



# Nine-month report 2016

Press release 26 October

Organic sales were relatively unchanged compared to last year. According to seasonality, organic sales were lower compared with the second quarter.

Net sales in the quarter were SEK 17.9 billion, operating profit was SEK 2 191 million and our operating margin was 12.2%. Excluding positive one-time items of SEK 380 million, operating profit was SEK 1 811 million and operating margin was 10.1%

Our automotive business continues to improve its performance, in line with the ambitions set out in the profit improvement programme which was launched last year, with an operating margin excluding one-time items of 6.6%. Organic sales increased by 4.4% in the quarter compared with the corresponding quarter last year, driven mainly by strong growth in Asia.

Our industrial business delivered an operating margin, excluding one-time items of 11.7%, a continued resilient performance. Although the rate of decline in demand in North

America and Asia has diminished, market conditions continued to be challenging during the third quarter.

Cash flow generation was a solid SEK 1 816 million in the quarter, excluding the effects from divestments.

Investments in the implementation of world-class manufacturing technologies in our spherical roller bearing factories in Gothenburg and Flowery Branch are progressing as planned. Similar technologies and processes are to be introduced across other product lines as part of our strategy to improve the flexibility and cost-competitiveness of our factories.

Entering the fourth quarter of 2016, demand for our products and services is expected to be relatively unchanged both compared to the same period last year and sequentially.

Alrik Danielson  
President and CEO

# Key figures

Key figures	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Net sales, SEKm	<b>17 912</b>	18 367	<b>54 002</b>	57 782
Operating profit excl. one-time items, SEKm	<b>1 811</b>	1 976	<b>5 803</b>	6 929
Operating margin excl. one-time items, %	<b>10.1</b>	10.8	<b>10.7</b>	12.0
One-time items in operating profit, SEKm	<b>380</b>	-151	<b>138</b>	-1 000
Operating profit, SEKm	<b>2 191</b>	1 825	<b>5 941</b>	5 929
Operating margin, %	<b>12.2</b>	9.9	<b>11.0</b>	10.3
Profit before taxes excl. operating and financial one-time items, SEKm	<b>1 669</b>	1 629	<b>5 225</b>	6 231
Profit before taxes, SEKm	<b>2 049</b>	1 348	<b>5 363</b>	5 181
Net cash flow after investments before financing, SEKm	<b>1 554</b>	1 808	<b>6 289</b>	4 450

Net sales change y-o-y, %:	Organic	Structure	Currency	Total
Q3 2016	-0.6	-2.0	0.1	-2.5
YTD	-2.5	-2.4	-1.6	-6.5

Organic sales change in local currencies, per region y-o-y, %:	Europe	North America	Latin America	Asia	Middle East & Africa
Q3 2016	-0.6	-3.5	-6.5	3.8	0.3
YTD	2.0	-8.3	-4.1	-3.8	1.0

## Outlook for the fourth quarter 2016

### Demand compared to the fourth quarter 2015

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

### Demand compared to the third quarter 2016

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

## Previous outlook statement

### Demand compared to the third quarter 2015

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

### Demand compared to the second quarter 2016

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

# Sales

Segment information	Q3				YTD			
	Organic	Structure	Currency	Total	Organic	Structure	Currency	Total
Net sales, change y-o-y, %:								
Industrial	-2.8	-2.8	0.1	-5.5	-3.9	-3.3	-1.5	-8.7
Automotive	4.4	0.0	0.5	4.9	0.5	0.0	-1.7	-1.2

Segment information	Q3					YTD				
	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	Q3					YTD				
	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 service market	++	+++	+/-	---	---	++	+/-	+/-	---	--
Trucks	+/-	---		+++		++	---		+++	
Two-wheelers and electrical	---			++		-			---	
Other industry	+++	-		+++	+++	+/-	---		++	+++

## Comments on organic sales in local currencies in Q3 2016, compared to Q3 2015

### Europe

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

Automotive: Sales in the quarter were slightly higher compared to last year with slightly higher sales to the cars and light trucks industry, relatively unchanged sales to the truck industry and higher sales to the vehicle service market.

### North America

Industrial: Sales were lower in the quarter compared to Q3 2015. By industry, sales to the aerospace industry were higher, sales to industrial, heavy, special and off-highway industries were slightly higher. Sales to the energy sector were lower while sales to all other industries were significantly lower compared to Q3 last year.

Automotive: Sales in the quarter were relatively unchanged, including significantly lower sales to the truck industry and the cars and light trucks industry and significantly higher sales to the vehicle service market.

### Asia

Industrial: Sales were slightly lower in the quarter. By industry, sales to the aerospace industry were significantly higher, sales to industrial distribution were higher and sales to industrial general were relatively unchanged while sales to all other industries were significantly lower compared to Q3 2015.

Automotive: Sales were significantly higher compared to Q3 2015. Sales were significantly higher to the truck industry and to the cars and light trucks industries, and significantly lower to the vehicle service market.

### Latin America

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

Automotive: Sales were relatively unchanged in the quarter. Sales for the vehicle service market were relatively unchanged while sales to the car and light trucks industry were significantly lower compared to Q3 2015.

# Financial performance

Operating profit in the third quarter included one-time items net of +380 million (-151) whereof +618 million related to a curtailment gain due to changed conditions in the defined benefit retirement plans, -211 million related to cost reduction activities primarily in US but also in Europe and South America. The remainder related to impairments. Of the +380 million in one-time items in the third quarter, +248 million (-65) were included in cost of goods sold, +132 million (-57) in selling and administrative expenses and 0 million (-29) in other operating expenses.

Operating profit bridge, SEKm	Q3
<b>2015</b>	<b>1 825</b>
One-time items at 2015 exchange rates	520
Organic sales in local currency	-175
Currency impact	-50
Savings from the cost reduction programme	120
Other impacts	3
Divested/acquired companies i.e. net divestment	-52
<b>2016</b>	<b>2 191</b>

- Financial income and expense, net, in the third quarter was -142 million (-477) and was positively impacted by exchange rate effects compared to 2015. Additionally, 2015 included a one-time item of -130 million related to negative revaluation effects due to currency developments in Latin America.

- Taxes in the third quarter was -660 million (-573) resulting in an effective tax rate of 32.2% (42.5%). Taxes in the third quarter 2015 were negatively impacted by divestment of businesses as well as tax losses carried forward that were created in the third quarter but not recognized as tax assets.
- Net cash flow after investments before financing in the third quarter was 1 554 million (1 808). Excluding cash flows related to divestments during the third quarter, it was 1 816 million (1 860). Other financial items in financing activities in the third quarter included a payment of 613 million, net of taxes, related to a contribution to the defined benefit retirement plans.
- Net working capital in percent of annual sales was 30.3% in the third quarter compared to 29.7% in the third quarter 2015. The ratio was negatively impacted by exchange rates developments in the third quarter by around +1.1%.
- Provisions for post-employment benefits decreased by 884 million (increase 1 265) in the third quarter, mainly as a result of the curtailment gain and the one-time payment related to the defined benefit retirement plans.

## Key figures

	30 Sept 2016	30 June 2016	30 Sept 2015
Net working capital, % of annual sales	30.3	30.0	29.7
ROCE for the 12-month period, %	11.1	10.6	11.9
Net debt/equity, %	104.7	117.7	114.2
Net debt/EBITDA	2.7	3.0	2.9

# Segment information\*

SEKm unless otherwise stated

<b>Industrial</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>YTD 2016</b>	<b>YTD 2015</b>
Net sales	<b>12 351</b>	13 064	<b>37 648</b>	41 223
Operating profit	<b>1 733</b>	1 580	<b>4 781</b>	5 329
Operating margin, %	<b>14.0</b>	12.1	<b>12.7</b>	12.9
One-time items	<b>288</b>	-90	<b>112</b>	-700
Operating profit excl. one-time items	<b>1 445</b>	1 670	<b>4 669</b>	6 029
Operating margin excl. one-time items, %	<b>11.7</b>	12.8	<b>12.4</b>	14.6

<b>Automotive</b>	<b>Q3/2016</b>	<b>Q3/2015</b>	<b>YTD 2016</b>	<b>YTD 2015</b>
Net sales	<b>5 556</b>	5 297	<b>16 337</b>	16 543
Operating profit	<b>458</b>	245	<b>1 160</b>	600
Operating margin, %	<b>8.2</b>	4.6	<b>7.1</b>	3.6
One-time items	<b>92</b>	-61	<b>26</b>	-300
Operating profit excl. one-time items	<b>366</b>	306	<b>1 134</b>	900
Operating margin excl. one-time items, %	<b>6.6</b>	5.8	<b>6.9</b>	5.4

\* Previously published figures have been restated. See page 8.

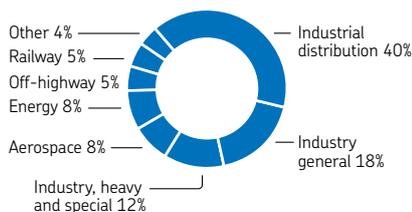
## Guidance Q4 2016

- Financial net: -225 million
- Based on current exchange rates, there is no expected currency impact on the operating profit compared to Q4 2015.

## Guidance 2016

- Tax level excluding effect related to divested businesses: around 32%
- Additions to property, plant and equipment: around 2 000 million

## YTD net sales for Industrial



## YTD net sales for Automotive



# Highlights

## **Ranked as one of the world's most sustainable companies**

For the 17th year in a row, SKF has been listed as one of the most sustainable companies by the Dow Jones Sustainability World Index (DJSI). The Group's performance within supply chain management and the overall environmental management once again ranked highly in the survey.

## **Equipped two olympic gold medal winners**

Olympic MTB cross country gold winners Nino Schurter (Switzerland) and Jenny Rissveds (Sweden) both won their race on mountain bikes equipped with SKF seals. Both winners ride on bikes with DT Swiss suspension forks that are equipped with SKF fork seals. These are developed to provide low friction during operation and maximum ground contact for the ultimate riding feeling.

## **New business**

### **Collaboration agreement with GE Oil & Gas**

SKF and GE Oil & Gas signed a non-exclusive, licence-based collaboration agreement, aimed at further developing the use of active magnetic bearing technologies within the oil and gas sector.

### **SKF supplies eight-tonne bearing for mining application**

SKF supplied its largest ever spherical roller bearing (outer diameter of almost 2 metres) to be used within the mining industry. The bearing was manufactured at SKF's factory in Gothenburg, Sweden.

### **SKF in Scania's new generation of trucks**

SKF is supplying a range of bearings, seals and linear actuation technologies for Scania's new generation of trucks. The result of over 10 years of development, during which time SKF has worked together with Scania on developing tailored solutions, these trucks lower fuel consumption and significantly improve driver comfort.

### **Bearings and housing to Chilean pulp and paper manufacturer**

SKF signed a two-year contract to supply a wide range of bearings and support services to CMPC, one of the world's leading manufacturers of pulp, tissue, forestry and paper and packaging products.

### **Bogie components for major Algerian rail freight project**

SKF has signed an agreement with Czech railway engineering company BONATRANS GROUP a.s., to supply 1 840 axlebox sets and journal bearings. The components will be used as part of a major order for freight cars from Ferrovia Algeria, the Algerian division of the global infrastructure and municipal services company.

### **SKF's technology in Metsä Group's pioneering bioproduct mill**

SKF's lubrication technology and system engineering support is being used to help ensure optimal operational performance on the world's first next generation bioproduct mill. The groundbreaking mill will use 100 per cent of the raw materials and run solely on renewable energy.

## **Wheel hub bearing units for Alfa Romeo Giulia**

The SKF HBU3 units selected for the FCA's recently launched Alfa Romeo Giulia offer a range of compelling advantages over conventional wheel bearing designs. These include faster, more straightforward assembly and a longer service life. Bearing pre-load is set during the manufacturing of the units, minimizing play and guaranteeing exceptionally low levels of noise and vibration.

## **New products**

### **SKF spherical roller bearings for wind turbine main shafts**

The adapted design of the heavy duty bearings includes a significant weight reduction, an optimised internal geometry and improved lubrication capabilities to ensure lower contact pressures and enhanced load carrying capacity. Ultimately, the SKF spherical roller bearings for wind turbine main shafts offer remarkable performance under wind operating conditions and reduce the levelized cost of energy (LCOE).

### **Simplex intermediate shaft bearing for marine**

The new bearing provide superior durability, reliability and ease of installation and maintenance for vessel builders and operators. Overall, it offers significantly shorter payback time and total life-cycle cost benefits, from fast installation at the shipyard, to a long operating life and easy maintenance.

### **Vibracon for marine**

New one-box kit version of proven Vibracon technology for the quick, accurate and clean alignment and chocking of resilient mounts. It is particularly quick and easy to use in the maritime industry, for example under engines, generators and skids, and is both adjustable and reusable.

### **SKF Dynamic Stabilizer Cover for marine**

Flexible, pneumatically operated cover system that offers significant fuel savings with minimal complexity and low maintenance requirements. The SKF Dynamic Stabilizer Cover, reduces drag and improves the efficiency of passenger vessels equipped with SKF retractable fin stabilizers type S and type Z.

### **SKF centrifugal Lip Seal for railway**

This new seal is designed to save energy, improve performance and extend maintenance intervals in high speed rail applications.

### **Lincoln PowerLuber grease gun**

The grease gun is developed for quick, effortless application of lubricant, suitable for agricultural, automotive, construction, general maintenance and industrial applications.



SKF supplied its largest ever spherical roller bearing to be used within the mining industry.



Truck hub unit for Scania.



SKF spherical roller bearings for wind turbine main shafts.



The SKF HBU3 units were selected for the FCA's recently launched Alfa Romeo Giulia.

# Accounting principles

The consolidated financial statements of the SKF Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The SKF Group applies the same accounting principles and methods of computation

in the interim financial statements as compared with the latest annual report. No amended IFRS effective 2016 are expected to have a material impact on the SKF Group's financial statements.

# Segment information

As previously announced, SKF changed its segment reporting from the second quarter 2016. The Group's segment information is specified per industrial and automotive customer and not based on the operational organisation.

Industrial and Automotive include sales and operating profit to all significant industrial and automotive customers respectively as well as assets/liabilities, net, related to these sales. Previously published figures have been restated accordingly. See [investors.skf.com](http://investors.skf.com)

# 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, USD and to USD-related currencies. 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 investigations by the US Department of Justice and the Korea Fair Trade Commission 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, launched in September 2016, 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.

Gothenburg, 26 October 2016  
Aktiebolaget SKF (publ)

Alrik Danielson  
President and CEO

# Condensed consolidated income statements

SEKm	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Net sales	17 912	18 367	54 002	57 782
Cost of goods sold	-13 416	-13 849	-40 601	-43 269
Gross profit	4 496	4 518	13 401	14 513
Selling and administrative expenses	-2 317	-2 698	-7 427	-8 729
Other operating income/expenses, net	12	5	-33	145
Operating profit	2 191	1 825	5 941	5 929
Operating margin, %	12.2	9.9	11.0	10.3
Financial income and expense, net	-142	-477	-578	-748
Profit before taxes	2 049	1 348	5 363	5 181
Taxes	-660	-573	-2 124	-1 535
Net profit	1 389	775	3 239	3 646
Net profit attributable to:				
Shareholders of the parent	1 351	724	3 096	3 506
Non-controlling interests	38	51	143	140

# Condensed consolidated statements of comprehensive income

SEKm	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Net profit	1 389	775	3 239	3 646
Items that will not be reclassified to the income statement:				
Remeasurements	-292	-1 018	-3 323	452
Income taxes	16	384	932	-105
	-276	-634	-2 391	347
Items that may be reclassified to the income statement:				
Exchange differences arising on translation of foreign operations	446	-206	861	129
Available-for-sale assets	41	-260	-186	-6
Cash-flow hedges	7	-6	14	42
Income taxes	25	21	59	-330
	519	-451	748	-165
Other comprehensive income, net of tax	243	-1 085	-1 643	182
Total comprehensive income	1 631	-310	1 596	3 828
Shareholders of AB SKF	1 553	-333	1 411	3 664
Non-controlling interests	78	23	185	164

# Condensed consolidated balance sheets

SEKm	September 2016	December 2015
Goodwill	10 726	12 078
Other intangible assets	8 229	9 407
Property, plant and equipment	15 450	15 303
Deferred tax assets	4 188	3 185
Other non-current assets	1 526	1 607
Non-current assets	40 119	41 580
Inventories	15 167	14 519
Trade receivables	13 231	11 777
Other current assets	3 307	3 357
Other current financial assets	9 546	8 500
Current assets	41 251	38 153
<b>Total assets</b>	<b>81 370</b>	<b>79 733</b>
Equity attributable to shareholders of AB SKF	23 749	24 815
Equity attributable to non-controlling interests	1 561	1 467
Long-term financial liabilities	21 193	22 383
Provisions for post-employment benefits	15 459	13 062
Provisions for deferred taxes	1 065	1 373
Other long-term liabilities and provisions	1 395	1 302
Non-current liabilities	39 112	38 120
Trade payables	6 482	5 671
Short-term financial liabilities	1 306	1 442
Other short-term liabilities and provisions	9 160	8 218
Current liabilities	16 948	15 331
<b>Total equity and liabilities</b>	<b>81 370</b>	<b>79 733</b>

# Condensed consolidated statements of changes in shareholders' equity

SEKm	Jan-Sept 2016	Jan-Sept 2015
Opening balance 1 January	26 282	24 404
Total comprehensive income	1 596	3 828
Cost for performance share programmes, net	28	30
Other, including transactions with non-controlling interests	–	40
Total cash dividends	-2 596	-2 567
Closing balance	25 310	25 735

# Condensed consolidated statements of cash flow

SEKm	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Operating activities:				
Operating profit	2 191	1 825	5 941	5 929
Depreciation, amortization and impairment	584	576	1 745	1 899
Net loss/gain (-) on sales of PPE and businesses	-1	-32	7	-213
Taxes	-541	-731	-1 418	-1 860
Other including non-cash items	-525	-176	-834	-571
Changes in working capital	620	943	-470	-141
Net cash flow from operations	2 328	2 405	4 971	5 043
Investing activities:				
Payments for intangible assets, PPE, businesses and equity securities	-534	-585	-1 578	-1 772
Sales of PPE, businesses and equity securities	-240	-12	2 896	1 179
Net cash flow used in investing activities	-774	-597	1 318	-593
Net cash flow after investments before financing	1 554	1 808	6 289	4 450
Financing activities:				
Change in short- and long-term loans	-925	-5	-1 972	-935
Other financial items	-611	-2	-592	-933
Cash dividends	-46	0	-2 596	-2 567
Investments in short-term financial assets	-108	-78	-355	-399
Sales of short-term financial assets	222	107	459	239
Net cash flow used in financing activities	-1 468	22	-5 056	-4 595
Net cash flow	86	1 830	1 233	-145
Change in cash and cash equivalents:				
Cash and cash equivalents at 1 July / 1 January	8 495	4 094	7 218	5 920
Cash effect excl. acquired/sold businesses	91	1 830	1 315	-163
Cash effect of acquired/sold businesses	-5	-	-82	18
Exchange rate effect	18	4	148	153
Cash and cash equivalents at 30 Sept	8 599	5 928	8 599	5 928

Change in net debt	Closing balance 30 Sept 2016	Other non cash changes	Businesses acquired/sold	Cash changes	Translation effect	Opening balance 1 January 2016
Loans, long- and short-term	20 492	17	-	-1 972	1 098	21 349
Post-employment benefits, net	15 403	2 593	-25	-666	491	13 010
Financial assets, others	-796	-5	-	101	-20	-872
Cash and cash equivalents	-8 599	-	82	-1 315	-148	-7 218
Net debt	26 500	2 605	57	-3 852	1 421	26 269

## Number of shares

	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Total number of shares:	455 351 068	455 351 068	455 351 068	455 351 068
- whereof A shares	36 298 533	36 298 533	36 298 533	36 298 533
- whereof B shares	419 052 535	419 052 535	419 052 535	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	455 618 395	455 351 068	455 636 246	455 351 068

# Condensed consolidated financial information

Amounts in SEKm unless otherwise stated

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Net sales	19 454	19 961	18 367	18 215	17 720	18 370	17 912
Cost of goods sold	-14 652	-14 768	-13 849	-14 214	-13 305	-13 880	-13 416
<b>Gross profit</b>	<b>4 802</b>	<b>5 193</b>	<b>4 518</b>	<b>4 001</b>	<b>4 415</b>	<b>4 490</b>	<b>4 496</b>
Gross margin, %	24.7	26.0	24.6	22.0	24.9	24.4	25.1
Selling and administrative expenses	-3 121	-2 910	-2 698	-2 874	-2 516	-2 594	-2 317
- as % of sales	16.0	14.6	14.7	15.8	14.2	14.1	12.9
Other, net	40	100	5	-88	-24	-21	12
<b>Operating profit</b>	<b>1 721</b>	<b>2 383</b>	<b>1 825</b>	<b>1 039</b>	<b>1 875</b>	<b>1 875</b>	<b>2 191</b>
Operating margin, %	8.8	11.9	9.9	5.7	10.6	10.2	12.2
One-time items in operating profit	-655	-194	-151	-687	-97	-145	380
Operating profit excl. one-times	2 376	2 577	1 976	1 726	1 972	2 020	1 811
Operating margin excl. one-times, %	12.2	12.9	10.8	9.5	11.1	11.0	10.1
Financial net	-129	-142	-477	-386	-217	-219	-142
Financial one-times	80	-	-130	-286	-	-	-
<b>Profit before taxes</b>	<b>1 592</b>	<b>2 241</b>	<b>1 348</b>	<b>653</b>	<b>1 658</b>	<b>1 656</b>	<b>2 049</b>
Profit margin before taxes, %	8.2	11.2	7.3	3.6	9.4	9.0	11.4
Profit before taxes excl. total one-times	2 167	2 435	1 629	1 626	1 755	1 801	1 669
Profit margin before taxes excl. total one-times, %	11.1	12.2	8.9	8.9	9.9	9.8	9.3
Taxes	-427	-535	-573	-225	-514	-950	-660
<b>Net profit</b>	<b>1 165</b>	<b>1 706</b>	<b>775</b>	<b>428</b>	<b>1 144</b>	<b>706</b>	<b>1 389</b>
Net profit attributable to							
Shareholders of the parent company	1 120	1 662	724	374	1 091	654	1 351
Non-controlling interests	45	44	51	54	53	52	38

## Reconciliation to profit before tax for the Group

SEKm	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Operating profit:							
Industrial*	1 653	2 096	1 580	900	1 534	1 514	1 733
Automotive*	68	287	245	139	341	361	458
Financial net	-129	-142	-477	-386	-217	-219	-142
Profit before taxes for the Group	1 592	2 241	1 348	653	1 658	1 656	2 049

\* Previously published figures have been restated. See page 8.

# Key figures

(Definitions, see page 15)

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
EBITA, SEKm	1 860	2 522	1 963	1 177	2 008	2 007	<b>2 299</b>
EBITDA, SEKm	2 323	3 104	2 400	1 999	2 453	2 459	<b>2 774</b>
Basic earnings per share, SEK	2.46	3.65	1.59	0.82	2.40	1.44	<b>2.97</b>
Diluted earnings per share, SEK	2.46	3.65	1.59	0.82	2.40	1.44	<b>2.96</b>
Dividend per share, SEK	–	5.50	–	–	–	5.50	–
Net worth per share, SEK	54	54	53	54	54	49	<b>52</b>
Share price at the end of the period, SEK	222.8	189.1	153.7	137.2	146.6	134.1	<b>148.1</b>
NWC, % of annual sales	32.1	30.9	29.7	27.1	28.2	30.0	<b>30.3</b>
ROCE for the 12-month period, %	12.6	12.6	11.9	10.9	11.2	10.6	<b>11.1</b>
ROE for the 12-month period, %	19.9	21.2	17.9	15.7	15.5	11.8	<b>14.4</b>
Gearing, %	59.7	56.8	58.3	56.7	58.0	61.1	<b>58.6</b>
Equity/assets ratio, %	29.9	32.2	31.8	33.0	32.2	29.5	<b>31.1</b>
Additions to property, plant and equipment, SEKm	433	576	557	497	376	410	<b>452</b>
Net debt/equity, %	122.2	113.4	114.2	99.9	105.7	117.7	<b>104.7</b>
Net debt, SEKm	31 739	29 514	29 390	26 269	27 471	27 915	<b>26 500</b>
Registered number of employees	48 356	47 579	47 051	46 635	45 926	45 043	<b>45 128</b>

## Segment information – quarterly and yearly figures\*

Amounts in SEKm unless otherwise stated

<b>Industrial</b>	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Net sales	13 919	14 240	13 064	12 909	12 375	12 922	<b>12 351</b>
Operating profit	1 653	2 096	1 580	900	1 534	1 514	<b>1 733</b>
Operating margin, %	11.9	14.7	12.1	7.0	12.4	11.7	<b>14.0</b>
One-time items	-501	-109	-90	-542	-54	-122	<b>288</b>
Operating profit excl. one-time items	2 154	2 205	1 670	1 442	1 588	1 636	<b>1 445</b>
Operating margin excl. one-time items, %	15.5	15.5	12.8	11.2	12.8	12.7	<b>11.7</b>
Assets and liabilities, net	45 822	43 471	42 624	40 987	40 782	38 160	<b>38 046</b>
Registered number of employees	38 930	38 286	37 989	37 659	36 904	36 382	<b>36 483</b>

<b>Automotive</b>	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Net sales	5 529	5 717	5 297	5 299	5 337	5 444	<b>5 556</b>
Operating profit	68	287	245	139	341	361	<b>458</b>
Operating margin, %	1.2	5.0	4.6	2.6	6.4	6.6	<b>8.2</b>
One-time items	-154	-85	-61	-145	-43	-23	<b>92</b>
Operating profit excl. one-time items	222	372	306	284	384	384	<b>366</b>
Operating margin excl. one-time items, %	4.0	6.5	5.8	5.4	7.2	7.1	<b>6.6</b>
Assets and liabilities, net	9 909	9 927	9 486	8 977	9 253	9 644	<b>9 685</b>
Registered number of employees	7 751	7 669	7 567	7 506	7 385	7 163	<b>7 150</b>

\* Previously published figures have been restated. See page 8.

# Parent company condensed income statements

SEKm	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Revenue	1 018	1 468	3 448	4 771
Cost of revenue	-1 234	-1 233	-3 642	-3 938
General management and administrative expenses	-138	-338	-628	-1 117
Other operating income/expenses, net	0	0	-	-4
Operating loss	-354	-103	-822	-288
Financial income and expense, net	1 554	860	4 108	3 129
Profit before taxes	1 200	757	3 286	2 841
Taxes	92	34	219	134
Net profit	1 292	791	3 505	2 975

# Parent company condensed statements of comprehensive income

SEKm	July-Sept 2016	July-Sept 2015	Jan-Sept 2016	Jan-Sept 2015
Net profit	1 292	791	3 505	2 975
Items that may be reclassified to the income statement:				
Available-for-sale-assets	41	-260	-186	-6
Other comprehensive income, net of tax	41	-260	-186	-6
Total comprehensive income	1 333	531	3 319	2 969

# Parent company condensed balance sheets

SEKm	September 2016	December 2015
Intangible assets	1 932	1 757
Investments in subsidiaries	22 175	21 317
Receivables from subsidiaries	18 693	19 637
Other non-current assets	1 406	1 457
Non-current assets	44 206	44 168
Receivables from subsidiaries	2 572	3 589
Other receivables	84	119
Current assets	2 656	3 708
Total assets	46 862	47 876
Shareholders' equity	17 670	16 827
Untaxed reserves	179	179
Provisions	404	379
Non-current liabilities	18 817	19 761
Current liabilities	9 792	10 730
Total shareholders' equity, provisions and liabilities	46 862	47 876

# Definitions

## **Average number of employees**

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

## **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.

## **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**

Loans plus net provisions for post-employment benefits, as a percentage of the sum of loans, net provisions for post-employment benefits and equity.

## **Net debt**

Loans and net provisions for post-employment benefits 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.

## **NWC (Net working capital)**

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

## **One-time items**

Significant income/expense of a non recurring and non business related nature. 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.

## **Operating margin**

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

## **Operating margin excl. one-time items**

Operating profit/loss excluding one-time items, as a percentage of net sales.

## **Organic sales**

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

## **Portion of risk-bearing capital**

Equity and provisions for deferred taxes, as a percentage of total assets.

## **Registered number of employees**

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

## **Return on total assets**

Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets.

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

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.

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

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; "Important factors influencing the financial results", "Financial risks" and "Sensitivity analysis", and in this full-year report under "Risks and uncertainties in the business."



Jochen Haar, Scotts Sports

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 2015 were SEK 75 997 million and the number of employees was 46 635.

#### 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 and pursuant to the Securities Markets Act. The information was provided by the above contact persons for publication on 26 October 2016 at 13.00 CEST.

#### Conference call

26 October at 14.00 (CEST), 13.00 (UK),  
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Please don't use a loudspeaker as this has a negative effect on the sound.

You will find all information regarding SKF's nine-month results 2016 on: [investors.skf.com/quarterlyreporting](http://investors.skf.com/quarterlyreporting)

#### Calendar

2 February, Year-end report  
March, Annual Report 2016  
29 March, Annual General Meeting  
6 April, Capital Markets Day