



Thule Group Interim Report Q2-2020

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Welcome

Good morning everybody and welcome to this Q2 analyst presentation. I have to say, what a weird quarter it has been. I think for anybody in business it has been one of those very extreme years but especially the last quarter has been the most extreme in my business life of 30 years. Both in seeing differences between countries, between months and between categories that are very significant in the same short time span.

2020/Q2 – High profitability in extreme quarter

We can talk about a quarter two where I am very happy to see what we have managed to achieve in terms of profitability in what has been a challenging quarter. Our sales declined with 12%. We hit SEK 2.043 billion and actually the decline was very much in line between the two regions with both declining 12%. However, what I am most happy with is how we have shown that our flexible production setup and our structure in business has enabled us to still deliver a very good EBIT margin of 21% in the quarter, compared to the 24.1% we had in the second quarter last year. The net income in the quarter was SEK 312 million compared to SEK 419 million last year and we generated very strong cash flow from our activities in the quarter of SEK 523 million. If you look at that it was a quarter with very different periods. As you may remember from the Q1 conference call when we were at the very end of April, April was almost down half the volume of what we did the previous year. That means of course that we saw a big shift in the month that came where you can really state that as of mid-May when a number of the major markets we operate in started to ease their lockdown measures, our performance immediately started picking up. We ended with a very strong June compared to last year.

2020/Q2 and YTD – Net Sales and Underlying EBIT development

If we look at what that has meant year-to-date as well you can see that year-to-date we have had a decline of sales of 10% in constant currency and a decline of 18% in EBIT, delivering year-to-date an EBIT margin of 20% in the half year result. A strong performance in a challenging market when we look at those first six months as well. If we then challenge what we have been able to do, we also have to say the differences are not just the months in the quarters which had great differences. It is also the geographies and the categories.

Region Americas – Bike related products and strollers the strong performers

Countries

In Region Americas the quarter ended with 12% sales decline. What is common for both regions is that month-by-month performance is very obviously the same, which means a very weak April followed by an okay May and a very strong June. That applies for both regions. If you look at what happens from a market-by-market perspective within the region you know that Region Americas by the logical nature of things is very strongly dominated by the US which is the biggest market in the region. In the US you are also very well aware, having followed the media I am sure, that the States had imposed different levels of lockdown measures at different times in the US. That of course impacted us differently as those different states closed down in various ways. What you can say in general is that the bigger states where we have the majority of our revenue in the US as well as Canada, started easing up on lockdown measures in mid-May. We started then immediately picking up sales. Whilst in Latin America we clearly saw that the whole Covid impact came later and I know you all follow media so that is not a surprise to you. There has been

significant efforts of pandemic lockdown later in the period which also has resulted for us in Latin America being the weakest performing countries or region within Region Americas as we have seen an opening up from mid-May in North America.

Categories

If we look at the product category trends before we talk about our product categories, it is well worth mentioning that in many of our categories we are positively exposed to bike related products. We do both in Sport & Cargo Carriers, our biggest product subset is the bike carrier range within Sport & Cargo Carriers but also within Active with Kids we are a very strong player with bike related products doing both bike trailers and child bike seats and strollers. However, two out of the three categories are associated with bike usage. Even within Packs, Bags & Luggage we have bike transport cases, bike hydration packs and bike pannier bags so there is some exposure to a lesser extent in Packs, Bags & Luggage as well. That is the strongest trend and wave we have seen of positive momentum. The bike sector is normally a sector with a very strong spring and slowing down when weather gets a little bit too warm in the middle peak summer [BREAK IN AUDIO] exposed to a slower start than normal of what would be our normally strong bike spring season. Instead we have seen a very strong pickup at the end of Q2 and also into now the first part of Q3 as consumers waited in acquiring their bike related products until they were allowed to go outdoors and do those activities.

Specifically for North America you have also seen an extreme demand increase of what we would call basic bicycles. You can look at the bicycle industry in North America as much more than in Europe historically over the last 10-15 years exposed to the enthusiast, like the people you see in the image. The people that truly take their bikes out to do activities and to do things from a sportier experience use. Whilst in Europe we also have a lot of people using the bikes as a more daily commute tool or just taking the family cycling a bit. These enthusiast cyclists who are great fans of Thule are of course great but what has happened also this year later than in Q2 and continuing, is that there have been a big group of returning or new bike users of a less advanced nature, buying much cheaper bikes and much more basic bikes. They will of course, not to the same proportional degree, take their bikes with them and go exploring every weekend or every week and therefor maybe not buy as high share of Thule products. However, some of them we are convinced will still want to bring those bikes with them on a picnic or going somewhere. There is a nice energy boost or wave of bike category that will help us going into Q3 as well. We believe that in the bike category related products we will recover what we have lost in the spring in bike sales.

If you look at the other bigger subset within Sport & Cargo Carriers which are roof racks and roof boxes, their performance was clearly weaker in the quarter but in a similar sense started picking up a little bit in the end of the quarter and is expected to be more okay in Q3. When we look at Active with Kids, in Region Americas we have a strong sales especially strollers which is our biggest subset of Active with Kids. The stroller sales developed very strongly in the quarter in the US especially. Across the region therefore, both boosting stroller sales with our strong portfolio of the new Thule Spring combined with the Thule Urban Glide stronger[?] stroller and for the North American market the more limited Thule Sleek. However, the Thule Urban Glide and the Thule Spring strollers doing really well, combined then with a boosted bike related kids transport, we had a very strong performance of Active with Kids in Region Americas. Packs, Bags & Luggage is relatively a bigger category for Region Americas than when compared to the Group as a total and then when compared to Region Europe & Rest of World. There it is clear that with travel limitations, especially air travel, but just generally if you look at Q2 travel decreased in general with people staying at home, working from home and not going to university etc, negatively put pressure on our Packs, Bags & Luggage. It is also the category where we have the greatest exposure to bricks-and-mortar store

sales. Many bricks-and-mortar stores in the region were closed down for a long period in the quarter. This is the category where we have the biggest challenges clearly. There are pockets of growth here as well but it is generally going to be the most challenged category going forward also in the coming quarters. Then we had a very, very small category of niche targeted products for the Region Americas for RV Products, mostly targeting vans and smaller RVs with a niche offering of products. In this very small category for the region we had very good growth mostly associated with our product launches and less due to what went on in the market as a whole.

Region Europe & ROW – Big differences between countries and categories

Countries

Here we see even greater differences between countries and categories than we did in Region Americas. That is even neighbouring countries in Europe have had very different views on lockdown measures which has of course then meant also very different performance for us as a whole as a region. As I mentioned, in the region as a whole we declined 12% in the quarter and here we have countries where we are growing in the quarter and other countries where we are significantly down. It is very much associated with the degree of lockdown measures and at which time those were starting to be eased during the quarter. Strong performing countries in Region Europe & Rest of World were some of the Asia markets. It was Germany, the Netherlands, parts of Eastern Europe, countries like Czech Republic, for example, and the Nordics where we had a greater degree of openness and more limited pandemic measures in terms of lockdowns. While we had significant decline in the quarter in countries where there were greater pandemic measures being put in place like Russia, France, Italy, Spain and the UK. Some of those markets are very big. You realise that France and UK are two of our three biggest markets, Germany being the third one in this region. We saw very big differences in performance also in the bigger geographies here.

Categories

If we look at the product category trends, it is very similar to what you saw in Region Americas, which means that the bike related products are both happening in a similar way. A very, very weak start to what is normally the big spring period to sell bike products with June and July strong bike related product sales. Then also being helped by a strong general bike trend with here in Region Europe & Rest of World on top of enthusiasts buying bikes there is also a lot of commuters that have chosen when their countries started exiting from lockdown maybe not to jump on a bus as the first thing they did but instead go with their bike. When they did this maybe not taking the car to drop the children off at their kindergarten, for example, that has meant especially for those bike related Active with Kids products has been impacted but also then for our bike rack category at the end of the quarter capturing some of the sales that normally would have happened in April and May. Sport & Cargo Carriers was strong in all the bike related products and in a similar way to what I mentioned for Region Americas, a much slower start for roof racks and boxes, not the same degree of pickup but a more okay level towards the end of the quarter in roof racks and boxes.

Similar to Region Americas, our strong portfolio of products both the bike related and the stroller products in Active with Kids continued to boost and drive very good sales growth. Here specifically I want to highlight the child bike seats. The logic here is that we sell a lot of bike trailers and we sell a lot of child bike seats. People realised that a bike trailer is a bigger financial commitment costing many times more than a bike seat. It is also therefore more associated with somebody convinced that they will for a long period of time be utilising this great practical everyday tool to bring their kids around either to kindergarten during the week or just out having great fun in the outdoors over the weekend. When you are then a new and maybe forced user in some cases, you are maybe buying a cheaper bike, a normal ladies bike they are called in Sweden,

you are buying it as a commuting, comfortable little tool but you do not know and you are not sure that you will be commuting for years. You might have spent €400 on a bike. It is therefore more likely that you would pick up a bike seat for €100 rather than a bike trailer for €1,000. That is what is happening.

You can see that our bike trailer trend which has been extremely strong for years continues more or less in the same level it has been in the last few years, very strong growth of a long going, underlying trend of people commuting with bikes in this region. Now this year we are getting a specific, I would call it Covid-related, commuting boom of child bike seats booming in buying that tool to bring your kids with you for the cheaper bike. I am commuting via bike to my work, it is a brilliant thing to do. I think many people once they try it will get hooked on it and consider this the right way. They might even upgrade to a bike trailer because they are going to use it more frequently, it is more comfortable for the kid and they can do more with it or they are just going to love the bike seat they bought. I do not think it is a blip in the curve, that it is just temporary but it is clearly being boosted very much by those commuting limitations that have been applied in some bigger markets. We also do well in strollers in this region with Active with Kids so very strong performance overall with Active with Kids.

Also in Europe & Rest of World Packs, Bags & Luggage has been a very tough category. Here we are also exposed to the fact that we have had a successful growth in what you would call airport destinations and travel destinations in Asia. Also for the fact that here limitation in travel clearly has impacted us. There are, as I mentioned before, pockets of types of bags, hiking backpacks etc. that will do better and bike hydration packs, for example. However, generally we will see a very tough few quarters in Packs, Bags & Luggage. Finally, in this region RV Products is a significant category. RV Products where we are a little bit earlier in the supply chain since a big part of our sales goes to be assembled on the vehicle, we therefore tend to be a few months earlier in the cycle in sales than the rest of our products. Normally, the early spring would be a very strong period. As I mentioned on the Q1 call, there was both manufacturers closing down their manufacturing facilities but even the sub-suppliers, chassis-makers to those RV motorhome manufacturers, were also closing down. Once the motorhome manufacturers saw that there was a big interest because there has been a very big interest from consumers in acquiring motorhomes now during the pandemic period, what happened was in the beginning of the period the motorhome manufacturers struggled to get chassis delivered as the big suppliers of chassis like the Fiat factory were closed down. When production started initially in those chassis manufacturers and motor manufacturers there were serious concerns in May especially that there would not be nearly enough chassis to build vehicles on because most of those vehicles would have gone normally to what you would call the transport sector with vans being used for transporting goods. However, since many of those manufacturers of transport vehicles and the use of those transport vehicles did not materialise what happened in the end of the quarter was that the chassis manufacturers diverted a larger share of their total production output than normal to the motorhome manufacturers. There was a stronger pickup in the end of the quarter than initially expected. Since sales have been extremely strong in some markets of older vehicles standing on dealers' lots we see indications from [BREAK IN AUDIO] three now getting enough chassis to continue to do well. A clearly better, more positive view of the RV market both from supply chain efficiencies set up as well as market demand only a few months ago.

Financials

Jonas Lindqvist

Chief Financial Officer, Thule Group

2020/Q2 and YTD – Reported Income Statement

Since Magnus has taken you through the sales development, I do not need to go through any more of that. If we move to gross margin, it was down by 1.5 percentage points in the quarter compared with the same quarter last year. The reason for this is primarily under-absorption of production costs. That follows the reduced sales and production volume in the first two months of the second quarter this year. To some extent it is also a consequence of product mix. Our SG&A cost was SEK 50 million lower than in the same quarter last year and comes from lower sales and marketing cost. The financial costs increased by SEK 11 million in the quarter compared to last year. This is primarily a currency-related revaluation of cash, both locally and in our cash. This is since the [inaudible] has strengthened during the quarter. Also going into the coronavirus epidemic we also decided on a very conservative approach financially and drew on our banking facilities to ensure a strong cash position in all events. This has also temporarily increased our borrowing cost. The tax rate in the quarter was 23.6% which is virtually the same level as last year second quarter.

2020/Q2 – Operating Working Capital and Operational Cash Flow

The working capital has gone down in the quarter, both absolute and in relative terms compared with the same quarter last year. Working capital amounts to just below SEK 1.6 billion and this is equal to 23.9% of sales. It is primarily inventory that has gone down and inventory was about SEK 160 million lower than last year same quarter. Inventory normally goes down in Q2 compared to Q1 since the second quarter is the strongest quarter of the year. This year however, the inventory reduction between Q1 and Q2 has been higher than in recent years and amounts to almost SEK 200 million compared to just below SEK 100 million in previous years. The exchange rate effect is marginal. As a consequence of the variable developments of primarily inventory the cash flow for the period has been very good and better than previous years. This amounts to SEK 560 million compared to SEK 470 million last year. The inventory is at a low level at the end of Q2. It is even below planned level in bike related product categories where we saw very fast growth at the end of the quarter. Capex amounted to SEK 37 million in the quarter compared with SEK 34 million same period last year.

Closing Remarks

Magnus Welander

Chief Executive Officer, Thule Group

2020 YTD – Performance vs. Financial Targets

If we summarise where we stand with our financial targets, it is clear that our organic growth target of minimum of 5% in constant currency we are not close to but I am still happy with how we saw an improvement at the end of the quarter and therefore for the year-to-date are now at -10%. If you look at our underlying margin we are at 20% for the first six months which means that on a rolling 12-month basis we are at 16.5%. We held on well, as I mentioned, in the quarter and therefore have a strong continued margin. We are below our leverage target of 1.5-2.5x. We are at 1.4x which is then also lower than we were at this point in time last year. As you remember from our presentation in Q1 and as communicated via a separate press release, the Thule Group's Board of Directors took the long-term view of securing a strong

6

financial position and therefore withdrew the previously communicated dividend proposal of SEK 7.50 per share due to the uncertainties in the coronavirus pandemic to come.

2020 Focus – Managing short-term flexibility, while pushing for long-term growth

If we look at what our focus is for the coming period, as you will understand from my comments about incredibly differing performance between months, between countries, between categories and even within categories between products, we have to focus on our organisation very much on a very flexible approach. While we as a company, and I am sure that you know that by now, will always have a very focused long-term approach in doing what is right for the company for the long-term. Here I have to add a huge thanks to all the staff in the company, all my colleagues around the world that have gone through a rollercoaster of a ride with initially for a very short period of time short-term furloughs, to working night and day trying to cope with a ramp up of demand at the end of the period. In a period when we cannot do the traditional selling in work with fairs and events, for needing to more quickly than ever pull together fantastic digital, virtual selling tools so that we can present all the cool new products that will come to market in 2021, in a convincing and selling way to our retail partners during the coming months. Here everybody has done tremendous efforts. Now we are focusing of course in a period like this on the health and safety of our employees but we are moving back to work at offices in a phased approach around the world across sites. Of course, doing that with a focus on the distancing rules and the hygiene setups that that means. We are also having very, very limited travelling, as you can understand from the realities, and that is why it is so good that we already have a very strong virtual setup in terms of meeting structures both within the company and with our main customers. We have developed some great new digital selling tools to showcase, present and train on our new products.

If you look at the flexibility that is required as we speak actually, it is a reality of where this company is normally very good, we have proven over the years to be smart at combining statistically-driven forecasting with a hands-on approach. However, we have to admit at the moment statistically-based forecasting is a waste of time partly because there are such huge swings which put great demands on product management, supply and demand planning teams in trying to do our best in meeting those very big swings between categories, customers and markets. Our own plants are working at a much higher capacity output in some parts of bike related products and actually a lower output in other parts at the same time, which of course then internally demands a lot from management communicating inside supply chain to those various teams in a logical, pedagogical and understandable way, while some are working extra shifts and others are not needed to do that. We are of course in very close discussions with many suppliers on capacity of what they do and timing. Here we are sometimes in some cases exposed to suppliers that generally have customers that are not performing very well and therefore want to deploy short-term furlough or earlier closedowns of vacation periods, where we are forcing them I have to say in some cases to keep open only for us, with some penalties actually financially as a consequence. However, it is a decision we are taking to try to meet demands of those categories that are outperforming expectations at the end of quarter two and at the beginning of quarter three. If you look at that as Jonas mentioned, we are having lower inventory than we would want to have in bike related products and we are struggling to meet demands of bike related products like bike racks, child bike seats and bike trailers, despite having output levels that are higher than ever before for this period of the year. We will see some issues with that going into Q3 as well but with all the great effort we are putting in place we are ensuring that we are catching up as quickly as possible to serve those increased demands.

You know us, we do not give you forecast. Even SKF that normally gives very detailed forecasts, did not give one so you are not going to get a forecast from a company that normally does not even give forecasts.

However, what is clear is that you heard from our commentary that we believe strongly in the bike related categories and that in those bike related categories we will be capturing those things that were lost in the spring. That means a good start in the quarter for bike related product categories and we are working very hard to meet those demands. You heard me mentioning that the continuous strong performance of Active with Kids that we have had now for years and years, continues. That will continue to do well. We are going from a pessimistic view of what would happen to RVs to a slightly more optimistic view, not hugely but definitely slightly optimistic on what the RV industry will be able to do. We know that we have stated every single time we present RV Products that we are going to beat the market. We believe the market is a little bit less pessimistic and maybe even optimistic. We will do better than that. That means that we have a positive view on our Q3 performance.

However, there are categories where we are going to see very, very limited sales. In bags especially, but also in other categories where we clearly will not have the same performance as we had last year. We also have to acknowledge the fact that there are countries that are in very big lockdown measures at the moment. You have several Latin American markets, for example. You have markets and states where there are second waves of lockdowns happening. We have had that in the state of Victoria in Australia. There are signs of that in California, etc. We have to of course be very careful of being too bullish about what could happen in the marketplace.

What we are very committed on, on a more mid-to-long term view is that as a company pushing very hard for product development and launching great cool new products every year for those active people that want to do a vacationing or just live a daily active life in their close vicinity, we will continue to be hitting on a trend that already existed before the pandemic, which we believe will only be enhanced by the pandemic. We feel very comfortable with our long-term strategic view even if there will be some shakiness definitely in those coming quarters. With that, I leave the floor open for questions.

Q&A

Daniel Schmidt (Danske Bank): Good morning everyone, a couple of question, starting out with what you finished off with, the bike related sales and recouping some of that that you weren't able to deliver in Q2. Could you give us any indication of what you regard to be lost sales in Q2?

Magnus Welander: I think you have to split it out in two things. There is always a spring period where we normally have a big selling period. That was not there due to the fact that consumers were not allowed to do things. Then when sales grew faster and demand grew faster than I think anyone expected at the end of the quarter, we have had cases where we have not fully been able to meet that demand and we are making it then instead in July. However, then if it continues to do well in July despite doing more in July than we normally do we might not be able to fill everything in July. If you look at it, it is too many different factors to actually give a number on it.

Daniel Schmidt: Alright. Could you say under normal circumstances, disregarding this particular period, how much of sales is usually bike related if you look at bike carriers, child bike seats, bike trailers and so on?

Magnus Welander: I think a lot of you analysts I have seen guessing around 25% and that is on an annualised basis but if you look at it, as I have been saying a few times, bike is normally heavier skewed to the spring than many other categories. Then by default more than 25% in Q2 normally.

Daniel Schmidt: Alright, good. Would you say that when you look into Q3 and given the seasonality of the business, do you think that this particular year that we have a bit of a prolonged season given what has been happening with Covid-19 in the world? Is that incorrect?

Magnus Welander: I think for bike definitely. We believe so. We see indication then not only for Thule but also talking to all the large bike manufacturers. If you look at it, it is very likely that there will be a combination of later and longer bike purchasing period than there was due to cycling being an option that a lot of people will appreciate in a year like this. Being able to have it both as an exercise tool or do occasions with it, or just for commuting. I believe that cycling period definitely will last longer as it was late in starting. If you look at the more traditional weekend, one-week or two-week vacations driving with your roof rack and your roof box to the coast or your summer house, I see maybe a little bit of sliding within the quarter, so to speak. I believe if you would ask a lot of your friends and colleagues around the world you will have heard many maybe trying to slide the vacation one, two, three or four weeks forward to hopefully see more opening of social distancing and the ability to go where they would love to go. Maybe a little bit of sliding in the quarter but not generally a huge difference for those other categories.

Daniel Schmidt: Okay. I think it was fairly clear that you really want to recover when it comes to capacity on the bike side in Q3 and you are doing everything you can to succeed on that. That sounded to me like that is going to be better for absorption of fixed cost going forward compared to your plan in Q2 but you did also say that you had an unfavourable mix when it comes to products and markets. Where do you see that going in Q3 so far?

Magnus Welander: I think if you look at it, we do not give an indication of the Q3 in that sense but you can say that you are right. Of course, if we expect that our own plants that are assembling these products will have more to do than they did have to do in Q2, you are absolutely right that you get a better absorption from that perspective. Then in terms of mixes it would be presumptuous to say that we know how those mixes will pan out because if it was difficult in any given normal year to forecast exactly which countries and which markets did what, then it is almost impossible at the moment. How the product and category channel mix will pan out is very difficult to say but you are absolutely right that we will see a better absorption than in Q2 compared quarter-for-quarter, like-for-like in Q3 versus Q3 last year than Q2 had versus Q2 last year.

Daniel Schmidt: Alright. Then a final one, I think you said, Magnus, in connection with the Q1 call and a lot of things have happened since then but you alluded to product development spending exceeding 6% of top line in 2020. Given the development that you have seen in June and maybe so far in July, the strong, strong recovery that you have noticed, do you feel that you have any reason to change that outlook when it comes to product development spending as a percentage of sales for the full year?

Magnus Welander: I think it is still going to be around 6%. It is going to be around that area. It is not going to be a huge difference.

Daniel Schmidt: Okay, thank you. That is all from me.

Gustav Sandström (SEB): Good morning guys, if I might start with a follow-up on Daniel's question on the gross margin. You write in your report, if I am correct, that it is down underlying 1.5 percentage points. You reference those being about customer and product mix. I am curious to what extent that relates to lower share of sales from RV in the quarter because I would assume that luggage, for instance, would be down a lot and probably carries lower gross margin than the Group average.

Magnus Welander: I think what a lot of people underestimate is it is not as simplistic as saying that Sport & Cargo Carriers is one, Packs, Bags & Luggage is another one, Active with Kids is the third one and RV is the fourth one. There are huge differences within the subsets of those four and there are huge differences within the subset of those four. Here you can say that product mix and category channel mix is much more complex than you would assume. Therefore that is a much more detailed picture that pans out as things go. What is clear is that if you look at the negative 1.5 percentage points that we mentioned there are some positive singles and I am not the one that normally wants to promise anything but reality is we presented very clearly that we are having a comparable drag in Q2 2020 versus Q2 2019 due to that there are tariffs now in the US for some Chinese goods that are higher than they were at the same time last year. As we now move into Q3 we will have a like-for-like comparison that is closer. Not 100% aligned because there are still some tariffs that are higher but that drag will be smaller. We are clearly saying that we had a big under-absorption in the quarter with a drop of sales and we now with our own factories [inaudible] of a bike [inaudible] just mentioned to Daniel that we will see a better absorption. Raw materials are going in a positive direction although we are not a raw material purchaser. We purchase components with value-add and other things. I did mention in some cases we even have to pay a little bit extra to keep them open. We still see that as a relatively positive contributor. From the bigger, high level point of view there are a few factors speaking in our favour then. Then in terms of channel/customer/country/product mix, that will pan itself out as things go.

Gustav Sandström: Alright and a follow-up on the RV specifically, there has been some extraordinary acceleration in Europe RV registrations. I believe German motorcaravans in June was up 60% or so. Is there an element of one-offs in those numbers or do you see a very strong trend also thus far into July from what you can tell?

Magnus Welander: There is a one-off effect, definitely, if you would also listen to what core industries and what the Caravan Associations are presenting, which was that there was a pent-up actually people not being able even to go to the dealership and buy and therefore not being able to register and even certain registry offices being closed, therefore not possible to register, in April and May which then meant that June was extreme. Very, very extreme in some countries due to those factors. However, what is clear is that there was a positive trend going on anyway in those two specific markets that are doing best, Germany and the Benelux. There was anyway a relatively positive expectation and there was a glut in June. However, for those markets there is a strong belief that Q3 will be good as well, not nearly as good as June but still good.

Gustav Sandström: Two more questions, if I may. Firstly, obviously a very strong backdrop from cycling sales. I believe there were more bikes sold in the US in May. It was the biggest number since the oil crisis so obviously a very strong backdrop. However, there seems to be a sub-trend too that the battery electric bikes are growing at a phenomenal rate. I am a bit curious how you feel about your assortment to that backdrop. Do you feel that you have a good product assortment towards electric bikes or is that an opportunity for you going forward?

Magnus Welander: Electric bikes are very good for Thule for two main reasons. One, the electric bikes are significantly heavier than normal bikes and when you are loading several significantly heavier bikes on a bike rack you are going to be needing a better quality, professionally done bike rack. A cheap, private label, low-end product cannot even cope. The bikes will fall off or the whole carrier will fall off. You need to spend more money on a high quality product. We are one of those that can provide that, better than anybody else. That helps us from that simple just being able to use the bike rack on a much heavier set of bikes. There is a second logical thing that also helps us and that is if you are buying an electric bike you

have paid significantly more for your bike. You have pulled out your credit card, you have paid those €3,000 - €3,500 for the bike and the salesman in the store says to you, 'Sir, how are you getting that home tonight?' 'Yes, you are right. I need to get these two bikes that I have bought for myself and my wife back home tonight.' Then it is, 'Have you seen this fantastic tow bar mounted platform carrier with lights and everything, tiltable, foldable from Thule? It is a brilliant piece of kit. It is €800.' You have just hunked up €7,000 for two bikes and when he says it is €800 you feel like, 'That is reasonable. I am carrying these two very expensive bikes with it. It is worth it.'

If you had just bought two very cheap bikes at some type of do-it-yourself store for €350 apiece, your bike carrier from Thule would cost the same amount as two bikes and it is more likely in that case that you would have gone with a cheap, crappy bike carrier rather than a high quality one from Thule. We are helped two ways, definitely by the e-bike trend.

Gustav Sandström: Yes, it makes sense. Lastly from me, if I read the report correctly, you have received SEK 40 million in governmental assistance in Q2, of which SEK 9 million is from Sweden. Given very solid financial results in Q2, which I assume is a lot better than you feared when you applied for this assistance, are you looking to pay it back to the government in a similar fashion that so many peers have done?

Magnus Welander: I think as everything was new with these things with pandemic measures and you apply for various governmental aids, you do not ever know beforehand how it will pan out. As things now develop we will make all those right assumptions and do what is right from all aspects of it as the year progresses.

Gustav Sandström: Great, thanks.

Fredrik Moregård (Pareto Securities): Good morning everyone, Magnus, Jonas, a couple of questions on expenses. First of all, as you are ramping up production or have been ramping up production throughout the second half of Q2, you said you had some additional expenses with regards to more or less forcing some suppliers to remain open. Are you adding other costs as well with regards to bringing part-time labour back? Is it more costly or more difficult for you to restart production this late in the season?

Magnus Welander: No. I think generally there we are very capable of showing extreme flexibility at similar cost levels. What you can say, and we are not the only ones, is of course that when you are ramping up late in the season and at the same time there have been very many challenges generally in the transport sector, you are struggling to get your incoming and outgoing freight at the same rates that you normally would get them. There is some penalty, marginal but still there, in convincing certain suppliers to produce for us and there is clearly also some impact in just purely logistics costs being slightly higher with sea freight being too slow and cancelled in many cases. Train, which we are using in a lot of cases has some extra costs associated with it. There are some more related to logistics.

Fredrik Moregård: Okay. On selling expenses I think they were down 5% year-over-year and Jonas said marketing expenses and sales expenses were lower than previous year. I would assume that most of those cost cuts came in the first half of the quarter. Could you tell us something about how you are thinking about ramping those costs back up, marketing at least? Maybe, if there are some costs that you see will be stickier than others.

Magnus Welander: You are right, they are somewhat connected to the sales volumes of what you do and how you support your partner. If you sell more you will have some increase to that. We will be spending more money on various digital tools and providing more digital material but still as compared that we will not be going to a number of major fairs, we will be in that marketing way saving some money even in Q3.

Some of that was Q2 and some will be saved in Q3. Then on other things we will spend slightly more and associated then with sales pickup we will be of course spending sales and marketing expenses more in line with those.

Fredrik Moregård: Okay, perhaps more or less taking out one or other of those structural costs you are seeing at least for the second half of the year with less for costs but ramping up digital initiatives and marketing.

Magnus Welander: Yes and I want to point out we are very long-term focused so it is not like we tried to save anything core in our marketing. We have done an upgrade on Thule.com in June with activity-based navigation which is enhancing the brand experience when you go in there. We are providing some great visual selling materials with lifestyle movies, instruction films, great imagery and all that. Most of the core marketing efforts we are pumping in money to drive long-term growth but specifically on marketing there were some quite significant savings from fairs being cancelled and us getting the money back.

Fredrik Moregård: Sure, sure. Finally, the SEK 14 million that you had in furlough grants, is it possible to get some detail on where in the P&L these are found?

Jonas Lindqvist: Yes, they are primarily in the cost for production.

Fredrik Moregård: Okay. Cost of goods sold, I guess.

Jonas Lindqvist: Yes.

Fredrik Moregård: Okay, thank you very much.

Karri Rinta (Handelsbanken): Good morning, when it comes to current trading conditions you have been very helpful in discussing the bike related Active with Kids and then the Packs, Bags & Luggage. It is fair to assume that the bike related Active with Kids may be 50% of your summer months' sales you will be doing well this summer. Then you have been Packs, Bags & Luggage not so well. How should we look at roof top boxes, roof racks and RV if we look at combined Q2 and Q3?

Magnus Welander: We do not give forward-looking statements on the detail but what is clear is that as we are mentioning in Sport & Cargo Carriers bike did well in Q2 and roof racks and roof boxes did not. We believe they will do better in Q3 from the indications we see and also because now people are allowed to go on those shorter, 2-, 3- or 5-hour trips where they pack their stuff in and go to their summer house. When they were not allowed to do that they do not buy those products. Now they are allowed and they buy them. We will do better but we do not have a booming support like we little bit do in bike. If you take RVs you can say that RV industry impact, as I did mention quite in detail, was associated more with supply chain closures and other things. Therefore a lot of the questions on performance there will be how well that supply chain actually performed. From an underlying [BREAK IN AUDIO] positive demand in those core markets and consumers wanting to buy new vehicles, the question is more if those manufacturers cannot cope to produce them for this summer, are those same consumers as eager to have it delivered in October/November and parking it then for six months? It is a question that nobody really knows even in the RV industry. There it is going to be really a lot about performance now from those manufacturers getting the output, which is not in our hands.

Karri Rinta: Alright, that is helpful. Then about your online sales, you have a few countries where you do online sales directly to consumers. Given the extraordinary or abnormal times that we are living in, is this any impact on your plans to maybe turn on additional countries during 2020? I.e. you have to focus on your traditional retail customers instead of putting more effort into your direct online sales direct to consumers.

Magnus Welander: No, we are actually following our long-term strategy which has been that in countries where we are convinced that we can add value for the consumers and in a cost efficient manner handle the service levels that would be expected for a consumer in terms of delivery and everything around that, that we will be opening up more countries as a complement to our retailers selling. We have just recently opened up Germany a few weeks ago, which was in line with our plans and there will be further countries in Europe following that as well. We historically have had the US for a few years. We have had Sweden and Denmark for a year. Germany has just recently opened up a few weeks ago and there will be more countries as we come in the coming period. That is following our previous plan.

Karri Rinta: Alright, then finally about new product introductions, you mentioned in the release that you will release new products this year as well that will then hit the shops next year. Is the fact that there are no fairs and no sporting events, having any impact on your launch plans for 2021?

Magnus Welander: No, there is not. We are launching the same number of products as we were targeting to do anyway. What it has had is a significant impact on how we decided to prepare material and at which time. We have never actually been as early being ready with so many various digital sales tools in terms of instruction movies, sales training sessions, online training sessions, and lifestyle imagery etc. The team has done a tremendous job on product management, product development and marketing over the last few weeks, working night and day so that we will be able to share this with our retail partners as of the beginning of August and in the coming months. However, launch breadth and portfolio is as aggressive as we were planning to be anyway. It is just how we bring it to market to those retailers will look different.

Karri Rinta: Alright, thank you very much.

Mats Liss (Kepler Cheuvreux): Hi, coming back to bikes, the lack of capacity and so on, I was wondering have you kept your market share or do the competition have a similar problem?

Magnus Welander: Yes, I think it is always tricky when you say lack of capacity because it sounds like we are not producing anything. We are producing more at the moment than we have ever done. The problem was that the market looks to be extremely down and demand and forecast from customers was incredibly down when we normally ramp up. In April, as I mentioned on the call, we had 500 people less than we would normally have in our factories, not knowing how long and in which way the Covid pandemic would continue. At the moment we have more than 300 people more in our plants than we would normally have doing bike related products and thereby having significantly higher output than we would normally have. That means, and you can build in and look at homepages etc. and we have enough reference from our customers, we are 100% convinced that we are not losing market share. If anything, I think with our flexibility, size and strength, we are doing better than most of our competitors in handling these extreme shifts from halving sales to increasing sales in the bike related products in the various months. I am not worried about losing any share and we are doing a tremendous job to try to get as much capacity increase as possible.

Mats Liss: Right. It sounds nice to have an extreme demand situation. Do you feel that your consumers are prepared to pay more for the products also that you could pass on some of those costs to them and improve prices or reduce discounts maybe?

Magnus Welander: I think if you look at us we are a very long-term company. We are not changing our pricing to our retail customers. I know that some of those retail customers might be slightly tactically having less discounts which is only good for us as a brand anyway but in terms of our pricing to our customers we are not changing it due to this situation.

Mats Liss: Alright. Then about the season then, I guess now we are in the summer season, summer holidays going on and while it stopped working, schools and kindergartens are opening up again. Do you feel that the bike season will be extended this year, maybe during the second half here?

Magnus Welander: Yes, you have to split our bike products into two types. If you look at the biggest one, bike racks is very much associated with you bringing your bikes with you to either do activities on a weekly or daily basis, or just over those weekend trips or vacations to your summer house. That is very much a seasonal sales to a spring/early summer normal, where we do believe it will be extended since it did not happen in the spring nearly as much as normally. That part is getting shifted into June/July/August. There it is more of a shifting due to that people were not allowed to go outside when they normally would have done these things. If you take the more child-related bike products which are then, as you correctly point out, used to an extent in two ways, one just generally going out, moving around, cycling down to the beach and cycling on a little trip on vacation bringing it to your summer house. However, you also have a significant part which is associated with actually commuting and the commuting part which we clearly see is very much associated, for example, through the bike trailers for Europe in the Nordics. I believe there will be a lot of consumers in a trend we already were seeing anyway because in the last ten years we have had strong growth in bike trailer sales. That trend if anything will only be strengthened because we believe in the company that there will be more consumers thinking twice about commuting the various buses and other solutions. Maybe some of those will choose to start cycling instead with their children. We think therefore there might be especially to the bike trailer part a early autumn performance that could be good when after their summer holiday they say, 'Okay, I am going to cycle every day at least in September and October when it is decent weather. I am going to have a nice bike trailer so it is comfier and more protective for my children.' That is one of the categories where we do believe there is a more continuous boom on a continuous trend that was there even before Covid.

Mats Liss: Maybe we will see some bike trailer with heating and so on in the product launches this autumn then, I guess.

Magnus Welander: I would not say that is necessarily where you would want to add the weight and the flexibility because most people can dress their kids quite warm anyway but who knows in the future?

Mats Liss: You never know. Finally, about production capacity, I guess you have booming activities in bike but could you readdress capacity from maybe Packs, Bags & Luggage to bike related production? Do you need to restructure somewhat?

Magnus Welander: Yes, Packs, Bags & Luggage is generally aside from the hard suitcases, not done in our own plants. They are done by sub-suppliers. Whilst, if you look at the Sport & Cargo Carriers they are to a very dominant degree almost all of what counts done in our own assembly plants. There is a difference from who does it, ourselves in Sport & Cargo Carriers and in Packs, Bags & Luggage suppliers. It is also very different type of machinery equipment you need. Generally, you can say our plants or those production lines within the plants are very dedicated to what they do and the challenge for us in delivering in bike is not how much we can ramp up in our own places. It is all about getting enough of components from suppliers that have been in short-term furloughs or are wanting to be closed down for vacations, and that normally do not have this type of output in their classical vacationing period. That is the biggest challenge.

Mats Liss: Okay, great. One final one about product launches. Could you us some idea in what areas you are expecting to do the major ones?

Magnus Welander: Yes, luckily nothing to do with the fact of the current bike trend because we do not invent and develop products in a few months, we have a very strong assortment of bike related products coming out next year. That will add some boost to our very strong portfolio of bike related bike racks and other solutions. That was already happening. There is a number of very nice tweaks and upgrades within our stroller category as well and there is a number of smart cargo solutions for the car as well. I think we have a very broad offer of new products.

Mats Liss: Okay, great, thanks a lot.

Magnus Welander: We will let you go to other calls or a vacation depending on where you are in your lives and thank you for your time. We look forward to speaking with you again when we will announce our quarter three results. Thank you.

[END OF TRANSCRIPT]