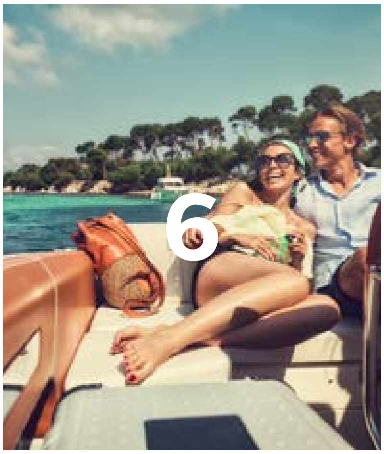
ANNUAL REPORT 2018

MOBILE LIVING MADE EASY.

DOMETIC



THE MOBILE LIVING MARKET UNDERGOING RAPID CHANGE

MISSION, ASPIRATION AND FINANCIAL TARGETS

STRATEGIC FOCUS AREAS

CONTENTS

THIS IS DOMETIC

PRODUCTS SOLD IN **100** COUNTRIES

SALES OFFICES IN **30** COUNTRIES

27 MANUFACTURING AND ASSEMBLY SITES

Dometic is the global market leader in Mobile Living. The company develops, manufactures, sells and services a broad range of products that enhance comfort, performance and safety in vehicles. It's about Food & Beverage, Climate, Power & Control, Safety & Security and Hygiene & Sanitation.

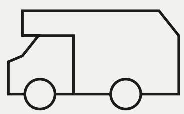
The products are primarily for use in Recreational Vehicles, Pleasure Boats, Work Boats, Trucks and Premium Cars.

The products are sold in over 100 countries and Dometic operates its own sales offices in 30 countries throughout the world and has 27 manufacturing and assembly sites in 12 countries.

Dometic has net sales of more than SEK 18 billion and a large installed customer base world-wide. In 80 percent of the product categories Dometic has a number one or two position. The aim is to be the leader in branded solutions for mobile living within all the business areas. The company is organized into three regions: Americas, EMEA and APAC.

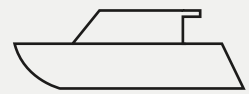
Dometic shares have been listed on Nasdaq Stockholm since 2015. The headquarters are located in Stockholm, Sweden.

FOUR MAJOR CORE BUSINESS AREAS



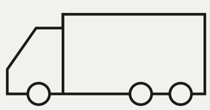
RECREATIONAL VEHICLES (RV)

Products and solutions for recreational vehicles (RV) sold directly to Original Equipment Manufacturers (OEM) and through a broad Aftermarket network.



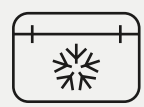
MARINE

Products and solutions for Marine – pleasure boats as well as workboats – sold directly to OEMs and through a broad Aftermarket network.



COMMERCIAL AND PASSENGER VEHICLES (CPV)

Products and solutions for commercial and passenger vehicles (CPV) sold directly to OEMs and through a broad Aftermarket network.



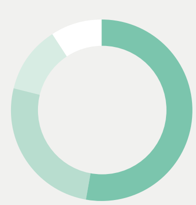
RETAIL AND LODGING

Product sold directly through retail channels, such as mobile cooling boxes, and refrigeration solutions to hotels.

Net sales by region

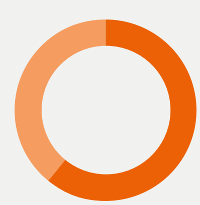
- Americas, 53% (45)
- EMEA, 37% (43)
- APAC, 10% (12)

Net sales by business area



- RV, 53% (65)
- Marine, 26% (11)
- CPV, 12% (14)
- Retail and Lodging, 9% (10)

Net sales by channel



- Original Equipment Manufacturers, OEM, 61% (61)
- Aftermarket, AM, 39% (39)

MOBILE LIVING MADE EASY

There are millions of people around the world who use Dometic products. They all have one thing in common. They are going somewhere – whether you are an RV user, a boat owner, a truck driver, a hotel guest or just a lover of the great outdoor lifestyle or on the move in your professional life.

Our job is to meet your essential needs on the journey. Like cooking, keeping food fresh, taking care of personal hygiene and maintaining a pleasant temperature. That way, you can explore more, see more and stay away longer. We call it mobile living made easy.

Enjoy the journey.

2018 IN BRIEF

Overall, 2018 marks yet another stepping stone for Dometic on its journey of profitable growth. The refined strategic framework that was announced and put into action during the year is formalizing the path forward to further strengthen Dometic's position as global market leader of the Mobile Living industry.

- Net sales increased 30 percent during the year to SEK 18,274 million (14,044), driven by continued solid underlying demand, acquisitions and product innovation.
- Operating margin before items affecting comparability improved by 1.5 percentage points to 14.7 percent (13.2), mainly due to efficiencies, pricing and the contribution from SeaStar Solutions.
- A group-wide restructuring program was launched to optimize footprint and reduce costs to increase competitiveness.
- Continued earnings improvement and strong cash flow achieved during the year; leverage of 2.8x (3.3x).
- Investments in product development continued at a healthy level of 1.9 percent of net sales.
- A refined strategic framework launched to continue the journey of profitable growth.
- Acquisition of Kampa to further strengthen the aftermarket.

2018 KEY FIGURES

TOTAL NET SALES, SEK M
18,274
(14,044)

TOTAL GROWTH
30%
(13%)

ORGANIC GROWTH
5%
(12%)

OPERATING PROFIT (EBIT), SEK M[1)]
2,679
(1,860)

OPERATING MARGIN (EBIT)[1)]
14.7%
(13.2)

1) Operating profit (EBIT) before items affecting comparability

QUARTER 01

- Net sales of **SEK 4,442 m**, corresponding to a total growth of 29 percent of which 10 percent was organic growth
- Operating profit (EBIT) of **SEK 638 m**, corresponding to an operating margin of **14.4 percent**[1)]
- Operating cash flow of **SEK –27 m**
- Profit for the quarter of **SEK 375 m**
- Earnings per share of **SEK 1.27**

QUARTER 02

- Net sales of **SEK 5,260 m**, corresponding to a total growth of 33 percent of which 9 percent was organic growth
- Operating profit (EBIT) of **SEK 919 m**, corresponding to an operating margin of **17.5 percent**[1)]
- Operating cash flow of **SEK 943 m**
- Profit for the quarter of **SEK 629 m**
- Earnings per share of **SEK 2.13**

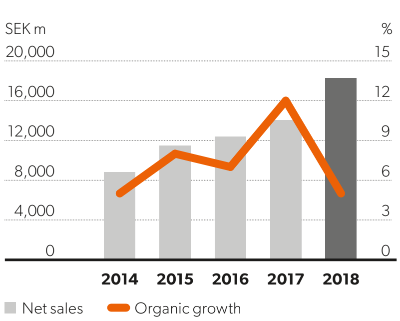
QUARTER 03

- Net sales of **SEK 4,501 m**, corresponding to a total growth of 32 percent of which 1 percent was organic growth
- Operating profit (EBIT) of **SEK 702 m**, corresponding to an operating margin of **15.6 percent**[1)]
- Operating cash flow of **SEK 843 m**
- Profit for the quarter of **SEK 435 m**
- Earnings per share of **SEK 1.47**

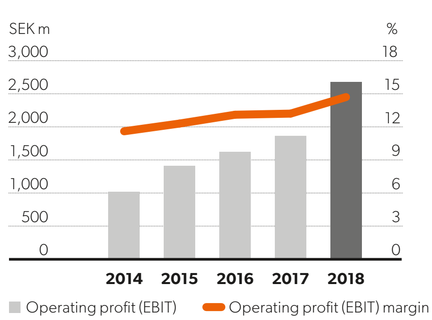
QUARTER 04

- Net sales of **SEK 4,070 m**, corresponding to a total growth of 25 percent of which –2 percent was organic growth
- Operating profit (EBIT) of **SEK 420 m**, corresponding to an operating margin of **10.3 percent**[1)]
- Operating cash flow of **SEK 859 m**
- Profit for the quarter of **SEK 136 m**
- Earnings per share of **SEK 0.46**

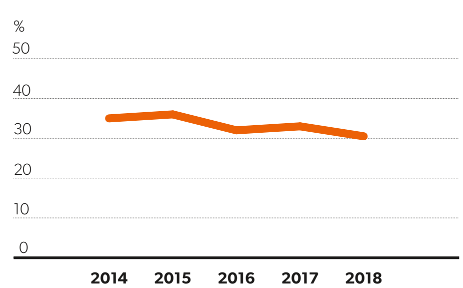
Net sales and organic growth



EBIT and EBIT margin[1)]



Return on operating capital[2)]



[1)] Operating profit (EBIT) before items affecting comparability
[2)] Excluding goodwill and trademarks

A YEAR OF STRONG EXECUTION

" Summarizing my first year as President and CEO of Dometic, I feel incredibly energized. More than anything, my job is to make sure that we draw on our existing strengths and leading positions to become as great as we can possibly be. This means building a company strong enough to invest in new opportunities and drive innovation, agile enough to maneuver through short-term challenges, and disciplined enough to stay true to our strategy, values and promises in relation to customers, partners, employees and shareholders. Dometic is in the driver's seat to be the global shaper of the Mobile Living industry and to take the lead in truly industrializing our businesses – I am proud to stand alongside our employees and be a part of an exciting future in the years to come.

We are building a stronger Dometic

Overall, 2018 was a positive and eventful year for Dometic with several important changes. We initiated a number of activities to further improve our performance by moving ownership and accountability closer to the business, while establishing common processes to leverage our full strengths as a global company. In other words, decentralization with coordination. This is critical to maintain our successful entrepreneurial approach, ensure continuous improvement and be responsive to changes in the market.

A refined strategic framework was implemented during the year based on three core pillars: profitable expansion, product leadership and continuous cost reductions.

- Profitable expansion: Dometic has a unique position in the growing Mobile Living market. This gives us an excellent opportunity to expand the market scope, as well as to grow even stronger in our core business areas. Key components will be segmentation and commercial specialization, as well as branding, marketing and value-adding acquisitions to build strong global businesses outside RV OEM.
- Product leadership: Dometic is a leading player in almost all of our markets and innovation is the most important driver for continued organic growth and long-term competitiveness. We will listen closely to customers and develop common tools and processes, while focusing on attracting the right talent and implementing generation planning, common platforms and modularity. Innovation is key to remain truly competitive and we are further increasing our efforts by focusing on our core competences, being faster in bringing new products to the market and structuring ourselves to leverage our global knowledge.
- Continuous cost reductions: We must relentlessly strive to reduce costs in all areas of our business. Dometic will eliminate waste and inefficiencies – and thereby reduce costs, including complexity reduction in everything we do, optimizing our manufacturing footprint, sourcing, lean excellence, automation and digitalization.

This is the foundation for Dometic to drive performance and will enable us to invest in attractive new opportunities, while responding even faster to changing customer demands.

We also initiated a modification to our business area structure to focus on our core operations. We strenghtened the regional organizations focusing on professional equipment to fully focus on solutions for professional end users such as hotels, workboats, truck fleets and workshops. We have created even more dedicated teams within RV and Marine Aftermarket. Retail has been showing excellent progress over several years and we continue to build a specialized organization to grow our product portfolio, establish e-commerce structures and strengthen local teams.

It is my conviction that building a strong performance culture is based on achieving small improvements every day. Our new organizational structure and modified working methods were implemented to ensure a more focused, scalable and profitable business moving forward, which in turn will enable us to invest and add new acquisitions in line with our core businesses.

Business performance 2018

In 2018 we proved the importance of our well-diversified market exposure, aftermarket presence and cost control. Net sales grew by 30 percent and EBIT before items affecting comparability increased by 44 percent, generated by good growth, acquisitions and efficiency improvements.

I am pleased to see the continued robust performance in Aftermarket, with total growth of 31 percent. It remains a prioritized area for Dometic as we strive to build a business less exposed to short-term changes in demand and the macroeconomic environment. We strengthened our presence and relevance in the Aftermarket with the acquisition of Kampa in December. The acquisition was part of our strategy to strengthen our Aftermarket position through complementary products and strong market presence. The trend for our Mobile Cooling offering remains positive, and I am particularly pleased with the progress in the US where we are rapidly expanding our market presence through new channels and seeing a great response from end customers. We have also built a stronger organization for our Lodging business, taking it from a local affair to become a regional key account business that pays greater attention to the needs and requirements of our customers.

The OEM business continues to show good growth in most business areas, with total growth of 30 percent. Marine is outperforming underlying markets, driven by a strong offering and technology shift. CPV continued to show growth in EMEA and we also invested in building an organization in the US during the year. I am pleased to see the favorable market response and I anticipate many opportunities in CPV in the years to come. The RV industry experienced double-digit growth during the first half of 2018, followed by a weaker US RV market during the second half of the year. The US RV OEM market has been reaching all-time high numbers in recent years and a softening is inevitable at some point. We have taken measures to mitigate the volume decline by reducing capacity and inventory levels, building a more flexible structure and becoming more efficient in supply chain and logistics. We are still optimistic about the underlying trend for RV, with increased interest in outdoor living among new demographics, but we are also actively working to reduce our exposure to the RV industry and grow faster in other business areas to build a stronger company in the long-term.

The acquisition of SeaStar has proven successful and I am extremely satisfied with the integration process and performance during the year. SeaStar provided us with the foundation to establish a stronger global Marine business, and in 2018 we have come a long way in integrating our Marine operations. This development is key to becoming even better at product innovation, finding synergies and using our combined capabilities to accelerate our endeavor to build strong positions in the global Marine market.

Sustainability increasingly important

A well-defined sustainability agenda is crucial to our ability to create increased customer value, become more efficient and productive, and be an attractive employer. In 2018, Dometic intensified its sustainability efforts. We set clear management team ownership of our four sustainability focus areas Products, Environment, Ethics and People. We also set new, well-defined three-year targets in each area. Furthermore, we took measures to increase internal awareness through e-learning and employer surveys. We will continue to focus on sustainability going forward and we remain committed to the ten principles of the UN Global Compact.

Building for the future

In 2018, I visited most of our factories and local offices, met a large number of employees around the world and became acquainted with a company built on deep technological expertise, an understanding of the market and pride in its successful performance. I also saw a company prepared for the next phase in its development, ready to take the next step from being the clear local market leader to becoming the global shaper of the Mobile Living industry.

We have much more to do, and I am confident that we are moving in the right direction. We are well on track in building processes and structures for continuous improvements throughout our operations to achieve even more stability, profitability and growth. With our recent changes, clear vision and strategy, as well as our decentralized and coordinated setup, we have established a foundation for influencing and driving long-term market trends, while dealing with short-term challenges in this fast-moving business climate. We will continue to develop a strong market presence, improve our results and market position, and continue to be an attractive company for both employees and investors.

Finally, I would like to thank you, our customers, partners and employees, as well as our shareholders for your great trust and engagement. Without you, our success today and tomorrow would not be possible.

Stockholm, March 2019

Juan Vargues
President and CEO

Net sales growth 2018

30%

EBIT growth 2018[1)]

44%

Operating cash flow

51%

[1)] Operating profit (EBIT) before items affecting comparability

MOBILE LIVING – A GROWING INDUSTRY DRIVEN BY GLOBAL TRENDS

Demand for Dometic's products is driven by strong, global leisure trends, technological developments and new demographics. The growing interest in an active outdoor lifestyle, in combination with Dometic's increased presence in professional applications, creates opportunities to offer smarter, innovative products for mobile living. Dometic is currently the world-leading supplier with products sold in more than 100 countries worldwide.

Over the years, Dometic has identified niche areas within mobile living that benefit from the growing interest in an active outdoor lifestyle that offers both comfort and convenience. Around the world, people are spending more time and money on activities related to the outdoor life industry than ever before. A similar trend can also be seen in professional applications, where commercial vehicles are being equipped with more products to make life more convenient for drivers and operators. By using its global resources to develop innovative solutions and increase its local presence, Dometic will continue to build a strong position in key applications across the globe.

Global market trends

The mobile living industry has benefited from positive market trends since economies started to recover from the financial crisis. Key drivers for Dometic, though they may vary in different markets, are:

A more active outdoor lifestyle
- Health awareness
- Outdoor activities

Growth among new demographics
- Millennials
- Young families

Increased level of technology and comfort
- Higher product requirements
- Connectivity and digitalization
- Mobile deliveries

Macroeconomics
- Increased wealth and consumer confidence
- Low interest rates

Today, demand for products related to mobile living is growing across all age groups. New technologies and improved products are also playing an increasingly important role, with growing demand for connected solutions and increased demand for quality, functionality and design. The mobile living market is also affected by the general macroeconomic environment, financing costs and interest rates, fuel prices and weather conditions.

Leading player in a fragmented environment

Dometic competes in an environment characterized by a high degree of local fragmentation, a small global footprint and low level of industrialization. Dometic holds market-leading positions in all key product areas, with 80 percent of sales coming from product categories in which the company ranks first or second. Dometic has a clear ambition to further elevate industry standards on manufacturing, global product platforms, automation, digitalization and customer relevance. Strong brands will be at the forefront on global markets, aimed at well-informed consumers who set high demands for both products and the companies behind them.

Dometic has a presence in the OEM and Aftermarket areas of RV, Marine, CPV, Retail and Lodging, and encounters different competitors and customers in each business area. Although there has been some consolidation in recent years, the competitive landscape is typically limited to a handful of regional players within each product segment and business area. Some of the most important competitors are Brunswick (Marine), IndelB (CPV), Thetford (RV), Truma (RV) and Lippert Components (RV).

RV

The main driver for the RV market is the number of manufactured RVs and trailers as well as the installed base and product replacement cycles. Demand depends on structural factors such as lifestyle trends and demographic development, as well as on cyclical factors such as GDP growth and financing costs. Dometic has a strong position with RV manufacturers and an unparalleled Aftermarket network around the world.

+ 7%*

MARINE

The market for Marine is affected by the number of boats built, the installed base and technology shifts in a number of areas. Marine Aftermarket has a favorable sales split of replacement products and spare parts. GDP growth, financing and ownership trends have a large impact on demand.

+ 215%*

CPV

The market for CPV is largely driven by the degree of product penetration and to a lesser extent by sales of new trucks and passenger vehicles. The truck industry is increasingly focused on improving the driver experience by installing products such as microwaves and refrigerators to make life on the road more comfortable. For similar reasons, there is increased interest among automotive manufacturers to install products for greater comfort in passenger vehicles.

+ 12%*

RETAIL AND LODGING

The Retail business is dependent on several different drivers, such as increased interest in outdoor lifestyle and more convenient and smart solutions. E-commerce and digitalization offer new Retail opportunities. Lodging is driven by increased travel and new hotel constructions, the installed base and technology development to reduce noise and energy consumption.

+ 12%*

* Total growth

MAKE MOBILE LIVING EASY

MISSION

Dometic's mission is making Mobile Living easy. It is all about providing products, solutions and services that fulfill the needs and expectations of the customers.

ASPIRATIONS

Already today, Dometic is a fantastic success story. But there are many opportunities to improve the company in all areas. Dometic wants to further accelerate its financial performance, while at the same time create an even stronger global industrial group that can offer employees new opportunities to grow with the company in a successful and positive environment.

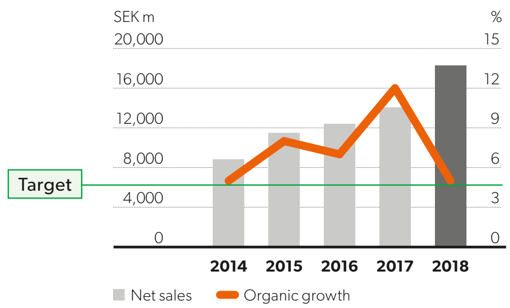
In other words, Dometic wants to offer all stakeholders – including employees – an even better future.

The Group Management stands unanimously behind ambitious aspirations for the coming years:

- Build a strong, global industrial group
- Further strengthen the position as the undoubted market leader and the global shaper of the Mobile Living industry
- Reduce volatility exposure to secure a more stable journey towards the financial targets
- Create opportunities for personal development through continous growth.

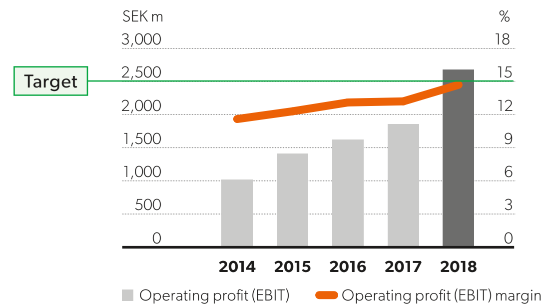
FINANCIAL TARGETS

Growth
Target: Net sales growth of 5 percent at constant currency excluding larger acquisitions



Comment: Full year 2018 organic growth of 5 percent due to continued good development in underlying markets and a more diversified exposure.

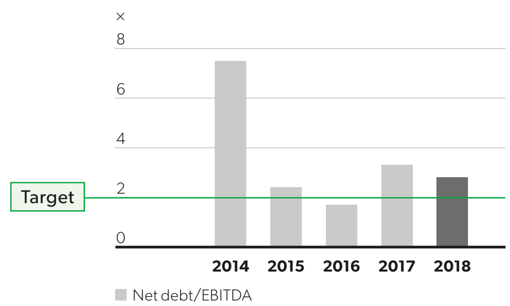
Profitability
Target: Reported operating profit (EBIT) margin of at least 15 percent*



Comment Operating profit (EBIT) margin improvement of 44 percent, corresponding to a margin of 14.7 percent. Profitability improvements in EMEA and APAC through efficiencies and pricing.

* Operating profit (EBIT) before items affecting comparability

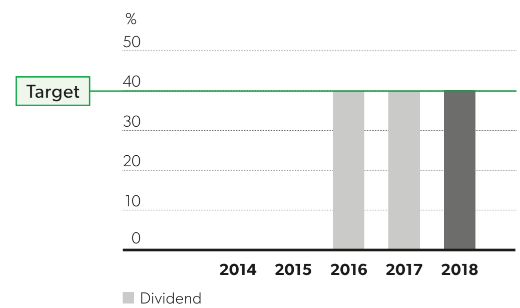
Leverage
Target: Net debt/EBITDA around 2.0x*



Comment Leverage of 2.8x by end of 2018, compared to 3.3x at the end of 2017. Continued strong cash generation.

* Excluding larger acquisitions and effects from FX.

Dividend
Target: Distribute at least 40 percent of net profit in dividend



Comment: Proposed dividend of SEK 2.15 (2.05) per share for 2018, corresponding to a payout ratio of 40.4 percent of net profit.

HOW DOMETIC CREATES VALUE

GLOBAL TRENDS & RESOURCES

GLOBAL TRENDS

- Leisure focus
- Market consolidation
- Sustainability is a necessity
- Emerging market prosperity
- Digitalization and e-commerce
- Mobile deliveries

RESOURCES

- 80 percent of net sales are within product areas in which Dometic ranks first or second
- Strong brands in many attractive markets and product groups
- Large installed base and growing Aftermarket opportunities
- Well invested asset base
- Strong balance sheet/Equity
- Strong cash flow generation
- High return on operating capital
- 7,991 employees
- Own sales offices in 30 countries
- 27 manufacturing and assembly sites in 12 countries
- Raw materials, components, chemicals, water and energy

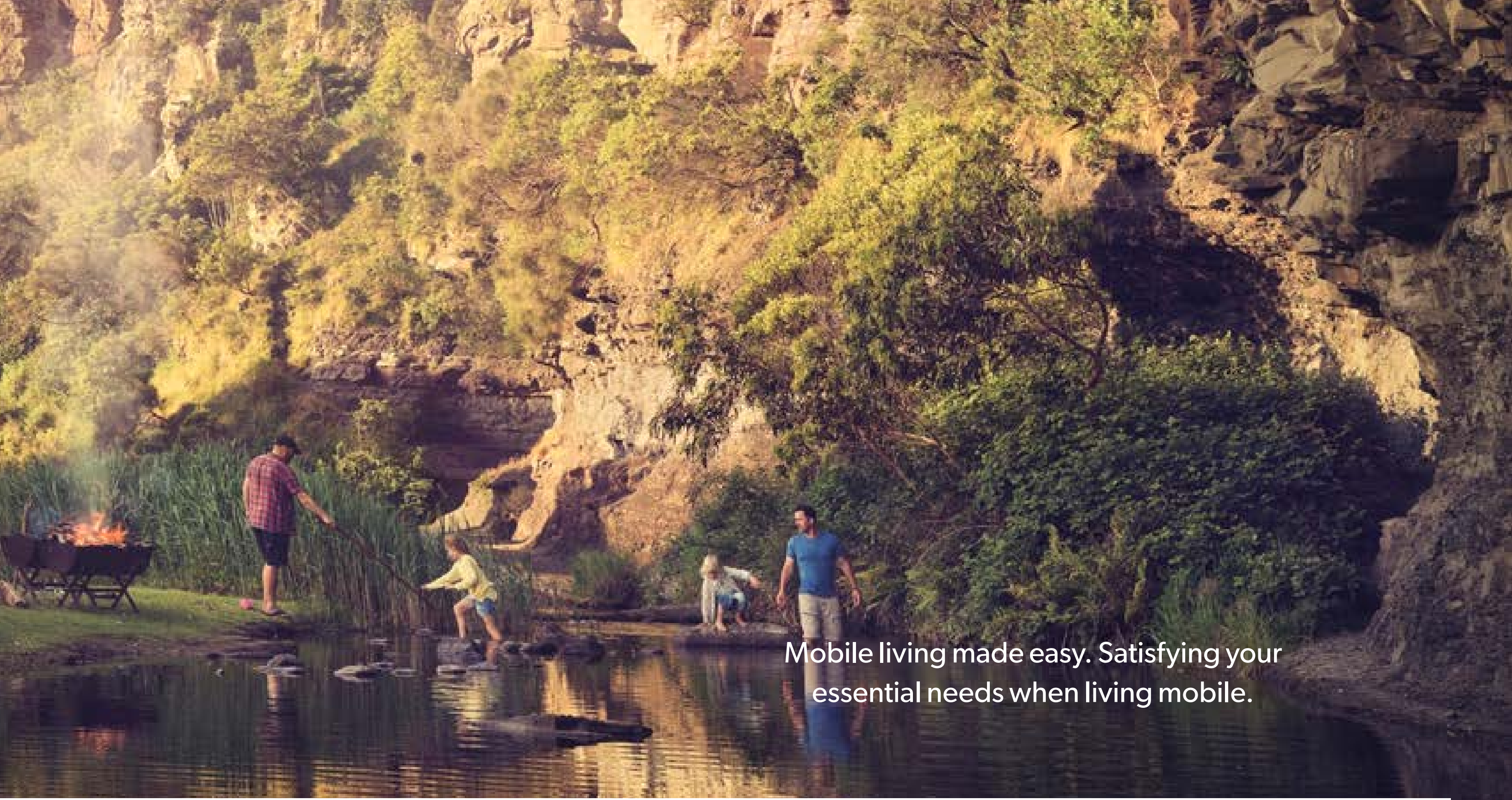
STRATEGY AND BUSINESS MODEL

PROFITABLE EXPANSION IN MOBILE LIVING

- Expand Mobile Living scope through acquisitions
- Increase presence in Marine and RV Aftermarket
- Expand Retail businesses
- Expand professional equipment and services globally

PRODUCT LEADERSHIP THROUGH INNOVATION

- Smart and reliable products with outstanding design
- Global products and modularity
- Design for consumables, service parts and upgrade kits



CREATED VALUE

CONTINUOUS COST REDUCTIONS

- Complexity reduction in everything Dometic does
- Common processes and continuously improved competitiveness
- Optimize manufacturing and distribution footprint
- Digitalization

BUILDING TOGETHER

- Common values
- Global talent pool and development
- Strong leadership skills on all levels of the organization
- Employee engagement
- Common Toolbox for Execution

FOR CUSTOMERS

- Smart and reliable products with outstanding design
- Quality throughout the value chain
- Many new products in 2018
- R&D expenditure SEK 350 m; 1.9 percent of net sales

FOR SHAREHOLDERS

- Strong profitability and return
- Growth strategy with considerable value growth potential
- Profit for the year SEK 1,576 m
- Earnings per share: SEK 5.33
- Dividend of at least 40 percent of reported net profit

FOR EMPLOYEES

- Jobs
- Professional development and growth
- Salaries and remuneration SEK 2,712 m

FOR SUPPLIERS

- Long-term relationships and job creation
- Purchase of direct material of approx. SEK 8,500 m

FOR THE COMMUNITY

- Reduced energy consumption and environmental impact through recycled materials. In 2018, energy consumption as percent of net sales improved by 1.2 percentage points to 4.2 percent compared to 5.4 percent in 2017
- Reduced water consumption and less waste with smart sanitation solutions for boats
- Social security costs, pension costs and income tax of SEK 790 m

STRATEGIC JOURNEY

2001
DOMETIC SEPARATED FROM ELECTROLUX

2002
DOMETIC ACQUIRES **SEALAND**

2003
DOMETIC ACQUIRES **TME**

2004
DOMETIC ACQUIRES **TUS**
DOMETIC ACQUIRES **POLARBAY**
DOMETIC ACQUIRES **OYSTER**

2006
DOMETIC ACQUIRES **ESKIMO ICE**

2007
DOMETIC ACQUIRES **SMEV**
DOMETIC ACQUIRES **WAECO**

WHERE WE COME FROM

Dometic's heritage is primarily within cooling technology for the cooling technology for leasure applications. Over the years, over 40 acquisitions have been completed to broaden the product portfolio, increase market presence and enter new business areas to build global leadership in the area of Mobile Living. Today, Dometic offers a wide range of RV, CPV, Marine, Retail and Lodging solutions.

Dometic has successfully built a strong sales organization while expanding into new areas and building an Aftermarket business to lessen exposure and reduce cyclicality. Over the past five years, Dometic's sales have grown by more than 100 percent and operating profit by 150 percent.

In order to continue the journey of profitable growth, Dometic is now taking the next steps in its journey to industrialize the company and truly elevate every part of the organization, from operations and manufacturing to sales, product innovation and digitalization.

Let's enjoy the journey.

"Over the past five years, Dometic's sales have grown by more than 100 percent and operating profit by 150 percent"

2018
DOMETIC ACQUIRES
KAMPA

2017
DOMETIC ACQUIRES
OCEANAIR

DOMETIC ACQUIRES
SEASTAR SOLUTIONS

2016
DOMETIC ACQUIRES
IPV

DOMETIC DIVESTS
THE SEATING AND CHASSIS BUSINESS OF ATWOOD

2015
DOMETIC IS LISTED ON
NASDAQ STOCKHOLM

DOMETIC DIVESTS ITS
MEDICAL BUSINESS

2014
DOMETIC ACQUIRES
PROSTOR

DOMETIC ACQUIRES
ATWOOD

2013
DOMETIC ACQUIRES
LIVOS TECHNOLOGIES

2011
DOMETIC ACQUIRES
DG LINE GROUP

THE STRATEGIC JOURNEY HAS BEGUN

DOMETIC TODAY

- Global market leader in Mobile Living
- 39 percent Aftermarket sales
- Focus on consumer applications
- Fragmented supplier base
- 27 manufacturing and assembly sites in 12 countries
- High degree of manufacturing in developed markets
- Fragmented IT solutions
- Local R&D centers
- High degree of local and application-specific innovation

DOMETIC TOMORROW

- Further strengthen position as global market leader and shaper of the Mobile Living industry
- Well-diversified industry exposure through expansion in areas outside RV and increased Aftermarket presence
- Increased exposure to professional applications
- Fewer suppliers with more global reach
- Optimization of manufacturing footprint, with final assembly close to customers
- High degree of manufacturing in low-cost countries
- Fully coordinated and common IT solutions
- Global centers of excellence for global products and global technologies

THE DOMETIC STRATEGY

To succeed in the mission – making Mobile Living easy – Dometic has a strategy aimed at profitable growth that will be realized through the following priorities: Profitable expansion in Mobile Living, Product Leadership through Innovation and Continuous Cost Reductions. The strategy will be implemented through dedicated teamwork involving all employees. Dometic calls the foundation of the strategy "Building together," with the aim of enabling all employees to make it happen.

PROFITABLE EXPANSION IN MOBILE LIVING

- Expand Mobile Living scope through acquisitions
- Increase presence in Marine and RV Aftermarket
- Expand Retail businesses
- Expand professional equipment and services globally

PRODUCT LEADERSHIP THROUGH INNOVATION

- Smart and reliable products with outstanding design
- Global products and modularity
- Design for consumables, service parts and upgrade kits

CONTINUOUS COST REDUCTIONS

- Complexity reduction in everything Dometic does
- Common processes and continuously improved competitiveness
- Optimize manufacturing and distribution footprint
- Digitalization

BUILDING TOGETHER

COMMON VALUES	GLOBAL TALENT POOL AND DEVELOPMENT	STRONG LEADERSHIP SKILLS ON ALL LEVELS OF THE ORGANIZATION	EMPLOYEE ENGAGEMENT	COMMON TOOLBOX FOR EXECUTION

PROFITABLE EXPANSION IN MOBILE LIVING

Dometic has a unique position in the growing Mobile Living market. This provides an excellent opportunity to expand the market scope, as well as to grow stronger in the existing business areas. Dometic aims to always be the first choice of end customers. With an increasingly global and competitive environment and extremely well-informed customers, this is an ambitious aspiration.

EXPAND MOBILE LIVING SCOPE THROUGH ACQUISITIONS

A balanced combination of organic growth and strategic acquisitions will continue to be important in further strengthening Dometic's leadership position in Mobile Living. Strategic acquisitions have been important to create the true global player Dometic is today. Carefully selected acquisitions will continue to enable synergies and scalability, while due diligence and integration processes will be further systematized.

INCREASE PRESENCE IN MARINE AND RV AFTERMARKET

Dometic has a unique portfolio of products for recreational vehicles and leisure boats and a strong distribution network with thousands of distributors, dealers and retailers around the world. This provides Dometic with a great opportunity to grow and gain market share through a more sophisticated approach to segmentation and channel management, increased service content in the products, and a more advanced approach to spare parts and service management.

EXPAND RETAIL BUSINESSES

Today, Dometic offers a rapidly growing range of retail products that do not require professional installation, such as the mobile cooling boxes, wine cabinets and products for car and truck owners. With the mobile cooler as the anchor product, Dometic is actively pursuing various opportunities to further grow the retail business through a combination of organic initiatives and acquisitions.

When implementing this strategy, it is essential that Dometic achieves world-class status in terms of developing platforms and solutions for the rapidly growing e-commerce arena – for both business-to-business and business-to-consumer.

EXPAND PROFESSIONAL EQUIPMENT AND SERVICES GLOBALLY

Dometic's various professional equipment businesses, such as Lodging, air-con service stations and products in the truck driver comfort segment, typically involve long-term customer relationships, with a steady need for spare parts, service and consumables.

Historically, Dometic has had a regional approach to the professional businesses. However, the company is now actively trying to develop a global approach to product development, sales and marketing to drive growth. Additionally, Dometic sees several opportunities to strengthen the professional equipment portfolio through acquisitions.

Strategic tools for profitable expansion in mobile living

BRANDING	SEGMENTATION AND COMMERCIAL SPECIALIZATION	PRICING
MARKETING	CHANNEL MANAGEMENT	ACQUISITIONS
	E-COMMERCE	

PRODUCT LEADERSHIP THROUGH INNOVATION

Innovation is the most important driver for continued organic growth and long-term competitiveness. Therefore, product development and innovation are crucial to Dometic's strategy. The company can only strengthen the product leadership through a coordinated approach to resources and investments.

SMART AND RELIABLE PRODUCTS WITH OUTSTANDING DESIGN

The fundamental question should always be "what does the end customer really need?" To find out, Dometic needs to listen carefully to the customers and understand their needs – even the unarticulated ones – for products, services, support and delivery. Identifying and defining relevant customer benefits at an early stage of product development will ensure that they will be integrated at minimum cost.

The product management organization has a pivotal role to ensure that Dometic has the right pipeline. This role includes responsibility for market intelligence, idea generation, product roadmaps, sales support development and product phase-outs. The Dometic Product Development Process (DPDP) enables an increasingly even flow of reliable, high-quality and value-creating projects. Dometic will continue to develop robust tools and processes that can be shared throughout the organization.

GLOBAL PRODUCTS AND MODULARITY

Dometic's strategy is to gradually move toward a more global approach to the product portfolio and the first initiatives are already in progress. The technological know-how within Dometic is comprehensive. To further benefit from the collective skills, the Group has decided to invest in three global technologies: electronics, connectivity and cooling. Similarly, the default approach to product development will be to make global products that are based on modular platforms and common components. This journey has started with three important product categories: refrigerators, air conditioners and mobile cooling.

The development of global technologies and products will be managed on a global basis at the Centers of Excellence. Small development centers will be consolidated into larger units, and each center will be specialized.

DESIGN FOR CONSUMABLES, SERVICE PARTS AND UPGRADE KITS

Historically, the focus has been on improving product performance, product quality and product cost. However, there is an untapped opportunity to complement this focus with an even stronger aftermarket offer. The aftermarket offering includes consumables, service parts and upgrade kits for both professional and private customers.

Strategic tools for product leadership through innovation

VOICE OF THE CUSTOMER

ROBUST COMMON TOOLS AND PROCESSES

MODULARITY THROUGH PLATFORMS

PRODUCT MANAGEMENT

PRODUCT DEVELOPMENT PROCESS

QUALITY FROM START

GLOBAL APPROACH WITH CENTERS OF EXCELLENCE

CONTINUOUS COST REDUCTIONS

To further increase Dometic's competitiveness, reducing costs is key. Cost reductions will be achieved by eliminating waste and inefficiencies, while leveraging the benefits of digitalization and automation.

COMPLEXITY REDUCTION IN EVERYTHING DOMETIC DOES

The size, business scope and global reach have many benefits, but also create a high degree of complexity. Therefore, unnecessary complexity needs to be reduced in order to create a truly efficient, agile and more innovative company.

Dometic has initiated complexity reductions throughout the organization, including areas such as IT infrastructure, administrative procedures, testing protocols and number of legal entities, sites, brands, suppliers and unique articles.

COMMON PROCESSES AND CONTINUOUSLY IMPROVED COMPETITIVENESS

Lean methods are crucial for operational excellence and will help improve Dometic's competitiveness. A lean organization creates more value for customers while using less resources and focusing on continuously increasing customer value and eliminating inefficiencies. At Dometic, this includes everything from manufacturing and product development to sales, administration, IT and logistics.

OPTIMIZE MANUFACTURING AND DISTRIBUTION FOOTPRINT

Optimization of manufacturing operations is essential for realizing cost reductions. The ability to have a flexible infrastructure, adapt quickly to seasonality and cyclicality and be asset-light is key. In order to achieve this, Dometic will focus on reduced manufacturing in high-cost countries, seizing the benefits of low-cost countries, increased automation and assembly orientation.

The manufacturing footprint optimization will also include improved procedures and processes for sourcing. Dometic will reduce the number of suppliers and increasingly work with strategic partners that offer zero-defect sourcing. This will be a natural effect of strategically reducing in-house manufacturing, while increasing the value Dometic outsources.

DIGITALIZATION

Dometic has the following digital vision:
"Dometic will lead and transform the industry with a high degree of automation and a seamless flow in all areas – sales, manufacturing, administration, logistics and product development. Digital is the business model and the way Dometic does business."

To live this vision, four areas are prioritized:
- IT standardization, including a global ERP platform for the entire Group
- A collaboration platform to create an efficient and mobile organization
- Development of e-commerce and order handling to work more closely and efficiently with customers and suppliers, as well as to enter new sales channels
- Benefit from the Internet of Things with a focus on customer experience and new revenue streams.

Strategic tools for continuous cost reductions

COMPLEXITY REDUCTION

SOURCING EXCELLENCE

LOGISTIC AND WAREHOUSING EXCELLENCE

MANUFACTURING FOOTPRINT OPTIMIZATION

LEAN EXCELLENCE

DIGITALIZATION

AUTOMATION WHEREVER POSSIBLE

BUILDING TOGETHER

Everything Dometic does is about teamwork – across regions and between functions. Dometic believes that teamwork is essential for success. Good teamwork will not only make Dometic a successful company and a great place to work, but also support individual development for all employees.

Dometic can only achieve the company's aspirations by teaming up, following the Dometic Way, living the core values and acting in line with the strategy. Dometic offers employees the infrastructure for a career, and enables professional development and growth. The company also embraces talent management and improved internal communication and interaction.

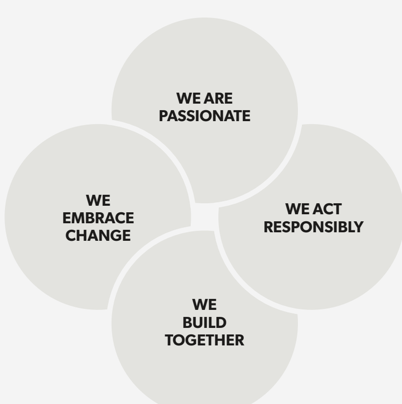
Dometic's aim is to develop an organizational culture based on employeeship. This means that taking responsibility, showing loyalty and being innovative should characterize the company's culture. This mindset will help create the teamwork and partnership that will stimulate involvement and participation from all employees.

THE DOMETIC WAY

The Dometic Way is the essence of the corporate culture and is based on Dometic's four core values. It consists of seven guiding principles that tell all employees how to behave and how to act in daily working life. It can be used as a guide that helps us make the right decisions.

1. Dometic puts health and safety first, acts with integrity and has high ethical standards in everything Dometic does.
2. Dometic is passionate about the products and their quality and Dometic shows attention to detail.
3. Dometic is fast and responsive to customers.
4. Dometic understands the end users of the products.
5. Dometic focuses on what is best for the company as a whole.
6. Dometic is performance-driven and always strives toward continuous improvement.
7. Dometic is true to its word and works as a team.

Core values



Four core values define what it takes to work at Dometic. They guide the employees on how to interact with each other, as well as with external stakeholders.

- **We are passionate:** We are proactive and curious, inspired by new technologies and ideas – and eager to share expertise with customers.
- **We act responsibly:** We are professional and reliable. By considering the customer perspective, we develop long-term, rewarding business relations that help customers make Mobile Living easy.
- **We build together:** Everything we do is about teamwork – across regions and between functions. No individual or organization is perfect, and we need each other to create a successful business – for the benefit of all our stakeholders and to achieve the financial targets.
- **We embrace change:** We listen to the customers and their customers. This forms the basis for creating innovative, futureproof solutions. We always strive to find new and better ways of doing what we do.

INNOVATION – THE KEY TO PROFITABLE EXPANSION

Dometic has a unique position in the growing Mobile Living market. This gives us the opportunity to expand the market scope, as well as to grow stronger in the existing businesses, through innovation and product development. Dometic aims to provide products, solutions and services that fulfill the needs and expectations of the customers. With an increasingly global and competitive environment and extremely well-informed customers, this is an ambitious aspiration.

PRODUCT LEADERSHIP

Dometic is a product-driven company committed to making mobile living easy. Dometic strives to maintain and build product leadership within the main product categories:

Food & Beverage: Refrigerators and coolers, as well as stoves, ovens, microwaves and coffee machines.

Climate: Temperature control in recreational vehicles, boats and trucks, such as air conditioning, awnings and ventilation.

Power & Control: Dometic offers a full range of electrical and control solutions, including steering systems, inverters, generators and chargers.

Safety & Security: The product range includes security doors, alarms and safes.

Hygiene & Sanitation: Solutions for recreational vehicles and boats such as toilets, pumps and accessories.

New demands for convenience and accessibility drive the need for products that work together through modularity, connectivity and common platforms.

UNDERSTANDING THE NEEDS OF THE PARTNERS AND CUSTOMERS

In 2018, the Product Management organization provided more systems and tools for strategic insights into the markets to increase the understanding of the true needs of Dometic's customers. This information is crucial in the development process to allocate adequate resources and in the ongoing evaluation of the project pipeline.

A good understanding of end users and their expectations is also crucial for product designers to make the right choices between all parameters such as weight, size and performance.

This more focused approach based on market insight enables Dometic to continue to develop more sustainable solutions using less raw materials, consuming less energy and optimizing production and sourcing.

PRODUCT DEVELOPMENT ORGANIZATION

Any growing company needs to continually reevaluate existing structures and working methods. During the year Dometic introduced a new, more focused organization to further clarify the separation between global and regional product development. Global coordination makes it possible to become an even more innovative company, in which Dometic can increase the speed of the innovation process, attract key talent and create true value for the partners and end customers.

Dometic has identified three global product areas: Refrigeration, Air Conditioning and Mobile Cooling. The aim is to have common processes down to the production technology and tooling levels. A first step can be seen in the 2017/2018 launches with three manufacturing sites sharing components and assembly processes. This first step is important for the future and for more globally coordinated product development.

In addition to global product areas, Dometic has identified three global technologies to be coordinated globally: electronics, connectivity and cooling technology. Global centers of excellence with full responsibility for the Group will be established to create a scalable innovation process across the business areas.

The global centers of excellence are vital in the effort to improve efficiency through modularization, complexity reduction, product pruning and use of common processes. Dometic will increase the level of innovation and impose necessary cost controls. The global centers will also provide a good starting point for the common connectivity agenda, including standardization of interfaces, communication protocols and hardware reference design. The common connectivity agenda will ensure compatibility and the ability to apply a "plug and play" approach to all of the devices in Dometic's vast product portfolio.

This change is a profound challenge for how Dometic's around 250 engineers work together, but also creates great opportunities for new ideas and becoming a true innovator in the industries.

CHALLENGING ESTABLISHED MINDSETS

After the successful rebranding campaign and the creation of a visual identity for the Group, Dometic is now ready to take the next step to broaden its scope by targeting three areas:

- Connectivity
- Sustainability
- Modularity

Dometic will focus on the main product categories, where there is great potential to change the industry and the ways in which products are used. By introducing modularity the company will be better able to provide both OEM and AM with the right products for the right purpose, where product upgrades, serviceability and product differentiation need to be built into the products. Dometic is also applying a broader approach to synergies between products, from shared accessories to more complex product functionality through connectivity platforms.

This is key to the transformation into a more innovative, flexible and scalable organization. Although the process was initiated in 2018 and will be integral to the company's strategic direction in the coming years.

R&D investments and % of net sales

1.9%

SEK 350 m

DOMETIC PLB40

The Dometic PLB40 with its design concept brings a completely new product category to the market. Powered by Lithium Iron Phosphate (LiFoPo4), this portable power pack is among the most compact and lightweight in its class while delivering unparalleled power performance. Robust, outdoor-proof construction with ergonomically designed stainless steel carry-handle makes the Dometic PLB40 easy to carry and use in multiple environments from family camping to the most rugged expeditions. Last but not least, convenient three-way charging allows users to charge the battery on the go, eliminating the need for a dual battery set-up.

ELECTRIC STEERING PLATFORM

Highest power density and durability for most refined marine steering control.
State-of-the-art facility for high-precision manufacturing for critical marine components.

PRO-PEDAL MARINE FOOT THROTTLE
- Compatible with all marine engine manufacturers.
- New innovative features such as universal cable connection system, integrated slide plate, and adjustable throttle sensitivity.

MAXIMUS DIGITAL SWITCHING PLATFORM
- Controls entire boat electrical systems and batteries with remote key fobs.
- Designed for high volume production boats.

SEASTAR GEN II JACKPLATE
- Designed to handle 400 HP engines in all setbacks.
- Product improvements include simplified installation, better corrosion protection and lower weight.

NEW GENERATION ROOFTOP AIR CONDITIONER

The Dometic IBIS 4 sets a new standard for air conditioning in the mobile living market thanks to several refinements made from the acclaimed IBIS 3. The IBIS 4 features a powerful dual-cylinder inverter compressor, the first for the RV industry, which is more balanced and reduces the level of vibration. In addition to this, the inverter technology allows the IBIS 4 to increase or decrease speed as required, resulting in lower power consumption.

MEET THE AMBASSADORS

Many people talk about living a simpler life, with fewer belongings, less stress and more time for what really matters. It usually stops at talk, but not for all. The ambassadors have embraced the dream of a different life and thrown themselves into living mobile. These are some of their stories.

Get to know them at dometic.com

TRAVELING MEANS THE WORLD

To German photographer Anna, combining work with travel is a pleasure and a privilege, not to mention a dream come true. As soon as a destination is ticked off the checklist, ideas for new adventures emerge on the horizon for Anna and her boyfriend Timo.

"A particular favorite, and absolutely essential on road trips, is our 32-litre CFX-35W cooler. We only use Dometic batteries and energy solutions, ensuring they have access to power whenever and wherever they need it."

SAILING UMA

Dan and Kika are a young architect couple committed to learning as much as possible about themselves, each other and the world – by traveling the world in Uma, a 36-foot yacht. They believe architecture and travel go hand in hand, and that the best way to learn isn't through books, but by being present, experiencing different cultures and different ways of building around the world.

"We've gradually installed equipment that matches our lifestyle – from suppliers we trust. Dometic products include a toilet, freezer and an alcohol stove."

THE AKELA JOURNEY

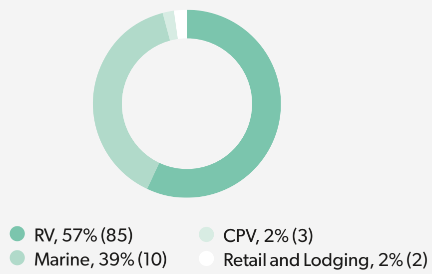
Leander and Maria have always enjoyed traveling and exploring the world, and they have created their own solution for the best way to travel with a child, backpacks full of gear and photography equipment – on a limited budget.

They left the Alps in Austria – where they come from – to head out on a several years long journey to the Southern Alps of New Zealand. To accompany them – while providing shelter, protection and transportation – is their lead wolf, Akela. Inspired by the Jungle Book, Akela is the name the family chose for their trusty old truck.

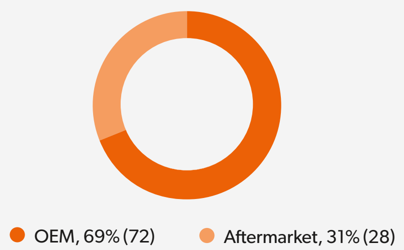
"We got the truck ready to take us half way round the world. The extensive preparations included installing some windows from Dometic."

AMERICAS

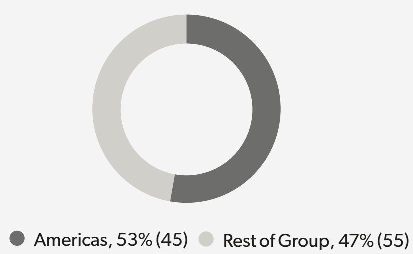
Net sales by business area



Net sales by channel



Region as a proportion of net sales



KEY FIGURES	2015	2016	2017	2018
Net sales, SEK m	5,538	5,749	6,329	9,758
Net sales growth, %	63	4	10	54
Organic growth, %	7	2	13	4
EBIT margin, %[1]	11.7	13.1	14.0	15.1

[1] Operating profit (EBIT) margin before items affecting comparability

BUILDING A BETTER-BALANCED BUSINESS AND A MORE EFFICIENT ORGANIZATION

"The Americas region saw a transformational year in 2018, including the integration of SeaStar, accelerated activities within the CPV and Retail business areas and normalization of the RV OEM market during the second half of the year. In combination with several operational initiatives, the region reduced exposure to one business area and became more efficient as an organization."

Scott Nelson – President of region Americas

Net sales, SEK m	Organic growth	Average number of employees
9,758	**+4%**	**2,632**

Americas reported growth in all businesses in 2018, with performance being particularly good in Marine, Retail and CPV. RV OEM experienced a very strong first half of the year, followed by a softening in the second half of 2018. Total sales increased by 54 percent, of which 4 percent was organic growth. Operating profit (EBIT) before items affecting comparability was up by 66 percent.

The SeaStar acquisition, which closed in December 2017, has developed in a successful way. In combination with increased focus on establishing dedicated organizations in Retail and CPV, the Americas region will continue to reduce the exposure to the RV industry and build a more well-balanced regional split.

A number of key strategic priorities were initiated during the year, including integration of the SeaStar business, an increased focus on RV aftermarket, accelerating mobile cooling growth, successful new product launches and the preparation and design of a new ERP system that will be implemented during 2019.

Starting in the third quarter, Americas experienced headwinds with various rounds of tariffs imposed between China and the United States. The long-term impact on the region remains to be evaluated, but the immediate impact was mainly apparent in the air conditioning and mobile cooling product categories. Mitigation plans are being implemented to minimize the impact in 2019.

The acquisition of SeaStar in 2017 represents a strategic steppingstone and the platform for expanding in the Marine industry. SeaStar's strong position, driven by leading product innovation in steering systems, fuel systems and the digital integration markets, positions Dometic well as a leading OEM supplier and an Aftermarket provider. Historically, Dometic occupied a well-defined niche in the industry with primarily refrigeration, air conditioning, and sanitation products for the market for boats over 30 feet. SeaStar expands the market presence to the 15–30 foot boat market, which has experienced good growth for several years. Integration is proceeding according to plan, and the new and larger Dometic Marine organization will be well positioned to capture the underlying market growth and to drive innovation. As a result of the acquisition, Marine now represents 39 percent of the Americas revenue and the intention is to continue to expand going forward.

OEM

OEM accounted for 69 percent of total net sales in the region. Total OEM growth was 47 percent.

After a positive first half of 2018, the RV OEM market became more challenging during the second half of the year. Dometic maintained a strong market position, driven by good performance in air conditioning, refrigeration, and awnings. Generally, the industry remains in growth mode, driven by a favorable economy and a growing interest in outdoor living, although the second half of the year experienced a reduced level of shipments in order to better balance field inventory. Important product launches included a new range of cooktops, the 9,200 awnings, and improved versions of the 6 and 8 cubic foot refrigerators.

Marine OEM grew in a good way, in line with the underlying market. The SeaStar OEM business outgrew underlying market as a result of the technology shift from mechanical to electronic and hydraulic steering solutions, continued focus on partner network and successful product innovation.

Building a CPV OEM business is a prioritized area in the years to come. During the year,

Dometic has invested in increased local presence and establishing a truly dedicated organization. Product development projects are also well underway with key automotive manufacturers for launches starting in late 2019 and beyond. The new product pipeline positions Dometic to take advantage of many opportunities in the coming years as demand for smart and convenient solutions continues to grow.

AFTERMARKET

Aftermarket accounted for 31 percent of total net sales in the region. Total Aftermarket growth was 72 percent.

Building an even stronger Aftermarket business has been a key focus in 2018. During the year, a new digital platform was developed for launch in 2019, enabling direct order entry, warranty submission and more streamlined processes. Actions on the operational side improved overall time delivery by 4 percentage points.

The RV Aftermarket business grew 6 percent, benefiting from industry momentum, new product introductions and channel expansion with key distributors. Investments have been made in improved market- based pricing tools to enhance competitiveness and become an even more professional partner to the dealer network.

The strategic decision to grow Retail generated 75 percent growth in 2018. A total of more than 500 retail locations were added during the year. Additionally, an E-commerce site was launched to allow customers to engage directly with Dometic and placing orders online. The Pathfinder project was launched in 2018 with the objective of targeting the 4X4 off-road enthusiast with mobile cooling products. Powered by a vehicle's DC battery or AC home power, the Dometic range of mobile coolers can refrigerate or freeze food and drinks without ice.

A multimarketing campaign was carried out that included digital advertising, an expanded retail presence, introduction of brand ambassadors, video development, and a field staff to expand product awareness. Dometic will continue to identify other product categories aimed at outdoor enthusiasts and expand the product portfolio in line with the vision of mobile living made easy.

CASE | NICHOLS OUTFITTERS
A NEW INNOVATIVE OFFERING IN MOBILE COOKING

Nichols Outfitters owns two retail locations in Birmingham, AL, and Pelham, AL. They opened in 2005 with the goal of providing customers with high-quality apparel, accessories and outdoor equipment. After several years of selling traditional coolers or ice chests, Nichols started selling Dometic as a premium alternative. Dometic offered a new concept on an otherwise stale market. "Cooler sales were trending down and Dometic offered an innovative way to develop revenue in a waning category" said Ryan Hand, General Manager. He describes the addition of this category: "The Dometic CFX very quickly morphed from an alternative to an outright replacement" for their customers.

Since powered coolers represented a new product category, Nichols relied on Dometic's dedicated team to train its staff regarding the benefits of the Dometic product line and how a powered cooler can improve the outdoor experience for customers – no ice needed, no more soggy sandwiches.

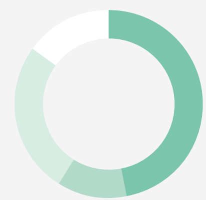
In addition to being passionate outdoor enthusiasts, the Nichols team is financially savvy and runs a very successful omni-channel business. Ryan states, "I really love being able to turn a profit with good products. Dometic takes care of us as a dealer" Nichols has also supported Dometic at regional industry events and has realized the benefit of Dometic's ever-growing presence on social media. Ryan states "Dometic's presence at consumer shows and its social media content really help drive consumer traffic to local dealers. Thank you for supporting your local dealers!"

"Cooler sales were trending down and Dometic offered an innovative way to develop revenue in a waning category."

Ryan Hand, General Manager Nichols Outfitters

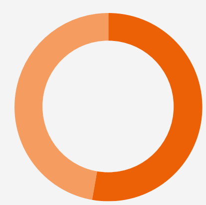
EMEA

Net sales by business area



RV, 47% (47)
CPV, 26% (26)
Marine, 12% (12)
Retail and Lodging, 15% (15)

Net sales by channel



OEM, 53% (53)
Aftermarket, 47% (47)

Region as a proportion of net sales

EMEA, 37% (43)
Rest of Group, 63% (57)

KEY FIGURES	2015	2016	2017	2018
Net sales, SEK m	4,479	5,093	5,962	6,706
Net sales growth, %	13	14	17	12
Organic growth, %	9	13	10	6
EBIT margin, %[1]	8.9	10.5	10.4	12.1

[1] Operating profit (EBIT) margin before items affecting comparability

BUILDING A STRONGER ORGANIZATION THROUGH INCREASED FOCUS ON OPERATIONAL EFFICIENCIES AND REGIONAL COORDINATION

"We continue to see an increased interest for outdoor living and demand for innovative solutions is growing. Aided by the successful implementation of the EMEA profitability improvement program and a more focused organization, the region captured underlying demand with improved profitability."

Peter Kruk – President of region EMEA

Net sales, SEK m	Organic growth	Average number of employees
6,706	+6%	2,448

Demand remains robust in the EMEA region, with sales growth driven by RV, CPV and good Aftermarket development. Total sales increased by 12 percent, 6 percent of which was organic growth. Operating profit (EBIT) before items affecting comparability increased by 32 percent. The profitability improvement program launched in October 2017 was implemented with good results and is expected to deliver further gains in 2019.

Dometic's well-diversified exposure to the various business areas provides a solid foundation for growth as interest in mobile living strengthens and technology content continues to increase, in combination with opportunities for strategic acquisitions. The important Central European market developed favorably, with growth in most business areas. Southern Europe remains in recovery phase; sales are growing, though still at a slower pace than before the financial crisis. Northern Europe performed well. Emerging markets in the Middle East and Africa are still small markets for Dometic, but interest in smart solutions for mobile living is growing.

In 2018 the region's profitability improvement program to reduce operational complexity was successfully implemented according to plan, with improved efficiency and better pricing discipline. As a result, more employees now focus on commercial functions, a consolidation of subcontractors was initiated in order to work with fewer and larger partners, and the organization implemented a migration to common spare part system during the year.

OEM

OEM accounted for 53 percent of total net sales in the region. Total OEM growth was 12 percent.

The RV OEM market in EMEA continues to grow to meet the rising interest in outdoor living across new and existing demographic groups. Dometic performed in line with the underlying market, with total growth of 10 percent. The trend toward increased demand from younger consumers entering the RV market for the first time continued. The rental market, which has a shorter replacement cycle, continued to grow at a high pace, creating good aftermarket opportunities. The world's largest RV trade show in Düsseldorf in August once again drew a record high number of visitors, highlighting the growing interest.

CPV OEM in EMEA reported total growth of 20 percent, driven by increased penetration in both the commercial and passenger vehicle segments. Increased penetration of Dometic's products in existing vehicle fleets is a key factor for growth. The growing trend toward better-equipped driving compartments for improved driver comfort and safety is noteworthy. Dometic continues to work in close cooperation with manufacturers to develop products that meet high standards for both quality and functionality. Demand for center-console cooling solutions increased during the year and Dometic's lengthy relationships with premium manufacturers in Europe create many opportunities as the market is expected to grow in the coming years.

Continued favorable market trends, good sales growth across all markets and key customer contracts, in combination with organizational development, have helped to further consolidate the leading CPV position with manufacturers and customers.

Marine OEM reported strong overall sales performance during the year, backed by an extremely beneficial show season. High interest and stand activity at the major boat shows contribute to an optimistic outlook for 2019.

Dometic has successfully capitalized on engineering and commercial synergies from the Oceanair acquisition as it reaches the final stages of integration, achieving higher than anticipated growth following the acquisition. Significant contract renewals are an acknowledgement of the technology leadership and client relationships. Dometic has secured a strong market share in the air conditioning sector and a new three-year exclusive supply deal with boat builder Sunseeker has strengthened a 30-year partnership. With previews already attracting positive feedback from manufacturers, an important launch for the new Slide-Out Kitchen at the METSTRADE trade fair reinforces the reputation for innovation and 'industry-first' announcements. The introduction of a new organization with a dedicated product management department is strengthening the way Dometic presents innovations and develops new products for the market, enhancing customer satisfaction by creating a clearer and faster process.

AFTERMARKET

Aftermarket accounted for 47 percent of total net sales in the region. Total Aftermarket growth was 13 percent.

Aftermarket growth was primarily driven by RV and Retail. The stronger focus on increased market presence, more specialized sales teams and product innovation generated results, and this work will continue going forward. RV Aftermarket grew double-digit due to continued channel expansion and increased focus within the organization. Dometic has an unparalleled aftermarket network in the region and will further expand the local presence and offering to become the most relevant partner for customers and end-users. During the year, a new spare parts sales platform was launched. This is a prioritized area of expansion, and the new platform enables the organization to increase the pace of spare parts expansion.

Dometic released several new products in the area of mobile cooling that were favorably received by the market. Retail was further strengthened by the acquisition of Kampa in December. Kampa is an ideal complement to the existing business by new product areas, a broader distribution network and strong market presence. Lodging continued to grow and Dometic will continue to build a strong key account ownership to further accelerate Lodging expansion.

CPV Aftermarket is today the second largest business in EMEA and developed in a good way during the year with good potential for further growth. The end-users in CPV are primarily professionals with high requirements on product quality and durability, but also service and product maintenance.

CASE | EMEA
A TRUSTED MARINE PARTNER

Yann Masselot, CEO LAGOON CNB, which is part of the Beneteau group – a world leader in catamarans up to 77 feet and builder of a range of monohulls from 66 to 76 feet, as well as custom-built monohulls up to 120 feet.

"Dometic is a reliable business partner for Lagoon, providing helpful advice and knowledge.

They want to be involved as early as possible when we launch a new product in order to offer innovations to their customers as quickly as possible".

As a leading player in the marine industry, Lagoon places high demands on product design and quality. Design must also meet the high standards of the end customer, inspire trust, and provide state-of-the-art technology to the marine industry. The introduction of the new Dometic Smart touch AC controller is a perfect example of enhanced functionality and added value for all stakeholders.

Equally important is the unique service and presence of local Dometic teams, ready to handle any questions or issues within a very short timeframe.

With high demand for increased cooling capacity, power supply is key. However, limited onboard space requires Dometic to think creatively to design more power-efficient solutions.

"Limited onboard space requires Dometic to think creatively to design more power-efficient solutions."

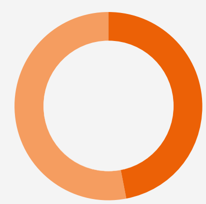
Yann Masselot, CEO LAGOON CNB

In the years to come, the market is expected to evolve from end users who are pure boating enthusiasts to people who own a boat as a second home. Comfort is therefore crucial. Dometic will strive to become even more invaluable to its Marine partners, offering efficient solutions for cooling, refrigeration, air conditioning and integration.

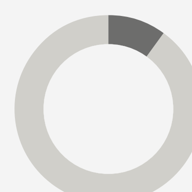
APAC

Net sales by business area

Net sales by channel



Region as a proportion of net sales



KEY FIGURES	2015	2016	2017	2018
Net sales, SEK m	1,400	1,546	1,753	1,810
Net sales growth, %	24	10	13	3
Organic growth, %	6	9	12	3
EBIT margin, %[1]	23.9	21.4	20.4	21.8

[1] Operating profit (EBIT) margin before items affecting comparability

FOCUS ON CAPTURING NEW OPPORTUNITIES AND OPERATIONAL IMPROVEMENTS

"Our main focus in 2018 has been to improve profitability in existing business areas, optimize the manufacturing footprint and evaluate new opportunities."

Chialing Hsueh – President of region APAC

Net sales, SEK m	Organic growth	Average number of employees
1,810	+3%	2,850

APAC reported a positive trend in 2018, with profitable growth in both OEM and Aftermarket. Total net sales increased by 3 percent, of which 3 percent was organic growth. Operating profit (EBIT) before items affecting comparability increased by 11 percent. Dometic continues to perform well on the important Australian market, driven by further strengthened market positions and successful launches of new products. New markets such as China, Korea and Japan showed strong growth. The focus on operational efficiencies and manufacturing optimization continued across the region.

The Pacific, accounting for about 80 percent of net sales in APAC, developed well in most business areas. Dometic maintained its strong position in the RV OEM market through new innovations, partnerships and an increased organizational focus. The leading positions in all main product categories in Australia create further opportunities to be the driving force behind product innovation and market development. The RV and Retail businesses remain important growth drivers. Dometic is gradually expanding its presence in other markets in selected business areas. During the year China showed strong double-digit growth, driven by RV. Coming from a small base, the RV market in China is expected to continue to grow in the years to come as more and more campgrounds are established with the necessary infrastructure at a good pace. An increased focus on e-commerce creates opportunities in Retail in China, building a more compelling offering in a competitive landscape.

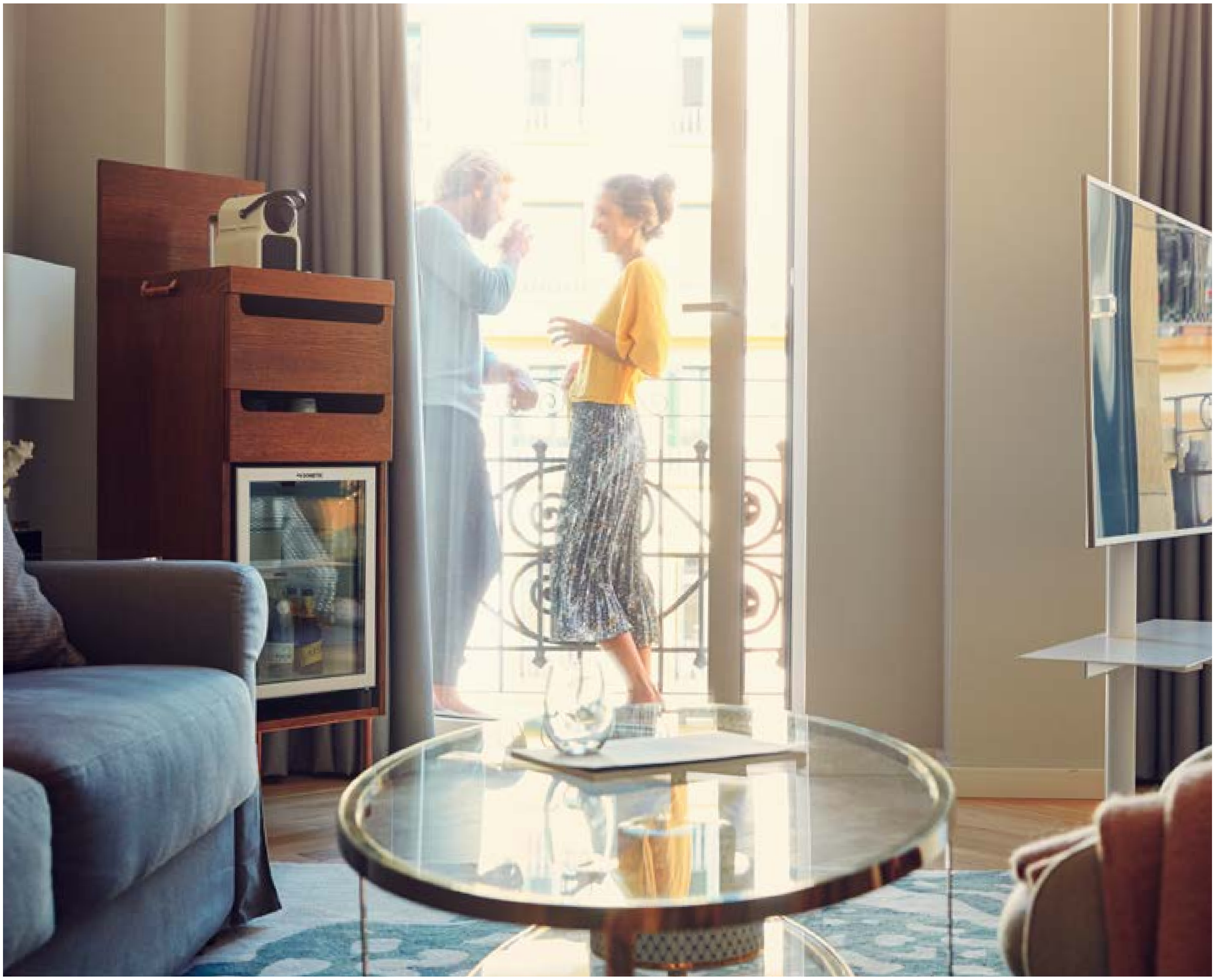
As an important supplier to the other regions, considerable attention has been dedicated to working closely with other regional teams to further optimize flows of products and components. Political decisions, raw material prices and currency movements have all created a need for even more coordinated operations and sourcing. During the year, two factories were consolidated in Shenzhen to further improve operational efficiency. Efforts aimed at continued optimization of the manufacturing footprint will be key to building a stronger and even more structured organization going forward.

OEM

OEM accounted for 47 percent of total net sales in the region. Total OEM growth was 1 percent.

Overall sales in RV OEM remained solid during the year. The underlying Australian market experienced a negative trend compared with the previous year. Dometic maintained a high market share in a competitive environment by releasing new products, with end-users appreciating and recognizing the value of Dometic's innovative solutions. The RV OEM market in Japan continues to demonstrate robust growth. Dometic is capturing market shares through continued strong relationships with leading manufacturers. The Chinese RV OEM market is still in an early phase, with interest in the RV-lifestyle growing in a strong way. Dometic is selectively targeting product categories with opportunities for innovation and good profitability.

CPV OEM in APAC focuses primarily on the Chinese luxury car industry, with products such as inverters, thermoelectric cup holders, and compressor-driven car coolers. The CPV OEM business has surged in China during the past years, mainly due to high demand for inverters in the automotive industry. In 2018, Dometic decided to discontinue part of the low-margin inverter sales business, while focusing more on profitable areas and evaluating new opportunities in CPV. Dometic sees good potential for future growth in China and will continue to strive for increased penetration and strong relationships with key customers in product



categories such as console fridges, rear seat fridges and cupholder coolers.

Australia, Taiwan and China are the key Marine markets in APAC. Growth was mainly driven by new air conditioning and sanitation products in Australia, while China and Taiwan showed a solid performance with good profitability. Expansion efforts in the professional segment are showing results, with secured contracts and promising indications going forward.

AFTERMARKET

Aftermarket accounted for 53 percent of total net sales in the region. Total Aftermarket growth was 5 percent.

RV Aftermarket grew in a good way in 2018, driven by high demand in Asia. The general Australian RV Aftermarket reported a stable performance and proving the Aftermarket resilience to swings in the OEM-market. Dometic has the largest RV service network in the vast Australian market, a key aspect for manufacturers and end users requiring prompt and professional help anywhere in the country.

During the year we finalized the process to find a Head of Marine for the region that will focus on developing the Marine business in the area and increase the presence of the Seastar products across the region.

Dometic holds a strong Retail market position in Australia and continued to consolidate its position among large retailers during the year. Demand for mobile cooling products remains strong in the Pacific but growing even faster in the rest of Asia. The Retail offer will continue to expand with products featuring smart user-friendly applications. Demand for mobile cooling products is also showing solid growth in the Korean retail market.

Lodging is performing well, withdouble-digit growth across the region. Dometic aims to build an even stronger organization around the Lodging-business and increase the pace of innovation in order to further strengthen the presence and capture the opportunities in this interesting business area.

CASE | RV OEM NEW AGE CARAVANS
FROM STRENGTH TO STRENGTH

New Age Caravans, Australia's second largest RV manufacturer, has enjoyed its tenth year of continued business with Dometic, the leading supplier of products to the mobile living market. By creating a strong relationship, New Age Caravans and Dometic have enjoyed continued growth within their businesses, while growing the recreation and outdoor industry.

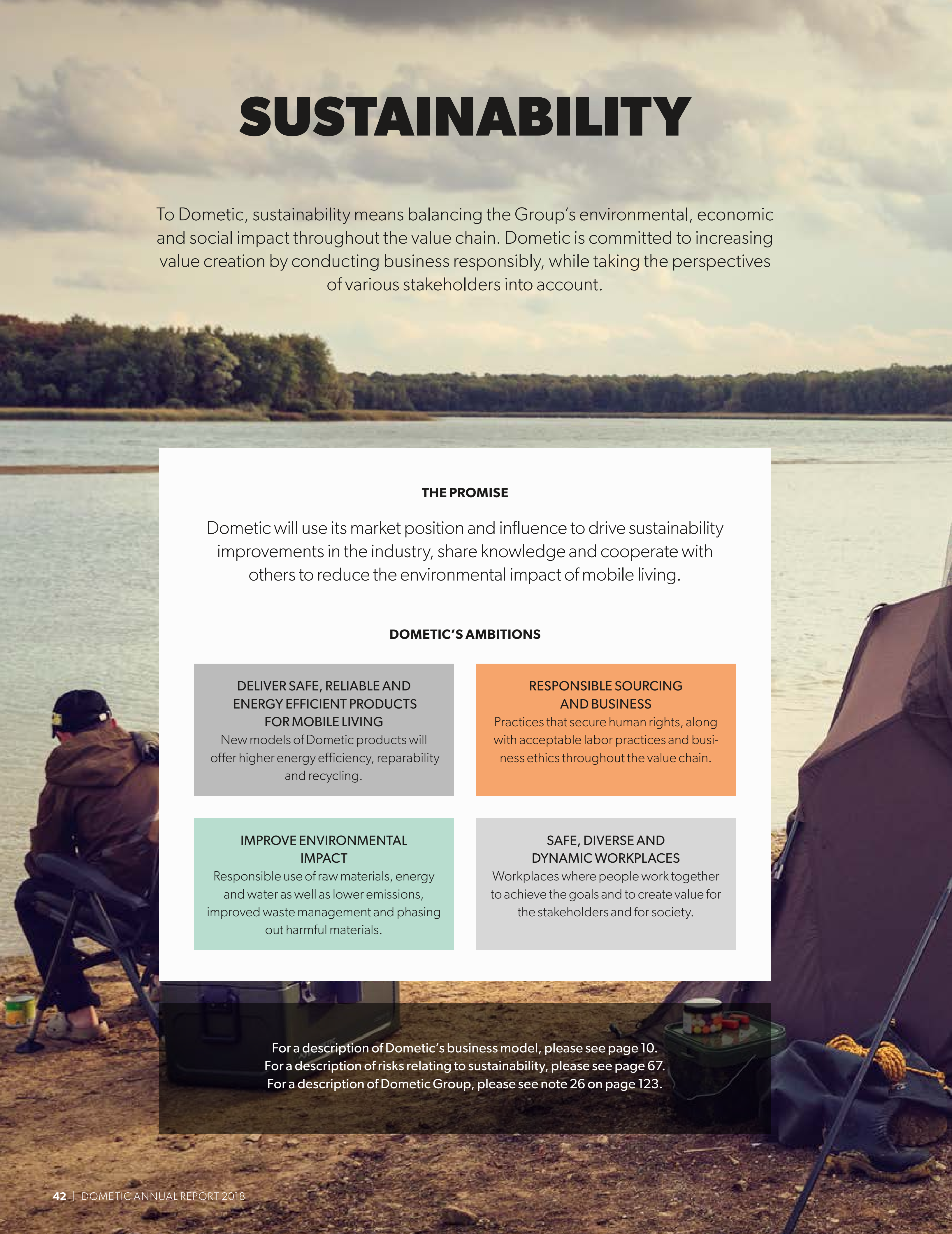
Gabby Montagnese, CEO of New Age Caravans, explained the pivotal role that Dometic has played in helping their business to grow by saying that "the company is an innovative supplier that has delivered significant innovative products for us. They listen to the opinions of their customers and manufacturers, and they understand how to deliver a product that's appropriate for the Australian market." Ms. Montagnese also cited the excellent aftersales customer service that Dometic offers to owners of New Age Caravans as a reason for a healthy and sustainable industry. "The standard of service at Dometic is terrific and the Australian market is always looking for quality products that are backed by great service."

Brad Slater, Managing Director of Dometic Australia, echoed the sentiments of the New Age CEO by explaining that he "enjoyed watching New Age Caravans become the professional, industry-leading company that it has become today." Mr. Slater attributed much of New Age Caravans' success to the company's excellent understanding of its consumers and its recognition of the importance of providing end-users with premium, high-quality reliable RV appliances. He went on to say: "Dometic looks forward to continuing its fruitful relationship with New Age Caravans well into the future. We are excited by the innovations that Dometic and New Age Caravans will bring to the mobile living market."

New Age Caravans and Dometic have enjoyed a long and prosperous relationship that will ensure that people who enjoy mobile living will be able to travel to their heart's content for many years to come.

"The company is an innovative supplier that has delivered significant innovative products for us."

Gabby Montagnese, CEO of New Age Caravans



SUSTAINABILITY

To Dometic, sustainability means balancing the Group's environmental, economic and social impact throughout the value chain. Dometic is committed to increasing value creation by conducting business responsibly, while taking the perspectives of various stakeholders into account.

THE PROMISE

Dometic will use its market position and influence to drive sustainability improvements in the industry, share knowledge and cooperate with others to reduce the environmental impact of mobile living.

DOMETIC'S AMBITIONS

DELIVER SAFE, RELIABLE AND ENERGY EFFICIENT PRODUCTS FOR MOBILE LIVING
New models of Dometic products will offer higher energy efficiency, reparability and recycling.

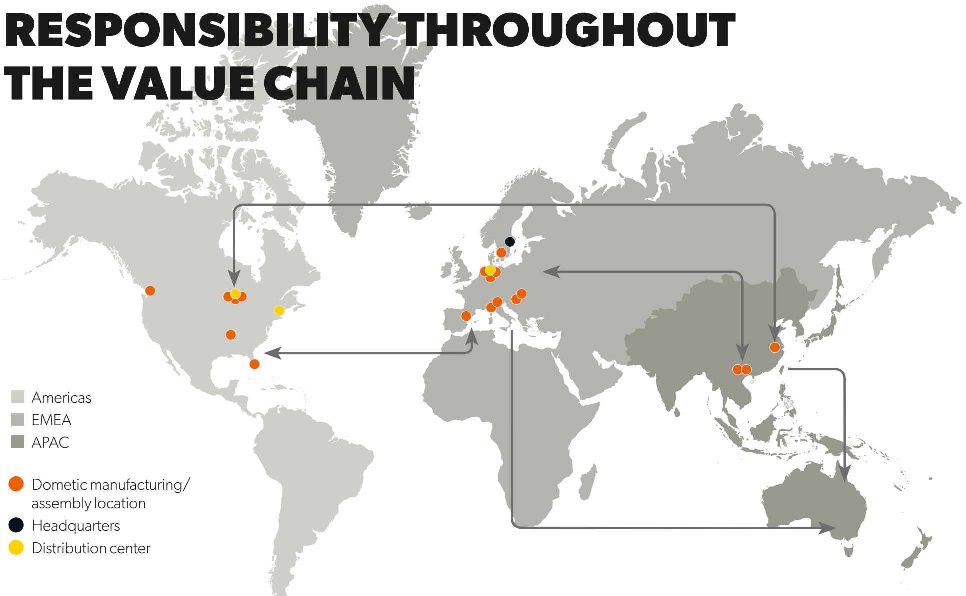
RESPONSIBLE SOURCING AND BUSINESS
Practices that secure human rights, along with acceptable labor practices and business ethics throughout the value chain.

IMPROVE ENVIRONMENTAL IMPACT
Responsible use of raw materials, energy and water as well as lower emissions, improved waste management and phasing out harmful materials.

SAFE, DIVERSE AND DYNAMIC WORKPLACES
Workplaces where people work together to achieve the goals and to create value for the stakeholders and for society.

For a description of Dometic's business model, please see page 10.
For a description of risks relating to sustainability, please see page 67.
For a description of Dometic Group, please see note 26 on page 123.

RESPONSIBILITY THROUGHOUT THE VALUE CHAIN



3

MAIN DISTRIBUTION CENTERS

4,100

SUPPLIERS OF DIRECT MATERIAL IN 40 COUNTRIES

27

MANUFACTURING AND ASSEMBLY SITES

Dometic's operational activities have been organized to achieve higher efficiency, with an optimized level of vertical integration that is designed to reduce costs and improve delivery time.

DOMETIC'S ROLE IN SOCIETY – MOBILE LIVING MADE EASY

As a market leader in mobile living solutions, Dometic strives to take an active role in key sustainability issues in the industry. Millions of people around the world buy and use Dometic products: RV users, boat owners, truck drivers, workers on professional boats, campers, hotel guests and in general people who enjoy the outdoors and are on the move. All are part of a growing movement of people who enjoy an active and mobile lifestyle, for freedom and adventure and for people that travel in their work life.

The aim is to meet the growing demand for the mobile living lifestyle, while increasing resource efficiency and reducing the environmental footprint.

Benefits from Dometic's solutions are:

- Reduced food waste through efficient refrigeration products.
- Reduced water usage and waste through smart sanitary solutions in RVs and boats.
- Improved working environment in commercial vehicles through smart climate control solutions.
- Improved life cycle energy efficiency through innovative new product lines.

FOOTPRINT AND SUPPLY CHAIN

As Dometic has a large impact on people, the environment and society, it is vital to take active responsibility for the footprint throughout the value chain.

Purchasing

The Group has a Global Purchasing Board with regional execution and sourcing from around 4,100 suppliers of direct material in 40 countries that deliver to the factories. The biggest categories of material bought by Dometic are metal components, plastic components, electronic components and traded products.

All suppliers are expected to comply with the Dometic Code of Conduct. The target is that 100 percent of Dometic's suppliers should have signed the Code of Conduct by 2021. Today, suppliers accounting for 70 percent of Dometic's purchasing volume have signed the Code of Conduct. For China the figure is 80 percent. Dometic conducts a large number of supplier audits every year. In China alone, more than 100 audits where performed in 2018. During the year, the global supplier audit plan was revised, stretching over several years and aligned with the risk assessment.

Manufacturing and assembly

Dometic's current footprint balances customer proximity requirements with global cost benefits. The products are manufactured and assembled at 27 Dometic sites in 12 countries across North America, Europe and China. There is a high level of vertical integration in certain products, such as refrigerators for vehicle OEMs. For several other products, however, Dometic relies on suppliers for better economies of scale and expertise in component manufacturing and assembly. The manufacturing operations use resources including raw materials, components, chemicals, water and energy, and generate emissions as well as waste.

Logistics

Dometic has three main distribution centers for finished products – Emsdetten in Germany and Goshen and Litchfield in the US. In Emsdetten the total space is going to be expanded with up to 40 percent until spring 2020. Following the modernization of IT systems and logistical processes, this expansion started in 2018 to prepare Dometic for future growth. Several regional aftermarket distribution centers will move to Emsdetten as well as additional product ranges. New acquisitions and the e-commerce development are causing increasing space requirements for the warehouses.

At the same time several local warehouses in key countries in each of the three regions enable fast local delivery. Dometic strives to optimize its logistics processes as transportation of goods across the world accounts for a significant amount of Dometic's greenhouse gas emissions.

STRATEGIC SUSTAINABILITY REVIEW

In 2018, Dometic performed a strategic sustainability review based on macro trends, input from key stakeholders and the strategic framework launched in the autumn 2018. The review re-confirmed the four sustainability focus areas – products, environment, ethics, people – that Dometic focuses on to further enhance value creation, reduce environmental impact and mitigate sustainability risks. Dometic has clear targets for each focus area, followed up on activities for 2018 and identified additional activities for each focus area. For relevant sustainability aspects and risk management, please see page 67.

STAKEHOLDERS AND STAKEHOLDER DIALOGUE

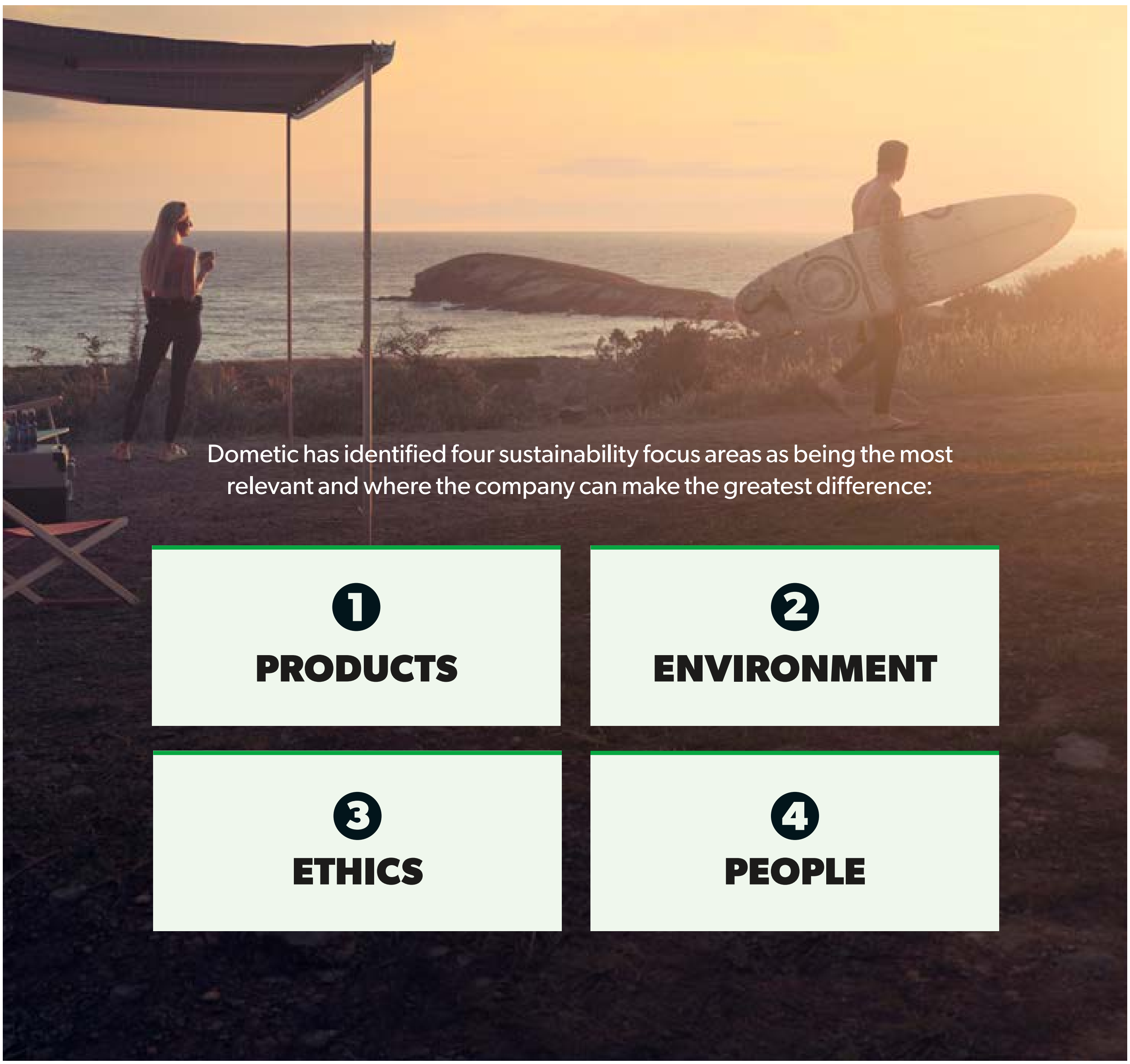
Dometic gathers valuable input regarding focus and development areas, primarily from stakeholder dialogues, customer and employee surveys, meetings with customers, investors, suppliers and other business partners. Sustainability was also on the agenda at the 2018 Global Management Conference where focus areas were confirmed and clarified through the input of approximately 150 Dometic managers. In order to create a stronger sustainability awareness, the internal dialogue around sustainability was intensified in 2018.

TEN KEY FOCUS AREAS IDENTIFIED BY LOCAL MANAGERS	
Business ethics	Terms of employment
Material footprint	Competence development
Energy efficiency	Work life health and safety
Climate impact	Product development and innovation
Work life balance	End user/customer health and safety innovation

SUSTAINABILITY FOCUS AREAS

Acting as sustainably as possible is a necessity in today's world. We all need to take responsibility for a more sustainable future.

For Dometic as a Group, sustainability is about balancing the environmental, economic and social impacts throughout the entire value chain. Dometic is committed to using the strong market position to drive sustainability improvements in the industries in which the company operates.



DOMETIC SUSTAINABILITY FOCUS AREAS – OVERVIEW

1 PRODUCTS

Products are the backbone of Dometic's business. The Group delivers smart and reliable products that are safe to use and strives for resource efficiency during the entire life cycle. To improve the basic understanding, Dometic will put more emphasis on life cycle analysis, with particular focus on the impact of new materials, weight, energy consumption and different types of refrigerants. Dometic will also gradually improve its own metrics to prepare for introduction of relevant GRI metrics.

ENVIRONMENTAL

Environmental considerations are integral aspects of the design and improving the energy efficiency, reparability and recyclability of each product is key. In addition, integrated sustainability checkpoints are used when developing new products.

Dometic is looking to take an active role in the environmental area, and has initiated initiatives aiming at developing products produced with 100 percent recycled material. As of 2019, Dometic intends to introduce at least one such product range in the market.

Several of the product categories, such as air conditioning, heating and refrigeration, consume a significant amount of energy when in use. Increased energy efficiency during the product life cycle is therefore a key strategy in reducing environmental footprint and Dometic will continuously work to improve those metrics. The use of refrigerants is important to the business and Dometic is always looking for the most environmentally friendly and safe choice for each specific application.

Dometic will continue to minimize the use of greenhouse gases and use the most environmentally friendly alternative that can fulfil the technical requirements. This is particularly important for air conditioning products where the main efforts will be made.

LEGISLATION AND INDUSTRY STANDARDS

Currently, Dometic's products are subject to more than 100 specific regulations worldwide which demands a high level of expertise. Dometic aims to take a proactive role in selected regulatory and industry bodies, working to proactively prepare for future legislation and standards.

Dometic's products are often found in the interface between household and vehicle legislation and to ensure applicability, Dometic shall adhere to legislation in all the products. Dometic will work towards a closer industry co-operation on key legislation and may, if necessary, also start to introduce voluntary industry standards.

GLOBAL SUBSTANCE CONTROL

Dometic has launched programs to further strengthen global substance control and to manage integration of both current and future legislation. This is particularly important to be able to manage fast-growing substance legislations.

Dometic aims at being the industry leader in terms of handling product compliance information in order to be able to serve global customers in the most professional way. To increase efficiency in following up of substance legislation, Dometic will launch a global database with substance compliance data.

1 PRODUCTS | KEY ACTIVITIES AND TARGETS

KEY ACTIVITIES 2018

- Close interaction with authorities in formulation of new energy requirement for products in EMEA
- Started to reduce product complexity
- Launch of programs to further strengthen global control and to manage both current and future legislation

TARGETS 2019–2021

- **Reduce energy consumption**
  5 percent reduction of energy consumption in new global products by 2021
- **Reduce the use of greenhouse gases**
  A minimum of 10 percent CO_2-eq reduction through introduction of new refrigerants
- **Reduce stock keeping units (SKU)**
  40 percent reduction of stock keeping units (SKU) of finished goods by 2021
- **Improve material control**
  90 percent of component purchase value to be captured in a central database for material substance control

KEY ACTIVITIES 2019–2021

- Introduce a sustainability range of products
- Use GRI metrics combined with product LCA to drive sustainability in product development
- Continue the phasing-out of F-gases in air conditioning and refrigerator products
- Increase efficiency in follow-up of substance legislation
  – Improved systems for handling product compliance information
  – A supplier database that handles all product compliance information on component level connected to the ERP system allowing maximum automation
- Closer industry co-operation on key legislation

2 ENVIRONMENT

Reduced environmental impact is a key priority in order to achieve a long-term, sustainable business model. Important areas include reduced energy consumption in production, lower emissions of CO_2 gases from production and transportation, responsible use of raw materials, water and waste in production, as well as increased energy efficiency throughout the life cycle of each product. Dometic's production units have set local targets to improve their environmental performance based on their production profile, local environment and improvement potential. Next step will be to drive this development from a global perspective as well.

MATERIAL USE AND WASTE

The main materials used in Dometic products are plastics, steel, aluminum and copper. To minimize the use of resources, the ambition is to increase the use of recycled materials, along with enhanced reparability and recyclability in future product generations. Currently, the use of recycled materials in Dometic products is limited to recycled plastics on a low scale. Dometic has made focused efforts to increase the recycling of waste over the last years. A certain percentage of recycled material is included in components made of cardboard and steel. Since 2016, Dometic has also implemented a ten-year spare parts guarantee with the aim of prolonging product life.

In 2018, total waste amounted to 7,004 (7,641) tons, of which 228 (319) were hazardous waste. In all, 66 (59) percent of waste was recycled, including packaging, plastics and metals. In most countries, Dometic has access to developed systems for recycling and energy recovery, and aims to achieve recycling solutions in all markets.

ENERGY CONSUMPTION

Improved energy efficiency is one of the cornerstones and key challenges for Dometic. For years the Group has worked proactively with energy-saving programs aimed at reducing energy consumption at all facilities. Total energy consumption has continued to be improved in 2018. This was mainly done by:

- Improved compressor technologies (i.e. compressed air)
- Installation of LED lighting systems
- Heat recovery
- Improved heating systems
- Implementation of energy management systems

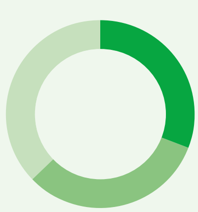
Dometic expects to increase the percentage of energy from renewable sources over the next few years, in line with its aim to reduce CO_2 emissions.

In order to further improve the energy efficiency in Dometic's operations, a new energy savings target of 10 percent until 2021 was set on Group level. Global CO_2 emissions are disclosed yearly by CDP Carbon Disclosure Project. Total energy use in 2018 was 76.6 GWh (77.0). Energy consumption in proportion to net sales improved to 4.2 percent (5.4), mainly driven by improved technologies for lightning, compressed air, heating and air-conditioning.

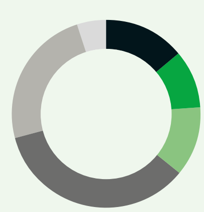
CHEMICALS

Dometic complies with applicable chemical legislation, including REACH and RoHs, with the aim of phasing out CMR chemicals. Key issues also include responsible end-of-life handling of cooling agents. Dometic has developed an end-of-life technology for emptying cooling units in absorption refrigerators. This technology is also used in Dometic's production units worldwide.

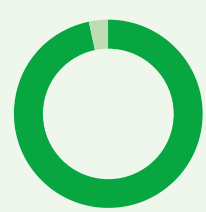
Sourcing by region*



Raw material spend*



Waste in tons 2018



* Excluding SeaStar Solutions

2 ENVIRONMENT | KEY ACTIVITIES AND TARGETS

KEY ACTIVITIES 2018
- Phase out of CMR solvents for PU foaming operations
- Implementation of ISO 14001:2015 at Milan factory
- Successful conversion to new ISO 14001:2015 standard at all currently certified sites
- Energy saving project for central air-conditioning system at the Shenzhen manufacturing site
- Termination of ground water usage for cooling purposes at the Krautheim manufacturing site
- Improved treatment of VOC emissions from Krautheim paint shop

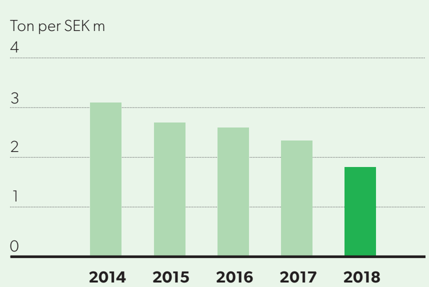
TARGETS 2019–2021
- **Reduce space**
  15 percent space reduction by 2021
- **Accelerate energy saving**
  10 percent reduction of energy consumption by 2021
- **Reduce water consumption**
  10 percent reduction of water consumption by 2021
- **Increase recycling**
  75 percent recycling target of all waste by 2021

KEY ACTIVITIES 2019–2021
- Consolidation of locations to reduce space
- Outsourcing
- Reduction of stock keeping units (SKUs) and components
- Modular product platform
- Digitalization throughout the entire value chain
- Consolidation of suppliers
- Increased coordination of transportation of goods
- Continue ISO 14001: 2015 certification
- Increased focus on Value Analysis / Value Engineering to reduce use of material and waste

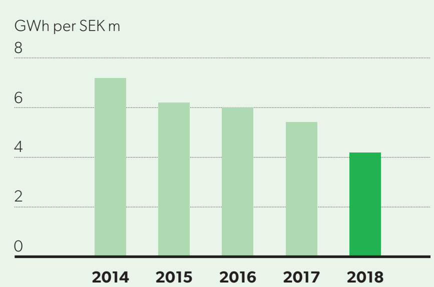
Total water consumption

229,888m^3

Group total CO_2 emissions in proportion to net sales



Group total energy consumption in proportion to net sales



3 ETHICS

Dometic's Code of Conduct and other governing documents set the framework for how the Group acts and follows up on business practices. The Code of Conduct applies to all employees, customers, business partners and suppliers.

In 2018, approximately 98 percent of white-collar workers conducted the Code of Conduct awareness program for employees that was launched globally in 2017. This e-learning program provides hands-on examples from the workplace to train expected behaviors and to ensure that all employees are aware of expectations and behavioral guidelines. Additionally, new employees, regardless where in the world, are invited and expected to conduct training in their first work weeks.

As stated in the Code of Conduct, Dometic's policy strictly prohibits engaging in or facilitating any kind of corruption, including fraudulent actions, bribery, facilitation payments or money laundering. Dometic's relationships with business partners and suppliers are based on high ethical standards and business practices and aim to prevent unethical behaviors.

ANTI-CORRUPTION

The Group shall not participate in or facilitate any kind of corruption, including fraudulent actions, bribery, facilitation payments or money laundering.

SUPPLIERS

Dometic has around 4,100 suppliers of direct material in 40 countries. To ensure that they meet the standards for responsible and ethical business practices, the suppliers are required to comply with the principles of the Code of Conduct. The Group's procurement organization monitors compliance with the Code of Conduct using self-assessments and supplier audits. Dometic continue to develop the supplier audits globally to reach fully fledged sustainability audits for suppliers.

WHISTLEBLOWING

In 2017, Dometic implemented a new whistleblower system called the Dometic SpeakUp Line, available in all Dometic Group languages. It offers Dometic's employees an anonymous channel to report any business activities or behaviors that are potentially in breach of the Code of Conduct. Dometic's SpeakUp Line is managed by a third-party vendor to ensure full privacy. In 2018 85 percent of reported cases led to investigations and actions. 15 percent were guided to appropriate channels or closed as not relevant.

3 ETHICS | KEY ACTIVITIES AND TARGETS

KEY ACTIVITIES 2018

- Increased awareness regarding the Code of Conduct
  - Approximately 98 percent of white-collar workers took part in the Code of Conduct e-learning
  - Increased due diligence of suppliers
  - Development of a global Purchasing Manual
  - Development of contract templates for purchasing, including the Code of Conduct as a mandatory attachment to be signed by suppliers
  - Initiate audits of top suppliers of direct material in the regions, focusing on their corporate structure, quality and manufacturing process
- Development and launching of GDPR awareness program to secure compliance with GDPR
  - Training for representatives for all regions in main elements of GDPR
  - Appointment of the Data Protection Officer (DPO) and Data Protection Managers (DPMs) in European entities
  - Development of GDPR e-learning program for employees and the board of directors
- Deployment of the whistleblower system (Dometic SpeakUp Line)

TARGETS 2019–2021

- **Continue to implement the Code of Conduct**
  100 percent of employees (white-collar and blue-collar) conduct e-learning on the Code of Conduct
  100 percent of suppliers of direct material adhere to the Dometic Code of Conduct
- **Implement training program on anti-trust and sanctions**
  100 percent of the senior managers and sales employees conduct e-learning on anti-trust and sanctions
- **Conduct supplier audits**
  90 percent of all suppliers of direct material spend in low cost countries should be audited every second year

KEY ACTIVITIES 2019–2021

- Ensure that all blue-collar workers receive training on the Code of Conduct
- Develop e-learning courses on anti-trust and sanction regulations
- Strengthen the supplier audit organization
- Develop new global audit template and plan for supplier audits
- Accelerate supplier audits
- Continue GDPR implementation and perform audits on status
- Implement structured CSR screening as part of the due diligence process for acquisition targets

4 PEOPLE

Dometic is committed to provide an attractive work place. Key areas include creating diverse work environments and ensuring that the Group complies with principles of equality and diversity when hiring and providing development opportunities to the employees to enable them to reach their full potential. In 2018 Dometic introduced a revised version of its Core Values guiding employees in their work by building a more value-driven organization. By having a work environment based on Dometic's Core Values and Code of Conduct, the company creates a great place to work for both current and future employees.

Core values and The Dometic Way

The Dometic Way is the foundation of the corporate culture, derived from Dometic's Core Values. It sets the standards for everything Dometic does and how people in the Group interact with each other and external parties. Four Core Values provide direction for the leaders and employees:

- We are passionate
- We act responsibly
- We are building together
- We embrace change

At the end of 2018, a project for the development of a common training in understanding the Core Values and the Dometic Way has started, as well as an Employer Branding project pinpointing what the company culture has to offer both future and current employees.

Gender distribution

In 2018, Dometic employed on average 7,991 people, 36 percent of whom were women. The Group management team comprised 10 people, of which 4 were women (40 percent). Dometic continually works with gender distribution at all levels in the Group by enhancing the hiring processes and skills development opportunities. Out of a total of 546 managers, 23 percent are women.

Health and Safety

Health and safety is a key area for Dometic, from both a regulatory, people and business perspective. The company works proactively to reduce the number of work-related incidents and increase control of the work environment, with the aim of improving product quality and output.

To further emphasize the importance of health and safety, it is clearly integrated in the Dometic Way. Consequently, all business reviews as well as daily start-up meetings on the shop floors start with a health and safety review. Dometic's Health & Safety Guidelines were introduced during the year at all legal entities to ensure a common standard across the Group, as well as adherence to local regulations. In 2018, 11 operation sites were assessed according to the Dometic Health & Safety Guidelines.

As part of the Health & Safety Guidelines, Dometic conducts a Job Safety Analysis (JSA) to identify hazards related to specific tasks in a proactive effort to reduce the risk of injury to workers and to prevent accidents. Workers receive training to carry out their jobs safely and ensure adequate technical safety, including the use of personal protective equipment. Health and safety processes are key components of the factory management systems. In 2018, 64 lost-time health and safety-related incidents were reported.

Dometic has introduced the Dometic Loss Prevention Guideline (DLPG) to reduce risk and maintain high standards for safety, quality and delivery. The DLPG is designed to guide the Group's production sites regarding appropriate safety and security levels. Based on DLPG, a risk-scoring model is used to ensure compliance with good industry practices. In addition to local work, Dometic regularly conducts assessments together with a third party at all production sites to analyze potential risks. In 2018, Dometic assessed 17 sites according to DLPG and performed Business Impact Analysis workshops for 5 sites across all three regions

Competence Management

Knowledge is a key factor for Dometic's business success, its employees as well as for the business partners. Dometic Academy provides a central learning management system that hosts training opportunities globally. In recent years, coordinated efforts have led to several appreciated global trainings that could be provided internally in line with business needs. The digital infrastructure contains eLearning sessions, tutorials and webinars available to all employees. Employees can also download business-related books, as well as titles on stress reduction, language skills and IT software. English courses are provided globally to improve English skills in all countries where it is relevant. In addition, Dometic supports its employees through practical skills training programs to gain new knowledge and build leadership skills. In total, more than 2,000 employees participated in over 300 training activities across all our markets in 2018.

In the coming years, Dometic will have to increase its efforts in Competence Management to defend its leading market position. New areas such as e-commerce will lead to the development of a totally different skill set than before.

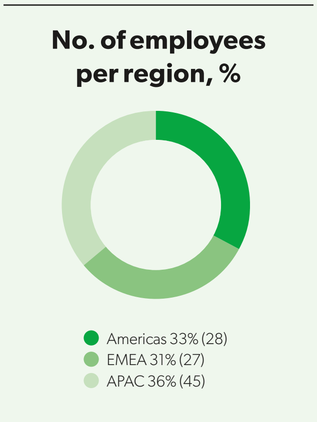
In order to take a next step in Competence Management, a global common process for Performance Management has been developed in 2018, securing that all employees will have a performance review with their managers.

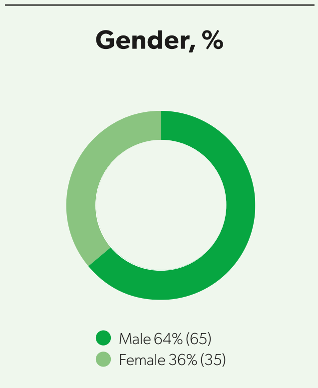
4 PEOPLE | KEY ACTIVITIES AND TARGETS

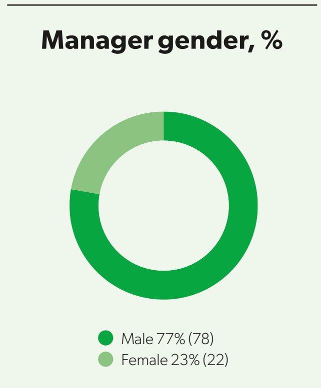
KEY ACTIVITIES 2018
- Global Health & Safety Guideline with audit readiness implemented
- Lean trainings conducted in several sites in EMEA
- Development of Diversity and Inclusion policy
- Several new product trainings launched on LMS platform

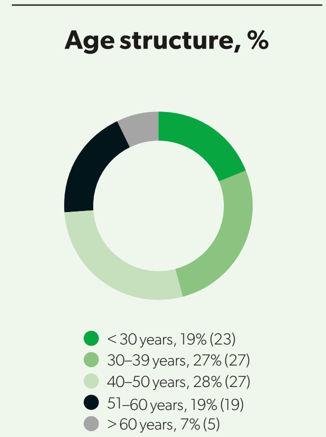
TARGETS 2019–2021
- **Reduce injury rate**
  Reach a lost time injury frequency rate of 2 by 2021 (LTIFR= work accidents with lost time > = 1 day / per million working hours))
- **Improve gender distribution**
  26 percent female managers by 2021
- **Increase competence management**
  100 percent employee performance reviews by 2021

KEY ACTIVITIES 2019–2021
- Implement electronic performance agreements including individual development plans
- Develop and implement Career Paths
- Implement regional competence management processes by 2020
- Implement leadership model globally
- Perform global health & safety awareness initiative finalized by 2020









Manufacturing plants and certificates

LOCATION	QUALITY	ENERGY	ENVIRON-MENT	QUALITY	HEALTH & SAFETY	SOCIAL
EMEA						
Geluwe, Belgium						
Dillenburg, Germany	ISO 9001	ISO 50001				
Emsdetten, Germany	ISO 9001	ISO 50001	ISO 14001			
Krautheim, Germany	ISO 9001	ISO 50001	ISO 14001			
Siegen, Germany	ISO 9001	ISO 50001	ISO 14001			
Jaszbereny, Hungary	ISO 9001	ISO 50001	ISO 14001			
Bassano, Italy	ISO 9001					
Forli, Italy	ISO 9001		ISO 14001		ISO 45001	
Milan, Italy	ISO 9001		ISO 14001			
Filakovo, Slovakia	ISO 9001		ISO 14001			
Girona, Spain						
Tidaholm, Sweden	ISO 9001		ISO 14001			
Selsey, UK	ISO 9001					
AMERICAS						
Big Prairie, Ohio, USA			ISO 14001			
Elkhart, Indiana, USA (Refrigerators)			ISO 14001			
Elkhart, Indiana, USA						
Greenbrier, Tennessee, USA	ISO 9001					
LaGrange, Indiana, USA			ISO 14001			
Pompano Beach, Florida, USA	ISO 9001		ISO 14001			
Vancouver, British Columbia, Canada	ISO 9001					
Limerick, Pennsylvania, USA	ISO 9001					
Sparta, Pennsylvania, USA	ISO 9001					
Stuart, Florida, USA						
Manchester, Vermont, USA						
APAC						
Shenzhen, China	ISO 9001		ISO 14001	IATF16949	OHSAS 18001	SA 8000
Wuhu, China						
Zhuhai, China	ISO 9001		ISO 14001	IATF16949		


DOMETIC

ORGANIZATION & GOVERNANCE RELATED TO SUSTAINABILITY

ORGANIZATION & GOVERNANCE RELATED TO SUSTAINABILITY

BOARD OF DIRECTORS
Responsible for monitoring the Group's sustainability policies and work

↑

CEO AND GROUP MANAGEMENT
Incorporating global sustainability initiatives into Dometic's strategy and operations as well as overview of reporting, performance and result

↕

SUSTAINABILITY TEAM
Manages the Group's sustainability work

↓

BUSINESS FUNCTIONS
Execute on sustainability key activities and report on progress, performance and result

Dometic´s **Board of Directors** has overall responsibility for monitoring the Group's sustainability policies and work.

The **CEO and Group Management** are incorporating global sustainability initiatives into Dometic's strategy and operations as well as overview of reporting, performance and result.

Dometic's **Sustainability Team** manages the Group's sustainability work. The team consists of the CEO, CFO, Head of Group HR, Group General Council, Head of Operations and Chief Technology Officer as well as other key members from time to time, as well as supporting specialists for example for Health & Safety.

The Head of Group HR is responsible for the coordination of the sustainability team meetings and ensures that sustainability is an integral aspect of Core Values, leadership training and internal communications.

The responsibilities for the defined four sustainability focus areas are shared as follows:

- Products – Chief Technology Officer
- Environment – Head of Operations
- Ethics – Group General Council
- People – Head of Group HR

The team sets the overall ambition level, sustainability focus areas, targets and activities and meets quarterly to follow up on results. Responsibilities also include ongoing stakeholder dialogues and close monitoring of macro trends and drivers.

Business functions execute on sustainability key activities and report on progress, performance and result.

GOVERNING POLICIES

- Code of Conduct
- Remuneration policy
- Finance policy (incl. Tax policy, Treasury policy and Credit policy)
- Information policy
- Insider policy
- Internal Audit policy
- Dividend policy
- IT Policy

CODE OF CONDUCT

The principles of Dometic's Code of Conduct are based on the Core Values, international and national legislation, and international standards and agreements, including the UN Global Compact and OECD's guidelines for multinational companies. They serve as the foundation of Dometic's way of working.

Monitoring and reporting

Dometic Group's legal and HR departments monitor compliance with the Code of Conduct in an ongoing process that the Dometic Group undertakes in light of applicable circumstances (i.e. sector, operating context, size and similar factors). Employees are encouraged to report any conduct that they believe, in good faith, to be in breach of applicable laws, regulations and/or the Code of Conduct, to their manager or via the whistleblower procedure called the Dometic SpeakUp line, managed by a third-party vendor to ensure full privacy. This system enables employees to report potential cases in their native language via either a website or a toll-free phone call. Dometic expects managers to seriously address issues and work to ensure satisfactory resolution in compliance with applicable laws and/or the Code of Conduct.

Key stakeholder dialogues

STAKEHOLDER GROUP	TYPE OF DIALOGUE	KEY TOPICS DISCUSSED
CAPITAL MARKETS • Shareholders • Investors • Analysts	• Individual meetings • Annual Shareholder Meeting • Investor requests and questionnaires	• General strategy/focus areas • Code of Conduct implementation and follow-up • US class action • Environmental impact
BUSINESS PARTNERS • OEMs customers • End users • Suppliers	• Individual meetings • Sales meetings • Trade exhibitions • Customer requests and questionnaires	• General strategy/focus areas • Product performance • Code of Conduct implementation • Environmental impact
EMPLOYEES • Current employees • Potential employees	• Management meetings and conferences • Intranet • Performance appraisal meetings • Interviews	• The Dometic Way and Code of Conduct • Health & Safety • Work Environment • Competence Development • Gender Equality and diversity

Auditor's report on the statutory sustainability report
To the general meeting of the shareholders in Dometic Group AB (publ), corporate identity number 556829-4390

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 42–57 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm March 15, 2019
PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant

THE DOMETIC SHARE AND SHAREHOLDERS

SHARE PRICE AND TRADING

Dometic's shares have been listed on Nasdaq Stockholm since November 25, 2015. In 2018 the share price decreased by –34.2 percent (23.3). The closing price was SEK 55.00 (83.55) on the last business day of the year, corresponding to a market capitalization of SEK 16.3 billion (24.7). The highest price paid during 2018 was SEK 97.40 (91.25) and the lowest price paid was SEK 53.20 (61.45).

A total of 283.5 million shares were traded during the year on Nasdaq Stockholm, with a total value of SEK 22.3 billion, corresponding to an average daily trading volume of 1,134,889 shares.

SHARE CAPITAL AND CAPITAL STRUCTURE

As of December 31, 2018, the share capital amounted to SEK 739,583, divided into 295,833,333 shares. All shares are of the same class and carry equal rights in all respects. According to the Articles of Association, the company should have no less than 200,000,000 shares and not more than 800,000,000 shares. The company's share capital shall not be less than SEK 500,000 and not more than SEK 2,000,000. The company's shares are registered with Euroclear Sweden AB, which manages the company's share register and registers the shares for individuals.

DIVIDEND AND DIVIDEND POLICY

The Board of Directors of Dometic has adopted a dividend policy, according to which the Board of Directors aims to propose to the annual shareholders' meeting that at least 40 percent of reported net profit for the period shall be distributed to the shareholders. The Board of Directors' assess that after distribution of the proposed dividend, the equity of the Parent Company will be sufficient with respect to the kind, extent, and risk of the operations. The Board of Directors has considered, among other things, the Parent Company's and the Group's historical development, the budgeted development and the state of the market.

The Board of Directors proposes a dividend of SEK 2.15 (2.05) per share for 2018, equivalent to a total distribution of SEK 636.0 million (606,5). The proposed dividend corresponds to 40.4 (40.6) percent of the net profit for the period. Based on the Dometic share price at the end of 2018 the dividend yield is 2.5 percent.

SHAREHOLDERS

On December 31, 2018, Dometic had 14,439 shareholders according to the share register kept by Euroclear Sweden AB. Swedbank Robur Funds was the largest shareholder, with 6.7 percent of the shares. Dometic's ten largest owners held shares corresponding to 43.5 percent of the shares. Institutional ownership amounted to 83.4 percent of the shares.

Of the total share capital, 52.8 percent was owned by Swedish institutions and mutual funds. 6.0 percent was held by Swedish private investors and the remaining 41.2 percent was held by foreign and non-disclosed owners.

Foreign investors are not always recorded in the share register, as foreign banks and other custodians may be registered for one or several customers' shares. This explains why the actual owners are not normally displayed in the register.

ANALYST COVERAGE

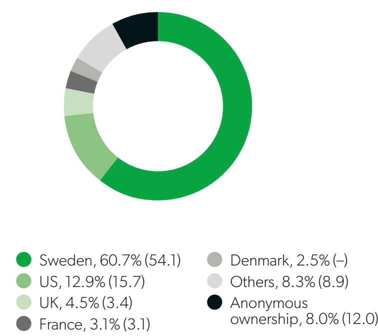
During 2018, the following analysts had active coverage of Dometic.

ABG Sundal Collier	Olof Cederholm
Berenberg	Trion Reed
Carnegie	Kenneth Toll Johansson
Danske Bank	Daniel Schmidt
Handelsbanken	Rasmus Engberg
Jefferies	Peter Reilly
Kepler Cheuvreux	Johan Eliasson
Morgan Stanley	Lucie Carrier
SEB Enskilda	Klara Jonsson

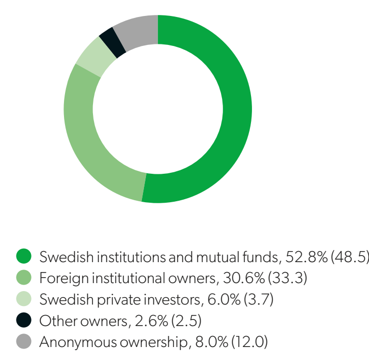
FOR FURTHER INFORMATION

Johan Lundin
Head of Investor Relations and Communications
Tel: +46 (0)8 501 025 46
johan.lundin@dometic.com

Shareholder countries, % of capital and votes



Shareholder categories



15 LARGEST SHAREHOLDERS

Shareholders	Share capital, %	Voting rights, %
1 Swedbank Robur Funds	6.7	6.7
2 Alecta Pension Insurance	6.5	6.5
3 Handelsbanken Funds	5.9	5.9
4 Nordea Funds	5.2	5.2
5 Carnegie Funds	4.5	4.5
6 Columbia Threadneedle	3.2	3.2
7 SEB Funds	3.2	3.2
8 Lannebo Funds	3.1	3.1
9 Vanguard	2.6	2.6
10 Öhman Funds	2.6	2.6
11 Länsförsäkringar Funds	2.0	2.0
12 BNP Paribas Asset Management	1.8	1.8
13 Janus Henderson Investors	1.8	1.8
14 ODIN Funds	1.7	1.7
15 Second Swedish National Pension Fund	1.4	1.4
Total top 15	52.1	52.1
Others	47.9	47.9
Total	100.0	100.0

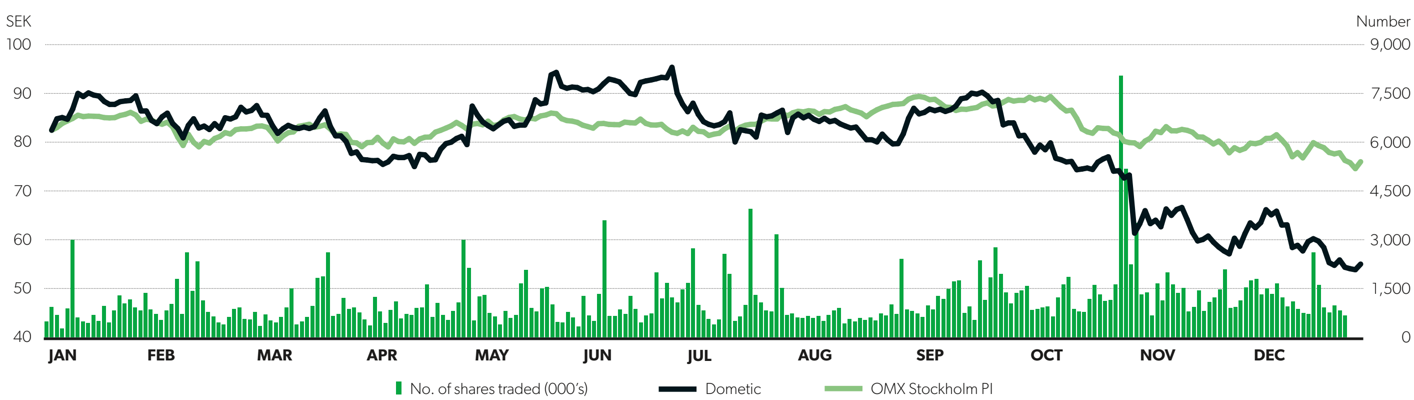
Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority as of December 31, 2018.

SHAREHOLDING BY SIZE

	No. of shares	Capital, %	Votes, %	Number of known owners	Part of known owners
1–100	199,258	0.1	0.1	4,736	32.8
101–200	527,547	0.2	0.2	2,988	20.7
201–300	268,507	0.1	0.1	1,002	6.9
301–400	245,830	0.1	0.1	658	4.6
401–500	361,816	0.1	0.1	741	5.1
501–1,000	1,434,678	0.5	0.5	1,709	11.8
1,001–2,000	1,730,536	0.6	0.6	1,100	7.6
2,001–5,000	2,600,529	0.9	0.9	769	5.3
5,001–10,000	2,043,131	0.7	0.7	269	1.9
10,001–20,000	2,422,077	0.8	0.8	162	1.1
20,001–50,000	3,546,988	1.2	1.2	113	0.8
50,001–100,000	2,987,952	1.0	1.0	40	0.3
100,001–500,000	20,748,636	7.0	7.0	86	0.6
500,001–1,000,000	19,049,328	6.4	6.4	26	0.2
1,000,001–5,000,000	63,920,317	21.6	21.6	26	0.2
5,000,001–10,000,000	64,753,882	21.9	21.9	9	0.1
10,000,001–15,000,000	13,348,951	4.5	4.5	1	0.0
15,000,001–	71,941,999	24.3	24.3	4	0.0
Anonymous ownership	23,701,371	8.0	8.0		
Total	295,833,333	100.0	100.0	14,439	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority as of December 31, 2018.

SHARE PRICE DEVELOPMENT 2018



WHY INVEST IN DOMETIC

1

THE GLOBAL MARKET LEADER WITH A STRONG BRAND IN HIGHLY ATTRACTIVE MOBILE LIVING NICHES

- Number 1 or number 2 in 80 percent of the relevant markets.
- High barriers to entry thanks to high product requirements and tailor-made product dimension.
- Strong and long-term established relationships with the customers.
- Clear economy of scale.

2

FAVORABLE MACRO AND CUSTOMER TRENDS SUPPORTING LONG-TERM GROWTH

- Structural drivers in RVOEM such as demographic changes, increased leisure spending and more focus on outdoor lifestyle.
- High demand in CPVOEM for improved driver comfort, also supported by new regulations on idling.
- Shorter replacement cycles and higher spending on leisure and outdoor products in Aftermarket.

3

LARGE AND PROFITABLE AFTERMARKET WITH GROWTH POTENTIAL

- Untapped growth potential in core product categories such as cooling boxes, parking coolers and sanitation products.
- Possibility to enter new product categories where Dometic's unique distribution can facilitate growth.

4

WELL-INVESTED BUSINESS WITH STRONG PROFITABILITY AND RETURNS

- Investments have been made during more than 40 years as part of Electrolux and as an independent company.
- Low continued investment needs of 2–2.5 percent of net sales in capex and product development respectively.

5

DIVERSIFICATION ACROSS GEOGRAPHIES, PRODUCTS AND CUSTOMERS ADDS RESILIENCE

- Three regions with eight different business areas per region giving 24 business areas with own P&L. This reduces risk and cyclicality.

6

GROWTH STRATEGY WITH LARGE UPSIDE POTENTIAL

- Strengthen OEM business within attractive niche positions.
- Growing Aftermarket business by widening the customer base and product portfolio.
- Strong balance sheet enables acquisitions of small and large companies that fit into Dometic's main product categories.

CONTENTS

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Dometic Group AB (publ), company registration number 556829- 4390 (the "Company"), hereby submit the following Annual Report and Consolidated Financial Statements covering the period January 1 to December 31, 2018.

Business and organization

The company and subsidiaries together the Dometic Group ("Dometic", the "Group") is a global market leader in branded solutions for Mobile Living in the areas of Food & Beverage, Climate, Power & Control, Safety & Security and Hygiene & Sanitation. Dometic provides products for use in recreational vehicles, pleasure boats, workboats, trucks, premium cars and for a variety of other uses. Dometic offers products and solutions that enrich people's experiences away from home, whether in a motor home, caravan, boat or a truck. Dometic's focus is to create smart and reliable products with outstanding design.

Dometic operates 27 manufacturing and assembly sites in 12 countries with sales in approximately 100 countries. Dometic has a global distribution and dealer network in place to serve the aftermarket. The Group is organized into three regions: Americas, EMEA (Europe, Middle East and Africa), and APAC (Asia Pacific).

Dometic employs approximately 8,000 (8,800) persons worldwide, and has its headquarters in Stockholm, Sweden.

Significant events in the fiscal year

Changes in Group Management

On July 18, 2017 it was announced that Juan Vargues born 1959 was appointed President and CEO of Dometic, effective January 8, 2018. Juan Vargues succeeded Roger Johansson, who had decided to leave Dometic after 5 years as President and CEO.

On January 9, 2018 it was announced that Liselotte Bergmark, Head of Group HR, had decided to leave Dometic for another assignment outside the Dometic.

As from February 23, 2018 Anton Lundqvist was appointed Chief Technology Officer of Dometic.

On February 27, 2018 it was announced that Bengt Thorsson, President of region EMEA, had decided to leave Dometic for another assignment outside the Dometic.

On March 5, 2018 it was announced that Silke Ernst was appointed Head of Group HR, effective August 21, 2018.

On June 7, 2018 it was announced that Eva Karlsson was appointed Head of Group Operations, effective November 8, 2018.

On August 17, 2018, it was announced that Peter Kruk was appointed as new President of region EMEA, effective October 1, 2018.

On November 15, 2018, it was announced that Per-Nicklas Höglund, Head of Strategy, Group Projects and M&A had decided to leave Dometic for other assignments.

Successful first Dometic Eurobond issue

On September 6, 2018, Dometic Group AB issued EUR 300 million on the European bond market. The bond was issued with a five-year maturity at a fixed rate of 3.0 percent. The issue is the first tranche in Dometic's newly established EMTN (Euro Medium Term Note) bond program totaling EUR 1.5 billion.

Class action complaint

A class action against Dometic Corporation (US) continues. In 2017, Dometic was successful in obtaining summary judgment in the Varner class action, which had been filed in the Southern District of Florida. Following the dismissal of the Varner action, Dometic was successful in transferring the three other class actions from California to Florida and having them consolidated in front of the same judge that previously dismissed the Varner action. A single consolidated complaint was then filed in Florida in September 2018 and this is now the only class action pending against Dometic. Discovery is ongoing. Dometic remains firm in its position that the allegations in the case are without merit. Dometic reached an agreement with its insurer in 2017, pursuant to which insurance will reimburse the company for a certain portion of the legal costs related to the class action.

Acquisitions and divestments

On December 3, 2018, Dometic acquired Kampa UK Ltd, an innovative provider of Retail and Aftermarket products based in the UK. Kampa significantly broadens Dometic's Retail and Aftermarket offering in EMEA, with good potential for further expansion and profitable growth.

The cash purchase price was GBP 50 million on a debt and cash-free basis excluding potential earn-out elements. The total cash purchase price amounted to GBP 57.9 million including earn-out elements of GBP 8.5 million. GBP 8.5 million has been accounted for as a non-interest-bearing liability to the Sellers. If the acquisition had been consolidated as of January 1, 2018, the effect on proforma net sales would have been GBP 40 million (SEK 463 million) and EBITDA of GBP 7 million (SEK 81 million). Aftermarket sales account for 100 percent of revenue. The business operates with a small fixed asset base which requires limited Capex each year.

Business, result and position at Dometic

During 2018, net sales and operating profit (EBIT) before items affecting comparability reached record levels with full-year organic growth of 5 percent and an EBIT margin improvement of 1.5 percentage points. Full-year growth was primarily driven by strong performance in Aftermarket and Marine. Profitability was positively impacted by improvements in EMEA and APAC, offsetting headwinds from raw material prices and US tariffs in Americas. The acquisition of SeaStar Solutions has proven successful with very satisfying financial performance and integration process during the year. A number of key activities were initiated to further improve the performance. By moving ownership and accountability closer to the business, while establishing common processes to leverage the full strengths as a global company, Dometic has become even more agile to maneuver through short-term challenges and disciplined enough to stay true to the strategy.

Net sales

Net sales totaled SEK 18,274 million (14,044), an increase of 30 percent, of which 5 percent was organic growth, 3 percent currency translation and 22 percent M&A.

Americas, representing 53 percent of net sales in 2018, reported net sales of SEK 9,758 million (6,329). This corresponds to a net sales increase of 54 percent, of which 4 percent was organic, 2 percent currency translation and 48 percent M&A.

EMEA, representing 37 percent of net sales in 2018, reported net sales of SEK 6,706 million (5,962). This corresponds to a net sales increase of 12 percent, of which 6 percent was organic, 6 percent currency translation and 0 percent M&A.

APAC, representing 10 percent of net sales in 2018, reported net sales of SEK 1,810 million (1,753). This corresponds to a net sales increase of 3 percent, of which 3 percent was organic, 0 percent currency translation and 0 percent M&A.

Dometic Group AB (publ) 556829-4390
Annual report 2018, page 63–127

Operating profit

Operating profit (EBIT) totaled SEK 2,587 million (1,907). Operating profit (EBIT) before items affecting comparability amounted to SEK 2,679 million (1,860), representing a 44 percent improvement and a margin of 14.7 percent (13.2).

Americas operating profit (EBIT) was SEK 1,437 million (827); an increase of 74 percent compared with last year. The EBIT margin was 14.7 percent (13.1).

EMEAs operating profit (EBIT) was SEK 756 million (557); an increase of 36 percent compared with last year. The EBIT margin was 11.3 percent (9.3).

APACs operating profit (EBIT) was SEK 394 million (523); a decrease of 25 percent compared with last year. The EBIT margin was 21.8 percent (29.8).

Items affecting comparability

Items affecting comparability totaled SEK –92 million (47), relating to restructuring charges in a group-wide initiative to optimize footprint and reduce costs. The majority of the costs were charged in Americas and EMEA to increase competiveness and to mitigate effects from US tariffs.

Research and development

Research and development costs amounted to SEK 350 million (309), or 1.9 percent (2.2) of net sales. The Product Development organization is responsible for product development in close cooperation with the sales and production teams in the regions.

Financial items

Financial items totalled a net amount of SEK –431 million (–206), including SEK –408 million (–112) in interest on external bank loans and SEK 30 million (–16) for the revaluation of unrealized exchange gains on cash. Other foreign currency exchange revaluations and other items amounted to SEK –64 million (–85) and financial income to SEK 11 million (6).

Taxes

Taxes totaled SEK –580 million (–206), corresponding to 27 percent (12) of profit before tax. Current tax amounted to SEK –296 million (–218) and deferred tax to SEK –284 million (12). Paid tax of 15 percent (6) is higher compared to the previous year, mainly due to the Group's tax-paying position in Canada. The US tax reform (Tax Cuts & Jobs Act) signed on December 22, 2017 had an overall significant positive impact on the Q4 2017 deferred tax (non-recurring).

Profit for the year

Profit for the year was SEK 1,576 million (1,495).

Investments

Total investments in intangible and tangible fixed assets amounted to SEK 422 million (306). Investments in tangible fixed assets amounted to SEK 364 million (285) of which SEK 92 million (76) refers to machinery, equipment and tools, SEK 25 million (17) to buildings and SEK 247 million (192) to construction in progress and advance payments. Investments in intangible assets amounted to SEK 58 million (21).

Cash flow from financing and financial position

Cash flow from financing, including paid interest, amounted to SEK –729 million (5,308). The cash flow includes net changes in borrowing of SEK 334 million (6,072), including issued Euro Bond under the EMTN program of SEK 3,116 million in September 2018.

Net paid interest/received interest amounted to SEK –369 million (–94), and other financing activities to SEK –88 million (–122).

Interest-bearing liabilities, excluding pension provisions, amounted to SEK 11,610 million (10,544). The debts are expressed in EUR and USD, 2017 also AUD.

Group cash and cash equivalents at year-end amounted to SEK 2,113 million (1,159), and including tax deposits of SEK 246 million, the total amounted to SEK 2,359 million at year-end. In addition, the Group has unutilized loan facilities under the revolving credit facility of SEK 1,336 million (1,292), and unutilized local loan facilities of SEK 130 million (101). The Senior Credit Facilities agreement ("SFA") and EMTN program may terminate upon the occurrence of certain customary circumstances, including in connection with a change of control of in the Company or a delisting of the Company from Nasdaq Stockholm; for further information on the loan terms, see note 21.

There are no pledged assets or securities in the SFA and the EMTN program. The financing package is conditioned with covenants; Net debt/EBITDA and interest cover that are assessed on a quarterly basis. Other financial risks are described in note 3.

The equity ratio amounted to 47 percent (47). Net debt/EBITDA (leverage ratio) amounted to 2.8x (3.3x).

Financial instruments

Dometic uses interest rate swaps to hedge senior facility term loans to move from floating interest rates to fixed interest rates. The Group also uses currency forward agreements to hedge part of its cash flow exposure.

The fair values of Dometic's derivative assets and liabilities were SEK 107 million (91) and SEK 108 million (45), respectively.

The value of derivatives is based on published prices in an active market. No transfers between levels of the fair value hierarchy have occurred during the period.

For financial assets and liabilities other than derivatives, fair value is assumed to be equal to the carrying amount. For information on financial risk management and financial instruments, see note 3.

Parent Company

The Parent Company Dometic Group AB (publ) comprises the functions of the Group's head office, such as Group-wide management and administration. The Parent Company invoices its costs to the subsidiaries.

For 2018, the Parent Company Dometic Group AB (publ) had an operating profit of SEK –5 million (–3), including administrative expenses of SEK –171 million (–133) and other operating income of SEK 166 million (130), of which the full amount relates to income from subsidiaries.

Profit (loss) from financial items amounted to SEK 10 million (–28), including interest income from subsidiaries of SEK 259 million (50), interest expense to subsidiaries of SEK 0 million (–), result from shares in subsidiaries of SEK 528 million (–179) and other financial expenses of SEK –777 million (102).

Profit for the year amounted to SEK 517 million (–186). The profit mainly relates to received repayment of share capital and statutory reserve from directly owned subsidiary.

The Parent Company has 0 (0) branch offices. In total, the Group has 4 (4) branch offices. For information on the number of employees, salaries and remuneration, see note 9 Employee benefit expense and remuneration. For information on shares in subsidiaries see note 26.

Other significant events

Authorization to repurchase shares in Dometic Group AB (publ)

The Board of Directors proposes that the annual shareholders' meeting authorizes the Board of Directors to resolve to acquire shares in Dometic Group AB (publ) on one or several occasions until the next annual shareholders' meeting, equivalent to the previous mandate.

The purpose of the authorization to acquire shares in Dometic Group AB (publ) is to be able to adapt the Company's capital structure, thereby contributing to increased shareholder value.

Significant events after the reporting period

Per-Arne Blomquist, CFO and Deputy CEO of Dometic, has decided to leave the Company to focus on new and existing board assignments.

There have been no other significant events with effects on the financial reporting after the balance sheet date.

Future development

Outlook for the coming year

Dometic Group has set its financial targets as outlined below and has a roadmap of initiatives with which the Group will continue to implement its strategy. Dometic estimates organic growth to be slightly positive with an EBIT margin close to 15 percent. Leverage is expected to be around 2x by the end of 2019.

The Group's medium to long-term financial targets

Dometic's Board of Directors adopted in 2015 the following medium to long-term financial targets over the cycle:

- Net sales growth of 5 percent at constant currency excluding larger acquisitions i.e. an acquisition of a company with more than SEK 100 million in net sales
- Reported operating profit (EBIT) margin before items affecting comparability of at least 15 percent
- Net debt/EBITDA around 2.0x
- Dividend of at least 40 percent of its net profit shall be distributed

Employees and remuneration

Number of employees

The average number of employees was 7,991 (8,769).

The Board of Directors' Proposal Regarding Guidelines for Remuneration for the CEO and the Group Management

The Board of Directors of Dometic Group AB (publ) ("The Company") proposes that the 2019 annual shareholders' meeting resolves to adopt the following guidelines for remuneration for the CEO and the Dometic Group management (the "Group Management") for the period until the 2020 annual shareholders' meeting.[1] Except for certain adjustments to the maximum pension benefit for the CEO, the proposed guidelines for remuneration below do not involve any material change, compared with the guidelines for remuneration adopted by the 2018 annual shareholders' meeting.

Total Remuneration

The total remuneration shall be based on the position held, individual performance, performance of Dometic Group and be competitive in the country of employment. The overall remuneration package may consist of the base salary, variable salary based on short-term annual performance targets, long-term incentives, pension and other benefits, including non-monetary benefits.

Base Salary and Variable Salary

Base salary shall be the basis for the total remuneration. The base salary shall be market relevant and reflect the degree of responsibility involved in the position. The base salary levels shall be reviewed annually. Members of the Group Management shall, in addition to the base salary, dependent on an annual decision by the Board of Directors, be eligible to variable salary that is based on short-term annual predetermined and measurable performance targets. The variable salary potential shall be dependent on the position and may for the CEO amount to a maximum of 75 percent of the base salary, and for the other members of the Group Management be within the range of 30–50 percent of the base salary, according to individual agreements.

Long-term Incentive Programs

In addition to base salary and variable salary, long-term incentive programs may be implemented. Such programs shall be designed to ensure a long-term commitment to Dometic Group's development, be implemented on market terms and have a term of no less than three years. Share or share price related LTI programs shall be approved by the shareholders' meeting.

Pensions and Insurance

Pension and disability benefits shall reflect regulations and practice in the country of employment. The value of the benefits shall be in line with market practice in the country and shall not exceed 35 percent of the annual base salary for the CEO and 30 percent for the other members of Group Management. If possible, pension plans shall, in line with the group remuneration policy, be defined contribution plans. The retirement age is normally 65 years.

Other Benefits

Other benefits, such as company car, health insurance or similar, may be part of the total remuneration and shall aim to facilitate the Group Management's duties and correspond to what is considered reasonable in relation to market practice in the country of employment.

Notice of Termination and Severance Pay

Members of the Group Management shall have 6 months' notice period when notice is given by the employee. If the notice is given by the company 6–12 months' notice shall be applied. The CEO shall have 6 months' notice by the company, with up to an additional one year base salary as severance payment. Severance pay shall not form a basis for vacation pay or pension benefits. Local employment laws and regulations may influence the terms and conditions for notice given by the Company.

The Group Management shall be obliged not to compete with the Company during the notice period.

Authority for the Board of Directors to Deviate from the Guidelines for Remuneration

Under special circumstances, the Board of Directors may, in an individual case, deviate from these guidelines for remuneration. In case of such a deviation, the next annual shareholders' meeting shall be informed of the reasons.

Sustainability and environmental impact

Sustainability

For more information on the Dometic Group and sustainability, read the full sustainability report on pages 42–57 in the Annual Report 2018. For information on subsidiaries in the Group, see note 26.

Environmental impact

Dometic undertakes production at some 27 wholly owned factories in Americas, EMEA and APAC. Manufacturing comprises mainly assembly of components sourced from external suppliers. Other processes include processing of metal, sheet metal and plastic, welding, vacuum forming, foaming and painting, sewing and brazing.

The product portfolio consists of refrigerators, air conditioning systems, windows, doors, steering systems and other equipment and appliances in the business areas of RV, Marine, CPV, Retail and Lodging.

The most important environmental aspects primarily constitute energy consumption and waste. Studies of the total environmental impact of the Group's products during their entire lifetime, i.e. from production and use to recycling, indicate that the largest environmental impact is generated when the products are used. The Group has a long history of collecting and monitoring environmental data from its production sites and among other things reports on wastewater and energy consumption. All Dometic factories with more than 50 employees are expected to maintain ISO 14001 certification of their operations. Dometic´s manufacturing units adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The permits cover e.g. thresholds or maximum permissible values for air and water-borne emissions and noise.

Dometic's products are affected by laws, rules and regulations in various markets principally involving energy consumption, producer responsibility for recycling, and the management of hazardous substances. Dometic continuously monitors changes in laws, rules and regulations and both product development and manufacturing incorporate any required legal changes.

[1] The principles for remuneration set out in these guidelines for remuneration shall apply to arrangements entered into following the adoption of the guidelines for remuneration by the annual shareholders' meeting, as well as to any changes made in existing agreements following the adoption of the guidelines for remuneration.

The share, shareholders and proposed distribution of earnings

The share

Dometic's shares have been listed on Nasdaq Stockholm since November 25, 2015; the share capital amounted to SEK 739,583 divided into 295,833,333 shares. The quotient value (nominal value) of the share is SEK 0.0025 per share.

All the shares are of the same class and carry equal rights in all respects. At the annual shareholders 'meeting, each share carries one vote and each shareholder is entitled to vote the full number of shares such shareholder holds in the Company.

Shareholders

On December 31, 2018 the number of shareholders amounted to 14,439 according to the share register kept by Euroclear Sweden AB. Of the total share capital, 52.8 percent was owned by Swedish institutions and mutual funds. 6.0 percent was held by Swedish private investors and the remaining 41.2 percent was held by foreign and non-disclosed owners. Swedbank Robur Funds is the largest shareholder, holding 6.7 percent of the share capital and 6.7 percent of the voting rights. Alecta Pension Insurance is the second largest owner, holding 6.5 percent of the share capital and 6.5 percent of the voting rights. The ten largest shareholders accounted for approximately 43.5 percent of the share capital and 43.5 percent of the voting rights in the Company.

Articles of Association

The articles of association contain no separate provisions pertaining to the appointment and dismissal of Board members, nor to amendments to the articles of association.

Proposed distribution of earnings

The following earnings (SEK thousands) are at the disposal of the annual shareholders' meeting:

Retained earnings	10,237,983
Profit for the year	516,704
Total	10,754,687

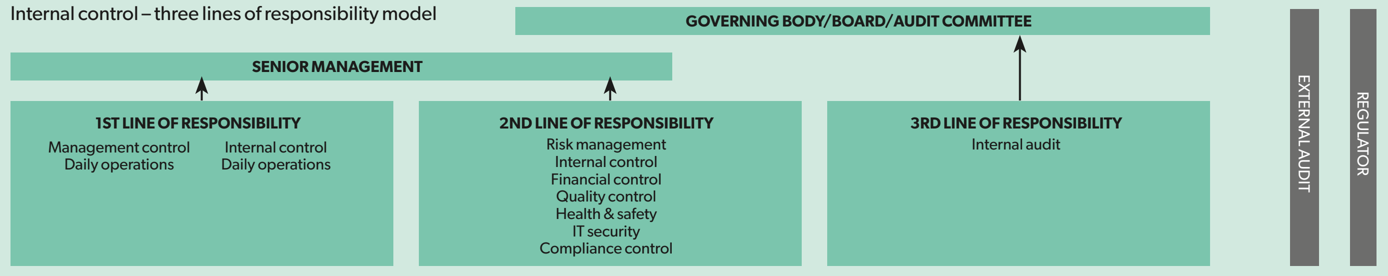
The Board of Directors proposes that earnings be distributed as follows:

A dividend to the shareholders of SEK 2.15 per share, totaling	636,042
To be carried forward	10,118,645
Total	10,754,687

RISK AND RISK MANAGEMENT

Risks are part of any business and Dometic is no exception. As a global Group with production and distribution all over the world, Dometic faces risks that can impact its ability to achieve established goals, including financial targets. Effective risk management of business and market risks, operational risks (including sustainability risks), compliance and regulatory risks and financial risks creates opportunities and effective risk protection.

Internal control – three lines of responsibility model



The key to effective risk management is identifying known risks and preparation for any unknown risks to which the Group is exposed. While mitigating risks usually comes at a cost, effective risk management adds value by establishing clear risk ownership combined with risk identification, assessment and prioritization as well as making decision on proper response and monitoring.

Risk management

In line with Dometic's established model for three lines of responsibility, risk management as part of the second line of responsibility constitutes an important role by providing insight to management and operation of risk and risk-management.

Dometic works according to an established risk management process with risk identification, risk assessment, risk prioritization, risk response and monitoring. The risk universe together with global and regional risk registers, risk assessments, risk maps, risk owners and the Risk Committee constitute the cornerstones of the Group's risk management.

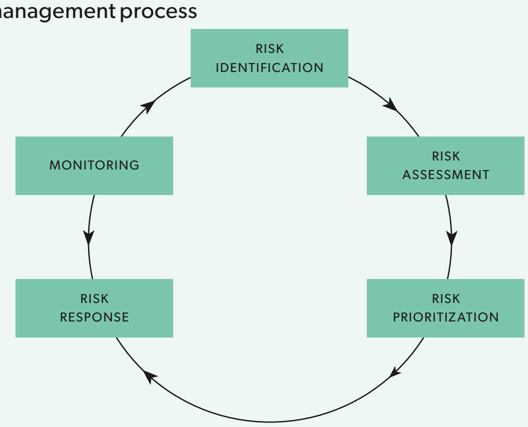
Risk responses could be avoiding the risk, reducing the risk, sharing the risk or accepting the risk. Examples of risk responses are internal control framework, internal quality programs, whistle blowing functions, insurance programs and crisis management procedures for offices and management, as well as for local factories and warehouses, as part of business continuity plans, and also to follow the development of external risks in order to be able to act quickly.

Risks and risk responses are assessed annually and documented in a risk register that generates risk maps on Group and regional levels. These risk maps are the foundation for the Group's operational risk ownership and also serve as a foundation for the Group's control functions, such as Internal Control and Internal Audit, for their prioritization of focus areas.

Dometic's risk owners are members of Group senior management as well as specialists and functional heads of departments. Risk owners assess their respective risks in terms of likelihood and impact and discuss and approve risk responses in terms of risk mitigating activities.

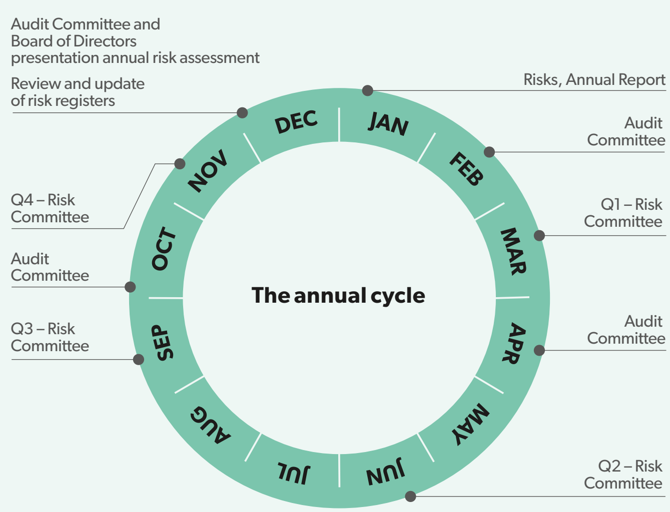
The Risk Committee is the operational forum on Group level with the purpose to discuss and make decisions on risk-mitigating activities and is represented by Finance, Operations, Product Development, HR including Health and Safety, Legal, Quality, Internal Control and Internal Audit. The CFO is the chairman of the Risk Committee. The main tasks of the Risk Committee are to assess Group risks , discuss recent risk-related issues, facilitate input from Risk Committee members and review risk-related reports and evaluate and approve

Risk management process



The annual cycle

The illustration below shows the Risk Management annual cycle.



The Risk Committee meets quarterly to monitor risks and risk mitigation activities. A comprehensive risk assessment and update of the risk registers are conducted in the fourth quarter, in early December, and the annual risk assessment is presented to Audit Committee and to the Board of Directors before the end of the year.

risk mitigating activities. Formal minutes with agreed actions are recorded and reviewed in the next meeting. The work of the RiskCommittee is regularly reported to the Audit Committee and the Board of Directors annually.

Risk universe

The risk universe consists of risk that can impact Dometic's ability to achieve established goals including financial targets. The risks to which Dometic is exposed are classified into four main categories: Business and Market risks, Operational risks (including sustainability), Compliance and Regulatory risks and Financial risks.

Business and Market risks

Business and Market risks can influence Dometic's strategic and financial position and thereby impact the Group's ability to achieve established goals, including financial targets. They are related to business development, strategic positioning and brand reputation. Business and Market risks are managed by monitoring global trends and evaluating the Groups options and strategic position.

Operational risks

Operational risks are operational and commercial risks associated with business operations, including sustainability risks. Business risks can impact the financial performance and brand reputation. Operational risks are mitigated by implementing a Code of Conduct and other governing documents, by effective internal control activities, quality programs, whistle blowing function, insurance

Business and Market risks		Risk description
Business and Market risks that could affect Dometic's strategic and financial position.	Product strategy	Failure to innovate and launch attractive new products could damage the Group's brand and reduce net sales. Too little or wrong investments in research and development (R&D) could negatively affect future net sales.
	Changes in customer preferences	Reduced spending on leisure activities and more attractive competitive product offering could lead to downturn in net sales.
	Brand reputation	Failure to launch attractive products, breaches in social or ethical responsibilities, mismanagement of quality issues and product liability can all damage the Group's reputation and net sales.
	Economic downturn	The Group's operations focus on products considered to be discretionary items and consumer purchases of such items tend to decline during economic downturns.
	Weather fluctuations	Weather fluctuations may affect Dometic's operating profit and the ability to maintain sales volume. Dometic's operations may be adversely affected by unseasonably cool weather, which has the effect of diminishing customer demand for the Group's products and decreasing the sales volumes.
	Mergers & Acquisition	Mergers and acquisitions may expose the Group to risks relating to integration, retention of key employees and failure to realize expected synergies.
	Competitive position	The Group faces a variety of competitors with differing focus: prices, product design, quality or service offerings.

Operational risks		Risk description
Operational risks including sustainability risks that could affect Dometic's financial performance and brand reputation.	Quality issues and product liabilities	Significant product design flaws or manufacturing defects could lead to major costs related to recalling or reworking products and have a negative impact on the Group's reputation.
	Supply chain risks	When sourcing material from more than 4,100 suppliers spread globally, the Group is exposed to risks from non-compliance with Core Values, the Code of Conduct and regulations, for example import tariffs.
	Supplier risks	The risk that the supplier face quality, operational, financial and/or reputational problems.
	Health & Safety issues	The Group is susceptible to breaches that could have a negative impact on the health and safety of personnel.
	Anti-corruption	Inadequate procedures to prevent corruption and various forms of fraud.
	Environment	Production and use of products is associated with energy consumption and emissions.
	Human rights	Violation of human rights within the Group or in the supply chain could damage Dometic's reputation and expose the Group to liabilities
	Personnel	Loss of management and key personnel, as well as the inability to attract and retain necessary personnel.
	IT security and IT operations	The risk of a breach in confidentiality, integrity and availability of company business data. Improperly managed IT security, as well as changes in hardware and software can impact the Group's ability to support the business and reach established goals.
	Production facility and equipment failures	Production facility and equipment failures could lead to interruptions in service that may cause product delivery delays, which cannot be absorbed by other facilities. Repeated or extended delays could damage reputation and loss of customers.
	Physical security	The risk of unauthorized access to the company's owned or rented facilities that can result in facility damage, human injuries, loss of information or loss of physical items such as company properties, tools, production/raw material or products.

programs and proper crisis management as well as by reducing environmental impact and improving energy efficiency.

Compliance and Regulatory risks

Compliance and Regulatory risks are both internal compliance to Group governing documents well as external compliance to laws, rules and regulations. Dometic is subject to stringent environmental and other regulatory requirements, which can result in additional cost or impacting operational profit or liability, restrict operations or result in the limitation or suspension of the sale or production of a product. The introduction of new laws and regulations, the discovery of previously unknown contamination, or the imposition of new or increased requirements could affect the Group's business operational profit and quality of financial reporting. Internal compliance is mitigated by active dialogue, intranet publications and training of employees, annual assessments of governing documents compliance and by Group Internal Control. External compliance is mitigated by active review by the global quality department and continuous dialogue between regional entities and Group functions, such as the Legal, HR, Finance and Tax departments.

A more detailed description of Dometic's work with Internal Control over Financial reporting is provided in the Corporate Governance Report, section Internal Control over Financial Reporting on page 77–79.

Financial risks

Financial risks are risks associated with Dometic's global presence and can influence the profit and financial position, as well the ability to achieve established goals. Financial risks are managed in accordance with the Finance Policy approved by the Board. For more information on Financial risk and risk management, see Note 3 Financial risk management and financial instruments on pages 97–100.

Risk response
Continued investments in R&D and design and innovation to maintain product leadership.
Monitoring trends in customer preferences and spending. Investments in R&D to ensure attractive product offering.
The Group's Code of Conduct is based on social and environmental sustainability in all areas of business, as well as on ethical business standards.
Efficient production to maintain competitiveness, margins and attractive product offerings. Diverse geographical exposure and growth in aftermarket sales.
Active monitoring and adjusting forecasts and inventory as far as possible.
Quality assurance activities such as evaluation model and process, Group strategy and M&A controlling.
Product leadership in all core RV OEM categories through R&D and ensuring a competitive cost base by focusing on improvements in purchasing, logistics and SG&A.

Risk response
Provisions for recalls and product liability insurance. Further improved focus on Product Development test and validation. Continue to drive technical specifications, quality control plans, test and inspection before products are dispatch from factories
All suppliers are required to comply with the Code of Conduct. The Group has regular global Purchasing review meetings where this is followed up with regional execution.
All suppliers are required to comply with the Code of Conduct. The Group has regular global Purchasing reviews with regional execution. A global Supplier Quality audit process and guidelines has been launched to assure monitoring of supplier performance and to execute supplier audits.
Global Health & Safety Guidelines were included in the Dometic Way 2017. Dometic Loss Prevention Guideline for risk reduction. Assessments are conducted with a third party at all production sites to analyze potential risks.
The Code of Conduct, which applies to all employees, customers, business partners and suppliers, states that the Group shall not participate in any kind of corruption, fraud, bribery, money laundering or any other form of unethical behavior.
Targets to reduce the energy consumption and waste in the production are decided. We also aim to increase the use of recycled materials and increased recyclability in future product generations. Product development sets targets to increase energy efficiency during the product life cycle.
A whistleblower function available in all of the Group's languages offers employees an anonymous channel and is managed by a third party to ensure full privacy.
A strong corporate culture. The Dometic Way is the foundation of the corporate culture and sets the standard for everything the Group does and how it interacts internally and with external partners. Knowledge is a key success factor and more than 2,000 employees participate in over 300 training activities yearly.
Group IT Board is an executive board that prioritizes and decides upon IT development initiatives driving digital business transformation and mitigation of operational risk. IT security, cyber threats and business operational risk are governed and mitigated by a companywide IT delivery model, best-practices software and a competence center-oriented IT organization. Usage of IT assets and software is regulated and governed by an IT Policy approved by the Board of Directors.
Business continuity plans. Internal reviews by Group and region on selected key facility and equipment. Production is part of global internal control program. Selected external reviews by experts on selected key areas, either proactively by the Group or as part of existing local regulation and/or certifications.
Global facility security guideline. Review of security as part of selected operational audits performed by external party inspections related to insurance. Countermeasures in terms of investments in modern security such as alarms, cameras etc.

Compliance and Regulatory risks		**Risk description**
Compliance and Regulation risks that could affect the Group´s business and operational profit.	Non-compliance with laws, rules and regulations	All entities within the Group are subject to various regulatory requirements, which change over time. These requirements may result in additional costs, impacting operational profit or liability, restrict operations or result in the limitation or suspension of the sales or production of a product. These regulations relate to technical, environmental, safety and other requirements regarding the Group’s operations and products. Failure to comply with applicable regulations might result in restrictions in operations, penalties, potential claims from customers and/or authorities and could lead to a negative publicity for the Group.
	Non-compliance with governing documents	Dometic governing documents, including the Code of Conduct, establish the rules of conduct within the Group, outlining the responsibilities of both the employees and the employer. Non-compliance with the Group governing documents might harm the business and have a negative impact on the profit.
	Disputes and litigations	Group companies may become involved in disputes within the framework of their normal business activities and risk being subject to various claims. Disputes and litigations can be time consuming, disrupt normal operations, involve large claim amounts and result in considerable costs.
	Infringements and protection of Intellectual Property	Lack of protection of intellectual property may hamper development of Dometic’s products and operations. Infringement of intellectual property of third parties may lead to claims from such third parties and potential liability for the Group.
	Inaccuracies in reporting.	Risks related to the internal and external reporting with focus on financial reporting.

Financial risks		**Risk description**
Financial risks associated with Dometics global presence that could affect the profit and financial position as well as the ability to achieve established goals. (For more information on financial risk management and financial instruments, see note 3, pages 97–100.)	Currency risks	As Dometic is a global Group with operations in many countries, Dometic is exposed to both transaction risks and translation risks. Transaction risk arises where assets and liabilities are stated in different currencies and certain net sales and costs arise in different currencies. Translation risk arises when the Group’s financial statements are consolidated, and the currencies differ from the functional currency of certain operating subsidiaries.
	Interest rate risks	Changes in interest rates can impact the Group’s profit and cash flow.
	Liquidity risks	Inability to meet payment obligations due to insufficient funds or inability to meet payment obligation without significant higher financing cost.
	Financing risks	Maintaining the Group’s capital structure and reducing the cost of capital through optimal capital structure are crucial for the Group’s ability to continue to generate returns for shareholders.
	Credit risks	Failure by counterparties to meet payment obligations can have a negative impact on the Group’s profit and financial position.
	Tax risks	Changes in tax laws could increase Dometic’s tax burden or otherwise have a material adverse effect on the Company’s business, financial position and profit. The cancellation or restriction on the use of the Group’s tax loss carry forwards may have a significant impact on the Group’s tax burden, including a potential imposition of tax surcharges, and could have a material adverse effect on the Company’s business, financial condition and profit. Dometic's tax burden could increase if tax authorities consider that Dometic does not act in accordance with applicable rules on transfer pricing.

Risk response

Internal global function for quality with representation from the regions. Mitigation activities discussed and agreed in the Dometic Advisory Board. Continuous dialogue between regional entities and Group functions, such as the Legal, HR, Finance and Tax departments.

Active dialogue, intranet publications and training of employees about existing governing documents and their content. Annual assessment of governing documents compliance by the Group Internal Control.

Active dialogue by regions with the Group Legal department and involvement and support of the Group Legal department in any claim allegations. Formal litigation report regularly presented to the Audit Committee.

Global function for Intellectual Property that supports regions. Regular review of freedom to operate and central registration of intellectual property rights.

A more detailed description of Dometic´s work with Internal Control over Financial reporting is provided in the Corporate Governance Report, section Internal Control over Financial reporting on pages 77–79.

Risk response

The Group manages translation exposure principally through borrowing in the relevant foreign currencies. Transaction exposure is managed according to the Treasury Policy which has a target to hedge all main transaction currency flows up to 95 percent.

Interest rate risks are managed centrally by Group Treasury in accordance with the Treasury Policy. To limit the interest rate risk, the outstanding debt portfolio (several senior facility term loans and local loans) has a maximum interest period of nine months and in the case of interest-bearing assets, the fixed interest rate period are matched against the closest debt maturity.

Liquidity management aimed at ensuring the Group's control of its liquidity situation; subsidiaries report weekly cash balances and a liquidity forecast of 8 weeks is reported bi-weekly.

Financing risks are mitigated through high credit rating and a diversified loan portfolio as stipulated in the Treasury Policy (part of Finance Policy). The Treasury Policy is established by the Board of Directors.

Cash is held primarily in counterparties with high credit ratings. Credit risks in accounts receivables are mitigated by ensuring clients have favorable payment history, by using credit insurance and by using letters of credit in emerging markets with unstable environments.

Dometic observes all applicable tax laws, rules, regulations and disclosure requirements. The Group seeks to plan and manage its tax affairs efficiently in all the jurisdictions in which it operates and to ensure that decisions made are supported by documentation that supports the facts, conclusions and risks involved. Dometic engages external tax experts for advice in complex matters to ensure that its interpretation and application of tax laws of the concerned jurisdiction is consistent and prudent. All transactions Dometic engages in must have business purpose or commercial rationale.

CORPORATE GOVERNANCE REPORT

Dometic is a global market leader in branded solutions for Mobile Living in the areas of Food & Beverage, Climate, Power & Control, Safety & Security and Hygiene & Sanitation. Dometic is organized into three regions: the Americas, EMEA and APAC, providing products for use in recreational vehicles, pleasure boats, work boats, trucks, premium cars and for a variety of other uses. Dometic offers products and solutions that enrich people's experiences away from home, whether in a motor home, caravan, boat or a truck. Dometic's focus is to create smart and reliable products with outstanding design. Dometic operates 27 manufacturing and assembly sites in 12 countries with sales in approximately 100 countries. Dometic has a global distribution and dealer network in place to serve the aftermarket. In 2018, Dometic had net sales of more than SEK 18 billion and approximately 8,000 employees worldwide.

The parent company of the Dometic group of companies ("Dometic", "the Group") is Dometic Group AB (publ) ("the Company"), registered under number 556829-4390 with the Swedish Companies Registration Office. The registered office of the Board of Directors of Dometic (the "Board") is in Solna, Sweden. The address of the Group headquarters is Hemvärnsgatan 15, 6th floor, SE-171 54 Solna, Sweden.

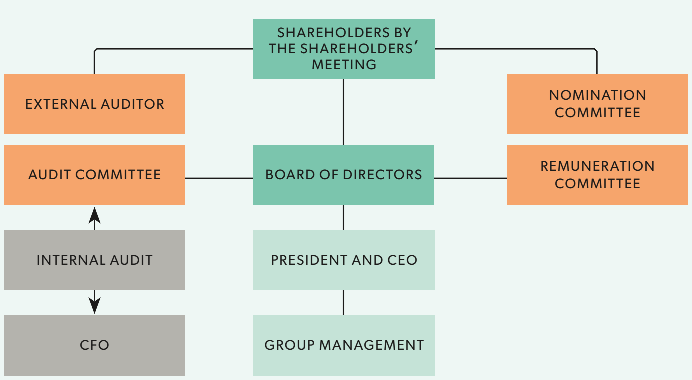
The Company is a public Swedish limited liability company. The Company's shares are listed on the Nasdaq Stockholm Large Cap List.

The Company aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

The governance of the Company is based on the Swedish Companies Act, the Swedish Annual Accounts Act, the Rule Book for Issuers at Nasdaq Stockholm and the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign laws, rules and regulations as well as internal regulations in terms of Dometic's governing documents. The Code is published on the website of the Swedish Corporate Governance Board, which administers the Code: www.corporategovernanceboard.se. Dometic's formal corporate governance structure is presented below.

This corporate governance report has been drawn up as a part of the Company's application of the Code. The Company does not report any deviations from the Code in 2018. There has been no infringement by the Company of the applicable stock exchange rules and no breach of good practice on the securities market reported by the disciplinary committee of Nasdaq Stockholm or the Swedish Securities Council in 2018.

Dometic's corporate governance structure



Highlights 2018

Re-election of Fredrik Cappelen as the Chairman of the Board.

CEO shift. Roger Johansson, President and CEO, decided to leave his assignment. Juan Vargues, Head of Entrance Systems at ASSA ABLOY, was appointed as new President and CEO of Dometic as of January 8, 2018.

Introduction and implementation of a performance-based, long-term incentive program from 2018 for selected senior managers and key specialists in the form of a three-year rolling cash-based plan.

On December 3, 2018, Dometic acquired Kampa, an innovative provider of Retail and Aftermarket products based in the UK. Kampa significantly broadens Dometic's Retail and Aftermarket offering in EMEA, with good potential for further expansion and profitable growth.

A new Chief Technology Officer, a new Head of Group HR, a new Head of Group Operations and a new President of region EMEA, were appointed.

Applicable laws, rules and regulations, examples	Internal regulations in terms of Dometic's governing documents, examples
• Swedish Companies Act. • Swedish Annual Accounts Act. • Rule Book for Issuers at Nasdaq Stockholm. • Swedish Corporate Governance Code.	• Articles of Association. • Rules of Procedure for the Board of Directors. • Instructions for the CEO. • Instructions for the Remuneration Committee • Instructions for the Audit Committee. • Instructions for the reporting of financial situation of Dometic Group AB (publ) and the Dometic Group. • Code of Conduct. • Remuneration Policy. • Finance Manual • Finance Policy (incl. Tax Policy, Treasury Policy and Credit Policy). • Information Policy. • Insider Policy. • Internal Audit Policy. • Dividend Policy. • IT Policy • Processes for internal control and risk management. • Minimum Internal Control Requirements (MICR)

Shareholders' Meeting

Pursuant to the Swedish Companies Act, the shareholders' meeting is the Company's highest decision-making body and the shareholders exercise their voting rights at such meetings. At the annual shareholders' meeting, shareholders have the opportunity to ask questions about the Company and its results for the past year. The annual shareholders' meeting of Dometic is held in Stockholm, Sweden, usually in April or May.

The annual shareholders' meeting resolves upon:
- Adoption of statutory financial statements.
- Disposition of the Company's result and dividend.
- Discharge from liability of the Board members and the CEO.
- Principles for the appointment and work of the Nomination Committee.
- Guidelines for remuneration for the CEO and the Group management, and, if applicable, adoption of long-term incentive programs.
- Election of Board members, Chairman of the Board and external auditor.
- Remuneration to Board members and external auditor.
- Other important matters, such as repurchase and transfer of the Company's shares, issuance of new shares, amendments to the Company's Articles of Association, if applicable.

Extraordinary shareholders' meetings may be held at the discretion of the Board or, if requested, by the external auditor or by shareholders owning at least 10 percent of all shares in the Company.

Participation in decision-making requires the shareholder's presence at the shareholders' meeting, either personally or through a proxy. In addition, the shareholder shall be registered in the share register by a stipulated date prior to the meeting and shall provide notice of participation in the manner prescribed in the notice convening the meeting. According to the Company's Articles of Association, meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the Group's website. At the time of the notice convening the meeting, information regarding the notice is published in the Swedish daily newspaper Svenska Dagbladet. The Company's Articles of Association are available on the Group's website, www.dometic.com.

Individual shareholders may request that the Board includes a specific issue in the agenda of a shareholders' meeting. The address and the last date for making such a request for the respective meeting shall be published on the Group's website.

Decisions at the shareholders' meeting are usually taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of the votes cast and the shares represented at the meeting. The minutes recorded at the meeting shall be published on the Group's website not later than two weeks following the meeting. A press release containing the decisions made by the shareholders' meeting shall be published on the Group's website immediately after the meeting.

All shares in the Company carry equal voting rights, namely one vote per share.

The Company's Articles of Association do not have any specific provisions regarding the appointment and dismissal of directors or about amending the Articles.

Annual Shareholders' Meeting 2018

The 2018 annual shareholders' meeting of Dometic was held at Meeting Room in Stockholm, Sweden, on April 10, 2018. 283 shareholders representing a total of 54.7 percent of the votes were represented at the meeting. The CEO's speech was recorded and is available on the Group's website together with the minutes.

Decisions at the 2018 annual shareholders' meeting included:
- Adoption of statutory financial statements.
- Discharge from liability of the Board members and the CEO.
- Approval of the dividend payment of SEK 2.05 per share for fiscal year 2017. The record date for the dividend was set for April 12, 2018. The dividend was paid out to shareholders on April 17, 2018.
- Re-election of the Board members: Fredrik Cappelen, Erik Olsson, Heléne Vibbleus, Jacqueline Hoogerbrugge, Magnus Yngen, Peter Sjölander and Rainer Schmückle.
- Re-election of Fredrik Cappelen as the Chairman of the Board.
- Re-election of the audit firm PricewaterhouseCoopers as external auditor, with Anna Rosendal as the auditor in charge.
- Approval of remuneration to the Board members and the external auditor.
- Adoption of the principles for the appointment and work of the Nomination Committee.
- Approval of the guidelines for remuneration for the CEO and the Group management.
- Authorization for the Board to acquire shares.

Annual Shareholders' Meeting 2019

The 2019 annual shareholders' meeting of Dometic will be held on Tuesday, April 9, 2019, at Hotel At Six, Brunkebergstorg 6, 111 51 Stockholm, Sweden. For additional information regarding the next annual shareholders' meeting and how to register attendance, see the Group's website, www.dometic.com.

Nomination Committee

The 2018 annual shareholders' meeting resolved to adopt the following principles for the appointment and work of the Nomination Committee for the 2019 annual shareholders' meeting.

The Nomination Committee shall be composed of the Chairman of the Board together with one representative of each of the three largest shareholders, based on Company ownership structure as of August 31. Should any of the three largest shareholders renounce its right to appoint one representative to the Nomination Committee, such right shall transfer to the shareholder who then in turn, after these three, is the largest shareholder in the Company. The Board shall convene the Nomination Committee. The member representing the largest shareholder shall be appointed the chairman of the Nomination Committee, unless the Nomination Committee unanimously appoints someone else.

Should a shareholder having appointed a representative to the Nomination Committee no longer be among the three largest shareholders, the representative appointed by such shareholder shall resign and the shareholder who is then among the three largest shareholders shall have the right to appoint one representative to the Nomination Committee. Should such change in the ownership occur during the three month period prior to the annual shareholders' meeting , the already established composition of the Nomination Committee shall remain unchanged.

Should a member resign from the Nomination Committee before his or her work is completed, the shareholder who has appointed such member shall appoint a new member, unless that shareholder is no longer one of the three largest shareholders, in which case the largest shareholder in turn shall appoint the substitute member. A shareholder who has appointed a representative to the Nomination Committee shall have the right to discharge such representative and appoint a new representative. Changes to the composition of the Nomination Committee shall be announced immediately.

The term of the office for the Nomination Committee ends when the next Nomination Committee has been appointed. The Nomination Committee shall carry out its duties as set out in the Code.

The composition of the Nomination Committee for the annual shareholders' meeting is publicly announced on the Group's website no later than six months before the annual shareholders' meeting.

The Nomination Committee's tasks include preparing a proposal for the next annual shareholders' meeting regarding:
- Chairman of the annual shareholders' meeting.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for Board committee work.
- Amendments of the principles for the appointment and work of the Nomination Committee, if deemed necessary.
- External auditor and external auditor's fee.

In addition, the Nomination Committee shall assess the independence of the Board members in relation to the Company and the largest shareholders. The Nomination Committee's proposals are publicly announced not later than on the date of notification of the annual shareholders' meeting. Shareholders wishing to submit proposals to the Nomination Committee should send a letter to Nomination Committee, Dometic Group AB (publ), Hemvärnsgatan 15, 6th floor, SE-171 54 Solna, Sweden.

No remuneration is paid to members of the Nomination Committee. The Company shall pay any necessary expenses that the Nomination Committee may incur in its work.

Further information regarding the Nomination Committee and its work can be found on the Group's website: www.dometic.com.

Nomination Committee for the 2018 Annual Shareholders' Meeting

The Nomination Committee for the 2018 annual shareholders' meeting comprised four members. Joachim Spetz (Swedbank Robur funds) was the Chairman of the Nomination Committee.

For the proposal for the 2018 annual shareholders' meeting, the Nomination Committee made an assessment of the composition and size of the then current Board as well as the Group's operations. Areas of particular interest were Dometic's strategies and goals and the demands on the Board that were expected from the Group's positioning for the future. The Nomination Committee also considered that a breadth and variety as regards age, nationality, gender, educational background, experience, competence and term of office were represented among the Board members.

The Nomination Committee proposed re-election of the Board members: Fredrik Cappelen, Erik Olsson, Heléne Vibbleus, Jacqueline Hoogerbrugge, Magnus Yngen, Peter Sjölander and Rainer Schmückle and the re-election of Fredrik Cappelen as the Chairman of the Board. After the election at the 2018 annual shareholders' meeting, two out of seven Board members are women.

Nomination Committee for the 2019 Annual Shareholders' Meeting

The Nomination Committee for the 2019 annual shareholders' meeting is based on the Company ownership structure as of August 31, 2018. The composition of the Nomination Committee was announced on the Group's website on October 19, 2018, i.e. six months before the 2019 annual shareholders' meeting, in accordance with the Code's announcement requirement.

The Nomination Committee's members are: Joachim Spetz (Swedbank Robur funds), Mikael Wiberg (Alecta pension insurance), Filippa Gerstädt (Nordea funds) and Fredrik Cappelen, Chairman of the Board. Joachim Spetz is the Chairman of the Nomination Committee.

Nomination Committee

Name	Appointed by	Percentage of votes, August 31, 2018
Joachim Spetz	Swedbank Robur funds	7.04%
Mikael Wiberg	Alecta pension insurance	6.51%
Filippa Gerstädt	Nordea funds	5.29%
Fredrik Cappelen	Chairman of the Board	0.31%

The Board of Directors

The Board has the overall responsibility for the Company's organization and administration by continuously monitoring the operations, ensuring an appropriate organization, management, governing documents and internal control. The Board establishes goals and strategies and makes decisions concerning major investments and operational changes. The Chairman of the Board has a leading role and is responsible for ensuring that the Board's work is well organized and performed efficiently.

Composition of the Board

The Board comprises seven members, without deputies, who are elected by the annual shareholders' meeting. The annual shareholders' meeting elects the Chairman of the Board. Directly after the annual shareholders' meeting, the Board holds a meeting for formal constitution at which the members of the committees of the Board are elected. The Chairman of the Board is Fredrik Cappelen.

Two of the seven Board members are not Swedish citizens. All members of the Board are non-executive members.

For additional information regarding the Board members, see pages 80–81. The information is updated regularly at the Group's website, www.dometic.com.

Diversity Policy

The Nomination Committee shall apply the Swedish Corporate Governance Code article 4.1 as its Diversity Policy in respect of the Board. The goal of the Policy is for the Board to have a composition appropriate to the Company's operations, phase of development and other relevant circumstances. The Board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The Company shall strive for gender balance on the Board.

As set out in the Nomination Committee's proposal on election of the Board members for the 2018 annual shareholders' meeting, the Nomination Committee applied article 4.1 of the Swedish Corporate Governance Code as the Diversity Policy in its nomination process. The 2018 annual shareholders' meeting resolved to appoint the Board members in accordance with the Nomination Committee's proposal. After the election at the 2018 annual shareholders' meeting, two out of seven Board members are women (28.5 percent women).

The above-mentioned assessment and application of the Diversity Policy has also been made in respect of the Nomination Committee's preparation of the proposals for the 2019 annual shareholders' meeting. While the Nomination Committee has explicitly stated that diversity and equal gender balance are prioritized matters, the Nomination Committee has not proposed any changes to the composition of the Board. According to the Nomination Committee's proposal all seven Board members should be re-appointed, of which two are women and five are men.

Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented on pages 80–81. All Board members have been considered independent. Accordingly, the Company is in compliance with the Code's independence requirement.

The Board's Tasks

One of the main tasks of the Board is to manage the Group's operations in such a way as to assure that the interests of the owners in terms of long-term profitable growth and value creation are being met in the best possible manner. The Board's work is governed by applicable laws, rules and regulations as well as internal governing documents that constitute the framework for corporate governance at Dometic.

The Board deals with and decides on Group-related issues, such as:

- Goals and strategies.
- Appointing, evaluating, and, if necessary, dismissing the CEO.
- Internal governing documents, as applicable.
- Ensuring that there is an appropriate system of internal controls and risk management to follow-up the Groups operations and the risks to the Group that are associated with its operations.
- Ensuring that there is a satisfactory process for monitoring the Group's compliance with applicable laws, rules and regulations as well as internal governing documents.
- Ensuring that the Group's external communications are characterized by openness and that they are accurate, reliable and relevant.
- Evaluating its work annually.
- Matters that according to the Instructions for the CEO fall outside of the scope of the CEO's day-to-day mangement.

For information regarding examples of applicable laws, rules and regulations as well as internal governing documents, see the table on page 72.

Working Procedures and Board Meetings

The Board determines its working procedures, documented in the Rules of Procedure for the Board of Directors, each year and reviews these Rules of Procedure as required. The Rules of Procedure describe the Chairman of the Board's duties as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the Rules of Procedure for the Board of Directors and the Code, the Chairman of the Board shall among other things:
- Organize and lead the Board's work.
- Verify that the Board's decisions are implemented efficiently.
- Ensure that the Board discharges its duties.
- Ensure the efficient functioning of the Board including necessary introductory trainings for new Board members and ensure that the Board regularly updates and develops its knowledge of the Group and its operations.
- Be responsible for contacts with the shareholders regarding ownership issues.
- Ensure that the Board receives sufficient information and documentation to enable it to conduct its work.

The Rules of Procedure for the Board of Directors stipulate that the meeting for the formal constitution of the Board shall be held directly after the annual shareholders' meeting. Decisions at such statutory Board meetings include the election of chairman and members of the committees of the Board and authorization to sign on behalf of the Company. In addition to the statutory Board meeting, the Board shall hold at least four ordinary Board meetings during the year. These meetings are held in conjunction with the publication of the Company's Interim reports, Full-year report and Annual report, in connection with visits to the Group manufacturing facilities and coordinated with the most important processes at the Company, such as strategy, budget and risk. Additional extraordinary or per capsulam meetings, including telephone conferences, are held when necessary.

The Board's Work in 2018

During the year, the Board held thirteen meetings, including statutory, extraordinary and per capsulam meetings. The attendance of each Board member at these meetings is presented on pages 80–81.

Ordinary Board meetings follow a calendar that is established annually. In addition to the Board meetings, the Chairman of the Board and the CEO have continuous contact pertaining to operations and other important matters. All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Normally the CEO and the CFO are present at ordinary Board meetings and Dometic's General Counsel serves as secretary at the Board meetings.

Each scheduled Board meeting includes a review of the Group's business and the financial results and financial position as well as the outlook for the forthcoming quarters, as presented by the CEO and the CFO. The meetings also deal with investments, and the establishment of new operations, acquisitions and divestments. The Board decides on all investments exceeding SEK 10 million.

Major items addressed by the Board in 2018 included:
- Dividend payment for the fiscal year 2017.
- On December 3, 2018, Dometic acquired Kampa, an innovative provider of Retail and Aftermarket products based in the UK. Kampa significantly broadens Dometic's Retail and Aftermarket offering in EMEA, with good potential for further expansion and profitable growth.
- A new Chief Technology Officer, a new Head of Group HR, a new Head of Group Operations and a new President of region EMEA, were appointed.
- Introduction and implementation of a performance-based, long-term incentive program from 2018 for selected senior managers and key specialists in the form of a three-year rolling cash-based plan.

Ensuring Quality in Financial Reporting

The Rules of Procedure for the Board of Directors and the Instruction for the reporting of financial situation determined annually by the Board include detailed instructions on the type of financial reports and similar information which shall be submitted to the Board. In addition to the Interim reports, the Full-year report and the Annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the segments within the Group.

The Board also reviews, primarily through the Board's Audit Committee, the most important accounting principles applied by the Group in financial reports and major changes in these principles as well as internal control over financial reporting. See further section Internal Control over Financial reporting – Monitoring on page 79.

The Company's external auditor reports to the Board as necessary. The external auditor also attends the meetings of the Audit Committee. The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all Audit Committee meetings and are made available to all Board members and to the external auditor.

Board Work Evaluation

The Board evaluates its work annually with regard to its Rules of Procedure for the Board of Directors and the working climate as well as regards the focus of the Board work. This evaluation also focuses on access to and requirements of special competence in the Board. The evaluation is a tool for the development of the Board work and also serves as input for the Nomination Committee's work. The evaluation of the Board is initiated and lead each year by the Chairman of the Board.

In 2018 the annual evaluation was carried out in survey form. All Board members responded to the written questionnaire. The result of the evaluation was discussed at a Board meeting and also presented for the Nomination Committee by the Chairman of the Board.

The Board's work is progressing well. The members are making a constructive contribution to both the strategic discussion and the governance of the Company. The discussions are seen as open and the dialogue between the Board and the management is also considered positive and constructive.

Remuneration to Board Members

Remuneration to Board members and the Chairman of the Board is determined by the annual shareholders' meeting. The remuneration to the Board members was revised in 2018. For an overview of remuneration to Board members please see the table below.

Remuneration to the Board of Directors 2017–2018 (applicable from the respective annual shareholders' meeting)

SEK	2018	2017
Chairman of the Board	850,000	725,000
Board member	400,000	360,000
Chairman of the Audit Committee	100,000	100,000
Member of the Audit Committee	50,000	50,000
Chairman of the Remuneration Committee	100,000	100,000
Member of the Remuneration Committee	50,000	50,000

Committees of the Board

The Board has established an Audit Committee and a Remuneration Committee. The work of the respective committee is carried out pursuant to the Rules of Procedure for the Board of Directors and the Instructions for the Audit Committee and the Remuneration Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the committees are appointed at the Statutory Board meeting following election of Board members, or when a committee member needs to be replaced.

Audit Committee

The Audit Committee shall support the Board in monitoring that the Company and the Group are organized and managed in such a way that their respective accounts, management of funds and financial conditions in all aspects are controlled in a satisfactory manner.

As of the 2018 annual shareholders' meeting, the Audit Committee comprises three members: Magnus Yngen (Chairman), Jacqueline Hoogerbrugge and Heléne Vibbleus. The Audit Committee meets all the requirements in relation to auditing and accounting competence as stipulated in the Swedish Companies Act.

At least four meetings are held annually. Additional meetings are held as needed. In 2018, the Audit Committee held eight meetings, which were recorded in minutes. The attendance of each member at these meetings is shown on pages 80–81. Dometic's CFO, the Heads of Internal Audit, Accounting, Business Control, Internal Control, Tax and Treasury participated in the Audit Committee meetings. The General Counsel serves as secretary at the Audit Committee meetings. The external auditor participated in the ordinary Audit Committee meetings.

The Audit Committee's tasks include:

- To monitor the financial reporting process and review financial reports and submit observations and recommendations to ensure their integrity for the Board's approval.
- To monitor the effectiveness of internal control, internal audit, regulatory compliance and risk management in general, and in particular with regards to the financial reporting.
- To maintain regular contact with the external auditor and keep itself informed of the outcome of the external audit of the Company and the Group, including the audit of the financial statements and the consolidated financial statements and the conclusions from the quality control carried out by the Swedish Inspectorate of Auditors (Sw. Revisorsinspektionen).
- To inform the Board of the outcome of the external audit and explain how the audit contributed to the integrity of the financial reporting and of the role of the Committee in that process.
- To review and monitor the objectivity and independence of the external auditor as well as the external auditor's engagements in tasks other than audit services.
- To prepare the proposal concerning election of the external auditor for adoption by the annual shareholders' meeting.

In 2018, the work of the Audit Committee focused on monitoring the financial reporting processes, with a special focus on identifying risks and evaluating the internal control environment. In addition, the Audit Committee focused on follwing up on the results of the work performed by the Risk management, Internal Control and Internal Audit functions as well as the results from the external audit. Further more, the Audit Committee reviewed the Interim reports, Full year report and the Annual report. The Audit Committee also reviewed the plans of the external auditor.

Remuneration Committee

One of the Remuneration Committee's primary tasks is to prepare the Board's proposal concerning guidelines for remuneration for the CEO and the Group management for adoption by the annual shareholders' meeting. The Remuneration Committee monitors and evaluates the applied remuneration structure and remuneration levels in the Group, as well as programs for variable remuneration, both ongoing and those that have ended during the year, for the CEO and the Group management. The Remuneration Committee also monitors the application of the guidelines for remuneration for the CEO and the Group management adopted by the annual shareholders' meeting.

As of the 2018 annual shareholders' meeting, the Remuneration Committee comprises four members: Erik Olsson (Chairman), Fredrik Cappelen, Rainer Schmückle and Peter Sjölander. At least two meetings are convened annually. Additional meetings are held as needed.

In 2018 the Remuneration Committee held seven meetings, which were recorded in minutes. The attendance of each member at these meetings is shown on pages 80–81. Significant issues addressed include review and preparation of a performance-based, long-term incentive program for selected senior managers and key specialists and review and preparation of guidelines for remuneration for the CEO and the Group management for adoption by the 2018 annual shareholders' meeting as well as preparation of a proposal for the remuneration to the new President and CEO. The Head of Human Resources participated in the Remuneration Committee meetings and was responsible for meeting preparations. The CEO also participated in the meetings, but not with regard to items on the agenda relating to remuneration of the CEO.

The Remuneration Committee's tasks include:

- To review and recommend to the Board the guidelines for remuneration for the CEO and the Group management for adoption by the annual shareholders' meeting.
- To review and make a recommendation to the Board for any changes in the compensation of the CEO and the Group management.
- To monitor and evaluate programs for variable remuneration, both ongoing and those that have ended during the year, for the CEO and the Group management.
- To monitor and evaluate compliance with the guidelines for remuneration for the CEO and Group management adopted by the annual shareholders' meeting, as well as the current remuneration structures and remuneration levels in the Group.
- To prepare any proposals for shareholders' resolutions regarding share or share-price-related incentive programs.
- To prepare any Board resolutions regarding short-term variable salary and incentive programs not requiring shareholder approval (i.e. variable cash remuneration schemes) for the CEO and the Group management.

CEO and Group Management

Group management includes the CEO, the CFO, the three regional presidents and five group staff heads. The CEO is appointed by the Board. The CEO, in turn, appoints other members of the Group management and shall administer the Company's and the Group's ongoing operations pursuant to the instructions and directives issued by the Board. Group management holds monthly meetings to review the previous month's results, to update forecasts and plans and to discuss strategic issues. The CEO reports to the Board and ensures that the Board receives the information required to be able to make well-founded decisions.

The Company's CEO in 2018 was Mr. Juan Vargues (born 1959). Mr. Vargues has a Management Education IMD Lausanne (CH); Executive MBA, Lund University (EFL); and high school degree in Mechanical Engineering, Tekniska Vuxengymnasiet, Gothenburg. Juan Vargues has been Head of Entrance Systems at ASSA ABLOY, has previously worked as President and CEO of the Besam Group and has held several positions within the SKF group. He holds 686,483 shares in the Company as of December 31, 2018. Mr. Vargues had no significant assignments outside Dometic.

For details regarding members of Group management, see pages 82–83. The information is updated regularly at the Group's website, www.dometic.com.

Changes in Group Management during 2018

On July 18, 2017, it was announced that Juan Vargues (born 1959) was appointed President and CEO of Dometic, effective January 8, 2018. Juan Vargues succeeded Roger Johansson, who had decided to leave Dometic after 5 years as President and CEO.

On January 9, 2018 it was announced that Liselotte Bergmark, Head of Group HR, had decided to leave Dometic for another external assignment outside the Dometic.

As from February 23, 2018 Anton Lundqvist was appointed Chief Technology Officer of Dometic.

On February 27, 2018 it was announced that Bengt Thorsson, President of region EMEA, had decided to leave Dometic for another assignment outside the Dometic.

On March 5, 2018 it was announced that Silke Ernst was appointed Head of Group HR, effective August 21, 2018.

On June 7, 2018 it was announced that Eva Karlsson was appointed Head of Group Operations, effective November 8, 2018.

On August 17, 2018, it was announced that Peter Kruk was appointed as new President of region EMEA, effective October 1, 2018.

On November 15, 2018, it was announced that Per-Nicklas Höglund, Head of Strategy, Group Projects and M&A had decided to leave Dometic for other assignments.

Remuneration for the CEO and Group Management

Guidelines for remuneration for the CEO and Group management (the "Group management") are resolved upon by the annual shareholders' meeting, based on the proposal from the Board. Remuneration to the CEO is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes in the remuneration to other members of Group management are resolved upon by the Remuneration Committee, based on proposals from the CEO, and reported to the Board.

The total remuneration shall be based on the position held, individual performance and performance of the Group, and be competitive in the country of employment.

Remuneration may comprise:
- Base salary.
- Variable salary.
- Other benefits such as pension and insurance.

Members of the Group management shall, in addition to the base salary, dependent on an annual decision by the Board, be eligible to variable salary that is based on short-term annual predetermined and measurable performance targets.

Under special circumstances, the Board may in an individual case deviate from the guidelines for remuneration for the CEO and Group management. In case of such deviation, the next annual shareholders' meeting shall be informed of the reasons.

The guidelines for remuneration for the CEO and Group management can be found on the Group's website, www.dometic.com.

External Auditor

The 2018 annual shareholders' meeting re-elected PricewaterhouseCoopers AB (PwC) as the Company's external auditor for a one-year period until the annual shareholders' meeting in 2019. Authorized Public Accountant Anna Rosendal is the auditor in charge of the Company.

The external auditor provides an audit opinion on the income statement and the balance sheet for the Company and the Group and recommends the annual shareholders' meeting on appropriation of the profit based on the proposal in the statutory administration report and on the discharge of liability for the financial year for the Board members and the CEO. The external auditor provides a review report of the Interim report for the third quarter.

Pursuant to the decision of the 2018 annual shareholders' meeting, the external auditor's fee until the 2019 annual shareholders' meeting is paid on the basis of approved invoice.

When PwC is engaged to provide services other than the ordinary audit, decisions pertaining to the nature, scope and fees for such work are made by the CFO and the Chairman of the Audit Committee.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by law or applicable regulations in the respective countries and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

Dometic's Governing Documents

Dometic's governing documents, in the form of policies, guidelines and manuals etc., exemplified on page 72 insofar as they concern the financial reporting, are updated at least once per year and mainly communicated via the intranet. The Finance Manual with principles for financial reporting according to applicable accounting standards is however updated continuously based on changes in laws, rules and regulations or changes in Dometic's operations and processes.

The Information Policy is describing how external information shall be communicated. The purpose of the Policy is to ensure that the Company complies with the requirements for disseminating accurate, reliable and relevant information to the market.

Internal Control over Financial reporting

The Board is responsible for internal control and risk management in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Below is the Board's report on internal control and risk management over financial reporting.

The description of the Group's system of internal controls and risk management with regards to financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five integrated components; the control environment, risk assessment, control activities, information and communication, and monitoring, as well as 17 fundamental principles related to the five components. The description below is limited to internal control and risk management over financial reporting.

Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in Interim reports, Full year reports and Annual reports, and to ensure that external financial reporting is prepared in accordance with laws, accounting standards and other requirements applicable to listed companies.

Control Environment

Internal control over financial reporting is based on the overall control environment. Dometic's control environment combines corporate culture, core values, governing documents including processes as the basis for carrying out internal control across the Group. The Board and Group management set the tone at the top regarding the importance of effective internal control, including expected standards of conduct of the employees. This involves integrity and ethical values, the parameters enabling the Board to carry out its oversight responsibilities, the organizational structure and assignment of responsibility and authority, the process for attracting, developing, and retaining employees, and the rigor around performance measures, as well as incentives and rewards to drive accountability for performance.

This is communicated in the form of governing documents such as Rules of Procedure for the Board of Directors, Instructions for the CEO, Instructions for the Audit Committee, Instructions for the reporting of financial situation, Code of Conduct, Finance Manual, Finance Policy, Information Policy, Insider Policy, Internal Audit Policy, IT Policy, Processes for Internal control and risk management as well as Minimum Internal Control Requirements, (MICR). In addition, corporate culture and core values are important parts of the corporate governance of Dometic.

Risk Assessment

In line with Dometic's established model for three lines of responsibility, risk management as part of the second line of responsibility constitute an important role by providing insight to management and operations of risks and risk management.

Dometic works according to an established risk management process with risk identification, risk assessment, risk prioritization, risk response and monitoring. The risk universe with global and regional risk registers, risk assessments, risk maps, risk owners and the Risk Committee constitute the corner stones of the Group's risk management. This also includes risk related to internal control over financial reporting. Risk responses could be avoiding the risk, reducing the risk, sharing the risk or accepting the risk. Examples of risk responses are internal control framework, internal quality programs, whistle blowing functions, insurance programs and crisis management procedures for offices and management, as well as for local factories and warehouses, as part of business continuity plans, and also to follow the development of external risks in order to be able to act quickly.

Risks and risk responses are assessed annually and documented in a risk register that generates risk maps on Group and regional levels. These risk maps are the foundation for the Group's operational risk ownership and also serve as a foundation for the Group's control functions, such as Internal Control and Internal Audit, for their prioritization of focus areas.

Dometic's risk owners are members of Group senior management as well as specialists and functional heads of departments. Risk owners assess their respective risks in terms of likelihood and impact and discuss and approve risk responses in terms of risk mitigating activities.

The Risk Committee is the operational forum on Group level with the purpose to discuss and make decisions on risk-mitigating activities and is represented by Finance, Operations, Product Development, HR including Health and Safety, Legal, Quality, Internal Control and Internal Audit. The CFO is the chairman of the Risk Committee. The main tasks of the Risk Committee are to assess Group risks, discuss recent risk-related issues, facilitate input from Risk Committee members and review risk-related reports and evaluate and approve risk-mitigating activities. Formal minutes with agreed actions are recorded and reviewed at the next meeting. The work of the Risk Committee is regularly reported to the Audit Committee and to the Board of Directors annually.

Read more about Dometic's Risk and Risk management on pages 67–71.

Control Activities

Dometic maintains a comprehensive financial reporting system which enables comprehensive monitoring of Group performance. Financial reports for the different legal entities and regions are reviewed on a continuous basis by the central finance function. This entails a thorough monitoring of the financial results in accordance with the financial reporting calendar for the financial year.

Financial data are reported by approximately eighty reporting units in accordance with the standardized procedures for reporting that are stipulated in Dometic's Finance Manual. This reporting is the basis for the Group's consolidated financial reports. The CFO as well as other representatives of the central finance function meet the regional managers and review the region's results every month.

Business reviews are carried out on a quarterly basis, where the CEO, the CFO and relevant representatives of the central functions meet the management of the respective region to discuss the business.

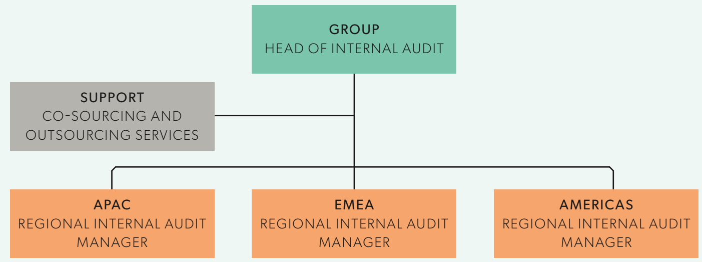
The product portfolio is reviewed on a monthly and quarterly basis as part of the internal process for product development. Larger projects are reviewed at least on a quarterly basis.

Dometic has implemented an internal control framework, called Minimum Internal Control Requirements (MICR), which covers eight key processes (entity level controls, purchase to pay, production, inventory, order to cash, payroll, fixed assets and financial closing). The Minimum Internal Control Requirements (MICR) framework was developed and implemented 2016 and further developed in 2017–2018. MICR self-assessments are conducted on the entity level. MICR is supported by regional coordinators and monitored by the Company's central Internal Control function and evaluated by the Group's Internal Audit function.

Information and Communication

Dometic maintains information and communication processes to ensure adequate internal financial reporting, for monitoring of business performance and for decision support, as well as for providing accurate, reliable and relevant external financial reporting to the financial markets.

Dometic's internal audit organization



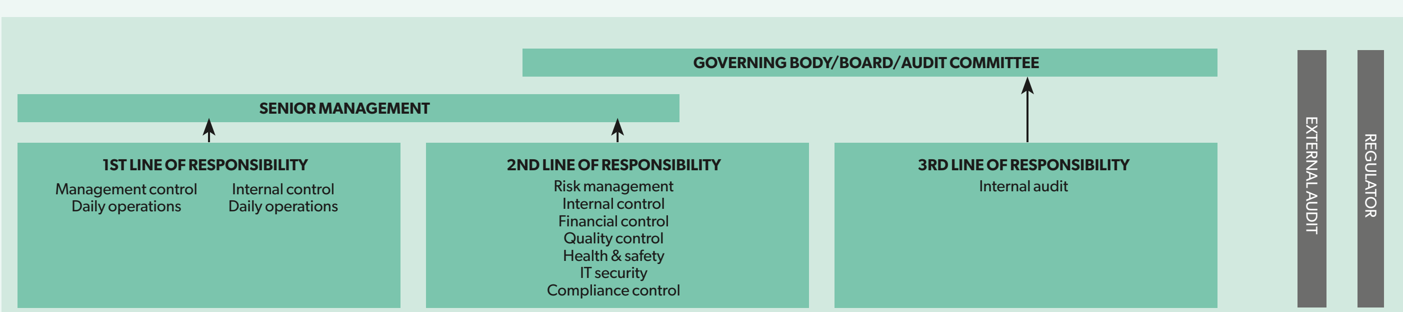
Dometic is subject to the provisions of the EU Market Abuse Regulation No 596/2014 (MAR) which contains extensive requirements on Dometic's handling of inside information. The MAR regulates how inside information is to be disclosed to the market and circumstances in which publication may be delayed. It also requires Dometic to keep a list of persons working for the Group who have access to inside information about Dometic.

Since April 1 2018, Dometic uses InsiderLog, a digital tool, to ensure that the above management meets the requirements of MAR and the Dometic Insider Policy; from the decision to delay disclosure of insider information all the way to the notice to be submitted to Swedish Financial Supervisory Authority when the insider event is closed and the information has been disclosed. Only authorized persons in Dometic have access to InsiderLog. More information is available at www.insiderlog.com.

Internal Information and Communication

The internal governing documents relevant to internal control over financial reporting are for instance Finance Manual, Finance Policy, Information Policy, IT Policy, Processes for internal control and risk management as well as Minimum Internal Control Requirements (MICR). The documents can be accessed on the Group's intranet by all relevant personnel. The CFO reports to the Audit Committee on the results, critical accounting issues and other issues that could affect the quality of the Group's financial reports at the Audit Committee meetings where the Interim reports, Full year and Annual reports are dealt with. The Chairman of the Audit Committee reports on the Committee's work to the Board in the form of observations, recommendations and proposed decisions at the Board meeting following the Committee meetings and in the form of minutes from the Audit Committee meetings that are submitted to the Board. Internal financial reports for monitoring of performance and for decision support is submitted to Group management and the Board on a regular basis.

Internal control – three lines of responsibility model



[1] The 2013 COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Framework and Appendices.

External Information and Communication

Dometic aims at providing the financial markets with accurate, reliable and relevant information in a timely manner. The Group has an Information Policy meeting the requirements of a listed company. Financial information is issued regularly in the form of Interim reports, Full year reports, Annual reports and Press releases on all matters that could materially affect the share price. Interim reports, Full year reports, and Annual reports are to be found at the Group's website: www.dometic.com, as well as press releases, presentations and relevant internal governing documents.

Monitoring

Ongoing evaluations, separate evaluations, some combinations of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations are performed by the Board, the Audit Committee and management at different levels of the Group, and separate evaluations are conducted as deemed necessary for instance by the Internal Audit function.

The Audit Committee evaluates the Group's internal control based on the result of the work performed by the Group's control functions with a role to play in the internal control over financial reporting e.g. Internal Control and Internal Audit. The Group's control functions are present at the Audit Committee's meetings to report on the effectiveness of internal control over financial reporting when the Group's Interim reports, Full year reports and Annual reports are on the agenda for the Audit Committee. The Audit Committee reports the results of its work to the Board, which supports the Board in its monitoring that internal control over financial reporting and reporting to the Board function adequately.

Internal Control

Dometic has a central function for Internal Control to ensure compliance with the Group governing documents for efficient and effective operations and internal control.

The Minimum Internal Control Requirements, (MICR) framework was developed and implemented 2016 under the leadership of the Internal Control function. The MICR framework is built on a risk based approach identifying key processes that affect financial reporting. The goal of the MICR is to add value by reducing and preventing losses and increase efficiency and effectiveness of internal control. The MICR framework includes a systematic self-assessment of the MICRs. The MICR framework is evaluated and adjusted annually, and has been updated following the Groups expansion to ensure it is suited for the Group's current needs. During 2018 an effort to work more risk based and more efficient led to identification of key controls and target classification to enable cost efficient focus on prioritized areas.

Internal Audit

Internal Audit is an independent and objective, assurance and advisory activity established by Dometic to add value to and improve its operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. Internal Audit is a corporate function within Dometic that shall act as an independent assurance function to the Board (primarily the Audit Committee) and to support Group senior management as an independent Business Advisor.

The scope of Internal Audit includes all operations and processes as well as all management and organizational levels of Dometic in all geographic locations. The function utilizes a risk-based approach meaning that regional annual internal audit plans are directly linked to the global annual risk assessment results. Its mission, expectations and authority within the organization are outlined in an Internal Audit Policy approved by the Board. The Policy sets forth the Internal Audit requirements, mission and objective, scope, responsibilities, organizational structure, independence and objectivity, authority, internal audit plan, resources and working standards, reporting as well as quality assurance and improvement program for Internal Audit.

The Internal Audit organization is governed and led by the Head of Internal Audit based in Dometic's global head office in Sweden with regional Internal Auditors located in each regional headquarter. The Head of Internal Audit reports functionally to the Audit Committee Chairman in internal audit matters and administratively to the CFO. The Head of Internal Audit has full access to the Audit Committee and its Chairman. Internal Audit is authorized full, free and unrestricted access to Dometic's records, physical properties, and personnel pertinent to carrying out its engagements.

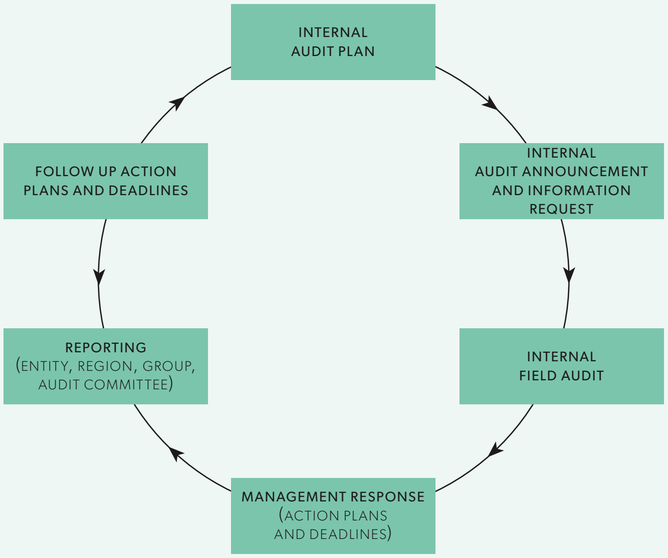
Its three main targets are:
- Value creation
- Risk mitigation
- Cost reduction

The Internal Audit function reviews and updates its internal audit plans every year, based on the annual risk assessments described under section Risk Assessment on pages 77–78. Regional internal audit plans, with input from regional Presidents to capture regional business needs, are used to secure internal audit targeting. Internal audit plans are presented by the Head of Internal Audit to the Audit Committee for approval.

Since 2017 internal audits are conducted with a defined internal audit process resulting in formal internal audit reports and a follow up of agreed actions. In 2018 internal audit plans were updated to include specific risks based on risk assessments defined for each internal audit, explaining which risks are addressed by doing that specific internal audit.

A detailed internal audit plan is established for each internal audit with input from risk assessments and from Group and regional management. After announcement and information requests are made, a field internal audit is conducted followed by an internal audit report that is distributed to different levels and entities at both the regional and Group levels, along with a report to the Audit Committee. Follow-ups are performed to verify the status of agreed actions based on the internal audit recommendations.

Internal audit process



THE BOARD OF DIRECTORS



Board of Directors	Fredrik Cappelen	Heléne Vibbleus	Erik Olsson
	Chairman Born 1957. Sweden. Bachelor of Business Administration and A-level Diploma in Political Science, University of Uppsala. Elected 2013. Member of the Remuneration Committee.	Born 1958. Sweden. B.Sc. in Business Administration and Economics University of Linköping. Elected 2017. Member of the Audit Committee.	Born 1962. Sweden. B.Sc. in Business Administration and Economics, Gothenburg School of Business, Economics and Law. Elected 2015. Chairman of the Remuneration Committee.
Position and Board membership[1)]	Chairman of the board of directors of Terveystalo Oy. Chairman and member of the board of directors of Transcom AB. Member of the board of Securitas AB.	Vice President, Internal Audit, Chief Audit Executive (CAE), of Autoliv Inc. Member of the board of directors and Chairman of the Audit Committee of Scandi Standard AB.	Member of the board of directors of Ritchie Bros. Auctioneers, Inc. Member of the board of directors and CEO of Mobile Mini, Inc. Member of the board of directors of the non-profit organization St Mary's Food Bank Alliance.
Previous positions	Chairman of the board of directors of Dustin Group AB (until December 15, 2017), Byggmax Group AB, Granngården AB, Svedbergs AB, Sanitec Oy and several subsidiaries of Dometic Group AB (publ). Vice chairman of the board of Munksjö AB. CEO of Nobia AB (1994–2008). Member of the board of Carnegie Investment Bank AB and Cramo Oy. Managing Director and member of the Group Management of STORA Buildingproducts AB. Vice President Marketing and Sales and member of Group Management of STORA Finepaper AB. Managing Director of Kauko GmbH and Kauko International.	Member of the board of directors and Chairman of the Audit Committee of Trelleborg AB. Member of the board of directors and the Audit Commitee and Chairman of the Remuneration Committee of TradeDoubler AB. Member of the board of directors and the Audit Committee of Marine Harvest ASA. Member of the board of directors, the Audit Committee and the Remuneration Committee of Renewable Energy Corporation ASA. Member of the board of directors and Chairman of the Audit Committee of Orio AB. Member of the board of directors and the Risk and Audit Committee of Swedbank Sjuhärad AB. Member of the board of directors of Tyréns AB. Member and Vice Chairman of the board of directors of SIDA. Member and Chairman of the board of directors of Nordic Growth Market NGM AB. Chairman of the board of directors of Invisio Communications AB. Chief Audit Executive, CAE of Elekta AB. Senior Vice President Group Controller of AB Electrolux. Partner (authorized public accountant) and Member of the board of directors of PricewaterhouseCoopers PwC.	Member of the board and CEO of RSC Holdings, Inc. Various senior positions in the United States, Brazil, and Sweden with Atlas Copco Group.
Board meeting attendance	13/13	13/13	12/13
Remuneration Committee attendance	7/7		7/7
Audit Committee attendance		8/8	
Holdings in Dometic[2)]	914,140[3)]	2,500	12,000
Independence in relation to the company and its executive management/In relation to major shareholders[4)]	Yes/Yes	Yes/Yes	Yes/Yes

1) Position and board membership as of December 31, 2018.
2) Holdings in Dometic Group AB (publ) as of December 31, 2018.
3) Shareholding in Dometic through related party.
4) For further information about the independence assessment, see page 74.
5) Elected member of the committee at the 2018 annual shareholders' meeting in April 2018.
6) Member of the Committee until the 2018 annual shareholders' meeting in April 2018.

Jacqueline Hoogerbrugge	Peter Sjölander	Magnus Yngen	Rainer Schmückle
Born 1963. The Netherlands. M.Sc. in Chemical Engineering from Rijks Universiteit Groningen. Elected 2017. Member of the Audit Committee.	Born 1959. Sweden. M.Sc. in Economics from Gothenburg University. Elected 2017. Member of the Remuneration Committee.	Born 1958. Sweden. M.Sc. and Licentiate of Technology, Royal Institute of Technology in Stockholm. Elected 2011. Chairman of the Audit Committee.	Born 1959. Germany. Degree in Industrial Engineering, University of Karlsruhe. Elected 2011. Member of the Remuneration Committee.
Member of the board of directors of Swedish Match AB, IKEA Industries AB and Broadview B.V.	Senior Executive Advisor of Altor. Senior advisor to F&S (London, UK). Member of the board of directors of Eton Group AB, Fiskars Oy, SATS Elixia, Fit Flop Ltd. and Varier Furniture (Oslo, Norway). Chairman of the board of directors of Grundéns Rainwear and Revolution Race (Borås, Sweden).	Chairman of the board of directors of Duni AB, Fractal Design AB and Välinge Group AB. Deputy Chairman of the board of directors of Intrum AB.	Member of the board of directors of Autoneum Holding Ltd, Autoneum AG and Kunstoffteile Schwanden AG.
President Operations of Cloetta. Member of the board of directors of Cederroth International. Vice President Operations Medical Division Danone and Vice President Procurement of Danone's Worldwide Baby Division. Procurement Director, Factory Director, Supply Chain Manager, Operations Manager and Services Manager of Unilever. Sales Manager Hydrocarbon Sector, Marketing Co-ordinator and Process Engineer of Fluor Daniel.	CEO of Helly Hansen AS. SVP; Product & Brand Europe, CMO Global Brand & Global Licensing of Electrolux AB. General Manager Central Europe NIKE CEE and Global Business Director, Nike ACG of Nike Inc. European Director of Footwear, Marketing Director European Outdoor and Director of Marketing Nordics of Nike Europe BV. Marketing and Buying Director of Intersport. Brand Director of Mölnlycke AB. Member of the board of directors of Swims AS, BTX Group A/S, OBH Nordica Group and Stadium AB.	President and CEO of Camfil AB. CEO and member of the board of Husqvarna AB. Chairman of the board, member of the board and/or CEO in several subsidiaries of Dometic Group AB (publ). Chairman of the board of Sveba-Dahlén Group AB. Member of the board of Intrum Justitia AB, Camfil AB, Frostbite Holding AB and of the non-profit organizations Teknikarbets-givarna i Sverige and Teknikföretagen i Sverige.	Member of the board of Wittur GmbH, Frostbite Holding AB and several subsidiaries of Dometic Group AB (publ). CEO of MAG IAS GmbH. COO Automotive of Johnson Controls, Inc. and COO of Mercedes Cars of Daimler AG. President and CEO of Freightliner Corporation.
13/13	13/13	13/13	12/13
	5/7		3/7[5)]
8/8		8/8	3/8[6)]
10,000	–	278,460	78,895[3)]
Yes/Yes	Yes/Yes	Yes/Yes	Yes/Yes

GROUP MANAGEMENT

1. JUAN VARGUES

Born: 1959. President and CEO from January 8th 2018.

Management Education IMD Lausanne (CH), Executive MBA Lunds University (EFL), High School Degree in Mechanical Engineering Tekniska Vuxengymnasiet, Gothenburg

Shareholding: 686,483

2. SILKE ERNST

Born 1967. Head of Goup HR since 2018.

Executive Master of Business Administration (MBA) from Stockholm University and M.Sc., Linguistics, Dipl. Germanistin from Humboldt University, Germany.

Shareholding: 0

3. EVA KARLSSON

Born 1966. Head of Group Operations since 2018.

M.Sc. in Mechanical Engineering from Chalmers University of Technology.

Shareholding: 0

4. PER-ARNE BLOMQUIST

Born 1962. CFO since 2014. Deputy CEO since 2017.

B.Sc. in Business Administration and Economics from Stockholm School of Economics.

Chairman of the Board of Directors Bluestep Bank AB (publ)

Member of the Board of Directors of Djurgården Hockey AB.

Shareholding: 711,172

5. CHIALING HSUEH

Born 1963. President of region APAC since 2016.

M.Sc. in Marketing, University of Massachusetts, USA. B.Sc., Soochow University, Taiwan.

Shareholding: 0

6. PETER KJELLBERG

Born 1965. Chief Marketing Officer since 2015.

Marketing Economy, DIHM, IHM Business School. Member of the Board of Directors of USWE Sports AB and XO Boats.

Shareholding: 110,241

7. SCOTT NELSON

Born 1964. President of region Americas since 2016.

B.Sc. in Economics & Management, Albion College, USA and MBA studies, Indiana University, USA.

Shareholding: 0

8. ANTON LUNDQVIST

Born 1970. Chief Technology Officer since 2018.

Ph.D. Chemical Engineering - Electrochemistry and Tech. Lic, Chemical Engineering - Electrochemistry from KTH Royal Institute of Technology. M.Sc. Chemical Engineering - Energy Technology from KTH Royal Institute of Technology.

Shareholding: 38,148

9. ANNA SMIESZEK

Born 1964. Group General Counsel since 2015.

Masters of Laws from University of Silesia and Stockholm University. PhD studies at Oxford University, Diploma Program in International Law from Stockholm University.

Shareholding: 2,500

10. PETER KRUK

Born 1968. President of region EMEA since 2018.

M.Sc. in Engineering Physics from Chalmers University of Technology and Ing. Phys. Dipl. de École Polytechnique Federale de Lausanne, Switzerland.

Shareholding: 20,000

KEY RATIOS

SEK m	2018	2017	2016
Result			
Net sales	18,274	14,044	12,388
Organic growth, %	5	12	7
EBITDA	3,113	2,228	1,871
EBITDA before items affecting comparability	3,205	2,181	1,919
Operating profit (EBIT)	2,587	1,907	1,573
Operating profit (EBIT) before items affecting comparability	2,679	1,860	1,621
Net result	1,576	1,495	1,362
Margins			
Operating margin, %, EBITDA	17.0	15.9	15.1
Operating margin, % EBITDA before items affecting comparability	17.5	15.5	15.5
Operating margin, %, operating profit (EBIT)	14.2	13.6	12.7
Operating margin, % operating profit (EBIT) before items affecting comparability	14.7	13.2	13.1
Return on operating capital			
Return on operating capital	9.8	9.8	9.1
Return on operating capital, excl. goodwill and trademarks	30.5	32.9	31.6
Financial position			
Total assets	34,111	31,005	22,308
Interest bearing debt	12,349	10,543	5,318
Net debt/EBITDA	2.8	3.3	1.7
Equity	16,029	14,514	13,977
Operating capital	26,265	24,585	17,696
Operating capital excluding goodwill and trademarks	8,062	7,569	4,971
Equity ratio, %	47	47	63
Share			
Earnings per share before dilution, SEK	5.33	5.05	4.60
Earnings per share after dilution, SEK	5.33	5.05	4.60
Dividend per share, SEK[1)]	2.15	2.05	1.85
Number of shares (note 28)	295,833,333	295,833,333	295,833,333
Employees			
Average number of employees	7,991	8,769	6,503
Revenue per employee[2)]	2.29	1.60	1.90

[1)] Proposed by Board of Directors.
[2)] Including SeaStar Solutions acquired December 15, 2017.

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2018	2017
Net sales	5, 6	18,274	14,044
Cost of goods sold		–12,323	–9,599
Gross profit		**5,951**	**4,445**
Sales expenses		–2,259	–1,791
Administrative expenses	7	–855	–667
Other operating income and expenses	10	61	–52
Items affecting comparability	6	–92	47
Amortization of acquisition related intangible assets	6	–219	–76
Operating profit	6, 8, 9	**2,587**	**1,907**
Financial income	11	11	6
Financial expenses	11	–442	–212
Loss from financial items		**–431**	**–206**
Profit (loss) before tax		**2,156**	**1,700**
Taxes	12	–580	–206
Profit (loss) for the year		**1,576**	**1,495**
Profit (loss) for the year attributable to owners of the Parent Company		**1,576**	**1,495**
Earnings per share	28		
before dilution, SEK		5.33	5.05
after dilution, SEK		5.33	5.05
Average number of shares	28		
before dilution		295,833,333	295,833,333
after dilution		295,833,333	295,833,333

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2018	2017
Profit (loss) for the year		1,576	1,495
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans, net of tax		–3	0
		–3	**0**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax	3	8	25
Gains/losses from hedges of net investments in foreign operations, net of tax		–14	66
Exchange rate differences on translation of foreign operations		554	–502
		548	**–411**
Other comprehensive income for the year		**545**	**–411**
Total comprehensive income for the year		**2,121**	**1,084**
Total comprehensive income for the year attributable to			
Owners of the Parent Company		2,121	1,084

CONSOLIDATED BALANCE SHEET

SEK m	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Goodwill	14	14,288	13,280
Trademarks	14	3,915	3,736
Other intangible assets	14	4,507	4,260
Buildings, land and land improvements	15	1,024	958
Machinery and other technical installations	15	522	470
Tools, equipment and installations	15	345	318
Construction in progress and advance payments	15	221	206
Deferred tax assets	12	627	897
Derivatives, long-term	3	–	1
Other non-current assets	13	71	65
Total non-current assets		**25,519**	**24,191**
Current assets			
Inventories	16	3,772	3,350
Trade receivables	17	1,705	1,485
Current tax assets		86	180
Derivatives, short-term	3	107	90
Other current receivables		681	418
Prepaid expenses and accrued income	18	128	132
Cash and cash equivalents	25	2,113	1,159
Total current assets		**8,592**	**6,814**
TOTAL ASSETS		34,111	31,005

CONSOLIDATED BALANCE SHEET

SEK m	Note	December 31, 2018	December 31, 2017
EQUITY			
Equity attributed to owners of the Parent Company			
Share capital	28	1	1
Other paid in capital		11,446	11,446
Reserves		1,892	1,344
Retained earnings, including net profit (loss)		2,690	1,723
TOTAL EQUITY		16,029	14,514
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions, long-term	21	11,217	9,810
Deferred tax liabilities	12	1,944	1,901
Other non-current liabilities	29	153	–
Provisions for pensions	19	739	687
Other provisions, long-term	20	191	131
Total non-current liabilities		14,244	12,529
Current liabilities			
Liabilities to credit institutions, short-term	21	393	733
Trade payables		1,491	1,459
Current tax liabilities		399	371
Advance payments from customers	6	38	23
Derivatives, short-term	3	108	45
Other provisions, short-term	20	295	289
Other current liabilities		203	264
Accrued expenses and prepaid income	22	911	778
Total current liabilities		3,838	3,962
TOTAL LIABILITIES		18,082	16,491
TOTAL EQUITY AND LIABILITIES		34,111	31,005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO OWNERS OF THE PARENT				
SEK m	**Note**	**Share capital**	**Other paid in capital**	**Other reserves**	**Retained earnings**	**Total equity**
Opening balance, January 1, 2017	28	1	11,446	1,755	775	13,977
Profit (loss) for the year					1,495	1,495
Other comprehensive income						
Remeasurements of defined benefit plans, net of tax[1]					0	0
Cash flow hedges, net of tax				25		25
Gains/losses from hedges of net investment in foreign operations, net of tax				66		66
Exchange rate differences on translation of foreign operations				–502		–502
Total comprehensive income		–	–	–411	1,495	1,084
Transactions with owners						
Dividend paid to shareholders of the Parent Company					–547	–547
Total transactions with owners		–	–	–	–547	–547
Closing balance, December 31, 2017		1	11,446	1,344	1,723	14,514
Opening balance, January 1, 2018	28	1	11,446	1,344	1,723	14,514
Profit (loss) for the year					1,576	1,576
Other comprehensive income						
Remeasurements of defined benefit plans, net of tax[2]					–3	–3
Cash flow hedges, net of tax				8		8
Gains/losses from hedges of net investment in foreign operations, net of tax				–14		–14
Exchange rate differences on translation of foreign operations				554		554
Total comprehensive income		–	–	548	1,573	2,121
Transactions with owners						
Dividend paid to shareholders of the Parent Company					–606	–606
Total transactions with owners		–	–	–	–606	–606
Closing balance, December 31, 2018		1	11,446	1,892	2,690	16,029

1) 2017 Remeasurements of defined benefit plans amounted to SEK 12 m, and the tax related remeasurements of defined benefit plans amounted to SEK –12 m.
2) 2018 Remeasurements of defined benefit plans amounted to SEK – 4 m, and the tax related remeasurements of defined benefit plans amounted to SEK 1 m.

CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Note	2018	2017
Cash flow from operating activities			
Operating profit		2,587	1,907
Adjustment for other non-cash items			
Depreciation and amortization	25	526	321
Adjustment for other non-cash items	25	122	–99
Changes in working capital			
Changes in inventories		–41	–361
Changes in trade receivables		–112	–151
Changes in accounts payables		–80	296
Changes in other working capital		36	120
Income taxes paid		–313	–105
Net cash flow from operations		**2,725**	**1,928**
Cash flow from investments			
Acquisition of operations, net of cash acquired		–492	–7,482
Investments in fixed assets	14, 15	–422	–306
Proceeds from sale of fixed assets		70	139
Deposit		–233	–
Other investing activities		1	–4
Net cash flow from investments		**–1,076**	**–7,653**
Cash flows from financing			
Borrowings from credit institutions	25	3,183	6,301
Repayment of loans to credit institutions	25	–2,849	–229
Paid interest		–376	–99
Received interest		7	5
Other financing activities		–88	–122
Dividend paid to shareholders of the Parent Company		–606	–547
Net cash flow from financing		**–729**	**5,308**
Cash flow for the year		**920**	**–417**
Cash and cash equivalents at beginning of year	25	1,159	1,599
Exchange differences on cash and cash equivalents		34	–23
Cash and cash equivalents at end of year		**2,113**	**1,159**

PARENT COMPANY INCOME STATEMENT

SEK m	Note	2018	2017
Administrative expenses	7	–171	–133
Other operating income		166	130
Operating profit	6, 9	**–5**	**–3**
Interest income subsidiaries	11	259	50
Interest expense subsidiaries	11	0	–
Result from shares in subsidiaries	11	528	–179
Other financial expenses	11	–777	102
Profit (loss) from financial items		**10**	**–28**
Group contributions		510	–157
Profit (loss) before tax		**516**	**–188**
Taxes	12	1	2
Profit (loss) for the year		**517**	**–186**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2018	2017
Profit (loss) for the year		517	–186
Other comprehensive income			
Other comprehensive income		–	–
Total comprehensive income for the year		**517**	**–186**

PARENT COMPANY BALANCE SHEET

SEK m	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Shares in subsidiaries	26	16,228	16,622
Other intangible assets	2, 14	3	4
Equipment	15	0	1
Deferred tax assets	12	5	4
Receivables from subsidiaries		5,545	5,092
Other non-current assets	11, 13	19	15
Total non-current assets		21,801	21,738
Current assets			
Receivables from subsidiaries		1,797	873
Other current assets		4	4
Prepaid expenses and accrued income	18	12	16
Cash and cash equivalents		11	–
Total current assets		1,825	893
TOTAL ASSETS		23,626	22,631
EQUITY	28		
Equity attributed to owners of the parent company			
Restricted equity			
Share capital		1	1
Unrestricted equity			
Retained earnings		10,238	11,030
Profit/Loss for the year		517	–186
TOTAL EQUITY		10,755	10,845
PROVISIONS			
Other provisions	20	42	27
Total provisions		42	27
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions, long-term	21	11,217	9,810
Total non-current liabilities		11,217	9,810
Current liabilities			
Liabilities to credit institutions, short-term	21	393	602
Trade payables		14	17
Liabilities to subsidiaries		1,099	1,253
Other current liabilities		12	12
Accrued expenses and prepaid income	22	92	65
Total current liabilities		1,611	1,949
TOTAL LIABILITIES		12,870	11,786
TOTAL EQUITY AND LIABILITIES		23,626	22,631

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Note	Share capital	Other reserves	Retained earnings	Total equity
Opening balance, January 1, 2017	28	1	–	11,578	11,579
Profit (loss) for the year				–186	–186
Other comprehensive income				–	–
Total comprehensive income		–	–	–186	–186
Transactions with owners					
Dividend paid to shareholders of the Parent Company				–547	–547
Total transactions with owners		–	–	–547	–547
Closing balance, December 31, 2017		1	–	10,844	10,845
Opening balance, January 1, 2018	28	1	–	10,844	10,845
Profit (loss) for the year				517	517
Other comprehensive income				–	–
Total comprehensive income		–	–	517	517
Transactions with owners					
Dividend paid to shareholders of the Parent Company				–606	–606
Total transactions with owners		–	–	–606	–606
Closing balance, December 31, 2018		1	–	10,754	10,755

PARENT COMPANY STATEMENT OF CASH FLOW

SEK m	Note	2018	2017
Cash flow from operating activities			
Operating profit		–5	–3
Adjustment for other non-cash items			
Depreciation and amortization	25	1	1
Adjustment for other non-cash items	25	–65	–303
Changes in working capital			
Changes in accounts payable		–3	7
Changes in other working capital		–1,052	2,197
Income taxes paid		–	–
Net cash flow from operations		**–1,123**	**1,899**
Cash flow from investments			
Shareholder contribution, subsidiaries		–	–2,143
Investments in intangible fixed assets		–	–3
Investments in fixed assets		–	–
Other investing activities		–	–
Net cash flow from investments		**–**	**–2,146**
Cash flow from financing			
Borrowings from credit institutions	25	3,116	6,299
Repayment of loans to credit institutions	25	–2,646	–217
Group contribution		510	–157
Paid interest		–330	–70
Received interest		244	41
Other financing activities	25	–75	–5,101
Received repayment of share capital and statutory reserve from directly owned subsidiary		921	–
Dividend paid to shareholders of the Parent Company		–606	–547
Net cash flow from financing		**1,134**	**247**
Cash flow for the year		11	–
Cash and cash equivalents at beginning of year	25	–	–
Exchange differences on cash and cash equivalents		–	–
Cash and cash equivalents at end of year		**11**	**–**

NOTE 1 | GENERAL INFORMATION

Dometic Group AB (publ) and its subsidiaries (together "the Dometic Group" or "the Group") serves the market with a complete range of Food & Beverage, Climate, Power & Control, Safety & Security and Hygiene & Sanitation. Dometic provides products for use in recreational vehicles, pleasure boats, workboats, trucks, premium cars and for a variety of other uses. Dometic offers products and solutions that enrich people's experience from home, whether in a motor home, caravan, boat or truck. The products are sold in 100 countries and are mainly produced in wholly owned production facilities around the world.

The Company is a limited liability company with corporate identity number 556829-4390. The address of its registered office is Hemvärnsgatan 15, 171 54 Solna, Sweden.

These consolidated financial statements cover the period January 1 to December 31, 2018 (comparative figures January 1 to December 31, 2017), and the financial statements were authorized for issue by the Board of Directors on March 14, 2019.

The balance sheets and income statements are subject to approval by the annual shareholders' meeting on April 9, 2019.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is for each line item to correspond to its source, and rounding differences may therefor arise.

Unless otherwise stated, all amounts are reported in million Swedish krona (SEK m).

NOTE 2 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated. Standards or interpretations that are not applicable for the Group are not included in the summary below.

2.1 Basis of preparation

The consolidated financial statements of Dometic Group AB (publ), have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, except for modified financial assets and financial liabilities, including derivative instruments accounted for at fair value through profit or loss.

Some additional information is disclosed based on the standard RFR 1 from the Swedish Financial Reporting Board and the Swedish Annual Accounts Act.

The Parent Company applies the same accounting principles as the Group, except in the cases specified below in the section entitled Parent Company accounting principles.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Since January 1, 2015 Dometic Group applies hedge accounting for net investment in foreign operations.

2.1.1 Changes in accounting policies

New or amended accounting policies for 2018:

During 2018 IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers came into effect as of January 1, 2018, and has been applied by the Group since January 1, 2018.

IFRS 9 Financial instruments addresses the classification, recognition, measurement and impairment of financial instruments and hedge accounting. The standard replaces the earlier IAS 39 Financial instruments: Recognition and Measurement standard, with no comparative historical adjustments as permitted by the standard.

Dometic reviewed the standard in 2016 and 2017 with the conclusion presented in the 2017 Annual report that the new rules regarding classification and valuation have an immaterial impact on Dometic Group. As a result of this, no material transition effects have been identified and no transition effect was recorded in the group financial statements at December 31, 2017.

Dometic determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The accounting policies for the Group's financial assets and liabilities are described below in section 2.4 and 2.5.

The Group has adopted IFRS 15 Revenue from Contracts with Customers. This supersedes all current revenue recognition requirements under IFRS. The Group has chosen to use the full retrospective transition method. The Group concluded that comparative figures for the 2017 financial year do not need to be restated since the impact is immaterial. Consequently, no transition provision was required to be dislosed at the end of December 2017. The accounting policies for the Group's main type of revenue are described in Note 6.

New or amended accounting policies for 2019 and later:

A number of accounting standards and interpretations have been published, but have not yet become effective.

IFRS 16 Leases

Dometic has completed its assessment of the impact of the new IFRS 16 Leases standard.

As described in earlier interim and annual reports, some impact has been expected on financial reports from 2019 and onwards. IFRS 16 requirements lead to an increase in recognized assets and liabilities. The Group's portfolio of operating leases that were not included in the balance sheet under IAS17 Leases, and which were previously disclosed in the Annual Report under Note 8 Leasing arrangements, were then presented as part of operating expenses. A majority of these leases will be recognized in the balance sheet under IFRS 16.

The impact on the Group's consolidated financial statements is an opening balance increase, deriving from a lease liability and right-of-use asset of around SEK 500 m respectively adjusted by the amount of prepaid or accrued lease payment. There is no effect in equity.

The lease agreements will have no implication on the covenant calculations in our loan agreement.

The Group has lease agreements as a lessee for some of its premises, machinery and vehicles. Lease contracts are usually entered into for a fixed period of two to three years. Leases with a term longer than five years are very rare.

Extension options are included in the accounting lease term for premises when they are reasonably certain to be exercised. If the lease term ends within three years, a similar horizon to the strategy plan for the Group, this is regarded as reasonably certain.

Leases are recognized as a right-of-use asset and a corresponding liability, except for short-term leases (with a term of 12 months or less) and leases with low value. For these leases, payments are recognized on a straight-line basis as an expense in the income statement.

Dometic Group will present right-of-use lease assets and lease liabilities separately from other assets and other liabilities on the face of the statement of financial position.

NOTE 2 cont.

Measurement and remeasurement

Lease liabilities are initially measured at the present value of the future lease payments, fixed and variable depending on an index or a rate, discounted by the incremental borrowing rate.

Each lease payment is allocated between an amortization of the liability and finance cost.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or a rate.

Right-of-use assets are measured at cost, comprising the amount of the initial measurement of the lease liability, lease payments made at or before the commencement date and any initial direct costs and any restoration costs.

The right-of-use asset is depreciated over the lease term on a straight-line basis and charged to the income statement over the lease period.

When there is a remeasurement of, or adjustment to the lease liability, a corresponding adjustment is made to the right-of-use asset.

Discount rate assumptions and estimation

Dometic Group has established a method of calculating the discount rate when determining the present value of the remaining lease payments and in recognizing the right-of-use assets. Lease contracts of different types of assets are assigned different discount factors, since the risk and thus the finance cost may vary significantly, cars compared with premises. Another adjusting factor for the rate is the currency of the lease. A volume-weighted discount rate is calculated since there can be a deviation in time to maturity of the leases. Euro countries are deemed to have the same risk, as we borrow/lend internally in the Group at the same rate for all euro countries. The underlying observable market data used is government bonds.

Policy choices

The Group has decided to make use of the practical expedient for non-lease components, which means that each lease component and any associated non-lease component will not be treated separately but accounted for as one.

Leases with similar characteristics can as a practical expedient be treated under the so-called portfolio approach. Dometic Group will not use this practical expedient but will account for leases on an individual basis.

Dometic Group is using the recognition exemption for short-term leases and low-value leases and has decided to classify all IT and office equipment as low-value assets and hence not included in the balance sheet.

Cash flow

IFRS 16 lease payments will be split in cash flow between cash payments for the interest portion of the lease liabilities and repayment of its principal portion. The Group will present the principal portion of lease payments within the cash flows from financing activities, as required by IFRS16. Cash payment for the interest portion will be treated the same way as the presentation of interest payments of the Group. Short-term payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability will not be shown separately but will be included in payments to suppliers.

Transition

For the IFRS 16 transition, Dometic has decided to apply the simplified retrospective approach and will not restate comparative amounts for 2018, the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease expense.

The Group will now start applying the new standard on the effective date. The standard is effective as of January 1, 2019.

IFRIC 23 - Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is an uncertainty over tax treatment. No material impact is expected on the financial statements of Dometic. IFRIC 23 is effective as of January 1, 2019.

2.2 Principles for consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method is used to account for the business combinations. The purchase price for an acquisition of a subsidiary is the fair values of the net assets included at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the purchase price over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associated Company after the date of acquisition. The Group's share of post-acquisition profit or loss is recognized in the income statement and its share of post-acquisition movements in Other Comprehensive Income "OCI" is recognized in OCI with a corresponding adjustment to the carrying amount of the investment.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates – "the functional currency". The consolidated financial statements are presented in Swedish krona (SEK), which is Dometic Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within financial net. All other foreign exchange gains and losses are presented in the income statement within the operating result.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
(2) income and expenses for each income statement are translated at average exchange rates and
(3) all resulting exchange differences are recognized in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTE 2 cont.

Exchange rates

Country	Currency	Average rate 2018	Average rate 2017	Closing rate as of December 31 2018	Closing rate as of December 31 2017
Australia	AUD	6.4987	6.5185	6.3122	6.4196
Canada	CAD	6.7026	6.5535	6.5724	6.5515
China	CNY	1.3128	1.2637	1.3019	1.2619
Denmark	DKK	1.3743	1.2945	1.3737	1.3221
Euro Zone	EUR	10.2425	9.6303	10.2582	9.8339
Great Britain	GBP	11.5633	11.0629	11.3453	11.0849
Hong Kong	HKD	1.1125	1.0921	1.1420	1.0508
Japan	JPY	0.0789	0.0760	0.0811	0.0730
Norway	NOK	1.0656	1.0295	1.0276	1.0019
Poland	PLN	2.4006	2.2643	2.3860	2.3568
United States	USD	8.7162	8.5082	8.9441	8.2123

2.4 Financial assets

Financial assets

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired and substantially all risks and rewards of ownership are transferred. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

Dometic classifies and measures its financial assets in the following categories: Amortized cost and fair value through profit and loss.

a) Amortized costs: The Group's financial assets at amortized cost comprise trade receivables and other receivables as well as cash and cash equivalents in the balance sheet. The objective of holding these financial assets is to collect the contractual cash flows, thus the "hold to collect" business model. The cash flows from these assets are solely payment of principal and interest, and are therefore measured at amortized cost. Selling or trading these financial assets are not part of the business model. If a sale would occur, it would be incidental and low frequent.

   Trade receivables within this category are amounts due from customers in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

b) Fair value through profit and loss: Financial derivatives that are not subject to hedge accounting are always recognized at fair value through profit and loss, and financial derivatives used for hedging are recognized at fair value through OCI. Valuation of financial derivatives at fair value is done at the most recent updated market prices. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category is presented in the operating result or financial net in the income statement depending on the nature of the economic relationship with the underlying asset.

Assets are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities later than 12 months after the balance sheet date.

Impairment of financial assets

The Group has revised its impairment methodology for financial assets subject to IFRS 9's impairment model for financial assets leading to a so called expected credit loss model. As of January 1, 2018, Dometic recognizes expected credit losses over the expected life of the trade receivables. Historical information by subsidiary, regarding credit loss experience and ageing, is used to forecast future credit losses. In addition, current and forward-looking information by subsidiary is used to reflect current and expected future losses. To support and harmonize the organization, a calculation matrix for calculating expected credit losses has been developed by headquarters and distributed to the relevant functions throughout the Group.

Dometic applies the simplified approach to measure life time expected credit losses for trade receivables to provide for losses each closing. The new model changed the loss allowance immaterially.

2.5 Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred. Liabilities to credit institutions are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates. Liabilities to credit institutions are classified as current liabilities unless the Group has the right to defer settlement of the liability for at least 12 months after the balance sheet date. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability.

2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The derivatives in Dometic hedge a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are accounted for in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings are recognized in the financial net. The gain or loss relating to the ineffective portion is also recognized in the financial net. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

NOTE 2 cont.

Net investment hedges

Dometic applies hedge accounting for net investment in foreign operations. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other expenses. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is sold.

2.7 Employee benefits

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the planned retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.8 Parent Company accounting principles

The Parent Company's annual report was prepared in accordance with the Annual Accounts Act and through the application of the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for legal entities. This means that IFRS is applied with the deviations and additions presented below.

Financial statements

In accordance with the requirements in RFR 2, the Parent Company's financial statements deviate from those presented for the Group. The Parent Company has the following five statements in the Annual Report: income statement, statement of comprehensive income, balance sheet, statement of cash flow and statement of changes in equity.

Financial instruments: Recognition and measurement

The Parent Company does not apply IFRS 9Financial instruments replacing IAS 39 Financial instruments: Recognition and measurement since January 1, 2018. Instead measurements are based on the acquisition cost of assets and liabilities.

IFRS 16 Leases

The Parent Company will not apply IFRS 16 Leases. There are only low value lease contracts in the Parent Company. The standard is effective as of January 1, 2019.

Ownership of Subsidiaries

Holdings in subsidiaries are recognized in the Parent Company's financial statements according to the cost method of accounting. The value of subsidiaries is tested for impairment when there is an indication of a decline in the value.

Group contributions

The Parent Company recognizes all Group contributions, paid and received, as appropriations in the Income Statement.

Shareholders' contributions

Shareholders' contributions from the Parent Company are recognized directly in the receiver's equity and capitalized in the shares and participations of the Parent Company, to the extent that impairment is not required.

Dividend from subsidiaries

A dividend is accounted for when the right for dividend is deemed as probable.

NOTE 3 | FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Dometic Group's operations are exposed to different financial risks, including the effects of price changes in the loan and capital markets. To manage these risks efficiently, Dometic Group has established guidelines in the form of a Treasury policy which is a part of the Finance policy that describes the financial risks that Dometic Group may accept, as well as how such risks are limited and managed. The Treasury policy also establishes a distribution of responsibilities between Dometic Group's subsidiaries and Dometic Group's central finance function.

Financial risk management is carried out by a central treasury department ("Group Treasury") under a policy approved by Dometic Group's Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with Dometic Group's operating units. The Board provides written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Currency risks

As Dometic Group is a global Group with operations in a large number of countries throughout the world, Dometic is exposed to both transaction risks and translation risks. Transaction risk arises where assets and liabilities are stated in different currencies and certain net sales and costs arise in different currencies. Translation risk arises when the Group's financial statements are consolidated and the currencies differ from the functional currency of certain operating subsidiaries.

Transaction exposure arises at the time of purchasing and selling as well as when conducting financial transactions. Dometic Group's transaction exposure is primarily related to the Euro, U.S. dollar, Australian dollar, Canadian dollar, Great Britain pound and Chinese yuan. Important currency flows are China/Hong Kong's sales to Europe, the United States and Australia, and sales from Europe to Australia and the United States. To the extent possible, transactional exposure is concentrated to the countries where the manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency from the manufacturing entities. Dometic Group treasury policy targets to hedge all main currency flows, but in order not to be over-hedged, permits up to 95% of the forecasted exposure and product flows in CNY, EUR, USD, AUD, CAD, GBP and JPY to be hedged utilizing spot and currency exchange contracts, currency swaps and currency options. In addition, Dometic Group's treasury policy requires that contracted exposure in projects and firm commitments amounting to more than SEK 2 m is hedged per currency.

Dometic Group manages translation exposure principally through borrowing in the relevant foreign currencies. To meet the largest exposures, as of December 31, 2018, 46% (34) of Dometic Group's borrowings were in euro, 54% (60) were in U.S. dollars and 0% (6) in Australian dollars. Loans in other currencies as of December 31, 2018 amounted to 0% (0) of total loans. Regarding the currency risk on the Senior Facilities and EMTN-program, a change of 1% in the respective currencies, with all other variables held constant, profit before tax would be impacted by SEK 117 m for the year ended December 31, 2018. This is a result of foreign exchange gains/losses of translation for the EUR and USD denominated borrowings. The effect from EUR would be SEK 54 m and the effect from USD would be SEK 63 m. Equity hedging is used to reduce the translation effect on the borrowings in foreign currencies.

Interest rate risks

Dometic Group defines interest rate risk as the risk that changes in interest rates will have a negative impact on its earnings and cash flow. Dometic Group's interest rate risks arise from long-term loans.

Interest rate risks are managed centrally by Group Treasury in accordance with the treasury policy. The treasury policy target is to hedge between 50% and 75% of outstanding external floating rate loans to fixed rates, with a duration between 6 months and 3 years. When market rates are negative no new hedges are executed. To limit the interest rate risk, the outstanding debt portfolio (several senior facility term loans and local loans) has a maximum interest period

NOTE 3 cont.

of nine months and in the case of interest bearing assets, the fixed interest rate period is matched against the closest debt maturity. Furthermore, as of December 31, 2018 Dometic Group has hedged 44% (56) of cash flow exposure on its senior facility term loans by using interest rate swaps to move from floating interest rates to fixed interest rates. USD is hedged 59% and EUR 0%. Interest is normally paid quarterly, therefore the floating interest rate on loans, and the floating leg of the interest rate swaps are set quarterly.

Cash flow hedges

In accordance with the Dometic Group's Treasury policy, the Group has hedged part of its cash flow exposure, by way of currency forward agreements (see currency risk) and interest rate swaps with external counterparts, as reported below.

Interest swaps per currency

	December 31, 2018			December 31, 2017		
Currency (maturity date)	Nominal value in currency	Amount SEK m	Interest rate, %	Nominal value in currency	Amount SEK m	Interest rate, %
AUD (2018)	–	–	–	80	514	1.8
USD (2018)	–	–	–	230	1,889	1.0
USD (2019)	420	3,757	2.0	420	3,449	2.0
		3,757			**5,852**	

Dometic Group is exposed to price risks for raw materials such as iron, copper, aluminum and components in which these metals are included. This risk also affects plastics in which petroleum forms the base. To limit the price risk of this type, the Group may enter into short-term contracts with some of the suppliers of raw material. As of December 31, 2018 no such financial contracts were in place.

Market value derivatives

December 31, 2017	Nominal value	Assets	Liabilities
Derivative financial instruments			
Interest rate swaps – cash flow hedges	5,852	15	–
Currency forwards & options – cash flow hedges	3,141	76	–45
Total		**91**	**–45**
Less non-current portion:		1	–
Current portion		**90**	**–45**

December 31, 2018	Nominal value	Assets	Liabilities
Derivative financial instruments			
Interest rate swaps – cash flow hedges	3,757	25	–
Currency forwards & options – cash flow hedges	3,657	82	–108
Total		**107**	**–108**
Less non-current portion:		–	–
Current portion		**107**	**–108**

Interest rate swaps mature on a quarterly basis whereas currency forward hedges mature on a monthly basis. During the period SEK 72 m (before taxes) have been moved from OCI to realized hedge result. As of December 31, 2018, a net of SEK 53 m is reported in OCI (Other comprehensive income).

Sensitivity analysis

The table shows the impact on the result if no hedges were in place if the currency and interest rate increased 1%/decrease –1%. The translation effect on the senior loans and EMTN-program would also have the same impact on equity.

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2017
Transaction effect	USD/CNY	+ one percentage	23
	EUR/USD	+ one percentage	12
	EUR/AUD	+ one percentage	–5
	AUD/USD	+ one percentage	7
Currency translation impact on loans	EUR/SEK	+ one percentage	36
	USD/SEK	+ one percentage	62
	AUD/SEK	+ one percentage	7

Interest rate	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2017
Interest rate effect	Interest rate	+ one percentage	–105

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2017
Transaction effect	USD/CNY	– one percentage	–23
	EUR/USD	– one percentage	–12
	EUR/AUD	– one percentage	5
	AUD/USD	– one percentage	–7
Currency translation impact on loans	EUR/SEK	– one percentage	–36
	USD/SEK	– one percentage	–62
	AUD/SEK	– one percentage	–7

Interest rate	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2017
Interest rate effect	Interest rate	– one percentage	69

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2018
Transaction effect	USD/CNY	+ one percentage	16
	EUR/USD	+ one percentage	13
	EUR/AUD	+ one percentage	–4
	AUD/USD	+ one percentage	8
Currency translation impact on loans	EUR/SEK	+ one percentage	23
	USD/SEK	+ one percentage	63
EMTN-program	EUR/SEK	+ one percentage	31

Interest rate	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2018
Interest rate effect	Interest rate	+ one percentage	–86

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2018
Transaction effect	USD/CNY	– one percentage	–16
	EUR/USD	– one percentage	–13
	EUR/AUD	– one percentage	4
	AUD/USD	– one percentage	–8
Currency translation impact on loans	EUR/SEK	– one percentage	–23
	USD/SEK	– one percentage	–63
EMTN-program	EUR/SEK	– one percentage	–31
Interest rate effect	Interest rate	– one percentage	63

NOTE 3 cont.

Financial credit risks

Financial assets carry risk in that counterparties may be unable to fulfill their payment obligations. This exposure arises from investments in liquid funds and from derivative positions with positive unrealized results against banks and other counterparties. Dometic Group seeks to mitigate this risk by holding cash primarily in well rated counterparties with a high credit rating. As of December 31, 2018, Dometic Group's financial credit risk was equal to the balance sheet value of cash and cash equivalents of SEK 2,113 m (1,159) and the positive unrealized results from derivatives positions of SEK 51 m (46). All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2018, on external investments or on derivative positions. Credit risk is divided into two categories: financial credit risk and credit risk in accounts receivable (see note 17, Accounts receivable – trade).

December 31, 2018	Assets	Liabilities
Derivatives		
Net amount recognized in the balance sheet	107	108
ISDA agreements whose transactions are not offset in the balance sheet	–56	–56
Net after offsetting in accordance with ISDA agreements	**51**	**52**

Financing risks

Liquidity risks

Liquidity risk is Dometic Group's risk of being unable to meet its payment obligations due to insufficient availability of cash and cash equivalents or being unable to meet its payment obligations without significantly higher financing costs. The overall objective of Dometic Group's liquidity management is to ensure that Dometic Group maintains control over its liquidity situation.

Liquidity risks are managed by the Group by ensuring it has sufficient sources of liquidity through current investments with a liquid market, available financing through contracted credit facilities, and the possibility to close market positions. Because of the dynamic nature of the business activities, the Group ensures flexibility by maintaining agreements on retractable credit status.

To maintain control over the liquidity and to ensure that the Group has enough cash to make major payments such as interest payments and amortizations on term loans under the senior facilities, all subsidiaries report to management with a weekly cash balance. Also, a liquidity forecast of eight weeks is reported to management on bi-weekly basis.

The table below analyzes the Group's financial liabilities and derivative liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows for the liabilities. For 2019 an annual undiscounted cash flow of SEK 828 m related to long-term debt obligations including future undiscounted in interest payments, is expected up until the maturity of the long-term debt obligations.

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	More than 4 years
Long-term debt obligations including future undiscounted in interest payments	1,087	934	4,570	573	4,609
Derivative financial instruments	0	0	0	–	–
Forward foreign exchange contracts	45	–	–	–	–
Trade and other payables	1,459	–	–	–	–
Total	**2,591**	**934**	**4,570**	**573**	**4,609**

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	More than 4 years
Long-term debt obligations including future undiscounted in interest payments	828	4,081	590	4,703	3,170
Derivative financial instruments	0	0	0	–	–
Forward foreign exchange contracts	108	–	–	–	–
Trade and other payables	1,491	–	–	–	–
Total	**2,427**	**4,081**	**590**	**4,703**	**3,170**

Capital risks

Dometic Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group, through its financing agreements, has to be compliant with bank covenants. From June 2016 the covenants' leverage ratio and interest cover covenants are measured. At year-end 2018 the headroom was sufficient in both covenants. The headroom in the leverage ratio was 48% and in the interest cover covenant 130%. A breach of the bank covenants would technically put the Group in an event of default. In such an event the lenders under the financing agreements have the right to accelerate the debts. Also, a negotiated solution between owners, lenders and Group Management would be sought in order to keep the Group as a going concern.

Capital risk	December 31, 2018	December 31, 2017
Total Borrowing	11,610	10,544
Less: cash and cash equivalents	–2,113	–1,159
Net Debt	9,497	9,385
Total Equity	16,029	14,514
Total Capital	25,526	23,899
Gearing Ratio, %	37	39

Fair value estimation

Valuation of financial instruments and derivatives at fair value is done at the most recent updated market prices. The valuation is performed on a regular basis to capture changes in financial assets and liabilities over time. Standard methods such as discounting future cash flows based on observable market rates for each respective maturity and currency are used. Fair value of financial instruments with option elements is valued using the Black-Scholes model. At year end 2018 no option instruments were in place.

For currency forwards the fair market value of the foreign-exchange spot rate is used to convert the outstanding value of the derivate into SEK. For interest rate derivatives the present value market price is converted into SEK at closing rate.

At year-end 2018 the fair value for level 2 financial assets was SEK 107 m (91) and for the total financial liabilities SEK 108 m (45).

Making fair value estimations requires a different kind of input on how to determine the fair values. The different levels have been defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Other observable data for the asset or liability than quoted prices included in Level 1, either directly, i.e. as price quotations, or indirectly, i.e. derived from prices.

Level 3: Data for the asset or liability that is not based on observable market data.

Within the Dometic Group the only financial instruments measured at fair value are derivative financial instruments, which fall into the level 2 category.

The outstanding loan facilities would if renewed today, be on an average around the same margin; therefore the carrying amount is a reasonable approximation of fair value.

NOTE 3 cont.

Financial instruments by category

December 31, 2018	Balance sheet carrying amount	Financial assets or liabilities at amortized cost	Financial assets or liabilities at fair value	Derivatives used for hedging	Derivatives at fair value
Financial assets					
Other non-current assets	71	71	–	–	–
Derivatives, long-term	–	–	–	–	–
Derivatives, short-term	107	–	–	87	20
Trade receivables	1,705	1,705	–	–	–
Other current assets	681	681	–	–	–
Cash and cash equivalents	2,113	2,113	–	–	–
Total assets	**4,677**	**4,570**	**–**	**87**	**20**
Current portion	**4,606**	**4,499**	**–**	**87**	**–**

December 31, 2018	Balance sheet carrying amount	Financial assets or liabilities at amortized cost	Financial assets or liabilities at fair value	Derivatives used for hedging	Derivatives at fair value
Financial liabilities					
Liabilities to credit institutions, long-term	11,217	11,217	–	–	–
Other non-current liabilities	153	153			
Derivatives, short-term	108	–	–	34	74
Liabilities to credit institutions, short-term	393	393	–	–	–
Trade payables	1,491	1,491	–	–	–
Other current liabilities	203	203	–	–	–
Total liabilities	**13,565**	**13,457**	**–**	**34**	**74**
Current portion	**2,195**	**2,087**	**–**	**34**	**74**

December 31, 2017	Balance sheet carrying amount	Financial assets or liabilities at amortized cost	Financial assets or liabilities at fair value	Derivatives used for hedging	Derivatives at fair value
Financial assets					
Other non-current assets	65	65	–	–	–
Derivatives, long-term	1	–	–	1	–
Derivatives, short-term	90	–	–	79	11
Trade receivables	1,485	1,485	–	–	–
Other current assets	418	418	–	–	–
Cash and cash equivalents	1,159	1,159	–	–	–
Total assets	**3,218**	**3,127**	**–**	**80**	**11**
Current portion	**3,152**	**3,062**	**–**	**79**	**–**

December 31, 2017	Balance sheet carrying amount	Financial assets or liabilities at amortized cost	Financial assets or liabilities at fair value	Derivatives used for hedging	Derivatives at fair value
Financial liabilities					
Liabilities to credit institutions, long-term	9,810	9,810	–	–	–
Derivatives, short-term	45	–	–	36	9
Liabilities to credit institutions, short-term	733	733	–	–	–
Trade payables	1,459	1,459	–	–	–
Other current liabilities	264	264	–	–	–
Total liabilities	**12,311**	**12,266**	**–**	**36**	**9**
Current portion	**2,501**	**2,456**	**–**	**36**	**9**

NOTE 4 | CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In order to prepare the accounting records in accordance with proper accounting standards, estimates and assumptions affecting reported amounts in the annual report must be made. Fair outcome can differ from these estimations and assumptions. Areas where estimates and assumptions are of significant importance to the Group are presented below.

Impairment test of goodwill and trademarks

In accordance with IFRS, the need for impairment of goodwill and trademarks is reviewed annually. These reviews are based on a survey of the recoverable value estimated on the basis of management's calculations of future cash flow based on the budget and the strategic plan for the Group. Further information on assumptions and sensitivity are presented in note 14.

Deferred tax assets and deferred tax liabilities

Estimates are made to determine the value of both current and deferred tax assets and deferred tax liabilities. The possibility of making deductions against future taxable profits and thereby utilizing the deferred tax assets is also determined based on estimates. The actual results may differ from these estimates, for instance due to changes in the projections of future taxable profits, changed tax legislation or the outcome of the final review by tax authorities and tax courts of filed tax returns. See note 12.

Assumptions upon pension and post-retirement commitments

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. Dometic Group has both defined benefit and defined contribution plans. The value of the pension commitments depends on the assumptions made by management and used by actuaries when calculating these amounts. Assumptions and actuarial calculations are made separately for the respective country where Dometic Group has operations which result in such post-employment obligations.

These assumptions include discount rate, inflation, salary trends, development of pensions over time, mortality, trends in cost of health care, and other factors. The assumption about inflation is based on external market indications and the assumption of salary increase reflects the historical development of salary costs, short-term forecasts and expected inflation. Mortality is based on official statistics. Sensitivity analysis for the main assumptions is presented in note 19.

Warranty Obligation

Within Dometic Group's line of business many products are covered by a warranty, which is included in the price and valid for a predetermined amount of time. Provisions for warranties are calculated based on past experience of costs for repairs, etc. See further note 20.

Provisions for recalled products

Provisions for recalled products are estimations of future cash flow required to regulate commitments. Such estimations are based on the nature of the recall, the legal process, and the likely extent of damages as well as the progress of the process. Furthermore, consideration is taken of opinions and recommendations from legal advisors and other advice regarding the outcome of the process and experiences from similar cases. See note 20.

Status of Dometic class actions

A class action against Dometic Corporation (US) continues. In 2017, Dometic was successful in obtaining summary judgment in the Varner class action, which had been filed in the Southern District of Florida. Following the dismissal of the Varner action, Dometic was successful in transferring the three other class actions from California to Florida and having them consolidated in front of the same judge that previously dismissed the Varner action. A single consolidated complaint was then filed in Florida in September 2018 and this is now the only class action pending against Dometic. Discovery is ongoing. Dometic remains firm in its position that the allegations in the case are without merit. Dometic reached an agreement with its insurer in 2017, pursuant to which insurance will reimburse the company for a certain portion of the legal costs related to the class action.

NOTE 5 | SEGMENT INFORMATION

Consolidated operating segments

2017	Americas	EMEA	APAC	Un-allocated	Total
Net sales, external	6,329	5,962	1,753	–	14,044
Operating profit before depreciation and amortization (EBITDA)	**997**	**671**	**561**	–	**2,228**
Depreciation and amortization	–170	–114	–38		–321
Operating profit (EBIT)	**827**	**557**	**523**	–	**1,907**
Financial income	–	–	–	6	6
Financial expenses	–	–	–	–212	–212
Taxes				–206	–206
Profit (loss) for the period	–	–	–	–	**1,495**
Operating profit (EBIT) before i a c	**885**	**618**	**357**	**–**	**1,860**
Items affecting comparability (i a c)	–58	–61	166	–	47
Operating profit (EBIT)	**827**	**557**	**523**	**–**	**1,907**
Investments in intangible and tangible assets	–	–	–	306	306
Net assets [1]	15,530	6,311	3,712	–	25,553

2018	Americas	EMEA	APAC	Un-allocated	Total
Net sales, external	9,758	6,706	1,810	–	18,274
Operating profit before depreciation and amortization (EBITDA)	**1,800**	**884**	**429**	–	**3,113**
Depreciation and amortization	–363	–128	–35	–	–526
Operating profit (EBIT)	**1,437**	**756**	**394**	–	**2,587**
Financial income	–	–	–	11	11
Financial expenses	–	–	–	–442	–442
Taxes	–	–	–	–580	–580
Profit (loss) for the period	–	–	–	–	**1,576**
Operating profit (EBIT) before i a c	**1,470**	**814**	**395**	**–**	**2,679**
Items affecting comparability (i a c)	–34	–57	–1	–	–92
Operating profit (EBIT)	**1,437**	**756**	**394**	**–**	**2,587**
Investments in intangible and tangible assets	–	–	–	422	422
Net assets [1]	16,976	6,995	3,670	–	27,641

[1] Net assets at the end of the period excluding financial assets and liabilities and deferred taxes.

Dometic Group is organized into three segments i.e. regions: Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific).

These segments are reported in a manner consistent with the internal reporting provided to the Group Management and the Board of Directors. The operating segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

The performance of the segments is primarily assessed based on sales and operating profit. Information regarding income for each region is based on from which geography sales are carried out. Information regarding the assets is based on geographic regions, where the benefit of the assets is consumed. Sales between segments are carried out on market conditions with arm's length principles.

Investments in fixed assets are monitored on a Group and legal entity level, hence not allocated to segments. In operational follow-up net assets are allocated to segments.

NOTE 5 cont.

Management follow-up is based on integrated results in each segment, i.e. intra segment sale is eliminated in the result of the segment. A simplified way of describing an integrated result is a local result in each segment combined with profit/loss allocated from the factories/distribution centers in other segments based on production volume. However, business areas and sales channel are considered important attributes when presenting Dometic Sales. See the table below for details.

The Group has no customer from which it generates income that accounts for more than 10% of the company's net sales.

Operational follow up is not done by product as the product range is wide and each item is not material enough to justify a separate presentation and therefore not regarded to be beneficiary to the reader.

	2018	2017
Net sales, external		
Americas		
OEM	6,736	4,576
Aftermarket	3,022	1,753
Americas net sales, external	**9,758**	**6,329**
RV	5,595	5,341
Marine	3,757	651
CPV	229	208
Other (Retail and Lodging)	177	128
Americas net sales, external	**9,758**	**6,329**
EMEA		
OEM	3,532	3,154
Aftermarket	3,173	2,808
EMEA net sales, external	**6,706**	**5,962**
RV	3,180	2,821
Marine	805	725
CPV	1,769	1,553
Other (Retail and Lodging)	951	863
EMEA net sales, external	**6,706**	**5,962**
APAC		
OEM	857	847
Aftermarket	954	907
APAC net sales, external	**1,810**	**1,753**
RV	925	921
Marine	112	109
CPV	153	160
Other (Retail and Lodging)	620	563
APAC net sales, external	**1,810**	**1,753**

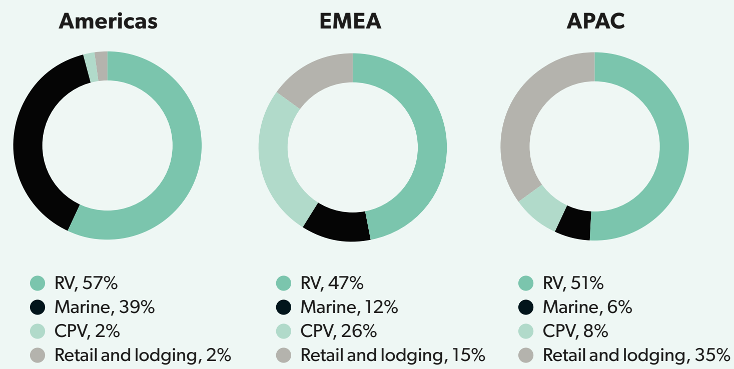
Inter-segment sales

Inter-segment sales were as follows:

	2018	2017
Americas	389	357
EMEA	464	464
APAC	3,165	3,029
Eliminations	**4,017**	**3,850**

Net sales in % by business area are as follows for 2018: Recreational Vehicles (RV) 53%, Marine 26%, Commercial and Passenger Vehicles (CPV) 12% and Other (Retail and Lodging) 9%. Net sales by sales channel are 61% for OEM and 39% for Aftermarket.

Net sales, external by region and business area



Geographical information	Net sales by country	
	2018	2017
United States	9,087	6,154
Germany	2,895	2,465
Australia	1,312	1,274
United Kingdom	738	646
France	699	619
Italy	475	433
Sweden	356	273
The Netherlands	311	250
Canada	408	218
Other	1,993	1,712
Total	**18,274**	**14,044**

Net sales attributable to countries on the basis of the customer's location.

Non-current assets	Non-current assets by country	
	2018	2017
United States	12,724	11,839
Germany	4,411	4,237
Australia	3,036	3,091
Canada	2,328	2,374
Italy	402	388
China	419	382
Sweden	297	264
United Kingdom	759	231
Hong Kong	123	114
Other	323	308
Total	**24,822**	**23,228**

Non-current assets located in Sweden amount to SEK 297 m (264).

NOTE 6 | NET SALES AND OPERATING PROFIT

Dometic Group net sales 2018 amounted to SEK 18,274 m (14,044).

Revenue recognition and additional information on net sales

IFRS 15 Revenue from Contracts with Customers

Revenue recognition in Dometic Group is based on IFRS 15 – Revenue from Contracts with Customers. This standard specifies the requirements for recognizing revenue from all contracts with customers, except for contracts that are within the scope of the Standards on leasing, insurance contracts and financial instruments.

Dometic is in the business of manufacturing and selling a diverse range of products within Food & Beverage, Climate, Power & Control, Safety & Security and Hygiene & Sanitation. These products are primarily for use in Recreational Vehicles, pleasure boats, work boats, trucks and premium cars.

Products in the area of Mobile living are sold via the two sales channels Original Equipment Manufacturer (OEM) and Aftermarket (AM).

The new revenue model is made up of a series of steps required to help entities determine when and how much revenue to recognize.

In the first step of the revenue model, the Group identifies the contract with a customer. This is then followed by the second step, in which the various goods and services that need to be accounted for separately, or distinct performance obligations, are identified. In the third step, the Group determines the transaction price, which is the total amount to which the Group expects to be entitled, and then in the fourth step the transaction price is allocated to the distinct performance obligations. Finally, the amount of revenue allocated to each distinct performance obligation is recognized either at a point in time or over a period of time, depending on when the customer acquires control over the promised goods or services in that performance obligation.

Customer contract

Purchase orders from the customer, which is the most common way of ordering goods, qualify as an IFRS 15 contract, including all enforceable rights and obligations required.

Distinct performance obligations

The promises are all distinct, since the customer can benefit from the goods on their own and the service (if included in a contract) together with the readily available goods. Each promise (performance obligation) is accounted for separately.

In the rare cases where the Group offers installation services, revenue for that performance obligation is recognized over the contract period during which the service is provided. At present, the service part of the Group's revenue is immaterial, which is why revenue over time is not separately presented in the disclosures.

Transaction price

Sales are recorded based on the price specified in the customer agreements, net of the estimated discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. If the consideration includes a variable amount, the transaction price includes an estimate of what the entity will be entitled to receive. Estimated discounts are accounted for at the time of the sale and simultaneously reduce external revenue. The amount is estimated by using either the expected value or the most likely amount.

The revenue estimate is included in the transaction price only if it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized.

Revenue recognition

Revenue is recognized when the Group has fulfilled its performance obligation, which means the Group has transferred the promised good or service to the customer. The goods or services are regarded as transferred when the customer has obtained control of the good or service. Revenue from the sale of goods and services is recognized in a pattern that reflects the transfer of control of the promised goods or service to the customer, and this takes place when the customer has obtained the ability to direct the use of the goods and obtained substantially all remaining benefits from the asset.

Control either transfers to the customer over time or at a point in time, and this is determined at contract inception. The assessment of whether control transfers over time or at a point in time is critical to the timing of revenue recognition, since revenue is recorded when or as control transfers.

The Group has a limited number of arrangements where the performance obligations are satisfied over time, including some services but also a small volume of customized goods constructed for customers. To achieve valid revenue timing, progress toward satisfaction of a performance obligation must be measured.

Indicators for the transfer of control at a point in time for goods are if the Group has a right to payment for the goods or if the customer has legal title to the goods. Other indicators which the Group considers are if the Group has transferred physical possession of the goods and if the customer has the significant risks and rewards related to the ownership of the goods.

Additionally, the Group considers whether the customer has accepted the goods in accordance with the customer acceptance clause.

International commercial terms are important as a checkpoint, to determine when control transfers to a customer. The Group must use judgement to determine whether all relevant IFRS control factors collectively indicate that the customer has obtained control before recognizing revenue.

Financing component

If the timing of the payment of the consideration is in advance or deferred and the timing provides a significant financing benefit, the payments are adjusted for the time value of money. However, since sales are normally made with a credit term of 30–60 days, which is consistent with market practice, no element of financing is considered to exist. The Group receives very limited amounts of advance payments from customers.

Warranty

Dometic offers a standard warranty, normally between two and three years. In some cases, an extended warranty may be offered to the customer. The standard warranty is recorded as a provision and a warranty cost in the income statement, whereas the extended warranty is a separate performance obligation. The portion of the transaction price in the contract that is allocated to the extended warranty is accounted for as revenue over the term of the warranty period.

Costs of goods sold and additional information on costs by nature

Cost of goods sold consists of direct costs of producing products such as cost of materials, labor costs and factory costs. It also includes warranties and stock value adjustments and costs of assembly of products, and costs for finished goods from external suppliers. The most significant components of Dometic Group's costs of goods sold include materials (including both raw materials and manufacturing supplies), which represented 51% (54) of Dometic Group's net sales at year-end.

As Dometic Group manufactures a wide range of products, Dometic Group's direct materials are highly diversified, with no individual type of raw material or component being dominant. Other significant components of goods sold include factory and material overheads and direct and indirect labor, which together typically represent a quarter of Dometic Group's cost of goods sold.

Cost of goods sold also includes product development costs of SEK 350 m (309), which consists of expenses incurred in connection with Dometic Group's research and development activities; these amounts for example include salaries and related employee benefits, which are generally fixed, and external services for example testing and design, which are variable.

NOTE 6 cont.

Expenses by nature	Group 2018	Group 2017	Parent 2018	Parent 2017
Raw materials and manufacturing supplies	–9,359	–7,518	–	–
Employee benefit expenses (note 9)	–3,486	–2,622	–83	– 66
Transport expenses	–663	–425	–	–
Amortization and depreciation (note 14 and 15)	–526	–321	–	–
Warranty costs	–303	–293	–	–
Marketing expenses	–295	–243	–	–
Other [1]	–1,055	–715	78	63
Total	–15,687	–12,137	–5	–3

[1] The Parent Company has reported other operating income of SEK 166 m (130) of which the full amount relates to income from subsidiaries.

Expenses by function	Group 2018	Group 2017	Parent 2018	Parent 2017
Cost of goods sold	–12,323	–9,599	–	–
Sale expenses	–2,259	–1,791	–	–
Administrative expenses	–855	–667	–171	–133
Other operating income	97	13	166	130
Other operating expenses	–36	–65	–	–
Items affecting comparability	–92	47	–	–
Amortization of acquisition-related intangible assets	–219	–76	–	–
Total	–15,687	–12,137	–5	–3

Sales expenses

Sales expenses consist mainly of expenses relating to marketing activities, including costs of sales staff, promotion, exhibitions and other events. Sales expenses also include logistics (outbound freight cost of deliveries to customers), guarantee, credit and collection and related IT expenditures.

Administrative expenses

Administrative expenses include costs related to the administration of Dometic Group's business that are not attributable to costs of goods sold or sales expenses, such as expenses related to IT, management, human resources, finance and administration departments.

Items affecting comparability (i a c)

Items affecting comparability are events or transactions with significant financial effects, which are relevant for understanding the financial performance when comparing profit for the current period with previous periods. Items included are for example restructuring programs, expenses related to major revaluations, gains and losses from acquisitions or disposals of subsidiaries.

Items affecting comparability	2018	2017
Relocation China	9	166
Acquisition-related costs SeaStar Solutions	–	–58
EMEA profitability improvement program	–	–61
Restructuring charges	–101	–
Total	–92	47

items affecting comparability by function and other

The table below specifies items affecting comparability by function and other.

	Relocation China		Acquisition-related costs SeaStar Solutions		EMEA profitability improvement program		Restructuring charges		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Costs for goods sold	9	–	–	–	–	–34	–66	–	–57	–34
Sales expenses	–	–	–	–	–	–18	–6	–	–6	–18
Administrative expenses	–	–	–	–	–	–9	–29	–	–29	–9
Other operating income and expenses	–	166	–	–58	–	–	–	–	–	108
Total	9	166	–	–58	–	–61	–101	–	–92	47

Amortization of acquisition related intangible assets by function and other

The table below specifies acquisition-related intangible assets by function and other.

	Amortization of customer relationship		Amortization of technology		Amortization of intellectual property		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Costs for goods sold	–	–	–44	–2	–23	–23	–67	–25
Sales expenses	–152	–52	–	–	–	–	–152	–52
Administrative expenses	–	–	–	–	–	–	–	–
Other operating income and expenses	–	–	–	–	–	–	–	–
Total	–152	–52	–44	–2	–23	–23	–219	–76

NOTE 7 | AUDIT FEES

	Group		Parent	
	2018	2017	2018	2017
PricewaterhouseCoopers (PwC)				
Audit fees [1]	–17	–15	–2	–3
Audit-related fees [2]	–1	–1	–1	–1
Tax fees [3]	–4	– 6	–	–1
All other fees [4]	–1	– 1	–	–1
Total fees to PwC	**–23**	**–23**	**–3**	**–6**
Other auditors				
Audit fees to other audit firms	–3	– 4	–	–
Audit-related fees	–6	0	– 6	–
Tax fees	–14	– 8	–3	–1
All other fees	–1	– 6	–	–2
Total fees other auditors	**–24**	**–18**	**–9**	**–3**
Total fees to auditors	**–47**	**–41**	**–12**	**–9**

1) Audit fees – fees for the annual audit-services and other audit services, i.e. services that only the external auditors reasonably can provide, and include the Company audit and statutory audits.
2) Audit-related fees – fees for assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements or that are traditionally performed by the external auditors.
3) Tax fees – fees for transfer pricing, tax-compliance services, tax consultations and advice related to acquisitions, divestments and other projects and assistance with tax audits.
4) All other fees - fees for other services.

Audit fees for PwC Sweden during 2018 amount to SEK – 3 m (– 3), audit-related fees SEK –1 m (–1), tax fees SEK – m (– 1) and all other fees to SEK – m (–1).

NOTE 8 | LEASING AGREEMENTS

Leasing objects in the Group are office premises, production and warehouse space under leasing agreements. The Group also has leasing contracts for IT and office equipment and transport vehicles.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment in which Dometic Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance balance. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The Group has no material financial leases.

Lease income from operating leases is recognized as income on a straight-line basis over the lease term. The initial direct costs incurred by lessor shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. The depreciation for depreciable leased assets shall be consistent with the normal depreciation for similar assets.

Operational lease agreements

Lease charges for assets held via operational lease agreements, such as leased premises, machinery, computer and office equipment are reported in operating expenses and amount to SEK 169 m (145). The parent company holds no operational lease agreements.

Future minimum lease charges for non-cancellable operational lease agreements at nominal values fall due as follows:

	December 31, 2018	December 31, 2017
Within 1 year	–169	–145
1–5 years	–496	–486
Over 5 years	–33	–56
Total	**–698**	**–687**

Future lease income for non-cancellable at nominal values fall due as follows:

	December 31, 2018	December 31, 2017
Within 1 year	3	2
1–5 years	5	–
Over 5 years	–	–
Total	**8**	**2**

Lease income amounts to SEK 3 m (2) and relates primarily to lease of factory premises.

NOTE 9 | EMPLOYEE BENEFIT EXPENSE AND REMUNERATION

Salaries, wages, other remuneration and social security costs

	Group		Parent	
Employee benefits	2018	2017	2018	2017
Salaries and remunerations	–2,712	–2,031	–46	–39
Social security costs	–397	–332	–20	–14
Pension costs – defined contribution plans	–78	–54	–10	–8
Pension costs – defined benefit plans	–19	–14	0	–
Other personnel costs	–280	–191	–7	–5
Total	**–3,486**	**–2,622**	**–83**	**–66**

Total employee benefits are overall related to the principles in Dometic Group's remuneration policy. Remuneration is applied based on local market conditions and collective agreements. Where possible, defined benefit pension plans have been closed for new entries.

The total cost for employee benefits in 2018 amounted to SEK 3,486 m (2,622).

NOTE 9 cont.

Remuneration the Board of Directors

Remuneration to the Board of Directors approved by the 2017 annual general shareholders' meeting	SEK thousands
Fredrik Cappelen, Chairman	775
Jacqueline Hoogerbrugge, Board member	410
Erik Olsson, Board member	460
Peter Sjölander, Board member	410
Rainer E. Schmückle, Board member	410
Magnus Yngen, Board member	460
Heléne Vibbleus, Board member	410
Total remuneration to the Board of Directors	3,335

Remuneration to the Board of Directors approved by the 2018 annual general shareholders' meeting	SEK thousands
Fredrik Cappelen, Chairman	900
Jacqueline Hoogerbrugge, Board member	450
Erik Olsson, Board member	500
Peter Sjölander, Board member	450
Rainer E. Schmückle, Board member	450
Magnus Yngen, Board member	500
Heléne Vibbleus, Board member	450
Total remuneration to the Board of Directors	3,700

Remuneration to representatives in the Board of Directors for Board- and Committee work amount to SEK 3,700 thousand (3,335). Remuneration for the committee work (the Audit Committee and the Remuneration Committee) until the next annual shareholders' meeting amounts to SEK 450 thousand (of which SEK 100 thousand to the Chairman of each committee and SEK 50 thousand to the committee members).

Group Management consist of the CEO and nine other members. The roles represented in the Group Management and directly reporting to the CEO are the three Regional Presidents and the Heads of the Group functions; Finance, Human Resources, Legal, Marketing, Product Development and Operations. During the second half of 2018, the CEO was additionally acting President of EMEA.

The shareholders' meeting held on April 10th 2018 determined the guidelines which shall apply in relation to remuneration to the CEO and the other members of the Group Management. Current employment agreements and remunerations are based on the Remuneration Guidelines for the CEO and Group Management.

Dometic's objective is to offer competitive remuneration levels and other employment conditions required to attract, motivate and retain high caliber executives needed to maintain the success of the business. Remuneration is built upon a total reward approach allowing for a market relevant, but not leading, and cost-effective remuneration based on the following components:

- Fixed base salary
- Short-term incentive (STI) linked to yearly business targets established by the Board of Directors
- Long-term incentive (LTI) in the form of a three-year cash-based incentive plan linked to EPS development
- Pensions, where possible defined-contribution plans, that do not exceed 30% of the base salary for Group Management members and 35% for the CEO.
- Other benefits associated with the position

Salaries and Remuneration to the CEO and Group Management 2018 amount to SEK 69,152 thousand (56,459). The increase in total cost depends on a higher remuneration to the new CEO who was appointed in the beginning of 2018 and the fact that Group Management has been extended with one member compared to 2017 (Product Development). The annual fixed salary for the CEO includes the final salary of SEK 1,302 thousand to the former CEO.

In addition to Dometic's short term incentive plan the variable pay reported includes sign-on incentives governed by the Remuneration Committee as well as a payment of SEK 4 297 619 to the CEO for lost compensation relating to long-term incentive programs at the previous employer. Additional payment may be made during 2019 and 2020 but the total gross amount paid during the period 2018 to 2020 shall not exceed SEK 15 million. Other benefits include allowances and benefits associated with the position, such as company car or car allowance, health care and termination benefits. During 2018, the cost for termination benefits amounted SEK 928 thousand (2,897).

Pension benefits

Group Management agreements concerning pensions are, where possible, defined contribution pension plans. All pension plans provided are defined as a percentage of the fixed salary. According to the remuneration policy for the CEO and Group Management, the pension shall reflect regulations and practice in the country of employment and not exceed 30% of the annual base salary for the Group Management members and 35% for the CEO. The Group Management members employed in Sweden are either covered by a defined contribution plan or by the relevant ITP plan. The level of the pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated with the plan. General retirement age is 65. Contributions to the pension scheme will cease at retirement or earlier if leaving the Company for any other reason. Total pension expenses paid for the CEO and Group Management during 2018 were SEK 9,229 thousand (8,162).

Notice period and severance

Members of the Group Management have a 6 months' notice period when notice is given by the employee. If the notice is given by the Company between 6–12 months' notice is applied. The CEO has 12 months' notice by the Company, with an additional severance payment in form of an amount equal to one year's base salary. Severance pay shall not form a basis for vacation pay or pension benefits. Local employment laws and regulations may influence the terms and conditions for notice given by the Company.

Remuneration to the CEO and Group Management

2017 SEK thousand	Annual fixed salary	Variable salary for 2017	Other benefits	Pension contribution	Total
President and CEO	6,439	2,951	122	1,986	11,498
Other members of Group Management	25,364	8,560	4,861	6,176	44,961
Total	31,803	11,511	4,983	8,162	56,459

2018 SEK thousand	Annual fixed salary	Variable salary for 2018	Other benefits	Pension contribution	Total
President and CEO	9,133	9,475	1,008	2,856	22,472
Other members of Group Management	27,628	9,205	3,474	6,373	46,680
Total	36,761	18,680	4,482	9,229	69,152

Salaries and remunerations by senior executives and other employees

Salaries and remunerations by senior executives and other employees	Group 2018	Group 2017
Board, president and other senior executives	63	52
Other employees	2,649	1,979
Total	2,712	2,031

NOTE 9 cont.

Average number of employees and gender distribution

The average number of employees in Dometic Group during the period 1 January 2018 to 31 December 2018 was 7,991 (8,769). Out of the total number of employees 36% are women. In the Group Management team 4 executives out of 10 are women.

Gender distribution for Board of Directors and Group Management

	December 31, 2018		December 31, 2017	
	Number on closing date	Of which men	Number on closing date	Of which men
Group (including subsidiaries)				
Board members	7	5	7	5
CEO and other senior executives	10	6	9	6
Group total	**17**	**11**	**16**	**11**

	2018		2017	
	Average number of employees	Of which men, %	Average number of employees	Of which men, %
Parent				
Sweden	7	57	6	67
Total	**7**	**57**	**6**	**67**
Subsidiary				
Australia	130	7	127	73
Austria	6	83	6	83
Belgium	22	86	19	63
Brazil	–	–	5	80
Canada	453	78	408	81
China	2,603	63	3,629	66
Denmark	15	87	14	86
Finland	12	83	12	83
France	32	49	36	53
Germany	989	70	989	70
Hong Kong	68	42	65	44
Hungary	270	59	257	61
Italy	176	74	190	72
Japan	27	72	21	81
Korea	5	–	–	–
Netherlands	37	72	36	78
New Zeeland	10	79	10	79
Norway	10	80	10	70
Poland	16	69	13	62
Russia	17	71	22	73
Singapore	7	43	5	60
Slovakia	225	62	208	67
South Africa	5	60	5	60
Spain	23	66	26	58
Sweden	247	64	249	67
Switzerland	8	100	11	91
United Arab Emirates	12	75	12	75
United Kingdom	378	59	317	54
United States of America	2,172	59	2,053	57
Other	16	50	8	50
Group total	**7,991**	**64**	**8,769**	**65**

NOTE 10 | OTHER OPERATING INCOME AND EXPENSES

Other operating income	2018	2017
Gain on disposal of fixed assets	3	2
Exchange rate effect changes	91	5
Other	3	6
Total	**97**	**13**

Other operating expenses	2018	2017
Loss on disposal of fixed assets	–2	–2
Exchange rate effect changes	–22	–54
Other	–12	–9
Total	**–36**	**–65**
Other operating income and expenses	**61**	**–52**

Parent Company

Other operating income amounts to SEK 166 m (130) of which the full amount relates to income from subsidiaries.

NOTE 11 | FINANCIAL INCOME AND EXPENSES

	Group	
	2018	2017
Interest income	11	6
Total financial income	**11**	**6**
Interest expenses borrowing, credit institutions	–408	–112
Interest expense on pension liabilities and expected return on plan assets (note 19)	–18	–12
Amortization capitalized long-term financing expenses	–20	–7
Exchange rate difference, net	17	–67
Other finance expenses	–12	–15
Total financial expenses	**–442**	**–212**
Loss from financial items	**–431**	**–206**

Interest income is recognized on a time-proportion basis using the effective interest method.

	Parent Company	
	2018	2017
Interest income subsidiaries	259	50
Total interest income subsidiaries	**259**	**50**
Interest expense subsidiaries	0	–
Total interest expense subsidiaries	**0**	**–**
Result from shares in subsidiaries[1]	528	–179
Total result from shares in subsidiaries	**528**	**–179**
Interest expenses borrowing, credit institutions	–400	–105
Amortization capitalized long-term financing expenses	–20	–7
Exchange rate difference, net	–349	224
Other finance expenses	–8	–10
Total other financial expenses	**–777**	**102**
Profit (loss) from financial items	**10**	**–28**

[1] 2018: Result from shares in subsidiaries is the net result of received repayment of share capital and statutory reserve from a directly owned subsidiary, and the following impairment of the shares due to the received repayment of share capital and statutory reserve from directly owned subsidiary. 2017; Result from shares in subsidiaries includes a net of anticipated dividend write-down of the participation of group companies of SEK –179 m related to the process of simplifying the legal structure in Sweden.

NOTE 12 | TAXES

	Group		Parent	
	2018	2017	2018	2017
Current tax on profit for the year	–349	–183	–	–
Current tax in respect of prior year	53	–35	–	–
Deferred tax income/expense (–)	–284	12	1	2
Total tax income/expense	**–580**	**–206**	**1**	**2**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in equity under other comprehensive income. In this case the tax is also recognized in equity under other comprehensive income.

The differences between income tax expense and an estimated tax expense based on current tax rates are as follows:

	Group		Parent	
	2018	2017	2018	2017
Profit (loss) before income tax	2,156	1,700	516	–188
Income tax calculated in accordance with the Group's current tax rate[1]	–539	–510	–114	41
Non-taxable income[2]	4	1	202	8,034
Non-deductible expenses[3]	–46	–30	–88	–8,075
Temporary differences for which no deferred income tax was previously recognized	–23	4	–	–
Tax losses for which no deferred tax was recognized	–2	–1	–	–
Recognition of deferred tax on prior year losses	0	2	–	–
Effect of change in tax rates[4]	–10	278	–	–
Other revaluation and recognition of deferred tax related to prior year	–23	70	–	2
Current tax in respect of prior year[5]	53	–35	–	–
Other differences	6	15	1	–
Total tax income/expense	**–580**	**–206**	**1**	**2**
1) Estimated average tax rate is, %	25	30	22	22

2) The Parent Company's non-taxable income include received repayment of share capital and statutory reserve from directly owned subsidiary.

3) The Parent Company's non-deductible expenses include impairment of shares in subsidiary due to received repayment of share capital and statutory reserve from directly owned subsidiary.

4) The decrease in tax rate in Sweden effective from Jan 1, 2019, has had a negative effect. Effect in 2017 mainly relates to a positive effect due to the US tax reform.

5) The repatriation charge imposed by the 2017 US Tax reform had a negative impact on current tax in 2017 of SEK – 51 m. New guidelines issued by the US internal Revenue Service in 2018 allowed to offset the charge against net operating losses and interest expense carry forwards. The current tax benefit resulted in a deferred tax expense instead.

The basis for estimating the average tax rate for the Group is the statutory tax rates in countries where the Group conducts the major part of its business. The average tax rate has decreased due to the 2017 US tax reform (Tax Cuts & Jobs Act). The estimated tax rate for the Parent Company corresponds to the statutory tax rate in Sweden.

Temporary differences exist when the reported value and the fiscal value of the assets or liabilities are different. The Group's temporary differences have resulted in deferred tax assets and liabilities attributable to the following:

	Group		Parent	
	2018	2017	2018	2017
Deferred tax assets				
Deductible goodwill amortization	1	2	–	–
Pension commitments	55	134	5	4
Tax loss carry-forwards	419	687	–	–
Provisions	55	56	–	–
Inventories, including internal profit in inventories	107	147	–	–
Derivatives	15	10	–	–
Other assets and liabilities	25	207	–	–
Total deferred tax assets	**677**	**1,243**	**5**	**4**
Netting of assets/liabilities	–50	–346	–	–
Net deferred tax asset	**627**	**897**	**5**	**4**
Deferred tax liabilities				
Trademarks	–917	–962	–	–
Other intangible assets	–909	–1,047	–	–
Tangible assets	–145	–158	–	–
Derivatives	–23	–20	–	–
Other assets and liabilities	–	–60	–	–
Total deferred tax liabilities	**–1,994**	**–2,247**	**–**	**–**
Netting of assets/liabilities	50	346	–	–
Net deferred tax liabilities	**–1,944**	**–1,901**	**–**	**–**
Net deferred tax	**–1,317**	**–1,004**	**5**	**4**

	Group		Parent	
Change in net deferred tax	2018	2017	2018	2017
Opening balance	–1,004	633	4	3
Deferred tax recognized in other comprehensive income	4	–38	–	–
Tax income (expense) during the period recognized in profit or loss	–284	12	1	2
Operations/Acquisitions	42	–1,572	–	–
Exchange rate differences	–75	–39	–	–
Closing balance	**–1,317**	**–1,004**	**5**	**4**

Of total deferred tax recognized in equity of SEK 4 m (– 38), SEK 1 m (–12) relates to pensions and SEK 3 m (–26) to financial hedges.

Deferred tax assets related to tax losses carry-forwards are recognized to the extent that it is likely that the loss carry-forwards can be utilized to offset future taxable profits.

At the end of the period, total tax losses carry-forward for which no deferred tax asset is recognized are estimated to SEK 182 m (180).

Tax loss carry-forwards with time limits total SEK 50 m (147), of which SEK 34 m (133) will expire after more than five years.

During the first quarter a deposit of SEK 233 m for an ongoing tax audit in Hong Kong was made, reported as Other current receivables.

NOTE 12 cont.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTE 13 | OTHER NON-CURRENT ASSETS

	December 31, 2018	December 31, 2017
Shares and participation in associated companies	4	2
Present value for life assurance	52	48
Other long-term receivables	15	15
Closing balance	**71**	**65**

Parent Company

Other non-current assets in the Parent Company consist of capital insurance of SEK 19 m (15).

NOTE 14 | INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Trademarks

Acquired trademarks are shown at historical cost. All trademarks within Dometic Group with a value on the balance sheet have been identified as part of the strategic planning process. Trademarks that have been determined to have an indefinite useful life are not depreciated but are tested for impairment annually.

Acquisition-related intangible assets

All customer relationships, technology and intellectual property (IP) are acquired in a business combination and recognized at fair value at the acquisition date. Customer Relationships and IP have a finite useful life and are carried at the initial value less accumulated amortization. Amortization is calculated using the straight-line method to allocate the value over their estimated useful lives set to:

- Customer Relationships 15–25 years
- Technologies up to 25 years
- Intellectual Property (IP) 7 years

In connection with the acquisition of Seastar Solutions December 15, 2017 long-lasting customer relationship and technology were acquired, both with an estimated useful life of 25 years. This estimated life is based historical relationships with customers and long product technology cycles within the industry.

Other intangible assets/capitalized development expenses

Research expenditures are recognized as an expense as incurred. Expenditures for development projects are capitalized as intangible assets only if certain criteria are met. Other development expenditures that do not meet the criteria for capitalization are recognized as an expense as incurred. Expenditures for development projects that are capitalized are amortized on a linear basis over their useful life from the time when it is available for use. The depreciation period equals five years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when certain criteria are met. Computer software development costs recognized as assets are amortized over their estimated useful lives, which are not expected to exceed three years.

Criteria for capitalization of development costs:

- it is technically feasible to complete the asset so that it will be available for use
- management intends to complete the asset and use or sell it
- there is an ability to use or sell the asset
- it can be demonstrated how the asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available
- the expenditure attributable to the asset during its development can be reliably measured.

Other intangible assets, such as patents and other rights that are capitalized are amortized on a straight-line basis over their estimated useful lives, which are normally 5 to 10 years.

Other intangible assets consist of customer relationship assets, technology, intellectual property and other rights, capitalized development expenses and other intangible assets, which altogether amount to SEK 4,507 m (4,261).

Total amortization of the year of intangible assets amounts to SEK –242 m (–96). The increase compared to last year mainly relates to amortization of customer relationship and amortization of technology related to the acquisition of SeaStar Solutions.

NOTE 14 cont.

2017	Goodwill	Trademarks	Other intangible assets: Customer Relationship assets	Technology	Intellectual property and other rights	Capitalized development expenses	Other intangible assets	Total
Acquisition costs								
Opening balance	10,327	2,398	954	–	158	107	161	14,105
Acquired in business combinations	3,440	1,427	2,414	1,007	2	–	19	8,309
Investments for the year	–	–	–	–	–	0	21	21
Sales and disposals	–	–	–	–	–	–22	–	–22
Exchange rate differences	–487	–89	–116	–6	0	–1	1	–698
Closing balance	**13,280**	**3,736**	**3,252**	**1,001**	**160**	**84**	**202**	**21,714**
Amortization								
Opening balance	0	0	–103	–	–49	–72	–140	–364
Acquired in business combinations	–	–	–	–	–	–	–6	–6
Sales and disposals	–	–	–	–	–	18	–	18
Amortization for the year	–	–	–52	–2	–23	–11	–9	–96
Exchange rate differences	–	–	11	0	0	1	–1	11
Closing balance	**0**	**0**	**–144**	**–2**	**–72**	**–64**	**–156**	**–437**
Net carrying amount December 31, 2016	10,327	2,398	851	–	109	35	21	13,741
Net carrying amount December 31, 2017	**13,280**	**3,736**	**3,108**	**999**	**88**	**20**	**46**	**21,276**

2018	Goodwill	Trademarks	Other intangible assets: Customer Relationship assets	Technology	Intellectual property and other rights	Capitalized development expenses	Other intangible assets	Total
Acquisition costs								
Opening balance	13,280	3,736	3,252	1,001	160	84	202	21,714
Acquired in business combinations	249	16	208	–	0	–	–	473
Investments for the year	–	0	–	–	1	–	57	58
Sales and disposals	–	–	–	–	–	–	–2	–2
Exchange rate differences	759	163	201	33	–1	1	11	1,167
Closing balance	**14,288**	**3,915**	**3,661**	**1,034**	**160**	**85**	**268**	**23,411**
Amortization								
Opening balance	0	0	– 144	– 2	–72	–64	–156	–437
Sales and disposals	–	–	–	–	–	–1	0	–1
Amortization for the year	–	–	–152	–44	–23	–7	–16	– 242
Exchange rate differences	–	–	–14	–	1	–	–7	–21
Closing balance	**0**	**0**	**–310**	**–46**	**–94**	**–72**	**–179**	**–701**
Net carrying amount December 31, 2017	13,280	3,736	3,108	999	88	20	46	21,276
Net carrying amount December 31, 2018	**14,288**	**3,915**	**3,351**	**988**	**66**	**13**	**89**	**22,711**

Amortization of capitalized development assets and other intangibles

The amortization capitalized development expenses and other intangible assets have been charged to cost of goods sold at SEK – 23 m (– 20).

	2018	2017
Amortization customer relationship assets	–152	–52
Amortization technology	–44	–2
Amortization intellectual property and other rights	–23	–23
Amortization of acquisition-related intangible assets	**–219**	**–76**

NOTE 14 cont.

Parent Company

Other intangible assets amount to SEK 3 m (4), which include patents, licenses and IT systems.

2017	Other intangible assets: Intellectual property rights	IT system	Total
Acquisition costs			
Opening balance	2	–	2
Investments for the year	–	3	3
Closing balance	**2**	**3**	**5**
Amortization			
Opening balance	0	–	0
Amortization for the year	–1	0	–1
Closing balance	**–1**	**0**	**–1**
Net carrying amount, December 31, 2016	2	–	2
Net carrying amount, December 31, 2017	**1**	**3**	**4**

2018	Other intangible assets: Intellectual property rights	IT system	Total
Acquisition costs			
Opening balance	2	3	5
Investments for the year	0	–	–
Closing balance	**2**	**3**	**5**
Amortization			
Opening balance	–1	0	0
Amortization for the year	0	–1	–1
Closing balance	**–1**	**–1**	**–2**
Net carrying amount, December 31, 2017	1	3	4
Net carrying amount, December 31, 2018	**1**	**2**	**3**

Impairment test goodwill and trademarks

Dometic Group holds assets in the form of goodwill and acquired trademarks that are judged to have an indefinite useful life. Goodwill and trademarks are allocated to the Cash-Generating Units (CGUs) of the Group which are the three Regions (Americas, EMEA and APAC).

Measured trademarks are among others Dometic, SeaStar, WAECO and Mobicool. Dometic Group will evaluate how to develop the trademark portfolio going forward, which may include a transition over time towards more products branded Dometic.

As of December 31, 2018 the impairment test of the measured goodwill and trademarks shows no indication of impairment. Goodwill and trademarks from Kampa acquisition have not been part of the impairment test as the transaction was closed on December 3, 2018 and the price at transaction date has been used as fair value less cost to sell thus no need for impairment was identified.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization. On a yearly basis, or whenever indications of impairment arise that the carrying amount may not be recoverable, an impairment test of goodwill and trademarks is performed. The recoverable amount for goodwill and trademarks has been established using a value-in-use method (VIU) covering five years. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Discounted cash flows are compared with the carrying amount of the cash-generating unit and an impairment requirement may exist if the present value of the discounted cash flows is less than the carrying amount. Management judgment is that this year there are no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in any of the cash-generating units.

There is no impairment recognized in the year-end profit and loss at year-end 2018 (SEK – m).

Key assumptions in valuation

The following key assumptions have been applied:

The weighted average cost of capital (WACC) rates used are based on equity beta set in comparison with Nordic peer´s, local prerequisites for each region´s inflation, regional long-term bonds and regional market risk build the return on equity. This together with the Group capital structure build a discount rate, which Management judges to be on an adequate market level for acquisitions.

The Group pre-tax discount rate applied to cash flow projections is set to 9.61% (10.05) and set by region along with the carrying amounts as follows:

Goodwill, Trademarks and discount rate	Goodwill 2018	Goodwill 2017	Trademarks 2018	Trademarks 2017	Average discount rate pre-tax % 2018	Average discount rate pre-tax % 2017
Americas[1]	7,981	7,388	2,309	2,174	10.64	10.81
EMEA[2]	3,826	3,380	1,012	958	8.35	8.90
APAC	2,481	2,512	594	604	10.19	11.03
Group	**14,288**	**13,280**	**3,915**	**3,736**	**9.61**	**10.05**

1) of which Goodwill SEK 3,290 m and Trademarks SEK 1,363 m on December 31, 2017 related to the acquisition of SeaStar Solutions.

2) of which Goodwill SEK 305 m and Trademarks SEK 15 m on December 31, 2018 related to the acquisition of Kampa.

Budget and estimates are based on reasonable assumptions by region of important areas such as volume, price and mix, which will create a basis for future growth and gross margin. These figures are set in relation to past performance and external reports on market growth in the business in which we operate. Assumptions are judged to remain the same between the years.

The calculations use five-year cash flow projections. The first year is based on the financial budget approved by the Board. The following four years are based on the strategic plan approved by Management. Cash flows beyond the five-year period are extrapolated using a growth rate of 2% for all cash-generating units. This growth assumption set in comparison to global GDP (2.7% annual increase since 1993) can be considered conservative.

Impact of possible changes in key assumptions

If the pre-tax discount rate applied to the cash flow projections of Dometic Group are 1% higher than Management's estimate, there are no impairment needs in the Dometic Group.

If the estimated perpetual growth rate is 0.5% lower than Management's estimate, there are no impairment needs for the Dometic Group.

A sensitivity analysis as of December 31, 2018 on the level of cash-generating unit, the regions indicates that an increase of WACC by 1% for Americas, EMEA and APAC does not imply a write-down requirement of goodwill in the Group. The sensitivity at a change in WACC for the respective region of 1% corresponds to a change in future cash flows of SEK 0.8 billion (0.6) for APAC), SEK 3.4 billion (2.4) for EMEA and SEK 2.9 billion (1.7) for Americas. An impairment of goodwill does not affect the cash flow.

The Group believes that the expected range of changes in important variables such as market share and market growth, foreign exchange rates, raw material prices and other factors, would not, taken separately, have such large effects that they would reduce the recoverable amount to an amount lower than the book value.

NOTE 15 | TANGIBLE FIXED ASSETS

2017	Land and land improvements	Buildings	Machinery and other technical installations	Equipment and installations	Tools	Construction in progress and advanced payments	Total
Acquisition costs							
Opening balance	241	1,160	1,302	472	1,103	90	4,368
Acquired in business combinations	13	155	157	20	52	76	473
Investments for the year	–	17	22	32	22	192	285
Sales and disposals	0	–10	–33	–26	–7	–1	–77
Reclassifications	4	18	75	11	41	–147	2
Exchange rate differences	–5	–15	–27	–2	–14	–4	–67
Closing balance	**253**	**1,325**	**1,496**	**507**	**1,197**	**206**	**4,984**
Depreciation							
Opening balance	–6	–431	–918	–378	–895	0	–2,628
Acquired in business combinations	0	–23	–51	–13	–21	–	–108
Sales and disposals	–	8	30	24	6	–	68
Depreciation for the year	–1	–39	–81	–32	–73	–	–225
Reclassifications	–	1	–	–1	–	–	–
Exchange rate differences	1	5	13	0	10	–	29
Closing balance	**–6**	**–479**	**–1,007**	**–400**	**–973**	**–**	**–2,864**
Impairment							
Opening balance	–38	–96	–18	–10	–3	–	–165
Impairment charge for the year	–	–1	–1	–	–	–	–2
Closing balance	**–38**	**–97**	**–19**	**–10**	**–3**	**–**	**–167**
Net carrying amount December 31, 2016	197	633	366	84	205	90	1,575
Net carrying amount December 31, 2017	**209**	**749**	**470**	**97**	**221**	**206**	**1,952**

2018	Land and land improvements	Buildings	Machinery and other technical installations	Equipment and installations	Tools	Construction in progress and advanced payments	Total
Acquisition costs							
Opening balance	253	1,325	1,496	507	1,197	206	4,984
Acquired in business combinations	–	–	–	2	–	–	2
Investments for the year	1	24	26	29	37	247	364
Sales and disposals	–	–2	–18	–25	–14	–	–59
Reclassifications	2	49	106	12	72	–242	–1
Exchange rate differences	6	62	70	17	59	10	224
Closing balance	**262**	**1,458**	**1,680**	**542**	**1,351**	**221**	**5,514**
Depreciation							
Opening balance	–6	–479	–1,007	–400	–973	–	–2,864
Acquired in business combinations	–	–	–	–1	–	–	–1
Sales and disposals	–	2	16	21	8	–	47
Depreciation for the year	–1	– 55	–113	–36	–80	–	–285
Reclassifications	–	–	10	–	–10	–	–
Exchange rate differences	–2	– 20	–45	–14	–50	–	–133
Closing balance	**–9**	**–552**	**–1,139**	**–430**	**–1,105**	**–**	**–3,236**
Impairment							
Opening balance	–38	–97	–19	–10	–3	–	–167
Impairment charge for the year	–	–	–	–	–	–	–
Closing balance	**–38**	**–97**	**–19**	**–10**	**–3**	**–**	**–167**
Net carrying amount December 31, 2017	209	749	470	97	221	206	1,952
Net carrying amount December 31, 2018	**215**	**809**	**522**	**102**	**243**	**221**	**2,112**

NOTE 15 cont.

Land, land improvements and buildings amount in total to SEK 1,024 m (958). The total of equipment, installations and tools amounts to SEK 345 m (318).

In the consolidated income statement depreciation expenses of SEK 285 m (225) have been charged to the following: cost of goods sold, SEK 233 m (185), sales expenses, SEK 20 m (9) and administrative expenses, SEK 32 m (31).

Parent Company

Equipment in the parent company SEK 0 m (1).

2017	Equipment	Total
Acquisition costs		
Opening balance	1	1
Investments for the year	–	–
Closing balance	**1**	**1**
Depreciation		
Opening balance	0	0
Depreciation for the year	0	0
Closing balance	**0**	**0**
Net carrying amount, December 31, 2016	1	1
Net carrying amount, December 31, 2017	**1**	**1**

2018	Equipment	Total
Acquisition costs		
Opening balance	1	1
Investments for the year	–	–
Closing balance	**1**	**1**
Depreciation		
Opening balance	0	0
Depreciation for the year	0	0
Closing balance	**0**	**0**
Net carrying amount, December 31, 2017	1	1
Net carrying amount, December 31, 2018	**0**	**0**

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are entered at acquisition value, reduced by subsequent depreciation of buildings.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated, as it is considered to have an unlimited useful life. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 20–40 years
- Machinery 6–15 years
- Vehicles 5 years
- Furniture, fittings and equipment 3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

NOTE 16 | INVENTORIES

	December 31, 2018	December 31, 2017
Acquisition value inventories		
Raw materials and consumables and products in progress	1,418	1,315
Finished products	2,894	2,511
Advances to suppliers	27	20
Total inventories before provisions	**4,339**	**3,846**
Provisions for obsolescence		
Raw materials and consumables and products in progress	–74	–70
Finished products	–493	–426
Total provisions for obsolescence	**–567**	**–496**
Book value inventories		
Raw materials and consumables and products in progress	1,344	1,245
Finished products	2,401	2,085
Advances to suppliers	27	20
Total book value	**3,772**	**3,350**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions for obsolescence are included in the value for inventory.

NOTE 17 | ACCOUNTS RECEIVABLE — TRADE

	December 31, 2018	December 31, 2017
Trade receivables	1,724	1,514
Less provision for impairment of trade receivables	–19	–29
Trade receivables – net	**1,705**	**1,485**

	December 31, 2018	December 31, 2017
Opening balance	–29	–49
Provision for receivables impairment	–5	–8
Receivables written off during the period as uncollectible	15	25
Unused amounts reversed	3	2
Exchange rate differences and other changes	–2	1
Closing provision for impairment of trade receivables	**–19**	**–29**

Ageing analysis of trade receivables	December 31, 2018	December 31, 2017
Trade receivables, not due	1,437	1,194
Past due:		
Less than two months	173	235
2–6 months	85	54
6–12 months	19	15
More than 1 year	10	16
Total past due	**287**	**320**
of which impaired	–19	–29
Closing book value, net	**1,705**	**1,485**

Trade receivables are amounts due from customers in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

As of December 31, 2018, provisions for impairment of trade receivables amounted to SEK 19 m (29).

Expected credit losses on trade receivables

Dometic recognizes expected credit losses over the expected life of the trade receivables. Historical information by legal entity, regarding credit loss experience and ageing, is used to forecast future credit losses. In addition, current and forward-looking information by legal entity is used to reflect current and expected future losses. To support and harmonize the organization, a calculation matrix for calculating expected credit losses has been developed by headquarters and distributed to the relevant functions throughout the Group.

Dometic applies the simplified approach to measure life time expected credit losses for trade receivables to provide for losses each closing. The new model changed the loss allowance immaterially.

Credit risk

Credit risk is divided into two categories: credit risk in accounts receivable and financial credit risk (see note 3, Financial risk management and financial instruments).

The Group has no significant concentration of credit risks. The Group has established policies to ensure that products are sold to clients with favorable payment history. In the Group, with all its subsidiaries, credit reports are used to evaluate and establish credit limits on new clients. For a large part of EMEA and APAC, Dometic Group uses credit insurance to limit the credit risk and to get credit information regarding the clients.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular markets with unstable political and/or economic environments. By having banks confirm the letters of credit, the political and commercial credit risk exposures to the Group are mitigated.

Provisions for impairment of trade receivables are assessed on a regular basis.

NOTE 18 | PREPAID EXPENSES AND ACCRUED INCOME

	December 31, 2018	December 31, 2017
Prepaid rent	7	6
Prepaid insurance	48	34
Prepaid financing expenses	0	2
Prepaid market expenses	7	1
Prepaid personnel expenses	4	3
Prepaid administrative expenses	16	21
Prepaid consumable supplies	21	25
Prepaid costs, other	15	15
Accrued interest	5	11
Accrued income, other	4	14
Total	128	132

Parent Company

The Parent Company had prepaid expenses and accrued income of SEK 12 m (16), of which prepaid consumer supplies amounts to SEK 6 m (4), prepaid insurance SEK 1 m (1) and accrued interest amounts to SEK 5 m (11).

NOTE 19 | PROVISIONS FOR PENSIONS

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. Dometic Group has both defined benefit and defined contribution plans. The largest defined benefit plans are in the US and Germany.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the income statement. Interest costs on retirement benefit obligation and interest income on plan assets are recognized within financial items. Remaining items are recognized in operating profit within costs of goods sold, sales or administrative expenses depending on the function of the employee.

Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits. The anticipated costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Risk

Through its defined benefit pension plans and post-employment medical plans the Group is exposed to some risks, of which the most significant are:

a) Assets volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

b) Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities.

c) Inflation risk
The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

d) Life expectancy
The majority of the pension plans are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Plan assets, investment strategy and risk management

The Group has delegated the investments and allocation of the pension plan assets to external providers. As a part of the agreement with the external providers, the investment strategy mitigates risk to the pension assets by closely aligning our diversification with the projected liabilities of the plans.

Swedish plan

The commitments for retirement plans and family pension regarding employees in Sweden are secured through insurance in Alecta.

According to a statement (UFR 10) issued by the Swedish Financial Reporting Board this constitutes a defined benefit plan including several employers. The Group's participation in the plan is considered to be immaterial. For the financial period, sufficient information to use an accounting approach for defined benefit plans was not available. This plan is accounted for as a defined contribution plan. At the end of 2018, Alecta reports a plan surplus of 142% (154). Such surplus reflects the fair value of Alecta's plan assets as a percentage of plan commitments, measured in accordance with Alecta's actuarial assumptions, which are different from those under IAS 19. Alecta's surplus may be distributed to the policy-holders and/or the insurees.

Of the cost for defined contribution plans, SEK 10 m (7) has been charged by Alecta. The amount is expected to be immaterially changed for 2019.

The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of funded or partly funded obligations	1,226	1,168
Present value of plan assets	–511	–503
Net liabilities relating to funded obligations	**714**	**665**
Present value of unfunded obligations	25	22
Net liability in the balance sheet	**739**	**687**
Reconciliation to the balance sheet		
Defined benefit pension plan, net	739	687
Other pensions	–	–
Provision for pensions	**739**	**687**

The movement in the defined benefit obligation over the year is as follows:

	December 31, 2018	December 31, 2017
Opening balance	1,190	812
Current service cost	16	14
Interest expense	36	21
Remeasurements:		
Actuarial changes arising from changes in demographic assumptions	2	–2
Actuarial changes arising from changes in financial assumptions	–43	17
Experience adjustments	11	2
Exchange difference	83	–35
Benefits paid	–46	–30
Acquired in business combinations	–	391
Closing balance	**1,250**	**1,190**

NOTE 19 cont.

The movement in the fair value of plan assets over the year is as follows:

	December 31, 2018	December 31, 2017
Opening balance	503	276
Interest income	18	9
Remeasurements:		
Return on plan assets, excluding amounts included in interest	–37	28
Exchange difference	40	–26
Employer contributions	32	26
Benefits paid	–46	–30
Acquired in business combinations	–	221
Closing balance	**511**	**503**

	December 31, 2018	December 31, 2017
Present value of funded or partly funded obligations	1,250	1,190
Present value of plan assets	–511	–503
Net liabilities relating to funded obligations	**739**	**687**

Breakdown by country	December 31, 2018	December 31, 2017
Of which Funded plan Germany and USA	714	665
Of which Unfunded plan Other	25	22
Closing balance	**739**	**687**

The amounts recognized in the income statement are as follows:

	2018	2017
Current service cost[1)]	19	15
Interest cost, net	18	12
Costs attributable to defined benefit plans	**37**	**27**
Costs attributable to defined contribution plans	78	54
Total cost in the income statement	**115**	**81**

1) Incl.admin. expenses of SEK 3 m.

Major assumptions for the valuation of the liability:

Major actuarial assumptions	December 31, 2018			December 31, 2017		
	Germany	USA	Other	Germany	USA	Other
Discount rate, %	1.90	4.11	2.03	1.84	3.70	1.84
Expected salary increase rate, %	2.50	2.77	1.75	2.50	2.77	1.75

Major categories of plan assets	December 31, 2018	December 31, 2017
Cash, cash equivalent	1	1
Equity instruments	241	244
Debt instruments	183	166
Real estate	5	11
Investment funds	81	82
Closing balance	**511**	**503**

The administered assets principally consist of debt instruments, investment funds and equity funds. No administered assets consist of financial instruments in Dometic Group or assets that are used within the Dometic Group. None of the assets on the balance sheet date were traded on active markets in which market quotations are used for valuation of the assets.

Expected contributions to the plan next year amounts to SEK 43 m (38).

Average duration of obligation is 12.23 years in Germany, 13.55 years in the US and 10.85 years in other.

Sensitivity analysis

Below is the sensitivity analysis for the main financial assumption and the potential impact on the present value of the defined benefit obligation in the Group.

Change of obligation, increased obligation (+)	SEK m
Discount rate + 0.5%	–73
Discount rate – 0.5%	80
Price inflation, incl. salary inflation + 0.5%	3
Price inflation, incl. salary inflation – 0.5%	–3
Life expectancy +1 year	–37
Life expectancy – 1 year	36

NOTE 20 | OTHER PROVISIONS

	Warranty commitments	Environmental provisions	Recall provision	Restructuring provision	Other	Total
Opening balance January 1, 2017	202	23	18	4	67	314
Charged to the income statement:						
– Acquired in business combinations	12	–	–	–	–	12
– Additional/revaluation provisions	14	2	–	78	46	140
– Unused amounts reversed	–	–4	–	–	–	–4
Used during year	–	–	–14	–9	–7	–30
Exchange rate differences	–10	1	–1	0	–1	–11
Closing balance December 31, 2017	217	22	3	73	105	420
Provisions consist of:						
Long-term	46	22	3	1	60	131
Short-term	171	–	0	72	45	289
Total	217	22	3	73	105	420

	Warranty commitments	Environmental provisions	Recall provision	Restructuring provision	Other	Total
Opening balance January 1, 2018	217	22	3	73	105	420
Charged to the income statement:						
– Acquired in business combinations	1	–	–	–	–	1
– Additional/revaluation provisions	13	2	–	88	48	150
– Unused amounts reversed	–	–4	–	0	–9	–13
Used during year	–15	–	–1	–62	–10	–88
Exchange rate differences	11	0	0	2	2	15
Closing balance December 31, 2018	226	20	3	100	136	486
Provisions consist of:						
Long-term	57	20	2	5	105	191
Short-term	169	–	1	95	31	295
Total	226	20	3	100	136	486

Parent Company

Provisions for the Parent Company consist of provisions for other post-employment benefits of SEK 25 m (21) and other provisions of SEK 17 m (6) in total SEK 42 m (27).

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Warranty commitments

Within Dometic Group's line of business many products are covered by a warranty, which is included in the price and valid for a predetermined amount of time. Provisions for warranties are calculated based on past experience of costs for repairs, etc. Dometic offers a standard warranty normally between two and three years. In some cases, an extended warranty may be offered to the customer.

Environmental provision

This relates to reserves for handling of electric and electronic waste, known as the WEEE-directive, and the timing of the outflows for environmental provisions is uncertain.

Recall provision

Provisions for recalled products are estimations of future cash flow required to regulate commitments. Such estimations are based on the nature of the recall, the legal process, and the likely extent of damages as well as the progress of the process. Furthermore, consideration is taken of opinions and recommendations from legal advisors and other advice regarding the outcome of the process and experiences from similar cases. The timing of any outflow is uncertain.

Restructuring provision

The restructuring provisions are expected to be consumed within twelve months, and are related to the restructuring charges in a group-wide initiative to optimize footprint and reduce costs. The majority of the costs were charged in Americas and EMEA to increase competiveness and to mitigate effects from US tariffs.

Other

Other provisions consist for example of other post employee benefits and other liabilities where the timing of any outflows is uncertain.

For further information regarding critical accounting estimates and assumptions regarding provisions – see note 4.

NOTE 21 | LIABILITIES TO CREDIT INSTITUTIONS

As of December 31, the Dometic Group's outstanding liabilities to credit institutions were:

	Group		Parent	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Non-current				
Senior term loans, long-term	8,140	9,810	8,140	9,810
Other bank loans	–	–	–	–
EMTN program	3,077	–	3,077	–
	11,217	**9,810**	**11,217**	**9,810**
Current				
Senior term loans, short-term	393	602	393	602
Accrued interest	65	35	65	35
Other bank loans	–	131	–	–
	459	**768**	**459**	**637**
Total borrowings	**11,676**	**10,578**	**11,676**	**10,447**

The amount granted on the Senior Credit facilities agreement ("SFA") in the Dometic Group amounts to SEK 9,928 m (11,762), of which SEK 8,592 m (10,469) was utilized as of December 31, 2018. The amount on the issued Euro bond under the EMTN program amounts to SEK 3,077 m as of December 31, 2018. The amount granted on local facilities in the Dometic Group amounts to SEK 130 m (101), of which SEK 0 m (0) was utilized as of December 31, 2018.

Of the long-term borrowings SEK 0 m (0) falls due for payment more than five years after the balance sheet date.

The Group's long-term borrowing is principally under credit frameworks with long advance commitments but with short-term fixing of interest terms, so these have been assessed as having a fair value corresponding to the reported value. According to the SFA the Group has to be compliant with financial covenants. In June 2016 the measurement of the Net debt/EBITDA and the interest cover covenants started. The new covenants are set with generous headroom, so the risk of breaching the covenants is limited. At year end 2018 the headroom was sufficient for both covenants. The headroom in the Net debt/EBITDA was 48% (27) and for the interest cover covenant 130% (138). According to the EMTN program and its prospectus the Group must be compliant with one financial covenant, the interest cover covenant. The covenant is the same as in the SFA but with an even more generous headroom. At year end 2018 the headroom for the interest cover covenant under the EMTN program was 403%.

Local loan facilities

Certain subsidiaries of the Group in China are parties to local loan facilities. The aggregate amount currently available under these facilities is SEK 130 m (101), of which SEK 0 m (0) was drawn at December 31, 2018. These facilities are with local Chinese Banks and with Svenska Handelsbanken AB (publ).

Entrusted loans

Dometic Group's subsidiaries in China have the possibility to allocate internal funds between them by entering into what is known as an "entrusted loan" agreement. An entrusted loan is set up by Dometic Group China depositing cash with Svenska Handelsbanken China. Svenska Handelsbanken China then issues a stand-by letter of credit to Svenska Handelsbanken Hong Kong, with Dometic Group Hong Kong then borrowing the deposited money from Svenska Handelsbanken Hong Kong. This means that Dometic Group Hong Kong incurs a debt obligation in its balance sheet, whereas Dometic Group China reports a corresponding external deposit. As of December 31, 2018, an amount corresponding to SEK 0 million (131) was deposited and borrowed in this manner, respectively.

Senior Credit Facilities agreement (SFA) / EMTN program

In Q1 2018 the Group started the process of establish an EMTN (Euro Medium Term Note) Bond program. The Prospectus under the EMTN program was listed on the Irish Stock exchange in Dublin, in May 2018. The first issuance of EUR 300 m under the program was made in September 6, 2018. The equivalent of EUR 210 m was used to prepay current and non-current senior debt and the remaining part was held for corporate purposes. Prepayments were made on the senior facilities with maturity 2020 with amounts of EUR 19 m and AUD 100 m and prepayments were made on the senior facilities with maturity 2022 with an amount of EUR 121 m.

In connection with the acquisition of SeaStar Solutions in December 2017 the Group updated the existing SFA and added a new loan of USD 750 m. USD 250 m of the drawn amount was exchanged to a euro loan (EUR 212 m). The current term loan and revolving credit facilities agreement is with DNB Sweden AB, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) as lenders. The updated SFA consists of an amortizing term loan facility (equivalent of SEK 2,776 m available for drawing in USD, EUR and AUD), a term loan facility (equivalent of SEK 7,693 m available for drawing in USD, EUR and AUD) and a revolving credit facility (SEK 1,292 m available for drawing in SEK, USD and EUR), the SFA.

As of December 31, 2018 the aggregate principal amount under the SFA is equivalent to SEK 9,928 m (11,762). The original SFA (SEK 3,481 m outstanding) has a final maturity date falling five years from the date of the Offering in November 2015. The added facility in 2017 (SEK 5,111 m outstanding) has maturity 5 years after the drawdown at December 14, 2017. The Group's main financing now consists of the Credit Facilities and the Euro Bond of EUR 300 m (SEK 3,077 m), which are both unsecured, and a revolving credit facility of SEK 1,336 m.

NOTE 21 cont.

The SFA and the EMTN program contain customary representations and warranties made as of the signing date of the SFA and the prospectus under the EMTN program, in relation to certain representations and warranties, as of certain subsequent dates. The SFA and the EMTN program also contain customary undertakings for Dometic Group and its subsidiaries, such as maintaining authorizations, complying with laws (including environmental laws and sanctions), not changing the business of the Group, restrictions on mergers, restrictions on disposals, negative pledge, restrictions for Dometic Group's subsidiaries incurring financial indebtedness, restrictions on providing loans and guarantees and restrictions on acquisitions (maximum aggregate consideration per financial year). The SFA also include financial covenants requiring that the Net debt/EBITDA and interest coverage of the Group should not adversely deviate from certain levels. The prospectus under the EMTN program includes the interest coverage covenant with a more generous headroom than the one in the SFA.

The SFA and EMTN program may terminate upon the occurrence of certain customary circumstances, including in connection with a change of control of Dometic Group or a delisting of Dometic Group from Nasdaq Stockholm.

The SFA and EMTN program may be repayable in full or in part if certain events occur, including, but not limited to, non-payment, insolvency and cross default. The cross-default provision is subject to a threshold amount.

The carrying amounts in SEK million of the Group's SFA and EMTN program are denominated in the following currencies:

	December 31, 2018	December 31, 2017
EUR (SFA)	2,270	3,619
USD (SFA)	6,322	6,177
EUR (EMTN program)	3,077	–
AUD (SFA)	–	674
Other currencies	–	–
Total	**11,670**	**10,469**
of which current	406	616
Total non-current	**11,264**	**9,853**

Interest bearing debt

The Group's definition of interest-bearing debt of SEK 12,350 m (11,230) includes the following items: senior term loans (SFA) SEK 8,592 m (10,469), EMTN program SEK 3,077 m (0), other bank loans SEK 0 m (131), amortized costs SEK –59 m (–57) and provisions for pensions SEK 739 m (687). Derivative financial liabilities related to interest rate swaps were SEK 0 m (0).

December 31, 2017	Currency	SEK m	All-in Interest rate, %	Margin, %	Final payment year
Senior unsecured term loan A (SFA)					
Dometic Group AB	EUR	256	2.00	2.00	2020
Dometic Group AB	EUR	695	2.50	2.50	2022
Dometic Group AB	USD	345	3.33	2.00	2020
Dometic Group AB	USD	1,369	4.07	2.50	2022
Dometic Group AB	AUD	112	4.00	2.25	2020
Senior unsecured term loan B (SFA)					
Dometic Group AB	EUR	1,278	2.00	2.00	2020
Dometic Group AB	EUR	1,390	2.50	2.50	2022
Dometic Group AB	USD	1,726	3.33	2.00	2020
Dometic Group AB	USD	2,737	4.07	2.50	2022
Dometic Group AB	AUD	561	4.00	2.25	2020
Senior unsecured term revolving credit facility (SFA)					
Dometic Group AB	EUR	–	–	2.00	2020
Total		10,469			

December 31, 2018	Currency	SEK m	All-in Interest rate, %	Margin, %	Final payment year
Senior unsecured term loan A (SFA)					
Dometic Group AB	USD	268	1.75	1.75	2020
Dometic Group AB	USD	1,193	4.15	2.10	2022
Senior unsecured term loan B (SFA)					
Dometic Group AB	EUR	1,333	1.75	1.75	2020
Dometic Group AB	EUR	937	2.10	2.10	2022
Dometic Group AB	USD	1,879	4.15	1.75	2020
Dometic Group AB	USD	2,981	4.88	2.10	2022
Senior unsecured term revolving credit facility (SFA)					
Dometic Group AB	EUR	–	–	1.75	2020
EMTN program					
Dometic Group AB	EUR	3,077	3.00	–	2023
Total		11,670			

NOTE 22 | ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Prepaid income for extended guarantee period	13	14	–	–
Accrued employee-related items	324	309	15	17
Accrued bonus from customers	83	80	–	–
Accrued interest	84	55	70	45
Accrued production costs	39	53	–	–
Accrued administrative expenses	63	84	–	–
Accrued marketing expenses	52	50	–	–
Accrued finance expenses	1	1	–	–
Product liability claims	174	76	–	–
Other[1)]	77	56	7	3
Total	910	778	92	65

[1)] December 31, 2017 includes accrued transaction expenses related to the SeaStar acquisition of SEK 26 million.

NOTE 23 | PLEDGED ASSETS

December 31, 2018 the local loan facilities in China are partly supported by pledged assets of SEK 248 m (215).

In connection with the IPO/Listing in November 2015 all pledged assets (with the exception of certain security provided for local loan facilities in Germany and China) were released. The conditions for the borrowings under the senior facilities agreement (SFA) and EMTN program state that the Group has to be compliant with covenants. In the event that the covenants are not complied with, the lenders have the right to accelerate the outstanding loans and demand immediate repayment of principal and accrued interest.

Parent Company

There are no pledged assets in the parent company on December 31, 2018 (–).

NOTE 24 | CONTINGENT LIABILITIES

There are no outstanding contingent liabilities as per December 31, 2018 (–).

NOTE 25 | CASH FLOW DETAILS

	Group		Parent	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash and cash equivalents includes				
Cash in hand and balances with banks	2,113	1,159	11	–
Total cash and cash equivalents	**2,113**	**1,159**	**11**	**–**
Adjustments for non-cash items				
Depreciation and amortization (Note 14, 15)	526	321	1	1
Relocation China[1)]	–	–166	–	–
Exchange rate differences	128	28	–6	–329
Other non-cash items	–7	39	–60	26
Total non-cash items	**648**	**222**	**–65**	**–302**

1) As announced on July 13, Dometic divested an industrial facility in China as part of a strategic consolidation. The selling price amounted to CNY 160 m. A net gain before tax of CNY 131.5 m is recognized in the third quarter 2017.

Other financing activities

Group

Other financing activities amounts SEK – 88 m (–122) including pensions paid SEK – 32 m (–39), realized result financial hedges SEK –44 m (–42) and paid financial fees SEK –12 m (–41).

Parent Company

Other financing activities amounts to SEK –75 m (–5,101) including paid financial fees SEK –75 m (–9) and an intercompany receivable on Dometic Corporation of SEK – m (– 5,091).

Reconciliation of changes in liabilities arising from financing activities, including both changes arising from cashflows and non-cash changes

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if drawn, are shown within borrowings in current liabilities on the balance sheet, SEK 0 m (–) overdrafts were drawn Dec 31, 2018.

Group

		Changes arising from cashflow			Non-cash changes			
2018	At January 1, 2018	Change in cash and cash equivalents	Amortization of senior term loans	New senior term loans/ EMTN loans	Change accrued interest	Foreign exchange movements	Acquired provisions for pensions, net	At December 31, 2018
Senior term loans, long-term	9,852	–	– 2,439	–	–	774	–	8,187
Senior term loans, short-term	749	–	–411	67	–	–	–	406
EMTN program	–	–	–	3,116	–	–39	–	3,077
Provisions for pensions	687	–	–	–	–	52	–	739
Finance lease liabilities	–	–	–	–	–	–	–	–
Accrued interest	35	–	–	–	30	–	–	65
	11,323	**–**	**–2,849**	**3,183**	**30**	**787**	–	**12,474**
Cash and Cash equivalents	1,159	920	–	–	–	34	–	2,113
Net debt	**10,163**							**10,361**

		Changes arising from cashflow			Non-cash changes			
2017	At January 1, 2017	Change in cash and cash equivalents	Amortization of senior term loans	New senior term loans in connection with acquisition	Change accrued interest	Foreign exchange movements	Acquired provisions for pensions, net	At December 31, 2017
Senior term loans, long-term	4,473	–	–229	5,888	–	–280	–	9,852
Senior term loans, short-term	336	–	–	413	–	–	–	749
Provisions for pensions	536	–	–	–	–	–9	160	687
Finance lease liabilities	–	–	–	–	–	–	–	–
Accrued interest	25	–	–	–	10		–	35
	5,370	–	**–229**	**6,301**	**10**	**–289**	**160**	**11,323**
Cash and Cash equivalents	1,599	– 417	–	–	–	–23	–	1,159
Net debt	**3,771**							**10,163**

NOTE 25 cont.

Parent Company

2018	At January 1, 2018	Changes arising from cashflow: Change in cash and cash equivalents	Changes arising from cashflow: Amortization of senior term loans	Changes arising from cashflow: New senior term loans / EMTN loans	Non-cash changes: Change accrued interest	Non-cash changes: Foreign exchange movements	Non-cash changes: Acquired provisions for pensions, net	At December 31, 2018
Senior term loans, long-term	9,810	–	–2,437	–	–	769	–2	8,140
Senior term loans, short-term	602	–	–209	–	–	–	–	393
EMTN program	–	–	–	3,116	–	–39	–	3,077
Finance lease liabilities	–	–	–	–	–	–	–	–
Accrued interest	35	–	–	–	30	–	–	65
	10,447	**–**	**–2,646**	**3,116**	**30**	**730**	**–2**	**11,676**
Cash and Cash equivalents	–	11	–	–	–	–	–	11
Net debt	**10,447**							**11,665**

2017	At January 1, 2017	Changes arising from cashflow: Change in cash and cash equivalents	Changes arising from cashflow: Amortization of senior term loans	Changes arising from cashflow: New senior term loans in connection with acquisition	Non-cash changes: Change accrued interest	Non-cash changes: Foreign exchange movements	Non-cash changes: Acquired provisions for pensions, net	At December 31, 2017
Senior term loans, long-term	4,453	–	–217	5,886	–	–312		9,810
Senior term loans, short-term	206	–	–	413	–	–17	–	602
Finance lease liabilities	–	–	–	–	–	–	–	–
Accrued interest	29	–	–	–	6	–	–	35
	4,688	**–**	**–217**	**6,299**	**6**	**–329**	**–**	**10,447**
Cash and Cash equivalents	–	–	–	–	–	–	–	–
Net debt	**4,688**							**10,447**

NOTE 26 | SHARES IN SUBSIDIARIES

Dometic Group AB (publ)

Company name	Corp. id. no	Domicile	Number of shares	Proportion of equity in %	2018 booked value SEK m
Direct shareholdings					
Dometic Koncern AB	556829-4424	Solna, Sweden	50,000	100	0
Dometic Group Services AB	556829-4416	Solna,Sweden	50,000	100	0
Dometic Holding AB	556677-7370	Solna, Sweden	1,001	100	11,831
Dometic International AB	556598-2666	Solna, Sweden	50,000	100	0
Dometic Sweden AB	556598-2674	Solna, Sweden	22,100,000	100	4,396
Total					16,228

Company name	Corp. id. no	Domicile	Proportion of equity in %
Indirect shareholdings			
Aircommand Australia Pty Ltd	164415445	Australia	100
Atwood Australia Holdings Pty Ltd	164389557	Australia	100
Dometic Australia PTY LTD	086366305	Australia	100
Dometic Austria GmbH	FN290460y	Austria	100
Sunshine RV NV	0559910229	Belgium	100
Dometic do Brasil Ltda.	04.935.880/0001-49	Brazil	100
Marine Canada Acquisition Inc.	853832533RC0003	Canada	100
Dometic (Wuhu) Electronics Co Ltd (former Atwood Mobile Products (Wuhu) Co., Ltd)	91340200595716090B	China	100
Atwood Trading (Shanghai) Co., Ltd.	310000400720486	China	100
Dometic (Shenzhen) Trading Co Ltd (former Dometic WAECO Trading (Shenzhen) Co Ltd)	91440300594318592P	China	100
Dometic (Shenzhen) Electronics Co Ltd (former Mobicool Electronics (Shenzhen) Co Ltd)	91440300618885496F	China	100
Dometic (Zhuhai) Electronics Co Ltd (former Mobicool Electronics (Zhuhai) Co Ltd)	91440400MA515CTU7T	China	100
Dometic (Zhuhai) Technology Co Ltd	91440400729235971W	China	100
Shenzen Leimi Textile Co Ltd	91440300618890543A	China	100
Zhuhai UCT Electronics Co Ltd	440400400022221	China	100
Dometic Denmark A/S	25 70 51 30	Denmark	100
Dometic Finland Oy	0885413-1	Finland	100
Dometic S.A.S	438636425 R.C.S COMPIEGNE	France	100
Marine Acquisition (France) S.A.R.L	410 253 660 R.C.S LORIENT	France	100
Dometic Deutschland GmbH	HRB 5557	Germany	100
Dometic Dienstleistungs-GmbH	HRB 7887	Germany	100
Dometic GmbH	HRB 5558	Germany	100
Dometic Light Systems GmbH	HRB 7855	Germany	100
Dometic Seitz GmbH	HRB 7731	Germany	100
EZetil GmbH	HRB 8917	Germany	100
Dometic WAECO International GmbH	HRB 3716	Germany	100
Dometic UK Ltd.	04190363	Great Britain	100
Oceanair Marine Limited	02504653	Great Britain	100
Kampa UK Limited	05964899	Great Britain	100
Dometic Asia Co. Ltd. (former Mobicool International Ltd)	14979283-000-02	Hong Kong	100
Dometic Asia Holding Co. Ltd. (former Mobigroup Holding Ltd)	17208219-000-07	Hong Kong	100
U C T Ltd	33068257-000-07	Hong Kong	100
United Cooling Technologies Ltd	33068249-000-07	Hong Kong	100
Dometic Impex Ltd (former Waeco Impex Ltd)	22342626-000-03	Hong Kong	100
Dometic Hűtőgépgyártó és Kereskedelmi Zrt. (Dometic Zrt)	Cg.16-10-001727	Hungary	100
Condaria 87 S.r.l.	08934890156	Italy	100
Dometic Italy S.r.l.	00718330400	Italy	100
SMEV S.r.l.	03410350247	Italy	100
Dometic KK	0104-01-045566	Japan	100
Dometic Korea C., Ltd	295-88-01153	Korea	100
DHAB II S.á r.l	B148161	Luxembourg	100
DHAB III S.á r.l	B148162	Luxembourg	100
Dometic Mx, S DE RL DE CV	DMX011121UB6	Mexico	100
Dometic Benelux B.V.	20051965	Netherlands	100
Dometic WAECO Holding B.V.	06050846	Netherlands	100
Sierra Netherlands Coöperatief U.A	59086122	Netherlands	100
Dometic New Zealand Ltd	2084564	New Zealand	100
Dometic Norway AS	841914422	Norway	100

NOTE 26 cont.

Company name	Corp. id. no	Domicile	Proportion of equity in %
Dometic Poland Spólka z ograniczoną odpowiedzialnością (Dometic Poland Sp. z o.o.)	0000374897	Poland	100
Dometic Pte Ltd	200003050k	Singapore	100
Dometic Slovakia s.r.o.	31617298	Slovakia	100
Dometic (Pty) Ltd	1973/010155/07	South Africa	100
Dometic Spain SL	C.I.F.: B82837071	Spain	100
Dometic AB	556014-3074	Sweden	100
Dometic Scandinavia AB	556305-2033	Sweden	100
Dometic Seitz AB	556528-1093	Sweden	100
Dometic Switzerland AG	CH-020.3.906.004-9	Switzerland	100
Dometic RUS Limited Liability Company	1107746208338	The Russian Federation	100
Dometic Middle East FZCO	2774	United Arab Emirates	100
Atwood Mobile Products LLC	99-0378974	USA	100
Dometic Corporation	32-0145464	USA	100
Dometic Mexico LLC	3457538	USA	100
ASP Marine Holdings, Inc	46-4240119	USA	100
Galene Holdings, LLC	46-1860755	USA	100
Marine Acquisition Holdings, Inc	27-5496313	USA	100
Marine Acquisition Corp.	27-5496404	USA	100
Marine Acquisition (US) Inc.	23-2467492	USA	100
Sierra International LLC	36-2643586	USA	100
Inca Products Acquisition Corp.	46-2862973	USA	100
Marine Digital Integration LLC	46-4518541	USA	100
Summit Marine Sales, LLC	27-3481958	USA	100
Sierra Netherlands Holdings, LLC	46-3981447	USA	100
Seloc Publishing Inc.	36-2643586	USA	100

Change analysis of shares in subsidiaries	December 31, 2018	December 31, 2017
Opening balance	16,622	13,563
Acquisitions[1)]	–	37,613
Shareholder´s contribution, cash	–	2,143
Impairment losses[1)]	–394	–36,697
Closing balance	**16,228**	**16,622**

1) During 2017 a process of simplifying the legal structure in Sweden was initiated. The process was finalized in 2018 and resulted in an impairment of shares in subsidiary due to received repayment of share capital and statutory reserve from directly owned subsidiary.

NOTE 27 | TRANSACTIONS WITH RELATED PARTIES

All of the Group companies presented in note 26 are considered to be related parties. Shares in subsidiaries are specified in note 26.

Transactions take place between Dometic Group companies concerning deliveries of goods and services, and financial and intangible services are provided. Market terms and pricing are applied to all transactions. All transactions between Group companies are eliminated in the consolidated accounts.

Parent company administrative expenses amounted to SEK –171 m (–133); of this SEK 166 m (130) was charged out to subsidiaries in accordance to a service agreement. The charged-out expenses are being classified as other operating income in the income statement.

Remuneration for the Group Management and individual members of the Board are presented in note 9. Dometic Group has not provided guarantees or sureties to or on behalf of Board members or senior executives. The Board has not identified any transactions with other related parties.

NOTE 28 | EARNINGS PER SHARE AND PROPOSED DISTRIBUTION OF EARNINGS

Share capital

Ordinary shares are classified as equity. The share capital of Dometic Group AB amounted to SEK 739,583 divided into 295,833,333 shares. The quotient value is SEK 0.0025 per share.

Weighted average number of shares

Average number of shares equals actual number of shares.

Earnings per share	December 31, 2018	December 31, 2017
Earnings per share before dilution		
Earnings attributable to the Parent Company´s shareholders (thousands)	1,575,567	1,494,613
Weighted average number of shares issued	295,833,333	295,833,333
Earnings per share before dilution (SEK per share)	**5.33**	**5.05**
Earnings per share after dilution		
Earnings attributable to the Parent Company´s shareholders (thousands)	1,575,567	1,494,613
Weighted average number of shares issued	295,833,333	295,833,333
Earnings per share after dilution (SEK per share)	**5.33**	**5.05**

NOTE 28 cont.

Proposed distribution of earnings

The following earnings (SEK thousands) are at the disposal of the annual shareholders' meeting:

Retained earnings	10,237,983
Profit for the year	516,704
Total	**10,754,687**

The Board of Directors proposes that earnings be distributed as follows:

A dividend to the shareholders of SEK 2.15 per share, totalling	636,042
To be carried forward	10,118,645
Total	**10,754,687**

NOTE 29 | BUSINESS COMBINATIONS

The valuation of acquired assets and liabilities including items that have not been recognized in the acquired company's balance sheet, such as trademarks or customer relationship assets should be done to fair value.

The valuation of identifiable assets and liabilities is affected by the accounting environment that the acquired company has been active in. This relates for example to the availability of the data needed and the basis of preparation for the financial reporting, and consequently the level of adjustments that are necessary to comply with Dometic group accounting principles.

The initial acquisition calculations are preliminary, even though best estimates and judgement have been used. Nevertheless, calculations might need to be adjusted subsequently. All acquisition calculations are finalized up until 12 months after the acquisition date. Considering the above description, Dometic has chosen not to specify reasons why the accounting of the business combination is preliminary, or which assets and liabilities for which the initial accounting is preliminary unless regarded material. Additionally, it is not feasible to compile and disclose all individual adjustments in a manner that will be useful for the reader of the financial statements.

2018

Acquisition of Kampa

On December 3, 2018, Dometic acquired Kampa, an innovative provider of Retail and Aftermarket products based in the UK. Kampa significantly broadens Dometic's Retail and Aftermarket offering in EMEA, with good potential for further expansion and profitable growth.

The cash purchase price was GBP 50 m on a debt and cash free basis excluding potential earn-out elements. The total cash purchase price amounted to GBP 57.9 m including earn-out elements of GBP 8.5 m. GBP 8.5 m has been accounted for as a non-interest-bearing liability to the Sellers.

If the acquisition had been consolidated as of January 1, 2018 the effect on proforma net sales would have been GBP 40 m (SEK 463 m) and EBITDA of GBP 7 m (SEK 81 m). The business operates with a small fixed asset base which requires limited Capex each year.

The summary of value adjustments recognized as a result of the preliminary purchase price allocation of Kampa totals SEK 512 m, including goodwill of SEK 309 m, trademarks and tradenames of SEK 16 m, customer relationship assets 208 m, other intangible assets of SEK 1 m, operating assets of SEK 222 m, cash of SEK 31 m, other non-current liabilities of SEK 47 and operating liabilities of SEK 229 m.

Goodwill is justified by new potential customer relationships and market position. Acquisition-related costs in the consolidated income statement 2018 amount to SEK 10 m. Sales and cost synergies are expected to be limited. The acquisition has affected 2018 consolidated net sales with SEK 12 m and operating profit of SEK –3,5 including step up inventory of SEK –2,5 m.

The acquisition is included in region EMEA. Goodwill is not tax deductible.

Purchase price allocation adjustments SeaStar Solutions

The purchase price allocation ("PPA") of SeaStar Solutions is considered as final, and the following adjustments has been made before finalizing the PPA.

- Q1 2018 – Goodwill was adjusted with SEK +13 m
- Q2 2018 – A repayment of the purchase price consideration held in escrow of SEK 16 m was received and adjusted against goodwill (reducing goodwill by SEK 16 m).
- Q4 2018 – the sellers were compensated for deductible transaction costs of SEK 27 m, and acquired deferred liability was adjusted by SEK 85 m against goodwill (reducing goodwill by SEK 85 m).

Purchase price allocation SeaStar Solutions	Preliminary	Changes	Final
Trademarks and tradenames	1,376	–	1,376
Oher intangible assets	3,365	–	3,365
Tangible assets	347	–	347
Other non-current assets	1	–	1
Operating assets	937	–	937
Cash and cash equivalents	1	–	1
Provisions and other non-current liabilities	–1,777	85	–1,692
Operating liabilities	–251	–13	–264
Fair value of net assets	**3,999**	**72**	**4,071**
Goodwill	3,361	–61	3,300
Purchase price	**7,361**	**11**	**7,372**
Consideration transferred	**–7,286**	**11**	**–7,275**

Effect on group cash flow

Effect on group cash flow amounts to SEK –492 m, whereof SEK –481 m relates to the acquisition of Kampa and a net payment of SEK 11 m relating to the acquisition of SeaStar Solutions.

2017

Acquisition of SeaStar Solutions

On November 21, 2017, Dometic announced the acquisition of SeaStar Solutions, leading provider of vessel control, fuel and system integration systems to the leisure marine industry. The transaction was closed on December 15, 2017 after all approvals from relevant competition authorities were obtained, and Dometic has consolidated the company as of that date. Goodwill is justified by new potential customers and new future technologies with SeaStar Solution's leading position in vessel control, fuel systems and system integration and strong relationships with manufacturers. Acquisition-related costs amount to SEK 58 m, reported as items affecting comparability in Q4 2017. Sales and cost synergies of USD 20 m per annum will be fully realized within 3 years. The acquisition has affected consolidated net sales from the date of the acquisition by SEK 108 m and operating profit by SEK 5 m, including step-up costs for fair value revaluation of inventory of SEK 9 m. If the acquisition had been consolidated as of January 1, 2017, the effect on pro forma net sales would have been USD 320 m and EBITDA of USD 85 m.

The acquisition is included in region Americas. Goodwill is not tax deductible.

Acquisition of Oceanair Marine Limited

On February 7, 2017, Dometic acquired Oceanair Marine Limited, a UK-based market-leading manufacturer of marine blinds, screens and soft furnishings for the Leisure Marine and Super Yacht segments. The acquisition strengthens Dometic's presence in the marine market and broadens the product portfolio. The company reported revenues of GBP 11.4 m for the 2015/2016 fiscal year. The initial purchase price was GBP 14.0 m in cash, with an additional earn-out consideration of a maximum of GBP 2.5 m subject to the achievement of certain performance-related targets over the next 16 months.

NOTE 29 cont.

The summary of value adjustments recognized as a result of the acquisition of Oceanair amounts in total to SEK 160 m, including goodwill of SEK 80 m, other intangible assets (trademarks and customer relationships) of SEK 100 m, and a deferred tax liability of SEK 20 m. Acquisition-related costs expensed in the consolidated income statement amounts to SEK 2.5 m.

The total purchase price consideration in cash for the transactions (IPV, Oceanair), less cash and cash equivalents, amounts to SEK 197 m, including earn-out paid in the third quarter 2017. The acquisitions did not have any significant impact on operating profit during 2017.

No change was made in the purchase price allocation and this is considered as final.

NOTE 30 | SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Per-Arne Blomquist, CFO and Deputy CEO of Dometic, has decided to leave the company to focus on new and existing board assignments.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

NOTE 31 | DEFINITIONS

RECONCILIATION OF NON-IFRS MEASURES TO IFRS (ALTERNATIVE PERFORMANCE MEASURES)

Dometic presents some financial measures in this annual report, which are not defined by IFRS. The company believes that these measures provide valuable additional information to investors and management for evaluating the company's financial performance, financial position and trends in our operations. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies. These non-IFRS measures should not be considered as substitutes for financial reporting measures prepared in accordance with IFRS. See Dometic's website www. dometic.com for the detailed reconciliation.

Core working capital
Consists of inventories and trade receivables less trade payables.

EBITDA
Operating profit (EBIT) before Depreciation and Amortization.

EBITDA margin
EBITDA divided by net sales.

Gearing ratio
Net debt excluding pensions and accrued interest divided by total Equity.

Net debt/EBTIDA (Leverage ratio)
Net debt excluding pensions and accrued interest in relation to EBITDA before items affecting comparability and including acquisitions proforma. Any cash deposits with tax authorities are treated as cash in leverage calculation.

Net debt
Total borrowings including pensions and accrued interest less cash and cash equivalents.

Operating cash flow
Cashflow from operations after investments in fixed assets excluding income tax paid.

Organic growth
Sales growth excluding acquisitions/divestments and currency translation effects. Quarters calculated at comparable currency, applying latest period average rate.

RoOC – Return on Operating Capital
Operating profit (EBIT) divided by operating capital. Based on the operating profit (EBIT) for the four previous quarters, divided by the average operating capital for the previous four quarters, excluding goodwill and trademarks for the previous quarters.

DEFINITIONS AND KEY RATIOS

AM
Aftermarket.

Capital expenditure
Expenses related to the purchase of tangible and intangible assets.

CPV
Commercial and Passenger Vehicles.

EPS – Earnings per share
Net profit for the period divided by average number of shares.

Equity ratio
Equity as a percentage of total assets.

I.A.C. – Items Affecting Comparability
Items affecting comparability are events or transactions with significant financial effects, which are relevant for understanding the financial performance when comparing profit for the current period with previous periods. Items included are for example restructuring programs, expenses related to major revaluations, gains and losses from acquisitions or disposals of subsidiaries.

Interest-bearing debt
Liabilities to credit institutions plus liabilities to related parties plus provisions for pensions.

Net profit
Profit for the period.

OCI
Other comprehensive income.

OEM
Original Equipment Manufacturers.

Operating capital
Interest-bearing debt plus equity less cash and cash equivalents.

Operating capital excluding goodwill and trademarks
Interest-bearing debt plus equity less cash and cash equivalents, excluding goodwill and trademarks.

Operating profit (EBIT)
Operating profit; earnings before financial items and taxes.

Operating profit (EBIT) margin
Operating profit divided by net sales.

Profit margin
Net profit as a margin of net sales.

RV
Recreational Vehicles.

Working capital
Core working capital plus other current assets less other current liabilities and provisions relating to operations.

PROPOSED DISTRIBUTION OF EARNINGS

The following earnings (SEK thousands) are at the disposal of the annual shareholders' meeting:

Retained earnings	10,237,983
Profit for the year	516,704
Total	**10,754,687**

The Board of Directors proposes that earnings be distributed as follows:

A dividend to the shareholders of SEK 2.15 per share, totaling	636,042
To be carried forward	10,118,645
Total	**10,754,687**

The Board of Directors propose April 11, 2019, as the record day for the right to dividend.

The Board of Directors has proposed that the 2019 annual shareholders' meeting resolves on a dividend to the shareholders of SEK 2.15. On account thereof, the Board of Directors hereby makes the following statement according to chapter 18 section 4 of the Swedish Companies Act.

The Board of Directors finds that there will be full coverage for the restricted equity of the Parent Company, after distribution of the proposed dividend.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Parent Company and the Group will be sufficient with respect to the kind, extent, and risk of the operations. The Board of Directors has hereby considered, among other things, the Parent Company's and the Group's historical development, the budgeted development and the state of the market.

After the proposed dividend, the financial strength of the Parent Company and the Group is assessed to continue to be good in relation to the industry in which the Group is operating. The dividend will not affect the ability of the Parent Company and the Group to comply with its payment obligations.

The Board of Directors finds that the Parent Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the Parent Company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the Parent Company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm March 15, 2019

Fredrik Cappelen
Chairman of the Board

Juan Vargues
President and CEO

Rainer Schmückle
Board member

Jacqueline Hoogerbrugge
Board member

Peter Sjölander
Board member

Magnus Yngen
Board member

Erik Olsson
Board member

Heléne Vibbleus
Board member

Our Auditors' Report was issued on March 15, 2019

PricewaterhouseCoopers AB

Anna Rosendal
Authorized public accountant
Partner in charge

AUDITORS' REPORT

To the general meeting of the shareholders of Dometic Group AB (publ), corporate identity number 556829-4390

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Dometic Group AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 63–127 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 2018 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 2018 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. A corporate governance statement has been prepared and is in agreement with the Annual Accounts Act. The statutory administration report and the corporate governance statement are 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered areas where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The financial statements of the Dometic Group consists of some 60 reporting units operating in 30 countries all over the world. The operations are managed and monitored through three regions – Europe, Middle East and Africa (EMEA), Americas and Asia Pacific (APAC). In terms of net sales by country (attributable on the basis of the customer's location), United States, Germany and Australia are the most significant markets representing more than 70 percent of the Group's total sales in 2018.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting unit level by component auditors. In addition, local statutory audit procedures are performed for all legal entities within the Group subject to such requirements according to local law.

Our audit is carried out continuously during the year. In 2018, with respect to the interim reports for the third quarter and year-end, we reported our observations to Group management and the Audit Committee. At year-end, we also reported our main observations to the entire Board of Directors. For the third quarter 2018, we issued a public review report.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter	How our audit addressed the Key audit matter
Impairment test – goodwill and trademarks Goodwill and trademarks amount to SEK 18,2 billion as of December 31, 2018. These items are not only significant in terms of the amount, but also by nature, since they are influenced by management judgment. This is why we have considered this a key audit matter in our audit, and the risk that we focused on particularly in the audit is that the balances may be overstated. Goodwill and trademarks with indefinite life are tested for impairment on an annual basis. In assessing if there is a need of impairment, cash flow models are used based on management's calculations of future cash flows based on budget and strategic plans. Budgets and estimates are based on assumptions such as volume, price and mix to determine future growth and gross margins. Goodwill and trademarks are allocated to the three regions; EMEA, Americas and APAC which constitute Cash-generating units (CGU), the level on which the impairment test is performed. No impairment charges have been recorded by management against these balances in the current financial year. Refer to the Annual Report Note 4 – Critical accounting estimates and assumptions and Note 14.	In our audit we have performed procedures in order to verify mathematical correctness in the company's impairment test, accuracy of the impairment test model as such and to challenge and assess reasonability of management's key assumptions. Our audit included but was not limited to the following procedures; Assessed the model used by the group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the group's forecasts and strategic planning. A key assumption in the impairment test is the weighted average cost of capital (WACC). We have performed independent calculations to compare with the WACC used by Dometic in their impairment test. We have also performed a sensitivity analysis by applying different WACCs for each CGU.

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 1–62 and 131. 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 Director's 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

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 Director's and the Managing Director of Dometic Group AB (publ) for the year 2018 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 Director's 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 Director's 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' 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Dometic Group AB (publ) by the general meeting of the shareholders on the 10 April 2018 and has been the company's auditor since the 15 June 2001.

Stockholm 15 March 2019
PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant

FINANCIAL CALENDAR 2019

INTERIM REPORT Q1

The Interim Report January 1–March 31, 2019 will be published on **April 26, 2019**.

INTERIM REPORT Q2

The Interim Report April 1–June 30, 2019 will be published on **July 17, 2019**.

INTERIM REPORT Q3

The Interim Report July 1–September 30, 2019 will be published on **October 25, 2019**.

ANNUAL SHAREHOLDERS' MEETING 2019

The 2019 annual shareholders' meeting of Dometic Group AB (publ) will be held on Tuesday **April 9, 2019** at 1 pm at Hotel At Six, Brunkebergstorg 6, SE-111 51 Stockholm, Sweden.

DOMETIC'S CAPITAL MARKETS DAY 2019

Dometic's Capital Markets Day will take place **May 28, 2019** at Moderna Museet in Stockholm, Sweden.

FOR FURTHER INFORMATION

Johan Lundin
Head of Investor Relations and Communications
Tel: +46 (0)8 501 025 46
johan.lundin@dometic.com

FSC www.fsc.org MIX Paper from responsible sources FSC® C021184

NORDIC ECOLABEL 3041 0250

This Annual Report is an English translation of the Swedish original.
In the event of any discrepancies, the Swedish version shall govern.

Production: Hallvarsson & Halvarsson in cooperation with Dometic.
Photos: Marcel Pabst. Printing: Göteborgstryckeriet in March 2019.

DOMETIC

Mobile living made easy is at the core of our offering.
Dometic is committed to delivering smart reliable products
with outstanding design. Through this we will maintain and
build product leadership within our main product categories
Food & Beverage, Climate, Power & Control,
Safety & Security and Hygiene & Sanitation.

DOMETIC GROUP AB (PUBL)
Hemvärnsgatan 15
SE-171 54 Solna, Sweden

CONTACT
Phone: +46 8 501 025 00
www.dometic.com

FOLLOW US