

The Board of Directors' of Aktiebolaget SKF proposal for an automatic redemption of shares, including (A) a change of the Articles of Association, (B) a share split, (C) a reduction of the share capital for repayment to the shareholders, and (D) an increase of the share capital by way of a bonus issue, etc.

Background

Against the background of the Group's strong balance sheet, cash generation capacity and outlook, the Board of Directors of Aktiebolaget SKF ("the company") proposes that the Annual General Meeting to be held on 24 april 2007 resolves on an automatic redemption of shares. According to this procedure each share is to be divided into two shares (share split 2:1), with a quota value of SEK 1.25, of which one share will be redeemed at SEK 10 and, as a result, a total amount of SEK 4,553,510,680 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 General Meeting decides in accordance with the following proposal.

A. Change of the Articles of Association

The Board of Directors proposes that the wording of the Articles of Association be changed, involving

that the permitted range of the share capital be reduced from a minimum of SEK 1,1 billion and a maximum of SEK 4,4 billion to a minimum of SEK 500,000,000 and a maximum of SEK 2 billion (Section 4).

B. 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 C. below. The record day at VPC AB (the Swedish Central Security Depository) for implementation of the share split is set to 18 May 2007. 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.

C. Reduction of the share capital for repayment to the shareholders

The Board of Directors proposes that the Annual General Meeting resolves that the share capital be 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 B. above, are named redemption shares in the VPC system, whereby the record day for the right to receive redemption shares according to Section B. above is to be 18 May 2007.

For each redeemed share (irrespective of the series of shares) a redemption price of SEK 10 shall be paid in cash, of which SEK 8.75 exceeds the quota value of the share. In addition to the reduction amount of SEK 569,188,835 a total amount of SEK 3,984,321,845 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. – D.

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.

In its statement under Chapter 20, Section 13, fourth paragraph of the Swedish Companies Act, the Board of Directors states the following. The resolution on reduction of the share capital for repayment to the shareholders by redemption of shares according to this Section C. may be implemented without obtaining the Swedish Companies Registration Office's or a general court's permission, since the company at the same time implements a bonus issue according to Section D. below, as a measure with the object that neither the company's restricted shareholders' equity, nor its share capital be reduced. The effect of the reduction of the share capital and the bonus issue on the company's restricted equity and the share capital appears, as concerns the reduction, from what is stated in the preceding paragraph and, as concerns the bonus issue, from what is stated in Section D. below.

The Board of Directors' statement pursuant to Chapter 20, Section 8 of the Swedish Companies Act is enclosed as Appendix 1.

D. 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.

Resolutions adopted by the Annual General Meeting pursuant to Sections A. – D. above is to be adopted as one single resolution. To be valid, the 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.

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 Sections A. – D. above that may be required in connection with the registration of the resolutions by the Swedish Companies Registration Office or VPC AB.

Göteborg 30 January 2007
Aktiebolaget SKF
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THE BOARD OF DIRECTORS