Thule Group

Year-end report, fourth quarter, October–December 2018

Fourth Quarter

- **Net sales**[1] for the fourth quarter amounted to SEK 1,157m (1,006), corresponding to an increase of 15.0 percent. Adjusted for exchange rate fluctuations, sales rose 8.0 percent.
- **Operating income**[1] amounted to SEK 64m (65), corresponding to a decrease of 1.9 percent and a margin of 5.5 percent (6.5). Adjusted for exchange rate fluctuations, operating income declined 1.6 percent.
- **Net income**[1] was SEK 44m (loss: 40).
- **Cash flow from operating activities** totaled SEK 16m (209).
- **Earnings per share before dilution**[1] amounted to SEK 0.42 (loss: 0.39).
- **The acquisition** of the leading North American manufacturer of Roof Top Tents, Tepui Outdoors Inc., was finalized on December 18. Tepui had sales of about USD 6.1m in 2018 and the acquisition is not expected to have any material impact on Thule Group's total sales and earnings.

Full year

- **Net sales**[1] for the full-year were SEK 6,484m (5,872) corresponding to an increase of 10.4 percent. Adjusted for exchange rate fluctuations, sales rose 6.0 percent.
- **Operating income**[1] totaled SEK 1,163m (1,067). Underlying EBIT amounted to SEK 1,164m (1,069), corresponding to an increase of 8.9 percent and a margin of 18.0 percent (18.2). Adjusted for exchange rate fluctuations, earnings rose 4.2 percent.
- **Net income**[1] was SEK 837m (690).
- **Cash flow from operating activities** totaled SEK 606m (972).
- **Earnings per share before dilution**[1] amounted to SEK 8.13 (6.77).
- **The Board of Directors proposes a dividend** of SEK 7.0 per share which, based on the number of shares outstanding at February 13, 2019, corresponds to a dividend of SEK 722m.

	Oct-Dec 2018	Oct-Dec 2017	%	**Jan-Dec 2018**	Jan-Dec 2017	%
Net sales, SEKm	**1 157**	1 006	*+15.0*	**6 484**	5 872	*+10.4*
Underlying EBIT, SEKm	**64**	65	*-1.8*	**1 164**	1 069	*+8.9*
Operating income (EBIT), SEKm	**64**	65	*-1.9*	**1 163**	1 067	*+8.9*
Net income from continued operations, SEKm	**44**	-40	*+208.6*	**837**	690	*+21.4*
Earnings per share, SEK	**0.42**	-0.39	*+207.7*	**8,13**	6,77	*+20.0*
Cash flow from operating activities, SEKm	**16**	209	*-92.5*	**606**	972	*-37.6*

[1] The figures pertain to continuing operations, excluding the Specialty segment, which was divested in June 2017. The divested Specialty segment is reported as discontinued operations.

CEO's comments

Strong growth for the quarter and full year

After the fourth quarter, we can summarize another year of healthy sales growth of 6.0 percent and high profitability, with an EBIT margin of 18.0 percent. This is despite the fact that we invested 6 percent of sales in product development, which is in line with our focus on long-term organic growth.

Sales in the fourth quarter climbed to SEK 1,157m (1,006), an increase of 15.0 percent (8.0 percent after currency adjustment). During the quarter, EBIT declined SEK 1m, which was in line with our expectations. Factors that impacted profitability were the anticipated under-utilization of production capacity during the ramp-up phase for new products, the continued negative impact of higher material prices and major investments in product development during this quarter.

As communicated earlier, we ended the year with a deliberate build-up of inventory levels, mainly driven by future product launches. The higher inventory levels will continue until the summer of 2019.

Region Europe & ROW remains strong

In the fourth quarter, sales increased 13.0 percent (after currency adjustment) in Region Europe & ROW, which means that currency-adjusted growth for the full year was 10.3 percent.

Our largest category, Sport&Cargo Carriers, continued its rapid growth, with an increase of 9 percent for the full year.

Active with Kids grew by 24 percent during the year, with the most rapid expansion in the fourth quarter, driven by the launch of the Thule Sleek stroller.

The end to the year continued well for RV Products, which is a major category for the region and in which we achieved 14 percent growth for the year.

The only disappointment in the region was Packs, Bags & Luggage with a decline of 3 percent. Despite growth in the new focus categories (suitcases, backpacks, sports bags), we were unable to offset the sales decline that was greater than expected in the older categories that we term Legacy (camera bags, tablet cases).

Slightly more positive in Region Americas

In Region Americas, sales increased 0.2 percent after currency adjustment during the fourth quarter. This means that for the full year, currency-adjusted sales declined by 3.3 percent.

The planned phase-out of less profitable products linked to certain OE contracts in Sport&Cargo Carriers as well as Packs, Bags & Luggage reduced sales by SEK 16m for the quarter and with SEK 60m for the full year.

In Sport&Cargo Carriers, the fourth quarter was the strongest for the year, but sales for the full year declined 2 percent after currency adjustment.

Packs, Bags & Luggage, had a weak performance for the full year, partly due to the planned phase-out of certain OE contracts, but also due to a more significant decline than expected in sales of our Legacy products.

Active with Kids was the most rapidly expanding category in Region Americas and ended the year with growth of 13 percent.

RV Products, which is a marginal category for the region, grew by 2 percent in a challenging market.

A minor acquisition with many synergies

On December 18, we acquired Tepui Outdoors Inc., one of North America's leading manufacturers of Roof Top Tents, with sales of USD 6.1m in 2018. Sales of this type of products have steadily grown in recent years and the synergies between the Thule brand's market-leading position for solutions to take along equipment by car and Tepui's Roof Top Tents are obvious from a marketing and manufacturing perspective. The acquisition is not expected to have any material impact on the group's sales and earnings. Moving forward Roof Top Tents will be reported in the Sport&Cargo Carriers category.

An exciting spring season awaits

We are entering a very exciting year, with a broad range of new product launches in new sales channels for new categories. In the first quarter, the new hard suitcase series, Thule Revolve, will appear in stores and at the beginning of the second quarter, our updated portfolio of bike racks, roof boxes and roof racks, as well as our design-winning products for motorhomes will enter their high season. We will also continue the roll-out of the Thule Sleek strollers and launch a broader offering of backpacks.

Overall, the energy level is high within the company ahead of the upcoming important spring season and we are looking forward to a successful year with growth in both regions and in all categories.

Magnus Welander,
CEO and President

Financial overview[2]

Trend for the fourth quarter

Net sales

Net sales for the fourth quarter 2018 amounted to SEK 1,157m (1,006), corresponding to an increase of 15.0 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 8.0 percent.

In the Region Europe & ROW, net sales totaled SEK 741m (628), up 18.1 percent, and 13.0 percent after currency adjustments. In Region Americas, sales increased 0.2 percent after currency adjustment compared with the fourth quarter of 2017.

Change in net sales	Oct-Dec 2018	Jan-Dec 2018
Changes in exchange rates	7.0%	4.4%
Structural changes	0.0%	0.0%
Organic growth	8.0%	6.0%
Total	**15.0%**	**10.4%**

Gross income

Gross income for the quarter totaled SEK 437m (398), corresponding to a gross margin of 37.8 percent (39.6). After currency adjustment, the margin decrease totaled 1.5 percentage points. The somewhat lower margin in the quarter stemmed from continued higher purchase prices for our major material categories and start-up costs for the volume build-up for the major product launches.

Operating income

Underlying EBIT amounted to SEK 64m (65), corresponding to an operating margin of 5.5 percent (6.5). After currency adjustment, we achieved a slightly lower margin year-on-year, down 0.5 percentage points, mainly due to the substantial investments we are making in sales and marketing activities, as well as product development.

Change in underlying EBIT margin	Oct-Dec	Jan-Dec
Underlying EBIT 2018	64	1 164
Underlying EBIT margin 2018	5.5%	18.0%
Underlying EBIT 2017	65	1 069
Underlying EBIT margin 2017	6.5%	18.2%
Underlying EBIT 2017, currency adjusted	65	1 117
Underlying EBIT marginal 2017, currency adjusted	6.1%	18.3%
Change in underlying EBIT margin, currency adjusted	**-0.5%**	**-0.3%**

Net financial items

In the fourth quarter, net financial items amounted to an expense of SEK 8m (expense: 16). Exchange rate differences on loans and cash and cash equivalents were an expense of SEK 1m (expense: 4). The interest expense for borrowings was SEK 6m (expense: 11).

Net income for the period

In the fourth quarter, net income was SEK 44m, corresponding to earnings per share of SEK 0.42 before and after dilution. For the corresponding year-earlier period, the net loss from continuing operations totaled SEK 40m, corresponding to earnings per share of negative SEK 0.39 before and after dilution.

[2] Unless otherwise stated, the figures in the overview pertain to continuing operations, in other words excluding the operation divested in June 2017, which constitutes discontinued operations.

Trend for the full year

Net sales

Net sales for the full-year 2018 amounted to SEK 6,484m (5,872), corresponding to an increase of 10.4 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 6.0 percent.

In the Region Europe & ROW, net sales totaled SEK 4,632m (3,983), up 16.3 percent, and 10.3 percent after currency adjustments. In Region Americas, after currency adjustment, sales declined 3.3 percent compared with full-year 2017, mainly attributable to a planned phase-out of a number of low-margin products.

Gross income

Gross income amounted to SEK 2,626m (2,416) corresponding to a gross margin of 40.5 percent (41.2). After currency adjustment, the margin was 0.4 percentage points lower compared with the year-earlier period.

Operating income

Underlying EBIT amounted to SEK 1,164m (1,069), corresponding to an margin of 18.0 percent (18.2). Changes in exchange rates had an overall positive impact of SEK 48m on underlying EBIT, compared with full-year 2017. After currency adjustment, we achieved a margin decrease during the year of 0.3 percentage points compared with the preceding year.

Net financial items

For the full-year, net financial items amounted to an expense of SEK 48m (expense: 52), and were negatively impacted by exchange rate differences of SEK 5m (neg: 6) on loans and cash and cash equivalents. The refinancing of Thule Group, which was completed in the second quarter, resulted in a SEK 4m expense in net financial items and was attributable to the settlement of previously capitalized financing costs. For the full-year, the interest expense for borrowings was SEK 36m (expense: 43).

Net income

Net income for the year was SEK 837m, corresponding to earnings per share of SEK 8.13 before dilution and SEK 8.12 per share after dilution. For full-year 2017, net income from continuing operations was SEK 690m, corresponding to earnings per share of SEK 6.77 before dilution and SEK 6.72 after dilution.

Cash flow

Cash flow from operating activities for the fourth quarter was SEK 16m (209). The change compared with the year-earlier period was attributable to increased working capital and higher income tax payments. The higher income tax for the quarter compared with the fourth quarter of 2017 pertains to the repayment made by the German tax agency in 2017, which was attributable to the tax audit of our German subsidiary that was concluded at that time. During the quarter, the cash flow was impacted by a payment amounting to SEK 75m for the acquisition of Tepui Outdoors Inc. In conjunction with the acquisition, an external loan amounting to SEK 6m was also repaid.

Cash flow from operating activities was SEK 606m (972) for the full year. The decline was primarily attributable to increased working capital, mainly driven by higher inventories, but also higher income tax payments compared with the preceding year, which were partly attributable to the repayments made by the German tax agency in 2017. Investments in tangible and intangible assets amounted to SEK 178m (expense: 128). During the year, a share issue valued at SEK 138m was carried out as a result of the exercise of warrants and a dividend amounting to SEK 619m was distributed to the company's shareholders. During the year, Thule Group entered into a new financing agreement and, in conjunction with the new agreement entering force, the existing loans under the old loan agreement were repaid, which was partially financed by borrowings under the new financing agreement, and partly from Thule Group's cash balances, resulting in an outflow of SEK 256m.

Financial position

At December 31, 2018, the Group's equity amounted to SEK 4,012m (3,467). The equity ratio amounted to 52.1 percent (47.6).

At December 31, 2018, net debt amounted to SEK 1,974m (1,719). Total long-term borrowing amounted to SEK 2,147m (2,283), and comprised loans from credit institutions of SEK 2,153m (2,275), gross, capitalized financing costs of SEK 11m (expense: 5) and the long-term portion of financial derivatives of SEK 5m (13). Total current financial liabilities amounted to SEK 28m (29) and comprised the short-term portion of financial derivatives and finance lease liabilities.

SEKm	Dec 31 2018	Dec 31 2017
Long-term loans, gross	2 153	2 275
Financial derivative liability, long-term	5	13
Short-term loans, gross	9	7
Financial derivative liability, short-term	19	21
Overdraft facilities	0	0
Capitalized financing costs	-11	-5
Accrued interest	0	0
Gross debt	**2 175**	**2 312**
Finanial derivative asset	-16	-12
Cash and cash equivalents	-186	-581
Net debt	**1 974**	**1 719**

Pledged assets for Thule Group amounted to SEK 0m (22).

Goodwill at December 31, 2018, amounted to SEK 4,448m (4,145). Of the increase, SEK 89m pertained to the acquisition of Tepui Outdoors Inc. At December 31, 2018, inventories amounted to SEK 1,078m (819). SEK 31m of the increase was attributable to currency effects and SEK 8m was attributable to acquired inventory. The increase otherwise pertains to a deliberate build-up of inventory levels, driven by product launches and the accumulation of components with long lead times for high-volume products. This is to ensure that our suppliers and our internal final assembly will be able to cost-efficiently meet the expected increase in sales during upcoming the peak season.

Other information

Acquisitions

On December 18, Thule Group acquired Tepui Outdoors Inc., a leading North American manufacturer of roof top tents. In recent years, sales of this type of product have steadily increased and the acquisition adds a large range of high-class roof top tents and accessories to an already broad range offered by Thule Group for consumers who live an active life. The synergies between the Thule brand's market leading expertise for solutions for taking equipment on the car and Tepui's roof top tent are evident from both a marketing and a manufacturing perspective.

Tepui Outdoors Inc. was founded in 2010 by Evan and Gabriela Currid. The company is based in Santa Cruz, California, and is headed by Evan Currid. He will continue to manage the product category in Thule Group. The total purchase consideration for Tepui Outdoors Inc. was USD 9.5m, on a debt-free/cash-free basis, with a potential maximum earn-out payment of USD 1.75m, which is based on revenue performance during the period 2019–2020.

Tepui Outdoors Inc. has approximately 20 employees and net sales for 2018 is calculated to be approximately USD 6.1m.

The acquisition is not expected to have any material impact on Thule Group's total sales and earnings. Moving forward, the new category, roof top tents, will be reported in the Sport&Cargo Carriers product category.

New financing

During the year, Thule Group entered into a new loan agreement that replaced the agreement contracted in conjunction with the IPO in November 2014. The new loan agreement, which entered force on June 29, 2018, is a revolving credit facility of EUR 300m with a maturity of five years and an option for extension of up to two years.

The new loan agreement aims to secure the long-term financing of the company through a more flexible and more cost-efficient agreement than previous agreements. The new loan agreement also includes a functionality for a possible future issuance of a commercial paper program of SEK 2,000m. In conjunction with the new agreement entering force, the existing loans under the old loan agreement were repaid, which was partially financed by borrowings under the new financing agreement, and partly from Thule Group's cash balances. The refinancing means that a nonrecurring cost of SEK 4m was charged to Thule Group's earnings and was attributable to the settlement of capitalized financing costs.

The preconditions provided by the new loan agreement mean that Thule Group's annual financing costs are expected to decrease by SEK 12–15m over time.

Commitments under the loan agreement are distributed equally between Nordea Bank AB (publ) and Swedbank AB (publ). Nordea Bank AB (publ) is acting as agent and coordinator of the transaction in their role as documentation agent.

Seasonal variations

Thule Group's sales and operating income are partially affected by seasonal variations. During the first quarter, sales are affected in the Sport&Cargo Carriers category (roof boxes, ski-racks, etc.) by winter conditions. The second and third quarters are impacted by how early the spring or summer arrives, where sales in individual quarters may be impacted by the quarter in which the spring or summer occurs. In the fourth quarter, seasonal variations are primarily attributable to sales of winter-related products (roof boxes, ski-racks, snowsport backpacks, etc.) and sales of products in the bag category prior to major holidays.

Employees

The average number of employees was 2,356 (2,119).

Thule Group's share

The shares of Thule Group AB are listed on the Nasdaq Stockholm Large Cap list. At December 31, 2018, the total number of shares in issue was 103,208,606.

Thule Group's 2014/2018 warrants program ended on March 5, 2018 and this meant that the number of shares in the company increased by 1,135,696 and a share issue for SEK 138m.

Proposed dividend

The Board of Directors proposes a dividend of SEK 7.0 per share which, based on the number of shares outstanding at February 13, 2019, corresponds to a dividend of SEK 722m. The proposed dividend comprises 86 percent of the earnings per share. It is also proposed that dividends be paid in two installments for a better adaptation to the Group's cash flow profile. The proposed record date for the first dividend payment of SEK 3.50 per share is April 30, 2019 and the proposed record date for the second payment of SEK 3.50 per share is October 7, 2019.

Annual General Meeting

The Annual General Meeting for Thule Group will be held on April 26, 2019, in Malmö, Sweden.

Shareholders

At December 31, 2018, Thule Group AB had 14,167 shareholders. At this date, the largest shareholders were AMF Försäkringar & Fonder (13.2 percent of the votes), Lannebo Fonder (5.5 percent of the votes), Nordea Fonder (5.3 percent of the votes), Handelsbanken Fonder (4.3 percent of the votes) and BlackRock (3.5 percent of the votes).

Parent Company

Thule Group AB's principal activity pertains to head office functions such as Group-wide management and administration. The comments below refer to the period January 1–December 31, 2018. The Parent Company invoices its costs to Group companies. The Parent Company reported net income of SEK 697m (pos: 597). The parent company received a dividend of SEK 700m (600).

Cash and cash equivalents and current investments amounted to SEK 0m (0). Long-term liabilities to credit institutions totaled SEK 2,133m (2,261).

The Parent Company's financial position is dependent on the financial position and development of its subsidiaries. The Parent Company is therefore indirectly impacted by the risks described in Note 6, Risks and uncertainties.

Sales trend by region

	Oct-Dec		Change		Jan-Dec		Change	
SEKm	2018	2017	Rep.	Adjust.[1]	2018	2017	Rep.	Adjust.[1]
Net sales	1 157	1 006	*15.0%*	*8.0%*	6 484	5 872	*10.4%*	*6.0%*
- Region Europe & ROW	741	628	*18.1%*	*13.0%*	4 632	3 983	*16.3%*	*10.3%*
- Region Americas	415	378	*9.8%*	*0.2%*	1 852	1 889	*-1.9%*	*-3.3%*

[1] Adjusted for changes in exchange rates

In the fourth quarter of 2018, net sales amounted to SEK 1,157m (1,006), representing an increase of 8.0 percent after currency adjustment. The continued strong performance of Region Europe & ROW was the driving factor behind increased sales.

Region Europe & ROW

In the fourth quarter, sales increased 13.0 percent (after currency adjustment) in Region Europe & ROW, which means that currency-adjusted growth for the full year was 10.3 percent.

In Sport&Cargo Carriers, the trend remained strong in all sub-categories. The new Thule Force XT roof box was launched in stores during the quarter and immediately received a very positive response. Phase 1 of the planned three phases of the launch of the new Thule Evo and Thule Edge roof racks was also well received by the market.

RV Products continued to develop well in a somewhat more cautious European motor-home and caravan market, in which awnings and bike racks, in particular, continued their strong growth.

The new Thule Sleek stroller had its first full quarter of sales in the fourth quarter. The increased sales resulting from this was the most important reason for this being the quarter with the highest growth during the year in the Active with Kids category, but our other products in the category also continued to grow.

Packs, Bags & Luggage continued the trend shown earlier in the year with stable growth in our focus categories, while sales in the category we term legacy products declined in excess of our expectations.

In a generally upbeat trend for the region, the Nordic countries, Germany, Benelux and Eastern Europe increased most rapidly, with Korea and Australia being other strong markets, driven by successful launches and investments in our retail support tools.

Sales in Region Europe & ROW rose 10.3 percent (after currency adjustment) for the full year.

Region Americas

In Region Americas, sales increased by 0.2 percent after currency adjustment in the fourth quarter, which was an improvement on the trend earlier in the year.

The planned phase-out of less profitable products linked to certain OE contracts dragged down sales by SEK 16m, while other operations increased sales by SEK 23m, largely due to increased sales of bags.

In the Sport&Cargo Carriers category, sales increased in a single quarter for the first time during the year, despite the negative impact of the OE contracts that we are phasing out. A positive trend in winter sport carriers and the successful launch of the Thule Force XT roof box were contributing factors.

In line with Region Europe & ROW, we had strong growth in Active with Kids, driven by the store roll-out of the Thule Sleek stroller.

The planned phase-out of certain contracts for cases and bags to OE customers continued, as expected, to have a big negative impact on Packs, Bags & Luggage during the quarter. The trend for other Legacy products (mainly camera bags and cases for tablets) with a more rapid decline than expected in this region, while sales in the key future categories of suitcases, backpacks and sports bags continued to grow.

The North American motorhome market was weak during the quarter, which to a certain extent also impacted our sales of RV Products, which is a very limited category for us in this region.

Sales in Region Americas fell 3.3 percent (after currency adjustment) for the full year. Excluding the strategic phase-outs, the development corresponded to negative 0.2 percent after currency adjustment.

Sales trend per product category for the full year

	Sport&Cargo Carriers		RV Products		Packs, Bags & Luggage		Active with Kids	
Share of Thule Group Sales 2018 (2017)	64% (65%)		14% (13%)		12% (14%)		10% (8%)	
	Eur&ROW	Americas	Eur&ROW	Americas	Eur&ROW	Americas	Eur&ROW	Americas
Share of Regional Sales 2018 (2017)	62% (62%)	71% (70%)	19% (19%)	1% (1%)	8% (9%)	21% (23%)	11% (10%)	7% (6%)
Sales Growth 2018 vs 2017 (Constant Currency)	+5.2%		+13.6%		-7.4%		+21.7%	
	+9%	-2%	+14%	+2%	-3%	-11%	+24%	+13%

Sport&Cargo Carriers

2018 was a key year in this category that is so important to Thule Group and we again achieved growth that exceeded the Group's overall target of annual organic growth of at least 5 percent (after currency adjustment), with growth of 5.2 percent. Region Europe & ROW performed very well with growth of 9 percent, while sales in Region Americas declined 2 percent. The entire sales decrease in Region Americas comprised the planned phase-out of an OE contract for accessories for pick-up trucks, while other operations remained at the same level as in prior years.

As we look ahead the portfolio was further strengthened during the year. We launched an entirely new generation of roof racks, raising the bar in the market in terms of safety and user-friendliness. This launch will be conducted in three phases until 2020 and the first phase commenced in Europe during the fourth quarter. In roof boxes, our major seller, the Thule Motion XT, was joined by a slightly simpler version, the Thule Force XT (launched in stores in the fourth quarter) and the new Thule Vecor premium box (which will be in stores from the autumn of 2019).

RV Products

Sales in this category are completely dominated by Region Europe & ROW and in an RV market that was strong throughout the year (estimated market growth of 9 percent) we continued to gain market share and grew 14 percent.

As expected, the market was somewhat less buoyant at the end of the year, but continued to grow and our expectations going forward are that the market will continue to show stable growth during 2019. We aim to continue capturing market shares in a more stable market with somewhat lower growth than in the past three or four years.

Packs, Bags & Luggage

This category was a disappointment during the year. We were fully aware that the strategic decision to phase out certain low-margin OE contracts would reduce sales and also that we would be impacted by a generally declining market for the formerly large Legacy categories (especially camera bags and tablet cases). The decline in OE sales in the US of SEK 30m was thus expected, but the negative trend for Legacy products was clearly worse than anticipated and reduced sales by SEK 52m.

This development meant that, at year-end 2018, our Legacy&OE business accounted for 34 percent (42) within this category. In these sub-categories, we see that our sales will continue to decline, but we are entering 2019 with a significantly stronger portfolio in the growth categories, which now account for 66 percent of category sales and which grew in 2018. In 2019, three new suitcase collections will be launched in stores, including the company's first hard shell collection, Thule Revolve, which will arrive in the first quarter. The offering of small bags for everyday use is being expanded by new Back-to-Campus collections and we are launching new hydration backpacks for mountainbiking in sports bags, among other products.

Active with Kids

2018 was another year of success in this category, with growth of 22 percent. Region Europe & ROW grew most rapidly as the successful bicycle trailer and child bike seat categories are significantly larger in this region.

In the autumn, the launch of the four-wheel Thule Sleek stroller drove rapid growth, but sales of the updated Thule Urban Glide 2 sport stroller also increased during the year. With a broader offering to juvenile stores, we are looking forward to continued positive development in 2019.

The Board of Directors and the President provide their assurance that this interim report provides a fair and accurate view of the Group's and the Parent Company's operations, financial position and earnings, and describes the material risks and uncertainties faced by the Parent Company and other companies in the Group.

February 13, 2019

Board of Directors

Review report

This report has not been reviewed by the company's auditor.

Selected key events during the period

Thule Force XT launched in stores during the quarter – With a design inspired by the major seller launched in 2017, the Thule Motion XT roof box, the somewhat simpler Thule Force XT model is ideal for consumers seeking a practical box with good design and high quality at a slightly lower price.

Continued increased distribution of our luggage – Our successes with the Thule Subterra luggage collection and the expectations of the upcoming new collections for 2019 meant that, during the year, we continued to gain new retailers for Thule in the bags category. Just before Christmas, another two of the world's most renowned department stores, Le Bon Marché in Paris and KaDeWe in Berlin (photo), among others, began to sell Thule luggage. Other department stores, such as La Rinascente (Milan) and Takashimaya (Tokyo and Singapore), had already introduced the brand to their customers.

Financial statements

(Unless otherwise stated, all amounts are in SEK m)

Consolidated Income Statement

	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Continuing operations					
Net sales	*2*	1 157	1 006	6 484	5 872
Cost of goods sold		-720	-608	-3 858	-3 455
Gross income		**437**	**398**	**2 626**	**2 416**
Other operating revenue		0	-0	0	4
Selling expenses		-286	-252	-1 156	-1 053
Administrative expenses		-87	-81	-307	-300
Other operating expenses		0	0	0	0
Operating income	*2*	**64**	**65**	**1 163**	**1 067**
Net interest expense/income		-8	-16	-48	-52
Income before taxes		**56**	**49**	**1 114**	**1 015**
Taxes	*5*	-13	-89	-277	-325
Net income from continuing operations		**44**	**-40**	**837**	**690**
Discontinued operations					
Net income from discontinued operations	*3*	0	-1	0	17
Net income		**44**	**-41**	**837**	**707**
Consolidated net income pertaining to:					
Shareholders of Parent Company		44	-41	837	707
of which, pertaining to continuing operations		44	-40	837	690
of which, pertaining to discontinued operations		0	-1	0	17
Net income		**44**	**-41**	**837**	**707**
Earnings per share continuing operations, SEK before dilution		0.42	-0.39	8.13	6.77
Earnings per share continuing operations, SEK after dilution		0.42	-0.39	8.12	6.72
Earnings per share, SEK before dilution		0.42	-0.40	8.13	6.93
Earnings per share, SEK after dilution		0.42	-0.40	8.12	6.89
Average number of shares (millions)		103.2	102.1	103.0	101.9

Consolidated Statement of Comprehensive Income

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Net income	44	-41	837	707
Items that have been carried over or can be carried over to net income				
Foreign currency translation	-12	144	318	-111
Cash flow hedges	9	-10	13	-1
Net investment hedge	7	-61	-118	-0
Period change in fair value of available for sale financial assets	0	0	0	24
Tax on components in other comprehensive income	-5	9	-0	26
Items that cannot be carried over to net income				
Revaluation of defined-benefit pension plans	3	-10	-13	-14
Tax pertaining to items that cannot be carried over to net income	0	3	4	4
Other comprehensive income	**2**	**76**	**203**	**-72**
Total comprehensive income	**46**	**35**	**1 040**	**634**
Total comprehensive income pertaining to:				
Shareholders of Parent Company	46	35	1 040	634
Total comprehensive income	**46**	**35**	**1 040**	**634**

Consolidated Balance Sheet

	Dec 31 2018	Dec 31 2017
Assets		
Intangible assets	4 476	4 177
Tangible assets	778	645
Long-term receivables	13	9
Deferred tax receivables	341	324
Total fixed assets	**5 609**	**5 155**
Inventories	1 078	819
Tax receivables	16	26
Accounts receivable	655	580
Prepaid expenses and accrued income	69	49
Other receivables	85	76
Cash and cash equivalents	186	581
Total current assets	**2 089**	**2 129**
Total assets	**7 697**	**7 285**
Equity and liabilities		
Equity	**4 012**	**3 467**
Long-term interest-bearing liabilities	2 147	2 283
Provision for pensions	169	148
Deferred income tax liabilities	221	185
Total long-term liabilities	**2 537**	**2 617**
Short-term interest-bearing liabilities	28	29
Accounts payable	564	519
Tax liabilities	78	217
Other liabilities	47	29
Accrued expenses and deferred income	406	382
Provisions	25	25
Total short-term liabilities	**1 148**	**1 201**
Total liabilities	**3 685**	**3 817**
Total equity and liabilities	**7 697**	**7 285**

Consolidated Statement of Changes in Equity

	Dec 31 2018	Dec 31 2017
Opening balance, January 1	3 467	3 826
Adjustment to Equity, January 1	-2	0
Net income	837	707
Other comprehensive income	203	-72
Total comprehensive income	**1 040**	**634**
Transactions with the Group's owners:		
New share issue	138	110
Dividend	-619	-1 113
Other	-12	10
Closing balance	**4 012**	**3 467**

Consolidated Statement of Cash Flow

	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Income before taxes	56	49	1 114	1 015
Income from discontinued operations before taxes	0	-1	0	38
Adjustments for items not included in cash flow	2	24	118	74
Paid income taxes	-37	33	-369	-138
Cash flow from operating activities prior to changes in working capital	**21**	**105**	**863**	**990**
Cash flow from changes in working capital				
Increase(-)/Decrease (+) in inventories	-207	-166	-222	-14
Increase(-)/Decrease (+) in receivables	134	177	-79	-6
Increase(+)/Decrease (-) in liabilities	67	94	44	3
Cash flow from operating activities	**16**	**209**	**606**	**972**
Investing activities				
Acquisition of subsidiaries	-75	0	-75	0
Sale of subsidiaries	0	-0	0	145
Acquisition/divestment of tangible/intangible assets	-54	-12	-178	-128
Cash flow from investing activities	**-130**	**-13**	**-253**	**17**
Financing activities				
New issue of shares	0	0	138	110
Others	-4	0	-12	10
Dividend	-310	-174	-619	-1 113
Debt repaid/new loans	100	-176	-256	-176
Cash flow from financing activities	**-213**	**-349**	**-749**	**-1 169**
Net cash flow	-327	-153	-396	-181
Cash and cash equivalents at beginning of period	512	733	581	763
Effect of exchange rates on cash and cash equivalents	1	1	2	-2
Cash and cash equivalents at end of period	**186**	**581**	**186**	**581**

Condensed Parent Company Income Statement

	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Other operating revenue	5	4	20	18
Administrative expenses	-6	-11	-32	-40
Operating income	**-1**	**-7**	**-12**	**-22**
Result from Shares in Subsidiaries	700	600	700	600
Interest income- and expense	-1	0	-3	3
Income after financial items	**698**	**593**	**685**	**581**
Appropriations	12	15	12	15
Net income before taxes	**710**	**608**	**697**	**596**
Taxes	0	0	1	1
Net income	**710**	**608**	**697**	**597**

Condensed Parent Company Balance Sheet

	Dec 31	Dec 31
	2018	2017
Assets		
Financial fixed assets	5 449	5 468
Total fixed assets	**5 449**	**5 468**
Other current receivables	15	18
Cash and cash equivalents	0	0
Total current assets	**15**	**18**
Total assets	**5 464**	**5 486**
Equity and liabilities		
Equity	**2 106**	**1 903**
Other provisions	11	7
Liabilities to credit institutions	2 133	2 261
Liabilities to Group companies	368	368
Total long-term liabilities	**2 512**	**2 636**
Liabilities to credit institutions	0	0
Liabilities to Group companies	834	927
Other current liabilities	11	20
Total short-term liabilities	**846**	**947**
Total equity and liabilities	**5 464**	**5 486**

Disclosures, accounting policies and risk factors

Disclosures in accordance with Paragraph 16A of IAS 34 *Interim Financial Reporting* can be found in the financial statements and the associated notes as well as in other sections of the interim report.

Note 1 Accounting policies

This condensed consolidated interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, and the applicable provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act on interim financial reporting. With the following exceptions, the same accounting policies and calculation methods have been applied for the Group and Parent Company as in the most recent Annual Report. In 2018, the Group started to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The effects of these standards were described in the latest annual report. Work has been ongoing evaluating the impact of implementing IFRS 16 Leases, which is to be applied in the Group as of January 1, 2019. The lease portfolio mainly comprises operational leases for offices, warehousing, some equipment and company cars. Thule Group has applied the modified retrospective approach, which entails that the comparative figures have not been restated. Usage rights that apply to the leasing of properties in Sweden and the US are measured on the first day of application as if the standard has always been applied. Other usage rights are measured at amounts equal to the lease liability. The estimated impact on the balance sheet entails that the Group’s assets increase by approximately SEK 140m relating to right-of-use assets, interest-bearing lease liabilities will increase approximately SEK 170m and with an equity effect of about SEK 30m on the transition date.

Note 2 Operating segments and allocation of revenue

The two product groups (racks and other accessories for pick-up trucks) that were previously included in the Specialty operating segment are now recognized as part of continuing operations. Comparative figures have been recalculated retroactively. The remaining part of the Specialty operating segment, toolboxes for pick-up trucks, was divested in June 2017 and is reported as a discontinued operation. Refer to Note 3 Discontinued operations. As a result of the divestment of the Specialty operating segment, the Group now comprises one segment.

	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Sales to customers	**1 157**	**1 006**	**6 484**	**5 872**
- Region Europe & ROW	741	628	4 632	3 983
- Region Americas	415	378	1 852	1 889
Underlying EBITDA	**84**	**82**	**1 238**	**1 136**
Operating depreciation/amortization	-20	-17	-74	-67
Underlying EBIT	**64**	**65**	**1 164**	**1 069**
Other depreciation/amortization	0	0	-1	-1
Items affecting comparability	0	0	0	0
Operating income	**64**	**65**	**1 163**	**1 067**
Net interest expense/income	-8	-16	-48	-52
Taxes	-13	-89	-277	-325
Net income from discontinued operations	0	-1	0	17
Consolidated net income	**44**	**-41**	**837**	**707**

All revenue is recognized at one point in time.

Note 3 Discontinued operations

	Jan - Dec 2018	2017
Revenue	-	127
Expenses	-	-110
Income before taxes	**-**	**17**
Capital gain from divestment of discontinued operation	-	21
Taxes	-	-21
Net income from discontinued operations	**-**	**17**
Earnings per share, discontinued operations, SEK	-	0,17

	Jan - Dec 2018	2017
Cash flow from discontinued operations		
Operating cash flow before investments	-	29
Operating cash flow after investments	-	29

Note 4 Fair value of financial instruments

	Fair value Dec 31 2018	Dec 31 2017
Assets - Financial derivatives		
Currency forward contracts	8	6
Currency swaps	2	0
Currency options	0	0
Interest rate swaps	6	6
Total derivative assets	**16**	**12**
Liabilities - Financial derivatives		
Currency forward contracts	-6	-14
Currency swaps	-6	-6
Currency options	0	0
Interest rate swaps	-12	-14
Total derivative liabilities	**-24**	**-35**

The carrying amount is an approximation of the fair value for all financial assets and liabilities. The Group’s long-term liabilities are subject to variable interest rates, which means that changes in the basic interest rate will not have a significant impact on the fair value of the liabilities. According to the company’s assessment, neither have there been any changes in the credit margins that would significantly impact the fair value of the liabilities. The financial instruments measured at fair value in the balance sheet consist of derivatives held to hedge the Group’s exposure to interest rates, currency rates and raw material prices. All derivatives belong to Level 2.

Note 5 Taxes

The effective tax rate for January–December 2018 amounted to 24.9 percent. The effective tax rate for continuing operations corresponding to the 2017 period amounted to 32.0 percent. No significant events occurred during the year that could affect the Group’s effective tax rate.

Note 6 Risks and uncertainties

Thule Group is an international company and its operations may be affected by a number of risk factors in the form of operational and financial risks. The operational risks are managed by the operational units and the financial risks by the central finance department. The operational risks comprise the overall economic trend as well as consumption by both consumers and professional users, primarily in North America and Europe, where most of the Group's sales are conducted. An economic downturn in these markets could have a negative impact on the Group's sales and earnings. Changes in product technology and sales channel shifts could also affect the Group's sales and earnings negatively.

Thule Group's operations are also exposed to seasonal variations. Demand for consumer products for an active outdoor lifestyle (such as bike racks or water sport-related products) is greatest during the warmer months of the year, while demand for smaller bags is greatest when schools start and at the end of the year. Thule Group has adapted its production processes and supply chain in response to these variations.

Other relevant risk factors are described in Thule Group's Annual Report and pertain to industry and market-related risks, operating, legal and fiscal risks as well as financial risks.

Key figures

	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Net sales, SEKm	1 157	1 006	6 484	5 872
Net sales growth, %	15.0%	2.3%	10.4%	10.7%
Net sales growth, adjusted %[1]	8.0%	6.5%	6.0%	9.5%
Gross margin, %	37.8%	39.6%	40.5%	41.2%
Underlying EBIT, SEKm	64	65	1 164	1069
Underlying EBIT-margin, %	5.5%	6.5%	18.0%	18.2%
Operating income (EBIT), SEKm	64	65	1 163	1067
Operating margin, %	5.5%	6.5%	17.9%	18.2%
Earnings per share, SEK	0.42	-0.39	8.13	6.77
Earnings per share (total operations), SEK	0.42	-0.40	8.13	6.93
Equity ratio, %	52.1%	47.6%	52.1%	47.6%
Working capital, SEKm	969	957	969	957
Leverage ratio	1.6	1.5	1.6	1.5

[1] Adjusted for changes in exchange rates

Alternative performance measures

Alternative performance measures are used to describe the underlying development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by Group management to measure the company's financial performance. The alternative performance measures used are net debt (see table on page 5), underlying EBIT and underlying EBITDA. Underlying denotes that we have made adjustments for specific items, see Note 2 Operating segments and allocation of revenue. For further information, please refer to the Definitions section. These performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.

Definitions

Gross margin Gross income as a percentage of net sales.

Gross income Net sales less cost of goods sold.

Gross debt Total long and short-term borrowing including overdraft facilities, financial derivatives, capitalized transaction costs and accrued interest.

EBITDA (Earnings before interest, taxes, depreciation and amortization) Income before net financial items, taxes and depreciation/amortization and impairment of tangible and intangible assets.

EBITDA margin EBITDA as a percentage of net sales.

EBIT (Earnings before interest and taxes) Income before net financial items and taxes.

EBIT margin EBIT as a percentage of net sales.

Equity per share Equity divided by the number of shares at the end of the period.

Items affecting comparability Profit/loss items that are by their very nature unusual and significantly impact profit or loss. These play an important part in understanding the underlying business performance.

Net investments Investments in tangible and intangible assets adjusted for disposals.

Net debt Gross debt less cash and cash equivalents.

Operational depreciation/amortization The Group's total depreciation/amortization excluding depreciation/amortization of consolidated excess values. Other depreciation/amortization comprises depreciation/amortization of consolidated excess values.

LTM Rolling 12-month.

Earnings per share Net income for the period divided by the average number of shares during the period.

Working capital Comprises inventories, tax receivables, accounts receivable, prepaid expenses and accrued income, other receivables, cash and cash equivalents less accounts payable, income tax liabilities, other liabilities, accrued expenses and deferred income and provisions. Working capital in the cash flow excludes cash and cash equivalents.

Leverage ratio Net debt divided by the underlying LTM EBITDA.

Equity ratio Equity as a percentage of total assets.

Underlying EBITDA EBITDA excluding items affecting comparability.

Underlying EBIT EBIT excluding items affecting comparability and depreciation/amortization of consolidated excess values.

Financial calendar

Interim report, January–March 2019	April 26, 2019
Thule Group AGM (Malmö)	April 26, 2019
Interim report April–June 2019	July 18, 2019
Interim report July–September 2019	October 25, 2019

Thule Group's Annual Report will be available at www.thulegroup.com from the week commencing April 1, 2019.

Contacts

Fredrik Erlandsson, Senior Vice President Communications and IR
Tel: +46 (0)70-309 00 21, e-mail: fredrik.erlandsson@thule.com
Lennart Mauritzson, CFO
Tel: +46 (0)70-552 05 57, e-mail: lennart.mauritzson@thule.com

About Thule Group

Thule Group is a world leader in products that make it easy to bring the things you care for — easily, securely and in style — when living an active life. Under the motto *Active Life, Simplified.* — we offer products within **Sport&Cargo Carriers** (roof racks, roof boxes and carriers for transporting cycling, water and winter equipment, and roof top tents mounted on car), **Active with Kids** (bike trailers, strollers and child bike seats), **RV Products** (awnings, bike carriers and tents for motorhomes and caravans) and **Packs, Bags & Luggage** (e.g. computer and camera bags, luggage and hiking backpacks).

Thule Group has about 2,300 employees at nine production facilities and 35 sales offices worldwide. The Group's products are sold in 140 markets and in 2018, sales amounted to SEK 6.5 billion. www.thulegroup.com

Thule Group

Thule Group AB (publ)
Fosievägen 13
SE-214 31 Malmö, Sweden
Corp. Reg. No: 556770-6311
www.thulegroup.com