the price will be posted on the website of the Stockholm Stock Exchange, in the daily newspapers, etc.

What are my alternatives as regards the redemption procedure?

Your alternatives are as follows:

1. to wait and automatically receive payment for redemption shares as they are redeemed. It is expected that payment will be made on or about June 15, 2007.

2. to sell all or some of your redemption shares on the Stockholm Stock Exchange during the trading period, May 21, 2007 to June 7, 2007, inclusive.

Is redemption of shares a more tax efficient way to distribute capital to the shareholders than a dividend, and how is the tax calculated?

Yes, for a large group of shareholders, for example individuals in Sweden, redemption of shares is more tax efficient than a dividend. Part of the acquisition cost of the original shares is allocated to the redemption share and, hence, can be deducted when calculating the tax.

Will I be subject to tax as a result of the redemption procedure?

Yes. Tax is levied both at sale and redemption of redemption shares. Foreign shareholders whose shares are redeemed will be subject to Swedish withholding tax on the redemption amount. However, foreign shareholders can claim for a refund for the withholding tax corresponding to the tax on the acquisition cost. As a foreign shareholder you are only obliged to pay Swedish withholding tax if you receive the redemption amount, i.e. you are not obliged to pay Swedish withholding tax if you sell your redemption shares in the market. *See the section "Tax considerations in Sweden" on page 5.*

Questions about the share redemption procedure are answered
on the following phone numbers:
Monday-Friday 08.00A.M.-06.00P.M.
From Sweden: 020-20 20 85
From abroad: +46-480-40 41 14

