

Thule Group

Year-end report, fourth quarter, October–December 2019

Fourth Quarter

- **Net sales** for the quarter amounted to SEK 1,211m (1,157), corresponding to an increase of 4.7 percent. Adjusted for exchange rate fluctuations, sales rose 0.6 percent.
- **Underlying EBIT¹** amounted to SEK 71m (64), corresponding to an increase of 10.6 percent and a margin of 5.9 percent (5.5). Adjusted for exchange rate fluctuations, the margin declined 0.5 percentage points. **Operating income¹** amounted to SEK 47m (64) and was impacted by restructuring costs of SEK 24m.
- **Net income¹** was SEK 30m (44).
- **Cash flow from operating activities** totaled SEK 174m (16).
- **Earnings per share before dilution** amounted to SEK 0.29 (0.42).
- **The acquisition** of the operations of North America's leading player in roof rack mounted fishing rod vaults, Denver Outfitters, was completed on 30 December. The company had sales just below USD 1m in 2019 and the acquisition is not expected to have any material impact on Thule Group's total sales and earnings.

Full year

- **Net sales** for the full-year were SEK 7,038m (6,484) corresponding to an increase of 8.5 percent. Adjusted for exchange rate fluctuations, sales rose 3.9 percent.
- **Underlying EBIT¹** amounted to SEK 1,245m (1,164), corresponding to an increase of 7.0 percent and a margin of 17.7 percent (18.0). Adjusted for exchange rate fluctuations, the margin declined 0.7 percentage points. **Operating income¹** amounted to SEK 1,195m (1,163) and was impacted by a cost of SEK 25m pertaining to a product recall and by restructuring costs of SEK 24m.
- **Net income¹** was SEK 883m (837).
- **Cash flow from operating activities** totaled SEK 1,030m (606).
- **Earnings per share before dilution** amounted to SEK 8.56 (8.13).
- **The Board of Directors proposes a dividend** of SEK 7.50 per share, corresponding to SEK 774m based on the number of shares outstanding at February 12, 2020.

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales, SEKm	1 211	1 157	+4.7	7 038	6 484	+8.5
Underlying EBIT, SEKm	71	64	+10.6	1 245	1 164	+7.0
Operating income (EBIT), SEKm	47	64	-26.7	1 195	1 163	+2.8
Net income, SEKm	30	44	-31.6	883	837	+5.5
Earnings per share, SEK	0.29	0.42	-31.6	8.56	8.13	+5.3
Cash flow from operating activities, SEKm	174	16	+1011.1	1 030	606	+70.0

¹ The comparative figures are not adjusted to include the effects of the new accounting standard IFRS 16 Leases. Refer to Note 1 to see the effects.

CEO's statement

Solid financial results and key building blocks for future growth

Sales in the fourth quarter rose SEK 54m to SEK 1,211m, which was in line with our expectations. This means that for the full year, our sales were SEK 7,038m (6,484) and we posted growth of 8.5 percent (3.9 percent after currency adjustment).

Underlying EBIT was SEK 71m (64) for the quarter and SEK 1,245m (1,164) for the full year. Operating cash flow also improved during the quarter and in 2019, we generated an operating cash flow of SEK 1,190m (802).

Even if 2019 can be summed up as a somewhat average year when considering financial results, I am very happy that the company delivered growth in all four product categories.

In 2019 we have successfully driven a number of initiatives to strengthen our competitive position and create a better platform for future profitable growth. The extensive lay-out changes and efficiency programs implemented during the year at six of our nine assembly plants are now in their final phases. We also continued our aggressive product development initiative with several major projects for coming years, and invested 6 percent of sales in product development.

Our strength is further underlined by the growth of 6 percent for the year in our core brand, Thule, which now accounts for 83 percent of sales.

Region Europe & ROW – stable growth

During the quarter, sales in the region rose 4.2 percent (after currency adjustment), which entails currency-adjusted growth of 6.1 percent for the year.

Particularly positive for the quarter, in terms of product categories, were the strong sales of roof boxes driven by the new premium roof box, Thule Vector.

The luggage category also grew strongly driven by the launch of the Thule Crossover 2 collection. RV Products continued to grow driven by positive market growth in the large German market, and the fact that we continue to capture market shares.

On the market front, the UK posted healthy growth and Eastern Europe, with the exception of Russia, continued to grow rapidly. Healthy growth in South-East Asia during the quarter was linked to the successful launches of luggage and bags in the region.

Region Americas – phase-out of low-margin OE contracts impacts small quarter

Sales in Region Americas declined 5.7 percent after currency adjustment, during the quarter, which gave a decrease of 1.2 percent for the full year.

The previously communicated phase-out of certain low-margin OE contracts in the US had a negative impact on sales of SEK 11m in the fourth quarter and accounted for half of the negative trend in the region. The full-year negative effect on sales of the now completed phase-out was SEK 50m.

Sales in the US continued to disappoint and, in addition to the above phase-out, were primarily affected by declining sales for simpler bags and cases. Canada delivered its best quarter for the year with strong growth in most categories, while sales in Latin America were in line with last year.

The announced reorganization in North America was completed during the quarter.

A small add-on acquisition in December

At the end of the year, we acquired the operations of the niche company Denver Outfitters, with sales of just below USD 1m, North America's leading player in roof rack mounted fishing rod vaults.

Just as the rooftop tents that were acquired at the end of 2018, these fishing rod vaults will be retailed in 2020 under the Thule brand.

Positive expectations for 2020

Our long-term strategy, with major investments in sustainable product development of fantastic products, building a strong global brand, cost-effective assembly plants and efficient logistics leaves me convinced that we have an exciting year ahead of us.



Magnus Welander,
CEO and President

Financial overview¹

Trend for the fourth quarter

Net sales

In the fourth quarter of 2019, net sales amounted to SEK 1,211m (1,157), representing an increase of 4.7 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 0.6 percent.

In the Region Europe & ROW, net sales totaled SEK 797m (741), up 7.4 percent, and 4.2 percent after currency adjustments. Net sales in Region Americas amounted to SEK 414m (415), down 5.7 percent after currency adjustment year-on-year.

	Oct-Dec	Jan-Dec
	2019	2019
Change in net sales		
Changes in exchange rates	4.1%	4.6%
Structural changes	0.7%	1.0%
Organic growth	-0.1%	2.9%
Total	4.7%	8.5%

Gross income

Gross income for the quarter totaled SEK 463m (437), corresponding to a gross margin of 38.2 percent (37.8). After currency adjustment, the margin increase totaled 0.2 percentage points.

Operating income

Underlying EBIT amounted to SEK 71m (64), corresponding to an operating margin of 5.9 percent (5.5). Changes in exchange rates had a positive impact of SEK 12m. Operating income totaled SEK 47m (64) and was impacted by restructuring costs of SEK 24m, mainly attributable to North America.

	Oct-Dec	Jan-Dec
Change in underlying EBIT margin		
Underlying EBIT 2019	71	1 245
Underlying EBIT margin 2019	5.9%	17.7%
Underlying EBIT 2018	64	1 164
Underlying EBIT margin 2018	5.5%	18.0%
Underlying EBIT 2018, currency adjusted	76	1 247
Underlying EBIT marginal 2018, currency adjusted	6.3%	18.4%
Change in underlying EBIT margin, currency adjusted	-0.5%	-0.7%

Net financial items

In the quarter, net financial items amounted to an expense of SEK 14m (expense: 8). Exchange rate differences on loans and cash and cash equivalents were an expense of SEK 2m (expense: 1). The interest expense for borrowings was SEK 11m (expense: 7).

¹ The comparative figures are not adjusted to include the effects of the new accounting standard IFRS 16 Leases. Refer to Note 1 to see the effects.

Net income for the period

In the fourth quarter, net income was SEK 30m, corresponding to earnings per share of SEK 0.29 before and after dilution. For the year-earlier period, net income totaled SEK 44m, corresponding to earnings per share of SEK 0.42 before and after dilution.

Trend for the full year

Net sales

Net sales for the full-year 2019 amounted to SEK 7,038m (6,484), corresponding to an increase of 8.5 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 3.9 percent.

In Region Europe & ROW, net sales totaled SEK 5,057m (4,632), up 9.2 percent, and 6.1 percent after currency adjustments. In Region Americas, net sales totaled SEK 1,980 (1,852), corresponding to an increase of 6.9 percent. After currency adjustment, sales decreased 1.2 percent year-on-year.

Gross income

Gross income amounted to SEK 2,829m (2,626) corresponding to a gross margin of 40.2 percent (40.5). After currency adjustment, the margin decrease totaled 0.6 percentage points. The somewhat lower margin is attributable to the effects of the tariffs introduced in the US on imports from China and under absorption at our own production facilities due to production volumes that were slightly lower than planned.

Operating income

Underlying EBIT amounted to SEK 1,245m (1,164), corresponding to an operating margin of 17.7 percent (18.0). After currency adjustment, the margin decrease was 0.7 percentage points year-on-year, mainly due to lower gross income and the continued substantial investments we are making in sales, marketing, and product development. Operating income amounted to SEK 1,195m (1,163), corresponding to an operating margin of 17.0 percent (17.9). Operating income in the fourth quarter was impacted by a cost for a reorganization, primarily in North America, amounting to SEK 24m and, in the third quarter, by an estimated cost of SEK 25m pertaining to a product recall. The recall is ongoing and the final cost has not yet been established.

Even if we at Thule Group are focused on quality and safety, and test our products extensively in accordance with strict requirements, both legal and internal, it can happen that we need to recall a product after it reaches the market. In the second half of the year, we initiated a recall within the RV products category of two models of motorized awnings. During the summer we received reports that the awnings, on a limited number of occasions, opened unexpectedly. No accidents have been reported, but since we always prioritize safety we decided to order a product recall in collaboration with our partners, RV manufacturers and retailers to ensure that customers can upgrade the product.

Net financial items

Net financial items for the full year amounted to an expense of SEK 49m (expense: 48). The interest expense for borrowings was SEK 45m (expense: 37). Exchange rate differences on loans and cash and cash equivalents amounted to SEK 0 (expense: 5).

Net income

Net income for the year was SEK 883m, corresponding to earnings per share of SEK 8.56 before dilution and SEK 8.55 per share after dilution. For the full-year 2018, net income was SEK 837m, corresponding to earnings per share of SEK 8.13 before dilution and SEK 8.12 after dilution.

Cash flow

Cash flow from operating activities during the fourth quarter was SEK 174m (16). The change compared with the year-earlier period was attributable to an improvement in working capital. During the quarter, the cash flow was impacted by a payment amounting to SEK 10m for the acquisition of the assets of Denver Outfitters.

Cash flow from operating activities was SEK 1,030m (606) for the full year. The increase was mainly attributable to the improvement in working capital, which was primarily driven by a lower build-up of inventory. Investments in tangible and intangible assets amounted to SEK 161m (178). During the year, a dividend of SEK 722m was distributed to the company's shareholders.

Financial position

At December 31, 2019, the Group's equity amounted to SEK 4,330m (4,012). The equity ratio amounted to 52.3 percent (52.1).

Net debt amounted to SEK 2,119m (1,974) at December 31, 2019. Total long-term borrowing amounted to SEK 2,348m (2,147), and comprised loans from credit institutions of SEK 2,178m (2,144) gross, long-term finance lease liabilities of SEK 164m (9), capitalized financing costs of SEK 10m (11) and the long-term portion of financial derivatives of SEK 15m (5). Total current financial liabilities amounted to SEK 65m (28) and comprised the short-term portion of financial derivatives and finance lease liabilities.

SEKm	Dec 31 2019	Dec 31 2018
Long-term loans, gross	2 342	2 153
Financial derivative liability, long-term	15	5
Short-term loans, gross	53	9
Financial derivative liability, short-term	12	19
Overdraft facilities	0	0
Capitalized financing costs	-10	-11
Accrued interest	0	0
Gross debt	2 413	2 175
Financial derivative asset	-26	-16
Cash and cash equivalents	-268	-186
Net debt	2 119	1 974

Goodwill at December 31, 2019, amounted to SEK 4,620m (4,448). Of the increase, SEK 8m pertained to the acquisition of the assets of Denver Outfitters. At December 31, 2019, inventories amounted to SEK 1,092m (1,078). The entire increase was attributable to currency effects of SEK 30m.

Other information

Acquisitions

On 30 December, Thule Group acquired the assets of Denver Outfitters, North America's leading manufacturer of roof rack mounted fishing rod vaults. In 2019, Denver Outfitters had sales of around USD 1m and the purchase consideration amounted to USD 1m. The acquisition is not expected to have any material effect on Thule Group's financial performance or position.

Thule Group is the long-standing global market leader in enabling consumers to bring their outdoor gear to the trailhead, the mountain bike slope or the local lake. With the recent addition at the end of 2018 of North America's leading manufacturer of rooftop tents, Tepui, the portfolio of products that help consumers to live an active lifestyle outdoors has been broadened further. With this latest acquisition, roof rack mounted fly fishing rod vaults have been added to the product portfolio, and Thule can thus continue to grow the portfolio of solutions to help consumers bring the things they care for – easily, securely and in style.

Seasonal variations

Thule Group's sales and operating income are partially affected by seasonal variations. During the first quarter, sales in the Sport&Cargo Carriers category (roof boxes, ski-racks, etc.) are affected by winter conditions. The second and third quarters are impacted by how early the spring or summer arrives, while 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, snow sport backpacks, etc.) and sales of products in the bag category prior to major holidays.

Employees

The average number of employees was 2,422 (2,356).

Thule Group's share

The shares of Thule Group AB are listed on the Nasdaq Stockholm Large Cap list. At December 31, 2019, the total number of shares in issue was 103,208,606.

Proposed dividend

The Board of Directors proposes a dividend of SEK 7.50 per share, corresponding to SEK 774m based on the number of shares outstanding at February 12, 2020. The proposed dividend amounts to 88 percent of 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 3.75 per share is April 30, 2020 and the proposed record date for the second payment of SEK 3.75 per share is October 5, 2020.

Annual General Meeting

The Annual General Meeting for Thule Group will be held on April 28, 2020, in Malmö, Sweden.

Shareholders

At December 31, 2019, Thule Group AB had 14,120 shareholders. At this date, the largest shareholders were AMF Försäkringar & Fonder (11.1 percent of the votes), Nordea Fonder (4.8 percent of the votes), Handelsbanken Fonder (3.9 percent of the votes) and Didner & Gerge Fonder (3.8 percent of the votes). See www.thulegroup.com for further information on Thule Group's shareholders.

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, 2019. The Parent Company invoices its costs to Group companies. The Parent Company reported net income of SEK 814m (697). Cash and cash equivalents and current investments amounted to SEK 0m (0). Long-term liabilities to credit institutions totaled SEK 2,168m (2,133).

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 5, Risks and uncertainties.

Sales trend by region

SEKm	Oct-Dec		Change		Jan-Dec		Change	
	2019	2018	Rep.	Adjust. ¹	2019	2018	Rep.	Adjust. ¹
Net sales	1 211	1 157	4.7%	0.6%	7 038	6 484	8.5%	3.9%
- Region Europe & ROW	797	741	7.4%	4.2%	5 057	4 632	9.2%	6.1%
- Region Americas	414	415	-0.3%	-5.7%	1 980	1 852	6.9%	-1.2%

¹ Adjusted for changes in exchange rates

Region Europe & ROW

Net sales for the fourth quarter 2019 amounted to SEK 797m (741), corresponding to an increase of 7.4 percent (4.2 percent after currency adjustment). Growth for the full year was 9.2 percent (6.1 percent after currency adjustment).

The following positive trends were notable for the fourth quarter in terms of categories and markets:

- Roof box sales were very good, driven by the successful launch of the new premium roof box, Thule Vector.
- The European RV market continued to develop favorably and we continued to capture market shares. The general market trend differs greatly between countries, with the large German market continuing to post double-digit growth while countries such as the UK and Sweden noted substantial declines and southern Europe was in line with the preceding year.
- The newer category, Luggage, performed very well, driven by the successful launch during the quarter of our second soft luggage collection, Thule Crossover 2, but also by the continued positive trend for the two other collections (Thule Subterra and Thule Revolve).
- The UK and all of the East European markets, with the exception of Russia, noted a healthy trend.
- Increasing sales of luggage and bags in Asia contributed to strong figures, primarily for South-East Asia.

After having been the largest growth driver in the region in the first six months of the year, sales of bike racks tracked the preceding year. This was expected, given that it was the low season for the bike category.

Region Americas

In Region Americas, sales decreased 0.3 percent (5.7 percent after currency adjustment) during the fourth quarter. The announced phase-out of less profitable products linked to certain OE contracts reduced sales by SEK 11m, which corresponded to around half of the decline. For the full year, sales grew 6.9 percent (down 1.2 percent after currency adjustment). The phased-out OE contracts reduced sales in the region by SEK 50m.

The US market continued to be the weakest market in the region in the fourth quarter, which was driven mainly by the previously announced phase-out of low-margin OE contracts and reduced sale of legacy products with simpler bags and cases in the Packs, Bags & Luggage category. Sales remained volatile in Latin America, in line with last year, though it was positive to note the strong sales in Canada across all product categories.

At the end of the quarter, we acquired the operations of the niche company Denver Outfitters, North America's leading manufacturer of roof rack mounted fishing rod vaults. The acquisition complements the entry into the rooftop tent category completed at the end of 2018 through the acquisition of Tepui. In combination with a broader offering of awnings for SUVs, this has created a growing product portfolio in adventure camping, primarily in the North American market. Both sub-categories will be sold under the Thule brand in 2020.

The reorganization of the North American organization announced in the third quarter was completed during the fourth quarter.

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 2019 (2018)	63% (64%)		15% (14%)		12% (12%)		10% (10%)	
Share of Regional Sales 2019 (2018)	Eur&ROW 59% (62%)	Americas 71% (71%)	Eur&ROW 21% (19%)	Americas 1% (1%)	Eur&ROW 8% (8%)	Americas 21% (21%)	Eur&ROW 12% (11%)	Americas 7% (7%)
Sales Growth 2019 vs 2018 (Constant Currency)	+1.1% +2% -1%		+13.2% +13% +9%		+2.4% +7% -2%		+11.1% +15% -3%	

Sport&Cargo Carriers

Compared with the preceding year, growth in 2019 was impacted by four key factors:

- The phase-out of one low-margin OE contract in the US market for more basic pick-up truck accessories. The reduction in sales of SEK 44m had a negative impact of 1.1 percent on sales for the category.
- Lower sales of roof racks, mainly in the first half of the year, due to customers reducing inventories of the previous generation. Phase 2 of the new generation (of the three planned phases) is currently being launched in the market and we expect the phase-out of older products to be completed in 2020.
- The announced one-time contract in the Nordic market for roof boxes as part of a campaign for Volkswagen, which resulted in the comparative figures for the first half of 2018 being exceptionally high in that region.
- Extremely challenging conditions in the US market, primarily for the bike category, influenced consumers' cautious purchasing behavior in conjunction with the introduction of import tariffs.

Looking ahead, we are convinced that with fewer specific one-time factors and our market-leading product portfolio, we will return to normal growth in this category in 2020.

RV Products

Sales in this category are completely dominated by Region Europe & ROW and therefore heavily influenced by a European RV market that was unexpectedly strong throughout the year (the market is estimated to have grown 8 percent). We continued to capture market shares and grew 13 percent, driven mainly by accessories for smaller RVs where we have an very strong product offering.

For 2020, market expectations are that we will see somewhat lower market growth than we have over the past three to four years and where we as a company expect to continue to win market share.

Packs, Bags & Luggage

The general market decline in the previously large legacy categories (primarily camera bags and tablet cases), together with the phaseout of certain low-margin OE contracts for simpler cases, reduced sales by SEK 35m, mostly affecting sales in the US. In 2019, these shrinking sub-categories accounted for 29 percent (34) of the category.

Sales in the sub-categories where we are making strategic investments for the future – that is luggage, backpacks, bags for everyday use and sport-specific bags – grew SEK 54m (up 10 percent after currency adjustment).

Active with Kids

2019 was another successful year in the Region Europe & ROW in the category, where strollers and bicycle trailers posted rapid growth. Sales of child bike seats declined somewhat due to aggressive pricing by Central European competitors.

The performance in North America was a disappointment, partly due to that the largest competitor to our highly appreciated jogging stroller, Thule Urban Glide 2, decided to offer large discounts throughout the year – a pricing model we decided not to follow – as well as less success in breaking into juvenile store sector in the same way as in Europe with our new stroller, Thule Sleek. Over the year, we have bolstered the sales force with new personnel from the industry, and this together with the new Thule Spring stroller, which we are convinced better matches the way North American parents use strollers, means we look forward with high hopes for the performance in 2020.

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 12, 2020

Board of Directors

Review report

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

Selected key events during the period



Acquisition of Denver Outfitters — In December, the operations of the niche company Denver Outfitters, North America's leading player in the roof rack mounted fishing rod vaults category, was completed. The company had sales of below USD 1m, but the products, in combination with the new rooftop tents (added through the acquisition of Tepui in December 2018) and our broader offering of awnings for SUVs, create an exciting expanding portfolio of adventure camping products suitable for the North American market.



Thule Crossover 2 collection of business and leisure luggage launched – Our second full collection of soft luggage was launched during the quarter. With backpacks for everyday use, carry-on luggage and checked luggage, we now have three complete luggage collections in the market.

Financial statements

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

Consolidated Income Statement

	Note	Oct - Dec		Jan - Dec	
		2019	2018	2019	2018
Net sales	2	1 211	1 157	7 038	6 484
Cost of goods sold		-748	-720	-4 209	-3 858
Gross income		463	437	2 829	2 626
Selling expenses		-330	-286	-1 315	-1 156
Administrative expenses		-86	-87	-319	-307
Other operating expenses		0	0	0	0
Operating income	2	47	64	1 195	1 163
Net interest expense/income		-14	-8	-49	-48
Income before taxes		33	56	1 146	1 114
Taxes	4	-3	-13	-263	-277
Net income		30	44	883	837
Consolidated net income pertaining to:					
Shareholders of Parent Company		30	44	883	837
Net income		30	44	883	837
Earnings per share, SEK before dilution		0.29	0.42	8.56	8.13
Earnings per share, SEK after dilution		0.29	0.42	8.55	8.12
Average number of shares (millions)		103.2	103.2	103.2	103.0

Consolidated Statement of Comprehensive Income

	Oct - Dec		Jan - Dec	
	2019	2018	2019	2018
Net income	30	44	883	837
Items that have been carried over or can be carried over to net income				
Foreign currency translation	-187	-12	249	318
Cash flow hedges	15	9	6	13
Net investment hedge	44	7	-34	-118
Tax on components in other comprehensive income	-10	-5	-13	-0
Items that cannot be carried over to net income				
Revaluation of defined-benefit pension plans	14	3	-28	-13
Tax pertaining to items that cannot be carried over to net income	-3	0	6	4
Other comprehensive income	-127	2	185	203
Total comprehensive income	-98	46	1 069	1 040
Total comprehensive income pertaining to:				
Shareholders of Parent Company	-98	46	1 069	1 040
Total comprehensive income	-98	46	1 069	1 040

Consolidated Balance Sheet

	Dec 31 2019	Dec 31 2018
Assets		
Intangible assets	4 664	4 476
Tangible assets	1 023	778
Long-term receivables	5	13
Deferred tax receivables	376	341
Total fixed assets	6 067	5 609
Inventories	1 092	1 078
Tax receivables	1	16
Accounts receivable	704	655
Prepaid expenses and accrued income	62	69
Other receivables	91	85
Cash and cash equivalents	268	186
Total current assets	2 218	2 089
Total assets	8 285	7 697
Equity and liabilities		
Equity	4 330	4 012
Long-term interest-bearing liabilities	2 348	2 147
Provision for pensions	205	169
Deferred income tax liabilities	259	221
Total long-term liabilities	2 812	2 537
Short-term interest-bearing liabilities	65	28
Accounts payable	529	564
Tax liabilities	14	78
Other liabilities	52	47
Accrued expenses and deferred income	430	406
Provisions	54	25
Total short-term liabilities	1 143	1 148
Total liabilities	3 955	3 685
Total equity and liabilities	8 285	7 697

Consolidated Statement of Changes in Equity

	Dec 31 2019	Dec 31 2018
Opening balance, January 1	4 012	3 467
Adjustment to Equity, January 1	-26	-2
Net income	883	837
Other comprehensive income	185	203
Total comprehensive income	1 069	1 040
Transactions with the Group's owners:		
New share issue	0	138
Dividend	-722	-619
Buy back of warrants	-3	-12
Closing balance	4 330	4 012

Consolidated Statement of Cash Flow

	Oct - Dec		Jan - Dec	
	2019	2018	2019	2018
Income before taxes	33	56	1 146	1 114
Adjustments for items not included in cash flow	1	2	160	118
Paid income taxes	-52	-37	-298	-369
Cash flow from operating activities prior to changes in working capital	-18	21	1 008	863
Cash flow from changes in working capital				
Increase(-)/Decrease (+) in inventories	-138	-207	19	-222
Increase(-)/Decrease (+) in receivables	186	134	-31	-79
Increase(+)/Decrease (-) in liabilities	145	67	34	44
Cash flow from operating activities	174	16	1 030	606
Investing activities				
Acquisition of subsidiaries	-10	-75	-10	-75
Acquisition/divestment of tangible/intangible assets	-58	-54	-161	-178
Cash flow from investing activities	-67	-130	-171	-253
Financing activities				
New issue of shares	0	0	0	138
Buy back of warrants	-2	-4	-3	-12
Dividend	-361	-310	-722	-619
Debt repaid/new loans	-14	100	-53	-256
Cash flow from financing activities	-378	-213	-779	-749
Net cash flow	-271	-327	81	-396
Cash and cash equivalents at beginning of period	540	512	186	581
Effect of exchange rates on cash and cash equivalents	-1	1	1	2
Cash and cash equivalents at end of period	268	186	268	186

Condensed Parent Company Income Statement

	Oct - Dec		Jan - Dec	
	2019	2018	2019	2018
Other operating revenue	5	5	19	20
Administrative expenses	-9	-6	-34	-32
Operating income	-4	-1	-15	-12
Result from Shares in Subsidiaries	800	700	800	700
Interest income- and expense	-3	-1	-12	-3
Income after financial items	793	698	773	685
Appropriations	45	12	45	12
Net income before taxes	838	710	818	697
Taxes	-8	0	-4	1
Net income	830	710	814	697

Condensed Parent Company Balance Sheet

	Dec 31	Dec 31
	2019	2018
Assets		
Financial fixed assets	5 586	5 449
Total fixed assets	5 586	5 449
Other current receivables	47	15
Cash and cash equivalents	0	0
Total current assets	47	15
Total assets	5 633	5 464
Equity and liabilities		
Equity	2 195	2 106
Other provisions	14	11
Liabilities to credit institutions	2 168	2 133
Liabilities to Group companies	368	368
Total long-term liabilities	2 551	2 512
Liabilities to credit institutions	0	0
Liabilities to Group companies	871	834
Other current liabilities	16	11
Total short-term liabilities	887	846
Total equity and liabilities	5 633	5 464

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. The Group has applied IFRS 16 Leases from January 1, 2019. A description of IFRS 16 and the effects of the transition were described in Note 1 of the latest annual report. As the Group has applied the modified retrospective approach, the comparative figures have not been restated. The following extracts from the financial statements have been recalculated as if IAS 17 had been applied in 2019. Operating income, shown in the table below, the net impact of reversed operating leasing fees and depreciation for right-of-use assets is shown.

Comparative figures as if IAS 17 had been applied in 2019.

Extract from income statement	IFRS 16			IAS 17		
	Oct - Dec			Jan - Dec		
	2019	2019	2018	2019	2019	2018
Underlying EBITDA	113	97	84	1 383	1 322	1 238
Underlying EBIT	71	70	64	1 245	1 236	1 164
Operating income	47	46	64	1 195	1 186	1 163
Net interest expense/income	-14	-11	-8	-49	-40	-48
Income before taxes	33	35	56	1 146	1 146	1 114
Net income	30	31	44	883	883	837

Extract from balance sheet	IFRS 16			IAS 17		
	Dec 31			Dec 31		
	2019	2019	2018	2019	2019	2018
Assets						
Tangible assets	1 023	858	778			
Deferred tax receivables	376	368	341			
Equity	4 330	4 356	4 012			
Liabilities						
Long-term interest-bearing liabilities	2 348	2 199	2 147			
Short-term interest-bearing liabilities	65	14	28			

Note 2 Operating segments and allocation of revenue

Thule Group comprises one segment. Though the Group has shared global processes for product development, purchasing, manufacture, logistics and marketing, its sales are managed in two regions, Region Europe & ROW and Region Americas. Internal monthly follow-up focuses on the Group as a whole, in addition to the geographic sales data, which is presented at other levels than Group level.

	Oct - Dec		Jan - Dec	
	2019	2018	2019	2018
Sales to customers	1 211	1 157	7 038	6 484
- Region Europe & ROW	797	741	5 057	4 632
- Region Americas	414	415	1 980	1 852
Underlying EBITDA	113	84	1 383	1 238
Operating depreciation/amortization	-42	-20	-138	-74
Underlying EBIT	71	64	1 245	1 164
Other depreciation/amortization	0	0	-1	-1
Items affecting comparability	-24	0	-49	0
Operating income	47	64	1 195	1 163
Net interest expense/income	-14	-8	-49	-48
Taxes	-3	-13	-263	-277
Consolidated net income	30	44	883	837

All revenue is recognized at one point in time.

Note 3 Fair value of financial instruments

	Fair value	
	Dec 31	Dec 31
	2019	2018
Assets - Financial derivatives		
Currency forward contracts	13	8
Currency swaps	3	2
Currency options	0	0
Interest rate swaps	9	6
Total derivative assets	26	16
Liabilities - Financial derivatives		
Currency forward contracts	-5	-6
Currency swaps	-7	-6
Currency options	0	0
Interest rate swaps	-15	-12
Total derivative liabilities	-27	-24

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 4 Taxes

The effective tax rate for January–December 2019 amounted to 22.9 percent. The effective tax rate for the corresponding period in 2018 amounted to 24.9 percent. During the quarter we benefited from a tax reduction attributable to our operations in Poland of SEK 11m. Otherwise, no significant events affecting the Group's effective tax rate occurred during the year.

Note 5 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	
	2019	2018	2019	2018
Net sales, SEKm	1 211	1 157	7 038	6 484
Net sales growth, %	4.7%	15.0%	8.5%	10.4%
Net sales growth, adjusted % ¹	0.6%	8.0%	3.9%	6.0%
Gross margin, %	38.2%	37.8%	40.2%	40.5%
Underlying EBIT, SEKm	71	64	1 245	1 164
Underlying EBIT-margin, %	5.9%	5.5%	17.7%	18.0%
Operating income (EBIT), SEKm	47	64	1 195	1 163
Operating margin, %	3.9%	5.5%	17.0%	17.9%
Earnings per share, SEK	0.29	0.42	8.56	8.13
Equity ratio, %	52.3%	52.1%	52.3%	52.1%
Working capital, SEKm	1 140	969	1 140	969
Leverage ratio	1.5	1.6	1.5	1.6

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.

Operating cash flow Cash flow based on underlying EBITDA and operating working capital including investments in tangible and intangible assets but excluding interest and tax payments.

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 2020
Thule Group AGM (Malmö)
Interim report April–June 2020
Interim report July–September 2020

April 28, 2020
April 28, 2020
July 21, 2020
October 23, 2020

Thule Group's Annual Report will be available at www.thulegroup.com from the week commencing April 6, 2020.

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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 sports equipment, and rooftop tents mounted on a car), **Active with Kids** (bicycle trailers, buggies and child bike seats), **RV Products** (awnings, bike racks and tents for motorhomes and caravans) and **Packs, Bags & Luggage** (e.g. hiking backpacks, luggage and camera bags).

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 2019, sales amounted to SEK 7 billion. www.thulegroup.com



Thule Group >>

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