



# Year-end report 2017

## Press release 1 February

We have had a strong finish to 2017, a year characterized by strong demand in most markets. In the fourth quarter, net sales, at SEK 19.5 billion, grew organically by over 8%, with near- double-digit growth in Automotive.

Europe and Asia saw strong sales growth, 9% and 10%, respectively, driven by high general levels of industrial activity and a strong automotive market. In North America, sales growth was 5%.

Our focus on raising prices, for both distributors and OEMs, and controlling costs is bearing fruit. Our adjusted operating profit was SEK 2.1 billion in the quarter, an increase of SEK 350 million compared to last year. Our adjusted operating margin also improved, to 10.7% (9.3%).

Within the industrial business, increased sales volumes delivered an adjusted operating margin of 12.9% (11.0%). We have secured several new business wins during the quarter, including a new, multi-year framework agreement with ArcelorMittal. This agreement covers bearings, units, seals and remanufacturing services for 14 steel mills across Europe and Northern Africa.

The development of our Rotating Equipment Performance offer continues, with the launch of the next generation of our Enlight Center cloud-based data collection platform.

The automotive business, which saw improved sales volumes, remains focused on technology development and reducing costs, delivering an adjusted operating profit margin of 5.9% (5.2%) in the seasonally weak fourth quarter. We are also making progress within the powertrain electrification area. Our components have been selected by several automakers, including supplying bearings for the next-generation electric powertrain platform of a leading European OEM.

Continued strengthening of the balance sheet remains a priority for us. Cash flow generation was strong, at SEK 1.7 billion, an improvement of SEK 300 million compared to the previous year. Our net debt to equity ratio, now at 71%, is well below our target of 80%.

Entering the first quarter 2018, we expect to see continued growth in all regions, with particular strength in Asia and Europe.

Alrik Danielson  
President and CEO

# Key figures

SEKm unless otherwise stated

Key figures	Q4 2017	Q4 2016	2017	2016
Net sales <sup>1)</sup>	19,481	18,732	77,938	72,588
Adjusted operating profit <sup>2)</sup>	2,092	1,741	9,096	7,544
Adjusted operating margin <sup>2)</sup> , %	10.7	9.3	11.7	10.4
Items affecting comparability <sup>2)</sup>	-75	-155	-504	-17
Operating profit	2,017	1,586	8,592	7,527
Operating margin, %	10.4	8.5	11.0	10.4
Adjusted profit before taxes <sup>2)</sup>	1,859	1,531	8,162	6,756
Profit before taxes	1,784	1,376	7,658	6,739
Net cash flow after investments before financing	1,704	1,428	4,753	7,717
Basic earnings per share	4.12	1.95	12.02	8.75

1) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

2) Please refer to page 15 for definitions.

Net sales change y-o-y, %:	Organic	Structure	Currency	Total
Q4 2017	8.2	-0.6	-3.6	4.0
Full year	8.2	-1.6	0.8	7.4

Organic sales change in local currencies, per region y-o-y, %:	Europe	North America	Latin America	Asia	Middle East & Africa
Q4 2017	9.1	4.7	7.3	10.0	13.3
Full year	5.8	7.7	10.6	11.5	14.8

## Dividend proposal

The Board has decided to propose an unchanged dividend of SEK 5.50 per share to the Annual General Meeting.

# Outlook for the first quarter 2018

## Demand compared to the first quarter 2017

The demand for SKF's products and services is expected to be higher for the Group, including Industrial and Automotive. Demand is expected to be higher in Europe, relatively unchanged in North America, significantly higher in Asia and slightly higher in Latin America.

## Demand compared to the fourth quarter 2017

The demand for SKF's products and services is expected to be slightly higher for the Group and Industrial and higher for Automotive. Demand is expected to be higher in Europe, North America and in Latin America and lower in Asia.

# Previous outlook statement

## Demand compared to the fourth quarter 2016

The demand for SKF's products and services is expected to be higher for the Group, including Industrial and Automotive. Demand is expected to be higher in Europe, North America and in Asia and significantly higher in Latin America.

## Demand compared to the third quarter 2017

The demand for SKF's products and services is expected to be relatively unchanged for the Group including Industrial and Automotive. Demand is expected to be slightly higher in Europe and relatively unchanged in North America, Asia and in Latin America.

# Sales

Segment information	Q4				Full year 2017			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
Net sales, change y-o-y, %:								
Industrial	7.7	-0.9	-3.6	3.2	8.4	-2.4	0.7	6.7
Automotive	9.6	0.0	-3.7	5.9	7.9	0.0	1.0	8.9

Segment information	Q4					Full year 2017				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial	+++	++	+	++	+++	++	+++	++	+++	+++
Automotive	++	+/-	+++	+++	+++	++	+/-	+++	+++	+++

Customer industries	Q4					Full year 2017				
	Europe	North America	Latin America	Asia	Middle East & Africa	Europe	North America	Latin America	Asia	Middle East & Africa
Organic sales in local currencies, change y-o-y:										
Industrial distribution	++	+++	++	+++	+++	++	+++	++	+++	+++
Industrial, general	+++	+++	+++	+++		++	+++	+++	+++	
Industrial, heavy, special and off-highway	+++	+++	--	+++	+	+++	+++	++	+++	+++
Energy	+++	---	---	---		+++	+	--	---	
Aerospace	+++	++		+++		+/-	+/-			+
Railway	+++	+++		+++		+	++		+++	
Cars and light trucks	++	+/-	+++	+++		+	+	+++	+++	
Vehicle aftermarket	-	-	+/-	+++	+++	+/-	-	++	+	+++
Trucks	++	+++	+++	+++		++	+++	+++	+++	
Two-wheelers and electrical	+++	---		+++		++	-		+++	
Other industry	++	++	--	---		+++	++	+++	+	

## Comments on organic sales in local currencies in Q4 2017, compared to Q4 2016

### Europe

Industrial: Overall, sales were significantly higher in the quarter. By industry, sales to the heavy, special and off-highway industries, railway, energy and aerospace industries as well as to industrial general industries were all significantly higher. Sales to industrial distribution were higher.

Automotive: Sales in the quarter were higher compared to last year with higher sales to both the truck industry and to the cars and light trucks industry and slightly lower sales to the vehicle aftermarket.

### North America

Industrial: Sales were higher in the quarter compared to Q4 2016. By industry, sales to industrial general industries and to the heavy, special and off-highway industries as well as to industrial distribution and the railway industry were all significantly higher. Sales to the aerospace industry were higher while sales to the energy industry were significantly lower.

Automotive: Sales in the quarter were relatively unchanged. Sales to the truck industry were significantly higher while sales to the cars and light trucks industry were relatively unchanged and sales to the vehicle aftermarket were slightly lower.

### Asia

Industrial: Sales were higher in the quarter. By industry, sales to industrial general as well as to industrial, heavy, special and off-highway industries, the railway and aerospace industries and industrial distribution were all significantly higher. Sales to the energy industry were significantly lower compared to Q4 2016.

Automotive: Sales were significantly higher compared to Q4 2016. Sales were significantly higher to the truck industry, the cars and light trucks industries, as well as to the vehicle aftermarket.

### Latin America

Industrial: Overall, sales were slightly higher in the quarter. By industry, sales to industrial general were significantly higher and sales to industrial distribution were higher while sales to the industrial heavy, special and off-highway industries were lower and sales to the energy industry were significantly lower.

Automotive: Sales were significantly higher in the quarter. Sales to the car and light trucks industry as well as the truck industry were significantly higher, sales to the vehicle aftermarket were relatively unchanged compared to Q4 2016.

# Financial performance

## Fourth quarter 2017

Operating profit for the fourth quarter was SEK 2,017 million (1,586). Operating profit was positively impacted by increased sales and manufacturing volumes, sales price and customer mix development as well as by lower items affecting comparability compared to the fourth quarter 2016. Operating profit was negatively impacted by currency effects, general inflation and divested companies. Operating profit included items affecting comparability of SEK -75 million (-155) whereof SEK -172 million (-117) related to ongoing restructuring and cost reduction activities mainly in Americas and Europe and SEK +163 million related to a curtailment gain due to changed conditions in the defined benefit retirement plans in Germany. Remaining amount is mainly related to impairments.

Operating profit bridge, SEKm	Q4
<b>2016</b>	1,586
Items affecting comparability at 2016 exchange rates	72
Operational performance <sup>1)</sup>	658
Currency impact	-278
Divested/acquired companies, ie net divestment	-21
<b>2017</b>	2,017

1) Operational performance includes the effects on operating profit related to changes in: organic sales, manufacturing volumes, manufacturing cost and changes in selling and administrative expenses.

- Financial income and expense, net in the fourth quarter was SEK -233 million (-210). Exchange rate fluctuations had a more negative impact in the fourth quarter 2017 than in the fourth quarter 2016.
- Taxes in the quarter was SEK +179 million (-406) resulting in an effective tax rate of +10.0% (-29.5%). The quarter was positively impacted by the change in the tax rate in the US of approximately 770 million.
- Net cash flow after investments before financing in the fourth quarter was SEK 1,704 million (1,428). Excluding cash flow related to divestments and acquisitions during the third quarter it was SEK 1,799 million (1,528). The difference against last year is explained mainly by higher operating profit and lower working capital.
- Net working capital in percent of annual sales was 29.0% in the fourth quarter compared to 30.0% in the fourth quarter 2016. The ratio was positively impacted by exchange difference.
- Provisions for post-employment benefits net increased by SEK 433 million (-1,511) in the fourth quarter mainly as a result of decreases in discount rates in Germany, the USA and the UK, offset by curtailment gains related to closed defined benefit plans in Germany.

## Full year 2017

Operating profit for the year was SEK 8,592 million (7,527). Operating profit was positively impacted by organic sales and savings from cost reduction programmes. Operating profit was also negatively impacted by sales price and customer mix development, higher costs for the ERP implementation, general inflation and divested companies. Operating profit 2017 included items affecting comparability of SEK -504 million (-17) whereof SEK-328 million (-576) related to the restructuring and cost reduction programme, SEK -339 million net (-191) related to profit on sold businesses, settlements, impairments, and write-off of assets, SEK +163 million (+618) related to a curtailment gain due to changed conditions in the defined benefit retirement plans.

Operating profit bridge, SEKm	2017
<b>2016</b>	7,527
Items affecting comparability at 2016 exchange rates	-499
Operational performance <sup>1)</sup>	1,716
Currency impact	-25
Divested/acquired companies, ie net divestment	-127
<b>2017</b>	8,592

1) Operational performance includes the effects on operating profit related to changes in: organic sales, manufacturing volumes, manufacturing cost and changes in selling and administrative expenses.

- The financial net amounted to SEK -934 million in 2017 (-788). Financial net was impacted by the debt repurchase of EUR 300 million which had a net financial result of SEK -99 million including the effects from derivatives. Exchange rate fluctuations had a more negative impact in 2017 than in 2016.
- Taxes in 2017 was SEK -1,898 million (-2,530) giving an effective tax rate of 24.8% (37.5%). Taxes were positively impacted by the US tax reform by SEK 770 million and negatively by divestments of businesses by SEK -279 million (-386). Excluding this, the effective tax rate for the year was 31.2% (31.8%).
- Cash flow after investments before financing was SEK 4,753 million (7,717) and excluding acquisitions and divestments it was SEK 4,155 million (5,014). The difference against previous year is mainly explained by change in working capital. Other financing items in financing activities included a payment of SEK 447 million (526), net of taxes, related to our contribution to the defined benefit retirement plan. Net cash flow used for financing activities in 2017 was impacted by SEK -773 million related to derivatives on external financing activities and interest costs on the debt repurchase.
- For the full year 2017, the provision for post-employment benefits decreased net by SEK -1,663 million (+882). The decrease net related mainly to the curtailment gain and the one-time payment related to the defined benefit retirement plans.

## Key figures

	31 Dec 2017	31 Sept 2017	31 Dec 2016
Net working capital, % of 12 months rolling sales <sup>1)</sup>	29.0	29.4	30.0
ROCE for the 12-month period, %	14.2	13.2	11.9
Net debt/equity, %	71.3	79.4	84.4
Net debt/EBITDA	1.9	2.1	2.4

1) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

# Segment information<sup>1)</sup>

SEKm unless otherwise stated

Industrial	Q4/2017	Q4/2016	2017	2016
Net sales <sup>2)</sup>	13,487	13,069	53,972	50,588
Operating profit	1,745	1,323	7,271	6,108
Operating margin, %	12.9	10.1	13.5	12.1
Items affecting comparability	8	-121	-98	-9
Adjusted operating profit	1,737	1,444	7,369	6,117
Adjusted operating margin, %	12.9	11.0	13.7	12.1

Automotive	Q4/2017	Q4/2016	2017	2016
Net sales <sup>2)</sup>	5,994	5,663	23,966	22,001
Operating profit	272	263	1,321	1,419
Operating margin, %	4.5	4.6	5.5	6.4
Items affecting comparability	-83	-34	-406	-8
Adjusted operating profit	355	297	1,727	1,427
Adjusted operating margin, %	5.9	5.2	7.2	6.5

1) Previously published figures have been restated.

2) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

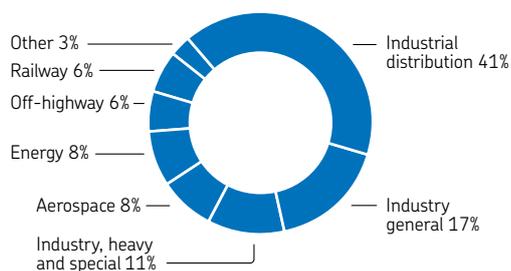
## Guidance Q1 2018

- Financial net: SEK -225 million
- Currency impact on the operating profit is expected to be around SEK -300 million compared with 2016, based on exchange rates per 31 December 2017.

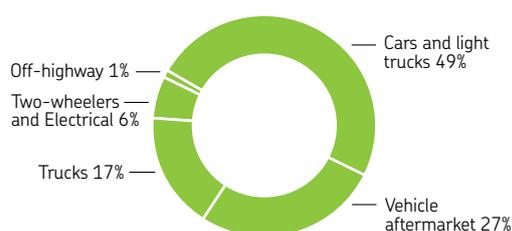
## Guidance 2018

- Tax level excluding effect related to divested businesses: around 29%
- Additions to property, plant and equipment: around SEK 2,400 million.

### Full-year net sales for Industrial



### Full-year net sales for Automotive



# Highlights

## Consolidation of industrial seals manufacturing footprint in North America

SKF intend to close its manufacturing site in Seneca, Kansas to support its long-term ambition of integrating regional manufacturing, engineering and technology efforts. Production will be transferred to other sites in North America including the development and manufacturing facility in Salt Lake City, where investments are being made.

## Automotive startup - Uniti

The Swedish automotive startup Uniti launched its first electric car. It is equipped with bearings from SKF and has a unique and contemporary approach to safety, sustainability and user experience.

## New products and solutions

### SKF SimPro Expert

A new advanced simulation software tool developed by SKF. It gives customers the power to evaluate the performance of SKF bearing arrangements virtually in minute detail across a wide range of applications and service conditions.

### New water pump range for commercial vehicle aftermarket

Premium quality pump kits combine easy installation with high reliability and long service life.

### Rotor positioning bearings

SKF has augmented its rotor positioning bearings range with a new and compact design that is suitable for all belt-driven starter/generator (BSG) applications in both 12V and upcoming 48V formats. The BSG is the preferred architecture for mild hybrid electric vehicle power train designs.

### New certified tuning service for magnetic bearings

SKF has launched a new service called 'certified tuning E300V2'. It aims at leveraging the capabilities of the E300V2 control cabinet for SKF S2M magnetic bearings and offers the ability to monitor and control magnetic bearings from a remote location. The certified tuning service is the first of its kind to be proven in the field.

## Sealing solutions for two-wheelers

At EICMA 2017, SKF unveiled its latest sealing solution innovations to boost performance for two-wheeler suspension systems and improve overall control and comfort for riders.

## Enlight Centre 2.0

Enlight Centre is designed to increase value in SKF's Rotating Equipment Performance agreements: increasing the efficiency in service delivery and enabling on-time information and data exchange with customers on critical machinery. The new version enhances global service capability and improves rotating equipment performance. The platform includes SKF's field-proven condition monitoring features that are at the heart of the original release of Enlight Centre, but with information now organized in such a way that multiple SKF units, from multiple segments, can collaborate seamlessly with one another to maximize support for customers and field-based SKF service personnel.

## New business

### Multi-year framework agreement with ArcelorMittal

SKF will supply ArcelorMittal with bearings, units, seals and remanufacturing services across 14 countries in Europe and Northern Africa. SKF will also provide total-cost-of-ownership savings studies, validating the realized value generated from its products and services.

### SKF equips Jeep Compass SUV with wheel hub bearings

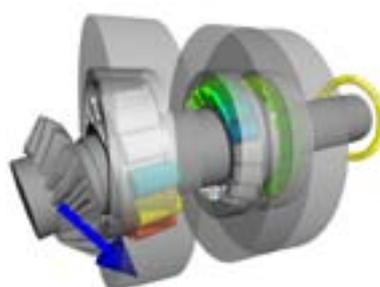
The new compact sport utility vehicle, Jeep Compass, from FCA, is equipped with SKF's third-generation, premium quality, front- and rear-wheel hub-bearing units. SKF will also supply engine and gearbox seals for the Jeep Compass.

### Koncar – Croatian rolling stock producer

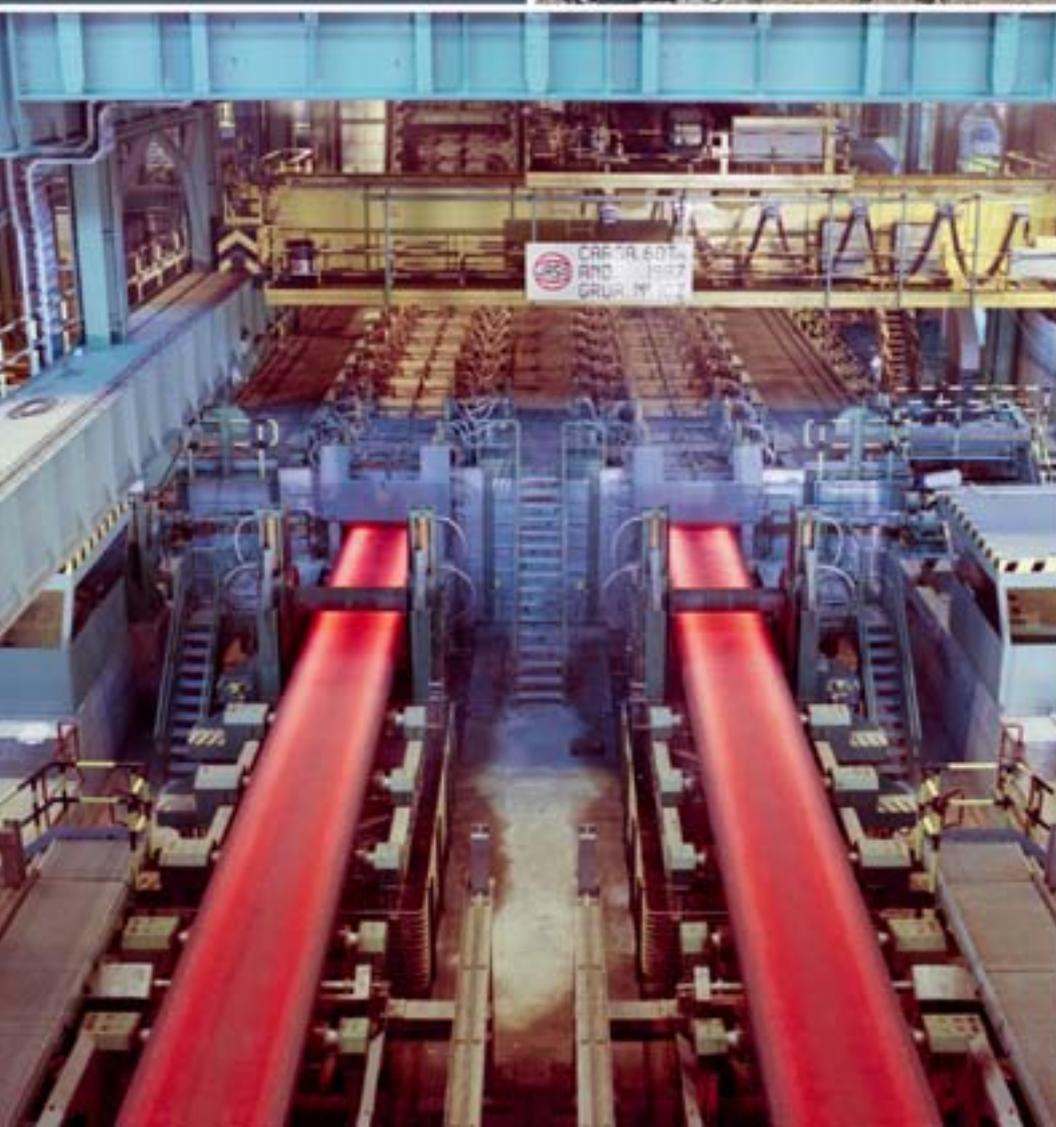
Croatian rolling stock producer, Koncar KEV has finalized an agreement with SKF for the supply of bearings, axleboxes and associated equipment for its latest low-floor electric and diesel-electric multiple unit trains.



Rotor positioning bearing



SKF SimPro Expert



E300V2 control cabinet



Enlight Centre 2.0



# Accounting principles

The consolidated financial statements of the SKF Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Parent company were prepared in accordance with the "Annual Accounts Act" and the RFR 2 "Accounting for legal entities". The SKF Group applied the same accounting principles and methods of computation in the interim financial statements as compared with the latest annual report, with the exception of classifying cash discounts as a reduction of net sales rather than as cost of goods sold. Previously published figures have been restated accordingly.

IASB issued and endorsed several amended accounting standards effective starting 1 January 2017. None of these had a material impact on the SKF Group's financial statements.

## IFRS 9 Financial instruments

IFRS 9 consists of three parts; Classification and Measurement, Impairment and Hedge Accounting. For SKF Group, the new

accounting standard has a limited impact on the accounting for financial instruments. For the Group there has been no effect regarding Classification and Measurement. For impairment, the impact from the expected loss model is considered to be immaterial. For hedge accounting, there is no effect. Since the effects are immaterial there will be no transition impact to the opening balances for 2018.

## IFRS 15 Revenue from contracts with customers

For SKF group, IFRS 15 has a limited impact to the accounting of service contracts where the supply of products is linked to the fulfilment of the contract. This impacts timing of when revenues are recognized and the classification of services and products. The impact of the new accounting standard is not material in light of the limited magnitude of such contracts for the SKF Group. Since the effects are immaterial there will be no transition impact to the opening balances for 2018.

# SKF's Performance Share Programme

In order to continue to link the interests of the participants and the shareholders long-term, the Board proposes, that a decision be taken at the Annual General Meeting 2018 on SKF's Performance Share Programme 2018. The terms and conditions for the proposed SKF's Performance Share Programme 2018 are the same as for SKF's Performance Share Programme 2017, which was decided by the Annual General Meeting 2017.

It is proposed that the programme covers a maximum of 225 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF B shares.

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 2018–2020 compared to the financial year 2017. Under the programme, not more than 1,000,000 SKF B shares may be allotted.

SKF's Performance Share Programme 2015, which was decided by the Annual General Meeting 2015, will be settled in the first quarter 2018. The outcome is that about 160 managers of the SKF Group will receive around 190,000 SKF class B shares (around 19% of the maximum number of shares approved by the Annual General Meeting), based on the degree of achievement of the TVA target level, as defined by the Board of Directors, for the financial years 2015–2017 compared to the financial year 2014. The total cost for the SKF's Performance Share Programme 2015 amounted to around SEK 43 million including administrative costs and social charges.

# Risks and uncertainties in the business

The SKF Group operates in many different industrial, automotive and geographical areas that are at different stages of the economic cycle. A general economic downturn at global level, or in one of the world's leading economies, could reduce the demand for the Group's products, solutions and services for a period of time. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets and natural disasters, could have a negative effect on the demand for the Group's products and services. There are also political and Regulatory risks associated with the wide geographical presence.

Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could limit the SKF Group's operations. The SKF Group is subject to both transaction and translation of currency exposure. For commercial flows the SKF Group is primarily exposed to the EUR and USD. As the major part of the profit is made outside Sweden, the Group is also exposed to translational risks in all the major currencies. The financial position of the parent company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profits and lower dividend income for the parent

company, as well as a need for writing down values of the shares in the subsidiaries.

SKF and other companies in the bearing industry are part of an investigation by the US Department of Justice regarding a possible violation of anti-trust rules. SKF is subject to two investigations in Brazil by the General Superintendence of the Administrative Council for Economic Defense, one investigation regarding an alleged violation of antitrust rules concerning bearing manufacturers, and another investigation regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. An enquiry has been initiated by the Competition Commission of India against several different companies, including SKF, regarding an alleged violation of antitrust rules in India. Moreover, SKF is subject to related class action claims by direct and indirect purchasers of bearings in the United States and may face additional follow-on civil actions by both direct and indirect purchasers. Peugeot S.A., and several of its group companies, have initiated a lawsuit, with a claim for damages, against bearing manufacturers, including SKF, that were part of the settlement decision by the European Commission for violation of European competition rules. Daimler AG has initiated a lawsuit against SKF GmbH with a claim for damages as a consequence of said settlement decision.

Gothenburg, 1 February 2018  
Aktiebolaget SKF (publ)  
Alrik Danielson  
President and CEO

This report has not been reviewed by AB SKF's auditor.

# Condensed consolidated income statements

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales <sup>1)</sup>	19,481	18,732	77,938	72,589
Cost of goods sold <sup>1)</sup>	-14,691	-14,337	-58,513	-54,832
<b>Gross profit</b>	<b>4,790</b>	<b>4,395</b>	<b>19,425</b>	<b>17,757</b>
Selling and administrative expenses	-2,762	-2,834	-10,812	-10,222
Other operating income/expenses, net	-11	25	-21	-8
<b>Operating profit</b>	<b>2,017</b>	<b>1,586</b>	<b>8,592</b>	<b>7,527</b>
Operating margin, %	10.4	8.5	11.0	10.4
Financial income and expense, net	-233	-210	-934	-788
<b>Profit before taxes</b>	<b>1,784</b>	<b>1,376</b>	<b>7,658</b>	<b>6,739</b>
Taxes	179	-406	-1,898	-2,530
<b>Net profit</b>	<b>1,963</b>	<b>970</b>	<b>5,760</b>	<b>4,209</b>
Net profit attributable to:				
Shareholders of the parent	1,878	889	5,475	3,985
Non-controlling interests	85	81	285	224

1) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

# Condensed consolidated statements of comprehensive income

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Net profit</b>	<b>1,963</b>	<b>970</b>	<b>5,760</b>	<b>4,209</b>
Items that will not be reclassified to the income statement:				
Remeasurements	-419	1,577	359	-1,746
Income taxes	-276	-509	-512	423
	<b>-695</b>	<b>1,068</b>	<b>-153</b>	<b>-1,323</b>
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	772	413	-876	1,273
Available-for-sale assets	-63	-20	-101	-205
Cash-flow hedges	0	4	0	18
Income taxes	34	-9	35	50
	<b>743</b>	<b>388</b>	<b>-942</b>	<b>1,136</b>
<b>Other comprehensive income, net of tax</b>	<b>48</b>	<b>1,456</b>	<b>-1,095</b>	<b>-187</b>
<b>Total comprehensive income</b>	<b>2,011</b>	<b>2,426</b>	<b>4,665</b>	<b>4,022</b>
Shareholders of AB SKF	1,867	2,303	4,446	3,714
Non-controlling interests	144	123	219	308

# Condensed consolidated balance sheets

SEKm	December 2017	December 2016
Goodwill	9,995	11,137
Other intangible assets	7,365	8,431
Property, plant and equipment	15,762	15,746
Deferred tax assets	3,633	3,806
Other non-current assets	1,627	1,688
<b>Non-current assets</b>	<b>38,382</b>	<b>40,808</b>
Inventories	17,122	15,418
Trade receivables	13,416	13,462
Other current assets	3,664	3,133
Other current financial assets	8,619	11,086
<b>Current assets</b>	<b>42,821</b>	<b>43,099</b>
<b>Total assets</b>	<b>81,203</b>	<b>83,907</b>
Equity attributable to shareholders of AB SKF	28,036	26,034
Equity attributable to non-controlling interests	1,787	1,649
Long-term financial liabilities	15,790	22,031
Provisions for post-employment benefits	12,309	13,945
Provisions for deferred taxes	1,100	1,380
Other long-term liabilities and provisions	1,662	1,490
<b>Non-current liabilities</b>	<b>30,861</b>	<b>38,846</b>
Trade payables	7,899	7,100
Short-term financial liabilities	2,718	1,619
Other short-term liabilities and provisions	9,902	8,659
<b>Current liabilities</b>	<b>20,519</b>	<b>17,378</b>
<b>Total equity and liabilities</b>	<b>81,203</b>	<b>83,907</b>

# Condensed consolidated statements of changes in shareholders' equity

SEKm	Jan-Dec 2017	Jan-Dec 2016
Opening balance 1 January	27,683	26,282
Total comprehensive income	4,665	4,022
Cost for performance share programmes, net	93	14
Other, including transactions with non-controlling interests	-	-
Total cash dividends	-2,618	-2,635
<b>Closing balance</b>	<b>29,823</b>	<b>27,683</b>

# Condensed consolidated statements of cash flow

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating activities:				
Operating profit	2,017	1,586	8,592	7,527
Depreciation, amortization and impairment	623	623	2,323	2,368
Net loss/gain (-) on sales of PPE and businesses	-5	-15	-46	-8
Taxes	-585	-479	-2,353	-1,897
Other including non-cash items	-413	19	-1,187	-815
Changes in working capital	797	445	-900	-25
<b>Net cash flow from operations</b>	<b>2,434</b>	<b>2,179</b>	<b>6,429</b>	<b>7,150</b>
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-734	-693	-2,437	-2,271
Sales of PPE, businesses and equity securities	4	-58	761	2,838
<b>Net cash flow used in investing activities</b>	<b>-730</b>	<b>-751</b>	<b>-1,676</b>	<b>567</b>
<b>Net cash flow after investments before financing</b>	<b>1,704</b>	<b>1,428</b>	<b>4,753</b>	<b>7,717</b>
Financing activities:				
Change in short- and long-term loans	-105	-18	-3,141	-1,990
Other financing items	70	82	-1,227	-510
Cash dividends	-68	-39	-2,618	-2,635
Investments in short-term financial assets	-458	-298	-1,369	-653
Sales of short-term financial assets	99	111	913	570
<b>Net cash flow used in financing activities</b>	<b>-462</b>	<b>-162</b>	<b>-7,442</b>	<b>-5,218</b>
<b>Net cash flow</b>	<b>1,242</b>	<b>1,266</b>	<b>-2,689</b>	<b>2,499</b>
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 October/1 January	5,791	8,599	9,939	7,218
Cash effect excl. acquired/sold businesses	1,242	1,264	-2,679	2,579
Cash effect of acquired/sold businesses	-	2	-10	-80
Exchange rate effect	79	74	-138	222
<b>Cash and cash equivalents at 30 December</b>	<b>7,112</b>	<b>9,939</b>	<b>7,112</b>	<b>9,939</b>

Change in net debt	Closing balance 31 Dec 2017	Other non cash changes	Businesses sold	Cash changes	Translation effect	Opening balance 1 January 2017
Loans, long- and short-term	17,479	35	4	-3,141	182	20,399
Post-employment benefits, net	12,229	207	-	-1,801	-69	13,892
Financial assets, others	-1,322	-5	-	-340	18	-995
Cash and cash equivalents	-7,112	-	10	2,679	138	-9,939
<b>Net debt</b>	<b>21,274</b>	<b>237</b>	<b>14</b>	<b>-2,603</b>	<b>269</b>	<b>23,357</b>

Financing activities to hedge short and long term loans using derivatives are reported as Other financing items. The opening balances amounted to SEK -487 million as of 1 October 2017 and the closing balance as of 31 December 2017 amounted to SEK -473 million. Of the change in the quarter, SEK 0 million effected cash and SEK 14 million was a non cash change.

## Number of shares

	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Total number of shares:	455,351,068	455,351,068	455,351,068	455,351,068
- whereof A shares	35,055,803	36,298,533	35,055,803	36,298,533
- whereof B shares	420,295,265	419,052,535	420,295,265	419,052,535
Weighted average number of shares in:				
- basic earnings per share	455,351,068	455,351,068	455,351,068	455,351,068
- diluted earnings per share	455,831,922	455,631,417	455,605,282	455,548,702

# Condensed consolidated financial information

SEKm unless otherwise stated

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Net sales <sup>1)</sup>	17,676	18,319	17,862	18,732	19,601	20,229	18,627	19,481
Cost of goods sold <sup>1)</sup>	-13,282	-13,840	-13,373	-14,337	-14,627	-15,129	-14,066	-14,691
<b>Gross profit</b>	<b>4,394</b>	<b>4,479</b>	<b>4,489</b>	<b>4,395</b>	<b>4,974</b>	<b>5,100</b>	<b>4,561</b>	<b>4,790</b>
Gross margin, %	24.9	24.5	25.1	23.5	25.4	25.2	24.5	24.6
Selling and administrative expenses	-2,495	-2,583	-2,310	-2,834	-2,691	-2,776	-2,583	-2,762
- as % of sales	14.1	14.1	12.9	15.1	13.7	13.7	13.9	14.2
Other, net	-24	-21	12	25	12	-9	-13	-11
<b>Operating profit</b>	<b>1,875</b>	<b>1,875</b>	<b>2,191</b>	<b>1,586</b>	<b>2,295</b>	<b>2,315</b>	<b>1,965</b>	<b>2,017</b>
Operating margin, %	10.6	10.2	12.2	8.5	11.7	11.4	10.5	10.4
Items affecting comparability	-97	-145	380	-155	-62	-121	-246	-75
Adjusted operating profit	1,972	2,020	1,811	1,741	2,357	2,436	2,211	2,092
Adjusted operating margin, %	11.2	11.0	10.1	9.3	12.0	12.0	11.9	10.7
Financial net	-217	-219	-142	-210	-170	-258	-273	-233
<b>Profit before taxes</b>	<b>1,658</b>	<b>1,656</b>	<b>2,049</b>	<b>1,376</b>	<b>2,125</b>	<b>2,057</b>	<b>1,692</b>	<b>1,784</b>
Profit margin before taxes, %	9.4	9.0	11.5	7.3	10.8	10.2	9.1	9.2
Adjusted profit before taxes	1,755	1,801	1,669	1,531	2,187	2,178	1,938	1,859
Adjusted profit margin, %	9.9	9.8	9.3	8.2	11.2	10.8	10.4	9.5
Taxes	-514	-950	-660	-406	-654	-837	-586	179
<b>Net profit</b>	<b>1,144</b>	<b>706</b>	<b>1,389</b>	<b>970</b>	<b>1,471</b>	<b>1,220</b>	<b>1,106</b>	<b>1,963</b>
Net profit attributable to								
Shareholders of the parent company	1,091	654	1,351	889	1,408	1,145	1,044	1,878
Non-controlling interests	53	52	38	81	63	75	62	85

1) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

## Reconciliation to profit before tax for the Group

SEKm	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Operating profit:								
Industrial <sup>2)</sup>	1,541	1,514	1,730	1,323	1,874	1,911	1,741	1,745
Automotive <sup>2)</sup>	334	361	461	263	421	404	224	272
Financial net	-217	-219	-142	-210	-170	-258	-273	-233
Profit before taxes for the Group	1,658	1,656	2,049	1,376	2,125	2,057	1,692	1,784

2) Previously published figures have been restated.

# Key figures

(Definitions, see page 15)

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
EBITA, SEKm	2,008	2,007	2,299	1,702	2,419	2,437	2,076	2,132
EBITDA, SEKm	2,453	2,459	2,774	2,209	2,877	2,890	2,508	2,641
Basic earnings per share, SEK	2.40	1.44	2.97	1.95	3.09	2.51	2.29	4.12
Diluted earnings per share, SEK	2.40	1.44	2.96	1.95	3.09	2.51	2.29	4.12
Dividend per share, SEK	-	5.50	-	-	-	5.50	-	-
Net worth per share, SEK	54	49	52	57	61	57	58	62
Share price at the end of the period, SEK	146.6	134.1	148.1	167.6	177.3	170.7	177.5	182.2
NWC, % of 12 months rolling sales <sup>2)</sup>	28.3	30.2	30.5	30.0	30.9	29.8	29.4	29.0
ROCE for the 12-month period, %	11.2	10.6	11.1	11.9	12.5	13.3	13.2	14.2
ROE for the 12-month period, %	15.5	11.8	14.4	16.5	17.4	18.7	17.3	20.4
Gearing, %	58.0	61.1	58.6	55.3	52.9	52.5	50.9	49.9
Equity/assets ratio, %	32.2	29.5	31.1	33.0	34.5	34.3	35.5	36.7
Additions to property, plant and equipment, SEKm	376	410	452	632	616	464	531	632
Net debt/equity, %	105.7	117.7	104.7	84.4	76.0	85.7	79.4	71.3
Net debt, SEKm	27,471	27,915	26,500	23,357	22,465	23,466	22,143	21,274
Registered number of employees	45,926	45,043	45,128	44,868	45,115	44,966	45,554	45,678

SKF applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs (Alternative Performance Measures). These key figures are not defined or specified in IFRS but provide complementary information to investors and other stakeholders on the company's

performance. The definition of each APM is presented at the end of the interim report. For the reconciliation of each APM against the most reconcilable line item in the financial statements, see [skf.com/group/investors/](http://skf.com/group/investors/).

## Segment information – quarterly figures<sup>1)</sup>

SEKm unless otherwise stated

<b>Industrial</b>	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Net sales <sup>2)</sup>	12,335	12,873	12,311	13,069	13,485	14,040	12,960	13,487
Operating profit	1,541	1,514	1,730	1,323	1,874	1,911	1,741	1,745
Operating margin, %	12.5	11.8	14.1	10.1	13.9	13.6	13.4	12.9
Items affecting comparability	-54	-122	288	-121	-41	-23	-42	8
Adjusted operating profit	1,595	1,636	1,442	1,444	1,915	1,934	1,783	1,737
Adjusted operating margin, %	12.9	12.7	11.7	11.0	14.2	13.8	13.8	12.9
Assets and liabilities, net	40,778	38,152	38,027	39,356	39,972	37,725	36,548	37,659
Registered number of employees	36,932	36,410	36,511	36,334	36,487	36,235	38,218	36,855

<b>Automotive</b>	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Net sales <sup>2)</sup>	5,341	5,446	5,551	5,663	6,116	6,189	5,667	5,994
Operating profit	334	361	461	263	421	404	224	272
Operating margin, %	6.3	6.6	8.3	4.6	6.9	6.5	4.0	4.5
Items affecting comparability	-43	-23	92	-34	-21	-98	-204	-83
Adjusted operating profit	377	384	369	297	442	502	428	355
Adjusted operating margin, %	7.1	7.1	6.6	5.2	7.2	8.1	7.6	5.9
Assets and liabilities, net	9,256	9,653	9,698	9,341	10,097	9,735	9,427	9,265
Registered number of employees	7,385	7,163	7,150	7,060	7,139	7,264	7,336	7,329

1) Previously published figures have been restated.

2) Cash discounts are from 1 January 2017 classified as a reduction of Net sales. Previously published figures have been restated accordingly.

## Parent company condensed income statements

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Revenue	1,689	1,613	6,352	5,061
Cost of revenue	-1,398	-955	-4,387	-4,598
General management and administrative expenses	-473	-820	-1,880	-1,448
Other operating income/expenses, net	43	-1	1	-1
<b>Operating result</b>	<b>-139</b>	<b>-163</b>	<b>86</b>	<b>-986</b>
Financial income and expense, net	586	-294	2,137	3,814
<b>Profit before taxes</b>	<b>447</b>	<b>-457</b>	<b>2,223</b>	<b>2,828</b>
Appropriations	897	2,140	897	2,140
Taxes	217	-886	216	-667
<b>Net profit</b>	<b>1,561</b>	<b>797</b>	<b>3,336</b>	<b>4,301</b>

## Parent company condensed statements of comprehensive income

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net profit	1,561	797	3,336	4,301
Items that may be reclassified to the income statement:				
Available-for-sale-assets	-65	-20	-103	-206
<b>Other comprehensive income, net of tax</b>	<b>-65</b>	<b>-20</b>	<b>-103</b>	<b>-206</b>
<b>Total comprehensive income</b>	<b>1,496</b>	<b>777</b>	<b>3,233</b>	<b>4,095</b>

## Parent company condensed balance sheets

SEKm	December 2017	December 2016
Intangible assets	1,901	1,939
Investments in subsidiaries	22,349	22,403
Receivables from subsidiaries	14,705	18,567
Other non-current assets	973	755
<b>Non-current assets</b>	<b>39,928</b>	<b>43,664</b>
Receivables from subsidiaries	6,181	4,683
Other receivables	157	131
<b>Current assets</b>	<b>6,338</b>	<b>4,814</b>
<b>Total assets</b>	<b>46,266</b>	<b>48,478</b>
Shareholders' equity	19,278	18,432
Untaxed reserves	24	69
Provisions	566	544
Non-current liabilities	14,705	19,166
Current liabilities	11,693	10,267
<b>Total shareholders' equity, provisions and liabilities</b>	<b>46,266</b>	<b>48,478</b>

# Definitions

## **Average number of employees**

Total number of working hours of registered employees, divided by the normal total working time for the period.

## **Adjusted operating profit**

Operating profit excluding items affecting comparability.

## **Adjusted operating margin**

Operating profit/loss excluding items affecting comparability, as a percentage of net sales.

## **Adjusted profit before taxes**

Profit before taxes excluding items affecting comparability.

## **Basic earnings/loss per share in SEK**

Profit/loss after taxes less non-controlling interests divided by the ordinary number of shares.

## **Currency impact on operating profit**

The effects of both translation and transaction flows based on current assumptions and exchange rates and compared to the corresponding period last year.

## **Debt**

Loans and net provisions for post-employment benefits.

## **Diluted earnings per share**

Diluted earnings per share is calculated using the weighted average number of shares outstanding during the period adjusted for all potential dilutive ordinary shares.

## **EBITA (Earnings before interest, taxes and amortization)**

Operating profit before amortizations.

## **EBITDA (Earnings before interest, taxes, depreciation and amortization)**

Operating profit before depreciations, amortizations, and impairments.

## **Equity/assets ratio**

Equity as a percentage of total assets.

## **Gearing**

Debt as a percentage of the sum of debt and equity.

## **Items affecting comparability**

Significant income/expense that affects comparability between accounting periods. This includes, but is not limited to, restructuring costs, impairments and write-offs, currency exchange rate effects caused by devaluations and gains and losses on divestments of businesses and assets.

## **Net debt**

Debt less short-term financial assets excluding derivatives.

## **Net debt/EBITDA**

Net debt, as a percentage of twelve months rolling EBITDA.

## **Net debt/equity**

Net debt, as a percentage of equity.

## **Net worth per share (Equity per share)**

Equity excluding non-controlling interests divided by the ordinary number of shares.

## **Net working capital as % of 12 month rolling sales (NWC)**

Trade receivables plus inventory minus trade payables as a percentage of twelve months rolling net sales.

## **Operating margin**

Operating profit/loss, as a percentage of net sales.

## **Operational performance**

Operational performance includes the effects on operating profit related to changes in organic sales, changes in manufacturing volumes and manufacturing cost and changes in selling and administrative expenses.

## **Organic sales**

Sales excluding effects of currency and structure, i.e. acquired and divested businesses.

## **Registered number of employees**

Total number of employees included in SKF's payroll at the end of the period.

## **Return on capital employed (ROCE)**

Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets less the average of non-interest bearing liabilities.

## **Return on equity (ROE)**

Profit/loss after taxes as a percentage of twelve months rolling average of equity.

## **SKF demand outlook**

The demand outlook for SKF's products and services represents management's best estimate based on current information about the future demand from our customers. The demand outlook is the expected volume development in the markets where our customers operate.

# Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a

result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in SKF's latest annual report (available on [investors.skf.com](http://investors.skf.com)) under the Administration Report; "Risk management at SKF" and "Sensitivity analysis", and in this report under "Risks and uncertainties in the business."



SKF is a global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training. SKF is represented in more than 130 countries and has around 17,000 distributor locations worldwide. Annual sales in 2017 were SEK 77,938 million and the number of employees was 45,678.

#### Further information can be obtained from

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The information in this press release is information which AB SKF is required to disclose under the EU Market Abuse Regulation (EU) No 596/2014. The information was provided by the above contact persons for publication on 1 February 2018 at 13.00 CET.

#### Conference call

1 February at 14.00 (CET), 13.00 (UK),  
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When asking questions, please don't use a loudspeaker as this has a negative effect on the sound.

You will find all information regarding SKF's year-end results 2017 on: [investors.skf.com/quarterlyreporting](http://investors.skf.com/quarterlyreporting)

#### Calendar

5 March, Annual Report 2017  
14 March, Carnegie, Capital Goods Seminar  
20 March, BofAML, Global Industrial Conference 2018  
27 March, Annual General Meeting  
26 April, First-quarter report 2018  
15 June, JP Morgan, Capital Goods CEO Conference 2018  
19 July, Half-year report 2018

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