



# 2016

ANNUAL AND SUSTAINABILITY REPORT

## Active life, Simplified.

Thule Group»



"We are now entering 2017 as a pure lifestyle company with a focus on profitable growth."

page **6**  
CEO's statement



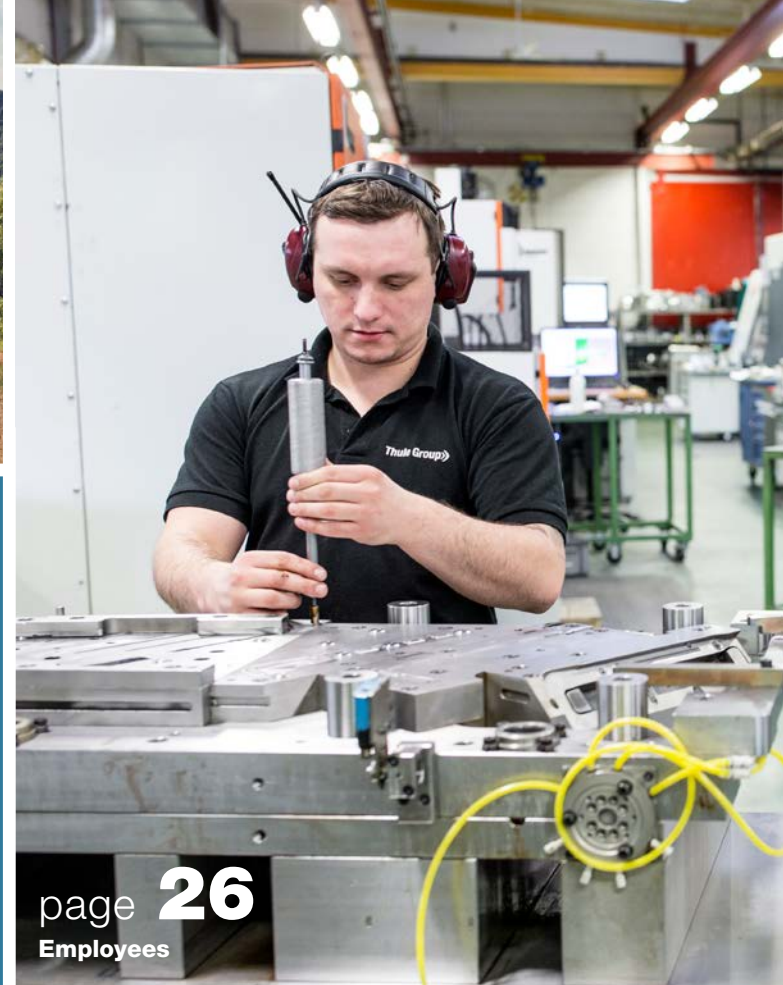
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This is Thule Group



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Outdoor&Bags

"In emerging markets all over the world, a growing middle class with higher incomes is following the global trend of spending more time and money on active outdoor activities."

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The Annual Report appears on pages 47– 95. It is published in Swedish and English. The Swedish version is the original, and has been audited by the Thule Group's auditor.

# The year in brief

## Q1

- The global launch of the iconic Thule ProRide 598 roof-mounted bike carrier receives widespread attention and the product quickly becomes a consumer favorite.
- The smart tow bar mounted Thule VeloSpace, a bike carrier designed for heavy bicycles, is launched in Europe and becomes a volume product.
- Our warehouse for the Asian market is moved from Hong Kong to Shenzhen on the Chinese mainland.
- A new roof box plant for the North American market opens in Chicago, USA.
- Consolidation of the North American distribution structure begins by moving warehouses on the US West Coast to a shared distribution center.

## Q2

- The Thule T2 Pro, a test winning, hitch-mounted, bike carrier for the US market, is launched and quickly becomes a key product.
- The launch of Thule Stir and Thule Versant, two new product families of hiking backpacks, opens up the lightweight backpack segment.
- The company preventively recalls the Thule Sprint roof-mounted bike carrier, since there is a risk of damage to bicycles and cars under specific circumstances.
- Nordic Capital VI/VII Outdoor, the Thule Group's principal owner before it was listed on the stock market in November 2014, sells its remaining shareholdings.

## Q3

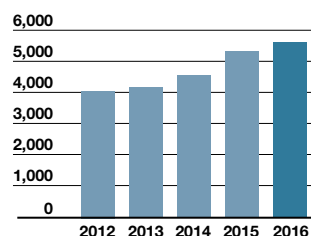
- We acquire the Dutch company GMG B.V., the leading manufacturer of child bike seats in the Benelux region, and it is quickly integrated into the Thule Group's operations.
- We exhibit a wide range of products at the summer's major sports and outdoor trade fairs. Some of the highlights are the Thule EasyFold XT bike carrier, Thule Chariot multisport trailer and innovative Thule Yepp Nexxt child bike seat.
- Thule Subterra, a complete collection of bags for business travelers and a step in our Sport&Travel Bags initiative, is exhibited at the fall trade fairs and attracts a great deal of attention before being launched in stores in the spring of 2017.
- The roof box plant in Haverhill in the UK is the last European factory to transition completely to electricity from renewable sources.

## Q4

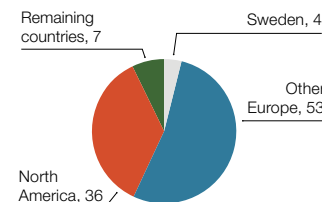
- The Thule Urban Glide wins the prestigious DesignEuropa Awards prize, competing against companies including Alessi and Ducati in the finals.
- The global launch of the Thule Motion XT roof box family, with new functionality and design, is the first step in a major update of Thule roof boxes, which will continue in 2017.
- Construction begins on a second assembly plant in Poland. The plant will be fully operational in the first quarter of 2018, assembling both traditional products such as bike carriers and newer products such as child bike seats.

**The Thule Group is now a pure lifestyle company, with global sales and numerous strong consumer products. In June, we acquired the Dutch company GMG B.V., a leading brand in child bike seats, and the divestment of the US toolboxes for pick-up trucks operation was initiated in January.**

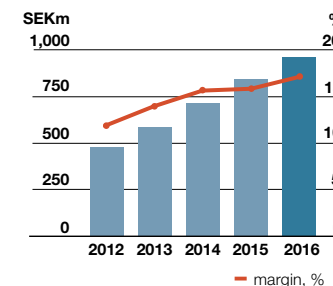
Net sales, SEKm



Net sales per geographical area, %



Underlying EBIT and margin





# This is Thule Group

To us at the Thule Group, everything we do is about making it easier to live an active life. Our motto, *Active Life, Simplified.* permeates our work and our relationships with our stakeholders.



**You see them** all over the world – our products that make an active life so much easier – the roof box with room for bags, skis and poles, the child bike seat that makes it easy and safe to bring your youngest one to preschool on your bike, the backpack that makes climbing so much more enjoyable.

With sales in 140 markets, the Thule Group is a global leader in the growing sports and outdoor industry. We are an international group of companies with 2,200 passionate employees devoted to sustainably developing and manufacturing safe, smart and attractive solutions for active families and outdoor enthusiasts.

## **An active life – a driving force in modern society**

More and more people today feel a need to be active, to counter-balance their sedentary jobs in urban environments. Their pursuits may be anything from jogging with their children in a stroller in the park, to paddling solo in the archipelago.

Our market is supported by several positive trends: a rapidly growing urban middle class that is extremely interested in health and well-being, the rise of new sports, and a 50+ generation with both the interest and the opportunity to lead increasingly active lives.

<b>FIVE-YEAR OVERVIEW, SEKm</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net sales	5,611	5,320	4,556	4,153	4,004
Underlying EBIT	970	850	718	586	482
Operating income (EBIT)	957	825	644	517	453
Cash flow, operating activities <sup>1</sup>	878	662	355	390	424

1) Based on total operations, meaning both continuing and discontinued operations.

### Products with smart solutions

Many of our products have received awards for good and sustainable design over the years. Our passion is transforming user insights into smart technical solutions with a sustainable design philosophy. When this is combined with in-depth technical expertise, it enables us to develop and manufacture innovative products with a high level of quality and superior functionality.

Our largest design and development center is located in Hillerstorp, Sweden, where the company was founded 75 years ago. This is also the location of the Thule Test Center, where all of our products are subjected to extreme testing in a controlled environment. However the most important thing is the feedback we get from rigorous testing out in the real world, from our own employees, our Thule Crew members and all of our passionate users.

### Sustainability creates value

A focus on sustainability is a natural part of our business, since we are dependent on our employees, customers and consumers being able to enjoy an active life in the great outdoors.

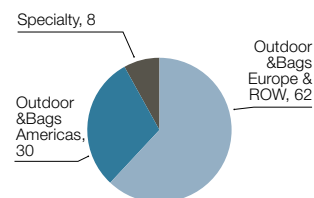
We want to promote sustainable development in accordance with UN Agenda 2030, and we aim to go one step further than the requirements imposed by laws and regulations. We aim to be an active, committed partner in long-term business relationships where we have strict requirements for ethics and anti-corruption. We aim to offer a safe and stimulating working environment where we all contribute to identifying smarter ways to work.

Continuous improvements lead to a more sustainable world, as well as better business for us and for our customers through efficient

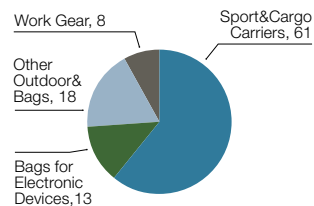
# +5.5%

Sales grew by SEK 291m during the year, equivalent to +5.5%.

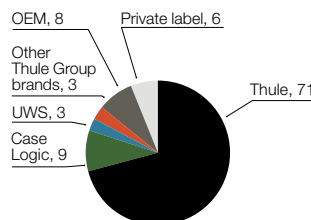
#### Sales by segment, %



#### Sales by product category, %



#### Sales per brand, %



Thule is synonymous with quality and thoughtful design and is well-known all over the world.

processes, shorter lead times and more successful innovations.

This generates value for our shareholders by enabling investments in growth with healthy profitability.

### The brand that captures a lifestyle

Our biggest brand Thule, with its slogan *Bring your life*, accounts for 71 percent of the Group's sales. Thule is synonymous with quality and thoughtful design and is well-known all over the world, with over 33,500 retailers, of which just over 3,000 are authorized Thule Retail Partners.

Today, Thule is a lifestyle brand with products in many different categories that make it easy to bring everything you need for a more active life.

# A total focus on consumer products

**The Thule Group is** now a pure lifestyle company, with a wide range of products that make it easier for people all over the world to live an active life – *Active Life, Simplified*.

In February 2017, we announced our decision to divest parts of the US Work Gear business. With this move we are taking the last step in the strategic repositioning that began three years ago. This will mean that we can concentrate even more on growth in consumer products, both organically and through acquisitions. One current example is the acquisition of GMG, the leading maker of child bike seats in the Benelux region, which was completed in July. These products are complementary to our existing range, and we were able to exhibit an innovative new generation of child bike seats under the product name Thule Yepp Nexxt already at the trade fairs in September.

2016 was a big year for new products with numerous successful product launches and continued close cooperation with our resellers. Sales rose by 5.5 percent, driven primarily by very strong sales in Europe. We have also grown very quickly and gained market share in the global market in newer product categories such as strollers and hiking backpacks.

I'm also very pleased with the increase in operating income by SEK 120m to SEK 970m, excluding items affecting comparability. This means that we achieved an underlying operating margin of 17.3 percent, well above the long-term target of 17 percent decided upon by the Board of Directors at the beginning of 2016.

## **A global brand built on a passion for outstanding products**

The Group's core brand, Thule, is known all over the world, thanks to smart high-quality products that make it easier for people to live active lives with their family and friends. We are continuously building further upon this solid



**“We are now entering 2017 as a pure lifestyle company, with a focus on profitable growth.”**

foundation, and in 2016 the Thule brand's share of sales rose to 71 percent. We launched more products than ever before and won numerous design awards.

During the year we invested 4.6 percent of our sales in innovative and sustainable product development, which drives growth in both new and old product categories.

## **Both a market leader and a challenger**

In our largest product category, Sport&Cargo Carriers, which accounted for 61 percent of the Group's sales, we are a strong market leader with approximately 50 percent of the global market. Innovative new products contributed to higher market share, and I especially want to highlight the launches of several bike carriers: Thule ProRide 598, an iconic roof-mounted bike carrier; Thule VeloSpace, an innovative tow bar mounted bike carrier for heavy bicycles; and Thule T2 Pro, a test-winning hitch-mounted bike carrier for the US market.



We increased sales in Other Outdoor&Bags by 26 percent, and this product category now accounts for 18 percent of our sales. We have a market-leading position in RV Products in the European market for bike carriers and awnings. The market is growing rapidly and we continued to capture market share.

When it comes to Active with Kids and Sport&Travel Bags, it is we who are the challengers. Therefore, it's extra gratifying to see how quickly we have grown in these categories, where products including our new child bike seats and an updated portfolio of multisport trailers show great promise for the future. We have also expanded our range of hiking- and snowsport backpacks, and we are starting to become an established player in this segment as well.

We launched several products with higher margins in backpacks and laptop bags in Bags for Electronic Devices. However, the higher sales of these products could not entirely counteract the continued negative market trend for camera bags and tablet cases.

#### **More efficient distribution to stores**

In 2015, we introduced a comprehensive streamlining of our global distribution structure in order to meet stores' requirements for short lead times and high delivery precision. We were already able to fully utilize the new structure in Europe in 2016, with one distribution center in Poland and one in the Netherlands, which has had a positive effect on both our environmental impact and costs.

In the first quarter of 2016, we also moved our warehouse for the Asian market from Hong Kong to the Chinese mainland. In addition, we began the process of streamlining the North American distribution structure, which will be completed in the first quarter of 2017. We will thus have an efficient and more sustainable structure in all of our markets before the important spring and summer 2017 season.



**“I’m delighted that we improved all of our environmental indicators in 2016 – a large step towards our ambitious 2020 environmental goals.”**

#### **Sustainability, one step further**

To us, it is self-evident that a market-leading company such as the Thule Group should lead by example when it comes to promoting sustainable development in accordance with UN Agenda 2030. It's not only a matter of obeying laws and regulations – we want to go beyond that. Naturally this applies to all aspects of sustainability, but to us – who make our livings by making an active outdoor life accessible to so many more people – environmental issues are especially important. Therefore I'm delighted

that we were able to improve all of our environmental indicators in 2016 – a large step toward our ambitious 2020 environmental goals.

I want to draw particular attention to our diligent efforts to reduce the consumption of energy from fossil fuels in our plants. During the year 80 percent of all of our electricity came from renewable sources, a 7 percentage-point improvement compared with the previous year. However, the most important thing is the effort we devote to reducing our products' impact on the environment and climate during their entire life cycle. Read more about our sustainability work on pages 12–25.

#### **A lot has been accomplished, and we're looking forward to an exciting 2017**

We are now entering 2017 as a pure lifestyle company with a focus on profitable growth. We are continuing our commitment to consumer-driven innovation with the launch of many new and exciting products, such as the completely new family of Thule Chariot multisport trailers, the next generation Thule Motion XT roof box and the Thule Subterra luggage series. And more new products are on the way, so keep a lookout for more exciting product launches on our website in the year ahead.

And finally – a big thank you to all of our passionate customers, employees and members of the Thule Group team and to all of our shareholders who continue to put their trust in us.

Malmö, March 2017

Magnus Welander,  
CEO and President of Thule Group



# Business concept and strategy

Our business concept is to offer high-quality products with smart features and sustainable design that make it easy for people around the world to live an active life.

## The customer's first choice.

By this we mean that consumers who are looking for the products they care about the most in their active lives choose products from Thule. They trust that the brand stands for quality and appreciate our smart solutions. Our customers should see Thule as their obvious choice of partner, since we supply innovative products and we understand the local market. Customers and consumers can trust us.

## An active life. Quite simply.

We offer numerous products, everything from sport strollers to bike carriers for cars, which make it easier to live an active life. Our product developers incorporate user experiences from our range of users, both extreme athletes and families. All our products are tested in our own facilities so that our customers can feel complete confidence in their function and performance. So that they and their families can enjoy an active life together.

## Shared passion.

Our employees, customers and consumers all play a major role in our development and our success. Our passion, which is about always trying to exceed users' expectations, means that everyone from the assembly staff in our factories to our sponsored Thule Crew members is always coming up with smart suggestions on how we can improve our products or take our production and sales processes one step further.

Thule Versant hiking backpack



The Thule Covert, an award winning versatile backpack with room for all of the photo equipment and gadgets needed to capture memories from a hike or the exploration of the city.

**Thule Group is an** innovative company that develops, produces and sells high-quality, practical products in 140 countries for people who want to live an active life. With 75 years of experience in developing smart, technical well-designed products focused on customer benefit, and a deep understanding of current trends in the sports and outdoor sector, we have established Thule Group as a leading global player.

Over the last five years we have gone through a strategic realignment to a company focused on consumer products that supplies products for a growing modern lifestyle trend, living an active life with family and friends. We will make the time, energy and financial resources available to pursue continued profitable growth through the planned divestment of the parts of the company not focused on consumer products.

Through our long-term approach to finance and a genuine interest in sustainability, in addition to our world-leading product development, we have built up our production and marketing skills over a long period. Taken together, these factors allow us to be very effective in supporting our retailers in helping consumers choose the right products.

Our business model is based on creating opportunities for our users to enjoy an active life, enhanced profitability for our customers, inspiring and secure jobs for our employees and lasting value for our shareholders based on sales growth and sustainable cost-efficient operations.



## ➤ Strategy

**Thanks to a well-communicated strategy that our employees are passionate about achieving, we are continuing to build a strong position as a leading global sports and outdoor company.**

### INNOVATION

- Our highest priority is to continue building on our successful history by developing sustainable and innovative products to make it easier for users to live their active lives.
- We constantly refine our deep understanding of where, when and how people use our products in order to be consumers' first choice.
- We constantly ensure that our product portfolio meets new demands and expectations, and in 2016 products launched in the last 3 years accounted for 53 % of the Group's sales.

### SHARE OF NEW PRODUCTS:

**53 %**

- We have 140 employees who work on product development, with the largest development center located in Hillerstorp, Sweden and specialized development centers in Belgium, Canada and the US.

### PRODUCT DEVELOPMENT:

**4.6 %**

- In recent years we have increased our financial investments in product development, which accounted for 4.6 % of sales in 2016.

### BRANDS

- Our brand strategy is primarily focused on the growth and diversification of our biggest and best known brand – our core brand Thule – which accounted for 71 % of Group net sales in 2016.

### THE THULE BRAND:

**71 %**

- By building on the Thule brand slogan *Bring your life* in all our marketing communication in the 140 markets where our products are sold, we have been able to further strengthen brand recognition.
- With a strong brand built on attractive products, we've been able to create an attractive program for retailers with the help of effective tools that drive sales such as our [thule.com](http://thule.com) website and store displays. The program, called Thule Retail Partner, has over 3,000 resellers.

### THULE RETAIL PARTNERS:

**3,000**

- Our second largest brand, Case Logic, is a well-established brand in the Bags for Electronic Devices category that accounted for 9 % of net sales in 2016.

### GROWTH

- We have an organic growth target of >5 % in constant currency. In 2016, we achieved 5.5 % growth, which is equivalent to 4.6 % adjusted for acquisitions and currency effects.

### ORGANIC GROWTH (currency-adjusted):

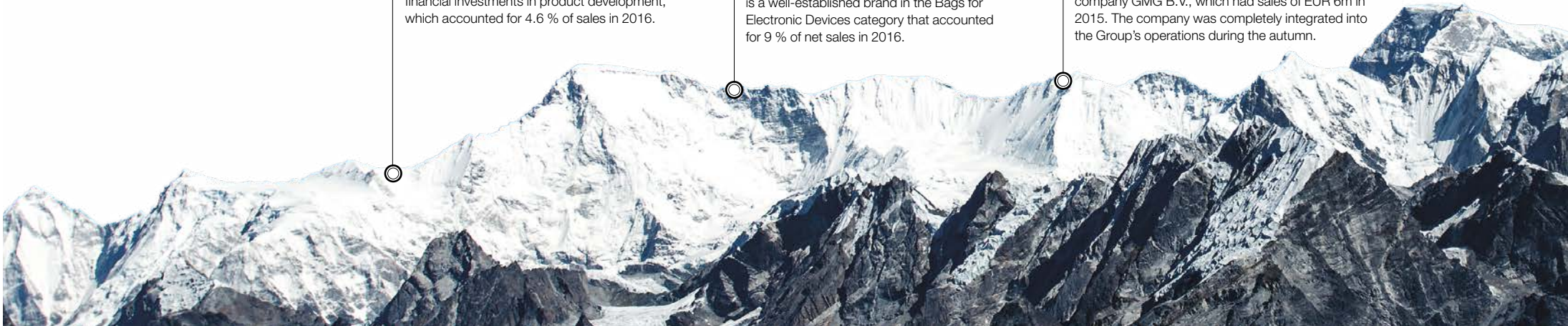
**+4.6 %**

- For many decades, we have generated sustainable growth in our largest product category, Sport&Cargo Carriers, and we are convinced that the combination of innovative and sustainable product development, strong marketing and our long-term customer relationships will continue to drive growth.
- We have been able to drive strong growth in the Other Outdoor&Bags category thanks to launches of two completely new product categories in recent years, Active with Kids and Sport&Travel Bags, as well as successful launches in a growing market for RV Products. This category experienced 26 % organic growth in 2016.

### OTHER OUTDOOR&BAGS, GROWTH:

**+26 %**

- During the year we acquired the Dutch child bike seat company GMG B.V., which had sales of EUR 6m in 2015. The company was completely integrated into the Group's operations during the autumn.





**EFFICIENCY**

- We focus on giving customers and consumers added value and always strive for process efficiency through continuous improvements.

- In the past two years, we have completely overhauled how we distribute our products to our customers, where there are increased demands for short lead times and high delivery precision.

- In 2016 we continued to improve our digital solutions. More easy-to-use buying assistance on the consumer website, simplified procedures for our resellers to place orders, easier access to our marketing materials for customers and a focus on media.

**STABLE FINANCES**

- Our strong financial position allows us the long-term and flexible approach we need to drive a growth-oriented strategy.

- With well-funded factories and good control of our working capital, we are creating strong operational cash flow that gives us a strong cash position. In 2016, our cash flow from operating activities was SEK 878m.

**CASH FLOW:**SEK **878**m

- In December 2016, the company's debt was 1.6 times EBITDA, which was below our financial target to be around 2.5 times EBITDA.

**SUSTAINABILITY**

- We aim to be part of a sustainable, well-functioning society, which is why good ethics and sustainability are natural components in everything we do.

**ELECTRICITY FROM RENEWABLE SOURCES:****80%**

- One of our most important environmental goals for 2020 is for 100 % of the electricity we use to come from renewable sources. In 2016, we reached 80 %.

**OBJECTIVE**

To be the leading company in selected categories in the sports and outdoor sector, through products that consumers want, which make it easier for people to enjoy an active life.

**“We are convinced that the combination of innovative and sustainable product development, strong marketing and long-term customer relationships will continue to drive growth.”**



The Himalayan massif

# Corporate responsibility



Thule Group aims to contribute to a more sustainable world by offering innovative, high-quality products, manufactured responsibly, that inspire people to live an active life outdoors for many years. That is sustainability for us.

**Acting ethically and** with the climate and environment in mind is a given for us. This approach is integrated into both our long-term strategies and daily operations, and permeates our entire business.

Our sustainability efforts encompass the entire value chain and are described in our Code of Conduct and our policies. We take a long-term strategic approach in accordance with the ideas and outlines presented at the end of 2015 in the United Nations Agenda 2030 for sustainable development.

We conduct our business with the aim of steadily reducing our impact on the environment and the climate, because we know that our entire business is dependent on our employees, customers and consumers being able to enjoy an active life in appealing and sustainable environments in the great outdoors.

**Stakeholder dialogues have laid the foundation for four focus areas**

Understanding of different stakeholders' requirements and expectations and how we can create value for them is a requirement for us to succeed in both the short and long terms. Continual dialogues with our stakeholders are supplemented by our own analyses, and serve as the basis of our assessment of which sustainability issues are relevant and of current importance. In 2015, we conducted a comprehensive stakeholder dialogue with our most important stakeholders – customers, shareholders and employees – in order to identify the most essential sustainability issues as a basis for our continued efforts.



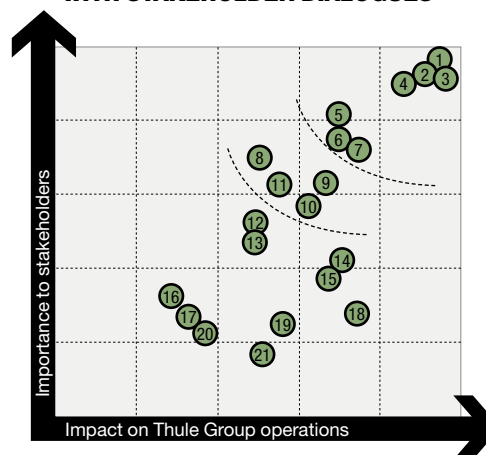
We see that there is a strong consensus in our stakeholders' priorities. All of them emphasize the importance of sustainable products, as well as the environmental consequences of the supply chain. This fits well with the priorities of the Board of Directors and management. We have defined sustainable products, environmental and financial results and a sustainable supply chain as our most important sustainability issues.

Our investors also emphasize safety and emissions, while our employees have high expectations for health and safety, as well as governance and communication.

The most important sustainability-related issues are integrated into business and operating plans. The foundation of ongoing sustainability efforts is seen in four focus areas:

- **Products and consumers** – We aim to offer products that inspire a healthy and active lifestyle, are safe and easy to use and have minimal environmental impact throughout their life cycles.
- **Efficient and reliable manufacturing** – We aim to ensure climate-smart and efficient manufacturing, in a safe and secure working environment.
- **Responsible sourcing and logistics** – When choosing suppliers, we take into account environmental factors, human rights and good working conditions. In logistics, we focus on smart and efficient solutions.
- **Responsible business practices** – We maintain rigorous ethical standards in our business relationships, have transparent and inclusive workplaces that foster individuals' capabilities, and we engage with our stakeholders and the community around us.

#### PRIORITY AREAS WITHIN SUSTAINABILITY IN ACCORDANCE WITH STAKEHOLDER DIALOGUES



1. Compliance with laws and regulations
2. Human rights in the supply chain
3. Employees, health and safety
4. Consumers, health and safety
5. Materials
6. Environmental impact, products and services
7. Energy
8. Non-discrimination
9. Waste and emissions
10. Environmental impact, supply chain
11. Diversity and equal rights
12. Working conditions in the supply chain
13. Training and education
14. An attractive workplace
15. Emissions, CO<sub>2</sub> and other
16. Water
17. Labeling of products and services
18. Shipments
19. Anti-corruption
20. Economic consequences of climate change
21. Stakeholder dialogue

#### Responsibilities and organization

The Board of Directors is ultimately responsible for our sustainability efforts, and sets our long-term sustainability goals as part of the Group's strategic goals. This responsibility is then delegated to the CEO and President, who in turn assures the connection with our overall business goals and integrates this responsibility into the commercial managers' tasks. The commercial and functional managers' responsibilities also include legislation, rules and regulations in areas such as the working environment, environmental protection, environmental licenses and use of natural resources, the management of hazardous waste, and emissions to the air and water. At the end of 2016, six of our nine production units were ISO 14001 certified, and our aim is for all to be certified by the end of 2020.

The Group's sustainability director is responsible for coordination and monitoring, and Group management regularly checks on the progress of sustainability efforts within our business segments and subsidiaries.

These issues are well integrated into our strategic planning. Plans, activities and the achievement of objectives are monitored through dialogues as well as internal and external audits. We continuously carry out in-depth analyses of compliance with legislation and regulatory frameworks, policies and other governance documents, the achievement of Group goals, and how key figures have trended over the year.

#### Climate and Energy

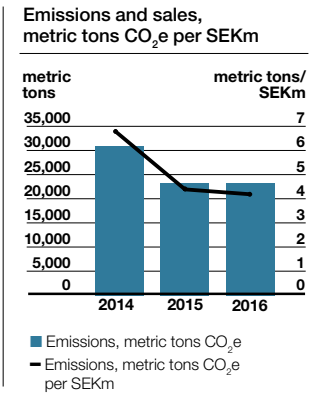
The Thule Group promotes a fossil-free future, and in 2015 we established ambitious new environmental goals for 2020.



Thule Versant hiking backpack

**“Acting ethically and with the climate and environment in mind is a given for us. This approach is integrated into both our long-term strategies and daily operations, and permeates all our business.”**

We evaluate our climate impact in three areas (Scope) in accordance with the guidelines of the Greenhouse Gas Protocol. Scope 1, which represents direct emissions from sources which we ourselves own or control – principally from burning fossil fuels in our factories, refrigerants, and our vehicles’ fuel consumption. Scope 2 represents indirect emissions primarily from purchased electricity and energy for heating our premises. We have also chosen to report Scope 3, which covers other indirect emissions from sources that are not controlled by Thule Group, primarily freight, but also business travel.



Emissions, metric tons CO <sub>2</sub> e	2016	2015	2014
Direct emissions (Scope 1)	4,369	4,904	5,184
Indirect emissions, plants (Scope 2)	1,613	2,988	5,939
<b>Total Scope 1 &amp; 2</b>	<b>5,981</b>	<b>7,893</b>	<b>11,123</b>
Indirect emissions, external (Scope 3)	17,359	15,419	19,771
<b>Total</b>	<b>23,340</b>	<b>23,312</b>	<b>30,894</b>



# Products and consumers

We are passionate about developing smart and innovative products that make it easier for consumers around the world to enjoy an active life. Our product development builds on four foundations: a good understanding of how our products are used, a sustainable design philosophy, advanced skills in development and manufacturing and high quality and extreme testing.

**Many of the** people who work at Thule Group are dedicated to spending time outdoors, whether in daily life or on vacation, alone or together with their families and good friends. They bicycle, ski or hike outdoors. Using our products on a daily basis gives our designers and technical developers rapid detailed feedback on development projects in progress. Feedback that has a major impact on the final design of the products.

We always attend major sports events in order to study how people use our products and those of our competitors. And our conversations on social media provide us with suggestions for product improvements, ideas for new products and other comments from enthusiastic consumers all over the world. We also receive extremely valuable feedback from the members of Thule Crew, extreme athletes with very high demands for function and safety.

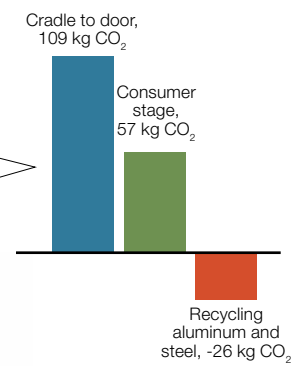
Since our products are sold in 140 markets worldwide, we also find out about new trends early, long before they break through internationally. Our close partnerships with other leading manufacturers of sports and outdoor products, such as bicycles, kayaks and skis, also make early and clear contributions to the next big hit product.



We know how hard it can be to get kids to sit still when their straps are being fastened and you're in a hurry to get to preschool. Therefore, when we developed our new Thule Yepp Nexxt child bike seat, we designed the shoulder straps with an innovative child-proof buckle containing a magnet that enables the buckle to be fastened quickly and intuitively.



LIFE CYCLE ANALYSIS (CRADLE TO DOOR) THULE EASYFOLD



**Life cycle analysis (cradle to grave) Thule EasyFold**

We regularly conduct life cycle analyses (LCAs) on our products to quantify their climate impact throughout their life cycles. This shows an LCA for a Thule EasyFold bike carrier, all the way from the extraction of raw materials through its use (increased weight results in higher fuel consumption) and recycling (recycling of aluminum and steel has a positive impact).

**TO SIMPLIFY, THE OVERALL CLIMATE AND ENVIRONMENTAL FOCUS OF THE PRODUCT DEVELOPMENT PROCESS CAN BE DIVIDED INTO THREE PARTS:**

**Reduced climate impact** in manufacturing and logistics – through measures such as conscious materials choices, energy-efficient manufacturing methods, optimized packaging solutions and higher usage of recycled materials and materials that are easier to recycle.

**Extended lifetime** – through measures such as improved corrosion resistance, greater ability to repair products by making it easy to replace or repair key components.

**Lower environmental impact** from product use – through measures such as lowering the air drag on vehicle-related products to reduce energy consumption, and easy attachment and removal to avoid products remaining on the vehicle when not in use.

**Sustainable product design**

Products that last longer are better for the environment, and therefore smart, high-quality technical solutions with a sophisticated and sustainable product design are the foundation for our sustainability efforts. We continually implement improvements, large and small, in order to reduce our products' impact on the environment and the climate, while at the same time ensuring that our products meet our high demands for user-friendliness, quality and safety. In 2016 we continued to build further upon the platform of eco-design expertise that has been created in recent years, through continuing education and life cycle analyses that are an integrated part of all of our product development projects. We apply a "cradle to grave" approach to all product development (the total climate impacts throughout the product's entire life cycle) to make the best decisions about environmentally smart choices.



For example, the consumer stage is especially important for products that will be mounted on vehicles, since the impact of fuel consumption makes up a large part of the product's total environmental impact.

The Thule Group has been a member of the bluesign® system since 2015. Bluesign is an international standard for the certification of sustainable textile production, to ensure that the materials we use in our products meet our high standards for environmental impact, health and safety.

### Smart solutions that are easy to use

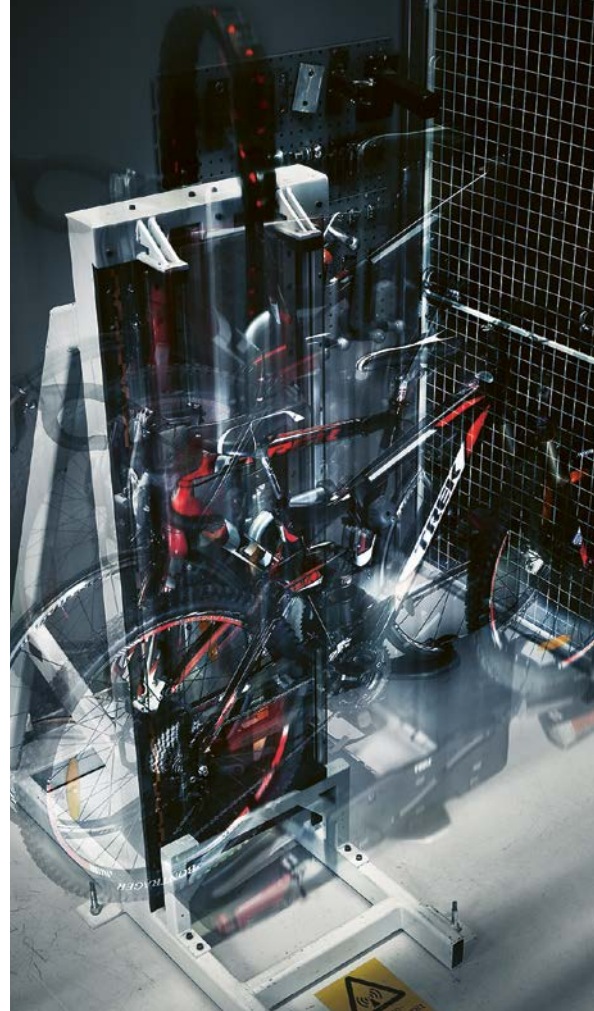
We employ structured development processes and efficient tools for our product development. But it is our employees' experience and extensive expertise in how good products should be made that ensures that we transform all of our insights into smart and sustainable product solutions in practice. We have a strong team of over 140 people who work on design and product development, and through the years we've proven that we're good at finding smart technical solutions that make life easier for consumers. Here are some examples of smart solutions and products launched during the year:

- the tightening knob with torque limiter on the Thule ProRide 598 bike carrier, which ensures that a bicycle is securely fastened without damaging the frame
- the new easier opening mechanism on the Thule Motion XT roof box
- the spacious, easily accessible pockets on our Thule Upslope snowsport backpack, which make it easy to reach your water bottle or climbing skins without removing the backpack
- the design of the Thule Caravan Superb bike carrier.

### Extremely rigorous testing

In order to ensure that our products meet our high function and quality demands, we test them according to our Thule Test Program™, which involves over 25 Thule Group standards, which are stricter than legal standards. The tests, which include vibration, crash, fatigue and environmental tests among others, are performed at the Group's new global Thule Test Center in Sweden, which opened in the fall of 2015, as well as by external testing institutes.

Our products also undergo numerous user tests, and there are always plenty of volunteers among our employees and partners who want to test the latest child bike seat or hiking backpack.



Images from  
Thule Test Center  
in Hillerstorp, Sweden.

# Safe and efficient manufacturing

The Thule Group operates nine production facilities across Europe, Brazil and the US. We aim to ensure climate-smart and efficient manufacturing, in a working environment that our employees feel is positive and safe.

**We aim to offer** a safe and stimulating working environment that focuses on high quality and an overall sustainable approach, where we all contribute to identifying smarter ways to work. Skilled employees who enjoy their work and can develop to their full potential create the preconditions that enable us as a company to further strengthen our market position.

**A safe and secure workplace**

We are convinced that a safe and inspiring working environment contributes to employees' health and well-being, as well as a more smoothly functioning company. Our preventive work with occupational health and safety is targeted and systematic. We identify risks, decide which measures to take and implement technical improvements and training initiatives.

During the year we also continued our Safety First initiative, which encourages the assembly staff in all of our production facilities to work with management and safety experts to identify risks and find methods and actions to minimize them. Despite significant improvements we are not yet satisfied with the results, and the Safety First initiative will continue in 2017 in order to move towards our long-term target of completely eliminating

workplace accidents. The number of workplace accidents declined from 40 to 22, and the number of lost work days declined from 267 to 87 days per million hours worked.

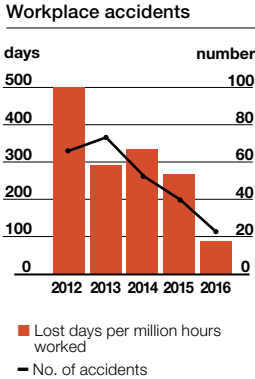
**Reduced climate impact**

The climate impact from our nine production facilities comes primarily from energy for heating, production processes, ventilation and cooling. Our goal is to reduce our energy consumption and to increase the proportion of renewable energy. In 2015 we adopted ambitious new goals for 2020:

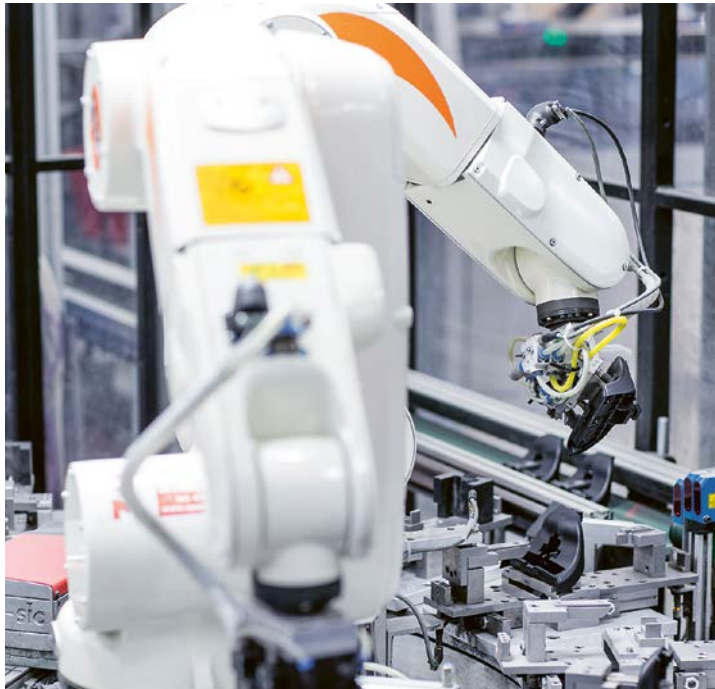
- 100 percent of our electricity is to come from renewable sources.
- CO<sub>2</sub> emissions from our facilities are to decrease by 65 percent compared with 2014.

For several years, we have been investing in ways to reduce our dependence on fossil fuels. Solar panels on our manufacturing and office buildings in Connecticut, US, cover around 25 percent of the facility's electricity needs.

In 2016 our roof box plant in the UK became the last of our production facilities in Europe to transition to 100 percent electricity from renewable

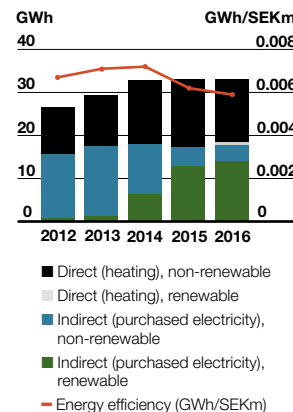




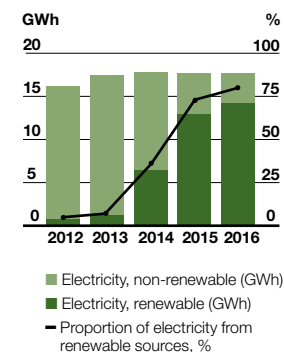


**“In the last few years we have also reduced our climate impact through investments in efficient new technology, such as replacing machinery that runs with hydraulics and compressed air to equipment run by electric motors.”**

**Energy (GWh) and energy efficiency (GWh/SEKm)**



**Electricity (GWh) and proportion from renewable sources, %**



sources. Our assembly and development unit in Hillerstorp, Sweden, has been using only biogas rather than natural gas for its heating since the end of 2015, and uses only renewable energy for both heating and electricity consumption. In total, 80 percent of our consumption of electricity came from renewable sources in 2016, compared with 73 percent in 2015.

In the last few years we have also reduced our climate impact through investments in efficient new technology, such as replacing machinery that runs with hydraulics and compressed air to equipment run by electric motors. We are gradually replacing inefficient lighting with modern LED systems, and several of our plants use solar collectors to heat water.

The Act on Energy Audits in Large Enterprises applies to our operation. This law, which is based on the EU Energy Efficiency Directive, is intended to promote better energy efficiency. We have installed advanced measuring equipment that provides detailed real-time information on energy consumption in our Hillerstorp production facility, and we are in the process of implementing similar systems in our other divisions. At the end of 2016 our facility in Neumarkt Germany received ISO 50001 certification.

### Reduced water consumption

Clean water is in short supply in many parts of the world, but since all of our production facilities except one are located in areas where there is no general shortage of water, we have less impact on the environment in this respect. The exception is the assembly plant in Iltupeva, Brazil, where water restrictions can be imposed due to drought in some years, although this did not happen in 2016.

We focus on using closed loop systems, which also means that we can reduce our use of chemicals. Manufacturing of roof boxes for the North American market began at our new plant in Chicago at the beginning of 2016. Since the new plant uses a closed loop water system, we were able to reduce water consumption by 18 percent compared with consumption at the old plant the year before.

We also focus on raising awareness among our employees in order to minimize the amount of water that is used.

In 2016 our production facility in Menen, Belgium, began collecting

rainwater in order to reduce its consumption of drinking water for sanitary purposes, which reduced its need for drinking water by 15 percent.

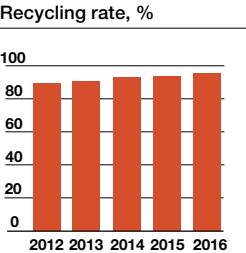
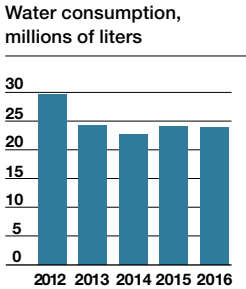
Our water consumption has declined by 20 percent since 2012. In 2016, the Thule Group's total water consumption was 23.9 million liters.

**More recycling**

We are always striving to reduce our waste and to find efficient, practical solutions for sorting, recycling and reusing waste. We have gradually improved our recycling rate since 2012, and we are approaching our ambitious recycling target of 96 percent by the end of 2020. We continually work with suppliers and recycling companies to search for areas that need improvement for more efficient waste management and in order to increase our use of recycled materials. In 2016, a total of 1,467 metric tons of waste plastic from the production of our roof boxes was sent back to the material suppliers to be re-used in their production of new raw materials.

The knowledge and commitment of our employees is an important factor for increasing the rate of recycling. In order to ensure that initiatives and ideas are used Group-wide, information is continually disseminated through the Group-wide network of volunteer environmental ambassadors who work in every division.

Our recycling rate for 2016 increased to 95.5 percent (93.8). However, increased production volumes led to an increase in the total quantity of waste. In 2016, we introduced reporting of more detailed waste fractions, which will provide a basis of information for better waste management in future years.



**Laws and regulations**

We have decided to certify all of our production units in accordance with the ISO 14001 environmental management system by the end of 2020. In 2016, six of our nine production units were certified.

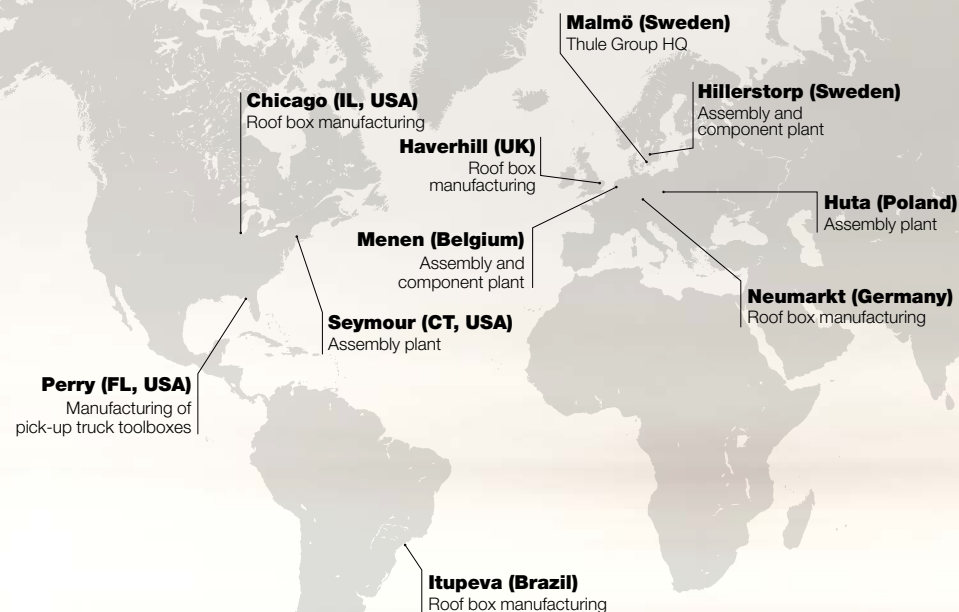
Our operation is subject to environmental legislation, regulations and provisions, governing areas including the handling of hazardous and prohibited substances in our products. The Thule Group Prohibited & Restricted (P&R) Substances List is updated continuously and contains both legal requirements and Thule Group's own requirements, since we strive to go beyond what the law requires. We communicate P&R requirements to our suppliers and pursue proactive efforts to phase out undesirable substances.

A variety of methods are used to check compliance, depending on the type of product and material. Some examples are materials declarations and materials specifications from suppliers, International Material Data System analyses and third-party chemical analyses.

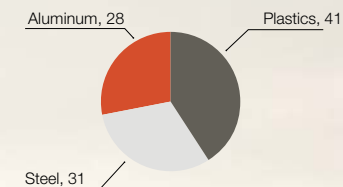
In 2015, we began a partnership with the bluesign® system, which is an international standard for the certification of sustainable textile production. The focus on materials and manufacturing processes leads to more responsible use of resources through the elimination of substances that pose a risk to humans and the environment from the outset. The bluesign® system is based on five principles: resource productivity, consumer safety, occupational health and safety, water emissions and air emissions.

In conjunction with sales and purchases of buildings, environmental reviews are carried out to identify and manage any soil contamination.





Directly sourced raw materials, %  
SEK 694 m (597)



In 2016, the Group purchased raw materials and components for SEK 2,412 m (2,373). Directly sourced raw materials accounted for SEK 694 m (597).

#### OUTDOOR&BAGS

Product category	Product type	Production strategy
Sport&Cargo Carriers	All	Mainly in-house assembly with limited sourcing of finished goods
Bags for Electronic Devices	All	Sourcing of finished goods
Other Outdoor&Bags	RV Products	Mainly in-house assembly with limited sourcing of finished goods
Other Outdoor&Bags	Active with Kids	Mainly sourcing of finished goods with limited in-house assembly
Other Outdoor&Bags	Sport&Travel Bags	Mainly sourcing of finished goods with limited in-house assembly



# Corporate responsibility in sourcing and logistics

With 460 material suppliers, primarily in Europe but also located in Asia and the US, and sales to over 30,000 stores in 140 countries, a sustainable supply chain and cost-efficient, climate-smart distribution are high on our agenda.

## Corporate social responsibility in sourcing

The Thule Group's Code of Conduct describes our requirements for our suppliers concerning human rights, labour law, health and safety and the environment. We obey the principles of the UN Global Compact, as well as ILO and OECD guidelines.

Third-party and internal audits are used to monitor compliance with our requirements and to identify areas for improvement. We have also been members of bluesign® systems for several years to ensure that the materials we use in our products meet our high standards for environmental impact, health and safety. Bluesign is an international organization and standard for the certification of sustainable textile production.

The Thule Group has 460 direct material suppliers, the majority of which are located in Europe with others in Asia and the US. 186 of these suppliers have been identified as especially important from a sustainability perspective by assessing the geographical area, material, type of production, product category and business volume.

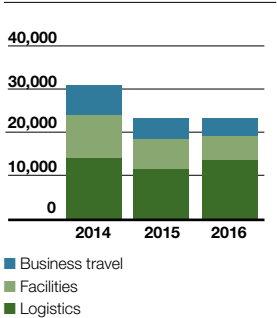
In order to further improve our monitoring of suppliers, nine auditors from the Thule Group underwent third-party auditor training focusing on sustainability

in 2016. This training included attending a third-party audit as an observer. 27 suppliers underwent sustainability audits during the year, 19 of which were repeat audits. Six of these were performed as third-party audits. Health and safety issues, such as protection against the risk of crushing in smaller manual machinery or fire precautions, were the most frequent areas for improvement based on these supplier assessments. The issues that were identified were able to be addressed through proactive efforts by our suppliers.

## Logistics

Our sourcing from 32 countries, manufacturing in seven countries and sales to 140 countries, with a large proportion of shipments directly to stores, is the main reason that logistics flows are responsible for the majority of the Group's climate impact. In 2016, the number of deliveries directly to stores from our distribution centers rose, and combined with increased sales this mean that logistics accounted for 58 percent (49) of the Group's total CO<sub>2</sub> emissions. Thanks to a higher proportion of renewable electricity and more energy-efficient manufacturing in our facilities, we were still able to maintain the

Climate impact, metric tons CO<sub>2</sub>e





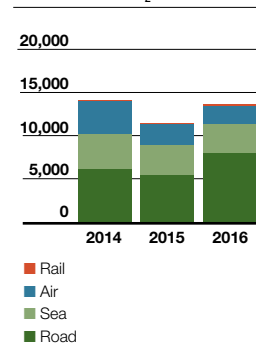


same total climate impact as in 2015, while achieving better service to our customers and higher sales. The choice of the mode of transport is decisive to reducing the climate impact of the logistics chain. The improvements we have made in warehouse optimization and forecasting helped us reduce the share of shipments by air. Air freight accounted for 15 percent of our total emissions from logistics in 2016, compared with 21 percent in 2015.

Shorter transport distances are also extremely important for minimizing environmental impact. The new distribution structure in Europe, with one Eastern European and one Western European warehouse, has made it possible to offer shorter lead times and better service, while at the same time shorter distances and a higher proportion of direct deliveries to larger customers helps reduce environmental impact. The first stage of the new distribution structure in the US has also led to a lower environmental impact through shorter shipments, while at the same time it has increased the possibility of shipping freight by train rather than by road.

Our own production and assembly factories are strategically located close to our largest markets.

Logistics emissions,  
metric tons CO<sub>2</sub>e



The majority of the logistics flows that we can affect are included in our climate calculations, but a complete overview is not possible. Above all, the data for shipments of components by road are not complete, and the carriers have different methods for reporting shipment data and climate impact. We are continually working with our carriers in order to improve reporting.

### Business travel

The Thule Group's global presence means that business travel accounts for 18 percent of our climate impact. Flights account for the majority of our emissions, followed by car travel. In order to reduce business travel, we improved and expanded the use of our videoconferencing system during the year. The system now consists of 19 installations. We also took a proactive approach to climate-smart travel planning.

To reduce CO<sub>2</sub> emissions from car travel, we promote the use of fuel-efficient company cars. You can charge electric and electric hybrid cars at a number of our facilities; something that we will continue to work on.

# Responsible business practices

Our values define who we are and what we stand for, and they serve as a compass for our actions and conduct. Together with the Thule Group's Code of Conduct, these core values create a foundation for how to behave responsibly toward each other, and toward our stakeholders throughout the entire value chain.

**As a Group**, the Thule Group has gained a strong position in the market based on its long and successful history. Our positive image is based on our history of providing high-quality products that help people with active lives, as well as in how we act responsibly in relation to the business environment.

## **The Code of Conduct is our ethical compass**

Our Code of Conduct builds upon our core values: *Shared Passion for Smart Solutions that Enable an Active Life*. The Code applies to the entire value chain, and provides guidance on how we should behave towards our stakeholders. It also serves as the foundation for our environmental and social responsibility and our requirements for our suppliers.

The Code assumes compliance with laws and regulations and is based on international standards such as the UN Universal Declaration of Human Rights, the principles of the UN Global Compact and ILO and OECD

guidelines. The Code encompasses the environment, health and safety, employee relations, privacy and business methods.

The Code applies to everyone who works at the Thule Group, regardless of their office, position or title. Our employees receive information and education by e-learning.

The Code of Conduct takes precedence over local policies, and in some cases it goes further than national laws and regulations.

## **Policies and guidelines**

The Thule Group has Group-wide and local policies and guidelines, which complement the Code of Conduct and respond to the challenges the company faces in various countries. All of our policies and guidelines are reviewed and updated on a regular basis.

## **Community involvement connected to our vision**

Our aspiration to be involved in society affects many parts

of the business, and constructive social involvement is an important part of our culture. We support organizations that support children and adults with disabilities and other difficulties in various ways, in order to make it easier for them to live active, healthy and independent lives.

A strong commitment to these issues can be found both at the Group and local levels, and directly connected with our facilities and sales offices. We cooperate internationally with committed athletes in our Thule Crew in various projects around the world under the umbrella name Thule Pathos.

Our initiatives in 2016 included helping disabled young people in Sweden to try out new sports where their disabilities did not prevent them from participating, as part of the "An active life for everyone" initiative. We also built a bicycle park at an orphanage in El Salvador, supported school food programs in Nepal, helped American young people from poor urban environments to get out to the outdoors and supported initiatives to encourage English schoolchildren to get out and run, as well as many other local initiatives.





Since his first trip to Latin America in 2007, legendary downhill mountain biker and Thule Crew member, Chris van Dine has returned to El Salvador, which has experienced so many difficulties. During his trips, he saw the joy that the chance to ride outdoors or just perform bicycle tricks in the city gave to poor and vulnerable children. Therefore, he started a major initiative with support from the Thule Group under the Thule Pathos umbrella. He built a bicycle park next to an orphanage and organized the shipment of donated bicycles from the US.





# A shared set of values



## OUR CORE VALUES MEAN THAT IN DAILY OPERATIONS, EMPLOYEES:

- understand consumers' needs
- develop smart products that make it easy for people to live an active life
- continuously challenge development and production processes to deliver innovative products cost-efficiently
- ensure that all products are of the highest quality
- ensure that our products are available in the right channels with the right products delivered at the right time
- think long-term and sustainably in their daily decisions
- ensure that the values and positioning of the company's product brands are observed in all contexts.

The Thule Group aims to offer a safe and stimulating working environment with a focus on sustainability and high quality, where we all contribute to identifying smarter ways to work. An equal and secure workplace with skilled employees who enjoy their work is necessary for our strong position in the market.

**Our common value** base is crucial for our long-term development, particularly in view of our extensive international activities and our large network of partners. We attach great importance to all our employees having an understanding of our shared values and what they mean.

The company's core values "*Shared Passion for Smart Solutions that Enable an Active Life*" permeate everything we do. Together with the Thule Group's Code of Conduct, these core values create a foundation for how to behave responsibly toward each other, and in relations with our stakeholders and business environment. The guidelines in our Code of Conduct apply to our entire value chain and are the same all over the world.

Day-to-day issues concerning employees and the working environment are decentralized and each subsidiary is responsible for managing these issues in a manner that is consistent with the Group's guidelines and with their own national legislation and culture.

In 2016 the average number of employees was 2,180 (2,075). The workforce grew at several of our facilities during the year, especially in Poland, in order to handle the higher sales volume.

### Motivated employees are the key to success

It is necessary to have skilled employees who are healthy and enjoy their work, who find their jobs stimulating and feel that





they can make a contribution and grow professionally if we are to retain our strong position in the market.

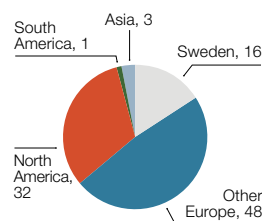
We often work in project form in cross-functional teams with substantial focus on change and short decision paths. Offering training and support for meeting new challenges is fundamental to our vision of how we want to give our employees the chance to grow professionally. An attractive employer has an easier time recruiting, retaining and motivating valuable employees.

Moreover, by promoting a healthy lifestyle we can ensure that our employees perform and feel better. We are convinced that an active life creates a sense of community and well-being. Many employees participate in communal test days for new products and various sports events. As passionate users, they are important ambassadors of our products and our values, which are summed up by our slogan, *Active Life, Simplified*.

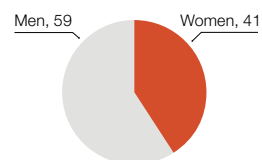
### An equal and secure workplace

Our employees' opportunities are determined by their skills, ambition and potential regardless of their background. We want to offer everyone the

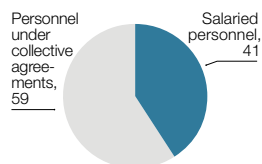
Employees per region, %



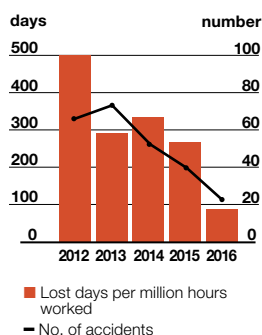
Employees by gender, %



Salaried personnel/  
personnel under collective  
agreements, %



Workplace accidents



chance to develop at the company, and we apply an equality perspective to wage determination, career development and recruitment. Historically we have had a high proportion of men at the company, particularly in product development and sales, but we have continually become more equal in recent years. In 2016, the share of women at the company was 41 percent (42).

A safe and inspiring working environment contributes to employees' health and well-being, as well as a more smoothly functioning company. Our preventive work environment efforts are targeted and systematic. We identify risks, decide which measures to take and implement technical improvements and training measures.

During the year, we also continued our Safety First initiative, which encourages the assembly staff in all of our production facilities to work with management and safety experts to identify risks and find methods and actions to minimize them. Despite improvements we are not yet satisfied with the results, and the Safety First initiative will continue in 2017 in order to move towards our long-term target of completely eliminating workplace accidents.

The number of workplace accidents declined from 40 to 22, and the number of lost work days declined from 267 to 87 days per million hours worked.



## Targets and outcomes

By methodically given priority to our focus areas – Products and consumers, Efficient and reliable manufacturing, Responsible sourcing and logistics, and Responsible business practices – we create the financial returns that make a sustainable long-term business model possible.

Our financial targets are to be achieved by managing the company according to the principles in our Code of Conduct in all respects, in order to ensure that social and environmental considerations are taken into account in addition to our financial targets.

### ORGANIC GROWTH

Sustainable long-term organic growth is at the heart of the company's creation of value.

#### Long-term target:

**+5%**

Annual organic growth, currency-adjusted

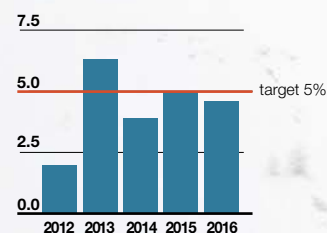
#### Result for 2016:

**+4.6%**

#### Future focus:

- Continued strong growth in the Europe & ROW region and a return to growth in the Americas region after a challenging 2016.
- Continued stable growth in Sport&Cargo carriers and RV Products.
- Rapid growth in the new categories Active with Kids and Sport&Travel Bags.
- Reverse the trend in the Bags for Electronic Devices category.

Organic growth, currency-adjusted, %



### EBIT MARGIN

Our growth must drive profitability and thereby strengthen our financial results.

#### Long-term target:

**>17%**

Underlying EBIT margin.

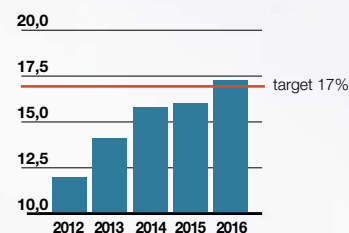
#### Result for 2016:

**17.3%**

#### Future focus:

- A continued focus on leveraging economies of scale in a well-funded supply chain.
- Continual focus on innovation-driven profitability improvements in product development.

Underlying EBIT margin, %



### CAPITAL STRUCTURE

We aim to maintain an effective long-term capital structure.

#### Long-term target:

**~2.5x**

Net debt to EBITDA ratio (adjusted for items affecting comparability).

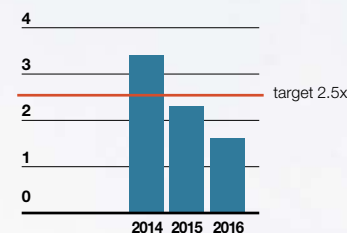
#### Result for 2016:

**1.6x**

#### Future focus:

- An effective long-term capital structure that takes potential acquisitions and investment needs into account.

Net debt to EBITDA ratio, x



### DIVIDENDS

We aim to distribute at least 50 % of consolidated net income over time.

#### Long-term target:

**>50%**

Percentage of annual net income to be distributed.

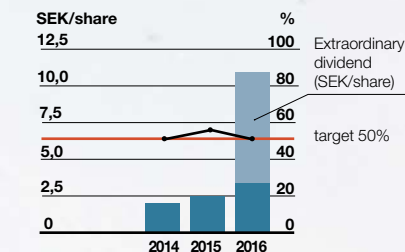
#### Result for 2016:

**51%** The Board of Directors has proposed an ordinary dividend of SEK 3.40 per share (51 % of net income), as well as an extraordinary dividend of SEK 7.50 per share.

#### Future focus:

- We aim to distribute at least 50 % of consolidated net income over time, while taking into consideration our capital structure, future earnings, investment needs, liquidity and development potential, as well as general economic and business conditions.

■ Ordinary dividend (SEK/share),  
— Ordinary dividend as a % of net profit





## OPERATIONAL OBJECTIVES

### ENVIRONMENT – EMISSIONS

To reduce our climate impact by reducing our energy consumption and increasing the proportion of renewable energy.

#### Long-term target:

**-65%**

To reduce CO<sub>2</sub> emissions from Thule Group facilities with 65 % compared with base year 2014, by the end of 2020.

#### Result for 2016:

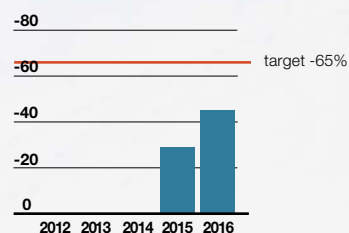
**-45%**

compared with base year 2014.

#### Future focus:

- A continued focus on energy efficiency and higher usage of renewable energy for both electricity and heating.

Reduction compared with base year, %



### ENVIRONMENT – ELECTRICITY

Our objective is to make a complete transition to electricity from renewable sources in our facilities.

#### Long-term target:

**100%**

100 % of the electricity in all of our facilities is to come from renewable sources by 2020.

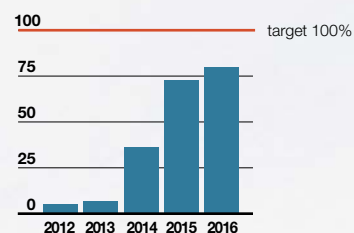
#### Result for 2016:

**80%**

#### Future focus:

- Continued focus on achieving the use of electricity from renewable sources at all of our facilities by 2020.

Proportion of electricity from renewable sources, %



### ENVIRONMENT – RECYCLING

To reduce our waste and increase the recycling rate by identifying efficient, practical solutions for sorting waste.

#### Long-term target:

**96%**

Achieve a 96-% recycling rate by 2020.

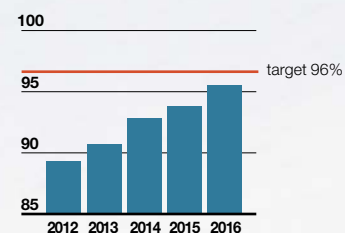
#### Result for 2016:

**95.5%**

#### Future focus:

- Our objective is to reduce our waste and increase our recycling rate.

Recycling rate, %



### HEALTH and SAFETY

Our objective is to reduce the number of workplace accidents in our facilities.

#### Long-term target:

**< 50**

With a long-term vision of completely eliminating workplace accidents, we've established a target to reduce the number of workplace accidents in terms of lost days per million hours worked to under 50 by 2020.

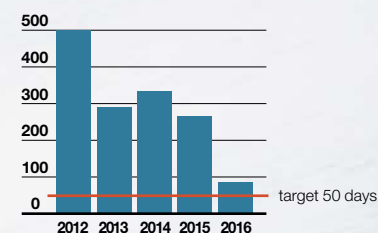
#### Result for 2016:

**87**

#### Future focus:

- A continued focus on our Safety First initiative in all divisions.

Lost days per million hours



# More and more people want to live an active life



Thule Motion XT roof box

## > A DESIRE FOR AN ACTIVE LIFE OUTDOORS

Our urban centers are growing rapidly, and in 2016 over 50 percent of the world's population lived in cities. Meanwhile we see that more and more people, young and old, are heading out to the woods to hike, to the beach to paddle kayaks or up to the mountains to ride downhill on their mountain bikes. We want to feel good, both physically and emotionally. Majestic experiences in nature are becoming more accessible, while at the same time outdoor life is becoming part of the urban environment. Interest in an active life outdoors is a global trend that correlates with increasing prosperity.

The Thule Group is growing along with strong global macro trends. The pursuit of health and well-being and more active life concerns everyone from young parents and their children to a 50+ generation that is spending more time and money on sports in the outdoors than ever before.

**Our products are** used in a wide variety of contexts with one thing in common: they make it easier for people to live an active life. Growth is being driven by several strong global macro trends, even if different markets have different conditions in terms of competition, market channels, the degree of innovation and maturity.

### Health and well-being through an active life

More and more people all over the world are engaging in physical outdoor activities in urban or wilderness environments to counterbalance their sedentary indoor jobs. This trend is being accelerated by greater understanding of the positive

health effects of an active life and the feeling of well-being provided by the opportunity to pursue outdoor activities with family and friends.

In emerging markets all over the world, a growing middle class with higher incomes is following the global trend of spending more time and money on active outdoor activities.

We are also seeing market-driven growth in mature markets where people are now more active at higher ages. These consumers, who have a strong financial position, and more leisure time in better health, are spending more money and time than ever before on sports and outdoor activities.

The Thule Group offers a broad range of products that make it





Thule Crew member Martin Söderström uses the Thule ProRide 598 bike carrier.

easy for people to live active lines, and we estimate that the market is growing by 2 to 5 percent annually, depending on the category. Most analysts believe that these trends, and hence growth for our focus categories as a whole, will continue for the foreseeable future.

### Strong brands are the winners in a global market

In an ever more connected and global market, modern consumers are often well-informed and have high demands for both products and the companies behind them. Online product comparisons and social sharing of information are driving the market both towards low-cost products and towards premium products from strong well-known brands that stand as guarantors for both the product and the experience consumers are looking for.

### New purchasing patterns in omnichannels

The retail segment is undergoing large changes, with new purchasing patterns in digital channels. In the omnichannel reality in which we find ourselves, where sales in physical stores and online are combined, retail chains are choosing to either offer a high level of service with extremely strong brands or to sell cheap, less sophisticated products under their own brands.

### Global growth in e-bikes

More and more people are using e-bikes – for recreation or commuting to work. 35 million e-bikes were sold in 2016 alone. China is the largest market by far with over 90 percent of all the e-bikes in the world, but there is rapid growth in all parts of the world. The use of all types of bicycles is increasing, both commuter bikes and mountain bikes.

### The Netherlands – the market with the highest proportion of e-bikes

There are major differences in the popularity of e-bikes in different European countries. The Netherlands has the highest share, with e-bikes making up around 30 percent of all bicycle purchases, but all of the larger countries are seeing double-digit growth and e-bikes are expected to account for over 20 percent of all bicycles sold in Europe within 5 years.

### A need for advanced bike carriers

The heavier e-bikes (22–25 kg) are driving the development of advanced bike carriers for cars. It is common in the Netherlands to bring bicycles to the car parks for commuters located on the outskirts of large cities and then ride into the city center on e-bikes. Bike carriers are also used to transport e-bikes to summer homes or favorite mountain slopes.

### Higher demands for brand owners

In their efforts to increase profitability and reduce risks, large retail chains are posing more demanding requirements on brand owners in terms of shorter lead times, better delivery precision, efficient marketing support, simplified online sales and smart store concepts. The same essentially applies to smaller specialty stores in various niche categories as well. Brand owners who operate in a global market are pushed to continually improve the support they provide to the market. The companies that can effectively meet these higher demands will be the winners; they become key partners with closer partnerships and larger market share.

### Continued consolidation

The global sports and outdoor market remains fragmented despite the consolidation that has been in progress over the last decade. The major players are driving this consolidation in their hunt for growth through new markets, new marketing channels and enhanced profitability through economies of scale in their production, marketing and distribution.

During the year the US, which is the largest sports and outdoor market in the world, experienced several major bankruptcies among retailers. The retail chains that entered bankruptcy were primarily specialized in sports and leisure clothing, the fastest-growing category on the Internet, but there was an impact on the entire industry. Like most other players in the industry, we expect the US market to return to more normal levels in 2017.

### Sport&Cargo Carriers

Our largest product group, Sport&Cargo Carriers, featuring products that make it easy to take the family's sports equipment on the car to the ski slope, beach or bike trail, accounted for over 61 percent (60) of the Thule Group's sales in 2016. The market is growing by 2 to 4 percent annually. As a market leader with around 50 percent of the global market, we drive growth through innovative product launches. The market is affected by the general trend in sports and leisure, as well as the need to bring new things on trips, such as heavier e-bikes that are difficult to handle and which require smart technical solutions.

### Other Outdoor&Bags – Active with Kids

Since 2011 the Thule Group has been the market leader in bicycle trailers,

and since the launch of our first sport stroller in 2014 we've established ourselves as a rapidly-growing niche player in the stroller category. With the acquisition of Dutch Yepp, in 2016 we became one of the largest players in the market for child bike seats. Young parents enjoy taking their young children outdoors and are demanding products that make it easier to pursue sports and outdoor activities with their children. Moreover, we see people using multisport trailers or child bike seats to bring their children to preschool on the way to work in the urban centers of Europe. Premium strollers are taking market share from simpler products in mature markets.

We anticipate that this product category will continue to grow by 3 to 5 percent annually in total.

#### Other Outdoor&Bags – RV Products

Historically, the Thule Group has only focused on the European market where we are the market leader in bike carriers and awnings for motorhomes and caravans. Sales of motorhomes and caravans rose by about 13 percent in 2016. The main global trends impacting the industry are that people want to live active mobile lives, particularly in the important and growing 50+ group in mature markets.

Since this sector is also impacted by access to finance for such a large capital purchase as an RV or caravan, this product category is the most sensitive to economic conditions. After a sharp decline during the 2007–2009 financial crisis, the industry has been growing steadily, although the number of new registrations remains below the level of the peak year of 2007. The European market is expected to grow by more than 5 percent per year over the next few years.

#### Other Outdoor&Bags – Sport&Travel Bags

We have launched numerous popular products in the

Thule VeloSpace bike carrier



**“With around 50 percent of the global market, we drive growth through the launch of innovative products.”**

Sport&Travel Bags in the last few years: everything from different bags for extreme sports enthusiasts to duffel bags and luggage for more everyday use.

This market is highly fragmented with many geographically limited brands, but here too there are strong global players in various categories such as luggage, hiking backpacks and bike bags. The market is expected to grow by around 5 percent per year in mature markets, and even faster in emerging markets. This growth is being driven by global macro trends such as interest in an active lifestyle, but also by an increase in international travel.

We are expanding our range in order to taking a position among the major global brands in the long term.

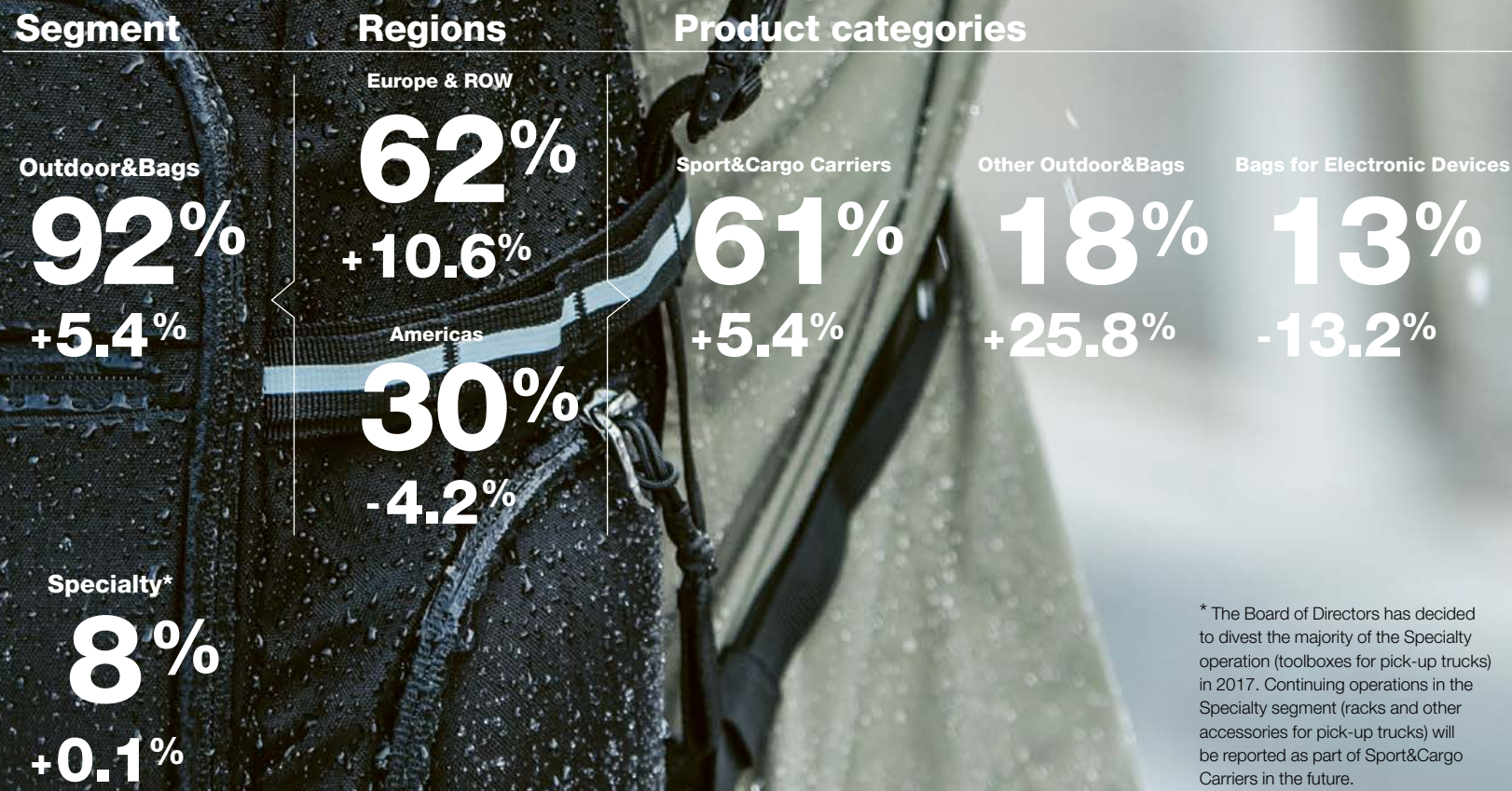
#### Bags for Electronic Devices

We have historically been strong in certain specific product categories in Bags for Electronic Devices, which is seeing a long-term decline, primarily in camera bags but also in tablet cases. In order to reduce the risks inherent in rapidly shifting trends, we've chosen to emphasize bags that are not as strongly associated with specific products in the last two years.

Focusing on attractive and practical backpacks and laptop cases that everyone can use makes us dependent on more general trends, such as the trend for work and leisure to overlap more and more and people's desire to use the same bag to take to work and then bring straight to the gym afterwards. With sales in both categories experiencing strong headwinds (such as camera bags) and categories that are seeing growth (such as smaller backpacks), we estimate that the market as a whole will be neutral.



# Overview of operations



\* The Board of Directors has decided to divest the majority of the Specialty operation (toolboxes for pick-up trucks) in 2017. Continuing operations in the Specialty segment (racks and other accessories for pick-up trucks) will be reported as part of Sport&Cargo Carriers in the future.



**1** million visitors to the 14 global trade fairs and numerous local trade fairs at which we exhibited in 2016.

**20** million unique visitors to thule.com.

**28 000** Followers on Instagram that was launched during the year.

**140 000** Followers on Facebook.





Thule Flow roof box

# Strong growth and higher profitability

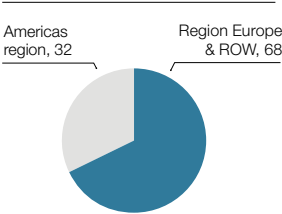
In recent years the Thule Group has focused on profitable growth in the Outdoor&Bags segment. With the planned divestment of parts of the US Work Gear business, which was announced at the beginning of 2017, we are now a pure lifestyle company with a wide range of products that make it easier for people all over the world to live an active life.

**In our Outdoor&Bags** segment we offer a product portfolio for sports and outdoor enthusiasts all over the world that is both broad and deep.

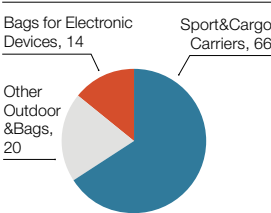
Thanks to an efficient supply chain, numerous successful product launches, our strong market position with the globally leading brand and close partnerships with our resellers, we increased sales by 5.8 percent (5.4 after currency adjustment) and underlying EBIT by 12.2 percent. The underlying EBIT margin amounted to 19.5 percent (18.4) a 0.5 percentage points improvement after currency adjustment.

In Outdoor&Bags, we have common processes for product development, sourcing, production, logistics and marketing. Sales managed in two

Sales by region, %



Sales by product category, %



regions, Europe & ROW, which grew 10.6 percent, and the Americas region, which declined -4.2 percent after currency adjustment.

**Sport&Cargo Carriers growing in Region Europe & ROW**

Sales in our biggest product category, Sport&Cargo Carriers, rose 5.3 percent and accounted for 66 percent of the business segment's sales. The Europe & ROW region showed stable growth thanks to numerous successful product launches, especially of bike carriers, and a generally

KEY FIGURES	2016	2015	Change, %	
			Reported	Adjusted <sup>1</sup>
Net sales, SEKm	5,145	4,862	5.8	5.4
– Europe & ROW region	3,494	3,156	10.7	10.6
– Americas region	1,650	1,706	-3.2	-4.2
Operating income, SEKm	993	872	13.9	
Underlying EBIT, SEKm	1,005	895	12.2	8.3
Operating margin, %	19.3	17.9		
Underlying EBIT margin, %	19.5	18.4		

1) Adjusted for changes in exchange rates





Thule QuickFit awning tent and sun shade



Thule Urban Glide sport stroller



With a focus on users and a clear design language, Thule's products continued to attract attention during the year with numerous awards and test wins, including two IF Product Design Awards. Our new Thule Urban Glide sport stroller beat stiff competition to win the EU's newly established and prestigious award for leading industrial design, the DesignEuropa Award.

healthy market situation. Sales declined marginally in the Americas region, for reasons including a recall of a roof-mounted bike carrier. The entire US sports and outdoor market was also negatively affected by two large retail bankruptcies.

#### Positive global trend for Other Outdoor&Bags

In Other Outdoor&Bags, successful launches drove rapid global growth in all three subcategories and the product category grew by 26 percent during the year.

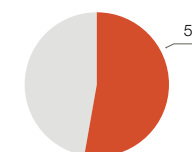
The successes of our sport strollers continued in Active with Kids, and we grew in the child bike seat segment through our acquisition of Yepp,

the leading player in the Benelux region. New models of hiking backpacks and bike bags, as well as the launch of bags for winter sports, drove strong global growth for Sport&Travel Bags. RV Products, which is focused on the European motorhome and caravan market, grew by about 13 percent during the year, and we also captured market share through successful launches of products including new bike carriers and awnings.

#### Weak performance in Bags for Electronic Devices

Bags for Electronic Devices declined by 13 percent. The reason was primarily that our large product categories, such as camera bags and cases for tablets continued to decline in an extremely negative market, primarily in the US.

Sales from products launched in the last 3 years, %







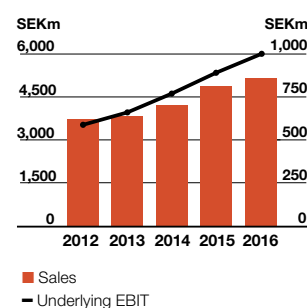
Our launch of several new products in the growth category of smaller backpacks for everyday use was extremely successful, especially in Europe, and we are endeavoring to reverse the negative trend for the category as a whole in 2017.

#### Manufacturing and distribution optimized for continued growth

In the first quarter of 2016 we moved into a new roof box factory in Chicago that supplies the North American market. In October we began building a second assembly plant, primarily for newer product categories, in Pila, Poland. The plant is expected to become operational in the first quarter of 2018. The new plant means greater capacity for rapid volume growth, and it will also enable us to manufacture products that today are manufactured by third parties.

During the year we completed the second phase of a complete overhaul of our global distribution centers, which enables improved service to our customers with shorter lead times and the ability to order products late in the evening for next-day delivery, while at the same time

Sales and underlying EBIT, SEKm



Higher sales and product categories with higher gross margins and a well-funded and efficient support organization have created very favorable performance in terms of profitability.

we reduce our distribution costs and our impact on the environment and the climate. The European distribution centers that were completed in 2015 have managed the rapid growth and the reason cost-effectively.

At the beginning of 2016 we moved our Asian warehouse from Hong Kong to Shenzhen on the Chinese mainland in order to manufacture distribution of, in particular, bags more cost-effectively. We have reduced the number of distribution hubs in North America from nine to five, including a new larger and more efficient warehouse for the Eastern US to be finished in the first quarter of 2017.

We are also continuing to expand our authorized retailer network, Thule Retail Partners, which will give consumers around the world easier access to a broad range of our products in stores with knowledgeable staff. During the year we added over 100 new partner stores, with a large number of them added thanks to our rapidly growing portfolio of children's products.



# Specialty

For strategic reasons, the Thule Group has initiated the divestment of the largest part of the Specialty segment, pick-up truck toolboxes, and we expect to complete this transaction during 2017. Therefore beginning on January 1, 2017 racks and smaller accessories for pick-up trucks will be reported as part of the Sport&Cargo Carriers product category.

**We have started** the sales process for the main part of the Specialty segment, the manufacturing and sale of toolboxes for pick-up trucks. These operations, which had sales of SEK 307m in 2016, have been operated separately with their own factory in Florida and with sales only in the US market, under the UWS brand and as a private label.

Given the above, we will report sales in the two smaller product groups, racks and smaller accessories for pick-up trucks, which have historically been part of the Specialty segment, as part of the Sport&Cargo Carriers product category in the Americas region. These product categories, which are manufactured in our Sport&Cargo Carriers assembly plant in the US state of Connecticut, have a strong technical connection with our market leading roof racks. They are also used by consumers to carry sports equipment such as surfboards and kayaks.

Net sales in these product groups rose for the full year by 1.7 percent to SEK 158 m. The range consists partly of racks for pick-up trucks under the Group's TracRac brand, which are sold to retailers, and partly of simpler products that are sold to pick-up truck manufacturers.



UWS Crossover toolbox (part of the business that will be divested) and TrackRacs pick-up truck rack (part of the business that will be retained).

KEY FIGURES	2016	2015	Change, %	
			Reported	Adjusted <sup>1</sup>
Net sales, SEKm	464	458	1.5	0.1
– Pick-up truck toolboxes	307	303	1.4	0.1
– Racks and accessories for pick-up trucks	158	155	1.7	0.0
Operating income, SEKm	75	60	24.2	
Underlying EBIT, SEKm	75	60	24.2	22.9
Operating margin, %	16.1	13.1		
Underlying EBIT margin, %	16.1	13.1		

1) Adjusted for changes in exchange rates



Thule ProRide 598 roof-mounted bike carrier

# The Thule brand is growing broader and stronger

Thule, one of the world's strongest brands for active recreation products, is increasing its share of Group sales and now accounts for 71 percent of sales. Its success is driven by an ever broader array of products and a conscious focus on strengthening the Thule brand in all channels.

**Strong brands provide** a stable platform for profitable growth. With our slogan *Bring your life*, we have continue to strengthen the Thule brand for several years. Today the brand is a globally recognized premium brand that wins both product tests and prestigious design awards thanks to its array of innovative products.

Thule accounted for 71 percent of Group net sales in 2016, an increase of 3 percentage points over 2015. From being historically associated primarily with bike carriers, roof boxes and roof racks, today Thule is a lifestyle brand for products in many different categories, all of them related to an active sports and outdoor life. Strollers for parents who want to bring their children while they go jogging, backpacks for hiking with friends, and travel cases that make it easy to bring along your bike when flying, are all examples of some of the categories where the brand can now be found.

We strengthened our social media presence during the year with the creation of a Thule Instagram account. With over 28,000 followers on this new account and over 140,000 followers on Facebook, we are building valuable relationships with consumers all over the world who share how they use our products in their active lives.



### Case Logic – a strong brand in the bag category

In the Bags for Electronic Devices product category, we also use the well-known Case Logic brand in addition to Thule. Case Logic accounted for 9 percent of sales in 2016. Case Logic has a strong position primarily in the US, the Benelux region and Southern Europe.

In 2016, we successfully strengthened our position in Europe in the category of smaller backpacks and laptop bags with several new products, while performance in the US was worse than expected.

### A growing share of own brands

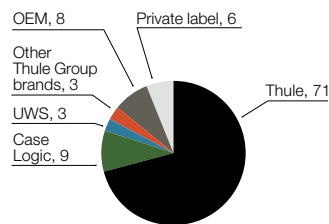
The share of sales under the Group's own brands rose to 86 percent (84) during the year. Brands that are restricted geographically or to certain product categories, such as TracRac in the US for pick-up truck racks, represented 6 percent of net sales altogether. The largest brand in this category was child bike seat brand Yepp, which we acquired during the year and which will be replaced by the Thule brand in 2017.

We cooperate closely with leading manufacturers of premium automobiles and OEM sales, which means that the products are sold under the customer's brand, accounted for 8 percent of sales. We also sell products, to a limited extent, to major retailers who market them under their own brands (private label). The sales accounted for 6 percent of total sales in 2016. The majority of these sales consisted of the planned divestment of our pick-up truck toolbox business, while other private label business only accounted for 3 percent of sales during the year.



Case Logic Huxton laptop bag

### Sales per brand, %



In 2016, the Group's own brands accounted for 86 percent of total sales, with Thule as the fastest-growing brand.

Thule Crew member Garrett McNamara with his family and a Thule Sapling child carrier backpack.



Thule WingBar Edge roof rack

# Risks and risk management

Like all business operations, Thule Group's operations are associated with various types of risks. Continuously identifying and evaluating risks is a natural and integrated part of the operations, in order to proactively control, limit and manage prioritized risks.

**The Group's ability to** analyze and prevent risk in turn reduces the risk of unforeseen events having a negative impact on the operations. The purpose of risk management is not necessarily to eliminate risk, but rather to secure our business objectives with a balanced risk portfolio. Analysis, planning and management of identifiable risks provides management with support for strategic decisions. The purpose of risk assessment is also to increase risk awareness throughout the entire organization, for operational decision-makers as well as Board members.

## Organization

The Thule Group Board Of Directors has ultimate responsibility for the company's risk management. Group management manages and prepares risks related to business development and long-term strategic planning, as well as the Group's work on sustainability and environmental issues and risks related to this work, through a proposed ranking of priorities. The Board of Directors then assigns final priority.

Group management continually reports to the Board concerning risk issues such as the Group's financial status and compliance with its finance policy. The Group's central finance department is responsible for the prioritization and management of financial risks, including exposure to exchange-rate fluctuations.

The Thule Group has a central function that is responsible for ensuring that the Group has the proper insurance coverage for insurable risks, in accordance with the set of priorities proposed by Group management and decided by the Board of Directors.

The Group's Code of Conduct, as well as several more specific policies, serve as the foundation for ongoing operational risk management that is managed at all levels of the organization.

## Risk overview

Several risk areas have been identified as part of the Thule Group's risk management process. The table on pages 43–45 briefly describes the most important risk areas, as well as management and measures to limit any eventual effects on the business.

A more detailed summary of financial risks can be found in Note 4, on pages 74–77. Work environment risks are described in more detail in the section on our employees on pages 26–27, as well as in the section on efficient and safe manufacturing on pages 18–20.

The Thule Group has divided identified risks into industry and market-related risks, operation and sustainability-related risks and financial risks.



## INDUSTRY AND MARKET-RELATED RISKS

The Thule Group continually assesses and evaluates the risks that the company may and is de facto continuously exposed to. The summary of industry and market-related risks includes a discussion of how business environment risks are managed, both strategically through business and product development as well as operationally through daily sourcing, sales and marketing activities.

Business cycle	Competition	Competition law	Demand	Legislation and taxes
<p>Demand for Thule Group's products is dependent on macroeconomic conditions.</p> <p>Changes in such conditions that lead to a weakening of retail market and reduced purchasing power may have a negative effect on the Thule Group's operations, financial position and results.</p>	<p>The Thule Group conducts business activities on a competitive market. This poses a constant risk that customers and consumers could prefer competitors' products over the Thule Group's current and future product offering.</p> <p>Increased competition may also negatively impact the Thule Group's current margins.</p>	<p>While the Thule Group has adopted internal procedures to ensure compliance with competition laws, there can be no assurance that instances of non-compliance may not occur.</p> <p>Furthermore, the Thule Group's strong position in certain markets may signify that Thule Group is considered to have significant influence, which could lead to restrictions on business strategies or the ability to grow through acquisitions.</p>	<p>The Thule Group's range contains products used as a complement to products that are not part of the Thule Group's own product offering (vehicle-mounted bike racks, camera cases etc.).</p> <p>Demand for these products may change due to technical advances or changes in consumers' needs and preferences.</p> <p>This could mean a material adverse impact on the the Thule Group's operations, results and financial position.</p>	<p>The business is conducted in accordance with the Thule Group's interpretation of applicable tax laws, tax treaties or other provisions in the tax law area, as well as the requirements imposed by the relevant tax authorities.</p> <p>There can however be no assurance that Thule Group's interpretation is accurate in all respects. Such decisions or amendments, possibly with retroactive effect, may have a significant negative impact on Thule Group's earnings and financial position.</p>
Management	Management	Management	Management	Management
<p>The Thule Group sells products in 140 markets, which means that the Group is not exposed to the economic cycle in one individual country.</p> <p>The sports and outdoor industry is not involved in the beginning of the upswing or downswing of an economic cycle, which means that the chances of adapting the business during economic fluctuations are good.</p> <p>The Thule Group works close to the market and can follow sales and economic trends closely in order to support its customers through marketing activities and pricing that reflects the market in a timely fashion.</p>	<p>The Thule Group wins competitive advantages and satisfies consumers' and customers' needs for premium products through extremely high brand awareness, continual product innovation, maximum product quality and outstanding and award-winning design – combined with good service and efficient logistics.</p>	<p>The Thule Group continually engages in employee training and monitoring compliance with the internal rules and framework that the Group established for its operation.</p> <p>The risk of violations of applicable legislation is covered by ongoing internal audits of the various parts of the operation and local markets. Expert legal advice is sought when there are questions of ambiguities or greater risks.</p>	<p>The Thule Group continually monitors developments in closely-related industries to which the Group is connected. Continual contacts with manufacturers and developers in these industries give the Thule Group a feeling for which trends affect the company's products.</p> <p>The Thule Group is in the habit of quickly adapting its products to new trends, needs and challenges.</p>	<p>The Thule Group continually assesses tax and legal issues in order to predict and prepare for eventual changes in a timely fashion.</p> <p>Amendments to regulations for tests and standards are often communicated in a timely fashion and there is frequently time to plan well in advance.</p> <p>Provisions for legal disputes, tax disputes and so on are based on the Group's estimate of the costs, supported by legal advice and the available information.</p>

## OPERATIONS AND ENVIRONMENT-RELATED RISKS

Operations-related risks are closer to the company when the degree of possible impact on the company itself is considered. This is also a reason that risk management encompasses internal arrangements of policies, guidelines and instructions in many cases. Operations-related risks are part of daily work and are managed by the operational divisions. Operations-related risks refers to risks including those related to the brand, moving sourcing and production, insurable risks and various types of sustainability risks, primarily environmental, health and safety-related risks.

Reputation	Local business risks in countries in which the Thule Group operates	Contracts with suppliers and customers	Environmental risks	Sustainability risks	Ability to retain and recruit qualified staff
<p>The Thule Group is dependent on having a good reputation, which depends in turn on factors such as good design, the distinct character of the products, the choice of materials, the image of Thule Group among retailers and consumers, communication activities, PR and marketing, and the Group's brand.</p> <p>Any harm to the Thule Group's reputation may result in the Thule Group losing business or growth opportunities, which could adversely affect its operations, financial position and results.</p>	<p>The Thule Group's business is subject to international regulations, as well as the local laws in the countries which the Group operates.</p> <p>Unintentional violations of laws and policies may occur. Moreover, government authorities in the countries where the Group operates, or plans to do so, may take actions that restrict, delay or obstruct the Group's ventures and result in higher costs and additional undertakings or otherwise diminish the Thule Group's results.</p>	<p>In accordance with commercial practices in effect in the markets in which the Group operates, certain informal agreements are entered into with customers and suppliers. These agreements primarily consist of pricing agreements or purchase orders.</p> <p>In the case of a disagreement as to the content of these agreement, it may be difficult to accurately define the rights and obligations of each party. This could lead to challenges, disputes or conflicts that could have a material adverse effect on the Thule Group's operations, financial position and results.</p>	<p>Non-compliance with environmental regulations could result in fines and other sanctions.</p> <p>Thule Group's liability for currently known and unknown clean-up costs and environmental sanctions could have a material adverse effect on the the Thule Group's operations, financial position and results.</p>	<p>If the Thule Group does not have society's confidence concerning its sustainability efforts, for reasons such as shortcomings in the management of the Group's products, the inability to manage consumer safety issues, dubious labor conditions at supplier companies or the inability to avoid substances that affect human health, this could have a material adverse effect on the Thule Group's operations, financial position and results.</p>	<p>Being able to attract and retain qualified personnel and its executive management is critical to the Thule Group's future operations. The Thule Group is particularly dependent on its executive management and on certain employees within the development, sourcing and sales functions.</p> <p>If the Thule Group cannot attract or retain qualified personnel, it could adversely affect the Thule Group's operations, financial position and results.</p>
Management	Management	Management	Management	Management	Management
<p>The Thule Group continually pursues prevention efforts by providing training and information about the subject matter of the Group's Code of Conduct.</p> <p>The Group has procedures for everything from how products are developed and tested to how we ensure compliance with competition laws and that the Group's quality efforts are ISO 9001-certified.</p>	<p>The Group's overall Code of Conduct contains ethical guidelines, and the Thule Group continually pursues prevention efforts by through procedures and certified quality work.</p>	<p>The Thule Group continually assesses legal issues in order to predict and prepare its business and products for eventual changes. Provisions for legal disputes, tax disputes and so on are based on an estimate of the costs, supported by legal advice and the available information.</p>	<p>The Thule Group engages in comprehensive quality and environmental management work that poses demands for both in-house production as well as production by subcontractors.</p> <p>The impact of operations on the environment is regularly monitored, and the Thule Group engages in systematic efforts to reduce its environmental impact.</p>	<p>The Thule Group engages in comprehensive quality and environmental management work that poses demands for both in-house production as well as production by subcontractors.</p> <p>Overarching sustainability goals in the areas of the environment, quality and social responsibility are tracked on a quarterly basis. A significant part of the Group's sustainability efforts consists of evaluating product development, sourcing and logistics processes against relevant standards for sustainability, quality and the environment.</p>	<p>The Thule Group is an attractive employer with a low rate of sick leave and low employee turnover.</p> <p>Promoting career development and other development opportunities for individual employees and offering competitive compensation at market rates ensures the ability to attract the right resources and makes sure that the Group's employees stay for the long term because they enjoy their jobs and experience professional growth in the environment offered by the Group.</p>

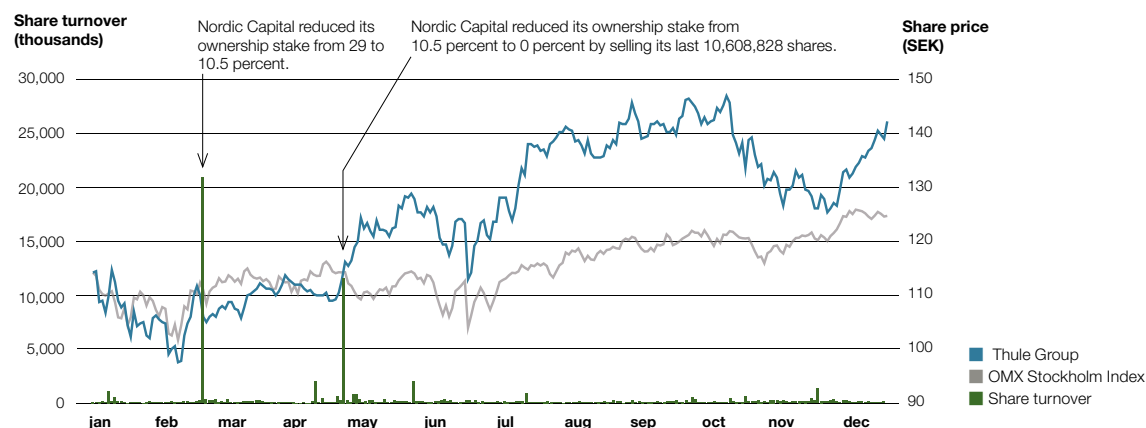


## FINANCIAL RISKS

The Thule Group's management of financial risks is centralized to the Group's finance department, which performs its activities within established risk mandates and limits. Management is performed according to guidelines in the Group's policies and regulations in the specific areas. All policies and regulations in this area are updated and adopted on an annual basis by the company's Board Of Directors. Read more about the Group's accounting policies as well as risk management and risk exposure in Note 1 on pages 66–71 and Note 4 on pages 74–77.

Exchange rate risk	Interest rate risk	Commodity price risk	Refinancing and liquidity risk	Credit risk
<p>Exchange rate fluctuations pose a risk that they will adversely affect the company's financial position, profitability and cash flow. The Thule Group is affected by exchange rate fluctuations through transaction exposure and translation exposure.</p> <p>Transaction exposure arises when sales and sourcing are performed in multiple different currencies that are not the local currency of the company in question. Translation exposure arises when the income statements, assets and liabilities of foreign subsidiaries are translated to SEK at year-end.</p>	<p>Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates and the risk that changes in the interest rate level will impact the Group's borrowing costs.</p>	<p>Commodity price risk refers to continuously fluctuating prices of input goods from our suppliers and its possible impact on earnings.</p> <p>For the Group, it is primarily fluctuations in plastic, aluminum and steel prices that constitute a significant commodity risk. They consist of multiple subcategories with various degrees of processing that often cannot be tied to a direct market price.</p>	<p>Refinancing risk refers to the risk that the Thule Group cannot refinance its operations at the desired time, or that such refinancing can only be obtained at significantly worse terms.</p> <p>Liquidity risk refers to the risk that the Thule Group cannot meet its payment commitment due to insufficient liquidity.</p>	<p>Credit risk is the risk that the Thule Group's counterparties cannot pay their debts and thereby cause the Thule Group to incur losses. This risk occurs in both commercial and financial transactions.</p>
Management	Management	Management	Management	Management
<p>The central finance department engages in currency hedges with immaturity from 1–12 months to reduce the effect of exchange-rate fluctuations on outstanding net exposure.</p> <p>The Group's translation exposure policy is to hedge current net investments per currency with loans in the same currency to the extent possible, but otherwise not to hedge this type of exposure.</p>	<p>Interest rate risk is managed by the Group's central finance department. A significant factor that affects the interest rate risk is the fixed-rate period.</p> <p>According to the finance policy, the objective of the long-term liability portfolio is for the average fixed-rate period to be between 6 months and 3 years. This is achieved primarily by entering into interest-rate swaps.</p>	<p>Commodity price risk is managed by indexing supplier contracts for products with a high percentage of raw materials to be periodically adjusted at defined intervals. Commodity prices can also be guaranteed through financial contracts with a term of 1–12 months.</p>	<p>The central finance department continually monitors to ensure that the Thule Group meets the binding key figures that are linked to its loan facilities. The Thule Group endeavors to work with multiple banks and financial institutions in order to reduce dependence on individual players.</p> <p>The Group has a rolling 8-weeks liquidity plan that includes all divisions of the Group. The plan is updated monthly.</p> <p>The Group policy is to minimize its borrowing need by centralizing surplus liquidity via the Group's cash pools.</p>	<p>The credit risk from accounts receivable is limited, since the Thule Group's customer base consists primarily of medium-large customers, resulting in good risk diversification. Customers undergo an investigation of credit worthiness in accordance with the Group's credit policy, and outstanding balances are continually monitored.</p> <p>Financial credit risk arises primarily as counterparty risk in the form of bank receivables attributable to the surplus value of derivative instruments and deposits of liquidity to banks. In order to reduce this risk, the derivatives are spread between different counterparties. The ISDA agreements that were signed with all counterparties permit the offset of derivative assets and derivative liabilities per counterparty, which reduces credit risk.</p>

# Shareholder information



**The Thule Group's share** has been listed on Nasdaq Stockholm since November 26, 2014. At December 31, 2016, the Thule Group had 4,026 shareholders, of which 259 (84.5 percent of the shares) were financial and institutional investors and 3,451 (1.8 percent of the shares) were Swedish private individuals. The remaining 316 shareholders (13.7 percent of the shares) cannot be classified.

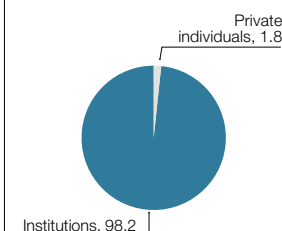
Foreign owners accounted for 49.1 percent of the votes and capital. The ten largest owners represented 52.1 percent of the votes and capital. The highest price paid during the period between January 1 and December 31, 2016 was SEK 148.50 and the lowest price paid was SEK 96.25. During the period January 1 to December 31, 2016, Thule Group's share price rose 23 percent.

At December 31, 2016, Thule Group's share capital amounted to SEK 1,129,218.90. The number of common shares was 101,036,455. According to the Articles of Association, share capital may not amount to less than SEK 500,000 or more than SEK 2,000,000, divided

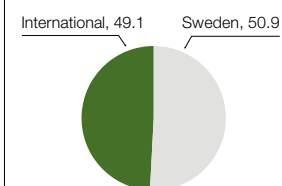
between a minimum of 44,737,320 and a maximum of 178,949,280 shares. Thule Group's Articles of Association contain a central securities depository clause and the company's shares are registered with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers the shares by person. All shares carry equal rights to the company's profits and shares of surpluses in the event of liquidation.

10 largest owners	No. of shares	%
AMF Försäkring & Fonder	12,532,663	12.4
Lannebo Fonder	6,962,491	6.9
Swedbank Robur Fonder	5,576,802	5.5
SEB Fonder incl. Lux	5,259,224	5.2
Nordea Fonder	5,134,020	5.1
Odin Fonder	4,350,273	4.3
Franklin Templeton	3,382,638	3.3
Länsförsäkringar Fonder	3,329,120	3.3
Handelsbanken Fonder	3,097,860	3.1
Columbia Threadneedle	3,003,930	3.0

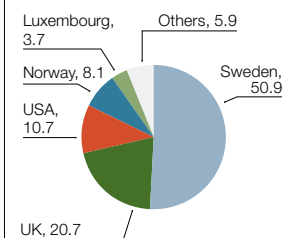
**Share of votes and capital, Sweden, %**



**Share of votes and capital, Swedish and international owners, %**



**Share of votes and capital, five largest countries, %**



## Information to shareholders

### Annual General Meeting

The Annual General Meeting (AGM) of Thule Group AB (publ) will be held on Wednesday, April 26, 2017 at 11:00 a.m. CET at Quality Hotel View, Hyllie Stationstorg 29, Malmö, Sweden.

### Right to attend

Shareholders who wish to attend the AGM must:

- be recorded in the share register kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on Wednesday, April 20, 2017, and
- notify the company of their intention to attend the AGM by Wednesday, April 20, 2017, preferably before 4:00 p.m. CET. To participate in the AGM, shareholders with nominee-registered shares should request their nominee to have the shares temporarily owner-registered with Euroclear Sweden AB. This registration must be in effect by Thursday, April 20, 2017. Shareholders are therefore requested to notify their nominees in due time before the said date.

### Notice of attendance

Notice of attendance should be provided in writing to Thule Group AB, AGM, Fosievägen 13, SE-214 31 Malmö, Sweden, by telephone to +46 40 635 99, or on the company's website, [thulegroup.com](http://thulegroup.com). The notice of attendance must state name, personal (or corporate) identity number, shareholding, telephone number and name of any advisor. Shareholders represented by proxy should submit a power of attorney to the company prior to the AGM. A proxy form is available at the company and on the company's website. Representatives of a legal entity should present a copy of the certificate of registration or similar document of authorization.



# Board of Directors' Report

The Board of Directors and President of Thule Group AB (publ), Corp. Reg. No. 556770-6311, hereby submit the Annual Report and the consolidated financial statements for the 2016 fiscal year.

## OPERATIONS AND ORGANIZATION

Thule Group is a world leader in products that make it easy to bring the things you care for easily, securely and in style so you are free to live your active life. Guided by the motto *Active Life, Simplified*. Thule Group offers products in the product categories Sport&Cargo Carriers (e.g. roof racks, roof boxes, holders for bikes, water and winter sports equipment being transported by car), Active with Kids (e.g. bicycle trailers, strollers, child bike seats), RV Products (e.g. awnings, bike carriers and tents for motorhomes and caravans), Sport&Travel Bags (e.g. hiking backpacks, suitcases) and Bags for Electronic Devices (e.g. computer- and camera bags) as well as Specialty (pick-up truck toolboxes).

The products are sold in 140 markets worldwide. Thule Group has about 2,200 employees at nine production facilities and more than 35 sales offices. Sales in 2016 amounted to SEK 5.6 billion.

Thule Group is a public limited liability company listed on the Nasdaq Stockholm Large Cap list (the change from Mid Cap on January 1, 2017).

The head office is located in Malmö, Sweden.

## SIGNIFICANT EVENTS AFTER THE FISCAL YEAR

### Acquisition of GMG B.V.

On July 4, Thule Group acquired the Dutch company GMG B.V., the leading manufacturer of child bike seats in the Benelux markets. In 2015, GMG B.V. reported sales of EUR 6.1m, specializing in child bike seats under the Yepp brand. GMG B.V. has operated with a lean, product-focused sales and marketing organization with six employees and an office in Zwanenburg in the Netherlands. The total purchase consideration was EUR 10.0m on a debt-free basis. Of the

purchase consideration, EUR 7m has been attributed to goodwill and EUR 2m to the brand. The products will be sold under the Thule Yepp brand. The company was consolidated in the Group as of July. The acquisition has contributed with sales amounting to SEK 18m and operating income of negative SEK 6m, due to development costs of SEK 5m ahead of the launch of a completely new generation of child bike seats that will be in stores in spring 2017. Had the acquisition occurred on January 1, it is estimated that sales would have increased SEK 33m and operating income approximately SEK 5m. The acquisition is included in the Outdoor&Bags segment under the Active with Kids product category.

### Strategic review of the Specialty segment – planned divestment of toolboxes for pick-up trucks operations

Following the strategic review of the Specialty segment during the year, the Board decided to divest the US toolboxes for pick-up trucks operations, including these operations' dedicated plant in Florida in the US. The divestment process has been initiated and is expected to be completed in 2017. Net sales in this product category were SEK 307m for the full-year 2016. Geographically, the operations are limited to North America and are mainly focused on building professionals under the Group's UWS brand (which is included in the operations being divested) and of private label deliveries to Home Depot (a contract that will be phased out in 2017). The assets and liabilities attributable to this operation has been reclassified and are shown in the balance sheet as assets and liabilities held for sale, see Note 6 for more information. The two smaller product groups that were previously reported

under the Specialty segment (racks and smaller accessories for pick-up trucks) and which will not be divested, will in the future, be reported under the Sport&Cargo Carriers product category in Region Americas.

### More effective distribution

The streamlining of our distribution structure continued during the year in order to meet store demands for short lead times and high delivery precision. In the first quarter, we relocated our Asian warehouse from Hong Kong to Shenzhen, China, and the North American distribution center will be consolidated by relocating warehouses on the US west coast to a joint distribution center.

### New plants

A new roof box production facility opened in Chicago, Illinois, USA during the first quarter. The new 150,000 square meter building has better production capacity, more effective material flow and improved system to reduce environmental impact. By consolidating the old plant from three buildings to only one, energy consumption will drop and the flow of products will be more efficient. The work environment will also improve. The new plant will supply North America with roof boxes.

In October, the project to build a new assembly plant for primarily the newer product categories began in Pila, Poland. The new plant, scheduled for completion by the beginning of 2018, increases the Group's capacity for rapid volume growth and facilitates own production of products that are currently manufactured externally.

## PERFORMANCE OF THE GROUP'S OPERATIONS, EARNINGS AND POSITION – GROUP

### Net sales

Net sales for the full-year were SEK 5,611m (5,320) corresponding to an increase of 5.5 percent. Adjusted for exchange rate fluctuations, net sales rose 4.9 percent and the organic currency-adjusted growth was 4.6 percent.

In the Outdoor&Bags segment, net sales increased 5.8 percent (5.4 after currency adjustment). In Region Europe & ROW, sales increased 10.6 percent after currency adjustments, while the Group's sales in the Americas region, primarily the US, were negatively impacted by the sales trend mainly in the Bags for Electronic Devices product category and net sales fell 4.2 percent after currency adjustment.

In the Specialty segment, net sales totaled SEK 464m (458), an increase of 1.5 percent and 0.1 percent after currency adjustments.

### Operating income

Operating income totaled SEK 957m (825). The increase during the period compared with the year earlier was partly attributable to operating income in the preceding year being charged with items affecting comparability amounting to SEK 12m for a reorganization of the Outdoor&Bags segment. Underlying EBIT was SEK 970m (850), corresponding to a margin of 17.3 percent (16.0). The improvement was achieved due to higher sales, the enhanced product mix and efficiency enhancements in sourcing and logistics.

Changes in exchange rates had an overall positive impact of SEK 31m on underlying EBIT, compared with the full-year 2015. After currency adjustment, the Group achieved a year-on-year margin improvement of 0.8 percentage points.

### Research and development

The main portion of the Group's product development expenses are recognized through profit or loss as an expense as they arise. Expenses mainly comprise development and production of new products. Research and development expenses comprised 4.6 percent (3.9) of net sales in 2016.

### Seasonal variations

Thule Group's sales and operating income are partially affected by seasonal variations. First-quarter sales are partially affected in the Outdoor&Bags segment (roof boxes, ski-racks, winter sport transport cases, etc.) by winter conditions. In the second and

third quarters, primarily Outdoor&Bags is impacted by how early the spring or summer arrives, while sales in individual quarters may be impacted by the quarter in which spring or summer occurs. In the fourth quarter, seasonal variations are primarily attributable to sales of winter-related products (roof boxes, ski-racks, snowsport backpacks, etc.) and sales of products in the bag category prior to major holidays.

### Net financial items

For the full-year, net financial items amounted to an expense of SEK 36m (expense: 60), and were positively impacted by exchange rate differences of SEK 8m (expense: 7) on loans and cash and cash equivalents. For the full-year, the finance net was SEK 40m (expense: 50). The improvement was due to lower gearing.

### Taxes

Tax for the full-year amounted to an expense of SEK 245m (expense: 178), corresponding to a tax rate of 26.6 percent (23.2). The tax rates for the full-year 2016 was impacted by the provisions for the ongoing tax dispute in Germany. For more information, refer to Note 19 Taxes. Adjusted for the provision, the tax rate for the year was 24.5 percent.

## PERFORMANCE BY BUSINESS SEGMENT

### Outdoor&Bags

Net sales rose to SEK 5,145m (4,862), corresponding to an increase of 5.8 percent. This meant that, adjusted for exchange rate fluctuations and the acquisition of GMG B.V., net sales at Outdoor&Bags rose 5.0 percent organically for the full-year. The sales increase was driven by Region Europe & ROW, which increased 10.6 percent after currency adjustment, driven by positive trends in the Other Outdoor&Bags and Sport&Cargo Carriers product categories. These two categories also grew in Region Americas, but the Region was negatively impacted by the Bags for Electronic Devices category. In total, net sales in Region Americas declined 4.2 percent after currency adjustment.

During the year, we successfully pursued growth in the Group's largest product category Sport&Cargo Carriers, where we are global market leaders. Sales in Sport&Cargo Carriers grew 5.3 percent after currency adjustment, primarily driven by Region Europe & ROW and successful product launches for bike carriers and roof racks, and the continued success of the investment in the Thule Retail Partner concept with retailers.

During the year, our continued venture into becoming a major

participant in the three product categories in Other Outdoor&Bags has been extremely successful on a global scale, with sales growth of 26 percent after currency adjustment. In RV Products, we were helped by a strong European motorhome and caravan market, where we also captured market shares through successful product launches. In the Active with Kids category, our acquisition of GMG has made us stronger in child bike seats and, together with strong growth in multisport trailers and strollers, sales grew rapidly in both regions. A broader product portfolio in the fast growing Sport&Travel Bags category also contributed to rapid growth in Region Americas and Region Europe & ROW.

In Bags for Electronic Devices, the negative trend continued throughout the year and we ended with a sales decline of 13 percent, which was larger than expected. The decline was largely due to continued exposure to tougher than expected market conditions in certain categories (camera bags and tablet cases), but we are also not satisfied with the trend in the US for those categories that are less dependent on specific electronic gadgets (for example, smaller laptop cases or backpacks).

Operating income totaled SEK 993m (872). The increase during the year compared with the year earlier was partly attributable to operating income in the preceding year being charged with items affecting comparability amounting to SEK 12m.

Underlying EBIT was SEK 1,005m (895), corresponding to a margin of 19.5 percent (18.4). Accordingly, the EBIT margin improved 0.5 percent after currency adjustment.

### Specialty

For the full-year, net sales for Specialty rose to SEK 464m (458), corresponding to an increase of 1.5 percent. After currency adjustment, net sales rose 0.1 percent. For the full-year 2016, the operations up for sale (toolboxes for pick-up trucks) reported sales of SEK 307m (303). During the fourth quarter, we were also notified with regard to toolboxes for pick-up trucks that the major private label contract that the Group has had with Home Depot will be phased out in the second half of 2017. Accordingly, the focus for these operations will be on increasing product sales under the UWS brand, which is included in the planned divestment.

Net sales for the two product groups (racks for pick-up trucks and smaller accessories for pick-up trucks), which will be reported as part of Sport&Cargo Carriers under Region Americas in the future, increased to SEK 158m (155) for the full-year, up 1.7 percent. Sales consist partly of racks for pick-up trucks under



the Group's TracRac brand, which are sold to retailers and partly of simpler products that are sold to pick-up truck manufacturers.

For the full-year, operating income amounted to SEK 75m (60) and underlying EBIT to SEK 75m (60), corresponding to a margin of SEK 16.1 percent (13.1). Accordingly, the EBIT margin improved 3.0 percentage points.

Given the strategic decision to divest the US operations that manufacture pick-up truck toolboxes, in the future, we have decided to report sales in the two smaller product groups, racks and accessories for pick-up trucks which have historically been part of the Specialty segment, under the Sport&Cargo Carriers product category in Region Americas. We have taken a strategic decision to keep these product categories (racks and smaller accessories for pick-up trucks) within the Group, since they have a strong technical connection to our market-leading category and are also manufactured in our Sport&Cargo Carriers assembly plant in Connecticut in the US, and are, to some extent, used by consumers for leisure activities.

## FINANCIAL POSITION

At December 31, 2016, the Group's equity amounted to SEK 3,826m (3,228). The equity ratio amount to 48.5 percent (46.8).

SEKm	Dec 31, 2016	Dec 31, 2015
Long-term loans, gross	2,453	2,361
Financial derivatives, long-term	22	13
Short-term loans, gross	6	5
Financial derivatives, short-term	28	13
Overdraft facilities	0	0
Capitalized financing costs	-8	-11
Accrued interest	0	0
<b>Gross debt</b>	<b>2,501</b>	<b>2,381</b>
Financial derivative assets	-34	-28
Cash and cash equivalents	-763	-274
<b>Net debt</b>	<b>1,704</b>	<b>2,079</b>

At December 31, 2016, net debt amounted to SEK 1,704m (2,079). Total long-term borrowing amounted to SEK 2,467 (2,363), and comprised loans from credit institutions of SEK 2,453 (2,361),

gross, capitalized transaction costs of SEK 8m (11) and the long-term portion of financial derivatives of SEK 22m (13). Total current financial liabilities amounted to SEK 34m (18) and mainly comprised the short-term portion of financial derivatives.

Pledged assets for Thule Group amounted to SEK 21m (20). Goodwill at December 31, 2016, amounted to SEK 4,208m. Goodwill at December 31, 2016 pertaining to continuing operations totaled SEK 4,032m. Of the increase, SEK 67m pertained to the acquisition of GMG B.V.

At December 31, 2016, inventories amounted to SEK 825m (722).

## Cash flow

Cash flow from operating activities was SEK 878m (662). The sharp year-on-year improvement in cash flow was the result of improvements in operating income and working capital. Cash flow for the year was negatively impacted by a tax payment of SEK 97m (42) pertaining to a partial payment of the German tax agency claim on Thule Deutschland Holding GmbH; see Note 19 Taxes. Cash flow from investing activities was impacted by SEK 92m related to the acquisition of GMG B.V. made in July. Net investments in tangible assets amounted to an expense of 131m (expense: 99).

During the year, a share issue valued at SEK 88m was carried out as a result of the exercise of warrants. Dividend of SEK 253m (200) were paid during the year.

The Group's cash and cash equivalents at year-end totaled SEK 763m (274). The Group also has unutilized, binding loan commitments of SEK 584m to finance the ongoing operations. For more information regarding the terms of the loans, see Note 27.

## PARENT COMPANY

Thule Group AB's (publ) principal activity pertains to head office functions such as Group-wide management and administration. The Parent Company invoices its costs to Group companies.

The Parent Company reported positive net income of SEK 998m (neg: 2). Parent Company received dividends from subsidiaries in the amount of SEK 1,000m (0). Cash and cash equivalents and current investments amounted to SEK 0m (0). Long-term liabilities to credit institutions totaled SEK 2,433m (2,338). At year-end, 27 (25) people were employed at the head office, comprising most of Group management and Group-wide functions such as business development, technology, marketing, HR, finance and information. Group management is employed in Thule Group AB, while other functions are employed in either Thule AB or Thule Holding AB.

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 the Risks and risk management section.

## Risks and risk management

Like all business operations, Thule Group's operations are associated with risk. Continuously identifying and evaluating risks is a natural and integrated part of the operations. The Group's ability to analyze and prevent risk in turn reduces the risk of unforeseen events from having a negative impact on the operations. Thule Group has categorized identified risks according to industry and market-related risks, operations-related risks, sustainability-related risks and financial risks.

## Industry- and market related risks

### Business cycle and demand

Thule Group conducts business activities in a large number of markets in the world and similar to other groups is affected by general economic, financial and political conditions at a global level. Demand for Thule Group's products is dependent on macroeconomic conditions. Changes in such conditions may lead to the retail market weakening and changes in consumers' purchasing power, which may have a negative effect on Thule Group's operations, financial position and results.

### Competition

Thule Group conducts business activities on a competitive market characterized by price competition and other forms of competitions, for example, product development, design, quality and service offering. Furthermore, business development by Thule Group's competitors may cause customers to prefer, to a greater degree than previously, products which compete with Thule Group's current and future product offering. Increased competition may also negatively impact Thule Group's current margins.

### Demand for Thule Group's products is dependent on consumer demand for underlying products

Thule Group's product offering includes products that are supplementary to other products not offered by Thule Group, which may become obsolete due to technological development or changes in consumer behavior. Changes in consumer demand for underlying products may thus have a material adverse effect on Thule Group's operations, financial position and results.

*Risks regarding competition law*

Thule Group is subject to general competition laws in the jurisdictions in which it operates. Contractual conditions and prices in agreements that are used in Thule Group's operations may be subject to restrictions under such competition laws. Competition authorities have the power to initiate ex-post regulation procedures and to require a party to cease applying contractual terms and prices that are found to be anti-competitive. Competition authorities also have the power to impose fines and other sanctions as a result of non-compliance with relevant regulatory requirements. While Thule Group has adopted internal procedures to ensure compliance with competition laws, there can be no assurance that instances of non-compliance have not occurred in the past nor that instances of non-compliance will not occur.

To the extent Thule Group is unable to ensure compliance with applicable competition laws, Thule Group may be adversely effected by regulatory sanctions and remedies as well as inability to enforce contractual terms that are found to be anti-competitive. Furthermore, Thule Group's strong position in certain product markets may signify that Thule Group is considered to have significant market power in such markets. Significant market power in one or more markets may result in regulatory restrictions on Thule Group's ability to fully implement its business strategies in these markets and its ability to grow through acquisitions.

**Operations-related risks***Dependence on reputation*

Thule Group is dependent on its reputation, which, in turn, depends on factors such as product design, the distinct character of the products, the materials used to manufacture the products, the image of Thule Group's stores, communication activities, including advertising, public relations and marketing, and general corporate profile. Problems regarding quality, product liability and safety issues as well as operational or logistical problems may result in Thule Group's reputation being harmed and, as a result, difficulties in retaining existing or attracting new customers. Any harm to Thule Group's reputation may result in Thule Group losing business or growth opportunities, which could adversely affect its operations, financial position and results.

*Dependence on suppliers*

In order to be able to manufacture, sell and deliver products, Thule Group is dependent on external suppliers. Incorrect or

late deliveries, or non-deliveries, from suppliers may, in turn, result in Thule Group's deliveries being delayed or suspended, or becoming deficient or incorrect. Thule Group may also be adversely affected by its suppliers facing financial, legal or operational problems. All of these factors may adversely affect Thule Group's operations, financial position and results.

*Inability to retain and recruit qualified personnel and executive management*

Being able to attract and retain qualified personnel and its executive management is important to Thule Group's future operations and business plan. Thule Group is particularly dependent on its executive management and on certain employees within sourcing and sales functions. If Thule Group cannot attract or retain qualified personnel, it could adversely affect Thule Group's operations, financial position and results.

*Impact of local business risks, legislation and regulations in countries in which Thule Group operates*

Thule Group operates in a global environment and is consequently exposed to various risks, including decisions by the management of its subsidiaries that may not be aligned with Thule Group's broader strategies or that are not beneficial for all members of Thule Group. Thule Group's business is subject to the local laws and regulations applicable in each jurisdiction in which Thule Group operates, as well as license and reporting obligations in certain jurisdictions and overarching international rules. Laws, policies, measures, controls or other actions implemented by the authorities in the countries where Thule Group operates, or in other countries in which Thule Group may operate in the future, may restrict its operations, delay or prevent planned investments, require additional investments and lead to increased costs and other obligations or otherwise harm Thule Group's financial results. In addition, employees of Thule Group's subsidiaries, and other persons affiliated with Thule Group, may take actions which are unethical or criminal or otherwise contravene the Group's existing or future internal guidelines and policies as well as those that the Group intends to implement in relation to compliance with relevant anti-bribery, sanctions and export control laws in a manner which is consistent with international practice.

*Exposure to environmental risks*

Thule Group has three main manufacturing sites located in

Sweden, Poland and the US. The manufacturing at these sites is subject to environmental regulation and supervision. Non-compliance with environmental regulations could result in fines and other sanctions. Thule Group's liability for currently known and unknown clean-up costs and environmental sanctions could have a material adverse effect on Thule Group's operations, financial position and results. Regulatory authorities may also suspend Thule Group's operations, withdraw environmental licenses as well as reject the renewal of environmental licenses that are required for Thule Group's operations.

*Exposure to tax-related risks*

The business – including intra-Group transactions – is conducted in accordance with Thule Group's understanding or interpretation of applicable tax laws, tax treaties or other provisions in the tax law area, and the requirements imposed by the relevant tax authorities. There can however be no assurance that Thule Group's understanding or interpretation of the aforementioned laws, treaties and other provisions is accurate in all respects. Furthermore, the tax authorities in the relevant countries may make assessments and take decisions which differ from Thule Group's understanding or interpretation of the aforementioned laws, treaties and other provisions. Thule Group's tax situation in respect of previous years and the current year may thus change as a consequence of decisions by relevant tax authorities or due to amended laws, tax treaties and other regulations. Such decisions or amendments, possibly with retroactive effect, may have a significant negative impact on Thule Group's earnings and financial position. The Group has been subject to a tax audit in Germany; see Note 2 and Note 19 for more information.

*Exposure to risks relating to its agreements with suppliers and customers*

In accordance with commercial practices in effect in the markets in which Thule Group operates, certain agreements entered into by Thule Group and its customers and suppliers are often informal and generally consist of pricing agreements that are periodically renegotiated between the parties, or purchase orders. In the case of a disagreement between the parties as to the content of their agreement, this flexibility (which could mean that it is difficult to accurately define the rights and obligations of each party) could lead to challenges, disputes or conflicts that could have a material adverse effect on Thule Group's operations, financial position and results.



### Financial risks

The Group's financial operations are centralized to capitalize on economies of scale and synergies and to minimize handling risks. The Group's finance operations are coordinated by the subsidiary Thule Holding AB, which performs all external financial transactions and also acts as an internal bank for the Group's financial transactions in the currency and interest rate markets. The Board of Directors decides on a finance policy for managing these risks annually.

The finance policy comprises a framework for managing both financial risks and financial activities in general. The Board's Audit Committee prepares, on behalf of the Board, the practical application of the policy in consultation with the Group's CFO.

#### *Exchange rate risk – transaction exposure*

The Group's total transaction exposure, net, amounts to SEK 1,778m (1,488) annually. The single most important currency relationships are EUR/SEK, in which the Group has a positive net inflow. The central finance department is responsible for all hedging to reduce the effect of exchange rate fluctuations.

#### *Exchange rate risk – translation exposure*

Another influence on exchange rate fluctuations arises when the income statements of foreign subsidiaries and assets and liabilities are translated to SEK at year-end. The Group's policy is to hedge net investments with loans but otherwise not to hedge this type of translation exposure.

#### *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates and the risk that changes in the interest rate level will impact the Group's borrowing costs. A significant factor that affects the interest rate risk is the fixed-rate period. This interest rate risk is managed by the Group's central finance department. According to the finance policy, the objective of the long-term liability portfolio is for the average fixed-rate period to be between 6 months and 3 years. The Group uses hedge accounting to hedge the cash flow risk of interest payments.

#### *Commodity price risk*

Commodity price risk refers to continuously fluctuating prices of input goods from our suppliers and its possible impact on earnings.

For the Group, it is primarily fluctuations in plastic, aluminum and steel prices that constitute a significant commodity risk. During the year, 45 percent (38) of total direct materials consisted of plastic, aluminum and steel.

#### *Refinancing- and liquidity risks*

The Group has a rolling 8-week liquidity plan that includes all units of the Group. Results are reported regularly on a weekly basis. The plan is updated monthly. The liquidity plan is used to manage liquidity risk and as a tool for following the cash flow from the operational and financial business. The Group policy is to minimize its borrowing need by centralizing surplus liquidity via the Group's cash pools that have been established by the central finance department.

Thule Group's exposure to financial risks and management of financial risks are described in more detail in Note 4.

### EMPLOYEES AND REMUNERATION

#### Number of employees

The average number of employees was 2,180 (2,075).

#### Guidelines for remuneration of the President and other executive management

The Annual General Meeting held on April 26, 2016, resolved on guidelines for remuneration which are to apply in relation to remuneration of the President and other executive management.

Remuneration of Group management is to comprise fixed salary, any variable salary, pension and other benefits. Total remuneration package is to be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as, with respect to share-based incentive programs, the value growth of Thule Group share benefiting the shareholders.

Variable salary can comprise annual variable cash bonuses and long-term variable bonuses in the form of cash, shares and/or share-based instruments in Thule Group AB. Variable cash salary requires that defined and measurable targets have been achieved and may not exceed 75 percent of the fixed annual salary for the President and may not exceed 60 percent for other members of executive management. Terms for variable salary should be designed so that the Board, under exceptional economic conditions, is able to limit or waive the payment of variable salary if such action is deemed reasonable.

Pension benefits must be defined-contribution based.

Severance pay is normally given if employment is terminated by Thule Group. The standard notice period for members of Group management is a maximum of 6 months in combination with severance pay of 6 to 12 months fixed salary. No severance pay accrues if notice is given by the employee.

On an individual basis, if justified for particular reasons, the Board has the right to depart from the guidelines adopted by the Annual General Meeting.

The group of executives covered by the guidelines are the President and other members of Group management.

#### Incentive programs

A long-term incentive program for management, key personnel and the Chairman of the Board has been introduced. The purpose of the incentive program is to promote and maintain a strong commitment to ensure maximum long-term value for shareholders. Warrants were issued as part of an incentive program for (i) the management and key personnel, and (ii) the Chairman of the Board (the "Participants"). The incentive program currently encompasses nine individuals. The Participants acquired the warrants at market value. The total program encompasses 4,999,998 warrants and warrants not subscribed for by the Participants may be offered in the future to new members of executive management and/or key personnel. On full utilization, the option program corresponds to 5 percent of Thule Group's share capital. The warrants have been issued in three separate series, with the same number of warrants in each series.

For more information about remuneration of employees, refer to Note 13.

### ENVIRONMENT

#### Environmental impact

Thule Group has a long history of environmental focus due to its commitment to develop high-quality products built to last for a long time, encourage employees with deep environmental engagement and manage our own production facilities in Europe and Americas not only to legal requirements, but to the higher Thule Group standards. Thule Group has defined four core focus areas for environmental sustainability.

The Group is subject to a number of European Union, national, regional and local environmental and occupational health and safety laws, rules and regulations relating to the protection of the environment and natural resources including, among other things, the

management of hazardous substances and waste, air emissions, the discharge of water, transportation, remediation of contamination and workplace health and safety. Thule Group's operations require the Group to maintain certain environmental licenses for the production of its products including metal-based products with surface treatment and plastics. In addition, Thule Group's production units have generally been certified according to the ISO 9001 quality management standards and the ISO 14001 environmental management standards.

The plants outside Sweden adapt their operations, apply for the necessary licenses and report to authorities in accordance with local laws. The Group's Swedish plants with production facility in Hillerstorp conducts operations that require an environmental license in accordance with Swedish environmental legislation. Thule Sweden AB conducts class C operations under a license for class B operations and is classified as mechanical manufacturing in the form of metal working in a workshop area of less than 18,000 square meters and guarantees that its impact in the form of, for example, noise, dust and emissions to air and water, both in the immediate area and in general, from its manufacturing unit in Hillerstorp is minimal. Systems are in place for classifying and sorting waste at source and for handling industrial waste. The unit also holds ISO 14001:2004 environmental management standards certification and ISO/TS 16949 (quality management system for suppliers).

**FUTURE DEVELOPMENT**

**Future outlook**

On the condition that no significant changes take place in the business environment in 2017, demand for the Group's products is expected to remain favorable.

**Significant events after the fiscal year**

No significant events took place after the end of the fiscal year.

**Forecast**

Thule Group does not present a financial forecast.

**THE THULE SHARE, SHAREHOLDERS AND PROPOSED APPROPRIATION OF PROFITS**

**Number of shares and quotient value**

The shares of Thule Group AB are listed on the Nasdaq Stockholm Large Cap list (the change from the Mid Cap list took place on January 1, 2017).

The Group did not buy back or hold any treasury shares during the fiscal year. The number of shares approved, issued and fully paid as per December 31, 2016 was 101,036,455. Thule Group's 2014/17 warrants program ended on February 14, 2017 and this meant that the number of shares increased by 1,036,455. Accordingly, the total number of shares amounts to 102,072,910.

The company has only one class of share. At General Meetings of shareholders, each share carries one vote and each shareholder is entitled to vote the full number of shares such shareholder holds in the company.

All shares carry equal rights to the Company's assets and profits. The quotient value (nominal value) of the share is SEK 0.01118.

**Largest shareholders**

At December 31, 2016, Thule Group AB had 4,026 shareholders. At this date, the largest shareholders (reported as each owner flags its holdings) were AMF – Försäkring och Fonder (12.4 percent of the votes), Lannebo Fonder (6.9 percent of the votes) and Swedbank Robur Fonder (5.5 percent of the votes).

**Articles of Association**

The Articles of Association contain no separate regulations pertaining to the appointment and dismissal of Board members, nor to amendment of the Articles of Association.

**Proposed appropriation of profits**

Parent Company

Proposed appropriation of the company's earnings.

Available for disposal at the Annual General Meeting:

Share premium reserve, SEK	1,299,080,481
Net income, SEK	998,144,205
	<b>2,297,224,686</b>

The Board proposes that the profit brought forward be appropriated as follows:

Dividend to shareholders, SEK 10.90 x 102,072,910	1,112,594,719
To be carried forward, SEK	1,184,629,967
	<b>2,297,224,686</b>

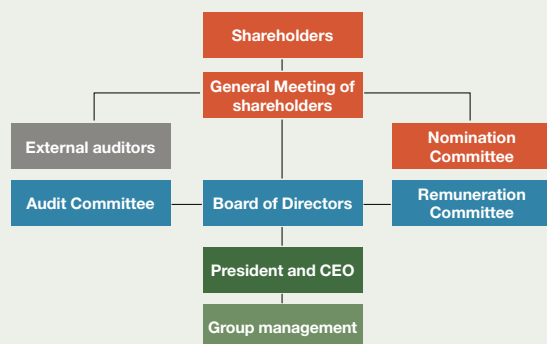


# Corporate Governance Report

Thule Group AB is a Swedish public limited liability company listed on the Nasdaq Stockholm Large Cap list (the change from the Mid Cap list took place on January 1, 2017). Thule Group's corporate governance is mainly regulated by the Swedish Companies Act and other Swedish laws, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code "the Code" (available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)).

The Code is to be applied to all Swedish companies whose shares are traded on a regulated marketplace in Sweden. Thule Group has applied the Code from November 26, 2014, when Thule Group's share started to be traded on Nasdaq Stockholm. The 2016 Corporate Governance Report describes Thule Group's corporate governance, management and administration, and the internal control and risk management in connection with the financial reporting.

Thule Group's corporate governance structure



## Regulatory compliance

### External governance systems

The external governance systems that comprise the framework for corporate governance at Thule Group primarily comprise the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable rules and relevant legislation.

### Internal governance systems

The Articles of Association adopted by the Annual General Meeting and the documents on the rules of procedure for the Board of Thule Group, instructions for the President and instructions for the Remuneration and Audit Committees, as adopted by the Board of Directors, are the most important internal governance systems. In addition, the Group has a number of policies and instructions containing rules and principles for the Group's operations and employees.

### Deviations from the Code

Companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are more appropriate to their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation in the annual corporate governance report (the "comply or explain" principle).

The company deviates from rule 9.8 of the Code with regard to the option in the share-based incentive program of utilizing warrants to acquire shares over a period of less than three years and the Chairman of the Board's participation in the program. The assessment is that the warrants program, including its deviations, are in line with the company's business plan and strategy. In addition, the deviations should be viewed in light of the terms and conditions of the warrants which limit the economic outcome for the holders.

### General Meeting of shareholders

Pursuant to the Swedish Companies Act (2005:551), the General Meeting is the company's highest decision-making body and shareholders exercise their voting rights at such Meetings. Shareholders who are recorded in the share register on the record date

and have notified the company of their intention to participate in the General Meeting not later than the date and time indicated in the notice are entitled to attend the General Meeting in person or by proxy. Resolutions are made at the General Meeting normally by a simple majority. However, in certain matters, the Swedish Companies Act stipulates that a certain level of attendance is required to form a quorum or a qualified majority of votes. Annual General Meetings must be held within six months from the end of each fiscal year. Thule Group's Annual General Meeting is usually held in April. The Annual General Meeting resolves on such issues as the Articles of Association and is tasked with appointing Board members and the Chairman of the Board, electing auditors and resolving to adopt the income statement and balance sheet, the appropriation of the company's profits, and the discharge from liability of the Board and the President vis-à-vis the company. In addition, where necessary, the Annual General Meeting also resolves to adopt principles for the appointment and work of the Nomination Committee, and resolves on principles for the terms of remuneration and employment for the President and other executive management. An Extraordinary General Meeting can be held if specifically required. At the Annual General Meeting, shareholders have the opportunity to ask questions about the company and its results for the year just ended.

In addition to Annual General Meetings, Extraordinary General Meetings can be called. The company's Annual General Meetings are held each calendar year in Malmö, Sweden, before the end of June. In accordance with the Articles of Association, notice of a General Meeting is published in Post- och Inrikes Tidningar and on the company's website. In conjunction with notice being given, an announcement is made of the notification in Dagens Industri.

The Articles of Association contain no separate provisions pertaining to the appointment and dismissal of Board members, nor to amendment of the Articles of Association. For the complete Articles of Association, refer to the website [www.thulegroup.com](http://www.thulegroup.com).

### Shareholders

Thule Group's share has been listed on Nasdaq Stockholm Mid Cap list since November 26, 2014 and moved to the Large Cap list on January 1, 2017. At year-end, share capital amounted to SEK 1,129,218.90, divided between 101,036,455 shares. All of the shares are of the same class and all of the shares in the

company carry equal rights in all respects. At December 31, 2016, Thule Group AB had 4,026 shareholders. At this date, the largest shareholders (reported as each owner flags its holdings) were AMF Försäkring och Fonder (12.4 percent of the votes), Lannebo Fonder (6.9 percent of the votes) and Swedbank Robur Fonder (5.5 percent of the votes).

Further information about the share and shareholders is available on the company's website.

### Annual General Meetings

#### *Resolutions at the 2016 Annual General Meeting*

The 2016 Annual General Meeting was held on April 26, 2016. The complete minutes for and information about the 2016 Annual General Meeting are available at [thulegroup.com](http://thulegroup.com). The Annual General Meeting resolved to adopt the submitted income statement and balance sheet and the consolidated income statement and consolidated balance sheet. In accordance with the Board's and the President's proposal, the Annual General Meeting resolved to pay a dividend of SEK 2.50 per share for 2015. The dividends will be paid in two installments for a better adaptation to the Group's cash flow profile. It was also resolved that the company's profit brought forward, together with earnings for 2015, were to be carried forward.

The Meeting discharged the Board members and the President from liability and resolved on fees to Board members. The Meeting approved the Board's proposal regarding the remuneration of executive management.

#### *2017 Annual General Meeting*

The 2017 Annual General Meeting will be held on Wednesday, April 26, 2017 at 11.00 a.m. in Malmö. For more information, refer to Thule Group's website at [www.thulegroup.com](http://www.thulegroup.com).

### Nomination Committee

The Nomination Committee is to be composed of five members comprising representatives from each of the four largest shareholders in terms of the number of votes at September 30 every year, and the Chairman of the Board.

The Nomination Committee member representing the largest shareholder in terms of votes is to be appointed as Chairman unless the Nomination Committee unanimously appoints another. If more than three months prior to the Annual General Meeting, one or more of the shareholders who have appointed members to the Nomination Committee should cease to belong to the four largest shareholders in terms of votes, the members appointed by these shareholders are to vacate their membership and the shareholder/shareholders who has/have instead become one of the four largest shareholders in terms of votes is/are to be

entitled to appoint his/their representatives. If a member leaves the Nomination Committee before its work is completed and the Nomination Committee finds it desirable to appoint a replacement, the new member should be sourced from the same shareholder or, if this shareholder is no longer one of the largest shareholders in terms of votes, from the next shareholder in line. Changes in the composition of the Nomination Committee must be announced immediately.

The Nomination Committee's duties are to present proposals to the Annual General Meeting regarding the Chairman of the Board and other Board members together with an explanatory statement for the proposal, to propose fees and other remuneration for Board assignments for each of the Board members, including any remuneration for Committee work, to present proposals on auditors and their fees, to present a proposal for the Chairman of the Annual General Meeting and, where appropriate, to propose changes to the appointment of the Nomination Committee. In addition, the Nomination Committee is to assess the independence of the Board members in relation to the company and the largest shareholders.

The composition of the Nomination Committee for the Annual General Meeting is normally announced on the company's website six months before the Meeting. No remuneration is paid to members of the Nomination Committee.

The company is to pay any necessary expenses that the Nomination Committee may incur in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced.

#### *Nomination Committee prior to 2017 Annual General Meeting*

The composition of the Nomination Committee was published in a press release and on Thule Group's website [www.thulegroup.com](http://www.thulegroup.com) on October 24, 2016.

The Nomination Committee prior to the 2017 Annual General Meeting comprises Anders Oscarsson (AMF Försäkring och Fonder), Charlotta Faxén (Lannebo Fonder), Per Trygg (SEB Fonder) John Hernander (Nordea Fonder) and the Chairman is Stefan Jacobsson (Chairman of the Board of Thule Group).

Nomination Committee, Name	Appointed by	Percentage of votes, Sep 30, 2016, %
Anders Oscarsson	AMF Försäkring och Fonder	10.2
Charlotta Faxén	Lannebo Fonder	7.0
Per Trygg	SEB Fonder	5.8
John Hernander	Nordea Fonder	5.7
Stefan Jacobsson	Chairman of Thule Group	

After the 2016 Annual General Meeting and until the date on which this Annual Report was presented, the Nomination Committee has held three meetings. As a basis for its proposals to the 2017 Annual General Meeting, the Nomination Committee assessed whether the current Board was appropriately composed and meets the requirements imposed on the Board considering the company's operations, financial position and other circumstances. The Nomination Committee interviewed the company's Board members and discussed the main requirements that should be imposed on Board members, including the independence of members given the number of Board assignments that they have in other companies.

### Board of Directors

#### *Composition in 2016*

The Board's duty is to manage the company's affairs on behalf of the shareholders. Under the Articles of Association, the Board of Thule Group is to comprise no fewer than three and not more than ten members appointed by the Annual General Meeting for a term until the end of the next Annual General Meeting. Six Board members were reelected at the Annual General Meeting on April 26, 2016: Stefan Jacobsson, Bengt Baron, Hans Eckerström, Lilian Fossum Biner, David Samuelson and Liv Forhaug, while Åke Skeppner declined reelection. Heléne Mellquist was elected to the Board on the same occasion. No member of Group management is a Board member. However, both the President and the CFO of Thule Group participate at Board meetings and lawyer Peter Linderöth serves as Secretary to the Board. Other officers of the company participate at Board meetings when presenting separate issues.

The 2016 Annual General Meeting resolved that Board member fees, paid annually, comprise SEK 850,000 to the Chairman of the Board and SEK 325,000 to each of the other Board members. The Chairman of the Audit Committee is to receive remuneration of SEK 150,000 while SEK 50,000 is to be paid to each of the other members. The Chairman of the Remuneration Committee is to receive SEK 50,000 while SEK 25,000 is to be paid to each of the other members.

#### *Independence of the Board*

In accordance with the Code, a majority of the members of the Board elected by the General Meeting are to be independent in relation to the company and its management. The independence of the Board members is presented in the table Board composition below.

The Board's assessment of the members' independence in relation to the company, its management and major shareholders are presented in the Facts about the Board and Group management section. All of the members of the Board are independent in relation to the company's major shareholders, the company



and its management. Accordingly, the company fulfills the Code's independence requirement.

#### *Responsibilities of the Chairman*

The Chairman of the Board leads and manages the Board's work and ensures that activities are conducted efficiently. The Chairman ensures that the Swedish Companies Act and other applicable laws and regulations are followed and that the Board receives the necessary training and improves its knowledge of the company. The Chairman monitors the operations in close dialog with the President, conveys opinions from shareholders to other Board members and serves as a spokesman for the Board. The Chairman is also responsible for providing the other members of the Board with information and decision data and for implementing Board decisions. In addition, the Chairman is responsible for ensuring that the work of the Board is evaluated every year.

#### *Board responsibilities and work*

The duties of the Board of Directors are primarily set out in the Swedish Companies Act and the Code.

In addition, the work of the Board is guided by rules of procedure that the Board adopts every year. The rules of procedure regulate the allocation of work and responsibility between the Board, Chairman of the Board and President, as well as stipulate procedures for financial reporting by the President. The Board also adopts instructions for the Board's Committees.

The Board is tasked with establishing strategies, business plans and budgets as well as submitting interim financial statements, annual accounts, and adopting policies and guidelines. The Board is also charged with following the financial developments, ensuring the quality of financial reporting and control functions, and evaluating the company's operations based on the established goals and guidelines adopted by the Board. Finally, the Board also takes decisions regarding major investments, and organizational and operational changes in the company. Working closely with the President, the Chairman of the Board is tasked with monitoring the company's performance and acting as Chairman at Board meetings. The Chairman is also responsible for the Board's annual evaluation of its work and for the Board receiving adequate information enabling it to perform its work in an efficient manner. This evaluation is presented every year to the Nomination Committee.

The current rules of procedure state that the Board is to meet at least six times a year in addition to the statutory meeting following election. The Board held 11 meetings during the year, of which three were held per capsulam. All Board meetings following a predetermined agenda. Attendance at Board meetings is presented in the table on the composition of the Board below. In 2016, the Board mainly addressed matters regarding the

operations, divestments, financing, and other ongoing accounting and company law issues.

#### **Board committees**

The Board has two committees, the Remuneration Committee and the Audit Committee. The committees report on the issues addressed either verbally or in writing. The work of the respective committees is carried out pursuant to written instructions and rules of procedure from the Board. Minutes of the committees' meetings are circulated to all Board members.

#### *Remuneration Committee*

The Remuneration Committee is tasked with preparing issues regarding remuneration and other terms of employment for the President and the company's executive management. The work involves the preparation of proposals for guidelines for items, such as: the allocation between fixed and variable remuneration, the relationship between performance and compensation, the main terms of bonus and incentive programs, conditions for other benefits, pensions, termination and severance pay, and the preparation of proposals for individual remuneration packages for the President and executive management. Furthermore, the Remuneration Committee also monitors and evaluates the outcome of variable remuneration, and how the company complies with the remuneration guidelines adopted by the General Meeting of shareholders.

The Remuneration Committee comprises two members: Hans Eckerström (Chairman) and Stefan Jacobsson. The Remuneration

Committee held three meetings in 2016. The members' attendance at these meetings is presented in the Board composition table.

#### *Audit Committee*

The main task of the Audit Committee is to ensure that the Board meets the supervision requirements relating to internal control, auditing, internal audit, risk management, accounting and financial reporting, and prepares accounting and auditing matters. The Audit Committee is also charged with reviewing processes and procedures for accounting and financial control and preparing the Board's report on internal control. In addition, the Audit Committee monitors the impartiality and independence of the auditor, evaluates the audit work and discusses coordination between the external audit and the internal work on internal control issues with the auditor. The Audit Committee also assists the company's Nomination Committee when preparing proposals for auditors and recommendations for auditor's fees.

The Audit Committee of Thule Group has three members: Lilian Fossum Biner (Chairman) and David Samuelson were members all of 2016, while Åke Skeppner was a member until the 2016 Annual General Meeting and Bengt Baron was elected new member on the same occasion at the following statutory meeting. The Audit Committee meets all the requirements vis-à-vis auditing and accounting competence as stipulated in the Swedish Companies Act.

The Audit Committee held four meetings in 2016. The members' attendance at these meetings is presented in the Board composition table.

#### **Board composition**

Board composition				Attendance		
Name	Year elected	Total fee <sup>1</sup> , SEK	Independent	Board meetings	Audit Committee	Remuneration Committee
Chairman						
Stefan Jacobsson	2011	875,000	Yes	11/11		3/3
Board members						
Bengt Baron	2011	375,000	Yes	11/11	2/2	
Hans Eckerström	2009	375,000	Yes	11/11		3/3
Liv Forhaug	2014	325,000	Yes	11/11		
Lilian Fossum Biner	2011	475,000	Yes	11/11	4/4	
David Samuelson	2012	375,000	Yes	9/11	4/4	
Åke Skeppner <sup>2</sup>	2009	300,000	Yes	5/5	0/2	
Heléne Mellquist <sup>3</sup>	2016	325,000	Yes	6/6		

1) Fee resolved at the 2016 Annual General Meeting (excluding Åke Skeppner)

2) Åke Skeppner declined reelection at the 2016 Annual General Meeting.

3) Heléne Mellquist elected at the 2016 Annual General Meeting.

**Auditor**

The auditor is elected at the Annual General Meeting every year. The auditor reviews the company's and subsidiaries' financial reports and accounts as well as the administration of the Board and the President.

The auditor participates at the Board meeting that addresses the Annual Report and consolidated financial statements.

At this meeting, the auditor presents the financial information and discusses the audit with the Board members without the President and executive management attending.

The auditor maintains continuous contact with the Chairman of the Board, Audit Committee and Group management. Thule Group's auditor is to review the Annual Report and consolidated financial statements for Thule Group AB and the administration of the Board and the President. The auditors follow an audit plan that is discussed with the Audit Committee. Reports were presented to the Audit Committee during the course of the audit and finally to the Board as a whole when the year-end report was adopted. The auditor is also to attend the Annual General Meeting and describe the audit activities and observations made in an audit report. During the year, the auditor performed certain audit-related consulting assignments in addition to the audit, mainly pertaining to tax consultancy and consulting in accounting issues. KPMG is responsible for auditing all of the important subsidiaries in the Group.

KPMG has been the company's auditor since 2010. Helene Willberg is the Auditor in Charge.

**Audit fees 2016, SEKm**

**KPMG**

Audit assignment	3.5
Audit in addition to audit assignment	–
Tax consultancy	4.1
Other services	0.5

**President and other executive management**

The President is subordinate to the Board of Directors and is responsible for the day-to-day management and operations of the company. The division of work between the Board of Directors and the President is set out in the rules of procedure for the Board of Directors and instructions for the President. The President is also responsible for the preparation of reports and compiling information from management for Board meetings and for presenting such material at Board meetings. According to the instructions for financial reporting, the President is responsible for the financial reporting in Thule Group and consequently must ensure that the Board receives adequate information for the Board to be able to evaluate the company's and the Group's financial position.

The President keeps the Board continuously informed of developments in Thule Group's operations, the development of sales, Thule Group's results and financial position, liquidity and credit status, important business events and all other events, circumstances or conditions that can be assumed to be of significance to the company's shareholders.

Information about remuneration, share-based incentive programs and terms of employment for the President and other executive management is available on the company's website.

**Internal control och risk management**

The Board's responsibility for internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554), and the Code. Information regarding the most important aspects of the company's system for internal control and risk management in connection with financial reporting must each year be included in the Company's Corporate Governance Report.

The procedures for internal control, risk assessment, control activities, and monitoring with respect to the financial reporting have been designed to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which apply to companies listed on Nasdaq Stockholm. This work involves the Board, Group management and other personnel.

*Control environment*

The Board has adopted instructions and governance documents aimed at regulating the roles and allocation of responsibility between the President and the Board. The way in which the Board monitors and ensures quality in the internal control is documented in the Board's rules of procedure and Thule Group's finance policy. The control environment also includes the Board evaluating the performance and results of the operations through monthly and quarterly report packages that contain outcomes, budget comparisons, forecasts, operational targets, strategic plans, assessment and evaluation of financial risks, and analysis of important financial and operational key figures.

The responsibility for the presentation of the report package to the Board and the responsibility for maintaining an effective control environment, and the day-to-day risk assessment and internal control over the financial reporting are delegated to the President. However, the Board is ultimately responsible. Managers at various levels in Thule Group's business areas are, in turn, responsible for ensuring compliance with established guidelines within their business area.

*Risk assessment and control activities*

The company conducts continuous risk assessment to identify risks in all areas of operation. These risks, which include the

risk of both loss of assets as well as irregularities and fraud, are assessed regularly by the Board. The structure of control activities is of particular importance in the company's work of preventing and discovering deficiencies. The assessment and control of risks also cover the operational management of each reporting unit, where meetings are held at least six times a year in connection with business review meetings. Thule Group's President and CFO, as well as local and regional management, participate at these meetings, and minutes are kept.

**Information and communication**

The company's governance documents for financial reporting primarily comprise guidelines, policies and manuals that are continuously updated and communicated to the appropriate employees via relevant information channels.

A communication policy is in place for external information that provides guidelines on how such information is to be provided. The aim of the policy is to ensure that the company complies with the requirements for disseminating correct and complete information to the market.

**Monitoring, assessment and reporting**

The Board regularly assesses the information provided by Group management. Between Board meetings, the Board regularly receives updated information regarding Thule Group's performance. Thule Group's financial position, strategies and capital expenditures are discussed at each Board meeting. The Board is also responsible for monitoring the internal control. This work includes ensuring that measures are taken to address any deficiencies, as well as follow-up of proposals for measures to which attention has been drawn in connection with the external audit.

Each year, the company carries out a self-assessment of the risk management and internal control work. This process includes a review of the manner in which established routines and guidelines are applied. The Board receives information regarding important conclusions drawn from this annual assessment process, and regarding any measures relating to the company's internal control environment.

**Internal audit**

Under paragraph 7.3 of the Code, the Board is to annually evaluate the need for a separate audit function, which is to ensure that financial reports are produced in accordance with legislation, applicable accounting standards and other applicable requirements for listed companies. Considering the internal control activities that have been performed, the Board does not deem there to be any need to establish a separate internal audit function.

The matter of an internal audit function will be addressed again in 2017.



## FACTS ABOUT THE BOARD AND GROUP MANAGEMENT

Board of Directors	Stefan Jacobsson	Bengt Baron	Hans Eckerström	Liv Forhaug	Lilian Fossum Biner	Heléne Mellquist	David Samuelson
<b>Assignment and year of election:</b>	Chairman since 2011.	Board member since 2011.	Board member since 2009. (Board member of a former Parent Company of Thule Group 2007–2009).	Board member since 2014.	Board member since 2011.	Board member since 2016.	Board member since 2012.
<b>Born:</b>	1952	1962	1972	1970	1962	1964	1982
<b>Education and professional experience:</b>	Former CEO of PUMA AG Rudolf Dassler Sport, Tretorn AB, Abu Garcia AB and Nybron Flooring International Corporation.	BSc and MBA in Business Administration University of California at Berkeley.	MSc in Mechanical Engineering, Chalmers University of Technology. MSc in Business and Economics, Gothenburg School of Business, Economics. Management consultant at Arthur D. Little. Partner, NC Advisory AB, advisor to the Nordic Capital Funds.	MSc in Economics and Business Administration, Stockholm School of Economics. CSO (Chief Strategy Officer) at ICA Gruppen AB. Former consultant and partner at McKinsey & Company.	MSc in Economics and Business Administration, Stockholm School of Economics. Former CFO and Executive Vice President of Axel Johnson AB. Senior Vice President Human Resources at Aktiebolaget Electrolux.	Bachelor in International Business Administration, Gothenburg School of Business, Economics. Executive Program IFL Stockholm School of Economics. CEO of TransAtlantic AB, CFO of Rederi AB, TransAtlantic and of Volvo Truck's International Division.	MSc in Economics and Business Administration, Stockholm School of Economics. ESADE in Barcelona, Spain. Management consultant at McKinsey & Company. Director, NC Advisory AB, advisor to the Nordic Capital Funds.
<b>Other current appointments:</b>	Chairman of Greenfood AB, HAFA AB. Board member of Etac AB, Nobia AB and Stefan Jacobsson Consulting AB.	Chairman of Enzymatica AB, MIPS AB and 5653 Sweden AB.	—	Board member of Hufvudstaden AB and Skutvik Invest AB as well as the ICA Group's subsidiaries ICA Sverige AB, ICA Fastigheter AB, Hemtex AB and Apoteket Hjärtat AB.	Chairman of Cloetta AB and Board member of L E Lundbergföretagen Aktiebolag (publ), Nobia AB, Givaudan S.A., a-connect AG.	Senior Vice President Volvo Trucks International. Board member of Opus Group AB and Cavotec S.A.	Board member of BGT Holding AB, Ellos Group Holding AB, NC Outdoor VI AB, NC Outdoor VII AB. Resurs Holding AB and substitute member of Nordic Fashion Group AB.
<b>Previous appointments:</b>	Chairman of Woody Bygghandel AB, Nybron Flooring International Corporation, Bauwerk AG, Teak Luxembourg S.A., Cherry Luxembourg S.A. and Intersport AB.	President of Cloetta AB and CEO of V&S AB.	Chairman of Brink International AB and Britax Childcare Limited. Board member of Nefab AB, Cloetta AB and Aditro AB.	Partner at McKinsey & Company.	Board member of RNB RETAIL AND BRANDS AB (publ), Holmen Aktiebolag, Oriflame Cosmetics S.A. and Melon Fashion Group OJSC.	Board member of Partnertech AB.	Board member of Brink International AB, Munters Topholding AB, and Nordic Fashion Group AB.
<b>Holding at February 28, 2017</b>	143,989 shares and 182,291 warrants	35,997 shares.	15,000 shares.	1,100 shares.	39,997 shares.	—	—

Group management	Magnus Welanders	Fred Clark	Fredrik Erlandsson	Kajsa von Geijer	Lennart Mauritzson
<b>Assignment</b>	CEO and President since 2010.	President Outdoor&Bags, Region Americas since 2003.	Senior Vice President Communications and IR since 2010.	Senior Vice President Human Resources since 2005.	CFO since 2011.
<b>Born</b>	1966	1959	1970	1964	1967
<b>Education and professional experience:</b>	MSc in Industrial Engineering and Management, Institute of Technology at Linköping University. Former BA President Outdoor&Bags Europe & ROW at Thule Group, President of Envirotainer, various senior positions at Tetra Pak in Italy and Australia.	BSBA Quantitative Methods, Western New England University, MBA Management Science, University of New Haven. Previously Operations Manager and Vice President Operations of Thule Group and Vice President Manufacturing at C. Cowles & Co.	University studies in political science and economics, Lund University and Copenhagen University. Former Corporate Relations Director at Diageo, GM and procurator holder at Ehrenberg Marketing & Kommunikation and chief of staff for one of the national delegations in the European Parliament.	BSc in Human Resource Development and Labour Relations, Lund University. Previously HR Director Europe at FMC Food Tech AB, self-employed HR consultant at Elfte Huset AB, HR Director Nordic at Levi Strauss Nordic, Training & Development Manager at Nestlé Sweden AB, HR Manager Trellex AB/Svedala Svenska AB and HR Officer at Trelleborg AB.	BSc in Finance and Business Administration, Halmstad University. Law studies, Lund University. Former Vice President Finance Thule Group, CFO Beijer Electronics Aktiebolag and Vice President Finance of Cardo AB.
<b>Other current appointments</b>	Board member of MIPS AB.	Board member of Outdoor Industry Association and Westover School.	Municipal Council of the city of Landskrona and Board member of the city's Group companies Landskrona Stadshus AB.	Chairman of Lunicore Student-konsult AB. Board member and President of Elfte Huset Aktiebolag.	Board member of Røgle Marknads AB.
<b>Previous appointments:</b>	Board member of Brink International AB and Britax Childcare Limited.	Chairman of Outdoor Foundation.	—	Board member of Lundsbergs School Foundation.	—
<b>Holding at February 28, 2017</b>	636,990 shares. (through Elenima Limited) and 364,583 warrants.	365,665 shares and 208,333 warrants.	108,138 shares and 104,166 warrants.	89,508 shares and 104,166 warrants.	124,471 shares and 208,333 warrants.

## Consolidated income statement

January 1 – December 31, SEKm	Note	2016	2015
<b>Continuing operations</b>			
Net sales	8, 9	5,611	5,320
Cost of goods sold		-3,354	-3,269
<b>Gross income</b>		<b>2,257</b>	<b>2,051</b>
Other operating revenue	10	–	1
Selling expenses		-990	-927
Administrative expenses		-308	-299
Other operating expenses	11	-3	-2
<b>Operating income</b>	12, 13, 14, 15, 16, 17	<b>957</b>	<b>825</b>
Financial revenue	18	15	5
Financial expenses	18	-51	-64
<b>Income before taxes</b>		<b>921</b>	<b>765</b>
Income taxes	19	-245	-178
<b>Net income from continuing operations</b>		<b>676</b>	<b>587</b>
<b>Discontinued operations</b>			
Net income from discontinued operations	5	–	-143
<b>Net income</b>		<b>676</b>	<b>444</b>
<b>Consolidated net income pertaining to:</b>			
Shareholders of Parent Company		676	444
of which, pertaining to continuing operations		676	587
of which, pertaining to discontinued operations		–	-143
<b>Net income</b>		<b>676</b>	<b>444</b>
<b>Earnings per share, SEK</b>	20		
before dilution		6.69	4.44
after dilution		6.64	4.42
<b>Earnings per share from continuing operations, SEK</b>			
before dilution		6.69	5.87
after dilution		6.64	5.84

## Consolidated statement of comprehensive income

January 1 – December 31, SEKm	Note	2016	2015
<b>Net income</b>		<b>676</b>	<b>444</b>
<b>Other comprehensive income</b>			
<b>Items that have been carried over or can be carried over to net income</b>			
Foreign currency translation		241	9
Cash flow hedges		-24	34
Net investment hedge		-90	21
Translation differences from divestment of subsidiaries recognized in net income		–	-26
Changes in fair value of available-for-sale financial assets		-24	–
Tax on components in other comprehensive income	19	-5	-20
Tax on components in other comprehensive income recognized in net income	19	–	-6
<b>Items that cannot be carried over to net income</b>			
Revaluation of defined-benefit pension plans		-10	4
Tax pertaining to items that cannot be carried over to net income	19	3	-1
<b>Other comprehensive income</b>		<b>92</b>	<b>17</b>
<b>Total comprehensive income</b>		<b>767</b>	<b>461</b>
<b>Total comprehensive income pertaining to:</b>			
Shareholders of Parent Company		767	461
<b>Total comprehensive income</b>		<b>767</b>	<b>461</b>



## Consolidated balance sheet

Per December 31, SEKm	Note	2016	2015
<b>Assets</b>			
Intangible assets	21	4,240	4,061
Tangible assets	22	579	485
Long-term receivables		8	51
Deferred tax receivables	19	495	508
<b>Total fixed assets</b>		<b>5,323</b>	<b>5,106</b>
Inventories	23	825	722
Tax receivables		7	12
Accounts receivable	24	584	610
Prepaid expenses and accrued income		44	54
Other receivables		215	121
Cash and cash equivalents	25	763	274
Assets held for sale	6	124	0
<b>Total current assets</b>		<b>2,561</b>	<b>1,794</b>
<b>Total assets</b>		<b>7,883</b>	<b>6,899</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	26		
Share capital		1	1
Other capital contributed		2,123	2,038
Reserves		-164	-286
Profit brought forward including net income		1,867	1,475
<b>Equity attributable to Parent Company shareholders</b>		<b>3,826</b>	<b>3,228</b>
Non-controlling interests		–	–
<b>Total equity</b>		<b>3,826</b>	<b>3,228</b>

Per December 31, SEKm	Note	2016	2015
<b>Liabilities</b>			
Long-term interest-bearing liabilities	27	2,467	2,363
Provision for pensions	16	131	120
Deferred income tax liabilities	19	157	184
<b>Total long-term liabilities</b>		<b>2,755</b>	<b>2,666</b>
Short-term interest-bearing liabilities	27	34	18
Accounts payable		522	449
Tax liabilities		271	129
Other liabilities		31	28
Accrued expenses and deferred income	28	379	341
Provisions	29	32	40
Liabilities attributable to assets held for sale	6	34	0
<b>Total short-term liabilities</b>		<b>1,302</b>	<b>1,005</b>
<b>Total liabilities</b>		<b>4,057</b>	<b>3,671</b>
<b>Total equity and liabilities</b>		<b>7,883</b>	<b>6,899</b>

Information about the Group's pledged assets and contingent liabilities is provided in Notes 33 and 34.

## Consolidated statement of changes in equity

SEKm	Equity attributable to shareholders of Parent Company					Total equity
	Share capital	Other capital contributed	Translation reserve	Hedge reserve	Profit brought forward including net income	
<b>Opening balance, January 1, 2015</b>	<b>1</b>	<b>2,038</b>	<b>-279</b>	<b>-21</b>	<b>1,227</b>	<b>2,966</b>
<b>Comprehensive income</b>						
Net income	–	–	–	–	444	444
Other comprehensive income	–	–	-15	28	3	17
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-15</b>	<b>28</b>	<b>448</b>	<b>461</b>
<b>Transactions with the Group's owners</b>						
Dividend	–	–	–	–	-200	-200
Premiums paid in on the issue of stock options	–	0	–	–	–	0
<b>Total contribution from owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-200</b>	<b>-200</b>
<b>Closing balance, December 31, 2015</b>	<b>1</b>	<b>2,038</b>	<b>-294</b>	<b>7</b>	<b>1,475</b>	<b>3,228</b>
<b>Opening balance, January 1, 2016</b>	<b>1</b>	<b>2,038</b>	<b>-294</b>	<b>7</b>	<b>1,475</b>	<b>3,228</b>
<b>Comprehensive income</b>						
Net income	–	–	–	–	676	676
Other comprehensive income	–	–	142	-20	-31	92
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>142</b>	<b>-20</b>	<b>645</b>	<b>767</b>
<b>Transactions with the Group's owners</b>						
Dividend	–	–	–	–	-253	-253
New issue of shares	0	88	–	–	–	88
Premiums paid in on the issue of stock options	–	1	–	–	–	1
Buy back of warrants	–	-4	–	–	–	-4
<b>Total contribution from owners</b>	<b>0</b>	<b>84</b>	<b>0</b>	<b>0</b>	<b>-253</b>	<b>-168</b>
<b>Closing balance, December 31, 2016</b>	<b>1</b>	<b>2,123</b>	<b>-152</b>	<b>-12</b>	<b>1,867</b>	<b>3,826</b>

## Consolidated statement of cash flow

January 1 – December 31, SEKm	Note	2016	2015
<b>Operating activities</b>	30		
Income before taxes		921	765
Income from discontinued operations before taxes		0	-146
Adjustments for items not included in cash flow		91	216
Paid income taxes		-176	-137
<b>Cash flow from operating activities prior to changes in working capital</b>		<b>836</b>	<b>697</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease (+) in inventories		-72	-81
Increase(-)/Decrease (+) in receivables		11	81
Increase(+)/Decrease (-) in liabilities		103	-36
<b>Cash flow from operating activities</b>		<b>878</b>	<b>662</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	30	-92	0
Sale of subsidiaries		0	62
Acquisition of intangible assets		0	0
Acquisition of tangible assets		-132	-101
Divestment of tangible assets		2	2
<b>Cash flow from investing activities</b>		<b>-222</b>	<b>-37</b>
<b>Financing activities</b>			
Dividend		-253	-200
New issue of shares		88	0
Other		-4	0
Borrowings		0	0
Debt repaid		0	-265
<b>Cash flow from financing activities</b>		<b>-169</b>	<b>-465</b>
Net cash flow		487	160
Cash and cash equivalents at beginning of year		274	114
Effect of exchange rates on cash and cash equivalents		2	0
<b>Cash and cash equivalents at end of year</b>		<b>763</b>	<b>274</b>

Cash flow for comparative year pertains to total operations, meaning both continuing and discontinued operations.

## Parent Company income statement

January 1 – December 31, SEKm	Note	2016	2015
Other operating revenue	10	18	24
Other operating expenses	11	0	0
Administrative expenses		-37	-32
<b>Operating income</b>	12, 13, 14, 15, 16	<b>-19</b>	<b>-9</b>
<b>Profit from financial items:</b>	18		
Profit from participations in Group companies		1,000	0
Other interest income and similar profit/loss items		45	57
Interest expense and similar profit/loss items		-41	-53
<b>Income after financial items</b>		<b>985</b>	<b>-4</b>
Appropriations	31	12	2
<b>Income before taxes</b>		<b>997</b>	<b>-3</b>
Taxes	19	1	1
<b>Net income</b>		<b>998</b>	<b>-2</b>

## Parent Company statement of comprehensive income

January 1 – December 31, SEKm	Note	2016	2015
<b>Net income</b>		<b>998</b>	<b>-2</b>
<b>Other comprehensive income</b>			
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<b>998</b>	<b>-2</b>



## Parent Company balance sheet

Per December 31, SEKm	Note	2016	2015
<b>Assets</b>			
<b>Fixed assets</b>			
Financial fixed assets			
Participations in subsidiaries	32	1,000	1,000
Receivables from Group companies	36	5,036	3,943
Deferred tax receivables		1	1
Other long-term receivables		4	2
<b>Total financial fixed assets</b>		<b>6,041</b>	<b>4,946</b>
<b>Total fixed assets</b>		<b>6,041</b>	<b>4,946</b>
<b>Current assets</b>			
Receivables from Group companies	36	13	3
Other current receivables		1	1
Cash and cash equivalents	25	0	0
<b>Total current assets</b>		<b>14</b>	<b>4</b>
<b>Total assets</b>		<b>6,055</b>	<b>4,950</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	26		
<b>Restricted equity</b>			
Share capital		1	1
<b>Non-restricted equity</b>			
Share premium reserve		1,299	1,469
Profit brought forward		–	–
Net income		998	-2
<b>Total equity</b>		<b>2,298</b>	<b>1,469</b>
<b>Long-term liabilities</b>			
Provisions for other pensions		5	2
Liabilities to credit institutions	27	2,433	2,338
Liabilities to Group companies	36	368	368
<b>Total long-term liabilities</b>		<b>2,806</b>	<b>2,708</b>

Per December 31, SEKm	Note	2016	2015
<b>Short-term liabilities</b>			
Liabilities to credit institutions	27	0	0
Liabilities to Group companies	36	931	757
Other short-term liabilities		3	1
Accrued expenses and deferred income	28	17	14
Provisions	29	0	0
<b>Total short-term liabilities</b>		<b>951</b>	<b>773</b>
<b>Total equity and liabilities</b>		<b>6,055</b>	<b>4,950</b>

## Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Profit brought forward	Net income	Total equity
<b>Opening balance, January 1, 2015</b>	<b>1</b>	<b>2,038</b>	<b>0</b>	<b>-368</b>	<b>1,670</b>
Comprehensive income					
Net income	–	–	–	-2	-2
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-2</b>
Appropriation of profits	–	-368	–	368	0
Dividend	–	-200	–	–	-200
Premiums paid in on the issue of stock options	–	0	–	–	0
<b>Closing balance, December 31, 2015</b>	<b>1</b>	<b>1,469</b>	<b>0</b>	<b>-2</b>	<b>1,469</b>
<b>Opening balance, January 1, 2016</b>	<b>1</b>	<b>1,469</b>	<b>0</b>	<b>-2</b>	<b>1,469</b>
Comprehensive income					
Net income	–	–	–	998	998
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>998</b>	<b>998</b>
Appropriation of profits	–	-2	–	2	0
Dividend	–	-253	–	–	-253
New issue of shares	0	88	–	–	88
Premiums paid in on the issue of stock options	–	1	–	–	1
Buy back of warrants	–	-4	–	–	-4
<b>Closing balance, December 31, 2016</b>	<b>1</b>	<b>1,299</b>	<b>0</b>	<b>998</b>	<b>2,298</b>

## Parent Company cash flow statement

January 1 – December 31, SEKm	Note	2016	2015
<b>Operating activities</b>	30		
Income before taxes		997	-3
Adjustments for items not included in cash flow		-998	0
Paid income taxes		0	0
<b>Cash flow from operating activities prior to changes in working capital</b>		<b>-1</b>	<b>-3</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in receivables		-11	46
Increase/decrease in liabilities		3	-15
<b>Cash flow from operating activities</b>		<b>-9</b>	<b>28</b>
<b>Investing activities</b>		<b>–</b>	<b>–</b>
<b>Financing activities</b>			
Dividend		-253	-200
New issue of shares		88	0
Other		-4	0
Debt repaid/borrowings		0	-250
Debt repaid/borrowings to subsidiaries		178	422
<b>Cash flow from financing activities</b>		<b>9</b>	<b>-28</b>
Net cash flow		0	0
Cash and cash equivalents at beginning of year		0	0
<b>Cash and cash equivalents at end of year</b>		<b>0</b>	<b>0</b>



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# Notes

## for the Parent Company and Group

All amounts are in SEKm unless otherwise stated.

### ► NOTE 1 Significant accounting policies

#### General information

Thule Group AB (publ), Corp. Reg. No. 556770-6311, is a Swedish registered, limited liability company with its registered office in Malmö, Sweden. The shares of Thule Group are listed on the Nasdaq Stockholm Large Cap list (the change from the Mid Cap list took place on January 1, 2017). The consolidated financial statements for the fiscal year January 1 to December 31, 2016 comprise Thule Group AB (Parent Company) and its subsidiaries.

The consolidated financial statements were approved for publication by the Board of Directors and President on March 29, 2017. The consolidated income statement, statement of comprehensive income and balance sheet, and the Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting on April 26, 2017.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was applied.

The Parent Company applies the same accounting policies as the Group except in cases listed below in the section "Parent Company accounting policies."

#### Basis of preparation of the consolidated financial statements

The Parent Company's functional currency is SEK, which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million.

Assets and liabilities are recognized at historical cost, except for certain financial assets, liabilities and contingent considerations measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives. A defined-benefit pension liability/asset is recognized at the net of fair value on plan assets and the present value of the defined-benefit liability, adjusted for any asset limitations. Fixed assets and disposal groups held for sale are recognized, with some exceptions, from when the assets were classified,

at the lower of the carrying amount at the time of reclassification and the fair value less deductions for selling expenses.

The preparation of the financial statements in accordance with IFRS requires management to make assessments and estimates, as well as assumptions, that affect the application of the accounting policies and the amounts of assets, liabilities, revenue and expenses recognized. The actual outcome may differ from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Assessments made by management when applying IFRS that have a significant effect on the financial statements and estimates made that may involve material adjustments in the following year's financial statements are described in detail in Note 2.

The accounting policies presented below have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise stated below.

#### Amended accounting policies resulting from amended IFRS

The International Accounting Standards Board (IASB) issued a number of new and amended standards that came into effect in 2016 that did not entail any material impact on the consolidated financial statements for the fiscal year. The Group's accounting policies are essentially unchanged compared with the 2015 Annual Report.

#### Standards, amendments and interpretations not yet applied

The International Accounting Standards Board (IASB) issued a number of new and amended standards that have not yet come into effect. None of these were or are planned to be applied in advance. Company management believes that new and amended standards and interpretations will not have any material impact on the consolidated financial statements in the period in which they are first applied, except for the following.

IFRS 9 Financial instruments will replace IAS 39 Financial instruments. IFRS 9 will be applied for the fiscal year starting January 1, 2018 and early adoption is permitted. IFRS 9 was adopted by the EU in November 2016. The implementation is not expected to have any material impact on the company's financial statements given the current level and direction of operations.

IFRS 15 is the new revenue standard which will replace the current standards on revenue recognition. IFRS 15 will be applied for the fiscal year starting January 1, 2018 and early adoption is permitted. IFRS 15 was adopted by the EU in September 2016. The Group has begun analyzing the effects of the implementation of IFRS 15 on the currently applied principles on revenue recognition.

This work is still in progress, but given the company's current operations, it cannot be ruled out that implementation of IFRS 15 will have certain effects on the Group's revenue recognition regarding the timing and matters of information that must be provided. However, it cannot be determined at this time whether this will constitute a material impact on the financial statements.

IFRS 16 is the new reporting standard for recognition of leasing which will replace IAS 17. IFRS 16 will be applied for the fiscal year starting January 1, 2019 and early adoption is permitted, given that the EU approves the standard. The EU is expected to approve the standard during the second half of 2017. The Group has not yet begun analyzing the effects of the implementation of IFRS 16. Given the current level of lease agreements within the group and the classification of these done under IAS 17, it is evident that the company's assets and liabilities can be expected to increase as also lease agreements today classified as operational are to be capitalized. This may amount to a non insignificant amount, but in relation to the level of the assets, liabilities and equity, the Group believes that this will not have a material impact on the financial statements given an assumption that the level of leasing activities has not changed to any significant extent.

Other new and revised IFRSs for future adoption are not expected to have a material impact on the company's financial statements.

#### Classification

Fixed assets essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets essentially comprise amounts expected to be recovered or paid within twelve months from the balance sheet date. Long-term liabilities essentially comprise amounts that the Group per the end of the reporting period has an unconditional right to choose to pay later than twelve months after the end of the reporting period. If there is no such right at the end of the reporting period – or if there is a liability for trading or if the liability is expected to be settled within the normal business cycle – the liability amount is recognized as short-term liability.

#### Operating segment reporting

An operating segment is part of the Group that conducts business operations from which it generates revenue and incurs expenses and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by company management for evaluating performance and for allocating resources to the operating segment. Refer to Note 8 for additional information about classification and presentation of operating segments.

**Consolidated financial statements**

The consolidated financial statements include the Parent Company and its subsidiaries. Subsidiaries are companies over which Thule Group AB has controlling influence. Controlling influence exists if Thule Group AB has power over the investee, is exposed to or has rights to variable returns from its involvement, and has the ability to use its power over the investee to affect the amount of the investor's returns. Shares that potentially carry voting rights and any factor control are taken into account in assessing the existence of a controlling influence.

Subsidiaries are recognized in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction charges that arise, with the exception of transaction charges attributable to equity instruments on issue or debt instruments, are recognized directly through profit or loss.

In the event of a business combination in which consideration transferred, exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill.

If the difference is negative, known as a bargain purchase, it is recognized directly through profit or loss. Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is recognized through profit or loss.

Contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as an equity instrument, no remeasurement takes place and settlement takes place in equity. All other contingent consideration is remeasured at fair value at each reporting date and the difference is recognized through profit or loss.

Subsidiaries are fully consolidated from the acquisition date until the controlling influence ends. In cases where the subsidiary's accounting policies are not the same as the Group's accounting policies, adjustments were made to the Group's accounting policies. Losses attributable to non-controlling interests are also allocated if the non-controlling interest is negative.

**Elimination of intra-Group transactions**

Intra-Group receivables and liabilities, revenue or costs and unrealized gains or losses arising from intra-Group transactions are eliminated in their entirety when preparing the consolidated financial statements.

**Transactions in foreign currency**

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction. The functional currency is the currency in the primary financial environments in which the Group companies operate their business. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance sheet date. Exchange rate differences arising on translation are recognized through profit or loss. Non-monetary assets and liabilities that are recognized at historic cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are translated to the functional currency using the exchange rate on the date that fair value was determined. Exchange rate differences on operating receivables and operating liabilities are included in operating income, while exchange rate differences on financial receivables and liabilities are classified as financial items.

**Translation of foreign subsidiaries**

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, at the existing exchange rate on the balance sheet date. Revenue and expenses in foreign operations are translated to SEK using an average exchange rate that is an approximation of the exchange rates prevailing on each individual transaction date. Translation differences that arise in currency translations of foreign operations are recognized in other comprehensive income and accrued in a separate component in equity, called the translation reserve. When foreign operations are divested, accumulated translation differences attributable to the business are realized, at which time they are reclassified from the translation reserve in equity to net income.

**Net investment in foreign operations**

Monetary long-term receivables from foreign operations for which settlement is not planned or will likely not occur in the foreseeable future, are, in practice, part of the company's net investment in foreign operations. Exchange rate differences arising on the monetary long-term receivable are recognized in other comprehensive income and accrued as a separate component in equity, called a translation reserve. When foreign operations are divested, the accrued exchange rate differences attributable to monetary long-term receivables are included in the accrued translation differences that are reclassified from the translation reserve in equity to net income.

**Revenue**

Revenue for sales of goods is recognized through profit or loss

when the significant risks and benefits associated with the ownership of the goods have been transferred to the buyer. Revenue is not recognized if it is unlikely there will be financial benefits for the Group. If there is clear uncertainty regarding payment, associated costs or risk for returns and if the seller continues to be involved in operating activities that are usually associated with the ownership, no revenue is recognized. Revenue is measured at the fair value of the amount that is received or is expected to be received, less discounts granted.

**Government grants**

Government grants are recognized in the balance sheet as deferred income when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with it. Government grants are deferred and recognized through profit or loss in the same way and over the same period as the expenses that they are intended to compensate. Government grants that are related to assets are recognized in the balance sheet as deferred income and are allocated as other operating revenue over the useful life of the asset.

**Leasing**

Lease agreements are classified as either finance or operating leases. Finance leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, then this is a matter of an operating lease.

**Operating leases**

Costs under operating lease agreements are recognized through profit or loss on a straight-line basis over the term of the lease. Discounts received when a lease is signed are recognized through profit or loss as a decrease in leasing fees straight-line over the term of the lease. Variable fees are expensed in the period in which they were incurred. Assets leased under operating leases are not recognized as an asset in the balance sheet. Operating lease agreements do not give rise to a liability.

**Finance leases**

The minimal lease fees are allocated between interest expense and amortization of the outstanding debt. Interest expense is distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed interest rate for that respective period of reported liability. Variable fees are expensed in the period in which they were incurred. Assets that are leased under finance lease agreements are recognized as fixed assets in the balance sheet and are initially measured at an amount equal to the lower of the leasing object's fair value and the present value of the minimum lease payments at the start of the agreement.

The obligation to pay future leasing fees is recognized as either long-term or short-term liabilities. The leased assets are depreciated over the respective asset's useful life while the lease payments are recognized as interest and amortization of debt.

#### Financial revenue and expenses

Financial revenue and expenses comprise interest income on bank deposits and receivables and interest-bearing securities, interest expense on loans, exchange rate differences and derivatives used in the financial operations. Interest income on receivables and interest expense on liabilities are calculated using the effective interest rate method. The effective interest is the interest rate that makes the present value of all estimated future receipts and disbursements during the expected fixed-rate period equal to the carrying amount of the receivables or liabilities. Interest income and interest expense include allocated transaction costs and any discounts, premiums and other differences between the original carrying amount of the receivables and liabilities and the amount that is settled on maturity and the estimated future receipts and disbursements during the contract period.

#### Taxes

Income tax include both current tax and deferred tax. Income tax is recognized through profit or loss, except when the underlying transaction is recognized in other comprehensive income or in equity, whereby the associated tax effects are recognized directly in other comprehensive income or equity.

Current tax is tax that is to be paid or received in the current year, using tax rates that are decided or decided in practice on the balance sheet date. Current tax also comprises current tax adjustments for prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not recognized in consolidated goodwill, nor are differences attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future. The measurement of deferred tax is based on how underlying assets and liabilities are expected to be recovered or settled. Deferred tax is calculated using the tax rates and tax rules established or decided in practice on the balance sheet date.

Deferred tax receivables relating to deductible temporary differences and loss carryforwards are recognized only to the extent that it is probable that they will be utilized. The value of the deferred tax receivables is reduced when it is no longer considered likely that they can be utilized.

Any additional income tax relating to the dividend is recognized at the same date as the dividend is recognized as a liability.

#### Financial instruments

Financial instruments recognized in the statement of financial position include assets such as cash and cash equivalents, loans, accounts receivable, derivatives and contingent consideration in connection with the acquisition/divestment of subsidiaries. The liability side includes accounts payable, loans and derivatives.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a contracting party in accordance with the instrument's contractual conditions. A receivable is recognized when the company has performed and a contractual obligation exists for the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are recognized in the balance sheet when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation exists for the company to pay, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, expire or the company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation is met or extinguished in another manner. The same applies to portions of a financial liability.

A financial asset and a financial liability are offset and recognized at a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to settle the items in a net amount or simultaneously realize the asset and settle the liability. The acquisition or disposal of financial assets is recognized when the transaction is completed (cash settlement approach), while derivatives are recognized when an agreement has been entered into (trade date accounting).

#### Classification and measurement

Financial instruments, except for derivatives, are initially recognized at cost corresponding to the instrument's fair value plus transaction costs for all financial instruments except those that belong in the financial asset category, which are measured at fair value through profit or loss, which, in turn, are measured at fair value excluding transaction costs. A financial instrument is classified on initial recognition based on the purpose of the acquisition of the instrument. The classification determines how the financial instrument is measured after initial recognition as described below.

Derivatives are initially measured at fair value, meaning that transaction costs are charged to net income for the period. After the initial recognition, derivatives are recognized as described below. If the derivative is used for hedge accounting and this is effective, then changes in the value of the derivative are recognized on the same line in the consolidated net income as the hedged item. Even if hedge accounting is not applied, appreciation and depreciation of

derivatives is recognized as revenue or expense in operating income or in net financial items based on the purpose of the derivative and how its use is related to an operating or a financial item. For hedge accounting, the ineffective portion is recognized the same manner as changes in the value of the derivative that is not used for hedge accounting. If hedge accounting is not applied when using interest rate swaps, then the interest coupon is recognized as interest and other changes in the value of the interest rate swap are recognized as other financial revenue or other financial expense.

Cash and cash equivalents comprise cash and immediately available funds at banks and similar institutions, and short-term liquid investments that have a term of less than three months from the date of acquisition and have limited risk for value fluctuations.

#### Financial assets at fair value through profit or loss

Assets in this category are continually measured at fair value with value changes recognized through profit or loss. This category comprises two sub-groups: financial assets held for trading and other financial assets that the Group has initially decided to place in this category. Financial instruments in this category are continuously measured at fair value, with changes in value recognized through profit and loss. The first sub-group includes derivatives with a positive fair value, with the exception of derivatives that are an identified and effective hedging instrument. The Group has only used assets in the held-for-trading sub-category.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are measured at amortized cost. Accounts receivable are reported at the estimated amount to be paid, i.e., after deductions for doubtful receivables. Discounting is not applied because of the short term, which is why the amortized cost corresponds to the nominal amount.

#### Available-for-sale financial assets

The category of available-for-sale financial assets is included in financial assets that are not classified in another category or financial assets that have been initially classified in this category. Assets in this category are continuously measured at fair value with the changes in value for the period recognized in other comprehensive income and the accumulated changes in value in a separate component of equity, although not such changes in value that are due to impairment, interest on financial instrument receivables and dividend income or exchange rate differences on monetary items recognized through profit or loss. When the asset is divested, the accumulated gain/loss that was previously recognized in other comprehensive income is now recognized through profit or loss.



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**Financial liabilities at fair value through profit or loss**

This category comprises two sub-groups: financial liabilities held for trading and other financial liabilities that the Group has decided to place in this category. The first category includes the Group's derivatives with negative fair value except for derivatives that are an identified and effective hedging instrument. Changes in fair value are recognized through profit or loss. The Group only uses the category for derivatives.

**Other financial liabilities**

Loans and other financial liabilities, for example, accounts payable, are included in this category. Liabilities are measured at amortized cost.

**Derivatives and hedge accounting**

The Group's derivatives have been acquired to financially secure risks for interest rate, raw material and exchange rate exposures that the Group is exposed to. Derivatives are measured in the balance sheet at fair value, meaning that transaction costs and changes in value are charged to net income for the period. Following initial recognition, the derivative is measured at fair value and the changes in value are recognized as described below.

In order to meet the IAS 39 requirements for hedge accounting, an unequivocal connection to the hedged item must exist. In addition, it is required that hedging effectively protects the hedged item, that hedging documentation has been prepared and that the effectiveness can be measured. Gains and losses for hedging are recognized through profit or loss at the same time period that gains and losses are recognized for the hedged entries. Hedge accounting is applied for loans used for currency hedging of net investments in foreign operations, for transaction exposure in foreign currency and to hedge the cash flow risk of interest payments.

**Receivables and liabilities in foreign currency**

Currency forward contracts are used to hedge receivables or liabilities against exchange rate risk. Hedge accounting is not used to protect against exchange rate risk since a financial hedge is reflected in the accounting in that both the underlying receivable or liability and the hedging instrument are recognized at the exchange rate on the balance sheet date and exchange rate fluctuations are recognized through profit or loss. Exchange rate fluctuations for receivables and liabilities are recognized in operating income, while exchange rate fluctuations for financial receivables and liabilities are recognized in net financial items.

**Hedging of forecast sale/purchases in foreign currency**

Currency forward contracts used for hedging a highly probable forecast sale/purchase in foreign currency are measured at fair value

in the balance sheet. Changes in value for the period are recognized in other comprehensive income and the accumulated changes in value in a specific component of equity (hedge reserve) until the hedged flow affects net income, at which point the hedging instrument's accumulated change in value is reclassified to net income when the hedged item impacts net income.

**Cash flow hedging against interest rate risk**

Interest rate swaps are used for hedging against uncertainty in highly probable forecast interest rate flows for borrowing at variable interest rates, where the company receives a variable interest rate and pays a fixed interest rate. Interest rate swaps are measured at fair value in the balance sheet. Interest coupons are continuously recognized through profit or loss as part of interest expenses. The Group applies hedge accounting. Unrealized changes in fair value of interest rate swaps recognized in other comprehensive income and included as part of hedge accounting until the hedged item affects net income and as long as the criteria for hedge accounting and effectiveness are met.

**Hedging exchange rate risk in foreign net investments**

Investments in foreign subsidiaries (net assets including goodwill) have, to some extent, been hedged by borrowing in foreign currency that was translated at the closing day rate on the balance sheet date. Translation differences on hedging instruments for the period are recognized in other comprehensive income to the extent that the hedging is effective, and accumulated changes are recognized in a specific component of equity (translation reserve). This neutralizes translation differences that affect other comprehensive income when the Group is consolidated.

**Tangible assets**

Tangible assets in the Group are recognized at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and expenses directly attributable to the asset in order to make it operational and ready for use as intended with the acquisition. Borrowing costs that are directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are included in the cost.

Tangible assets that consist of components with various useful lives are treated as separate components of tangible assets. The carrying amount of tangible assets is removed from the balance-sheet when it is scrapped or divested or when there is no future financial benefits expected from the use or scrapping/divestment of the asset. Gains or losses arising on the divestment or scrapping of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating revenue/expenses.

Additional expenses are added to the cost only if it is likely that future financial benefits associated with the asset will accrue the Group and the cost can be calculated in a reliable manner. All other additional expenses are recognized as cost in the period in which they arise. An additional expense is added to the cost if the expense is for replacement of identifiable components or related parts. Even in situations where a new component is created, the expense is added to the cost. Any carrying amounts of replaced components, or parts of components, that have not been depreciated are scrapped and expensed in conjunction with the replacement. Repairs are regularly expensed.

**Intangible assets***Goodwill*

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is distributed to cash-generating units and is tested for impairment annually.

*Other intangible assets*

Other intangible assets acquired by the Group are recognized at cost less accumulated amortization and any impairment losses. Expenses for internally generated goodwill and brands are recognized through profit or loss as a cost when incurred. Borrowing costs that are directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are included in the cost.

Cost of system development and research and development are only recognized as an asset in the statement of financial position if the product or process is technically and commercially usable and the company has sufficient resources to complete development and then use or sell the intangible asset. Other product development expenses are recognized through profit or loss as costs when incurred. The majority of the Group's development expenses are attributable to the maintenance and development of existing products and are recognized through profit or loss when incurred.

**Depreciation/amortization***Principles of depreciation for tangible assets*

Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. Leased assets are also depreciated over the estimated useful life or, if shorter, over the contracted lease period. The Group applies component depreciation, which means that the estimated useful life of the components is the basis for depreciation. The residual value and useful life of an asset is determined annually.

Useful lives	Group	Parent Company
Buildings and land improvements	35–40 years	–
Plant and machinery	7–15 years	–
Equipment, tools, fixtures and fittings	3–7 years	–

#### *Principles of amortization for intangible assets*

Goodwill and other intangible assets with an indeterminate useful life or that are still not ready to be used, are tested for impairment annually or as soon as indications appear indicating that the asset in question has decreased in value. Intangible assets with definite useful lives are amortized from when they are available for use. Amortization is recognized through profit or loss straight-line over the estimated useful lives of the assets. The residual value and useful life of an asset is determined annually.

Useful lives	Group	Parent Company
Capitalized development expenses	5–10 years	–
IT systems	5–7 years	–
Other intangible assets	5–10 years	–

#### **Inventories**

Inventories are measured at the lowest of cost and net realizable value. The cost of inventories is calculated by the first-in, first-out principle (FIFO) and includes expenses from the acquisition of the inventory assets and the transportation of them to their current place and condition. For manufactured goods and work in progress, the cost includes a reasonable share of indirect expenses based on normal capacity. Net realizable value is the estimated sales price in the ordinary course of business, less estimated cost of completion and sale.

#### **Impairment**

Each balance sheet date, the carrying amount of the Group's assets is tested to determine whether there is an indication for a need for impairment. If evidence exists, the asset's recoverable amount is calculated. The recoverable amount of goodwill and other intangible assets with indeterminate useful lives is calculated annually. IAS 36 is used for impairment losses of assets other than financial assets, which are recognized according to IAS 39, assets held for sale and disposal groups, which are recognized according to IFRS 5, inventories and deferred tax receivables. The carrying amount of the excluded assets listed above is calculated according to the respective standard.

An impairment loss is recognized if the recoverable amount is lower than the carrying amount. An impairment loss is charged to profit or loss. The recoverable amount is the higher of fair value less

selling expenses and the value-in-use. When determining the value-in-use, future cash flows are discounted using a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset. For an asset that does not generate essential cash flows, irrespective of other assets, the recoverable amount of the cash-generating unit that the asset belongs to is calculated. A cash-generating unit is primarily performed for goodwill and then other assets in the unit are amortized proportionally.

All financial assets, except those in the financial asset category that are measured at fair value through profit or loss, are tested for impairment. Each report period, the Group determines whether there is objective evidence indicating that a financial asset or group of assets requires impairment. Objective evidence consists of observable circumstances that have occurred and which have a negative impact on the recovery of the cost.

Impairment of assets included in the IAS 36 application sphere is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions that were the basis of the recoverable amount calculation. Impairment of goodwill is not reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognized, less depreciation when applicable, if no impairment had been applied. Impairment losses on loans and accounts receivable that are recognized at amortized cost are reversed if the previous reasons for impairment no longer exist and full payment from the customer is expected.

#### **Earnings per share**

The earnings per share calculation is based on the consolidated net income attributable to the shareholders of Parent Company and the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, earnings are adjusted as well as the average number of shares in order to take into consideration the impact from the dilutive potential common shares.

#### **Remuneration of employees**

##### *Pensions*

The majority of the Group's pension obligations are met through continuous payments to independent insurance companies that administer the plans, known as defined-contribution pension plans. The responsibility for the amount of future pension payments lies with the external insurance companies. The Group has no further responsibility than paying the premium. A pension expense, which corresponds to the contributions paid, is continuously recognized for defined-contribution pension plans. The expense is recognized in the period in which the employee performed the services to which the contribution refers.

Some of the Group's subsidiaries in Sweden have defined-benefit pension plans that are unfunded. These defined-benefit pension plans include a commitment regarding future pension benefits, the amount of which is determined by such factors as final salary and service period. The employer bears all material risks for meeting this commitment.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future remuneration that the employees have earned through their employment in both present and earlier periods; this remuneration is discounted to present value.

The discount rate used by the Group to calculate the defined-benefit pension liabilities in Sweden comprises the market interest rate on the balance sheet date of Swedish mortgage bonds with a term corresponding to the duration of the Swedish pension obligations.

The calculation is performed by a qualified actuary using the Projected Unit Credit Method. The special employer's contribution is part of actuarial assumptions and is therefore recognized as a portion of net obligations. The portion of special employer's contribution that is calculated on the basis of the Pension Obligation Vesting Act for legal entities is recognized, for reasons of simplification, as an accrued expense instead of as a part of net obligations. Actuarial gains and losses may arise when determining the present value of the obligation. These will arise when the actual result differs from the previously made assumption or when assumptions are changed. Revaluation effects are recognized in other comprehensive income.

Other retirement pensions according to ITP/ITPK in Sweden are guaranteed for the Group through premium payments to Alecta. According to a statement from the Swedish Financial Reporting Board, UFR10, this must be reported as a multi-employer defined-benefit plan. For the 2016 fiscal year, the Group did not have access to information from Alecta that made it possible to recognize this plan as a defined-benefit plan. Accordingly, the plan has been recognized as a defined-contribution plan.

##### *Bonuses*

A provision is recognized for the anticipated cost of profit share and bonus payments when the Group has a contractual or informal duty to make such payments as a result of services received from employees, the conditions for remuneration are deemed to be fulfilled and the obligation can be reliably calculated.

##### *Remuneration if employment is terminated*

A cost for remuneration in connection with the termination of employment is recognized earliest when the Group can no longer retract the offer to the employees or when the Group recognizes restructuring costs. Remuneration expected to be settled after

## NOTE 1 cont.

twelve months is recognized at their present value. Remuneration not expected to be settled completely within twelve months is recognized in accordance with long-term remuneration.

### Provisions

A provision differs from other liabilities in that there is uncertainty about the time of payment and the amount of settlement. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation resulting from a past event and when it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made based on the best estimate of what will be required to settle the existing obligation on the balance sheet date. When it is important to know when the payment will occur, provisions are calculated by discounting the expected future cash flow using a pretax interest rate that reflects current market assessments of the time value of money and, if suitable, the risks associated with the liability.

A provision for restructuring is recognized when there is an established, detailed and formal restructuring plan, and the restructuring has either started or been officially announced. Provisions are not made for future operating losses.

### Assets held for sale and discontinued operations

The significance of an asset (or a disposal group) being classified as held for sale is that its carrying amount will be recovered primarily through the sale and not through use.

Immediately before being classified as held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) is determined in accordance with applicable standards. When first classified as held for sale, the assets and disposal groups are recognized at the lower of the carrying amount and fair value less selling expenses.

The following assets, individually or as part of a disposal group, are exempted from the above described valuation rules:

- deferred tax receivables
- assets attributable to employee benefits
- financial assets subject to IAS 39 Financial Instruments: Recognition and measurement.

A gain is recognized for each increase in the fair value less selling expenses. This gain is limited to an amount corresponding to all previous impairment. Losses resulting from a decline in value when first classified as held for sale are recognized through profit or loss. Even subsequent changes in value, both gains and losses, are recognized through profit or loss.

Discontinued operations are part of a company's operations that represent an independent business segment or a significant

operation in a geographic area or is a subsidiary that has been acquired with the sole purpose of being sold. Classification as a discontinued operation takes place on divestment or at an earlier point in time when the operation meets the criteria for being classified as held for sale. Net income from discontinued operations is recognized separately in the income statement. When an operation is classified as discontinued, the format of the comparative year's income statement is changed so that it is presented as if the discontinued operations had been discontinued at the start of the comparative year. The format of the statement of financial position for current and previous years is not changed in a similar way.

### Contingent liabilities

A contingent liability is recognized when there is a possible obligation that originates from past events and whose occurrence is only confirmed by one or more uncertain future events or when there is an obligation that is not recognized as a liability or a provision because it is not likely that an outflow of resources will be needed.

### Parent Company accounting policies

The Parent Company prepares its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 stipulates that the Parent Company, in the annual accounts for the legal entity, is to apply all IFRS and statements adopted by the EU to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and taking into consideration the connection between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS. Based on RFR2, the Parent Company has decided not to apply IAS 39 to the legal entity. In accordance with the new requirements in the Swedish Annual Accounts Act, pledged assets and contingent liabilities have been moved from being reported in the balance sheet item to only being presented in a note.

### Amended accounting policies

Unless otherwise stated below, the Parent Company's accounting policies for 2016 changed in accordance with the amendments described above for the Group.

### Differences between the Group's and the Parent Company's accounting policies

The differences between the accounting policies of the Group and the Parent Company are stated below. The accounting policies for the Parent Company stated below have been consistently applied

in all periods presented in the financial statements of the Parent Company.

### Classification and presentation format

The income statement and the balance sheet for the Parent Company are presented following the format of the Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences compared with the consolidated financial statements that apply in the Parent Company's income statement and balance sheets primarily comprise reporting of financial revenue and expenses, fixed assets, equity, as well as the presence of provisions as a separate heading in the balance sheet.

### Subsidiaries

Participations in subsidiaries are recognized in the Parent Company according to the cost method. This means that transaction charges are included in the carrying amount for holdings in subsidiaries. In the consolidated financial statements, transaction costs are recognized directly through profit or loss when they arise, while in the Parent Company, financial fixed assets are measured at cost less any impairment.

### Taxes

In contrast to the Group, untaxed reserves in the Parent Company are recognized in the balance sheet without any specification between equity and deferred tax liabilities. Correspondingly, the Parent Company does not specify the portion of appropriations to deferred taxes in the income statement.

### Group contributions

Group contributions are recognized as appropriations.



## › NOTE 2 Assessments and assumptions

The preparation of the annual accounts and the application of accounting standards are, in some cases, based on assessments, estimates and other assumptions that management considers to be reasonable under the current conditions. For obvious reasons, these assessments and assumptions are based on experiences and expectations of future events. If different assessments and assumptions were made, the results might be different.

### Goodwill

An assessment is made every year as to whether goodwill requires impairment. For groups of cash-generating units, the value-in-use is calculated to determine the recoverable amount of each unit. Assumptions about future cash flows and estimates of parameters are made as a basis for the calculation. These are explained in Note 21.

### Taxes

Deferred tax is calculated on the temporary differences between the tax and carrying amounts of

liabilities and assets. There are two types of assessments and assumptions in these calculations that can affect the deferred tax recognized. The first is the assessments and assumptions made to determine the carrying amount and, the second, the assessments made to determine the possibility of using existing loss carryforwards on future taxable profits. The budget and strategic plan for future years were also taken into consideration in the assessment of loss carryforwards.

The Group has been subject to a tax audit in Germany concerning such matters as internal pricing. The audit covers the period 2005–2008 and concerns the following companies: Thule GmbH, Thule Deutschland GmbH and Thule Schneeketten GmbH. The tax authority's decision in the matter has been appealed by the company. Provision has been made on the basis of differences in tax rates in the countries concerned since a tax treaty is in place between these two countries. In addition, a tax audit is ongoing for the 2009–2012 period, in which the German tax agency made a decision during the year. A provision has been made during the year on the basis of the principles that applied for the years 2005–2008. For more information, refer to Note 19 Taxes.

## › NOTE 3 Measurement of financial assets and liabilities at fair value

Fair value and carrying amount in the balance sheet

Group 2016, SEKm	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives used in hedge accounting	Loans and accounts receivable	Financial liabilities at fair value through profit or loss	Derivatives used in hedge accounting	Other liabilities	Total carrying amount	Fair value
	Held for trading				Held for trading				
Accounts receivable	–	–	–	584	–	–	–	584	584
Short-term receivables	–	24	–	–	–	–	–	24	24
Financial derivatives	15	–	20	–	–	–	–	34	34
Cash and cash equivalents	–	–	–	763	–	–	–	763	763
<b>Total</b>	<b>15</b>	<b>24</b>	<b>20</b>	<b>1,347</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,405</b>	<b>1,405</b>

Financial derivatives are included in other receivables in the balance sheet.

Long-term interest-bearing liabilities	–	–	–	–	–	–	2,445	2,445	2,445
Short-term interest-bearing liabilities	–	–	–	–	–	–	6	6	6
Accounts payable	–	–	–	–	–	–	522	522	522
Accrued expenses	–	–	–	–	–	–	0	0	0
Financial derivatives	–	–	–	–	15	35	–	50	50
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>35</b>	<b>2,973</b>	<b>3,023</b>	<b>3,023</b>

Short-term financial derivatives, SEK 28m, are included in short-term interest-bearing liabilities in the balance sheet.

Long-term financial derivatives, SEK 22m, are included in long-term interest-bearing liabilities in the balance sheet.

NOTE 3 cont.

Group 2015, SEKm	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives used in hedge accounting	Loans and accounts receivable	Financial liabilities at fair value through profit or loss	Derivatives used in hedge accounting	Other liabilities	Total carrying amount	Fair value
	Held for trading				Held for trading				
Accounts receivable	–	–	–	610	–	–	–	610	610
Long-term receivables	–	46	–	0	–	–	–	46	46
Financial derivatives	8	–	20	–	–	–	–	28	28
Cash and cash equivalents	–	–	–	274	–	–	–	274	274
<b>Total</b>	<b>8</b>	<b>46</b>	<b>20</b>	<b>885</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>958</b>	<b>958</b>

Financial derivatives are included in other receivables in the balance sheet.

Long-term interest-bearing liabilities	–	–	–	–	–	–	2,350	2,350	2,350
Short-term interest-bearing liabilities	–	–	–	–	–	–	5	5	5
Accounts payable	–	–	–	–	–	–	449	449	449
Accrued expenses	–	–	–	–	–	–	0	0	0
Financial derivatives	–	–	–	–	11	15	–	27	27
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>15</b>	<b>2,804</b>	<b>2,830</b>	<b>2,830</b>

Short-term financial derivatives, SEK 13m, are included in short-term interest-bearing liabilities in the balance sheet.

Long-term financial derivatives, SEK 13m, are included in long-term interest-bearing liabilities in the balance sheet.

The tables below provide information about how fair value is determined for financial instruments that are measured at fair value on the statement of financial position (see above). The following three-level hierarchy is used to determine fair value:

Level 1: according to prices quoted in an active market for the identical instrument.

Level 2: from either direct or indirect observable market information not included in Level 1.

Level 3: from inputs unobservable in the market.

Group 2016, SEKm	Level 1	Level 2	Level 3	Total
Short-term receivables regarding additional purchase consideration	–	–	24	<b>24</b>
Derivative asset	–	34	–	<b>34</b>
Derivative liability	–	-50	–	<b>-50</b>
Group 2015, SEKm	Level 1	Level 2	Level 3	Total
Long-term receivables regarding additional purchase consideration	–	–	46	<b>46</b>
Derivative asset	–	28	–	<b>28</b>
Derivative liability	–	-27	–	<b>-27</b>

The table below presents a reconciliation between the opening and closing balances for the holdings included in Level 3.

Group, SEKm	2016	2015
<b>Opening balance</b>	<b>46</b>	<b>0</b>
Long-term receivables regarding additional purchase consideration	–	46
Recognized in other comprehensive income	-22	–
<b>Closing balance</b>	<b>24</b>	<b>46</b>

The following summarizes the methods and assumptions that are primarily used to determine the fair value of the financial instruments presented in the table above.

#### Long-term receivables regarding additional purchase consideration

The additional purchase consideration is divided into two parts and is based on sales in the periods from May 1, 2015 to April 30, 2016 and from May 1, 2016 to April 30, 2017. Sales are ultimately dependent on the weather and a snow-free winter leads to low sales. Company management has made the assessment that the second part can be expected to be met in part and has, during the year, reassessed this to half of the nominal amount. The effect of the reassessment is reported in Other comprehensive income. The valuation of the additional purchase consideration is particularly dependent on the weather and if there were to be little snow in the period from May 1, 2016 to April 30, 2017 it is highly likely to lead to the additional purchase consideration for the second period having a low value or being valued at zero.

NOTE 3 cont.

Derivatives

Currency

The fair value of a forward contract is determined beginning with quoted rates. The market price, calculated by using the current rate adjusted for the interest rate spread between currencies and number of days, is compared with the contract's rate to determine the fair value.

The market value of currency options is calculated using the Black & Scholes model.

Interest rates

The fair value of interest rate swaps is based on an intermediary institution's measurement, whose fairness is tested by discounting estimated cash flows according to the conditions and due dates of the contract, using the market interest rate for identical instruments on the balance sheet date.

Accounts receivable and accounts payable

The carrying amount reflects the fair value of accounts receivable and accounts payable with a remaining term of less than 12 months. Accounts receivable and accounts payable with a term exceeding 12 months are discounted when determining fair value.

Leasing

The fair value of financial lease liabilities is based on the present value of future cash flows discounted at the market interest rate for identical lease agreements.

Interest-bearing liabilities

The fair value of financial liabilities that are not derivatives is calculated using future cash flows of principal amounts and interest rates discounted to the current market interest rate on the balance sheet date. The carrying amount agrees with the fair value of the Group's borrowing when the loans have variable interest rates and the credit spread is not such that carrying amount materially deviates from fair value.

NOTE 4 Financial risk management

Thule Group is continuously exposed to various financial risks through its international operations. Financial risks refer to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rate levels, raw material prices, refinancing and credit risks. The Group's finance policy for managing financial risks is prepared by the Board and creates a framework of guidelines and regulations in the form of risk mandates and limits on the financial operations. The Board decides on the finance policy annually. The Group's finance department centrally manages responsibility for the Group's financial transactions and risks. The overall goal of the finance department is to provide cost efficient financing, to map out financial risks that affect the Group, and to minimize negative impacts on the Group's earnings that stem from market risks. The Board's Audit Committee prepares, on behalf of the Board, the practical application of the policy in consultation with the Group's CFO. The Group's Director of Treasury regularly reports to the Board's Audit Committee and Finance Committee.

Organization and activities

Thule Group's finance operations are coordinated by the subsidiary Thule Holding AB, which

performs all external financial transactions and also acts as an internal bank for the Group's financial transactions in the currency- and interest rate markets.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument could fluctuate due to changes in market prices. IFRS has divided market risks into three types: exchange rate risk, interest rate risk and other price risks. Market risks that primarily impact the Group consist of interest rate risk, exchange rate risk and commodity price risk. The Group's objective is to manage and control the market risks within established parameters while optimizing earnings through risk-taking within stated limits. The parameters are established with the purpose that the market risks in the short term (up to 12 months) only impact the Group's earning and position marginally. In the long term, however, lasting changes in exchange rates, interest rates and raw material prices have an impact on consolidated earnings.

Exchange rate risk

The risk that fair values and cash flows can fluctuate when the value of currencies changes is called exchange rate risk. The Group is exposed to different types of exchange rate risks.

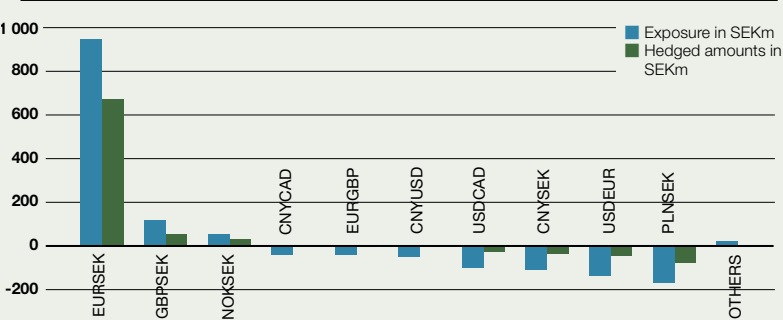
Transaction exposure

The largest exposure comes from the Group's sale and purchase in foreign currencies. These exchange rate risks consist of risk in the value fluctuations of financial instruments, customer liabilities or accounts payable, and the exchange rate risk in expected and contractual payment flows. These risks are called transaction exposure.

The Group's total transaction exposure, net, amounts to SEK 1,778m (1,488) annually. The single most important currency relationship is EUR/SEK, in which the Group has a positive net inflow. The central finance department is responsible for all hedging to reduce the effect of exchange rate fluctuations.

The Group's transaction exposure and hedged amounts on the balance sheet date distributed by currency were as follows:

Transaction exposure and hedged amounts for 2017, SEKm



Derivatives used are currency forward contracts and options. Currency options are financial contracts that can be used to manage exchange rate risk. The advantage with currency options is that they give the right but not the obligation to carry out an exchange transaction



## NOTE 4 cont.

that has been specified in advance. A premium is paid for the right. A combination of several currency options creates currency-hedging strategies where the option right is limited while the premium expense decreases. One common option strategy has a synthetic currency forward contract and a right that is contingent on a currency barrier – flexible forward. The Group uses flexible forwards to optimize its exchange rate risk management.

The fair value of the Group's outstanding currency derivatives (currency forward contracts and currency options) was a SEK -1.2m (pos: 10.0) as per December 31, 2016. Of this SEK -1.2, SEK 1.7 was charged to net income (cost of goods sold). Hedge accounting was used for currency forward contracts.

#### Translation exposure

There are also exchange rate risks in the conversion of assets and liabilities of foreign subsidiary companies to the Parent Company's functional currency, called translation exposure.

The Group's policy is to hedge net investments with loans but otherwise not to hedge translation exposure. The total translation exposure was SEK 3,894m (3,810). The largest translation exposures were in EUR and USD. The translation exposure in USD was SEK 2,781m (2,355) and in EUR, SEK 737m (1,159).

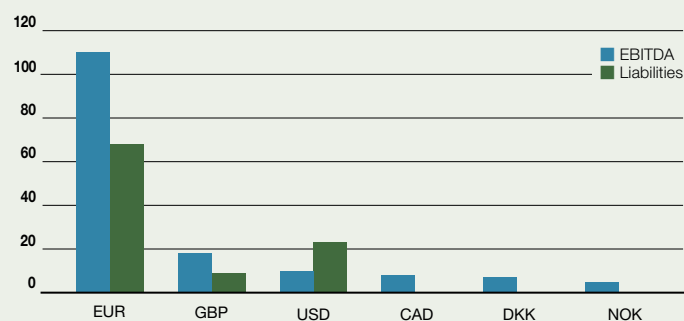
The translation impact of the conversion of the liabilities and assets of foreign subsidiaries in 2016 was a SEK 142m (-15) after taking into account the effects of hedging.

#### Financial exposure

The Group is also exposed to exchange rate risks with regard to payment flows for loans in foreign currency, called financial exposure.

The Group's liabilities have been divided by currency for those currencies where there is an underlying positive cash flow to secure the value of the Group. The carrying amount of the loans is matched against positive cash flows from the operations. When the SEK strengthens, the Group's EBITDA expressed in SEK declines, as the value of the external loans, expressed in SEK, declines. The beta value between EBITDA and external loans is approximately 1.30 – a strengthening of SEK of 10 percent compared with other currencies (not taking into consideration any correlation between currency pairs) means an impact on external loans of 10 percent, while EBITDA is affected by approximately 13 percent.

Positive EBITDA and long-term senior liability per currency for 2016, %



A five-year syndicated financing agreement was signed with Danske Bank A/S, DNB Bank ASA and Nordea Bank AB (publ) in connection with the stock exchange listing of Thule Group in November 2014. The senior liability raised is distributed by currency as follows to achieve a favorable match between positive EBITDA and senior liability: 68 percent in EUR, 23 percent in USD and 9 percent in GBP. The table above shows the distribution between positive EBITDA, stated as a percentage of total EBITDA, specified by currency, and long-term senior liability. The currency effects that the loans give rise to are recognized as a financial currency effect in the income statement. The currency effect in 2016 was a negative SEK 92m (pos: 28). However, the Group applies hedge accounting and SEK 90m of the total SEK 92m have been recognized in Other comprehensive income and transferred to the translation reserve (net investment hedging).

#### Sensitivity analysis – exchange rate risk

A 10 percent strengthening of the SEK against other currencies, compared with the average exchange rates in 2016 (not taking into consideration any correlation between currencies), would mean a change in EBITDA of a negative SEK 135.4m (neg: 110.6) (transaction- and translation effects).

#### Interest rate risk

Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates and the risk that changes in the interest rate level will impact the Group's borrowing costs. Interest rate risk can lead to a change in fair values and changes in cash flows. A significant factor that affects the interest rate risk is the fixed-rate period. This interest rate risk is managed by the Group's central finance department. According to the finance policy, the objective of the long-term liability portfolio is for the average fixed-rate period to be, on average, between 6 months and 3 years. The average fixed-rate period was 1 year and 7 months (2 years) as per December 31, 2016. ISDA agreements were signed with all lenders.

The Group separates the financing of working capital from long-term financing. Overdraft facilities are available for financing working capital.

#### Sensitivity analysis – interest rate risk

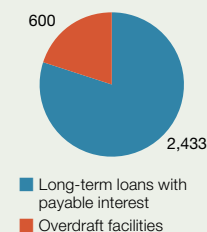
The impact on the Group's interest expense during the coming 12-month period in the event of an interest rate upturn/downturn of 1 percentage point on the balance sheet date is SEK +13.8/+3.2m (-15.8/+2.8) – given the interest-bearing liabilities that exist on the balance sheet date.

An interest rate change of +/-1 percentage point on the balance sheet date would result in a change in the market value of interest rate derivatives of SEK +24.2m (34.3) / SEK -8.8m (-16.7).

#### Refinancing- and liquidity risks

Refinancing and liquidity risks are risks that payment commitment cannot be met due to insufficient liquidity or difficulties in obtaining credit from outside sources. The Group has a rolling 8-week liquidity plan that includes all units of the Group. Results are reported regularly on a weekly basis. The plan is updated monthly. The liquidity plan is used to manage liquidity risk and as a tool for following the cash flow from the operational and financial business. In-depth analyses are made against previous years in order to measure trends and noticeable deviations. The objective is for the Group to be able to manage its financial obligations in upturns and downturns without significant unforeseeable expenses and without risking the Group's reputation.

Group's fixed-term credit commitments on December 31 2016, SEKm



## NOTE 4 cont.

The Group policy is to minimize its borrowing need by centralizing surplus liquidity via the Group's cash pools that have been established by the central finance department. Liquidity risks are centrally managed for the entire Group by the central finance department.

The Group has a central vision for managing the Group's financing, whereby the fundamental rule is that the internal bank is responsible for all external financing. A syndicate with three Scandinavian banks finances the Group. This financing package is contingent on financial and commercial obligations, which are tested regularly. The covenants tested quarterly are the debt/equity ratio and interest coverage ratio.

The Group's fixed-term credit commitments were SEK 3,033m (2,938), which includes long-term loans with payable interest corresponding to SEK 2,433m and overdraft facilities of SEK 600m.

Unutilized credit commitments totaled SEK 584 (591).

The Group's loan facility do not have an amortization schedule but rather the entire facility is due in November 2019.

#### Term structure of financial liabilities – undiscounted cash flows

2016, SEKm	Total	<1 month	1–3 months	3 months –1 year	2–5 years	>5 years
Long-term liabilities to credit institutions including interest payments	2,507	–	–	–	2,507	–
Derivatives	50	5	5	25	15	–
Short-term liabilities to credit institutions including interest payments	30	–	7	23	–	–
Overdraft facilities	0	–	–	–	–	–
Accounts payable	522	–	522	–	–	–
Finance lease liabilities	16	0	0	5	11	–

2015, SEKm	Total	<1 month	1–3 months	3 months –1 year	2–5 years	>5 years
Long-term liabilities to credit institutions including interest payments	2,473	–	–	–	2,473	–
Derivatives	27	6	2	9	10	–
Short-term liabilities to credit institutions including interest payments	34	–	8	26	–	–
Overdraft facilities	0	–	–	–	–	–
Accounts payable	449	–	449	–	–	–
Finance lease liabilities	16	0	1	3	12	–

#### Commodity price risk

Commodity price risk refers to continuously fluctuating prices of input goods from our suppliers and its possible impact on earnings. For the Group, it is primarily fluctuations in aluminum, plastic and steel prices that constitute a significant commodity risk. In 2016, 45 percent (38) of total direct materials consisted of plastic, aluminum and steel. They consist of a number of different subcategories with various degrees of processing that often cannot be tied to a direct market price. Of the three exposures, only aluminum, in principle, is directly associated with a traded market index.

In 2016, the Group purchased raw materials and components for SEK 2,412m (2,373). Total purchases of raw materials amounted to SEK 934m (934). Direct purchases of raw materials amounted to SEK 694m (597) and indirect purchases of raw materials (share of value added of the total value of raw materials) amounted to SEK 409m (337). Direct purchases of aluminum amounted to SEK 193m (213) and indirect purchases of aluminum amounted to SEK 193m (171). Direct purchases of plastic amounted to SEK 288m (213) and indirect purchases of plastic amounted to SEK 192m (135). Direct purchases of steel amounted to SEK 213m (153) and indirect purchases of steel amounted to SEK 24m (31).

However, a significant portion of the supplier contracts for these categories are indexed, which means that if the market price for a raw material changes, then the Group's purchase prices will increase or decrease. Direct materials amounted to 76 percent (76) of the Group's cost of goods sold.

#### Credit risk in financial operations

The Group's financial operation creates exposure to credit risks. Primarily counterparty risks in connection with receivables from banks arise when purchasing derivatives and deposits to these banks. The exposure can be attributable to surplus values in derivatives. In order to reduce credit risk, the derivatives are spread between different counterparties. The ISDA agreements permit the offset of derivative assets and derivative liabilities per counterparty, which reduces credit risk. ISDA agreements were signed with all counterparties for settlement of mutual obligations to deliver and pay, and thereby reduce credit risk.

Group 2016, SEKm	Financial assets	Financial liabilities
Amount recognized in balance sheet	34.1	50.0
Nordea	-10.6	-10.6
Danske Bank	-18.4	-18.4
DNB	-5.0	-5.0
<b>Amount after netting</b>	<b>0.0</b>	<b>15.9</b>

Group 2015, SEKm	Financial assets	Financial liabilities
Amount recognized in balance sheet	27.5	26.6
Nordea	-7.3	-7.3
Danske Bank	-13.7	-13.7
DNB	-3.3	-3.3
<b>Amount after netting</b>	<b>3.2</b>	<b>2.3</b>

## NOTE 4 cont.

The credit risk in derivatives on the balance sheet date was SEK 34.1m (27.5) and corresponds to the total positive market value of the derivatives. The credit risk in cash and bank balances was SEK 763.0m and corresponds to the Group's cash and cash equivalents.

#### Credit risk on accounts receivable

Refer to Note 24 Accounts receivable.

#### Net debt

At December 31, 2016, net debt amounted to SEK 1,704m (2,079). Net debt consists of the Group's interest-bearing liabilities, including accrued interest and financial derivative liabilities less cash and cash equivalents, interest-bearing short-term receivables and financial derivative assets.

#### Cash management

Cash management in subsidiaries focuses on minimizing operational working capital. The internal bank manages Group-wide netting to minimize the number of payment transactions and thereby related expenses. In countries with several operational companies, the surpluses and deficits are matched at the country level using cash pools.

There were cash pools during the year in Sweden, UK, Denmark, Norway, Poland and the US. A group-wide EUR cash pool exists in Belgium, the Netherlands, France and Germany where all liquidity is pooled in Germany. The internal bank manages liquidity in, as well as between, these cash pools.

### NOTE 5 Discontinued operations

There was no discontinued operations in 2016.

#### Effects of discontinued operations 2015

The company's strategic focus on brand-driven consumer products resulted in the decision to divest the Snow Chain Division in 2015.

Discontinued operations comprise the Snow Chain Division, which was previously included in the Specialty operating segment. The Snow Chain Division was divested and deconsolidated in September 2015. The selling price comprised two components, an initial payment of EUR 10m and a maximum additional purchase consideration of a further EUR 10m (based on snow chain sales over the next two winter seasons). Half of the possible additional purchase consideration has been recognized as a receivable and is included in the capital loss, which amounts to SEK 128m including transaction costs.

Group, SEKm	2015
Revenue	84
Expenses	-102
Goodwill impairment	0
<b>Income before taxes</b>	<b>-19</b>
Taxes	3
<b>Net income from discontinued operations</b>	<b>-15</b>
Capital gain/loss from divestment of discontinued operations	-128
<b>Net income from discontinued operations</b>	<b>-143</b>
Earnings per share, discontinued operations (SEK)	-1.43

Group, SEKm	2015
<b>Cash flow from discontinued operations</b>	
Cash flow from operating activities	71
Cash flow from investing activities	-3
<b>Net cash flow from discontinued operations before financing activities</b>	<b>68</b>

<b>Effect of divestment on assets and liabilities</b>	
Fixed assets	96
Current assets	206
Long-term liabilities	26
Short-term liabilities	75
<b>Divested assets and liabilities, net</b>	<b>201</b>
Purchase consideration received	73



## › NOTE 6 Assets held for sale

Following the strategic review of the Specialty segment during 2016, the Board has decided to divest the US toolboxes for pick-up trucks operations, including this operation's dedicated factory in Perry, Florida in the US. The divestment process has been initiated and is expected to be completed in 2017.

Net sales in this product category were SEK 307m (303) for 2016. Geographically, the operations are limited to North America and are mainly focused on building professionals under the Group's UWS brand (which is included in the operations being divested) and of private label deliveries to the DIY chain Home Depot. Sales to Home Depot comprised approximately 1/3 of the product category's sales in both 2016 and 2015. Nonetheless, the contract with Home Depot will be phased out in 2017. In 2016, the operations had an operating margin of 11.2 percent (5.2).

The assets and liabilities attributable to this operation have been reclassified and are shown in the balance sheet as assets and liabilities held for sale.

Two smaller product groups that were previously reported under the Specialty segment (racks and smaller accessories for pick-up trucks) will not be divested. In the future, these will be reported under the Sport&Cargo Carriers product category in Region Americas. Sales for these product groups amounted to SEK 158m (155) in 2016.

### Assets classified as held for sale

Group, SEKm	2016
Intangible assets	17
Tangible assets	24
Inventories	22
Accounts receivable and other receivables	60
	<b>124</b>

### Liabilities classified as held for sale

Group, SEKm	2016
Accounts payable and other liabilities	34
	<b>34</b>

## › NOTE 7 Business combinations

On July 4, 2016, Thule Group acquired the Dutch company GMG B.V., the leading manufacturer of child bike seats in the Benelux markets. In 2015, GMG B.V. reported sales of EUR 6.1m, specializing in child bike seat under the Yépp brand. GMG B.V. has operated with a lean, product-focused sales and marketing organization with six employees and an office in Zwanenburg in the Netherlands. The products are a complement to the Group's existing range of Thule RideAlong child bike seats and will be sold under the Thule Yépp brand. The acquisition suits the strategy to grow in this key category and will be reported in the Outdoor&Bags segment under the Active with Kids product category. The company was

consolidated in the Group as of July. The total purchase consideration was EUR 10.0m on a debt-free basis. The acquisition has contributed sales amounting to SEK 18m and operating income of negative SEK 6m. Had the acquisition occurred on January 1, it is estimated that sales would have increased SEK 33m and operating income approximately SEK 5m.

### Effects of acquisitions 2016

#### The acquired subsidiary's net assets at the time of acquisition

SEKm	2016
Intangible assets	21
Tangible assets	1
Inventories	11
Accounts receivable and other receivables	8
Cash and cash equivalents	7
Accounts payable and other liabilities	-13
Deferred tax liabilities	-4
Net identifiable assets and liabilities	32
Goodwill	67
<b>Consideration transferred</b>	<b>99</b>

Of the purchase consideration, SEK 67m has been provisionally attributed to goodwill.

### Goodwill

Synergies for more effective production and distribution processes are included in the goodwill value. No part of the goodwill is expected to be tax deductible.

### Acquisition-related expenses

Acquisition-related expenses amount to SEK 1m and refer to fees for legal services.

## › NOTE 8 Segment accounting

The Group's operations are divided into operating segments based on the parts of the operations that are followed up by the company's chief operating decision-maker. Management has determined the operating segments used for making strategic decisions. Each operating segment has a President who is responsible for the day-to-day operations and who regularly reports on the operating segment's results to executive management. It was based on this internal reporting structure that the Group's segments were identified.

The Outdoor&Bags operating segment mainly includes the product groups of bike carriers, water sport and ski-racks, roof boxes, multi-functional child carriers, computer and camera bags and backpacks. In 2015, the Snow Chain Division was divested which was included in the Specialty segment, and this operating segment now encompasses the operations in tool-boxes for pick-up trucks (Work Gear) product group in the US and racks and other accessories for pick-up trucks.

The Snow Chain Division that was previously included in the Specialty operating segment is reported as a discontinued operation. Refer to Note 5 Discontinued operations.

<b>Group 2016, SEKm</b>	Outdoor& Bags	Specialty	Group- common	Eliminations	Total
<b>Revenue and operating income</b>					
Sales to customers	5,145	464	2		5,611
Intercompany sales	3	0	0	-3	0
<b>Underlying EBITDA</b>	<b>1,066</b>	<b>79</b>	<b>-107</b>		<b>1,038</b>
Operating depreciation/ amortization	-61	-5	-3		-69
<b>Underlying EBIT</b>	<b>1,005</b>	<b>75</b>	<b>-110</b>		<b>970</b>
Other depreciation/amortization	-12	0	-1		-13
Items affecting comparability	0	0	0		0
<b>Operating income</b>	<b>993</b>	<b>75</b>	<b>-111</b>		<b>957</b>
Financial revenue	-	-	15		15
Financial expenses	-	-	-51		-51
<b>Income before taxes and discontinued operations</b>	<b>993</b>	<b>75</b>	<b>-147</b>		<b>921</b>
<b>Other information</b>					
Assets	6,261	46	51	-7	6,351
Assets held for sale	-	124	-	-	124
Undistributed assets	-	-	-	-	1,409
<b>Total assets</b>					<b>7,883</b>
Liabilities	883	6	213	-7	1,094
Liabilities held for sale	-	34	-	-	34
Undistributed liabilities	-	-	-	-	2,929
<b>Total liabilities</b>					<b>4,057</b>
Investments	124	8	0		132
Depreciation/amortization	73	5	4		82

Sales between segments are carried out on market terms. The segments' income, assets and liabilities (including provisions) included directly attributable items. Items affecting comparability are divided between the operating segments in the internal reporting. These items affecting comparability for 2015 pertained to expenses for the reorganization of the

Bags for Electronic Devices product category that resulted in personnel reductions at the company's operations in the US, Belgium and Hong Kong.

Tax receivables and income tax liabilities (both deferred and current) and interest-bearing assets and liabilities are not included in the segments' assets and liabilities. The segments' investments in tangible and intangible assets include all investments apart from investments in expendable equipment and equipment of a minor value.

<b>Group 2015, SEKm</b>	Outdoor& Bags	Specialty	Group- common	Elimina- tions	Discontinued operations	Total
<b>Revenue and operating income</b>						
Sales to customers	4,862	458	1			5,320
Intercompany sales	7	0	0	-7		0
<b>Underlying EBITDA</b>	<b>948</b>	<b>65</b>	<b>-102</b>			<b>912</b>
Operating depreciation/ amortization	-53	-5	-3			-61
<b>Underlying EBIT</b>	<b>895</b>	<b>60</b>	<b>-105</b>			<b>850</b>
Other depreciation/ amortization	-12	0	-2			-14
Items affecting comparability	-12	0	0			-12
<b>Operating income</b>	<b>872</b>	<b>60</b>	<b>-107</b>			<b>825</b>
Financial revenue	-	-	5			5
Financial expenses	-	-	-64			-64
<b>Income before taxes and discontinued operations</b>	<b>872</b>	<b>60</b>	<b>-167</b>			<b>765</b>
<b>Other information</b>						
Assets	5,831	149	74	-26	-	6,029
Undistributed assets	-	-	-	-	-	871
<b>Total assets</b>						<b>6,899</b>
Liabilities	751	47	201	-26	-	973
Undistributed liabilities	-	-	-	-	-	2,699
<b>Total liabilities</b>						<b>3,671</b>
Investments	97	1	0		3	101
Depreciation/amortization	65	5	5		-	75

NOTE 8 cont.

Geographic markets – Group, SEKm	2016	2015
<b>Sales to customers</b>		
Sweden	205	193
Other Nordic countries	199	172
Europe, excluding Nordic countries	2,808	2,514
North America	2,016	2,032
Central/South America	113	106
Asia/Pacific Rim	229	242
Remaining countries	41	60
<b>Total</b>	<b>5,611</b>	<b>5,320</b>
<b>Fixed assets, SEKm</b>		
Sweden	144	119
Other Nordic countries	–	–
Europe, excluding Nordic countries	238	226
North America	192	136
Central/South America	2	1
Asia	4	3
<b>Total</b>	<b>579</b>	<b>485</b>

The information presented for the segments' revenue pertains to the geographic areas based on location of customers. No single customer exceeds 10 percent of external revenue. Information regarding the assets of the segments and investments in tangible and intangible assets for the period is based on the geographic areas based on the location of the assets.

### NOTE 9 Distribution of revenue

Group, SEKm	2016	2015
<b>Net sales</b>		
Sales of goods	5,611	5,320
<b>Total</b>	<b>5,611</b>	<b>5,320</b>

### NOTE 10 Other operating revenue

		Group	Parent Company	
SEKm	2016	2015	2016	2015
Re-invoicing of expenses	–	–	18	24
Other operating income	–	1	–	–
<b>Total</b>	<b>–</b>	<b>1</b>	<b>18</b>	<b>24</b>

### NOTE 11 Other operating expenses

		Group	Parent Company	
SEKm	2016	2015	2016	2015
Other operating expenses	-3	-2	–	–
<b>Total</b>	<b>-3</b>	<b>-2</b>	<b>–</b>	<b>–</b>

### NOTE 12 Audit fees

		Group	Parent Company	
SEKm	2016	2015	2016	2015
<b>Audit</b>				
KPMG AB	-4	-4	-1	-1
<b>Audit in addition to audit assignment</b>				
KPMG AB	–	–	–	–
<b>Tax consultancy</b>				
KPMG AB	-4	-2	–	–
<b>Other services</b>				
KPMG AB	–	-1	–	–
<b>Total</b>	<b>-8</b>	<b>-7</b>	<b>-1</b>	<b>-1</b>

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments. Everything else is considered other assignments.



## NOTE 13 Remuneration of employees

		Group	Parent Company	
SEKm	2016	2015	2016	2015
Salaries and other remuneration	709	716	23	22
Social security	190	181	8	8
Pension expenses – defined-contribution plans	19	19	4	3
Pension expenses – defined-benefit plans	8	7	–	–
<b>Total</b>	<b>927</b>	<b>923</b>	<b>35</b>	<b>34</b>

### Salaries and other remuneration, pension expenses and pension obligations for the Board and executive management

Remuneration and benefits 2016, SEKt	Basic salary incl. change in vacation pay liability, fees	Variable remuneration	Pension expenses	Other remuneration	Total
<b>Chairman of the Board</b>					
Stefan Jacobsson	856	–	–	–	856
<b>Board members</b>					
Bengt Baron	356	–	–	–	356
Hans Eckerström	356	–	–	–	356
Liv Forhaug	319	–	–	–	319
Lilian Fossum Biner	456	–	–	–	456
David Samuelson	356	–	–	–	356
Åke Skeppner	75	–	–	–	75
Heléne Mellquist	244	–	–	–	244
<b>President</b>					
Magnus Welander	5,885	3,780	1,771	1,012	12,448
<b>Other executive management (4 individuals)</b>					
	9,300	2,504	1,912	2,220	15,936
<b>Total</b>	<b>18,204</b>	<b>6,284</b>	<b>3,683</b>	<b>3,232</b>	<b>31,403</b>

Lilian Fossum Biner has, as Chairman of the Audit Committee, received remuneration of SEK 150t (100).  
Hans Eckerström has, as Chairman of the Remuneration Committee, received remuneration of SEK 50t (0).

Pension obligations for the President amounted to SEK 9,026t (7,520). Pension obligations for other executive management amounted to SEK 2,004t (1,402).

Remuneration and benefits 2015, SEKt	Basic salary incl. change in vacation pay liability, fees	Variable remuneration	Pension expenses	Other remuneration	Total
<b>Chairman of the Board</b>					
Stefan Jacobsson	800	–	–	–	800
<b>Board members</b>					
Bengt Baron	300	–	–	–	300
Hans Eckerström	250	–	–	–	250
Liv Forhaug	300	–	–	–	300
Lilian Fossum Biner	400	–	–	–	400
David Samuelson	250	–	–	–	250
Åke Skeppner	300	–	–	–	300
<b>President</b>					
Magnus Welander	5,778	3,686	1,785	1,615	12,864
<b>Other executive management (4 individuals)</b>					
	8,820	2,744	1,795	1,926	15,285
<b>Total</b>	<b>17,197</b>	<b>6,430</b>	<b>3,580</b>	<b>3,541</b>	<b>30,749</b>

Lilian Fossum Biner has, as Chairman of the Audit Committee, received remuneration of SEK 100t (100).

### Remuneration of the Board

According to a resolution of the General Meeting, fees to the members of the Board, excluding Committee work, are to be paid as follows: SEK 850,000 to the Chairman of the Board and SEK 325,000 to each of the Board members elected by the Meeting. The Chairman of the Audit Committee is to receive remuneration of SEK 150,000 while SEK 50,000 is to be paid to each of the other members. The Chairman of the Remuneration Committee is to receive SEK 50,000 while SEK 25,000 is to be paid to each of the other members. Expensed remuneration is presented in the table above.

### Guidelines for remuneration of the President and other executive management

Thule Group applies the following guidelines for remuneration of executive management resolved at the Annual General Meeting held on April 26, 2016.

Remuneration of Group management is to comprise fixed salary, any variable salary, pension and other benefits. Total remuneration package is to be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as, with respect to share-based incentive programs, the value growth of Thule Group share benefiting the shareholders.

Variable salary can comprise annual variable cash bonuses and long-term variable bonuses in the form of cash, shares and/or share-based instruments in Thule Group AB. Variable cash salary requires that defined and measurable targets have been achieved and may not exceed 75 percent of the fixed annual salary for the President and may not exceed 60 percent for other members of executive management. Terms for variable salary should be designed so that the Board, under exceptional economic conditions, is able to limit or waive the payment of variable salary if such action is deemed reasonable.

Pension benefits must be defined-contribution based.

Severance pay is normally given if employment is terminated by Thule Group. The standard notice period for members of Group management is a maximum of 12 months in combination with severance pay of 6 to 12 months fixed salary. No severance pay accrues if notice is given by the employee.

On an individual basis, if justified for particular reasons, the Board has the right to depart from the guidelines adopted by the Annual General Meeting.

The group of executives covered by the guidelines are the President and other members of Group management.

#### Remuneration of the President

Remuneration is paid to the President in the form of basic salary, variable remuneration, pension and other benefits.

Basic salary amounts to SEK 5,854,800 per year. Variable remuneration can amount to a maximum of 75 percent of basic salary. Any bonus payments and the amount of bonus are related to the degree of fulfillment of annual, predefined financial targets. These targets are linked to sales, EBITDA and cash flow.

A mutual period of notice of six months applies to the President. Full salary and other employment benefits are paid during the period of notice, regardless of whether or not the President has an obligation to work. Severance pay corresponding to twelve monthly salaries is also paid if employment is terminated by the company.

Pension benefits are paid at 30 percent of basic salary. To the extent that premiums are not fully tax deductible for the company, excess premiums are to be agreed as direct pension, insured through endowment insurance pledged to the President.

#### Other executive management

Remuneration is paid in the form of basic salary, variable remuneration, pension and other benefits.

For other executive management, variable remuneration may amount to between 40 and 60 percent of basic salary. Any bonus payments and the amount of bonus are determined based on the degree of fulfillment of annual, predefined financial targets and individual targets. These financial targets are linked to sales, EBITDA and cash flow, while the individual targets are based on personal performance.

Other executive management has a mutual period of notice of six months. Full salary and other employment benefits are paid during the period of notice. Severance pay corresponding to between 6 and 12 monthly salaries is also paid if employment is terminated by the company.

Pension benefits are paid at 27–30 percent of basic salary for executive management employed in Sweden. To the extent that premiums are not fully tax deductible for the company, excess premiums are to be agreed as direct pension, insured through endowment insurance pledged to the senior executive. Pension benefits are paid at 12–15 percent of basic salary for executive management employed in the US.

#### Remuneration Committee

The Remuneration Committee is to assist the Board by submitting proposals on remuneration issues and continuously monitoring and evaluating remuneration structures and levels for the President and other executive management.

#### Incentive programs

In 2014, the Board decided to introduce a long-term incentive program for management, key personnel and the Chairman of the Board. The purpose of the incentive program is to promote and maintain a strong commitment to ensure maximum long-term value for shareholders.

At the Extraordinary General Meeting of Thule Group on November 12, 2014, a resolution was passed to issue warrants as part of an incentive program for (i) the management and key personnel, and (ii) the Chairman of the Board (the "Participants"). In total, the incentive programs currently comprise nine individuals. Warrants have been issued to and subscribed for by Thule Group's subsidiary Thule AB, and the participants acquired warrants from this subsidiary at market value. The total program encompasses 4,999,998 warrants and warrants not subscribed for by the Participants may be offered in the future to new members of executive management and/or key personnel. On full utilization, the option program corresponds to 5 percent of Thule Group's share capital. The warrants have been issued in three separate series, with the same number of warrants in each series.

- Series 2014/2016 comprises 1,666,666 warrants, of which the participants have acquired 1,244,788 warrants. Series 2014/2016 concluded on January 12, 2016, at which point the number of shares had increased by 1,036,455. The subscription price of the shares was SEK 84.90. The conditions for determining the exercise price of the warrants meant that the ceiling for the highest sales value was achieved at a share price of SEK 100.10.
- Series 2014/2017 comprises 1,666,666 warrants, of which the participants have acquired 1,257,728 warrants. Series 2014/2017 concluded on February 14, 2017, at which point the number of shares had increased by 1,036,455. The subscription price of the shares was SEK 105.70. The conditions for determining the exercise price of the warrants meant that the ceiling for the highest sales value was achieved at a share price of SEK 120.60.
- Series 2014/2018 comprises 1,666,666 warrants, of which the participants have acquired 1,302,889 warrants that can be exercised between January 1 and December 31, 2018. The exercise price for Series 2014/2018 corresponds to SEK 88.20. Furthermore, if on subscribing for the share, the last price paid for the company's share when the stock exchange closes on the last trading day preceding the subscription date exceeds 164 percent of the set exercise price, the exercise price will be increased by an amount equal to the amount the latest price paid for the share exceeds 164 percent of the exercise price.

Board members' and executive management's holdings of warrants in Thule Group AB and the year's changes are presented in the table below.

	Outstanding warrants at the start of the year	Purchased warrants during the year	Forfeited warrants during the year	Matured warrants during the year	Number of redeemable warrants at the end of the year
<b>Warrants 2016</b>					
<b>Chairman of the Board</b>					
Stefan Jacobsson	546,873		182,291		364,582
<b>Group management</b>					
<b>President</b>					
Magnus Welander	1,093,749		364,583		729,166
<b>Other executive management</b>					
Fred Clark	624,999		208,333		416,666
Lennart Mauritzson	624,999		208,333		416,666
Fredrik Erlandsson	312,498		104,166		208,332
Kajsa von Geijer	312,498		104,166		208,332
Other members	244,628	45,161	72,916		216,873
Unsold warrants	1,239,754	-45,161		421,878	772,715
<b>Total</b>	<b>4,999,998</b>	<b>0</b>	<b>1,244,788</b>	<b>421,878</b>	<b>3,333,332</b>

The market value of the warrants was calculated by using an established valuation model (Black-Scholes).

#### Market value per Series:

2014/2016	SEK 3.10
2014/2017	SEK 3.30
2014/2018	SEK 3.20

#### Conditions of valuation:

Share price	SEK 70 (IPO price)
Volatility	23 percent (based on statistical data for comparable listed companies)
Risk-free interest	0.02 percent, 0.08 percent and 0.2 percent, respectively (based on an interpolation of outstanding government bonds 1050, 1051 and 1052).

#### Assumed dividends:

2015	SEK 2.50
2016	SEK 3.07
2017	SEK 3.29

## NOTE 14 Lease agreements

### Operating leases

#### Lease expenses

Future payment commitments in the Group on December 31, 2016 for non-terminable operating leases are specified as follows:

	Group		Parent Company	
<b>Fees fall due, SEKm</b>	2016	2015	2016	2015
Less than 1 year	40	37	–	–
Between 2-5 years	107	50	–	–
More than five years	43	5	–	–
<b>Total</b>	<b>190</b>	<b>92</b>	<b>0</b>	<b>0</b>

Expensed leasing fees for the year amounted to SEK 41m (32).

### Finance leases

#### Lease expenses

Future payment commitments in the Group on December 31, 2016 for non-terminable finance lease agreements are specified as follows:

	Group		Parent Company	
<b>Fees fall due, SEKm</b>	2016	2015	2016	2015
<b>Nominal values</b>				
Less than 1 year	6	5	1	1
Between 2-5 years	11	12	1	1
More than five years	–	–	–	–
<b>Total</b>	<b>17</b>	<b>16</b>	<b>1</b>	<b>1</b>

#### Present values

Less than 1 year	5	4	1	1
Between 2-5 years	9	9	1	1
More than five years	–	–	–	–
<b>Total</b>	<b>14</b>	<b>13</b>	<b>1</b>	<b>1</b>

Future payment commitments include finance lease agreements for real estate in Belgium as well as finance lease agreements for company cars in Sweden. The lease agreement in Belgium has a term of 15 years and expires on December 19, 2019. The contract may not be canceled but it is possible to purchase the real estate at the end of the contract period. The lease agreement in Sweden for company cars is for three years per vehicle.



## › NOTE 15 Average number of employees and gender distribution in executive management

### Number of employees

Average number of employees calculated based on the total number of hours worked divided by 1,750 hours.

Parent Company	2016	Of whom, men	2015	Of whom, men
Sweden	4	3	4	3
<b>Subsidiaries</b>	2016	Of whom, men	2015	Of whom, men
Sweden	342	224	310	199
Europe	1,035	508	963	456
North America	708	485	698	489
South America	31	26	28	23
Asia	60	33	72	40
<b>Total subsidiaries</b>	<b>2,176</b>	<b>1,276</b>	<b>2,071</b>	<b>1,207</b>
<b>Total</b>	<b>2,180</b>	<b>1,279</b>	<b>2,075</b>	<b>1,210</b>
<b>Gender distribution in Board members and other executive management, %</b>	2016	Group 2015	Parent Company 2016	2015
<b>Board members, %</b>				
Women	15	15	43	29
Men	85	85	57	71
<b>President and other executive management, %</b>				
Women	20	20	25	25
Men	80	80	75	75

## › NOTE 16 Provisions for pensions

### Group

Post-employment remuneration, such as pensions and other remuneration, is usually paid through regular payments to independent authorities or agencies that thus take over the obligations to the employees, meaning through defined-contribution plans.

Other pension plans in the Group comprise defined-benefit plans where the obligation remains with the Group. Defined-benefit plans primarily exist in Sweden through the ITP plan in accordance with the PRI System (retirement pension).

The ITP plan is encompassed by collective agreement between the Confederation of Swedish Enterprise and PTK.

The defined-benefit ITP plan (ITP2) primarily comprises a retirement pension for life. It is based on final salary on retirement. The benefit amounts to 10 percent of final salary on incomes of up to 7.5 income base amounts, 65 percent of final salary on incomes of between 7.5 and 20 income base amounts and 32.5 percent of final salary on incomes of between 20 and 30 income base amounts. No retirement pension benefit is paid on incomes over 30 income base amounts. Companies in the Group have decided to insure the ITP2 retirement pension by making provisions to an account for pensions in the balance sheet, alongside credit insurance with PRI Pensionsgaranti. In addition to the ITP2 retirement pension, the plan also includes a family pension, disability pension, complementary retirement pension (ITPK) and group life insurance benefits (TGL) for which companies in the Group continuously pay premiums to Alecta/Collectum. According to a statement from the Swedish Financial Reporting Board (UFR 10), the defined-benefit ITP in Alecta is defined as a multiemployer defined-benefit plan. For the 2016 fiscal year, the Group did not have access to information from Alecta that made it possible to recognize these pension benefits as a defined-benefit plan. Accordingly, these benefits are recognized as defined-contribution pension plans.

A surplus or a deficit with Alecta may entail a refund to the Group or lower or higher future contributions. At the end of the year, Alecta's surplus in the form of the collective consolidation level was 149 percent (153). The collective consolidation level comprises the market value of the trustee assets as a percentage of the insurance commitments calculated according to the trustee actuarial calculation assumptions.

For the portion of the ITP plan in Sweden that the Group recognizes as a liability via credit insurance with PRI, the Group is exposed to interest rate risk and long lifetime risk.

For defined-benefit plans, the Group's expenses and present value of outstanding obligations are calculated on the balance sheet date using actuarial calculations. The table below provides information about the most significant actuarial assumptions, recognized expenses during the fiscal year and the value of obligations at the end of the period.

	Sweden	
Assumptions in actuarial calculations, %	2016	2015
Discount rate	2.75	3.10
Expected rate of salary increase, above inflation	1.25	1.25
Rate of inflation	1.50	1.45

## NOTE 16 cont.

The discount rate used by the Group to calculate the defined-benefit pension liabilities in Sweden comprises the market interest rate on the balance sheet date of Swedish mortgage bonds with a term corresponding to the duration of the Swedish pension obligations.

For Sweden, the updated mortality assumption, DUS 14, is used, which is a more recently updated investigation compared with the assumption in the Swedish Financial Supervisory Authority's safeguarding bases. The average remaining life expectancy for an individual that retires at age 65 is 20 for men and 23 for women.

In addition to the impact from amended actuarial assumptions such as a change in the discount rate, etc., actuarial gains and losses arose due to an adjustment of experience-based effects. Experience-based effects refer to actual salary increases compared with assumed increases, actual personnel turnover rate compared with the assumed personnel turnover rate, etc. The distribution between actuarial gains and losses that are dependent on changes in assumptions and experience-based gains and losses are shown below.

Changes in assumptions, SEKm	Sweden		Group	
	2016	2015	2016	2015
Gains (-) and losses (+) due to changes in assumptions	10	-7	10	-7
Experienced-based gains (-) and losses (+)	0	4	0	4
<b>Amounts to recognize in other comprehensive income</b>	<b>10</b>	<b>-4</b>	<b>10</b>	<b>-4</b>

Carrying amount of defined-benefit pension plans, SEKm	Sweden		Group	
	2016	2015	2016	2015
Present value of unfunded obligations	131	120	131	120
<b>Provisions for pensions</b>	<b>131</b>	<b>120</b>	<b>131</b>	<b>120</b>

Changes in present value of obligation for defined-benefit plans, SEKm	Sweden		Italy		Group	
	2016	2015	2016	2015	2016	2015
Obligation per January 1	120	122	0	13	120	135
Discontinued operations	0	-	-	-13	0	-13
Expenses for service during current period	5	4	-	-	5	4
Interest expense	4	3	-	-	4	3
Pension payments	-6	-6	-	-	-6	-6
Actuarial gains (-) and losses (+)	10	-4	-	-	10	-4
Exchange rate differences	-	-	-	-	-	-
<b>Obligation per December 31</b>	<b>131</b>	<b>120</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>120</b>

In 2017, pension payments are expected to amount to SEK 8m in Sweden. At the end of 2016, the average duration of the Swedish pension obligation was approximately 22 years.

The present value of the Group's pension obligations is sensitive to changes in the discount rate (interest rate risk). A decline in the discount rate will lead to the present value of the

obligations increasing and an increase in the discount rate will lead to the present value of the obligation declining.

The table below presents the impact on the present value of the obligations in the event of a 0.5-percentage point increase and decrease in the discount rate.

SEKm	Group
0.5-percent increase in discount rate	-11
0.5-percent decrease in discount rate	15

Expenses for defined-benefit plans, SEKm	Sweden		Group	
	2016	2015	2016	2015
Expenses for service during current period	5	4	5	4
Interest expense	4	3	4	3
<b>Total expense recognized in income statement</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>

Pension expense recognized in the following lines in income statement, SEKm	Group	
	2016	2015
Selling expenses	4	4
Administrative expenses	-	-
Financial expenses	4	3
<b>Total</b>	<b>8</b>	<b>7</b>

#### Defined-contribution pension plans

In Sweden, the Group has defined-contribution pension plans for employees that are entirely funded by the companies.

Abroad, there are defined-contribution plans that are partly funded by the subsidiaries and partly covered through contributions paid by employees. Payments to these plans are carried out on a regular basis according to the rules of the respective plan.

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Expenses for defined-contribution pension plans	19	19	4	3
<b>Total</b>	<b>19</b>	<b>19</b>	<b>4</b>	<b>3</b>

### NOTE 17 Expenses divided by type of cost

	Group	
SEKm	2016	2015
Changes in inventory of finished products and work in progress	-59	-187
Raw materials and manufacturing supplies	-2,472	-2,128
Expenses for remuneration of employees	-979	-947
Depreciation/amortization	-82	-75
Other expenses	-1,060	-1,158
<b>Total expenses for goods sold, sales and administration</b>	<b>-4,652</b>	<b>-4,495</b>

### NOTE 18 Net financial items

	Group		Parent Company	
SEKm	2016	2015	2016	2015
Profit from participations in Group companies	–	–	1,000	–
Interest income	7	5	45	57
Net exchange rate fluctuations	8	–	–	–
<b>Financial revenue</b>	<b>15</b>	<b>5</b>	<b>1,045</b>	<b>57</b>
Interest expense	-44	-52	-38	-50
Other financial expenses	-3	-3	-3	-3
Interest expense on defined-benefit pension obligations	-4	-3	–	–
Net exchange rate fluctuations	–	-7	–	–
Less: Discontinued operations	–	1	–	–
<b>Financial expenses</b>	<b>-51</b>	<b>-64</b>	<b>-41</b>	<b>-53</b>
<b>Net financial items</b>	<b>-36</b>	<b>-60</b>	<b>1,004</b>	<b>4</b>

Amounts for discontinued operations above comprise the financial items that are recognized in the divested legal companies and not the total net financial items that are attributable to the discontinued operations. Of interest expenses SEK 29m (39) pertained to the category of financial liabilities recognized at amortized cost and SEK 5m (3) pertained to the category of financial liabilities measured at fair value. Interest coupons for financial derivatives are netted, meaning that both receipts and payments are recognized as interest expense.

### NOTE 19 Taxes

	Group		Parent Company	
Recognized in income statement, SEKm	2016	2015	2016	2015
<b>Current tax expense (-)/tax revenue (+)</b>				
Tax expense for the year	-229	-149	0	0
<b>Deferred tax expense (-)/tax revenue (+)</b>				
Deferred tax pertaining to temporary differences	-16	-25	1	1
<b>Total recognized tax expense (-)/tax revenue(+)</b>	<b>-245</b>	<b>-174</b>	<b>1</b>	<b>1</b>

SEK 0m (pos: 3) of the recognized tax expense above is attributable to discontinued operations.

Group	2016 (%)		2015 (%)	
<b>Effective tax rate reconciliation, SEKm</b>				
Income before taxes from continuing operations		921		765
Income before taxes from discontinued operations		–		-146
Tax according to current tax rates for Parent Company	22.0	203	22.0	136
Impact of other tax rates on foreign subsidiaries	1.5	13	1.4	8
Non-deductible expenses	1.2	11	6.7	42
Non-taxable income	-0.2	-1	-1.7	-11
Increase in loss carryforwards without corresponding capitalization of deferred tax	0.7	6	1.0	6
Utilization of previously non-capitalized loss carryforwards	0.0	–	-0.3	-2
Tax attributable to previous years	1.8	16	-1.0	-6
Other	-0.3	-3	0.2	1
<b>Recognized effective tax</b>	<b>26.6</b>	<b>245</b>	<b>28.3</b>	<b>174</b>

Effective tax amounted to 26.6 percent. Last year 23.2 percent pertaining to the continuing operations. The tax rates for the full-year 2016 were impacted by the provisions for the ongoing tax dispute in Germany, see below. Adjusted for the provision regarding the tax audit in Germany, the effective tax rate for the year was 24.5 percent.

Parent Company	2016 (%)		2015 (%)	
<b>Effective tax rate reconciliation, SEKm</b>				
Income before taxes		997		-3
Tax according to current tax rates for Parent Company	22.0	219	-22.0	-1
Non-taxable income	-22.0	-220	0.0	0
<b>Recognized effective tax</b>	<b>0.0</b>	<b>-1</b>	<b>-22.0</b>	<b>-1</b>



## NOTE 19 cont.

Tax at the current tax rate is calculated from a weighted average of local tax rates for each country.

The company is involved in an ongoing tax dispute in Germany. As the company announced earlier, the German tax agency has issued a judgment on an increase in the tax base for the years 2005–2008, which would add another approximately EUR 17.6m in further taxes and accrued interest for the company. The company has appealed the decision. Regarding the tax audit in Germany for the years 2009–2012, the German tax agency made a decision during the year that entailed an increase in the tax base that would bring a further approximately EUR 10m in taxes and accrued interest. The company had already made a provision of SEK 46m for taxes/interest rates for the tax audits for 2005–2008. As a result of the German tax agency's decision for the years 2009–2012, the Group made a further provision of SEK 20m during the year.

The provisions are based, for example, on an assumption that the company may not win an appeal and would thus be compelled to pay tax for income in Germany instead of Sweden. A tax payment of SEK 97m was paid during the year and SEK 42m was paid in 2015 for a share of the demands that the German tax agency claims to have. These payments do not constitute an admission in any way, but have only been made to prevent any interest increases. The net amount of SEK 73m has been recognized as Other receivables.

#### Recognized in statement of comprehensive income

Group, SEKm	2016			2015		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Foreign currency translation	241	-29	212	9	–	9
Hedge reserve	-24	4	-20	34	-6	28
Net investment hedge	-90	20	-70	21	-14	7
Fair value of available-for-sale financial assets	-24	–	-24	–	–	–
Translation differences recognized in net income for the period	–	–	–	-26	-6	-32
Actuarial gains and losses	-10	3	-7	4	-1	3
<b>Other comprehensive income</b>	<b>94</b>	<b>-2</b>	<b>92</b>	<b>43</b>	<b>-26</b>	<b>17</b>

#### Recognized in balance sheet

Deferred tax receivables and liabilities pertain to the following:

Group, SEKm	Deferred tax receivables		Deferred tax liabilities		Net	
	2016	2015	2016	2015	2016	2015
Tangible assets	18	18	-37	-31	-19	-13
Intangible assets	35	11	0	-81	35	-71
Inventories	30	31	0	0	30	31
Receivables	1	1	0	-1	1	-1
Liabilities	61	53	0	0	61	53
Other	1	1	0	0	1	1
Loss carryforwards	349	394			349	394
Tax allocation reserves			-120	-70	-120	-70
<b>Tax receivables/liabilities</b>	<b>495</b>	<b>508</b>	<b>-157</b>	<b>-184</b>	<b>338</b>	<b>325</b>

#### Changes in deferred tax receivables were recognized as follows, SEKm

	2016	2015
Tax receivables on January 1	325	366
Recognized through profit or loss		
Temporary differences	58	-27
Loss carryforwards	-74	2
Recognized in statement of comprehensive income	-2	-26
Business combinations	-4	–
Divested tax receivables/liabilities	0	-9
Currency effect	35	20
<b>On December 31</b>	<b>338</b>	<b>325</b>

#### Non-recognized deferred tax receivables

Deductible temporary differences and loss carryforwards for which no deferred tax receivables have been recognized in the balance sheet:

Group, SEKm	2016	2015
Tax deficit	708	372
	<b>708</b>	<b>372</b>

Deferred tax receivables have not been recognized for the above tax deficit since it is unlikely the Group will utilize them for deductions against future taxable gains.

All loss carryforwards are due no earlier than 2021 or are unlimited in time.

## NOTE 20 Earnings per share

2016	Continuing operations	Discontinued operations	Total
<b>Earnings per share before dilution</b>			
Net income attributable to Parent Company shareholders, SEKm	676	–	676
Weighted average number of outstanding shares, thousands	101,002	–	101,002
<b>Earnings per share before dilution, SEK</b>	<b>6.69</b>	<b>–</b>	<b>6.69</b>
<b>Earnings per share after dilution</b>			
Net income attributable to Parent Company shareholders, SEKm	676	–	676
Average number of shares outstanding, thousands	101,806	–	101,806
<b>Earnings per share after dilution, SEK</b>	<b>6.64</b>	<b>–</b>	<b>6.64</b>
2015	Continuing operations	Discontinued operations	Total
<b>Earnings per share before dilution</b>			
Net income attributable to Parent Company shareholders, SEKm	587	-143	444
Weighted average number of outstanding shares, thousands	100,000	100,000	100,000
<b>Earnings per share before dilution, SEK</b>	<b>5.87</b>	<b>-1.43</b>	<b>4.44</b>
<b>Earnings per share after dilution</b>			
Net income attributable to Parent Company shareholders, SEKm	587	-143	444
Average number of shares outstanding, thousands	100,634	100,634	100,634
<b>Earnings per share after dilution, SEK</b>	<b>5.84</b>	<b>-1.42</b>	<b>4.42</b>
<b>Earnings per share before dilution</b>			
The calculation for earnings per share is based on net income attributable to the Parent Company shareholders and on a weighted average number of shares outstanding.			
<b>In thousands of shares</b>	2016	2015	
Total number of shares issued on January 1	100,000	100,000	
Impact of issues	1,002	0	
	<b>101,002</b>	<b>100,000</b>	

### Earnings per share after dilution

The calculation for earnings per share after dilution is based on net income attributable to the Parent Company shareholders and on a weighted average number of shares outstanding.

In thousands of shares	2016	2015
Weighted average number of shares	101,002	100,000
Impact of warrants	804	634
	<b>101,806</b>	<b>100,634</b>

## NOTE 21 Intangible assets

Group, SEKm	Goodwill	Intangible assets	Total
<b>Accumulated cost</b>			
Opening balance, January 1, 2015	4,038	228	4,266
Discontinued operations	–	-15	-15
Other changes/reclassifications	–	14	14
Exchange rate differences for the year	-5	-5	-11
<b>Closing balance, December 31, 2015</b>	<b>4,032</b>	<b>222</b>	<b>4,254</b>
Opening balance, January 1, 2016	4,032	222	4,254
Business combinations	67	23	90
Other changes/reclassifications	-17	-11	-28
Exchange rate differences for the year	126	9	135
<b>Closing balance, December 31, 2016</b>	<b>4,208</b>	<b>243</b>	<b>4,451</b>
<b>Accumulated amortization and impairment</b>			
Opening balance, January 1, 2015	0	-184	-184
Discontinued operations	–	12	12
Amortization for the year	–	-17	-17
Other changes/reclassifications	–	-8	-8
Exchange rate differences for the year	–	4	4
<b>Closing balance, December 31, 2015</b>	<b>0</b>	<b>-192</b>	<b>-192</b>

## NOTE 21 cont.

Group, SEKm	Goodwill	Intangible assets	Total
Opening balance, January 1, 2016	0	-192	-192
Business combinations	–	-2	-2
Amortization for the year	–	-19	-19
Other changes/reclassifications	–	11	11
Exchange rate differences for the year	–	-8	-8
<b>Closing balance, December 31, 2016</b>	<b>0</b>	<b>-210</b>	<b>-210</b>
<b>Carrying amounts</b>			
At January 1, 2015	4,038	44	4,082
<b>At December 31, 2015</b>	<b>4,032</b>	<b>29</b>	<b>4,061</b>
At January 1, 2016	4,032	29	4,061
<b>At December 31, 2016</b>	<b>4,208</b>	<b>32</b>	<b>4,240</b>
<b>Amortization and impairment are included in the following rows of the income statement, SEKm</b>			
	2016	2015	
Cost of goods sold	1	1	
Selling expenses	14	13	
Administrative expenses	4	2	
<b>Total continuing operations</b>	<b>19</b>	<b>17</b>	

The Group does not have any internally generated intangible assets. The total research and development expenses for the year amounted to SEK 256m (208).

#### Impairment testing of goodwill

Goodwill is tested if there is any need for impairment as soon as such indications occur. Furthermore, an annual test is performed regardless of the occurrence of indications. Impairment testing is performed by calculating the recoverable amount for the cash-generating units to which goodwill has been allocated and this amount is compared with the carrying amount.

A summary of the distribution of goodwill at operating segment level is provided below.

SEKm	2016	2015
Outdoor&Bags	4,208	4,017
Specialty	0	16
	<b>4,208</b>	<b>4,032</b>

Goodwill attributable to pick-up truck tool boxes in the Specialty operating segment has been reclassified as assets held for sale.

#### Impairment testing 2016

The recoverable amount of the cash-generating units' estimated value-in-use is included in

the impairment test. The current weighted average cost of capital (WACC), estimated at 7.3 percent (7.5) after tax and 7.5 percent (7.5) before tax, is used in the present value calculation of values-in-use. The requirement for return on equity is determined according to the Capital Asset Pricing Model and interest for debt/equity ratio reflects a market-based borrowing cost. Optimal debt/equity ratio has been set at 20.0 percent. The estimates that form the basis of the value-in-use calculations for each segment were based on budgets determined by the company management for the coming year and on strategic plans established by the Board for the next three years.

The cash flow for the following years has been extrapolated, assuming an annual growth rate for the Outdoor&Bags segment of 3 percent (3).

#### Important variables in forecasting cash flows

##### Growth rate

Thule's growth rate is based on sales volume growth. These assumptions are based on planned launches of new products, planned price increases and marketing investments for each unit and historical experience. The market growth used is expected to follow the general growth rate of each market.

##### Level of performance

Raw material costs for the larger categories were reviewed. More efficient sourcing, achieved by planned and implemented structural changes, was taken into consideration.

Forecasted payroll expenses are based on expected inflation, a degree of real income growth, planned efficiency enhancements in the Group's production and impacts of planned recruiting.

The forecast is also based on the effective handling of the Group's working capital and necessary replacement investments.

The recoverable amount is higher than the carrying amount. Company management believes that no reasonable changes in the important assumptions will lead to the estimated total recoverable amount of the units being lower than their total carrying amounts.

## NOTE 22 Tangible assets

Group, SEKm	Buildings and land improvements	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
<b>Accumulated cost</b>					
<b>Opening balance, January 1, 2015</b>	<b>545</b>	<b>717</b>	<b>309</b>	<b>21</b>	<b>1,592</b>
Discontinued operations	-135	-221	-68	-2	-426
Other investments	11	19	17	31	78
Divestments and scrapping	0	-30	-18	–	-49
From in progress	2	14	4	-20	0
Other changes/reclassifications	15	10	-54	–	-29
Exchange rate differences for the year	7	1	3	0	11
<b>Closing balance, December 31, 2015</b>	<b>445</b>	<b>509</b>	<b>193</b>	<b>31</b>	<b>1,178</b>



Group, SEKm	Buildings and land improvements	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
<b>Opening balance, January 1, 2016</b>	<b>445</b>	<b>509</b>	<b>193</b>	<b>31</b>	<b>1,178</b>
Business combinations	–	–	1	–	1
Other investments	59	33	16	52	160
Divestments and scrapping	-1	-9	-22	–	-32
From in progress	18	23	0	-41	0
Other changes/reclassifications	-10	-63	0	–	-73
Exchange rate differences for the year	20	19	9	–	48
<b>Closing balance, December 31, 2016</b>	<b>531</b>	<b>512</b>	<b>197</b>	<b>42</b>	<b>1,282</b>
<b>Accumulated depreciation and impairment</b>					
<b>Opening balance, January 1, 2015</b>	<b>-234</b>	<b>-549</b>	<b>-250</b>	<b>–</b>	<b>-1,033</b>
Discontinued operations	69	200	65	–	333
Divestments and scrapping	0	26	15	–	41
Other changes/reclassifications	-13	-11	47	–	23
Depreciation for the year	-13	-27	-19	–	-59
Exchange rate differences for the year	2	1	-2	–	1
<b>Closing balance, December 31, 2015</b>	<b>-188</b>	<b>-360</b>	<b>-145</b>	<b>0</b>	<b>-693</b>
<b>Opening balance, January 1, 2016</b>	<b>-188</b>	<b>-360</b>	<b>-145</b>	<b>0</b>	<b>-693</b>
Business combinations	–	–	-1	–	-1
Divestments and scrapping	1	9	21	–	31
Other changes/reclassifications	2	43	5	–	50
Depreciation for the year	-15	-30	-18	–	-63
Exchange rate differences for the year	-7	-13	-7	–	-27
<b>Closing balance, December 31, 2016</b>	<b>-207</b>	<b>-351</b>	<b>-145</b>	<b>0</b>	<b>-703</b>
<b>Carrying amounts</b>					
At January 1, 2015	310	169	59	21	559
<b>At December 31, 2015</b>	<b>257</b>	<b>149</b>	<b>48</b>	<b>31</b>	<b>485</b>
At January 1, 2016	257	149	48	31	485
<b>At December 31, 2016</b>	<b>324</b>	<b>161</b>	<b>52</b>	<b>42</b>	<b>579</b>

Of the carrying amount on the balance sheet date, SEK 10m (10) pertains to finance lease agreements for buildings and SEK 12m (10) for finance lease agreements for company cars.

## NOTE 23 Inventories

Group, SEKm	Dec 31, 2016	Dec 31, 2015
Raw materials and consumables	202	215
Products in progress	53	67
Finished goods and goods for resale	569	440
<b>Total</b>	<b>825</b>	<b>722</b>
<b>Change in recognized inventory obsolescence</b>	<b>2016</b>	<b>2015</b>
On January 1	107	106
Provision for obsolescence	30	49
Impairment of inventories	-40	-30
Reversal of previous years' reserves	-18	-14
Currency effect	8	6
Less: Discontinued operations	–	-10
<b>On December 31</b>	<b>86</b>	<b>107</b>

## NOTE 24 Accounts receivable

Group, SEKm	Dec 31, 2016	Dec 31, 2015
Accounts receivable, gross	595	624
Less, reserve for doubtful receivables	-11	-13
<b>Accounts receivable, net</b>	<b>584</b>	<b>610</b>

There was no significant concentration of credit exposure on the balance sheet date. The majority of the Group's customers primarily comprise medium-sized customers.

Age analysis of accounts receivable, no provisions	Dec 31, 2016	Dec 31, 2015
Not due	506	532
Due between 1-30 days	54	49
Due between 31-60 days	11	12
Due more than 60 days	25	30
Less, reserve for doubtful receivables	-11	-13
<b>Total</b>	<b>584</b>	<b>610</b>

Fair value of accounts receivable agrees with the carrying amount. The credit quality of receivables with no provision is considered to be high.

## NOTE 25 cont.

**Changes in the provisions for doubtful receivables is as follows:**

	2016	2015
On January 1	-13	-23
Provision for doubtful receivables	-10	-4
Receivables written off during the year as uncollectible	10	2
Reversal of previous years' reserves	3	0
Currency effect	0	0
Less: Discontinued operations	–	12
<b>On December 31</b>	<b>-11</b>	<b>-13</b>

### NOTE 25 Cash and cash equivalents

SEKm	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Cash and bank balances	763	274	–	–
Short-term investments with a term of less than three months from acquisition date	–	–	–	–
<b>Cash and cash equivalents</b>	<b>763</b>	<b>274</b>	<b>0</b>	<b>0</b>

### NOTE 26 Specific disclosures regarding equity

In thousands	Common shares	
	2016	2015
Issued January 1	100,000	100,000
New issue of shares	1,036	–
Issued December 31 – paid	101,036	100,000

The shares of Thule Group AB are listed on the Nasdaq Stockholm Large Cap list (the change from the Mid Cap list took place on January 1, 2017).

The Group did not buy back or hold any treasury shares during the fiscal year. The number of shares approved, issued and fully paid as per December 31, 2016 was 101,036,455. The company has only one class of share. In connection with listing of Thule Group AB's shares on Nasdaq Stockholm in November 2014, all preference shares were converted into common shares.

At General Meetings of shareholders, each share carries one vote and each shareholder is entitled to vote the full number of shares such shareholder holds in the company.

All shares carry equal rights to the Company's assets and profits. The quotient value (nominal value) of the share is SEK 0.01118.

**Dividends**

The Board proposes a dividend of SEK 3.40 per share, totaling SEK 347m, divided between two installment dates, SEK 1.70 in May and SEK 1.70 in October 2017. In addition to the ordinary dividend, the Board proposes an extraordinary dividend of SEK 7.50 per share, totaling SEK 766m, in May. The dividend will be adopted at the Annual General Meeting held on April 26.

**Capital management**

Under the Board's policy, the Group's financial target is to maintain a financial position that is conducive to maintaining investor, creditor and market confidence and that sustains future development of the business.

The Board seeks to maintain a balance between the higher returns, that may be possible with higher levels of borrowings, and the advantages and security offered by a sound capital structure. The key figure that the company's management and external stakeholders mainly assess with respect to capital structure is the net debt to EBITDA ratio. Thule Group aims to maintain an effective long-term capital structure, defined as the net debt to EBITDA ratio (adjusted for items affecting comparability), of about 2.5x. This key figure is monitored on a regular basis via the internal reporting to management and the Board. Capital is defined as equity.

**Group***Translation reserve*

The translation reserve includes all exchange rate differences arising on the translation of the financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK). Furthermore, the translation reserve comprises exchange rate differences that arise from the revaluation of liabilities that were recognized as hedging instruments of a net investment in a foreign business.

*Hedge reserve*

The hedge reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet occurred.

**Parent Company***Restricted reserves*

Restricted reserves may not be reduced through dividends. The Parent Company has no restricted reserves.

*Non-restricted equity*

The following reserves, together with net income, comprise non-restricted equity – the amount that is available for shareholder dividends.

*Share premium reserve*

When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognized in the share premium reserve.

*Profit brought forward*

Profit brought forward comprises profit brought forward from the preceding year after deductions for any dividends paid during the year. During the year, SEK 253m was paid in dividends.

## NOTE 26 cont.

*Proposed appropriation of profits*

Available for disposal at the Annual General Meeting:

Share premium reserve, SEK	1,299,080,481
Net income, SEK	998,144,205
	<b>2,297,224,686</b>

The Board proposes that the profit brought forward be appropriated as follows:

Dividend to shareholders, SEK 10.90 x 102,072,910	1,112,594,719
To be carried forward, SEK	1,184,629,967
	<b>2,297,224,686</b>

## NOTE 27 Liabilities to credit institutions

	Dec 31, 2016	Group Dec 31, 2015	Parent Company Dec 31, 2016	Parent Company Dec 31, 2015
<b>Long-term interest-bearing liabilities, SEKm</b>				
Long-term liabilities to credit institutions	2,433	2,338	2,433	2,338
Leasing	11	12	–	–
Derivative liabilities – long-term	22	13	–	–
<b>Total</b>	<b>2,467</b>	<b>2,363</b>	<b>2,433</b>	<b>2,338</b>

**Short-term interest-bearing liabilities, SEKm**

Short-term liabilities to credit institutions	–	–	–	–
Overdraft facilities	–	–	–	–
Leasing	6	5	–	–
Derivative liabilities – short-term	28	13	–	–
<b>Total</b>	<b>34</b>	<b>18</b>	<b>0</b>	<b>0</b>

**Term structure of liabilities to credit institutions, SEKm**

Overdraft facilities	–	–	–	–
1 year	34	18	–	–
2–3 years	2,467	25	2,433	–
4–5 years	–	2,338	–	2,338
More than five years	–	–	–	–
<b>Total</b>	<b>2,500</b>	<b>2,381</b>	<b>2,433</b>	<b>2,338</b>

## NOTE 28 Accrued expenses and deferred income

	Dec 31, 2016	Group Dec 31, 2015	Parent Company Dec 31, 2016	Parent Company Dec 31, 2015
<b>SEKm</b>				
Employee-related expenses	155	148	16	13
Bonuses to customers	132	136	–	–
Prepaid rental income	0	2	–	–
Other items	92	55	1	1
<b>Total</b>	<b>379</b>	<b>341</b>	<b>17</b>	<b>14</b>

## NOTE 29 Provisions

	Dec 31, 2016	Group Dec 31, 2015	Parent Company Dec 31, 2016	Parent Company Dec 31, 2015
<b>SEKm</b>				
Restructuring expenses	2	8	–	–
Guarantee commitments	20	15	–	–
Ongoing tax audit, Germany	0	5	–	–
Other provisions	10	12	–	–
<b>Total</b>	<b>32</b>	<b>40</b>	<b>–</b>	<b>–</b>

	Restructuring expenses	Other provisions
Carrying amount at beginning of year	8	12
New provisions	–	–
Amounts utilized during the period	-6	-1
Reversed provisions	-1	-1
Less: Discontinued operations	–	–
Currency effect	1	0
<b>Carrying amount at end of period</b>	<b>2</b>	<b>10</b>

The provisions for restructuring pertained to the reorganization of the Bags for Electronic Devices product category and resulted in personnel reductions at the company's operations in the US, Belgium and Hong Kong.



### › NOTE 30 Cash flow statement

		Group	Parent Company	
SEKm	2016	2015	2016	2015
Interest paid, net	-43	-53	4	6
<b>Adjustments for items not included in cash flow</b>				
Anticipated dividends from subsidiaries	–	–	-1,000	–
Depreciation/amortization and impairment of assets	82	93	–	–
Provisions	–	7	2	–
Capital gain/loss from divestment of operations/equipment	3	128	–	–
Unrealized financial items	6	-12	–	–
<b>Total</b>	<b>91</b>	<b>216</b>	<b>998</b>	<b>–</b>
<b>Acquisition of subsidiaries and other business units, SEKm</b>				
				2016
Acquired assets and liabilities				
Intangible assets				88
Tangible assets				1
Inventories				11
Short-term receivables				8
Cash and cash equivalents				7
<b>Total assets</b>				<b>115</b>
Short-term liabilities				-16
<b>Total provisions and liabilities</b>				<b>-16</b>
Purchase consideration				99
Less: Cash and cash equivalents				-7
<b>Impact on cash and cash equivalents</b>				<b>92</b>
		Group	Parent Company	
<b>Cash and cash equivalents, SEKm</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	763	274	–	–
Short-term investments, equal to cash and cash equivalents	0	0	–	–
<b>Total according to balance sheet</b>	<b>763</b>	<b>274</b>	<b>–</b>	<b>–</b>

### › NOTE 31 Appropriations

Parent Company, SEKm	2016	2015
Group contribution received	12	2
<b>Total</b>	<b>12</b>	<b>2</b>

### › NOTE 32 Participations in subsidiaries

Parent Company, SEKm	Dec 31, 2016	Dec 31, 2015
Opening cost	1,000	1,000
Closing accrued cost	1,000	1,000
<b>Closing carrying amount of direct holdings of participations in subsidiaries</b>	<b>1,000</b>	<b>1,000</b>

Name	Corp. Reg. No.	Registered office	Share of equity, %
Thule AB	556770-6329	Malmö	100
Thule Holding AB	556662-7138	Malmö	100
Thule Towing Systems AB	556259-0298	Malmö	100
Thule NV		Menen	100
Thule Organization Solutions Asia Pacific Ltd.		Hong Kong	100
Thule Organization Solutions Shenzhen Co Ltd		Shenzhen	100
Thule Organization Solutions Holding BV		Utrecht	100
Thule Organization Solutions S.A.		Louvain-La-Neuve	100
Thule Organization Solutions SL		Madrid	100
Thule Organization Solutions S.A.R.L.		Rosny Sous Bois	100
Thule Organization Solutions BV		Utrecht	100
Thule Finans AB	556043-6858	Malmö	100
Thule Sp.zoo.o.		Huta	100
Thule Japan KK		Tokyo	100
Thule S.r.o		Prague	100
Thule Sweden AB	556076-3970	Gnosjö	100
Thule Brasil Comércio de Acessórios		Sao Paulo	100
Thule Shanghai Co Ltd		Shanghai	100
Thule Trading (Beijing) Co. Ltd		Beijing	100
Thule IP AB	556578-1282	Malmö	100

NOTE 32 cont.

Name	Corp. Reg. No.	Registered office	Share of equity, %
Thule Merchandizing AB	556849-4016	Malmö	100
Thule Brasil Distribuidora Ltda		Sao Paulo	100
Thule Sport Rack Beheer B.V.		Staphorst	100
Thule Canada Holding LLC		Wilmington, Delaware	100
Thule Canada Inc		Granby	100
Thule Holding ApS		Copenhagen	100
Brink Nordisk Holdings ApS		Copenhagen	100
Thule Holding Inc		Seymour	100
Thule Inc.		Seymour	100
Thule Towing Systems LLC		Detroit	100
Thule Organization Solutions Holding Inc.		Wilmington, Delaware	100
Thule Organization Solutions Inc.		Longmont, Colorado	100
Thule Organization Solutions Canada Inc.		Toronto	100
Thule Holding Ltd		Rotherham	100
Thule Outdoor Ltd		Rotherham	100
Thule Deutschland Holding AB	556662-7419	Malmö	100
Thule GmbH		Neumarkt	100
GMG Holding B.V.		Zwanenburg	100
GMG B.V.		Zwanenburg	100

### NOTE 33 Pledged assets

Group, SEKm	Dec 31, 2016	Dec 31, 2015
Other assets	21	20
<b>Total pledged assets</b>	<b>21</b>	<b>20</b>

The Parent Company has no pledged assets.

### NOTE 34 Contingent liabilities

Group, SEKm	Dec 31, 2016	Dec 31, 2015
Bank guarantees	1	2
Pension liability, PRI	2	2
Other contingent liabilities	18	11
<b>Total contingent liabilities</b>	<b>21</b>	<b>15</b>

Other contingent liabilities primarily refer to guarantees in the form of documentary credit for local occupational injury insurance in the US.

Parent Company has no contingent liabilities.

### NOTE 35 Events after the balance sheet date

No significant events that could impact the operations occurred after the end of the reporting period.

### NOTE 36 Related-party transactions

All of the Group companies presented in Note 32 are considered to be related parties.

Transactions take place between Thule Group companies concerning deliveries of goods and services, and the provision of financial and intangible services. Market terms and pricing are applied to all transactions. All intra-Group transactions are eliminated. The Parent Company's transactions with subsidiaries comprise the transactions presented below.

Parent Company Receivables from and liabilities to subsidiaries, SEKm	Dec 31, 2016	Dec 31, 2015
Interest-bearing long-term receivables	5,036	3,943
Interest-bearing short-term receivables	13	3
Interest-bearing long-term liabilities	-368	-368
Interest-bearing short-term liabilities	-931	-757
<b>Total</b>	<b>3,749</b>	<b>2,821</b>

Thule Group AB issued warrants as part of an incentive program for the management and the Chairman of the Board. Warrants have been issued to and subscribed for by Thule Group AB's subsidiary Thule AB.

For information regarding remuneration and benefits paid to executive management and the Board, refer to Notes 13 and 16.

# Assurance

The income statements and balance sheets will be presented to the Annual General Meeting on April 26, 2017 for adoption. The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Malmö, March 29, 2017

Stefan Jacobsson  
Chairman of the Board

Bengt Baron  
Board member

Hans Eckerström  
Board member

Liv Forhaug  
Board member

Lilian Fossum Biner  
Board member

Heléne Mellquist  
Board member

David Samuelson  
Board member

Magnus Welander  
President and CEO

Our audit report was submitted on March 30, 2017.  
KPMG AB

Helene Willberg  
Authorized Public Accountant



# Auditor's Report

To the general meeting of the shareholders of Thule Group AB (publ), corp. id 556770-6311

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Thule Group AB (publ) for the year 2016, except for the corporate governance statement on pages 53–58. The annual accounts and consolidated accounts of the company are included on pages 47–95 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and their financial performance and cash flow for the year then ended in

accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 53–58. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent

company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of goodwill

See disclosure 2 and disclosure 21 and accounting principles on page 70 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>The carrying value of goodwill in the consolidated accounts at December 31, 2016 amounted to SEK 4,208 million. The carrying value has been subject to an impairment test, which includes complexity as well as significant elements of judgment. Impairment tests have been prepared for the cash generating units that have goodwill associated with them, which for the Group consists of the segment Outdoor&amp;Bags.</p> <p>When performing the impairment tests, the Group must take both internal and external assumptions and plans of the business into consideration. Examples of such judgments are future cash flows, which in turn require assumptions about launches of new products, price increases and marketing investments.</p> <p>Another important assumption is which weighted average cost of capital to be used in order to reflect the time value of money as well as the specific risks the operations face.</p>	<p>We have inspected the impairment tests performed in order to assess whether they have been prepared in accordance with the prescribed techniques.</p> <p>Moreover, we have considered the reasonableness of the predicted future cash flows as well as the discount rates used by evaluating the written documentations and plans of the Group. Our work has also included an assessment of prior year estimates of future cash flows compared to actual outcome.</p> <p>An important part of our work has also been to examine the Group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the evaluation. We have involved our internal valuation specialists in the audit, in particular concerning the assumptions made regarding required returns of the external market.</p> <p>Furthermore, we have assessed the content of the disclosures relating to impairment tests as presented in the annual accounts and the consolidated accounts.</p>

**Valuation of deferred tax assets**

See disclosure 2 and disclosure 19 and accounting principles on page 68 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>They carrying value of deferred tax assets in the consolidated accounts at December 31, 2016 amounted to SEK 495 million, whereof SEK 349 million relates to tax losses carried forward expected to be utilized against future income. The remaining part relates to temporary differences.</p> <p>The accounting of deferred tax assets is based on the Group's assessment of the amount and timing of future taxable income.</p> <p>Estimates of future taxable income requires assessment of future market conditions. The carrying value of deferred tax assets may vary significantly if different assumptions are made in the assessment of future income and of the possibility to utilize the tax losses carried forward.</p> <p>Given that the carrying value of deferred tax assets is based on assessment of tax legislation and future taxable income, there is a risk that the carrying value may be over- or understated and that any adjustment of the value has a direct impact on both the result of the period and the effective tax rate.</p>	<p>We have tested and assessed the principles applied and the reasonableness in the Group's model for projecting future income, compared the key assumptions used in the calculations to business plans as well as considered the historical ability of the Group to prepare accurate forecasts.</p> <p>The reasonableness of the Group's assessment and interpretation of tax legislation and the reasonableness of the assessment of future income as well as the possibility to utilize the deferred tax losses against such income has been evaluated.</p> <p>Moreover, we have assessed the information in the disclosures relating to deferred tax assets as presented in the annual accounts and the consolidated accounts.</p>

**Provisions for taxes**

See disclosure 2 and disclosure 19 and accounting principles on page 68 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>They carrying value of provisions for claims and litigations related to taxes in Germany amounted to SEK 66 million. Payments in an amount of MSEK 139 have been made relating to the demands that the German Tax Authorities claims to have. The net amount of MSEK 73 has been reported as a short term receivable.</p> <p>The accounting of current tax provisions in the Group is based on ongoing assessment and evaluation of issues relating to tax assessments and of claims or litigations with tax authorities regarding interpretation of current or previous rules for income tax in the countries where the Group is present. Income tax regulations are comprehensive and complex. The rules and the application thereof is continuously developing and it can take a considerable amount of time to have potential uncertainties in the application removed.</p> <p>Given that the carrying value of provisions for taxes is based on judgments and estimates there is a risk that the carrying value may be over- or understated and that any adjustment of the value has a direct impact on both the result of the period and the effective tax rate.</p>	<p>We have involved our own tax specialists in our evaluation of the reasonableness of the Group's assessments and estimates related to claims from or disputes with the tax authorities as well as the reasonableness in opinions and statements regarding current litigations from external experts hired by the Group.</p> <p>To analyse and challenge material assessments and estimates made in the preparation of the Group's provisions for tax related claims and litigations, we have used our collective experience and knowledge of the rules and the application thereof.</p> <p>We have also evaluated the reasonableness in the underlying facts and circumstances presented in the disclosures to the annual accounts and the consolidated accounts and assessed if the information is comprehensive enough to understand the judgments made.</p>

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 100–102. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We

also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine

that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Thule Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality.

This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 53–58 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts are in accordance with the Annual Accounts Act.

Stockholm 2017-03-30.

KPMG AB  
Helene Willberg  
Authorized Public Accountant



# Board of Directors



## Stefan Jacobsson

Chairman of the Board  
Born 1952.  
Chairman since 2011.

Selected current Board assignments: Chairman of the board in Greenfood AB, HAFA AB and board member of Etac AB and Nobia AB.

Selected previous appointments: Chairman and President of Puma AG, President of Tretorn AB/ Etonic Inc., ABU/Garcia AB and Chairman of Nybron Flooring Int. Corp.

## Bengt Baron

Board member  
Born 1962.  
Board member since 2011.

Education: BSc in Business Administration, University of California at Berkeley. MBA, University of California at Berkeley.

Selected previous appointments: President of Cloetta, President of V&S AB.



## Liv Forhaug

Board member  
Born 1970.  
Board member since 2014.

CSO (Chief Strategy Officer) at ICA Gruppen.

Education: MSc in Economics and Business Administration, Stockholm School of Economics

Selected current Board assignment: Board member of Hufvudstaden AB.

Selected previous appointments: Partner and Head of Scandinavian Consumer Practice at McKinsey & Company.



## Heléne Mellquist

Board member  
Born 1964.  
Board member since 2016.

Senior Vice President Volvo Trucks International.

Education: Bachelor in International Business Administration, Gothenburg School of Business, Economics. Executive Program IFL, Stockholm School of Economics.

Selected current Board assignments: Board member of Opus Group and Cavotec SA.

Selected previous appointments: CEO of Trans-Atlantic AB, CFO of Rederi AB, TransAtlantic and Board member of Partnertech AB.



## Hans Eckerström

Board member  
Born 1972.  
Board member since 2007.

Education: MSc in Mechanical Engineering, Chalmers University of Technology. MSc in Business and Economics, Gothenburg School of Business, Economics.

Selected previous appointments: Chairman of Brink International AB and Britax Childcare Limited. Board member of Nefab AB, Cloetta AB and Aditro.



## Lilian Fossum Biner

Board member  
Born 1962.  
Board member since 2011.

Education: MSc in Economics and Business Administration, Stockholm School of Economics.

Selected current Board assignments: Chairman of Cloetta AB. Board member of Nobia AB, Lundberg-företagen, Givaudan.

Selected previous appointments: Board member of RNB Retail and Brands AB, Holmen AB and Oriflame Cosmetics S.A.



## David Samuelson

Board member  
Born 1982.  
Board member since 2012.

Director, NC Advisory AB, advisor to the Nordic Capital Funds.

Education: MSc in Economics and Business Administration, Stockholm School of Economics and ESADE in Barcelona, Spain.

Selected current Board assignments: Board member of Ellos Group and Resurs Holding AB.

Selected previous appointments: Board member of Munters Topholding AB and Nordic Fashion Group AB.



# Management



## **Magnus Welander**

CEO and President  
Born 1966.

Education: MSc in Industrial Engineering and Management, Institute of Technology at Linköping University.

Employed at Thule Group since 2006.

Previous positions: President of Envirotainer, various senior positions at Tetra Pak in Italy and Australia.



## **Kajsa von Geijer**

Senior Vice President,  
Human Resources  
Born 1964.

Education: BSc in Human Resource Development and Labour Relations, Lund University.

Employed at Thule Group since 2005.

Previous positions: HR Director Europe at FMC Food Tech, HR Director Nordic at Levi Strauss, various HR positions at Nestlé and Trelleborg AB.

## **Fredrik Erlandsson**

Senior Vice President  
Communications and IR  
Born 1970.

Education: University studies, Lund University and Copenhagen University.

Employed at Thule Group since 2010.

Previous positions: Corporate Relations Director Nordics and Eastern Europe at Diageo, MD Ehrenberg Kommunikation Scandinavia, chief of staff for the national delegation in European parliament.



## **Fred Clark**

President  
Outdoor&Bags, Region Americas  
Born 1959.

Education: BSBA Quantitative Methods, Western New England University and MBA Management Science.

Employed at Thule Group since 1993.

Previous positions: Various senior positions at Thule Group and various senior positions at C. Cowles & Co.



## **Lennart Mauritzson**

CFO  
Born 1967.

Education: BSc in Finance and Business Administration, Halmstad University. Law studies, Lund University.

Employed at Thule Group since 2011.

Previous positions: CFO Beijer Electronics, Vice President Finance of Cardo AB, and senior positions in finance at Acadia Pharmaceuticals and Pharmacia Pfizer.

# Definitions

## **Continuing operations**

Comprises the Outdoor&Bags and Specialty operating segments.

## **Debt/equity ratio**

Net debt divided by the underlying rolling 12-month EBITDA.

## **Discontinued operations**

Comprises the Snow Chain Division.

## **Earnings per share**

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

## **EBIT**

(Earnings Before Interest and Taxes)  
Income before net financial items and taxes.

## **EBIT margin**

EBIT as a percentage of net sales.

## **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.

## **Equity per share**

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

## **Equity ratio**

Equity as a percentage of total assets.

## **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.

## **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.

## **LTM**

Rolling 12-month.

## **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.

## **Underlying EBIT**

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

## **Underlying EBITDA**

EBITDA excluding items affecting comparability.

## **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.

## **Facts 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 49), underlying EBIT and underlying EBITDA. Underlying denotes that we have made adjustments for specific items, see Note 8 Segment accounting. For further information, see above. These performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.







# Thule Group»

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