

# Thule Group»

## Year-end report, fourth quarter, October-December 2017

### Fourth Quarter

- **Net sales**<sup>1</sup> for the quarter amounted to SEK 1,006m (983), corresponding to an increase of 2.3 percent. Adjusted for exchange rate fluctuations, sales rose 6.5 percent.
- **Operating income**<sup>1</sup> amounted to SEK 65m (55). Underlying EBIT was SEK 65m (59), corresponding to an increase of 11.4 percent and a margin of 6.5 percent (6.0). After adjustment for exchange rate fluctuations, underlying EBIT rose 15.5 percent and the margin improved 0.5 percentage points.
- **Net income**<sup>1</sup> was negative SEK 40m (income: 30).
- **Cash flow from operating activities**<sup>2</sup> totaled SEK 209m (91).
- **Earnings per share before dilution**<sup>1</sup> amounted to a negative SEK 0.39 (positive: 0.30).

### Full-year

- **Net sales**<sup>1</sup> for the full-year amounted to SEK 5,872m (5,304). Adjusted for exchange rate fluctuations, sales rose 9.5 percent.
- **Operating income**<sup>1</sup> totaled SEK 1,067m (922). Underlying EBIT amounted to SEK 1,069m (935), corresponding to an increase of 14.3 percent and a margin of 18.2 percent. After adjustment for exchange rate fluctuations, underlying EBIT rose 13.3 percent and the margin improved 0.6 percentage points.
- **Net income**<sup>1</sup> was SEK 690m (653).
- **Cash flow from operating activities**<sup>2</sup> totaled SEK 972m (878).
- **Earnings per share before dilution**<sup>1</sup> amounted to SEK 6.77 (6.46).
- **The Board of Directors proposes an ordinary dividend** of SEK 6.0 per share, corresponding to SEK 612m based on the number of shares outstanding at February 13, 2018.

	Oct-Dec 2017	Oct-Dec 2016	%	Jan-Dec 2017	Jan-Dec 2016	%
Net sales, SEKm	1 006	983	+2.3	5 872	5 304	+10.7
Underlying EBIT, SEKm	65	59	+11.4	1 069	935	+14.3
Operating income (EBIT), SEKm	65	55	+17.5	1 067	922	+15.7
Net income from continued operations, SEKm	-40	30	-232.6	690	653	+5.6
Earnings per share, SEK	-0.39	0.30	-230.2	6.77	6.46	+4.7
Cash flow from operating activities, SEKm	209	91	+129.9	972	878	+10.7

<sup>1</sup> The figures pertain to continuing operations, excluding the Specialty segment, which was divested in June 2017 and constitutes discontinued operations.

<sup>2</sup> Based on total operations, meaning both continuing operations and the operation divested in June 2017.

# CEO's comments

## A fantastic year

We are satisfied with a fantastic 2017, a year in which we delivered very strong financial results, while successfully broadening our product offering for future growth.

The favorable growth trend noted during the first three quarters of the year continued in the fourth quarter in both of our sales regions. Sales growth was 6.5 percent (after currency adjustment) during the quarter and we improved our underlying EBIT margin to 6.5 percent. For the full-year sales growth was 9.5 percent (after currency adjustment) and we achieved an underlying EBIT margin of 18.2 percent.

## Region Europe & ROW very strong

The positive trend for Region Europe & ROW continued with a currency-adjusted sales increase of 9 percent in the fourth quarter. As a result, we achieved 13 percent currency-adjusted growth for the full-year.

In terms of markets and product categories, the fourth quarter largely followed the trend we saw earlier in the year, with Active with Kids as the fastest growing product category percentage-wise, at 45 percent for the year. RV Products grew beyond expectations at 27 percent for the year in a market that we estimate grew 15 percent. In Sport&Cargo Carriers, several successful launches were the key factors behind a sales increase of 8 percent.

We are not satisfied with a 2-percent decline in sales during the year in Packs, Bags & Luggage, but it was positive to note the successful launch of the Thule Subterra luggage series and the growth in sports bags, which augurs well for the future.

## Growth for the fourth consecutive quarter in Region Americas

In Region Americas, sales rose 3 percent during the quarter, which means sales for the full-year grew 3 percent after currency adjustment.

The product category trends are very similar to those in Region Europe & ROW. However, a larger share of sales in Region Americas historically comprises older bag models to retailers in consumer electronics and accordingly, the region was impacted more by the lower sales in Packs, Bags & Luggage, which were down 4 percent for the full-year.

The Active with Kids category grew very rapidly, particularly as a result of the strong sales of strollers and child bike seats, achieving 26-percent growth for the full-year. Sport&Cargo Carriers continued its stable growth, with roof racks and roof boxes as strong categories, and the year ended on 4-percent

growth, despite reduced sales in smaller accessories for pick-up trucks. This sub-category was previously reported under the Specialty segment.

In RV Products, we have very limited sales in the region.

## New plant inaugurated in Poland

During the fourth quarter production began in our second assembly plant in Poland. The plant in Pila is located about one hour from the Group's largest plant in Huta, Poland. Accordingly, we will be able to effectively use the support functions that are already established in Poland. The focus for the new plant will be on bike carriers and Active with Kids, including assembly of the new Thule Sleek stroller, which will be brought to market in the autumn of 2018. During the year, about a hundred people will be employed at the plant.

## Development of our partner program

Our activities aimed at raising our retailers' sales comprise more than just new products and a good delivery capacity. During the quarter, we also rolled out our updated Thule Retail Partner concept, with new store solutions for both physical stores and online sales. In the quarter our partners opened a number of Thule brand stores using the new concept in such countries as Brazil, Italy, South Africa and Taiwan.

## Positive decision in German tax case

An agreement was reached with the German tax authorities regarding the tax audits for the periods 2005–2008 and 2009–2012. The agreement meant that the demand from the authorities has been reduced from EUR 27.6m to only EUR 3m.

## We are looking forward to an exciting 2018

We are currently ramping up our production for the high season in the spring, at the same time as we are in the midst of one of the most ambitious periods in the company's 75-year history when it comes to investments in product development.

We enter the year with a broader platform in terms of product categories and retail channels, and with an excellent financial position. Combined with our efficient production and distribution, and our strong global brand, we have the building blocks for future growth in all of our four product categories.



Magnus Welander,  
CEO and President

## Financial overview<sup>3</sup>

### Trend for the fourth quarter

#### Net sales

Net sales for the fourth quarter 2017 amounted to SEK 1,006m (983), corresponding to an increase of 2.3 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 6.5 percent.

In Region Europe & ROW, sales increased 9.1 percent after currency adjustment, while Region Americas' sales grew 2.5 percent after currency adjustments.

	Oct-Dec	Jan-Dec
Change in net sales	2017	2017
Changes in exchange rates	-4.2%	1.2%
Structural changes	0.0%	0.7%
Organic growth	6.5%	8.8%
<b>Total</b>	<b>2.3%</b>	<b>10.7%</b>

#### Gross income

Gross income for the quarter totaled SEK 398m (373), corresponding to a gross margin of 39.6 percent (37.9). Increasing raw materials costs were more than offset by an improved product- and customer mix.

#### Operating income

Operating income totaled SEK 65m (55). Underlying EBIT amounted to SEK 65m (59), corresponding to an operating margin of 6.5 percent (6.0). Changes in exchange rates had an overall negative impact of SEK 2m on underlying EBIT, compared with the fourth quarter of 2016. After currency adjustment, the margin improved 0.5 percentage points during the quarter. As planned, during the quarter, we also increased our investment in product development with a focus on larger projects in the stroller (within Active with Kids) and suitcases (within Packs, Bags & Luggage) categories. This healthy profitability was mainly achieved through increased sales.

	Oct-Dec	Jan-Dec
Change in underlying EBIT margin		
Underlying EBIT 2017	65	1 069
Underlying EBIT margin 2017	6.5%	18.2%
Underlying EBIT 2016	59	935
Underlying EBIT margin 2016	6.0%	17.6%
Underlying EBIT 2016, currency adjusted	57	943
Underlying EBIT marginal 2016, currency adjusted	6.0%	17.6%
<b>Change in underlying EBIT margin, currency adjusted</b>	<b>0.5%</b>	<b>0.6%</b>

#### Net financial items

In the fourth quarter, net financial items amounted to an expense of SEK 16m (expense: 9). Exchange rate differences on loans and cash and cash equivalents were an expense of SEK 4m (income: 2). The net interest expense for borrowings was SEK 11m (expense: 10).

<sup>3</sup> Unless otherwise stated, the figures in the overview pertain to continuing operations, in other words excluding the operation divested in June 2017, which constitutes discontinued operations.

### **Net income for the period**

For the fourth quarter, net income from continuing operations totaled a negative SEK 40m, corresponding to earnings per share of negative SEK 0.39 before and after dilution. Net income for the period was charged with the impairment of deferred tax receivables amounting to SEK 114m, resulting from a changed tax rate in the US due to the tax reform passed in December. Net income for the period was positively impacted by tax revenue amounting to SEK 37m pertaining to the reversal of an amount that was previously reserved due to tax disputes with the German tax authorities, which have now been settled, see Taxes section below. For the corresponding year-earlier period, net income from continuing operations totaled SEK 30m, corresponding to earnings per share of SEK 0.30 before and after dilution.

### **Trend for the full-year**

#### **Net sales**

Net sales for the full-year 2017 amounted to SEK 5,872m (5,304) corresponding to an increase of 10.7 percent. Adjusted for exchange rate fluctuations, net sales for the Group rose 9.5 percent.

In Region Europe & ROW, sales increased 12.7 percent after currency adjustment, while Region Americas' sales grew 3.4 percent after currency adjustments.

#### **Gross income**

Gross income amounted to SEK 2,416m (2,194) in the period, corresponding to a gross margin of 41.2 percent (41.4). The slightly lower margin was mainly due to higher raw material costs.

#### **Operating income**

Operating income totaled SEK 1,067m (922). Underlying EBIT amounted to SEK 1,069m (935), corresponding to an operating margin of 18.2 percent (17.6). Changes in exchange rates had an overall positive impact of SEK 8m on underlying EBIT, compared with the full-year 2016. After currency adjustment, we achieved a year-on-year margin improvement of 0.6 percentage points in the period. The improvement was achieved through volume growth as well as the efficiency initiatives implemented in inventory and logistics.

#### **Net financial items**

For the full-year, net financial items amounted to an expense of SEK 52m (expense: 36), and were negatively impacted by exchange rate differences of SEK 6m (positive: 8) on loans and cash and cash equivalents. For the full-year, the net interest expense for borrowings was SEK 43m (expense: 40).

#### **Net income**

Net income for continuing operations for the full-year amounted to SEK 690m, corresponding to earnings per share of SEK 6.77 before dilution and SEK 6.72 after dilution. For full-year 2016, net income for continuing operations was SEK 653m, corresponding to earnings per share of SEK 6.46 before dilution and SEK 6.41 after dilution.

#### **Net income from discontinued operations**

Discontinued operations comprises net income from the toolboxes for pick-up trucks operation in the Specialty business segment. The operation was divested and deconsolidated in June 2017. The selling price comprises two components, an initial payment of USD 18m and a maximum additional purchase consideration of USD 3.5m (based on sales to certain specific new customers during the 2018 calendar year). The capital gain is expected to amount to SEK 70m, including transaction costs.

The result for discontinued operations also includes an additional purchase consideration that was recognized in conjunction with the divestment of the Snow Chain division in September 2015. Since the criteria for disbursement were not met, the additional purchase consideration was not paid and the recognized amount, EUR 5m, was charged to discontinued operations. 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 potential additional purchase consideration was recognized after the divestment in Thule Group's interim report for the third quarter of 2015.

## Cash flow<sup>4</sup>

Cash flow from operating activities during the fourth quarter was SEK 209m (91). The increase is attributable to improved working capital and a tax repayment from the German tax authorities relating to the partial payment of the demands the agency considered itself justified in making on our German subsidiary, see further Note 5 Taxes. During the quarter, cash flow was also impacted by a dividend paid of SEK 174m and the amortization of interest-bearing liabilities amounting to SEK 176m.

Cash flow from operating activities was SEK 972m (878) for the full-year. During the year, cash flow was positively impacted by the divestment of the Specialty segment. Investments in tangible and intangible assets amounted to SEK 144m (132) and divestments amounted to SEK 16m (2). During the year, a share issue valued at SEK 110m was carried out as a result of the exercise of warrants and a dividend amounting to SEK 1,113m was paid to the company's shareholders.

## Financial position

At December 31, 2017, the Group's equity amounted to SEK 3,467m (3,826). The equity ratio amounted to 47.6 percent (48.5).

At December 31, 2017, net debt amounted to SEK 1,719m (1,704). Total long-term borrowing amounted to SEK 2,283m (2,467), and comprised loans from credit institutions of SEK 2,275m (2,453), gross, capitalized financing costs of SEK 5m (8) and the long-term portion of financial derivatives of SEK 13m (22). Total current financial liabilities amounted to SEK 29m (34) and mainly comprised the short-term portion of financial derivatives.

SEKm	Dec 31 2017	Dec 31 2016
Long-term loans, gross	2 275	2 453
Financial derivative liability, long-term	13	22
Short-term loans, gross	7	6
Financial derivative liability, short-term	21	28
Overdraft facilities	0	0
Capitalized financing costs	-5	-8
Accrued interest	0	0
<b>Gross debt</b>	<b>2 312</b>	<b>2 501</b>
Financial derivative asset	-12	-34
Cash and cash equivalents	-581	-763
<b>Net debt</b>	<b>1 719</b>	<b>1 704</b>

Pledged assets for Thule Group amounted to SEK 22m (21).

Goodwill at December 31, 2017, amounted to SEK 4,145m. Goodwill pertaining to continuing operations totaled SEK 4,208m at December 31, 2016. The change was fully attributable to currency effects.

At December 31, 2017, inventories amounted to SEK 819m. At December 31, 2016, inventories pertaining to continuing operations amounted to SEK 825m.

<sup>4</sup> Based on total operations, meaning both continuing operations and the operation divested in June 2017.

## Other information

### New long-term financial targets presented

In conjunction with the company's capital markets day held on September 20, 2017, updated long-term financial targets for Thule Group were presented.

<b>Sales growth <math>\geq</math> 5%</b>	Annual organic sales growth (currency-adjusted) (unchanged target)
<b>EBIT margin <math>\geq</math> 20%</b>	Underlying EBIT margin (previous target $\geq$ 17%)
<b>Net debt / EBITDA 1.5 – 2.5x</b>	Net debt / EBITDA (previous target approx. 2.5x)
<b>Dividend <math>\geq</math> 50%</b>	Ordinary dividend in relation to net profit (unchanged target)

### New product categories presented

In conjunction with the company's capital markets day held on September 20, 2017, updated product categories were presented as follows:

- **Sport&Cargo Carriers** (unchanged) — for example, roof racks, roof boxes, bike racks and racks for water and winter sports transported by car
- **Packs, Bags & Luggage** (a combination of the previous product category Bags for Electronic Devices and parts of Other Outdoor&Bags) — for example, computer and camera bags, hiking backpacks and luggage
- **Active with Kids** (previously part of Other Outdoor&Bags) — for example, bicycle trailers, strollers and child bike seats
- **RV Products** (previously part of Other Outdoor&Bags) — for example, awnings, bike racks and tents for motorhomes and caravans

### Specialty — the toolboxes for pick-up trucks operations were divested in the second quarter

In line with the strategic direction of focusing Thule Group's operations on sports and outdoor products for active consumers, an agreement was signed during the second quarter and a transaction implemented on June 16, 2017, for the sale of the remaining part of the Specialty operating segment, toolboxes for pick-up trucks. This divestment gives Thule Group's management the opportunity to focus further on driving growth in core operations. See Note 3 Discontinued operations for more information.

### Seasonal variations

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

### Employees

The average number of employees for the year was 2,119 (1,991). The increase is partly attributable to our activities in product development and sales in our new product categories, but mostly to production as a result of increased sales volumes.

### Income taxes

The dispute the company has had with the German tax authorities regarding the tax base for the years 2005 through 2012 was concluded. The original demand, which would have implied a further EUR 27.6m in taxes and interest, has now resulted in a demand for EUR 3m by way of a settlement. Thule Group had already made a provision of EUR 7m for taxes

and interest relating to the tax audits. The agreement entails that Thule Group recognized tax revenue amounting to EUR 4m in the fourth quarter. The decision also generated positive cash flow as a result of the repayment of most of the tax paid earlier to the German tax authorities. See Note 5 Taxes for more information.

As a result of the newly implemented tax reform in the US, by which the Federal tax rate was reduced from 35 to 21 percent, an impairment of deferred tax receivables in the US was made in an amount of USD 13.4m in the fourth quarter.

#### **Thule Group's share**

The shares of Thule Group AB are listed on the Nasdaq Stockholm Large Cap list. At December 31, 2017, the total number of shares in issue was 102,072,910.

#### **Share-based incentive program 2017/2020**

The warrants program resolved on by the Annual General Meeting (AGM) for executive management and key employees of Thule Group was implemented in the second quarter of 2017. The program comprises 1,950,645 warrants issued to Thule AB for onward transfer to participants. The participants acquired the warrants at the fair market value and the program currently includes 13 participants. The subscription price is SEK 182.40, which corresponds to 118 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list for shares in the company during the period April 27, 2017 through May 4, 2017. If on subscribing for the share, the latest price paid for the company's share when the stock exchange closes on the last trading day preceding the subscription date exceeds 162.3 percent of the average share price based upon which the subscription price has been determined, the subscription price shall be increased correspondingly. The warrants may be exercised May 15–December 15, 2020. During the year, the SEK 18m increase in equity pertained to premiums paid for warrants.

Regarding the earlier incentive program, the 2014/2017 warrants program ended on February 14, 2017 and this meant that the number of shares in the company increased by 1,036,455 and an issue of SEK 110m.

#### **Proposed dividend**

The Board of Directors proposes an ordinary dividend of SEK 6.0 per share for 2017, corresponding to SEK 612m based on the number of shares outstanding at February 13, 2018. The proposed dividend amounts to 87 percent of earnings per share. It is proposed that the dividend be paid in two installments for a better adaptation to the Group's cash flow profile.

The proposed record date for the first dividend payment of SEK 3.0 per share is April 27, 2018 and the proposed record date for the second payment of SEK 3.0 per share is October 5, 2018.

#### **Annual General Meeting**

The Annual General Meeting for Thule Group will be held on April 25, 2018, in Malmö, Sweden.

#### **Shareholders**

At December 31, 2017, Thule Group AB had 12,901 shareholders. At this date, the largest shareholders were AMF – Försäkringar & Fonder (13.5 percent of the votes), Lannebo Fonder (5.9 percent of the votes), Nordea Fonder (5.2 percent of the votes) and Handelsbanken Fonder (4.9 percent of the votes).

#### **Parent Company**

Thule Group AB's principal activity pertains to head office functions such as Group-wide management and administration. The comments below refer to the period January 1–December 31, 2017. The Parent Company invoices its costs to Group companies. The Parent Company reported net income of SEK 597m (998). The Parent Company received a dividend of SEK 600m (1,000).

Cash and cash equivalents and current investments amounted to SEK 0m (0). Long-term liabilities to credit institutions totaled SEK 2,261m (2,433).

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

## Sales trend by region

SEKm	Oct-Dec		Change		Jan-Dec		Change	
	2017	2016	Rep.	Adjust. <sup>1</sup>	2017	2016	Rep.	Adjust. <sup>1</sup>
Net sales	1 006	983	2.3%	6.5%	5 872	5 304	10.7%	9.5%
- Region Europe & ROW	628	576	9.0%	9.1%	3 983	3 482	14.4%	12.7%
- Region Americas	378	407	-7.1%	2.5%	1 889	1 822	3.7%	3.4%

<sup>1</sup> Adjusted for changes in exchange rates

Net sales for the fourth quarter 2017 amounted to SEK 1,006m (983), corresponding to an increase of 2.3 percent. Adjusted for exchange rate fluctuations, net sales rose 6.5 percent. Sales increased primarily driven by a continued strong trend in Region Europe & ROW, but it was positive to note that we grew in Region Americas for the fourth consecutive quarter.

### Region Europe & ROW

In the Europe & ROW region, the very positive trend continued and we achieved growth of 9.1 percent (after currency adjustment) in the quarter as a result of healthy growth in the vast majority of our markets. Strong performance in Eastern Europe and Asia made a particularly strong contribution during the quarter. In Sport&Cargo Carriers growth was favorable in all of the three subcategories bike carriers, roof racks and roof boxes. RV Products, which is largely driven by developments in a small number of Central European countries, continued to grow rapidly in a booming motor home and caravan market, with a continued high level of production and increased orders for essentially all manufacturers in the region.

The seasonally less significant Active with Kids category continues to develop well and for the full-year this category has the percentage-wide highest growth in the Europe & ROW region, at 45 percent.

Lower Christmas sales in the traditional categories of Packs, Bags & Luggage had a negative impact on the quarter, but we take a positive view of the increasing share of sales among newer luggage and sports bags, which will provide the long-term growth in the product category.

Growth in the Europe & ROW region for the full-year was 12.7 percent after currency adjustment.

### Region Americas

Sales in Region Americas rose 2.5 percent (after currency adjustment) during the quarter, driven by a positive trend in Brazil and Canada.

In Sport&Cargo Carriers the quarter was negatively impacted by the smaller sub-category of accessories for pick-up trucks, which was integrated as a result of the divestment of the main category in the Specialty segment during the second quarter. As announced earlier, we have chosen not to strive to grow in this low-margin product areas where we sell accessories for pick-up trucks directly to car manufacturers, and to instead focus on improving profitability in the category, which will also impact sales negatively in 2018. Growth overall was nonetheless favorable, mainly driven by the successful launch of the Thule Motion XT family of roof boxes and strong sales for roof racks.

Active with Kids continued to perform very well, driven by a strong demand for strollers. Packs, Bags & Luggage also developed in line with our expectations, although increased sales of the new Thule Subterra bag collection could not fully offset the decline in sales of simpler bags and cases.

Growth in Region Americas was 3.4 percent for the full-year after currency adjustment and it is encouraging to note that all markets in the region displayed growth and that we grew in the region during all four quarters of the year.

## Sales trend per product category for the full-year

	Sport&Cargo Carriers		Packs, Bags & Luggage		RV Products		Active with Kids	
Share of Thule Group Sales 2017 (2016)	65% (67%)		14% (15%)		13% (11%)		8% (7%)	
Share of Regional Sales 2017 (2016)	Eur&ROW 62% (65%)	Americas 70% (70%)	Eur&ROW 9% (11%)	Americas 23% (25%)	Eur&ROW 19% (17%)	Americas 1% (1%)	Eur&ROW 10% (8%)	Americas 5% (5%)
Sales Growth 2017 vs 2016 (Constant Currency)	+6.4% +8%    +4%		-3.3% -2%    -4%		+27.9% +27%    +70%		+40.4% +45%    +26%	

The development of our four product categories in 2017 can be summarized as follows:

- **Sport&Cargo Carriers** – Stable growth of 6.4 percent from an already strong position as market leader
- **Packs, Bags & Luggage** – Despite the successful launch of luggage, we were unable to compensate for reduced sales in traditional categories, which led to a decline in sales of 3.3 percent
- **RV Products** – Increased market shares in a booming motorhomes market drove very strong growth of 27.9 percent
- **Active with Kids** – Highly successful launches and an expanded retailer network were the drivers behind very strong growth of 40.4 percent

### Sport&Cargo Carriers

During the year we strengthened our global market-leading position with the very successful launches of new models, particularly in bike carriers and roof boxes. In addition we continued our structured effort to support our retailers through diverse marketing measures and during the year, for example we launched an improved website and a new physical store concept.

Product launches that were particularly important during the quarter included the tow bar mounted bike carrier Thule EasyFold XT and the Thule Motion XT roof box series.

### Packs, Bags & Luggage

As presented at the capital markets day in the autumn, this category comprises in practice four parts with large differences in terms of development trend and level of ambition going forward. The category also represents a considerably larger share of the sales for Region Americas.

Sales in the constantly shrinking sub-category of Legacy/OE products (for example CD cases, camera bags and cases for medical equipment) continued to decline rapidly and accounted for 42 percent of the Packs, Bags & Luggage category. During the year, despite the successful launch of the Thule Subterra collection and with favorable growth in sports bags, we did not manage to offset the negative trend in the older subcategories.

### RV Products

Our focus in this category is on the premium segment in Europe and we continued to capture market shares there in a strong market for sales of motorhomes and caravans in the region, which we estimate grew approximately 15 percent.

Our very strong brand, successful launches in, above all, bike carriers and awnings for motorhomes, combined with excellent delivery capacity in a rapidly expanding market, were the main reasons behind the 28-percent growth that we achieved.

## Active with Kids

Highly successful launches of multisport trailers with our design-winning Thule Chariot series and child bike seats with the innovative Thule Yepp Nexxt, as well as the continued fast-growing sales of our Thule Urban Glide jogging stroller were the driving forces behind our 40-percent increase in growth. An updated generation of Thule Urban Glide 2, which begins to be sold in stores during the first quarter of 2018, and the new four-wheel stroller, Thule Sleek, which will be brought to market in the autumn of 2018, will be the most important additions to this category in 2018.

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

February 13, 2018

Board of Directors

**Review report**

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

## Selected key events during the period



**New assembly plant in Pila, Poland** – during the quarter the Group opened its ninth assembly plant, which is located in Pila, Poland. Among other products, the plant will produce bike carriers and products in the Active with Kids category, as well as child bike seats (image) and the new Thule Sleek stroller that will be launched during the autumn 2018. During the 2018 season, some one hundred people will be employed at the plant.



**Thule Motion XT Alpine launched** – ahead of the winter season, we expanded our highly successful Thule Motion XT roofbox family with a model specially designed to transport the family's skis.

# Financial statements

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

## Consolidated Income Statement

	Note	Oct - Dec		Jan - Dec	
		2017	2016	2017	2016
<b>Continuing operations</b>					
Net sales	2	1 006	983	5 872	5 304
Cost of goods sold		-608	-611	-3 455	-3 110
<b>Gross income</b>		<b>398</b>	<b>373</b>	<b>2 416</b>	<b>2 194</b>
Other operating revenue		-0	0	4	0
Selling expenses		-252	-240	-1 053	-970
Administrative expenses		-81	-82	-300	-299
Other operating expenses		0	5	0	-3
<b>Operating income</b>	2	<b>65</b>	<b>55</b>	<b>1 067</b>	<b>922</b>
Net interest expense/income		-16	-9	-52	-36
<b>Income before taxes</b>		<b>49</b>	<b>46</b>	<b>1 015</b>	<b>887</b>
Taxes	5	-89	-16	-325	-234
<b>Net income from continuing operations</b>		<b>-40</b>	<b>30</b>	<b>690</b>	<b>653</b>
<b>Discontinued operations</b>					
Net income from discontinued operations	3	-1	6	17	23
<b>Net income</b>		<b>-41</b>	<b>37</b>	<b>707</b>	<b>676</b>
Consolidated net income pertaining to:					
Shareholders of Parent Company		-41	37	707	676
of which, pertaining to continuing operations		-40	30	690	653
of which, pertaining to discontinued operations		-1	6	17	23
<b>Net income</b>		<b>-41</b>	<b>37</b>	<b>707</b>	<b>676</b>
Earnings per share continuing operations, SEK before dilution		-0.39	0.30	6.77	6.46
Earnings per share continuing operations, SEK after dilution		-0.39	0.30	6.72	6.41
Earnings per share, SEK before dilution		-0.40	0.36	6.93	6.69
Earnings per share, SEK after dilution		-0.40	0.36	6.89	6.64
Average number of shares (millions)		102.1	101.0	101.9	101.0

## Consolidated Statement of Comprehensive Income

	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
Net income	-41	37	707	676
<b>Items that have been carried over or can be carried over to net income</b>				
Foreign currency translation	144	84	-111	241
Cash flow hedges	-10	12	-1	-24
Net investment hedge	-61	-15	-0	-90
Period change in fair value of available for sale financial assets	0	0	24	-24
Tax on components in other comprehensive income	9	-14	26	-5
<b>Items that cannot be carried over to net income</b>				
Revaluation of defined-benefit pension plans	-10	7	-14	-10
Tax pertaining to items that cannot be carried over to net income	3	-1	4	3
<b>Other comprehensive income</b>	<b>76</b>	<b>73</b>	<b>-72</b>	<b>92</b>
<b>Total comprehensive income</b>	<b>35</b>	<b>110</b>	<b>634</b>	<b>767</b>
Total comprehensive income pertaining to:				
Shareholders of Parent Company	35	110	634	767
<b>Total comprehensive income</b>	<b>35</b>	<b>110</b>	<b>634</b>	<b>767</b>

## Consolidated Balance Sheet

	Dec 31 2017	Dec 31 2016
<b>Assets</b>		
Intangible assets	4 177	4 240
Tangible assets	645	579
Long-term receivables	9	8
Deferred tax receivables	324	495
<b>Total fixed assets</b>	<b>5 155</b>	<b>5 323</b>
Inventories	819	825
Tax receivables	26	7
Accounts receivable	580	584
Prepaid expenses and accrued income	49	44
Other receivables	76	215
Cash and cash equivalents	581	763
Assets held for sale	0	124
<b>Total current assets</b>	<b>2 129</b>	<b>2 561</b>
<b>Total assets</b>	<b>7 285</b>	<b>7 883</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>3 467</b>	<b>3 826</b>
Long-term interest-bearing liabilities	2 283	2 467
Provision for pensions	148	131
Deferred income tax liabilities	185	157
<b>Total long-term liabilities</b>	<b>2 617</b>	<b>2 755</b>
Short-term interest-bearing liabilities	29	34
Accounts payable	519	522
Tax liabilities	217	271
Other liabilities	29	31
Accrued expenses and deferred income	382	379
Provisions	25	32
Liabilities attributable to assets held for sale	0	34
<b>Total short-term liabilities</b>	<b>1 201</b>	<b>1 302</b>
<b>Total liabilities</b>	<b>3 817</b>	<b>4 057</b>
<b>Total equity and liabilities</b>	<b>7 285</b>	<b>7 883</b>

## Consolidated Statement of Changes in Equity

	Dec 31 2017	Dec 31 2016
Opening balance, January 1	3 826	3 228
Net income	707	676
Other comprehensive income	-72	92
<b>Total comprehensive income</b>	<b>634</b>	<b>767</b>
Transactions with the Group's owners:		
New share issue	110	88
Dividend	-1 113	-253
Other	10	-4
<b>Closing balance</b>	<b>3 467</b>	<b>3 826</b>

## Consolidated Statement of Cash Flow

	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
Income before taxes	49	46	1 015	887
Income from discontinued operations before taxes	-1	10	38	34
Adjustments for items not included in cash flow	24	18	74	91
Paid income taxes	33	-49	-138	-176
<b>Cash flow from operating activities prior to changes in working capital</b>	<b>105</b>	<b>24</b>	<b>990</b>	<b>836</b>
<b>Cash flow from changes in working capital</b>				
Increase(-)/Decrease (+) in inventories	-166	-152	-14	-72
Increase(-)/Decrease (+) in receivables	177	161	-6	11
Increase(+)/Decrease (-) in liabilities	94	58	3	103
<b>Cash flow from operating activities</b>	<b>209</b>	<b>91</b>	<b>972</b>	<b>878</b>
<b>Investing activities</b>				
Acquisition of subsidiaries	0	0	0	-92
Sale of subsidiaries	-0	0	145	0
Acquisition/divestment of tangible/intangible assets	-12	-63	-128	-131
<b>Cash flow from investing activities</b>	<b>-13</b>	<b>-63</b>	<b>17</b>	<b>-222</b>
<b>Financing activities</b>				
New issue of shares	0	0	110	88
Others	0	-0	10	-4
Dividend	-174	-126	-1 113	-253
Debt repaid/new loans	-176	0	-176	0
<b>Cash flow from financing activities</b>	<b>-349</b>	<b>-126</b>	<b>-1 169</b>	<b>-169</b>
Net cash flow	-153	-98	-181	487
Cash and cash equivalents at beginning of period	733	861	763	274
Effect of exchange rates on cash and cash equivalents	1	-0	-2	2
<b>Cash and cash equivalents at end of period</b>	<b>581</b>	<b>763</b>	<b>581</b>	<b>763</b>

## Condensed Parent Company Income Statement

	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
Other operating revenue	4	4	18	18
Administrative expenses	-11	-11	-40	-37
<b>Operating income</b>	<b>-7</b>	<b>-7</b>	<b>-22</b>	<b>-19</b>
Result from Shares in Subsidiaries	600	1 000	600	1 000
Interest income- and expense	0	1	3	4
<b>Income after financial items</b>	<b>593</b>	<b>994</b>	<b>581</b>	<b>985</b>
Appropriations	15	12	15	12
<b>Net income before taxes</b>	<b>608</b>	<b>1 006</b>	<b>596</b>	<b>997</b>
Taxes	0	-1	1	1
<b>Net income</b>	<b>608</b>	<b>1 005</b>	<b>597</b>	<b>998</b>

## Parent Company Balance Sheet

	Dec 31	Dec 31
	2017	2016
<b>Assets</b>		
Financial fixed assets	5 468	6 041
<b>Total fixed assets</b>	<b>5 468</b>	<b>6 041</b>
Other current receivables	18	14
Cash and cash equivalents	0	0
<b>Total current assets</b>	<b>18</b>	<b>14</b>
<b>Total assets</b>	<b>5 486</b>	<b>6 055</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>1 903</b>	<b>2 298</b>
Other provisions	7	5
Liabilities to credit institutions	2 261	2 433
Liabilities to Group companies	368	368
<b>Total long-term liabilities</b>	<b>2 636</b>	<b>2 806</b>
Liabilities to credit institutions	0	0
Liabilities to Group companies	927	931
Other current liabilities	20	20
<b>Total short-term liabilities</b>	<b>947</b>	<b>951</b>
<b>Total equity and liabilities</b>	<b>5 486</b>	<b>6 055</b>

## Disclosures, accounting policies and risk factors

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

### Note 1 Accounting policies

This condensed consolidated interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, and the applicable provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act on interim financial reporting. The same accounting policies and calculation methods have been applied for the Group and Parent Company as in the most recent Annual Report. Revised IFRSs that became effective in 2017 have had no material impact on the Group's earnings and financial position. Work has been conducted to assess the impact of the application of IFRS 15. The Group's conclusion is that IFRS 9 and IFRS 15 will not have any material impact on the Group's earnings or financial position.

### Note 2 Operating segments

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

	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
<b>Sales to customers</b>	<b>1 006</b>	<b>983</b>	<b>5 872</b>	<b>5 304</b>
- Region Europe & ROW	628	576	3 983	3 482
- Region Americas	378	407	1 889	1 822
<b>Underlying EBITDA</b>	<b>82</b>	<b>76</b>	<b>1 136</b>	<b>1 000</b>
Operating depreciation/amortization	-17	-18	-67	-64
<b>Underlying EBIT</b>	<b>65</b>	<b>59</b>	<b>1 069</b>	<b>935</b>
Other depreciation/amortization	0	-3	-1	-13
Items affecting comparability	0	0	0	0
<b>Operating income</b>	<b>65</b>	<b>55</b>	<b>1 067</b>	<b>922</b>
Net interest expense/income	-16	-9	-52	-36
Taxes	-89	-16	-325	-234
Net income from discontinued operations	-1	6	17	23
<b>Consolidated net income</b>	<b>-41</b>	<b>37</b>	<b>707</b>	<b>676</b>

## Note 3 Discontinued operations

	Jan - Dec	
	2017	2016
Revenue	127	307
Expenses	-110	-272
<b>Income before taxes</b>	<b>17</b>	<b>34</b>
Capital gain from divestment of discontinued operation	21	0
Taxes	-21	-12
<b>Net income from discontinued operations</b>	<b>17</b>	<b>23</b>
Earnings per share, discontinued operations, SEK	0,17	0,22

	Jan - Dec	
	2017	2016
<b>Cash flow from discontinued operations</b>		
Operating cash flow before investments	29	27
Operating cash flow after investments	29	21

## Note 4 Fair value of financial instruments

	Fair value	
	Dec 31	Dec 31
	2017	2016
<b>Assets - Financial derivatives</b>		
Financial receivables	0	24
Currency forward contracts	6	10
Currency swaps	0	3
Currency options	0	12
Interest rate swaps	6	9
<b>Total derivative assets</b>	<b>12</b>	<b>58</b>
<b>Liabilities - Financial derivatives</b>		
Currency forward contracts	-14	-13
Currency swaps	-6	-5
Currency options	0	-10
Interest rate swaps	-14	-22
<b>Total derivative liabilities</b>	<b>-35</b>	<b>-50</b>

The carrying amount is an approximation of the fair value for all financial assets and liabilities. The Group's long-term liabilities are subject to floating interest rates, which means that changes in the basic interest rate will have no significant impact on the fair value of the liabilities. According to the company's assessment, neither have there been any changes in the credit margins that would significantly impact the fair value of the liabilities. The financial instruments measured at fair value in the balance sheet consist of derivatives held to hedge the Group's exposure to interest rates, currency rates and raw material prices. All derivatives belong to Level 2.

## Note 5 Taxes

The company has had continuing tax disputes in Germany, which have now been concluded. The German tax authorities had issued a judgment on an increase in the tax base for the years 2005–2008, which would have added approximately EUR 17.6m in further taxes and accrued interest, and an increase in the tax base for the years 2009–2012, which would have added approximately EUR 10m in further taxes and accrued interest for the company. A settlement has now been reached with the German tax authorities. The agreement means an increase in tax and interest totaling EUR 3m and the potential increase in tax based on the German tax authorities decision was lowered by EUR 24.6m.

The company had already made a provision of EUR 7.0m for taxes/interest for the tax audits. The agreement entails that Thule Group recognized tax revenue amounting to EUR 4m in the fourth quarter. The decision also generated positive cash flow as a result of the repayment of most of the tax paid earlier to the German tax authorities.

The effects of the tax reform recently passed in the US included the Federal tax rate being reduced from 35 percent to 21 percent as of January 1, 2018. Accordingly, an impairment of USD 13.4m was made on the deferred tax receivables that the Group has in the US.

The effective tax rate for the January–December 2017 period for continuing operations was 32.0 percent compared with 26.3 percent for same period in 2016. Adjusted for the impairment of deferred tax receivables and for the dissolution of the provision for the German tax audit, the effective tax rate was 24.4 percent. No other significant events affecting the Group's effective tax rate occurred during the period.

## Note 6 Risks and uncertainties

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

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

Other relevant risk factors are described in Thule Group's Annual Report and pertain to industry and market-related risks, operating-, legal- and fiscal risks as well as financial risks. For tax-related risks, see also Note 5 Taxes above.

## Key figures

	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
Net sales, SEKm	1 006	983	5 872	5 304
Net sales growth, %	2.3%	9.0%	10.7%	5.7%
Net sales growth, adjusted % <sup>1</sup>	6.5%	2.4%	9.5%	5.2%
Gross margin, %	39.6%	37.9%	41.2%	41.4%
Underlying EBIT, SEKm	65	59	1 069	935
Underlying EBIT-margin, %	6.5%	6.0%	18.2%	17.6%
Operating income (EBIT), SEKm	65	55	1 067	922
Operating margin, %	6.5%	5.6%	18.2%	17.4%
Earnings per share, SEK	-0.39	0.30	6.77	6.46
Earnings per share (total operations), SEK	-0.40	0.36	6.93	6.69
Equity ratio, %	47.6%	48.5%	47.6%	48.5%
Working capital, SEKm	957	1 203	957	1 203
Leverage ratio	1.5	1.6	1.5	1.6

<sup>1</sup> Adjusted for changes in exchange rates

## Alternative performance measures

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

## Definitions

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

**Gross income** Net sales less cost of goods sold.

**Gross margin** Gross income as a percentage of net sales.

**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.

**Leverage ratio** Net debt divided by the LTM underlying EBITDA.

**LTM** Rolling 12-month.

**Net debt** Gross debt less cash and cash equivalents.

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

**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.

## Financial calendar

Interim report, January–March 2018  
Thule Group AGM (Malmö)  
Interim report April-June 2018  
Interim report, July-September 2018

April 25, 2018  
April 25, 2018  
July 19, 2018  
October 26, 2018

Thule Group's Annual Report will be available at [www.thulegroup.com](http://www.thulegroup.com) from April 3, 2018.

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## About Thule Group

Thule Group is a world leader in products that make it easy to bring the things you care for — easily, securely and in style — when living an active life. Under the motto *Active Life, Simplified* — the company offers products within 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), **Packs, Bags & Luggage** (e.g. hiking backpacks, suitcases and camera bags).

Thule Group has about 2,200 employees at nine production facilities and 35 sales offices worldwide. The Group's products are sold in 140 markets and in 2017, sales amounted to SEK 5.9 billion. [www.thulegroup.com](http://www.thulegroup.com)



# Thule Group»

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