ANNUAL REPORT 2019

MOBILE LIVING MADE EASY.

DOMETIC

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DOMETIC TODAY

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 first or second-place position. The aim is to be the leader in branded solutions for Mobile Living within all business areas. The company is organized into three regions: Americas, EMEA and APAC. Dometic's shares have been traded on the Nasdaq Stockholm Large Cap list since 2015. Headquarters are located in Stockholm, Sweden.

FOUR MAJOR CORE APPLICATION AREAS

FOOD & BEVERAGE

Products and solutions for leisure and professional mobile food and beverage applications, such as refrigerators, minibars, cooling boxes, mobile delivery solutions and cooking products.

CLIMATE

Products and solutions for leisure and professional mobile climate and temperature control applications, such as air conditioners, tents, parking coolers, windows, doors, workshop equipment and heating solutions.

POWER & CONTROL

Products and solutions for leisure and professional mobile power and control applications, such as steering systems, batteries, energy solutions, displays and monitors.

OTHER APPLICATIONS

Products and solutions for leisure and professional mobile applications, such as alarms, sanitation solutions and complementary products.

REVENUE
18,503
SEKm

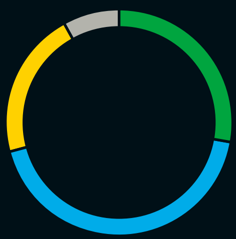
NO. OF EMPLOYEES
7,200
WORLDWIDE

PRODUCTS SOLD IN
100
COUNTRIES

SALES OFFICES IN
30
COUNTRIES

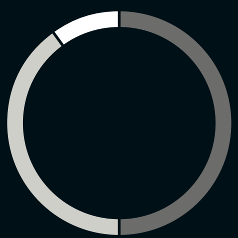
A WELL DIVERSIFIED BUSINESS

NET SALES BY APPLICATION AREAS



- Food & Beverage, 28% (31)
- Climate, 43% (41)
- Power & Control, 21% (20)
- Other applications, 8% (8)

NET SALES BY REGION



- Americas, 50% (53)
- EMEA, 40% (37)
- APAC, 10% (10)

NET SALES BY CHANNEL

- Original Equipment Manufacturer, OEM, 57% (61)
- Aftermarket, AM, 43% (39)

MOBILE LIVING MADE EASY

Millions of people around the world use Dometic's products. They all have one thing in common: they are going somewhere – whether they are RV users, boat owners, truck drivers, hotel guests, or whether they are simply lovers of the great outdoors or on the move as part of their profession.

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.

2019 IN BRIEF

In 2019, Dometic went from strategy to execution to build a company well equipped to navigate short-term changes in demand and to build a more focused and stronger company in the longer term. Despite a challenging global trading environment during the year, strong underlying performance resulted in full-year net sales growth of 1 percent, continued high operating profit and a strong cash flow generation.

FINANCIAL HIGHLIGHTS 2019

- Net sales increased 1 percent during the year to SEK 18,503 m (18,274).
- EBITDA of SEK 3,155 m (3,113).
- Operating profit (EBIT) of SEK 2,435 m (2,679).[1)]
- Operating cash flow of SEK 3,721 m (2,616).
- Profit for the year of SEK 1,325 m (1,576).
- Earnings per share of SEK 4.48 (5.33).

BUSINESS HIGHLIGHTS 2019

- New financial targets presented at the capital markets day in May, 2019.
- A global restructuring program was launched to optimize footprint and reduce costs to increase competitiveness.
- Investments in R&D increased by 13 percent.
- Innovation index[2)] improved by 4 percentage points to 16 (12) percent.
- Reduction of SKUs by 32 percent to drive complexity reduction.

2019 KEY FIGURES

TOTAL NET SALES, SEK M
18,503
(18,274)

TOTAL GROWTH
1%
(30%)

ORGANIC GROWTH
–7%
(5%)

EBITDA MARGIN, %
17.1%
(17.0%)

EBITDA, SEKM
3,155
(3,113)

OPERATING PROFIT (EBIT), SEKM[1)]
2,435
(2,679)

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

1) Operating profit (EBIT) before items affecting comparability.

2) Share of net sales coming from products launched during the last 3 years.

QUARTER 1

- Total net sales of SEK 4,650 m (4,442), corresponding to a total growth of 5 percent.
- EBITDA of SEK 818 m (761).
- Operating profit (EBIT) of SEK 618 m (638) [1].
- Operating cash flow of SEK 84 m (–27).
- Profit for the quarter of SEK 344 m (375).
- Earnings per share of SEK 1.16 (1.27).

QUARTER 2

- Total net sales of SEK 5,329 m (5,260), corresponding to a total growth of 1 percent.
- EBITDA of SEK 1,100 m (1,048).
- Operating profit (EBIT) of SEK 900 m (919) [1].
- Operating cash flow of SEK 1,417 m (943).
- Profit for the quarter of SEK 562 m (629).
- Earnings per share of SEK 1.90 (2.13).

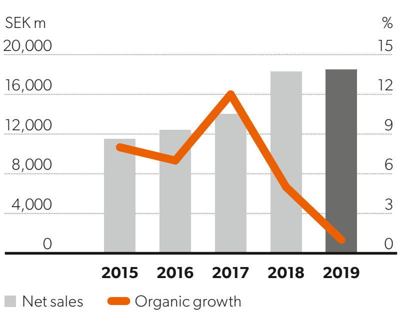
QUARTER 3

- Total net sales of SEK 4,605 m (4,501), corresponding to a total growth of 2 percent.
- EBITDA of SEK 792 m (835).
- Operating profit (EBIT) of SEK 619 m (702) [1].
- Operating cash flow of SEK 1,301 m (843).
- Profit for the quarter of SEK 372 m (435).
- Earnings per share of SEK 1.26 (1.47).

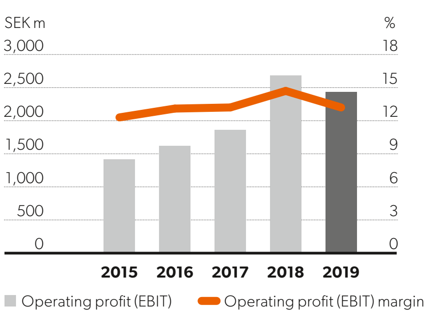
QUARTER 4

- Total net sales of SEK 3,919 m (4,070), corresponding to a total growth of –4 percent.
- EBITDA of SEK 445 m (469).
- Operating profit (EBIT) of SEK 298 m (420) [1].
- Operating cash flow of SEK 918 m (859).
- Profit for the quarter of SEK 47 m (136).
- Earnings per share of SEK 0.16 (0.46).

Net sales and organic growth

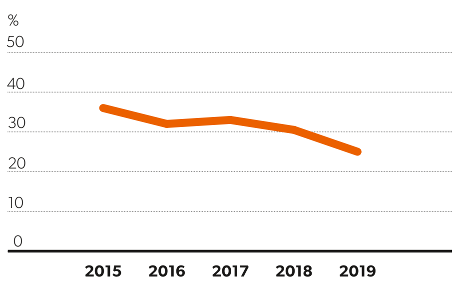


EBIT and EBIT margin[1]



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

Return on operating capital[2]



[2] Excluding goodwill and trademarks.

BUILDING A STRONGER DOMETIC

2019 was an important year for Dometic. It was a year where we clearly embarked on the journey to transform as a company, started to execute on many strategic initiatives across the entire organization and raised our ambitions with new financial targets. Despite challenging trading environment in parts of our business we have demonstrated a strong ability to react immediately to the challenging market conditions by taking action and leading to continued high profitability and the best operating cash flow in the history of Dometic.

In 2019, Dometic generated total net sales growth of 1 percent and continued high profitability. The strong effort was an effect of intensive efforts over the past 18 months to turn Dometic into a more decentralized and efficient company by streamlining operational structures, implementing common processes, building new organizations for strategic growth initiatives and moving decision-making closer to customers.

WE ARE BUILDING A STRONGER DOMETIC

2019 was characterized by execution on strategic initiatives to build a stronger and more competitive Dometic long-term whilst taking action in response to short-term market challenges. The common ground for all activities is found in the global strategy launched in late 2018. By defining the way forward through well-defined toolboxes within the areas of profitable expansion, product leadership and cost reductions, we are leveraging our full strengths as a global company and industrializing Dometic whilst maintaining our successful entrepreneurial approach.

Profitable expansion: The challenging US RV market in 2019 proved the importance of building a well-diversified company and lessening dependence on one vertical end market. Reaching our financial target of 10 percent annual long-term growth will require strong focus on expanding the market scope by establishing dedicated organizations in new and existing growth areas to drive organic growth, whilst also executing on M&A opportunities. In 2019, we took a key decision to redefine our addressable market by moving from the business areas of RV, Marine, CPV, Retail and Lodging to the application areas of Food & Beverage, Climate, Power & Control and Other Applications. By broadening the Mobile Living scope Dometic's addressable market increased from SEK 60 bn to SEK 200 bn. Making such a fundamental change and having a clear target of becoming a more end-user-oriented company requires focus, new competences and true dedication. During the year, we have made several important organizational changes to elevate a number of small businesses to key strategic growth areas with clear ownership. I am pleased to see that we now have business owners within the new areas of Outdoor, Residential and Mobile Deliveries. Meanwhile, we have strengthened the aftermarket organization in all three regions in existing businesses to leverage the large installed base through increased presence, channel management and a broader offering. We have also strengthened the M&A organization with additional resources in the regions to secure a strong acquisition pipeline in the coming years.

In February 2020, a new organizational structure effective as from April 1, 2020 was decided in order to drive additional focus and performance. The aim is to continue to develop and strengthen our position in existing and well-positioned end markets, whilst at the same time establishing a more focused environment allowing the new growth areas to get necessary management attention and fully dedicated resources to thrive into sizable businesses. The new organizational structure is a natural step in line with our strategy to broaden Dometic's addressable market and increase commercial specialization by establishing four Sectors, compared to three regions today: Americas Sector, EMEA Sector, APAC Sector and Global Sector. This is an important step to make Dometic even more relevant to our end customers and channel partners, capture the many growth opportunities and take the company to the next level.

Product leadership: Innovation and product leadership are, and will always be, the fundamental drivers for organic growth and long-term competitiveness. In 2019, we took many important steps towards creating a faster, more agile and efficient product development organization to take us to our target of 25 percent of sales coming from products launched during the last 36 months. We have started to consolidate smaller local development hubs to new centers of excellence within the areas of refrigeration, air-conditioning and mobile cooling. In the coming years, this means that we are bringing our global competence under one common roof to support the whole organization in the development of these core global products whilst at the same time being able to attract and retain important talent necessary to drive innovation at a high pace. In the same spirit we have also consolidated the development of three global technologies namely electronics, connectivity and cooling in common centers of excellence. We have started to include end-users early in the product development process in a more structured way to ensure that we focus on the innovation that makes a difference and truly adds value to our customers. Dometic's ambassadors are our ear to the ground and will play a key part in our product development going forward. The focus on implementing generation planning, common platforms and modularity in the development process has been progressing very well, and during 2020 we will launch a number of key products developed on global and modular platforms. This will significantly increase the level of innovation whilst reducing cost and complexity in the coming years.

Continuous cost reductions: We must relentlessly strive to reduce costs in all areas of our business by reducing complexity, increasing the level of outsourcing and optimizing our manufacturing footprint, coordinating sourcing, driving lean excellence and increasing the level of automation and digitalization. During a year of weak RV development and the further increase of US trade tariffs, actions to protect profitability in the short term were executed whilst at the same time implementing activities to build a more efficient organization in the longer term. In February we opened our first site in Mexico and in August the site was greatly expanded to support moving part of the Chinese manufacturing closer to the US market. In October, we presented our first global restructuring program. The program is expected to cost SEK 750 m and generate annual savings of SEK 400 m when fully implemented in mid-2022. Over 20 locations in all regions are affected and this is a major step in creating a more efficient company. During 2019, we have also strengthened the sourcing organization both centrally and in the regions to ensure that we manage activities within the areas of outsourcing, site consolidation and product development in a coordinated way. Meanwhile, we have been able to reduce our SKUs by 32 percent and reduce inventory days by 22 days during the year. Our focus on continuous cost reductions will be essential in the coming years to support our initiatives within profitable expansion and product leadership, and to allow us to reach our financial target of an EBIT margin of 16–17 percent.

Building together: A strategy will remain only a strategy if we do not have employees driving execution. I am proud of our employees and the dedication I have seen in driving transformative actions in a challenging environment. In 2019, we have increased our focus on performance management and introduced an online introduction to the core values as part of the onboarding process for new employees. We launched the first global engagement survey in 2019, showing how well our core values and strategy are understood and lived by, as well as providing insights within the areas of Health & Safety, Leadership and Employee Engagement. In order to allow for more internal development opportunities, we have accelerated the creation of an internal job market and publish all open positions on the Dometic intranet. This is an important step to offer internal career opportunities at the same time as we keep valuable competence within the company. In 2019 a major Employer Branding project was run resulting in a clear global Employer Branding Proposition in order to retain and attract talented employees. It is my conviction that building a strong performance culture is based on achieving small improvements every day, and we need to make sure that all Dometic employees share the same ambition to take Dometic to the next level.

Our strategy is the foundation to which all decisions should be linked for the coming years and we will continue to challenge all of our operations based on this strategy. New organizational structures 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 strategic direction. The ambition to be number one or two in the markets in which we operate enables economies of scale in both manufacturing operations and product development and provide us with closer links to our customers.

SUSTAINABILITY IS AN OPPORTUNITY

Dometic has an ambitious Sustainability agenda. Sustainability is a business opportunity and involves being more responsible and efficient in our daily work. We will help our customers and partners to improve their processes in areas such as energy efficiency, safety and reduced environmental impact.

Sustainability will be increasingly important, and we remain committed to the ten principles of the UN Global Compact and believe that a well-defined sustainability agenda is also crucial to our ability to increase end-user value and become an even more attractive employer.

In 2019, Dometic presented new sustainability targets to be reached by the end of 2021 within our four sustainability focus areas Products, Environment, Ethics and People. The performance and development towards these targets are as of 2019 integrated into our monthly reporting with clear ownership in the management team. To support the regional organizations and secure a common approach, a new Compliance and Sustainability Officer joined during the year to coordinate the initiatives.

Sustainability is an important aspect when people evaluate an employer. Our efforts to reduce our environmental footprint, improve health and safety, will be key in attracting and retaining talent. Equally important is the promise to promote diversity and fair and respectful working conditions, a shared sense of ethics and development opportunities.

BUSINESS PERFORMANCE 2019

Despite an uncertain overall trading environment in 2019, with challenging markets in Americas and APAC, Dometic generated total net sales growth of 1 percent and continued high profitability. The growth was particularly good in EMEA and good within our Marine business but was negative in Americas and Asia Pacific due to challenging RV markets. There are significant growth opportunities in our industries, which is why, during the year, we raised our financial target to grow over a business cycle by 10 percent, and the global trend of increased interest in Mobile Living will drive demand in the coming years. The acquisition of Kampa in December 2018 has been an important first step to build a broader global branded offering to the leisure outdoor market, making Dometic increasingly relevant in the minds of end-users and resellers. Our operating profit for 2019 was SEK 2,435 m[1)], and the operating margin was 13.2 percent. We saw strong profitability improvement in EMEA and maintained high profitability in Asia Pacific, largely driven by pricing and efficiency improvements. Profitability in Americas was negatively affected by the decline in RV OEM and additional US trade tariffs. Operating cash flow reached a record SEK 3,721 m, supported by increased focus on operational efficiency.

DOMETIC STANDS STRONG

We have embarked on a new, long and exciting journey and I am confident that we are moving in the right direction. With our strategy guiding us, we are well on track in building processes and structures for continuous improvements throughout our operations to reach our financial targets. We will continue to develop a strong market presence, improve our financial results and, and continue to be an attractive company for both employees and investors.

Finally, we would like to thank 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 2020

Juan Vargues
President and CEO

1) Operating profit (EBIT) before items affecting comparability.

STRONG POSITION IN A GROWING MARKET

Demand for leisure and professional Mobile Living solutions, as well as for sustainable products, continues to grow. The combination of global growth trends, such as increased leisure spending, innovation and mobile deliveries, and improved value proposition have resulted in stable and growing demand for Dometic's solutions and create a good foundation for continued profitable growth. Dometic has a unique global market reach with presence in over 100 countries and will continue to build a strong position in Mobile Living across the globe.

STRONG GLOBAL TRENDS

Dometic operates in a global market that is being transformed by a number of important trends. As a global organization with strong local presence, Dometic has opportunities to leverage the continued growth of middle-class wealth and trends in related professional application areas. Along with digitalization and sustainability, this drives the pace of innovation and industry consolidation. Dometic has identified six global trends that create opportunities for profitable growth in existing and new business areas.

Around the world, people are spending more time and money on outdoor activities than ever before. An active outdoor lifestyle is becoming increasingly popular as urbanization continues. The broad range of leisure enthusiast, from true outlanders going off-grid for a longer period of time, sport enthusiasts staying out over a weekend or families adding an increasing number of products to their garden or patio, are all creating many opportunities. By leveraging its technology know-how within the areas of Food & Beverage, Climate, Power & Control and Other applications, Dometic aims to address the essential needs of the leisure lifestyle.

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. Changed consumer behavior and technology development also open the door to new fast-growing opportunities such as mobile deliveries and last-mile food delivery.

Dometic competes in an environment generally characterized by a high degree of local fragmentation and limited level of industrialization, Dometic has an opportunity to drive industry consolidation. 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. This provides strong rationale for value-adding acquisitions to build true global leadership with strong local presence. 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. Building an even more consumerfocused business model is a key competitive advantage in today's market where consumers are very well informed about their options.

Dometic has a clear ambition to further elevate industry standards on innovation, global product platforms, automation, digitalization and customer relevance. By using its global organization to develop innovative solutions and increase local presence, Dometic aims at continuing to leverage its leading position in the Mobile Living market and benefit from strong trends driving growth.

INCREASED LEISURE SPENDING

Increased wealth and more free time, increased leisure spending, outdoor activities

MARKET CONSOLIDATION

Fragmented industries, size matters, speed is key, brand awareness

THE WORLD IS BECOMING MORE MOBILE

Mobile workplaces, mobile deliveries, new transport trends

SUSTAINABILITY IS AN OPPORTUNITY

Environmental regulations, customer requirements, change in travel trends

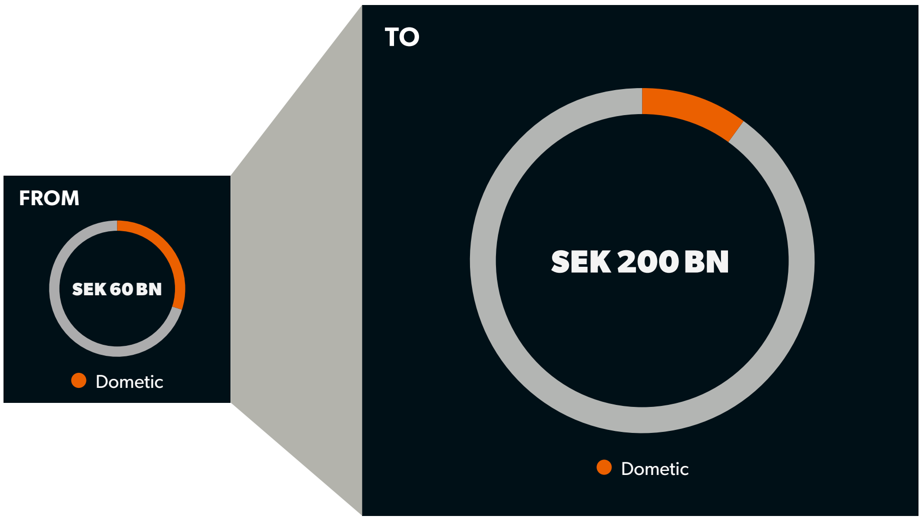
INNOVATION INCREASINGLY IMPORTANT

Design and quality, customer experience, connectivity

DIGITALIZATION AND E-COMMERCE REVOLUTION

Digital marketing, seamless flow, e-commerce

DOMETIC'S ADDRESSABLE MARKET



LEISURE MARKET – END CUSTOMER IN FOCUS

Leisure sales account for about 85 percent of total sales. Today, demand for products related to Mobile Living is growing across all age groups due to increased interest in outdoor living and increased wealth. New technologies and improved products are also playing an increasingly important role, with growing demand for connected solutions, quality, functionality and design. Dometic is leading the development of smart solutions within the areas of Food & Beverage, Climate and Power & Control, where demand is strong for products that make the outdoor experience more convenient while also being attractively designed with high quality. Dometic leverages its global presence to build strong brand awareness among end customers. Depending on the geographic market, Dometic cooperates with manufacturers of boats, RVs and cars as well as specialist sales channels such as retail stores and resellers.

PROFESSIONAL MARKETS – SERVICE OFFERING AND STRONG PARTNERSHIPS

Professional sales account for about 15 percent of total sales. Commercial trucks, buses, agricultural vehicles, commercial boats, hotels and food delivery companies are all environments where Dometic's solutions in Food & Beverage, Climate and Power & Control can be found. These projects are often large and complex, with a high level of specification and durability requirements. Dometic's strong technology know-how, global presence and long-term partnerships are key when working together with our highly knowledgeable customers. Dometic's focused and segmented sales force develops products for complex customer needs.

AFTERMARKET – A SIGNIFICANT CONTRIBUTOR TO SALES

Dometic's large installed base in both professional and leisure markets drives organic growth. The aftermarket accounts for 43 percent of total sales and is therefore a significant contributor to sales in the leisure, professional and commercial markets. Preventive service contracts, corrective service, upgrade kits, spare parts, modernization kits and replacements of existing products provide stable demand, enabling Dometic to capitalize on the world's largest installed base and its aftermarket network of around 40,000 resellers and repair shops. Additional service concepts based on longer-term contracts, including preventive maintenance and modernization kits, strengthen customer relationships and provide further opportunities for the group going forward. The growing demand for increased technology content as well as more focus on professional markets drive aftermarket growth. These products have shorter life spans, require more service and are more frequently replaced and upgraded than mechanical solutions. While contributing to stronger customer relationships, connected products, service offerings and upgrade kits will also contribute to an increase in recurring revenues.

BROADENING THE MARKET FOR OUR APPLICATION AREAS

LEISURE SOLUTIONS
- RV
- MARINE
- OUTDOOR
- RESIDENTIAL
- OTHER

PROFESSIONAL SOLUTIONS
- CPV
- MARINE
- HOSPITALITY
- MOBILE DELIVERIES
- OTHER

MAKE MOBILE LIVING EASY

MISSION

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

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

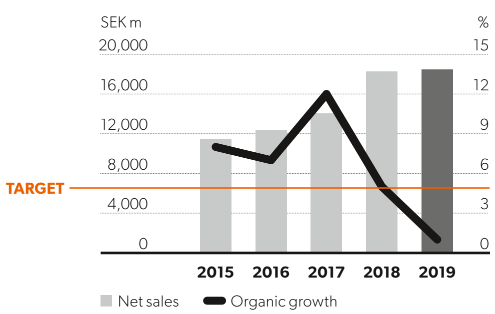
- Build a strong, global industrial group
- Further strengthen the position as the undoubted market leader and global shaper of the Mobile Living industry
- Reduce volatility exposure to secure a more stable journey toward the financial targets
- Create opportunities for personal development through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

FINANCIAL TARGETS

Growth

10%

Financial targets over a business cycle
Including organic growth and M&A

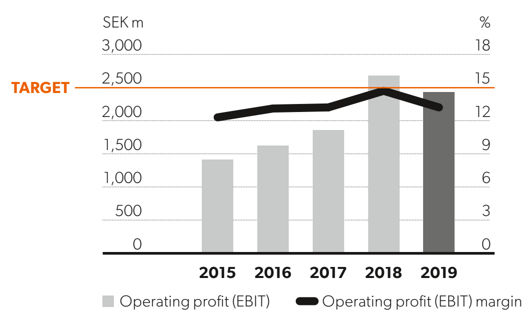


Full-year 2019 net sales growth of 1 percent driven by continued good development in EMEA and the acquisition of Kampa.

Profitability

16–17%

Financial targets over a business cycle
EBIT margin* of 16–17%



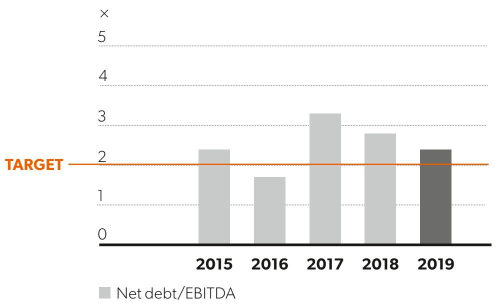
Operating profit (EBIT) margin of 13.2 (14.7) percent. Profitability improvements in EMEA but negative impact from US trade tariffs and lower volumes in the US.

* Operating profit (EBIT) before items affecting comparability

Leverage

2x

Financial targets over a business cycle
Net debt/EBITDA* around 2x



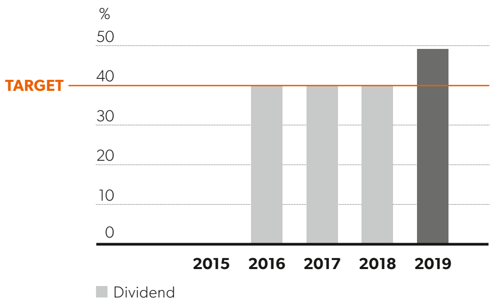
Leverage of 2.4 by the end of 2019, compared to 2.8x at the end of 2018. Continued strong cash generation.

* Excluding larger acquisitions and effects from FX.

Dividend

40%

Financial targets over a business cycle
At least 40% of net profit



Proposed dividend of SEK 2.20 (2.15) per share for 2019, corresponding to a payout ratio of 49.1 percent of net profit.

AN EXCITING JOURNEY AHEAD

FROM	TO
STRONG MARKET POSITIONS	EXPANDING THE MOBILE LIVING SCOPE
GROWTH AND REACHING CRITICAL MASS	ACCELERATING PROFITABLE GROWTH
PUSH STRATEGY AND OEM CHANNEL	PULL STRATEGY AND END-USER FOCUS
SPECIALIZED NICHE BRAND	GLOBAL BRAND RECOGNITION
STRONG TECHNOLOGY KNOW-HOW	BECOME A TRUE INNOVATION LEADER
PRESENCE IN NEW NICHE MARKETS	LEADING IN NEW NICHE MARKETS
INITIATED INDUSTRIALIZATION	COMPLETED INDUSTRIALIZATION
PERCEIVED CYCLICALITY	REDUCED EXPOSURE TO CYCLICALITY AND SEASONALITY
PERCEIVED SUB-SUPPLIER TO THE RV INDUSTRY	INDUSTRIAL COMPANY – LEISURE & PROFESSIONAL SOLUTIONS

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 Aftermarket
- Expand Outdoor 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

STRATEGIC TOOLBOX FOR PROFITABLE EXPANSION IN MOBILE LIVING

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

Dometic has a unique position in the growing Mobile Living market. This provides an excellent opportunity to expand the market scope, and to continue to develop 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 goal.

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 creating the true global player Dometic is today. Carefully selected acquisitions will continue to enable synergies and scalability, while integration processes and value creation will be further systematized.

INCREASE PRESENCE IN AFTERMARKET

Dometic has a unique portfolio of products for recreational vehicles and leisure boats and a strong distribution network with thousands of distributors and dealers 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 OUTDOOR BUSINESSES

Today, Dometic offers a rapidly growing range of outdoor products that do not require professional installation, such as mobile cooling boxes, and products for car and truck owners. With the mobile coolers and tents as the anchor products, Dometic is actively pursuing various opportunities to further expand the outdoor 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 hospitality, air-con service stations, cooling and heating equipment for mobile deliveries 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.

In 2019, Dometic introduced the Dometic Frigo – a cooling solution for last-mile deliveries of food from larger distribution centers to city center grocery stores.

EXPAND MOBILE LIVING SCOPE THROUGH ACQUISITIONS

Dometic is primarily looking for acquisitions to strengthen the areas of products, geographical presence and channels. In existing businesses, complementary acquisitions play an important role to strengthen the offering or further increase local presence. In new growth areas, larger platform acquisitions will occasionally be crucial to truly become relevant to the market and get a critical mass from which to expand.

Dometic's industries are still fragmented and leading the consolidation will be key to truly benefiting from the global trends driving growth. The pipeline of potential targets has been growing powerfully and this year Dometic has shifted greater responsibility to the regions to identify, evaluate and enter into dialogue with interesting local targets.

The integration of Kampa, acquired in December 2018, has progressed well. Kampa is an outdoor brand with a focus on innovative inflatable products and accessories for the outdoor living industry with a leading position in the UK. The leisure outdoor industry is growing and Kampa expands Dometic's offering to this attractive market. A complete rebranding of Kampa has been finalized and the products are becoming available in more and more countries.

INCREASE PRESENCE IN AFTERMARKET

With a vast installed base of boats, commercial and passenger vehicles and RVs, Dometic is in a strong position to increase its aftermarket presence. In 2019, Dometic has made several organizational changes to create even more aftermarket ownership and increase understanding of channel partners' needs. By creating truly dedicated teams specializing in understanding the needs of the customer, and the customer's customer, Dometic can increase its offering to the aftermarket channel and truly create an improved experience for the millions of boat and RV owners all over the world.

Dometic has also started to address the aftermarket from a product perspective, starting right from the development phase. By becoming an even more relevant and professional partner to distributors, dealers and resellers, Dometic will facilitate ordering and inventory management , thereby reducing costs for customers.

EXPAND OUTDOOR BUSINESSES

The ambition to expand the Outdoor business requires Dometic to increase efforts in building brand awareness to get closer to end-users, broaden the product offering and build a strong e-commerce presence. To achieve this ambition, marketing and communications efforts have been increased, with very good results. In 2019, Dometic has accelerated partnerships with company ambassadors to become established as a true lifestyle brand. Social media activity has increased dramatically in the past years, with followers on Facebook and Instagram growing by 21 percent and 93 percent respectively in 2019, and Dometic has the most active base of followers in its industries. Dometic also won a Red Dot Brand and Communication award for high design quality and creative accomplishment.

Continued investments in e-commerce solutions have proven successful, with an increasing share of outdoor sales generated through e-commerce channels. In the Americas, dometishop.com now represents the largest channel for active cooling box products.

During the year, Dometic appointed two new positions to lead the expansion in the areas of Residential and Outdoor. Creating truly dedicated organizations around new growth areas provides the foundation for successful expansion in a rapidly growing environment where a deep understanding of technology development, consumer behavior and channel management is key.

EXPAND PROFESSIONAL EQUIPMENT AND SERVICES GLOBALLY

Expansion into professional end-customer segments, which currently account for approximately 15 percent of sales, is a high priority. The goal here is to further expand in trucks, personal vehicles and hotels, while also entering areas such as commercial marine and mobile deliveries and service solutions. During the year, Dometic appointed a new position to lead the expansion in the area of Mobile Deliveries.

In 2019, Dometic introduced the Dometic Frigo – a cooling solution for last-mile deliveries of food from larger distribution centers to city center grocery stores. Demand for smart, energy-efficient and small cooling solutions is growing as cities or countries restrict the use of large trucks in the city. By growing into more professional segments by leveraging core technology know-how, cyclicality and seasonality exposure will be further reduced and opportunities for growth will expand greatly.

In Americas, interest in automotive cooling compartments is growing among manufacturers and the newly established local organization was further strengthened during the year.

By growing into more professional segments by leveraging core technology know-how, cyclicality and seasonality exposure will be further reduced and opportunities for growth will expand greatly.

PRODUCT LEADERSHIP THROUGH INNOVATION

STRATEGIC TOOLBOX 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

Innovation is the most important driver for continued organic growth and long-term competitiveness. Therefore, product innovation and product development are crucial to Dometic's strategy. The company can only strengthen 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 must listen carefully to customers as well as end users and understand their needs – even unarticulated ones – for products, complete solutions, delivery, support and service. 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 plays a pivotal role in ensuring that Dometic has the right pipeline. This role includes responsibility for market intelligence, idea generation, product roadmaps, sales support development and lifecycle management including product phase-in and out. 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, GENERATION PLANNING AND MODULARITY

Dometic's strategy is to increase the level of innovation while keeping and strengthening our competitiveness. We strive to have a balance between a global and regional approach regarding products in order to increase our efficiency, flexibility and time to market while reducing product complexity. We have defined three global product areas and three global technologies, and we are gradually moving in that direction: 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 develop products that are based on generation planning, 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 global 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 offering. The aftermarket offering includes consumables, service parts and upgrade kits.

The Dometic MoBar is the ultimate mobile beverage center for your outdoor living space. Professionally graded with a timeless state-of-the-art patented design, it doesn't compromise style for functionality or convenience.

SMART AND RELIABLE PRODUCTS WITH OUTSTANDING DESIGN

The continuous push toward smart and reliable products intensified in 2019.

It all starts with strategic insights into the markets to improve our understanding of the true needs of Dometic's customers. During the year, an increased number of activities have been conducted with end users to develop our understanding of their requirements and expectations. Involving ambassadors and end customers is also crucial for product designers to make the right choices among all parameters such as weight, size, aesthetic design and performance. During the year, Dometic put even greater emphasis on ambassador development round tables and end-user surveys.

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

With the creation of the Dometic patent department in 2015, Dometic's IP strategy has been to work actively to protect the distinctive and innovative product designs, so that IP protection supports investment in brand design. As a result, design registrations have increased by a factor of 7 over the last four years. The work is closely aligned with the global design department and reflects their focus on upcoming core projects.

In 2019 alone, Dometic obtained around 100 new patent and design registrations around the world, including protection for the new CFX3 range of cooling boxes and the PLB40 portal battery designs.

The IP portfolio benefits greatly from a more modular and global approach in the development process. By coordinating important design elements and design solutions, Dometic will simplify and speed up product development processes, grow the IP portfolio and increase brand recognition while maintaining local specification with improved cost control.

GLOBAL PRODUCTS, GENERATION PLANNING AND MODULARITY

The drive toward greater organizational focus and building a global organization with new development competence centers continues.

Dometic has identified three global product areas – refrigeration, air conditioning and mobile cooling – and three global technologies – electronics, connectivity and cooling technology – to be developed for the group.

The aim is to have common processes down to the production technology and tooling levels. The roadmap for establishing global centers of excellence with full responsibility for the group has been established to create a scalable innovation process across the business areas. During 2019, product managers for each of the global product and technology areas have been appointed to lead this work going forward.

During 2019, the Dometic Product Development Process (DPDP) has taken major steps toward shifting the focus from smaller local development programs to global transformational development initiatives. During 2019, Dometic reduced the number of development projects by 42 percent compared to year-end 2018, allowing the product development organization to focus on bigger development programs with significantly higher value for the company. This trend will continue into 2020, making sure that Dometic spends time and resources on innovations that truly make a difference in the market.

Supported by common processes, a new VA/VE (Value Analysis / Value Engineering) function was established in 2019. More than 100 people have already participated in training programs and regional responsibility has been appointed to lead the processes going forward. The VA/VE processes will support Dometic's long-term competitiveness and are key for quickly moving toward increased modularity. The VA/VE function also connects the market input with the product management, sourcing and engineering organizations to make sure Dometic uses the most cost-efficient design to provide customers with maximum value.

Dometic has expanded the global team with responsibility for electronics and connectivity. A well-defined global connectivity roadmap has been established and benefits are already measurable in terms of performance, speed to market and cost control.

During the year, the first product on the connectivity platform was launched: the new CFX3 cooling box family incorporates new functionality such as integrated apps and WIFI/BT connectivity. Dometic also introduced the first control product developed initially for the US market, effectively handling the need for wired communication in vehicles, while offering wireless communication in the aftermarket.

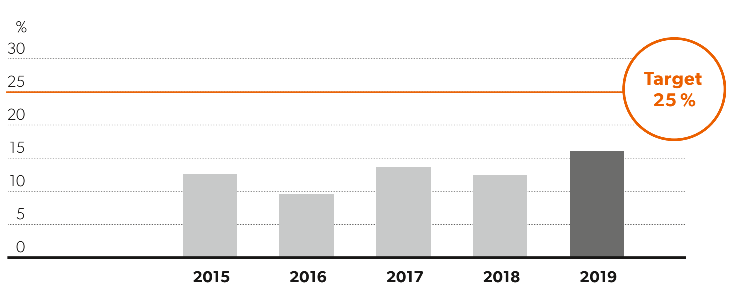
The strong focus on increasing speed in all areas of the product development process has generated good results in 2019 with a high number of products being launched during the year, shorter time to market and increased innovation index. Dometic's innovation index improved to 16 percent at the end of the year, compared to 12 percent by the end of 2018. The ambition is to have an innovation index of 25 percent, and Dometic is well on its way to reaching this target in the coming years.

DESIGN FOR CONSUMABLES; SERVICE PARTS AND UPGRADE KITS

Greater involvement in the product lifecycle and customer behavior is important to increasing customer relevance. Offering accessories, spare parts and upgrade kits not only creates new business opportunities but also enhances the end-user experience. The new CFX3 family of cooling boxes is built to include a number of accessories, such as sun protection, accessory ice-maker, slide-outs, hard-wire kits and of course, the award winning PLB40 Li-ion battery.

During the year, the 10-series refrigerator was complemented with a new version, allowing end users to easily upgrade the refrigerator with a double-hinge door from a traditional single hinge door.

Innovation index 1)



Investments in R&D as % of net sales

2.1%

SEK 395 m

1) Share of net sales coming from products launched during the last 3 years.

CONTINUOUS COST REDUCTIONS

STRATEGIC TOOLBOX FOR CONTINUOUS COST REDUCTIONS

- COMPLEXITY REDUCTION
- SOURCING EXCELLENCE
- LOGISTICS AND WAREHOUSING EXCELLENCE
- MANUFACTURING FOOTPRINT OPTIMIZATION
- LEAN EXCELLENCE
- DIGITALIZATION
- AUTOMATION WHEREVER POSSIBLE

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

COMPLEXITY REDUCTION IN EVERYTHING DOMETIC DOES

Dometic's 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 development sites, unique articles, number of suppliers, testing protocols, number of brands, number of sites, number of legal entities, IT infrastructure, administrative procedures, etc.

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 fewer resources, focusing on continuously increasing customer value and eliminating inefficiencies. At Dometic, this includes everything from product development, manufacturing and logistics to sales, administration and IT.

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. To achieve these goals, Dometic will focus on reduced vertical integration by outsourcing non-core activities, reducing the number of manufacturing sites, reducing manufacturing in high-cost countries, seizing the benefits of low-cost countries, and increasing automation and assembly near our main markets.

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

SEAMLESS FLOW

Dometic strives to automate processes wherever possible. Dometic will lead and transform the industry with a high degree of automation and a seamless flow in all areas – product development, sales, manufacturing, administration and logistics, including global IT platforms and standardized IT systems.

COMPLEXITY REDUCTION IN EVERYTHING DOMETIC DOES

Complexity reduction is the starting point for driving industrialization. Dometic has implemented a structured process that addresses the core areas, with clear ownership and cross functional collaboration to optimize operations. The first step focuses on reducing complexity in our SKUs, reducing the supplier base and driving regional and global category management. The second step involves outsourcing of non-core activities and consolidation of sites. The third and final step is to optimize the structure through common process for sourcing, supply chain, lean and automation.

The reduction of finished goods SKUs was initiated in mid-2018 and has been a priority during the year. By the end of the year, 32 percent of SKUs were reduced and the company is well on track to reach its target of a 40 percent reduction by the end of 2021.

Sourcing will be increasingly important as Dometic is gradually shifting to globally coordinated processes around product development and manufacturing. Non-core products and components will be outsourced to external suppliers in low-cost countries while also moving from component sourcing to sub-assembly sourcing, resulting in greater economies of scale and increased flexibility. During the year, Dometic started to coordinate strategic sourcing in the regions and increased the share of resources in low-cost countries. Furthermore, regional and global category management structures have been established in a number of key areas such as electronics and compressors. The number of suppliers has been reduced by approximately 11 percent compared to 2018 and the share of the group's total purchases from low-cost countries will increase in the coming years.

One common VA/VE (Value Analysis/Value Engineering) toolbox has been introduced throughout the company to secure:

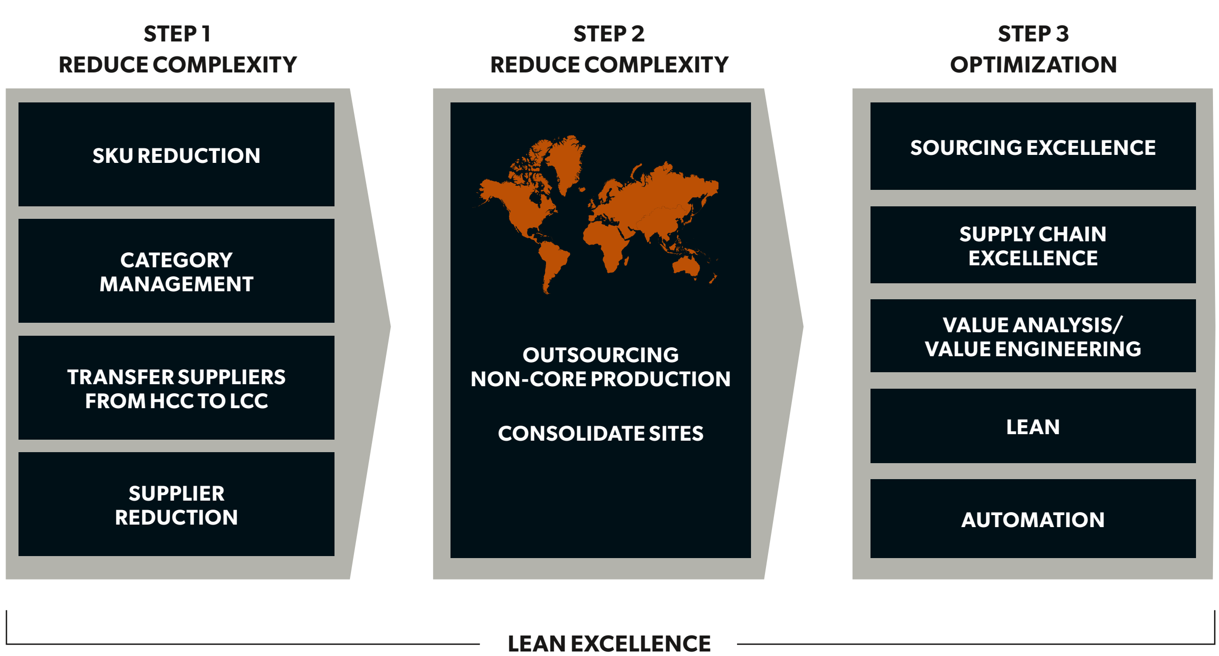
- Design optimization
- Complexity reduction
- Process improvement
- Use of the most cost-efficient materials
- Knowledge of cost

In 2019, 11 workshops were held in which around 150 employees were trained and cost savings were identified. We have introduced a web training for VA/VE and will continue roll-out VA/VE methodology via on-line training and by applying the train the trainer principle in 2020.

COMMON PROCESSES AND CONTINUOUSLY IMPROVED COMPETITIVENESS

Common processes and clear ownership are critical to coordinate the industrialization of Dometic's operations. During the year, a number of key process owners have joined the company, with responsibility for developing, leading and coordinating the implementation of Dometic processes, training programs and IT applications in their respective areas.

DEVELOP OPERATIONS IN STEPS



OPTIMIZE MANUFACTURING AND DISTRIBUTION FOOTPRINT

Dometic initiated a strategic review of the manufacturing and distribution footprint in 2018, leading up to a structured plan to optimize the footprint in the coming years. During 2019, Dometic accelerated efforts to improve operational structures and increased cost efficiency by launching a global restructuring program. The program focuses on outsourcing of non-core activities and consolidation of sites. The execution of this program, in combination with a strong financial position, will allow Dometic to deliver on financial targets and take full advantage of the many opportunities ahead to grow organically and through acquisitions. The restructuring program is expected to generate positive annual effects on earnings of approximately SEK 400 m when fully implemented, achieving its full impact in mid-2022. The cost of implementing the program will be around SEK 750 m. The program will affect approximately 20 locations, including manufacturing, warehouses and offices, and 1,500 employees who work at these sites.

Lean methodology is a set of tools for implementing more efficient production flows, better material costs control, improved decision-making routines, shorter development times and increased cooperation with the marketing and sales organization. In 2019, Dometic has built a stronger lean organization with dedicated lean managers for the group and in each region. The lean managers have developed a common Dometic Lean assessment model. A pilot was run in the Americas and 11 factories were assessed during the year. The remaining factories will be assessed in 2020, providing a solid baseline for benchmarking and implementation of lean improvement projects.

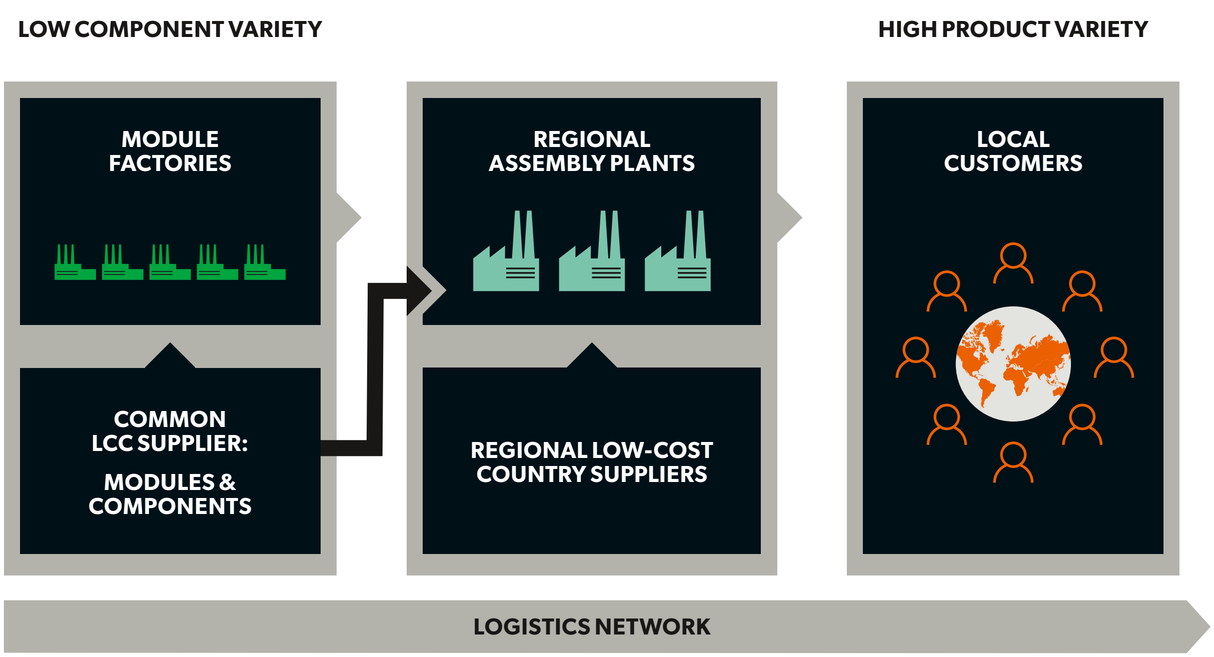
SEAMLESS FLOW

Dometic strives to automate processes wherever possible and to transform the industry with a high degree of automation and seamless flow in all areas. The implementation of seamless flow and the coordination and optimization of the IT structure will also enable efficient coordination of support functions.

The implementation of a global ERP system started in 2018 and Americas was the first region to launch the migration from previous IT platforms to one regional solution in the beginning of 2020. EMEA and APAC will be initiating the migration process gradually. In order to streamline our back offices and reduce our transactional costs, a new and global e-commerce platform has also been implemented in connection with the new ERP implementation in Americas. The e-commerce platform will also be implemented across the entire group.

By driving a clear seamless flow agenda, Dometic will be able to better serve all of the thousands of customers worldwide more efficiently.

FUTURE MANUFACTURING FOOTPRINT STRUCTURE



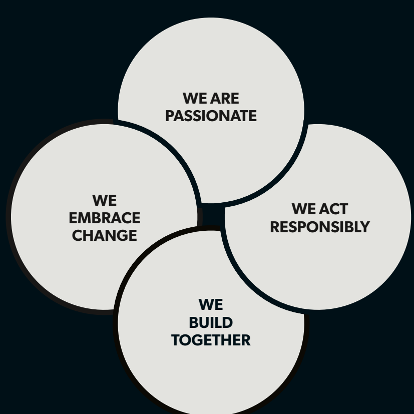
BUILDING TOGETHER

CORE VALUES

Four core values define what it takes to work at Dometic. They guide employees on how to interact with each other, and 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 relationships 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, future-proof solutions. We always strive to find new and better ways to do what we do.

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 will 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.

Wherever people work in Dometic, there is a strong atmosphere of positive and friendly co-workers aiming to achieve their full potential, and the company is united by an entrepreneurial spirit and the ambition to move forward.

BUILDING TOGETHER

Dometic shows clear focus, continuously develops capabilities and finds passion in everything we do in order to execute the company strategy. Teamwork makes Dometic the best it can possibly be. Dometic employees create common ways of working and build the future together while shaping a fantastic place to work and developing opportunities for all.

DOMETIC'S CORE VALUES

Four core values describe the heart and soul of Dometic. They give guidance about how employees should interact with both external stakeholders and colleagues. The core values are an integrated part of everything Dometic does. Not only do we follow up accomplishments; we also follow up how they were achieved.

In 2019, Dometic continued to strengthen the new core values by integrating them into processes and employee communication. In the recently launched global performance management process, the core values were clearly integrated into both targets and follow-up. An online introduction to the core values was launched as part of the process of welcoming new employees. The first global engagement survey in 2019 shows how well the core values are understood and incorporated, which provides a baseline from which to further develop and identifies areas for improvement.

- Core Values
- Health & Safety
- Leadership
- Employee Engagement

Core values
index

71

Health and safety
index

70

Leadership
index

69

A STRONG EMPLOYER

In order to allow for more internal development opportunities, Dometic has accelerated the creation of an internal job market and frequently publishes positions in the different regions on the intranet. We believe this is an important step in offering internal career opportunities while allowing us to keep valuable competence and experience within the company.

In 2019 a global employer branding project was implemented and resulted in a clear global Employer Branding Proposition to retain and attract talented employees. The new global employer brand states clearly what Dometic stands for as an employer. The primary source for building a unique employer brand were the employees who provided valuable information about Dometic's strong sides, perceived weaknesses and company culture in focus groups run in several locations globally. Dometic is a global company with the soul of an entrepreneurial business. The main messages the employees underlined regarding why they enjoy working for Dometic are as follows:

A GLOBAL COMPANY WITH AN ENTREPRENEURIAL FEEL

Wherever people work in Dometic, there is a strong atmosphere of positive and friendly co-workers aiming to achieve their full potential, even though Dometic has grown fast and has a presence in five continents, the company is united by an entrepreneurial spirit and the ambition to move forward.

Challenges drive personal growth

Dometic is a culturally diverse company with talent across the world working together. Employees find that continuous challenges enable them to grow. This is also a natural part of being a sustainable employer. Offering a global working environment with opportunities of broader responsibilities and new challenges is key to attract and retain employees that make the difference.

Leading the industries

Operating in growing niche markets with a strong market position, Dometic has set off on an exciting journey with great opportunities to lead the way and continue to build the company's excellent reputation among customers through its professional employees and by always staying true to the Dometic core values.

Stronger and better together

Teamwork is key at Dometic. Everyone is held accountable for their own piece of the puzzle and takes responsibility for the end result. By uniting the passion that everyone shares, Dometic can speed up processes and continue to build its success story.

Teamwork is key at Dometic. By uniting the passion that everyone shares, Dometic can speed up processes and continue to build its success story.

CREATED VALUE

Mobile Living made easy. Satisfying your essential mobile living needs.

BUSINESS MODEL AND CREATED VALUE

GLOBAL TRENDS

- Increased leisure spending
- Market consolidation
- The world is becoming more mobile
- Sustainability is an opportunity
- Innovation increasingly important
- Digitalization and e-commerce revolution

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
- 7,200 employees
- Own sales offices in more than 30 countries
- 26 manufacturing and assembly sites in 11 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 Aftermarket
- Expand Outdoor businesses
- Expand professional equipment and services globally

CONTINUOUS COST REDUCTIONS

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

PRODUCT LEADERSHIP THROUGH INNOVATION

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

BUILDING TOGETHER

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

CREATED VALUE

FOR CUSTOMERS

- Smart and reliable products with outstanding design
- Quality throughout the value chain
- Improved innovation index
- Investments in R&D of SEK 395 m; 2.1 percent of net sales

FOR SHAREHOLDERS

- Strong profitability and return
- Growth strategy with considerable value growth potential
- Profit for the year SEK 1,325 m
- Earnings per share: SEK 4.48
- Dividend of at least 40 percent of reported net profit

FOR EMPLOYEES

- Professional development and growth
- Salaries and remuneration SEK 2,720 m

FOR SUPPLIERS

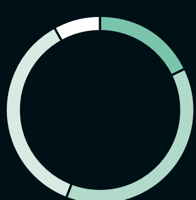
- Long-term relationships and job creation
- Purchase of direct material of approx. SEK 7,300 m

FOR THE COMMUNITY

- Reduced energy consumption and environmental impact through recycled materials. In 2019, energy consumption in relation to net sales improved by 8 percent to 5.9 compared to 6.4 in 2018
- Reduced water consumption and increased waste recycling rate
- Social security costs, pension costs and income tax of SEK 1,087 m

AMERICAS

Net sales by application areas

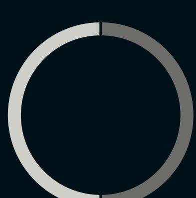


- Food & Beverage, 18% (22)
- Climate, 38% (39)
- Power & Control, 36% (32)
- Other applications, 8% (7)

Net sales by channel

- OEM, 66% (69)
- Aftermarket, 34% (31)

Region as a proportion of net sales



- Americas, 50% (53)
- Rest of Group, 50% (47)

BUILDING A BETTER-BALANCED BUSINESS AND A MORE EFFICIENT ORGANIZATION

"2019 was a year when the Americas region truly needed to prove itself agile and decisive to navigate market challenges and trade tariffs. We have become more efficient as an organization and continued to invest in new growth areas."

Scott Nelson – President of region Americas

KEY FIGURES	2016	2017	2018	2019
Net sales, SEK m	5,749	6,329	9,758	9,325
Net sales growth, %	4	10	54	–4
Organic growth, %	2	13	4	–11
EBIT margin, %[1]	13.1	14.0	15.1	11.8

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

Net sales, SEK m
9,325

Net sales growth
–4%

Average number of employees
2,497

The Americas region had a 2019 with a strong focus on operational efficiency and diversification to mitigate challenging market conditions in the recreational vehicles industry. Total sales decreased by 4 percent, driven by a sharp downturn in recreational vehicle production. The ambition to drive further diversification of the Americas business accelerated in 2019 and the remaining business areas experienced growth that partially offset the overall OEM industry decline.

During the year, significant SKU complexity reduction and strong inventory improvement initiatives were launched to drive improved on-time delivery performance and shorter customer lead times. Moving the Air Conditioner manufacturing from Zhuhai, China to Monterrey, Mexico facilitated faster response times to customers and helped to reduce the US tariff impact imposed in late 2018. Increased focus was also put on cash generation to accelerate debt reduction and position the region for acquisition opportunities.

PROFITABLE EXPANSION

The SeaStar acquisition in December 2017 has been a very successful addition to the Dometic organization. The strategy of leveraging the SeaStar organization as a platform for the Marine business enables Dometic to make future acquisitions from a position of market leadership in steering systems, fuel systems, digital integration, and climate control. As Dometic content per vehicle continues to increase, future opportunities for product expansion, product development and acquisitions exist to improve relevance to the end user.

Over 500 new retail locations have been added with nationwide resellers like REI, Camping World, and further major retail brands to drive initiatives within the outdoor area. A major milestone was reached during the year as www.shop.dometic.com now represents the largest channel for active cooling box products. The marketing initiative to target the 4X4 Overlander segment has enabled Dometic to accelerate its Direct to Consumer marketing capability. As a result, Dometic is achieving record levels of impressions, brand awareness, and engagement with its customers.

Efforts to build up an organization targeting commercial and passenger vehicles have been successfully executed and Dometic has been awarded a number of key projects with top truck and automobile customers during the year. There are great opportunities in this growth area where refrigeration and center console cooling solutions provide high value for the end user in connection to food and beverage cooling.

PRODUCT LEADERSHIP

The region's new product innovation index more than doubled in 2019 compared to 2018 due to the successful launch of the 9200 Awning, 6 and 8 cu. ft. refrigerator products. More importantly, the outlook looks even better for 2020 due to the robust product development pipeline that has been established over the past 18 months. By 2021, the Americas region will more than double its new product innovation once again with key launches in important areas such as refrigeration, air conditioning, mobile cooling, steering systems, trim tabs, and connectivity solutions. Considerable improvements in the new product development process have been implemented utilizing customer input and new processes and methodologies to transform the business.

COST REDUCTION

Heading into 2019, the Americas was faced with US tariffs on goods imported from China for refrigeration, air conditioning, and mobile cooling products. The most significant category, air conditioners, was relocated during the first quarter in 2019 to a temporary facility in Monterrey, Mexico in 97 days. In August, this manufacturing site was moved to a permanent facility dedicated to the complete manufacturing for the entire air conditioner range.

Better global coordination will enable Dometic to leverage the combined purchasing strength of the enterprise and be more competitive in the marketplace. To build a more efficient sourcing organization, the Americas region has accelerated the low-cost country sourcing activities in Mexico and other low-cost countries to reduce complexity and number of suppliers, thereby becoming more cost efficient.

During 2019, the logistics and distribution network was significantly improved to shorten lead times and optimize flows of goods. The number of distribution centers was reduced by 3 and days of inventory were considerably enhanced by 28 days.

The development work for a new ERP-system and a new e-commerce platform concluded in 2019 and the new software platforms were implemented across the region in the beginning of 2020. The global blueprint will be deployed across the company gradually, leading to improved efficiency in both internal and external flows.

DOMETIC AMBASSADORS

HIT THE ROAD

Road tripping is a way of life for Jillian Rebekah, who takes every opportunity she can to hop in her truck and explore.

As often as she can, Jillian Rebekah climbs into her 2016 Toyota Tacoma and hits the open road in search of new sights and new ways to experience the world around her. Seeking inspiration, Jillian has made a habit of off-roading her way across the world and connecting with nature in a way most people only dream of doing. Jillian started road tripping with her dad when she was a child, so adventure has been a part of her life from the very beginning. With Dometic products, she can spend less time prepping and more time making new memories from the driver's seat.

As with any adventurous lifestyle, preparation is everything. Her constant companions are the Dometic Coolfreeze CFX 75DZW and the Dometic PLB40 Portable Lithium Battery which work together to keep her going strong on any trail, no matter how remote.

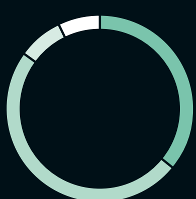
Serious trips often call for days at a time without seeing a grocery store and Jillian loves to cook on her trips, so this portable refrigerator keeps her stocked with fresh and healthy meals for over a week at a time. Spending long weekends on the road and a week or more of exploring every two months means plenty of time away from home. With the CFX, home-cooked meals can happen anywhere and any time.

Of course, having good travel companions and the right gear can take a lot of the worry out of heading into the great unknown. With the Dometic PLB40 Portable Lithium Battery that charges whenever Jillian is driving, she can run her CFX refrigerator, charge her devices, and power any essential appliance no matter where she roams. This powerful, compact, and convenient battery can deliver up to 40 hours of power to the CFX refrigerator on one single charge. She never leaves home without it.

If you want to keep up with Jillian and her adventures, make sure to follow her on social media: instagram.com/jillianrebekah

EMEA

Net sales by application areas

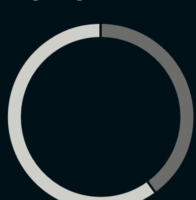


- Food & Beverage, 36% (40)
- Climate, 49% (44)
- Power & Control, 8% (8)
- Other applications, 7% (8)

Net sales by channel

- OEM, 49% (53)
- Aftermarket, 51% (47)

Region as a proportion of net sales



- EMEA, 40% (37)
- Rest of Group, 60% (63)

STRONG PROFITABILITY IMPROVEMENT AND OPERATIONAL EXECUTION

"I am pleased to see the results from execution on activities within our strategic framework. We have become even more focused as an organization with increasingly specialized market organizations, a more coordinated product development approach and improved profitability through continuous efficiency improvements."

Peter Kruk – President of region EMEA

KEY FIGURES	2016	2017	2018	2019
Net sales, SEK m	5,093	5,962	6,706	7,472
Net sales growth, %	14	17	12	11
Organic growth, %	13	10	6	1
EBIT margin, %[1]	10.5	10.4	12.1	13.1

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

Net sales, SEK m	Net sales growth	Average number of employees
7,472	+11%	2,190

The EMEA region performed well in 2019, continuing the positive trend of sales growth and improved financial performance.

While the main OEM markets were somewhat softer compared with the last couple of years, Dometic was able to generate continued growth in both OEM and aftermarket by increasing the focus on market segmentation and product development. Total sales in EMEA grew by 11 percent. The region continues to balance business exposure and aftermarket now accounts for more than 50 percent of sales. The development was achieved through good organic aftermarket growth and the acquisition of Kampa in December 2018. The historic dependence on the RV industry was further reduced through good performance for commercial and passenger vehicles and marine businesses.

Profitability continued to improve throughout the year, mainly as a result of a continued focus on price management, efficiency improvements in sourcing manufacturing and sales and good traction for new product launches. Efforts to reduce complexity in SKUs and to optimize working capital management have generated significant improvements in cash conversion and cash flow.

Despite some macro-economic uncertainty, the region has positive momentum for continuing to drive further improvements in 2020. During the past 12 months, the organization has been strengthened with key regional process owners who bring new skills and experiences, enabling the organization to drive further profitable growth.

PROFITABLE EXPANSION

During the year, efforts to sharpen focus were ramped up through dedicated sales teams and experts in their respective areas, was accelerated. Additionally, the region has increased marketing activities to end users and is starting to shift from traditional to digital marketing.

Building presence in new and existing growth areas will be crucial in the coming years. A new generation of the Dometic Frigo cooling solution was introduced in 2019, targeting the rapidly growing area of last-mile food deliveries.

Marine had a strong first half of 2019 in terms of growth, though the second half of the year was slightly slower due to a dip in the general industry mood toward the end of the year. Dometic had good momentum with product launches and awards. During the year, Oceanair was successfully rebranded into Dometic UK Blind Systems. Integration and rebranding are important steps in creating a strong global brand, a broader complete offering and for leveraging economies of scale

Kampa, a leading outdoor company specializing in inflatable awnings and tents, was acquired in December 2018. The integration has been successful and at Caravan Salon in Dusseldorf the Kampa-Dometic product range was launched to great acclaim. 2019 continued to see strong growth. Rapid integration has made it possible to leverage the Dometic network to accelerate the market growth of the Kampa-Dometic product range in Europe, and to facilitate expansion in Americas and APAC.

Growth within the commercial and passenger vehicles business was driven by a number of important product launches, despite a softer OEM market. These launches included refrigeration products for the new Land Rover Defender and several new products for the Commercial Vehicle Industry.

PRODUCT LEADERSHIP

Starting in 2019 and continuing in 2020, product development has been concentrated to selected centers of excellence. The consolidation of development resources creates clear benefits, with engineering communities with greater critical mass taking on transformational projects and reducing complexity. This change also supports becoming a more attractive workplace for engineers, with more attractive career opportunities.

A number of important products were launched in 2019. The offering of Outdoor products was strengthened during the year. EMEA was the first region to launch the new flagship range of CFX mobile coolers. This is a key product to further drive the aspirations of getting closer to end users, creating brand recognition and increasing channel presence. This is Dometic's first mobile cooling box based on a global modularity platform and common components, and it also has an increased number of features such as an ice-maker and wi-fi. The mobile cooling family was also complemented with the Dometic CoolFun, which is made with recycled materials, and reduces the environmental footprint in manufacturing by 26 percent.

The award-winning 10-series refrigerators for RV was expanded with several new variations to complete the range. Notably, the van conversion product has been very well received by the market. We also had many successful launches and growth in our Windows, Doors and Awnings business.

The automotive offering was strengthened with new center console refrigerator compartments, addressing the growing demand for passenger vehicle cooling solutions. In workshop equipment for air-conditioning service stations, Dometic has paved the way in innovation and sustainability by introducing new patented low-emission units. The product dramatically reduces greenhouse gas emissions when servicing the vehicle and also increases efficiency and reduces costs for the operator. The portfolio was further broadened with motorized blind solutions for trucks, proving the importance of leveraging the technology competence across the different business areas.

COST REDUCTION

In 2019, EMEA has made structural manufacturing footprint changes in line with the strategy. The manufacturing site in Girona was exited, and manufacturing has been consolidated in existing low-cost country locations and outsourced to partners to further reduce exposure to seasonality and cyclicity.

Dometic has continued to invest in distribution capabilities in EMEA. This includes the construction of a new central warehouse in Emsdetten, Germany, which opened 12 months after the project started. With this new capacity, there are many opportunities to support further growth and continue the consolidation of regional warehouses. Demand planning processes were implemented which will lead to full roll-out in 2020 to further optimize delivery performance and capital management.

The region has increased productivity and improved overall cost structures, with additional leverage from investments in a reinforced sourcing organization, contributing to improved financial performance. Good progress has been made to increase flexibility and manage cost structures to better navigate changes in market demand, including changes in manufacturing logistics and inventory management.

DOMETIC AMBASSADORS

IT'S MY DRIVE

Eline de Vries is on a mission to spread awareness about the mobile lifestyles of long-haul truckers and to discover what drives truckers to keep on trucking all over the world.

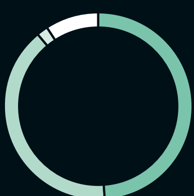
Born and raised in the Netherlands, Eline de Vries is passionate about everything with more than four wheels. Heavy trucks, the behemoths of the highway, went from a curiosity to a hobby, and have finally turned into a full-time job for this driving enthusiast. Eline's interest in trucks extends to the people who drive them, the culture of the long-haul lifestyle, and Mobile Living done right.

#ITSMYDRIVE is Eline's brand and her mission to learn about the lifestyle, industry, and personality of the trucking world. She had to learn about the industry from the ground up. Through her work, Eline inspires and motivates others in the industry and her motto is, "Find out what drives you, discover your path and enjoy the ride!" When it comes to life on the road, comfort and safety are key. This means smart space solutions so that drivers have room for food, comfort, and plenty of rest, and taking extra steps to make sure that healthy practices are always observed. For Eline, this means traveling with the Dometic Coolfreeze CFX, a portable refrigerator/freezer that can keep food fresh, cool, and dry for the long haul. This means Eline can skip the junk food that is readily available at gas stations and truck stops and have a whole supply of healthy snacks to keep her full and happy along the way.

Eline de Vries has much more to explore! With #ITSMYDRIVE, she aims to share her experiences in the trucking industry and showcase the many amazing characters she meets on the open road. She wants to change the stereotypes about truckers and teach others to admire and respect the biggest vehicles on the road and the people who operate them.

Follow Eline's journey on Instagram or visit her website at itsmydrive.com for more of her amazing story.

Net sales by application areas

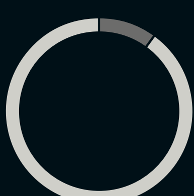


- Food & Beverage, 49% (52)
- Climate, 40% (38)
- Power & Control, 2% (2)
- Other applications, 9% (8)

Net sales by channel

- OEM, 46% (47)
- Aftermarket, 54% (53)

Region as a proportion of net sales



- APAC, 10% (10)
- Rest of Group, 90% (90)

EXPANDING THE PRODUCT OFFERING AND OPERATIONAL EXECUTION

"In 2019, our main focus has been to expand the offering in existing business areas and increase presence in new markets while working hard to improve efficiencies in manufacturing and sourcing."

Chialing Hsueh – President of region APAC

KEY FIGURES	2016	2017	2018	2019
Net sales, SEK m	1,546	1,753	1,810	1,707
Net sales growth, %	10	13	3	–6
Organic growth, %	9	12	3	–8
EBIT margin, %[1)]	21.4	20.4	21.8	21.2

1) Operating profit (EBIT) margin before items affecting comparability.

Net sales, SEK m	Net sales growth	Average number of employees
1,707	–6%	2,489

During the year, the APAC region accelerated the focus on new growth initiatives, established global centers of excellence for group-wide product development and implemented activities to drive efficiencies within sourcing and manufacturing while reducing complexity. Despite a challenging market in the Pacific, the region continued to protect profitability well through pricing, product launches and cost reductions. Total sales growth was –6 percent, largely driven by a slow-down of RV manufacturing and mobile cooling in Australia. Asia continued to grow, with strong development in China, Japan and Korea, where interest in the Mobile Living lifestyle continues to increase.

A number of customers have actively increased their online presence and sales focus. This has led to profitable expansion in the aftermarket, particularly in the outdoor business. In 2020, the outdoor offering will be strengthened as a broader range of products will complement the already strong position within mobile cooling spaces. This will include inflatable tents and awnings, mobile cooking and power solutions among many other exciting new products. This will strengthen the Dometic brand as a consumer brand within the greater outdoor market.

Much of the efforts in the first half of 2019 in the APAC region involved sharpening the focus on operational and sourcing efficiency, as well as working capital improvement. The achievement drove a good reduction in inventory days. During the second half of the year, focus was extended to efficiency improvements in the sales companies. The result is a series of efficiency improvement initiatives in Australia.

PROFITABLE EXPANSION

Dometic's position in the marine space has been strengthened with the addition of the SeaStar product portfolio. The acquisition greatly supported a stronger presence in the outboard market. In 2019, the marine organization was further strengthened with a business area manager in the APAC region to drive focus and build an even more dedicated marine team. Marine will continue to be an area of expansion and growth moving forward.

After persistent investments in the Trucking market in China, there are good opportunities to start making headway in climate solutions and become a leading brand in driver comfort. The Dometic RTX parking cooler is being recognized as a highly efficient solution for cooling performance and energy consumption. The success in China is now being replicated in Korea and the aftermarket is experiencing significant wins.

In China and Korea, Dometic has outgrown the RV market. This is very much driven by much stronger key account management and a highly differentiated product offering and services. Efforts will continue to increase account coverage through distribution build-out for fragmented markets emerging in China.

The leisure outdoor industry continues to grow and enhancing the already strong position in this area is a priority for Dometic in the coming years. This will take place by broadening the offering and getting even closer to end users. Product innovation and acquisitions will be key as the region expands into a broader range of products suitable for the outdoor market. In the coming years, this will include the Kampa Dometic portfolio of inflatable tents and awnings, mobile cooking and power solutions among many others. With a strong position in the leisure outdoor market, online presence is becoming increasingly important. Supporting e-commerce activities has been a priority in the region as a number of customers have actively increased their online presence and sales focus. This will also allow Dometic to build a path directly to customers through e-commerce based on the company's strong brand recognition.

PRODUCT LEADERSHIP

2019 has seen several successful product launches and significant steps have been taken to maintain product leadership by launching products addressing new market opportunities and by strengthening positions in existing businesses.

The PLB40 portable battery, a lightweight solution that provides a high level of mobile power to allow people to stay off the grid longer, is an important complement to the leisure outdoor offering through existing market channels. The PLB40 battery is the first Dometic product to win the three major international design awards: Red Dot, IF and Good Design Australia.

2019 saw a number of important climate product launches. The introduction of the IBIS4 air conditioner in February was an immediate success and after a few months it was the most-sold air conditioner in Australia. The unique combination of technology and optimized airflow through numerical airflow simulation makes it a top performer in controlling the temperature and it is also extremely quiet. The recent launch of the Harrier lite using the same technology is expected to bring the same success for smaller RV applications.

The launch of the RU5 fridge completed the RU family range. The RU is the most advanced RV family refrigerator which allows manufacturers and end users to choose between absorption or compressor technology on the same footprint. It also includes features such TFT screen display, optimized internal air distribution for better efficiency as well as a cyclic defrost function to name a few.

The dust reduction system DRS285 generated high interest during its recent launch as it offers an efficient and cost-effective solution to fight dust ingress inside RVs with a smart and patented air flow management system.

Going into 2020, the APAC region is preparing for another year of major new product developments with significant launches of products that not only continue to address customer needs, but also optimize the manufacturing footprint by introducing the global platform concept.

COST REDUCTION

2019 was a challenging year from a manufacturing perspective for the APAC region, which is an important region in terms of manufacturing for the global Dometic organization. The implementation of US tariffs in the fall of 2018 and the declining volumes in the US RV industry forced actions to mitigate the impact. A series of actions were taken in the second half of 2018 to proactively mitigate the cost exposure and were accelerated in 2019. This includes shifting air conditioning manufacturing from China to Mexico and adjusting our capacity in China to lower global RV demand. In 2019, direct labor was reduced with the following initiatives:

- More flexible workforce
- Increased outsourcing
- Consolidation of and redeploying existing manufacturing workshops for better utilization
- Restructuring indirect labor and white-collar workforce.

Significant progress was also achieved in reducing complexity. The number of SKUs was reduced significantly. Sourcing activities were implemented to reduce "human touch" when making products and professional local sourcing was increased. As a result, labor hours were reduced and outsourcing activities of complete products and components for China and other markets increased significantly. This is an important area and more activities can be expected in the coming years. Actions were implemented to reduce SG&A by scaling down infrastructures in a number of markets, headcount reductions and rightsizing of manufacturing. Going into 2020, efforts continue and will be accelerated by increasing site consolidation in China and Australia.

The PLB40 battery is the first Dometic product to win the three major international design awards: Red Dot, IF and Good Design Australia.

DOMETIC AMBASSADORS

THE SEARCH FOR THE PERFECT SHOT

For many visitors to this site, Sean Scott's life reads like a dream. He follows not one passion but two – and, furthermore, he gets paid to do it. "I live a privileged life, doing what I love doing with the people I love the most," says Sean.

As one of Australia's best-known photographers, Sean travels all over the country (and abroad) to take pictures, which he sells to lovers of great photography all over the world both through his website and in several galleries on the Gold Coast in Queensland. "I've enjoyed camping for as long as I can remember and have had caravans and camper trailers for the last 20 years or so. I love exploring new places to find great images."

But what started out as a solo enterprise now often involves the family too. Sean's wife, Diana, and their three children – daughter Katie, 14, and sons Reef, 12, and Sam, 10 – join him on his travels as often as possible. "When the family can come along, my life is perfect, these are experiences money can't buy. To be able to share my passion with them is truly awesome," says Sean.

On his journeys to some of the most inhospitable locations on Earth, Sean always takes Dometic with him. "I've just built a brand-new off-road caravan and it's full of Dometic products. Fridges, air conditioning, windows, toilet, awnings, basically everything Dometic makes for caravans is in there and it looks incredible. Apart from that, I have a CFX in my land cruiser, which is great when I'm out and about."

ON THE MOVE

TO A SUSTAINABLE TOMORROW

As a pioneer in the Mobile Living area, we are committed to driving sustainability in our market. This means decreasing our environmental footprint, improving resource efficiency, providing a safe, diverse and inclusive workplace and ensuring our business practices meet the highest ethical standards.

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 areas 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 people who enjoy the outdoors and are on the move in general. All are part of a growing movement of people who enjoy an active and mobile lifestyle, for freedom and adventure and for people who travel for work.

Proximity to nature is an important motivation for users of Dometic's products. The company and its employees shall therefore meet the growing demand for the Mobile Living lifestyle while increasing resource efficiency and reducing the environmental footprint throughout the value chain.

Sustainability is integrated in Dometic's business processes and product offering. This will be crucial for building a company that is well prepared for future challenges and opportunities.

SUSTAINABILITY FOCUS AREAS

Dometic has identified four sustainability focus areas where the company can make the greatest difference. Each focus area and target has a clear ownership in the Group Management (further described in Organization & Governance related to Sustainability page 56–57). The targets within each focus area are implemented in the daily operations, supported by governing documents and training as well as close monitoring and follow-up.

SUSTAINABILITY FOCUS AREAS

ETHICS

We strive to safeguard human rights at all times, while pursuing fair business and labor practices.

PEOPLE

We strive to be a safe, inclusive, diverse and dynamic workplace – allowing every employee to reach their full potential.

PRODUCTS

We aim to only provide recyclable and resource-efficient products.

ENVIRONMENT

We use materials and precious resources responsibly, improve waste management and lower emissions.

SUSTAINABILITY TARGETS 2019–2021

The Dometic Sustainability targets have been defined by the focus area owners along with key activities to support the targets. Key performance indicators within each focus area enable close monitoring of progress. The baseline for all targets is 2018.

ETHICS

100%
OF EMPLOYEES CONDUCT TRAINING ON THE CODE OF CONDUCT

100%
OF SUPPLIERS OF DIRECT MATERIAL HAVE SIGNED THE DOMETIC CODE OF CONDUCT

100%
OF SENIOR MANAGERS AND SALES EMPLOYEES CONDUCT E-LEARNING ON ANTI-TRUST AND EXPORT SANCTIONS

90%
OF THE SPEND OF DIRECT MATERIAL SUPPLIERS IN LCC TO BE AUDITED EVERY SECOND YEAR

PEOPLE

2
REACH A LOST-TIME INJURY FREQUENCY RATE OF 2

26%
FEMALE MANAGERS

100%
EMPLOYEE PERFORMANCE REVIEWS

PRODUCTS

5%
REDUCTION OF ENERGY CONSUMPTION IN NEW GLOBAL PRODUCTS

10%
MINIMUM CO_2-EQ REDUCTION THROUGH INTRODUCTION OF NEW REFRIGERANTS

40%
REDUCTION OF STOCK KEEPING UNITS (SKU) OF FINISHED GOODS

90%
OF COMPONENT PURCHASE VALUE CAPTURED IN A CENTRAL DATABASE FOR MATERIAL SUBSTANCE CONTROL

ENVIRONMENT

15%
REDUCTION OF SPACE

10%
REDUCTION OF ENERGY CONSUMPTION

10%
REDUCTION OF WATER CONSUMPTION

75%
RECYCLING OF ALL WASTE

DOMETIC'S CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

To further improve the understanding of the company's global impact and the opportunities to contribute to the Agenda 2030, Dometic's sustainability focus areas and targets have been mapped out in relation to the UN Sustainable Development goals. The 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 define focus areas and goals for long-term sustainable development to be achieved by 2030.

Through Dometic's focus areas and key activities the company has the possibility to contribute to at least 7 of the SDGs in support of Agenda 2030 for sustainable development.

TARGETS

- Continue to implement the Code of Conduct
- Implement training program on anti-trust and sanctions
- Conduct supplier audits

RELATED SDG CONTRIBUTION

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

TARGETS

- Reduce injury rate
- Improve gender distribution
- Increase competence management

RELATED SDG CONTRIBUTION

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

TARGETS

- Reduce energy consumption
- Reduce the use of greenhouse gases
- Reduce stock keeping units (SKU)
- Improve material control

RELATED SDG CONTRIBUTION

3 GOOD HEALTH AND WELL-BEING
6 CLEAN WATER AND SANITATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

TARGETS

- Reduce space
- Accelerate energy savings
- Reduce water consumption
- Increase recycling of waste

RELATED SDG CONTRIBUTION

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ETHICS

Dometic's Code of Conduct and additional governing documents set the framework for how the group acts and follows up on business practices. The Code of Conduct applies to all employees as well as business partners.

Dometic is a signatory to the UN Global Compact and committed to working with the ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

ANTI-CORRUPTION

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 are based on high ethical standards and business practices and aim to prevent unethical behaviors throughout the value chain.

AWARENESS

In 2019, approximately 99 percent of white-collar workers had completed 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. New employees, no matter where in the world, are invited and expected to complete the training program within their first few weeks of work.

In 2019, the internal awareness process was further strengthened by expanding the scope of the awareness program and through annual signing of the Code of Conduct by all employees. Approximately 97 percent of blue-collar workers have participated in Code of Conduct awareness training in 2019 and further training courses are to be held in 2020.

WHISTLEBLOWING

In 2017, Dometic implemented a new whistle-blower 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.

The whistle-blower system is commonly known and used throughout the organization. In 2019, 50 percent of reported cases led to investigations and actions. 50 percent were guided to other appropriate channels or closed due to irrelevance.

BUSINESS PARTNERS

Working with business partners who share the group's high standards regarding business ethics, quality and resource efficiency is necessary to effectively manage risks, and to enhance productivity in the value chain.

The group has around 3,650 suppliers of direct material in around 45 countries. The biggest categories of material bought by Dometic are metal components, plastic components, electronic components and traded products.

To ensure that suppliers meet the standards for responsible and ethical business practices, the suppliers are required to comply with the principles set forth in the Dometic Code of Conduct. Dometic uses a risk-based approach and prioritizes follow-up activities with high-risk suppliers.

Dometic has a Global Sourcing Council with regional execution. The group's sourcing organization monitors compliance with the Code of Conduct through supplier self-assessments and audits. In 2019 Dometic continued to develop the supplier audits globally to integrated sustainability audits for risk suppliers. 53 percent of suppliers confirmed compliance with the Dometic Code of Conduct in 2019 and 75 percent of direct material supplier spend in LCC has been audited over the past two years.

ETHICS

CONTINUE TO IMPLEMENT THE CODE OF CONDUCT
WHITE-COLLARS

Target	100%
Actual	99%
Baseline	98%

CONTINUE TO IMPLEMENT THE CODE OF CONDUCT
BLUE-COLLARS

Target	100%
Actual	97%
Baseline	0%

CONTINUE TO IMPLEMENT THE CODE OF CONDUCT
SUPPLIERS

Target	100%
Actual	53%
Baseline	34%

CONDUCT SUPPLIER AUDITS

Target	90%
Actual	75%
Baseline	Not applicable

FOCUS AREA ETHICS
TARGETS 2019–2021

- **Continue to implement the Code of Conduct**
  100 percent of employees (white-collar and blue-collar) complete 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 the spend of direct material suppliers in low-cost countries to 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.
- Implement structured ESG screening as part of the due diligence process for acquisition targets.
- Continue to ensure GDPR compliance.

PEOPLE

Dometic is committed to providing an attractive work place. Key areas include creating diverse work environments and ensuring that the group complies with principles of equality, diversity and inclusion when hiring and providing development opportunities to employees to enable them to reach their full potential.

The Core Values are the foundation of the corporate culture. They set the standards for everything Dometic does and how people in the Group interact with each other and external parties. By having a work environment based on Dometic's Core Values, the Code of Conduct and supporting governing documents, the company creates a great place to work for both current and future employees.

DIVERSITY AND INCLUSION

Diversity is a strategic asset for Dometic and key element of our competitive edge. We embrace diversity to the fullest and see it as crucial to our success and motivation at work. Having a diverse workforce helps us acquire and retain the best talent, build employee engagement, increase innovation and improve business performance.

The open internal job market "Open Positions" with access to open positions in the regions supports a fair and transparent recruitment process in Dometic.

Increasing gender diversity is a particular focus in Dometic. In 2019, Dometic employed on average 7,257 (7,991) people, 36 (36) percent of whom were women. The group management team comprised 10 people, of which 4 were women. 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 542 (546) managers, 24 (23) percent are currently women.

HEALTH AND SAFETY

Health and safety are key for Dometic, from the perspectives of people, business and regulatory requirements. The company works proactively to reduce the number of work-related incidents. Dometic's Health & Safety Guidelines were introduced during 2018 at all legal entities to ensure a common standard across the group. In 2019, 9 operation sites were assessed according to the Dometic Health & Safety Guidelines by a third party.

Health and safety guidelines are key components of the factory management systems. In 2019 three additional manufacturing sites achieved ISO 45001 or OHSAS 18001 certification. To further strengthen awareness among employees a global Health and Safety e-Learning program was developed.

In 2019, 62 (64) lost-time safety-related incidents were reported. The LTIFR increased to 4.1 (3.7). The main focus in 2019 has been to reduce incidents at a limited number of sites with higher accident frequency. Going forward additional focus will be given to sites within the acquired Marine area.

The new global employee engagement survey including a new health and safety index will enable monitoring of health and safety globally as well as identification of initiatives for improvement.

Dometic's Loss Prevention Guideline (DLPG) aims at reducing risk and maintaining high standards for safety, quality and delivery. The DLPG is designed to guide the Group's production

PEOPLE

REDUCE INJURY RATE (LTIFR)	
Target	2
Actual	4,1
Baseline	3,7

FEMALE MANAGERS	
Target	26%
Actual	24%
Baseline	23%

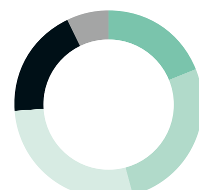
PERFORMANCE REVIEW	
Target	100%
Actual	55%
Baseline	55% (actual 2019)

sites regarding appropriate safety and security measures to ensure compliance with good industry practices. Dometic regularly conducts assessments together with a third party at all production sites to analyze potential risks. In 2019, Dometic assessed 11 sites according to DLPG and performed Business Impact Analysis workshops for 3 sites in the EMEA region.

No. of employees per region, %

Gender, %

Age structure, %



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 training programs that can be provided internally in line with business needs. The digital infrastructure provides e-Learning programs, 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. In addition, Dometic supports its employees through practical skills training programs to gain new knowledge and build leadership skills. In total, more than 2,500 employees participated in over 600 training activities across all our markets in 2019.

In the coming years, Dometic will increase its efforts in Competence Management to defend its leading market position. In order to take a next step in Competence Management, a global common process for Performance Management was implemented in 2019, ensuring that all employees will have a performance review with their managers. In 2019, the percent of employees who have had a performance review was 55 percent.

FOCUS AREA PEOPLE 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.

RESOURCE EFFICIENCY THROUGH INNOVATION

Proximity to nature is an important motivation for users of Dometic products. Dometic delivers smart and reliable products that are safe to use while striving for resource efficiency during the entire life cycle. Resource efficiency is a key priority in order to achieve a long-term, sustainable business model. Key areas include energy efficiency in production, lower CO_2 emissions from production, responsible use of raw materials and water, minimization of waste and hazardous materials, and increased energy efficiency throughout the life cycle of each product.

LIFE CYCLE APPROACH

A clear focus on environmental aspects in product development is key in order to reduce the impact throughout the value chain. To improve the basic understanding of value chain impact, Dometic will put more emphasis on life cycle analysis, with a particular focus on the impact of new materials, product weight, energy consumption and different types of refrigerants. Dometic will also gradually improve its own metrics in these areas.

Environmental consideration is an integral aspect of product design. Sustainability checkpoints are used when developing new products and are an important part of the product development tollgate process. Each global development project defines targets in line with the Group targets as part of the product specification in order to reduce impact related to relevant environmental aspects.

MATERIAL EFFICIENCY AND WASTE MINIMIZATION

The main materials used in Dometic products are plastics, steel, aluminum and copper. To ensure efficient use of resources, the ambition is to increase the use of recycled materials, along with enhanced repairability and recyclability in future product generations. Durability, recyclability, increased efforts in the aftermarket regarding service and repair as well as the ambition to continuously increase the use of renewable and recycled materials are all contributing factors to enabling a circular economy in the long term.

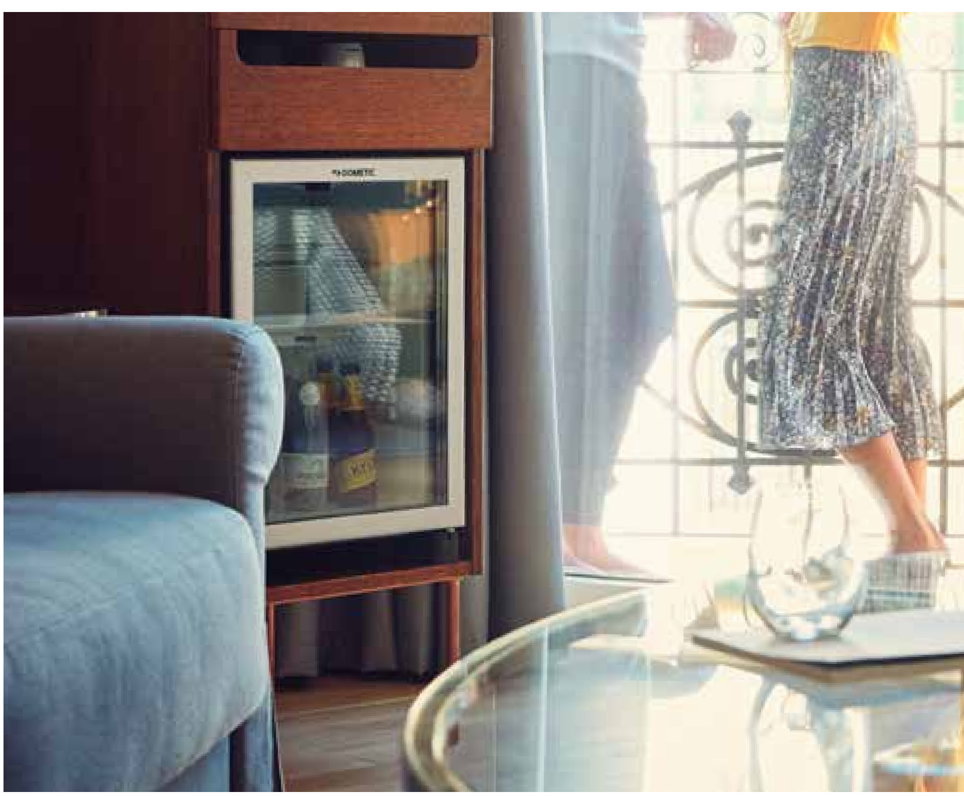
Dometic is looking to take an active role in promoting new materials. As of 2019, Dometic intends to introduce at least one environmentally profiled product in the market each year.

In 2019, the focus on introducing renewable materials resulted in the launch of the CoolFun Cooling box consisting of a bio-composite material.

Dometic has worked to increase recycling of waste from production in recent years. In 2019, total waste amounted to 10,938 (7,004) tons, of which 704 (228) were hazardous waste. In all, 71 (68) 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.

Dometic acknowledges that water scarcity and access to clean water are global issues which is why efforts are put into monitoring water consumption and identifying initiatives

The new Dometic RH418NTE minibar achieves an A++ energy efficiency rating, and is setting a new benchmark in comfort, cooling performance and energy efficiency.



BENEFITS FROM DOMETIC'S SOLUTIONS

- Improved life cycle energy efficiency through innovative new product lines.
- 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.

to increase the efficiency of water usage in order to reach the target of a 10 percent reduction by 2021. During 2019, total water consumption decreased by 14 percent partly due to closing of manufacturing sites in the APAC region.

ENERGY EFFICIENCY

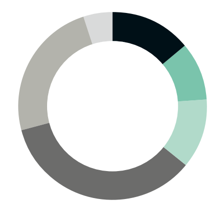
Improved energy efficiency is a cornerstone for Dometic. Energy consumption during the use phase represents the main environmental impact of several of Dometic's product categories, such as air conditioning, heating and refrigeration. Increased energy efficiency is therefore a key part of reducing the environmental footprint and energy costs for the users of Dometic's products. Dometic will continuously work to improve these metrics by setting energy efficiency targets in relevant global development projects to support the group energy efficiency goal, as well as by reducing the product weight for mobile applications.

In 2019 Dometic added two new noiseless thermoelectric minibar models to its classic Minibar range. The new Dometic RH418NTE achieves an A++ energy efficiency rating, and is setting a new benchmark in comfort, cooling performance and energy efficiency. The new Dometic RH418 NTEG with A+ rating is featured with a glass door and also sets a new benchmark in the industry.

The group has worked proactively for years with energy-saving programs aimed at reducing energy consumption in all facilities. Total energy consumption continued to decrease in 2019. Total energy use in 2019 was 110 (116) GWh. Energy consumption in proportion to net sales decreased to 5.9 (6.4), mainly driven by implementation of energy management systems leading to improved technologies for lighting, compressed air, heating and air conditioning as well as closing of factories.

Global CO_2 emissions are disclosed yearly through CDP, the Carbon Disclosure Project. 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.

Raw material spend [1)]



1) Excluding Dometic Marine

SPACE REDUCTION

Total space used has been reduced by 10 percent in 2019, primarily through reductions of distribution and warehouse space.

ENVIRONMENT

	REDUCE SPACE	REDUCE ENERGY CONSUMPTION	REDUCE WATER CONSUMPTION	INCREASE RECYCLING
Target	–15%	–10%	–10%	75%
Actual	–10%	–6%	–14%	71%
Baseline	670,000 m²	116.4 GWh	280,000 m³	68%

PRODUCTS

	REDUCE ENERGY CONSUMPTION	REDUCE THE USE OF GREENHOUSE GASES	REDUCE STOCK KEEPING UNITS	IMPROVE MATERIAL CONTROL
Target	5%	5%	40%	90% of component purchase value
Actual	Reduction targets set per project	New refrigerants being introduced in new product generations	32%	Global system development
Baseline	Comparable reference product	575,100 tCO_2-eq [1)]	74,000	Local control

1) The CO_2-eq represents the global warming potential of the refrigerants used, not actual impact as the refrigerants are handled in hermetically sealed systems and recovered during service or at end of life.

LEGISLATION AND INDUSTRY STANDARDS

Currently, Dometic's products are subject to more than 100 specific regulations worldwide which requires a high level of expertise. Dometic aims to take a proactive role in selected regulatory and industry bodies, and works to 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 will work toward a closer industry co-operation on key legislation and may, if necessary, also start to introduce voluntary industry standards.

GLOBAL SUBSTANCE CONTROL

Dometic has initiated projects 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 quickly growing substance legislation requirements and ensure safe products throughout the product life cycle.

Dometic aims to significantly improve the handling of product compliance information in order to be able to serve global customers as professionally as possible. To increase efficiency in following substance legislation, Dometic will launch a global database with substance compliance data.

The use of refrigerants is important to the business and Dometic will continue to minimize the potential greenhouse gas effect of refrigerants and use the most environmentally friendly alternative that can fulfil the technical requirements, including safety. This is particularly important for air conditioning products, where the main efforts will be made.

Progress has been made in 2019 to convert refrigerants used in rooftop air conditioning to refrigerant R32, which will reduce the global warming potential (GWP) of the refrigerant used by more than 60 percent.

To further mitigate risk, Dometic has developed end-of-life technology for emptying cooling units in absorption refrigerators. This technology is also used in Dometic's production units worldwide. This technology reduces the risk of negative impact from the use of refrigerants.

FOCUS AREA PRODUCTS 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 range of sustainable 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 following 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.

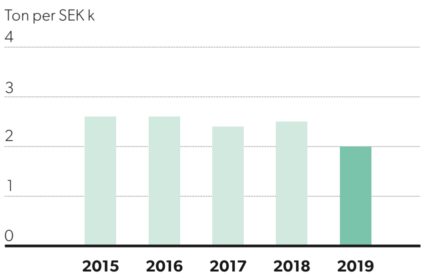
FOCUS AREA ENVIRONMENT TARGETS 2019–2021

- **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.

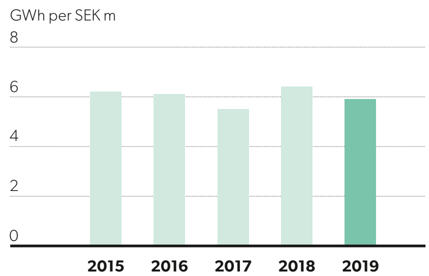
KEY ACTIVITIES 2019–2021

- Consolidation of locations to reduce space.
- 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.

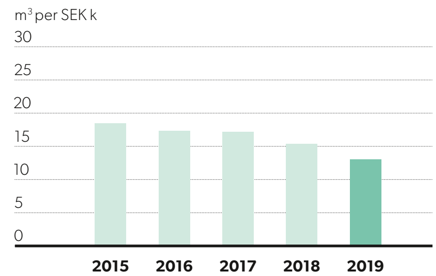
Group total CO_2 emissions in proportion to net sales



Group total energy consumption in proportion to net sales



Total water consumption



Manufacturing plants and certificates

In 2019 one more site has achieved ISO 14001 certification and three sites achieved ISO 45001 or OHSAS 18001 certification.

LOCATION	QUALITY	ENERGY	ENVIRONMENT	HEALTH & SAFETY	SOCIAL
EMEA					
Dillenburg, Germany	ISO 9001	ISO 50001			
Emsdetten, Germany	ISO 9001	ISO 50001	ISO 14001		
Krautheim, Germany	ISO 9001	ISO 50001	ISO 14001		
Geluwe, Belgium					
Siegen, Germany	ISO 9001	ISO 50001	ISO 14001	ISO 45001	
Jaszbereny, Hungary	ISO 9001, IATF 16949	ISO 50001	ISO 14001		
Bassano, Italy	ISO 9001				
Forli, Italy	ISO 9001		ISO 14001	ISO 45001	
Milan, Italy	ISO 9001		ISO 14001	ISO 45001	
Filakovo, Slovakia	ISO 9001		ISO 14001	OHSAS 18001	
Tidaholm, Sweden	ISO 9001		ISO 14001		
Selsey, UK	ISO 9001				
Manchester, Vermont, USA					
AMERICAS					
Big Prairie, Ohio, USA			ISO 14001		
Elkhart, Industrial Pkwy, Indiana			ISO 14001		
Greenbrier, Tennessee, USA	ISO 9001		ISO 14001		
LaGrange, Indiana			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					
Monterrey, Mexico					
Elkhart, Simonton St, Indiana					
APAC					
Shenzhen, China	ISO 9001, IATF 16949		ISO 14001	OHSAS 18001	SA 8000
Zhuhai, China	ISO 9001, IATF 16949		ISO 14001		

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

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

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

Head of Group HR ensures that sustainability is an integral aspect of Core Values, leadership training and internal communications.

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

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

The sustainability team sets the overall ambition level, targets and activities. Responsibilities also include ongoing stakeholder dialogues and close monitoring of macro trends and drivers.

Business functions carry out key sustainability activities and report on progress, performance and results.

GOVERNING DOCUMENTS

Governing documents are approved by the Dometic Board of Directors.

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

CODE OF CONDUCT

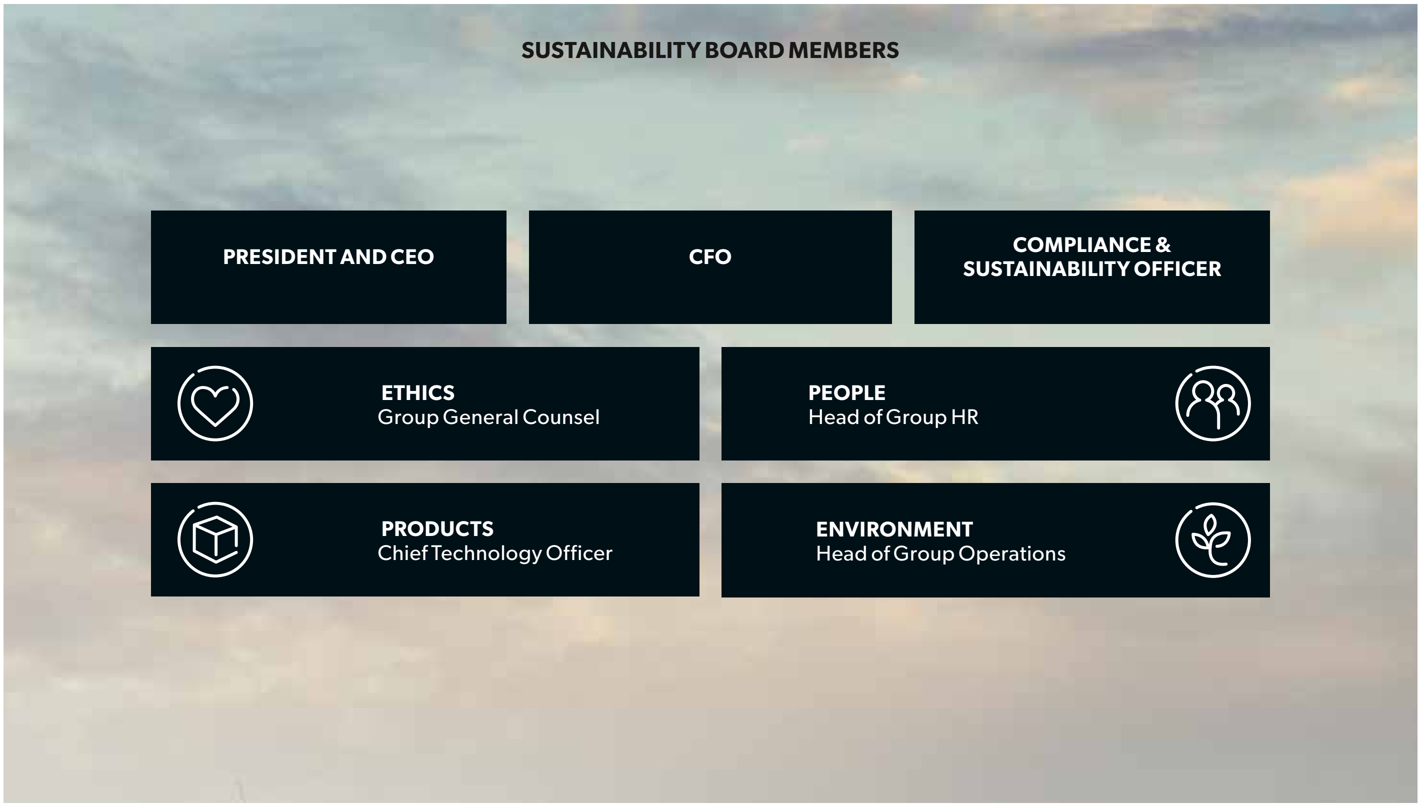
The principles of Dometic's Code of Conduct are based on the Core Values, international legislation, standards and agreements, including the UN Global Compact and the OECD's guidelines for multinational companies.

MONITORING AND REPORTING

Dometic group's legal and HR departments monitor compliance with the Code of Conduct. 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 address issues and work to ensure satisfactory resolution in compliance with applicable laws and regulations and/or the Code of Conduct.

STAKEHOLDERS AND STAKEHOLDER DIALOGUE

As a global group, it is vital for Dometic to ensure accountability for its actual and potential impact on stakeholders. Dometic creates engagement opportunities so that stakeholders can address the group in various stakeholder dialogues. Dometic engages both directly and indirectly with key investors,



customers, business partners, employees and unions in a number of ways.

Dometic gathers valuable input regarding focus and development areas, primarily from customer and employee surveys, meetings with customers, investors, suppliers and other business partners.

In 2018, Dometic performed a strategic sustainability review based on macro trends, input from key stakeholders and the strategic framework launched in autumn 2018. The review re-confirmed the four sustainability focus areas – ethics, people, products, environment – that Dometic focuses on to further enhance value creation, reduce environmental impact and mitigate sustainability risks. Dometic has clear targets for each focus area, as well as a strong ownership of the targets within the global functions and regions.

During 2019 efforts have been made to integrate sustainability further in all aspects of the risk framework.

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 • Sustainability agenda • Environmental management
BUSINESS PARTNERS		
• OEMs customers • End users • Suppliers	• Individual meetings "customer voice" • Sales meetings • Trade exhibitions • Customer requests and questionnaires • Supplier self-assessment and audits	• General strategy/focus areas • Product performance • Code of Conduct implementation • Environmental, safety and health management
EMPLOYEES		
• Current employees • Potential employees	• Employee engagement survey • Performance appraisal meetings • Management meetings and conferences • Work councils • Intranet	• Core Values 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
The Board of Directors has responsibility for the statutory sustainability report for the year 2019 on pages 44–57 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination was 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 narrower 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 12, 2020
PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant


WHAT WE KNOW WE WANT TO DO
FROM
FRAGMENTED ORGANIZATION
FRAGMENTED MANUFACTURING STRUCTURE
LARGE NUMBER OF SKUS
LOCAL R&D WITH LIMITED SUSTAINABILITY MINDSET
FRAGMENTED RISK AWARENESS
FRAGMENTED SUSTAINABILITY OWNERSHIP
UNSTRUCTURED DEVELOPMENT OPPORTUNITIES
LIMITED FOLLOW-UP AND TARGETS
FRAGMENTED LOCAL SAFETY APPROACH
TO
BUILDING TOGETHER WITH COMMON PROCESSES
OPTIMIZED MANUFACTURING STRUCTURES TO REDUCE EMISSIONS, CONSUMPTION OF WATER AND ENERGY AND DRIVE AUTOMATION
REDUCE SKUS TO REDUCE USE OF RAW MATERIALS, TRANSPORTATION AND IMPROVE MATERIAL CONTROL
COMMON R&D PROCESSES WITH SUSTAINABILITY AS PART OF THE DEVELOPMENT PROCESS
GLOBAL TRAINING ON CODE OF CONDUCT, ANTI-TRUST AND HIGH AWARENESS
CLEAR OWNERSHIP IN ALL AREAS
PERFORMANCE MANAGEMENT INCLUDING INTERNAL CAREER PATHS
FREQUENT FOLLOW-UP AND TARGET ACHIEVEMENT
COMMON GLOBAL HEALTH & SAFETY GUIDELINES AND SAFETY CULTURE

THE DOMETIC SHARE AND SHAREHOLDERS

SHARE PRICE AND TRADING

Dometic's shares have been listed on Nasdaq Stockholm since November 25, 2015. In 2019 the share price increased by 71.5 percent (–34.2). The closing price was SEK 94.32 (55.00) on the last business day of the year, corresponding to a market capitalization of SEK 27.9 billion (16.3). The highest price paid during 2019 was SEK 99.84 (97.40) and the lowest price paid was SEK 52.45 (53.20).

A total of 286.5 million shares were traded during the year on Nasdaq Stockholm, with a total value of SEK 23.4 billion, corresponding to an average daily trading volume of 1,145,965 shares.

SHARE CAPITAL AND CAPITAL STRUCTURE

As of December 31, 2019, 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 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. For further information, please see page 124

The Board of Directors proposes a dividend of SEK 2.20 (2.15) per share for 2019, equivalent to a total distribution of SEK 650 million (636.0). The proposed dividend corresponds to 49.1 (40.4) percent of the net profit for the period. Based on the Dometic share price at the end of 2019 the dividend yield is 2.3 percent.

SHAREHOLDERS

On December 31, 2019, Dometic had 10,322 shareholders according to the share register kept by Euroclear Sweden AB. Alecta was the largest shareholder, with 7.7 percent of the shares. Dometic's ten largest owners held shares corresponding to 42.9 percent of the shares. Institutional ownership amounted to 84.7 percent of the shares.

Of the total share capital, 45.4 percent was owned by Swedish institutions and mutual funds. 3.4 percent was held by Swedish private investors and the remaining 51.2 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

At the end of 2019, the following analysts had active coverage of Dometic.

ABG Sundal Collier	Olof Cederholm
Berenberg	Trion Reed
Carnegie	Henrik Christiansson
Danske Bank	Daniel Schmidt
DnB	Olof Larshammar
Handelsbanken	Rasmus Engberg
Jefferies	Rizk Maidi
Kepler Cheuvreux	Johan Eliasson
Morgan Stanley	Lucie Carrier
Nordea	Agnieszka Vilela
Pareto	Fredrik Moregård
SEB Enskilda	Klara Jonsson

FOR FURTHER INFORMATION

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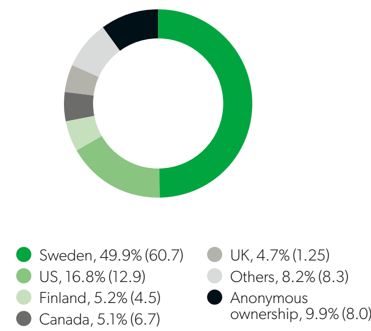
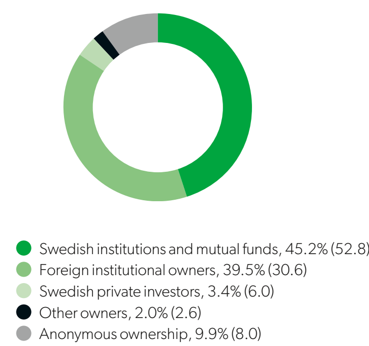
johan.lundin@dometic.com

Shareholder countries, % of capital and votes



Shareholder categories



15 LARGEST SHAREHOLDERS

Shareholders	Share capital, %	Voting rights, %
1 Alecta Pension Insurance	7.7	7.7
2 SEB Funds	7.2	7.2
3 Swedbank Robur Funds	6.4	6.4
4 Nordea Funds	4.0	4.0
5 Didner & Gerge Funds	3.3	3.3
6 Carnegie Funds	3.0	3.0
7 1832 Asset Management	3.0	3.0
8 Columbia Threadneedle	3.0	3.0
9 Vanguard	2.8	2.8
10 Janus Henderson Investors	2.5	2.5
11 Invesco	2.4	2.4
12 ODIN Funds	2.3	2.3
13 Franklin Templeton	2.0	2.0
14 Dimensional Fund Advisors	1.8	1.8
15 Schroders	1.7	1.7
Total top 15	53.1	53.1
Others	46.9	46.9
Total	100.0	100.0

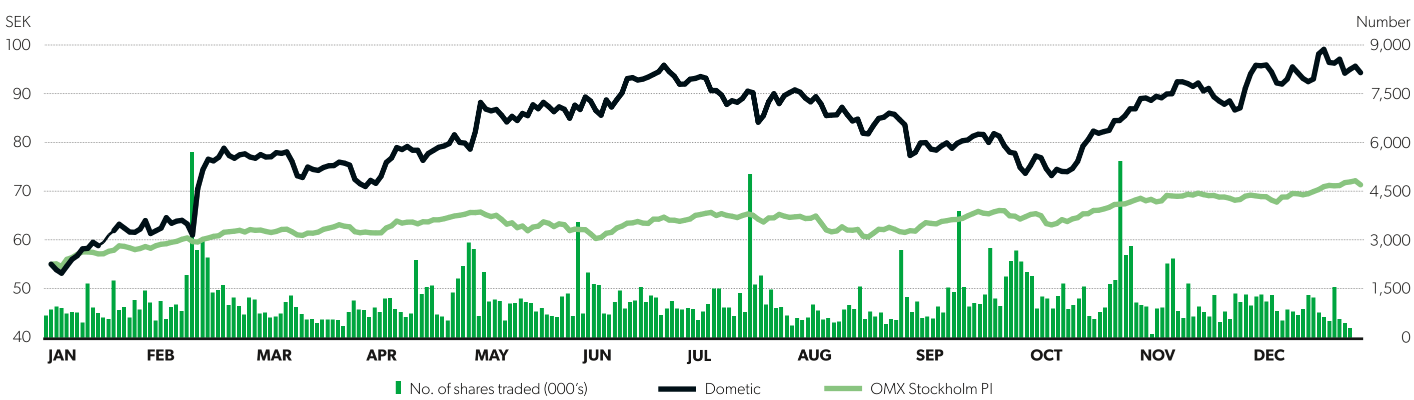
Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority as of December 31, 2019.

SHAREHOLDING BY SIZE

	No. of shares	Capital, %	Votes, %	Number of known owners	Part of known owners, %
1–100	148 397	0.1	0.1	3,760	36.4
101–200	409 162	0.1	0.1	2,319	22.5
201–300	193 757	0.1	0.1	726	7.0
301–400	173 725	0.1	0.1	467	4.5
401–500	228 131	0.1	0.1	471	4.6
501–1,000	931 088	0.3	0.3	1,126	10.9
1,001–2,000	894 062	0.3	0.3	585	5.7
2,001–5,000	1 409 392	0.5	0.5	416	4.0
5,001–10,000	1 105 002	0.4	0.4	146	1.4
10,001–20,000	1 243 422	0.4	0.4	81	0.8
20,001–50,000	1 941 233	0.7	0.7	61	0.6
50,001–100,000	1 803 123	0.6	0.6	27	0.3
100,001–500,000	14 794 721	5.0	5.0	64	0.6
500,001–1,000,000	19 899 767	6.7	6.7	27	0.3
1,000,001–5,000,000	59 301 704	20.0	20.0	25	0.2
5,000,001–10,000,000	87 231 415	29.5	29.5	12	0.1
10,000,001–15,000,000	11 860 667	4.0	4.0	1	0.0
15,000,001–	62 957 755	21.3	21.3	3	0.0
Anonymous ownership	29 306 810	9.9	9.9		
Total	295 833 333	100.0	100.0	10,317	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, 2019.

SHARE PRICE DEVELOPMENT 2019



WHY INVEST IN DOMETIC

1

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

2

FAVORABLE MACRO AND CUSTOMER TRENDS SUPPORTING LONG-TERM GROWTH

3

LARGE AND PROFITABLE AFTERMARKET WITH GROWTH POTENTIAL

4

WELL-INVESTED BUSINESS WITH STRONG PROFITABILITY AND RETURNS

5

DIVERSIFICATION ACROSS GEOGRAPHIES, PRODUCTS AND CUSTOMERS ADDS RESILIENCE

6

GROWTH STRATEGY WITH LARGE UPSIDE POTENTIAL

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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, 2019.

Business and organization

The Company and subsidiaries jointly known as the Dometic Group ("Dometic", the "Group", the "Dometic Group") is a global market leader in branded solutions for Mobile Living in the areas of Food & Beverage, Climate, Power & Control and Other applications. Dometic provides products for use in recreational vehicles, pleasure boats, workboats, trucks, premium cars and for a variety of other uses. Dometic's focus is to create smart and reliable products with outstanding design.

Dometic operates 26 manufacturing and assembly sites in 11 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 7,200 (8,000) persons worldwide, and has its headquarters in Stockholm, Sweden.

Significant events in the fiscal year

Changes in Group Management

On June 11, 2019, it was announced that Stefan Fristedt (born 1966) was appointed CFO of Dometic, effective October 1, 2019. Stefan Fristedt succeeded Per-Arne Blomquist, who had decided to leave Dometic after five years as CFO.

EMTN (Euro Medium Term Note) bond 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 issue of a EUR 300 million bond under the program was made in September 2018. The second issue of a 2-year SEK 999 million bond was made in February 2019 and the third issue of a 7-year EUR 300 million bond was made in May 2019.

Class action complaint

Since September 2018 a single consolidated class action complaint had been pending in Florida. In July 2019, the district court in the Southern District of Florida denied class certification and dismissed the complaint. The plaintiffs have appealed the decision to the Eleventh Circuit Court of Appeals. Briefing in the appeal will take place in the first half of 2020, with a ruling expected in the end of 2020 or early 2021. Dometic remains firm in its position that the allegations in the case are without merit. Dometic reached an agreement with one of its insurers, pursuant to which this insurance company agreed to reimburse the Company for a certain portion of the legal costs related to the class action. In addition, Dometic prevailed on summary judgment against a different insurer, pursuant to which this other insurance company will reimburse the company for the remaining portion of the legal costs related to the class action.

Acquisitions and divestments

Dometic has not made any acquisitions or divestments during 2019.

Business, result and position at Dometic

During 2019, net sales growth increased by 1 percent, of which organic growth was –7 percent and operating margin (EBIT) before items comparability was 13.2 percent. Full-year growth was negatively impacted by continued challenging trading environments in the US and Pacific. Profitability was negatively impacted by lower volumes and US trade tariffs, more than offsetting positive effects from efficiency improvements and pricing. The acquisition of Kampa has proven successful with satisfying financial performance and an effective integration process during the year. A number of key activities were initiated to further improve 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 18,503 million (18,274), an increase of 1 percent, of which –7 percent was organic growth, 5 percent currency translation and 3 percent M&A.

The Americas, representing 50 percent of net sales in 2019, reported net sales of SEK 9,325 million (9,758). This corresponds to a net sales decrease of –4 percent, of which –11 percent was organic growth, 7 percent currency translation and 0 percent M&A.

EMEA, representing 40 percent of net sales in 2019, reported net sales of SEK 7,472 million (6,706). This corresponds to a net sales increase of 11 percent, of which 1 percent was organic growth, 3 percent currency translation and 7 percent M&A.

APAC, representing 9 percent of net sales in 2019, reported net sales of SEK 1,707 million (1,810). This corresponds to a net sales decrease of – 6 percent, of which –8 percent was organic growth, 2 percent currency translation and 0 percent M&A.

Operating profit

Operating profit (EBIT) totaled SEK 2,338 million (2,587). Operating profit (EBIT) before items affecting comparability amounted to SEK 2,435 million (2,679), representing a margin of 13.2 percent (14.7).

Americas operating profit (EBIT) was SEK 1,055 million (1,437); a decrease of –27 percent compared with last year. The EBIT margin was 11.3 percent (14.7). The gross impact from tariffs was SEK –258 million during 2019.

EMEA operating profit (EBIT) was SEK 926 million (756); an increase of 22 percent compared with last year. The EBIT margin was 12.4 percent (11.3).

APAC operating profit (EBIT) was SEK 357 million (394); a decrease of –9 percent compared with last year. The EBIT margin was 20.9 percent (21.8).

IFRS 16 Leases impacted operating profit (EBIT positively by SEK 6 million.

Operating profit before depreciation and amortization (EBITDA)

Operating profit before depreciation and amortization (EBITDA) totaled SEK 3,155 million (3,113). The EBITDA margin was 17.1 percent (17.0).

Items affecting comparability

Items affecting comparability totaled SEK –97 million (–92), of which SEK – 116 million relating to restructuring costs from the global restructuring program presented in the interim report for the third quarter. Since the announcement of the global restructuring program, two more production lines have been shifted from China to the new manufacturing site in Mexico, one manufacturing site in the Americas has been consolidated and the closure of two manufacturing sites in EMEA has been initiated. In total 10 sites and approximately 200 employees are affected.

Research and development

Research and development costs including capitalized spend of SEK 6.5 million amounted to SEK 395 million (350), or 2.1 percent (1.9) of net sales. The Product Development organization is responsible for product development in close

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cooperation with the sales, product management and production teams in the regions.

Financial items
Net financial expenses totaled SEK –508 million (–431), including SEK –434 million (–408) in interest on external bank loans, and SEK –19 million (–) for interest on leases as an effect of IFRS 16. Other FX (foreign currency) revaluations and other items amounted to SEK –68 million (–34) and financial income to SEK 14 million (11).

Taxes
Taxes totaled SEK –505 million (–580), corresponding to 28 percent (27) of profit before tax. The total effective tax rate is higher compared to 2018 mainly due to the BEAT tax rate ("Base Erosion Anti-avoidance Tax") in the US. In 2019, the BEAT tax rate was increased from 5 percent to 10 percent. Current tax amounted to SEK –591 million (–296) and deferred tax to SEK 86 million (– 284). Paid tax of 29 percent (15) is higher compared to the previous year, mainly due to the Group's tax-paying position in Canada and the US, but also due to payments of withholding tax on inter-company dividends as well as payment of capital gains tax on the sale of real estate in China in 2017, which had been postponed to 2019.

Profit for the year
Profit for the year was SEK 1,325 million (1,576).

Investments
Total investments in intangible and tangible fixed assets amounted to SEK 361 million (422). Investments in tangible fixed assets amounted to SEK 300 million (364) of which SEK 85 million (92) refers to machinery, equipment and tools, SEK 8 million (25) to buildings and SEK 207 million (247) to construction in progress and advance payments. Investments in intangible assets amounted to SEK 61 million (58).

Cash flow from financing and financial position
Cash flow from financing, including paid interest, amounted to SEK –1,043 million (–729). The cash flow includes net changes in borrowing of SEK 216 million (334), including issued Bonds under the EMTN program of SEK 4,136 million (3,077) in 2019.

Net paid interest/received interest amounted to SEK –361 million (–369), and other financing activities to SEK –96 million (–88). Payment of lease liabilities related to lease agreements (IFRS 16) amounted to SEK –166 million.

Interest-bearing liabilities, excluding pension provisions, amounted to SEK 12,288 million (11,610). The debts are expressed in EUR, USD and SEK.

Group cash and cash equivalents at year-end amounted to SEK 4,289 million (2,113), and including tax deposits of SEK 266 million (246), the total amounted to SEK 4,555 million (2,359) at year-end. In addition, the Group has unutilized loan facilities under the revolving credit facility of SEK 2,094 million (1,336), and unutilized local loan facilities of SEK 134 million (130). 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 2.4x (2.8x).

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 38 million (107) and SEK 32 million (108), 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 2019, the Parent Company Dometic Group AB (publ) had an operating profit of SEK 0 million (–5), including administrative expenses of SEK –185 million (–171) and other operating income of SEK 185 million (166), of which the full amount relates to income from subsidiaries.

Profit (loss) from financial items amounted to SEK –453 million (10), including interest income from subsidiaries of SEK 279 million (259), interest expenses to subsidiaries of SEK 0 million (0), result from shares in subsidiaries of SEK – million (528) and other financial expenses of SEK –732 million (–777).

Profit (loss) for the year amounted to SEK –54 million (517). The profit for 2018 mainly related 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 acquire and transfer 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.

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 and/or for the purpose of financing, corporate acquisitions in accordance with the following.

The Board of Directors also proposes that the annual shareholders' meeting authorizes the Board of Directors, for the period until the next annual shareholders' meeting, to transfer the company's own shares in a manner other than through Nasdaq Stockholm, as payment for, or to finance, corporate acquisitions and thus transfer shares with deviation from the shareholders' pre-emptive right.

Transfer shall be made at a price to be determined in close connection to the listed share price at the time of the transfer. Payment for the shares shall be made in cash, by capital contributed in kind or by set-off.

The authorization may be exercised on one or more occasions and covers all shares held by the company at each given time. The reason for the proposal and the reason why any transfer of shares may be made with deviation from the shareholders' pre-emptive right is to enable the financing of corporate acquisitions.

Authorization to issue new shares in Dometic Group AB (publ)
The Board of Directors proposes that the annual shareholders' meeting authorizes the board of directors to resolve, on one or several occasions until the next annual shareholders' meeting, to issue new shares in Dometic Group AB (publ) with or without deviation from the shareholders' pre-emptive right. Such resolution may provide for payment in cash, against set-off of claims or in kind. The number of shares that may be issued in total under the authorization shall be within the limits of the articles of association and shall not exceed ten (10) % of the total number of shares in the company at the time of the Board's resolution to issue new shares.

The purpose of the authorization, and the reasons for any deviation from the shareholders' pre-emptive right, is to enable payment through the issuance of own shares in connection with potential corporate acquisitions as well as to raise capital in order to finance such acquisitions. The issue price shall be determined in accordance with prevailing market conditions.

Significant events after the reporting period
On February 11, 2020 Dometic announced the implementation of a new organizational structure to generate additional focus and performance. The new struc-

ture will be formed around four Sectors, in contrast to three previous regions: the Americas Sector, EMEA Sector, APAC Sector and Global Sector. The Sectors will be the highest responsible operational entities reporting to the Group. The new organizational structure will be effective as from April 1, 2020 and will be reflected in Dometic's report for the second quarter of 2020.
The following divisions are included in the new Sector organization:

- Americas Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor.
- EMEA Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor.
- APAC Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor.
- Global Sector: Marine and other vehicles.

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

Future development

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 does not provide a business outlook for the year.

The Group's medium to long-term financial targets

Dometic's Board of Directors adopted in 2019 the following medium to long-term financial targets over the cycle:

- Net sales growth of 10 percent, including organic growth and M&A.
- Reported operating profit (EBIT) margin before items affecting comparability of 16–17 percent.
- Net debt/EBITDA around 2x.
- 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 7,257 (7,991).

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 2020 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 2021 annual shareholders' meeting.[1] Compared to the guidelines adopted by the annual shareholders' meeting in 2019 these guidelines have been updated to comply with new regulations on remuneration.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In short, the common ground for the company's business strategy and for all activities is found in the global strategy. By defining the way forward through well-defined toolboxes within the areas of profitable expansion, product leadership and cost reductions, we are leveraging our full strengths as a global company and industrializing Dometic whilst maintaining our successful entrepreneurial approach. For more information regarding the company's business strategy, please see https://www.dometic.com/en/se/about-us/our-company/strategy.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

[1] The 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.

Total Remuneration

The total remuneration shall be based on the position held, individual performance, performance of the 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.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, considering, to the extent possible, the overall purpose of these guidelines

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 which can be financial or non-financial. The performance targets shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy, or promote the executive's long-term development. The short-term variable remuneration shall be linked mainly to financial parameters such as EBIT, cash conversion etc. Non-financial parameters can occur. The weighting of the different parameters can vary between 10–60 percent. 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 amount to a maximum of 30–50 percent of the annual base salary, according to individual agreements.

To which extent the criteria for awarding short-term variable cash remuneration have been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation. For financial targets, the evaluation shall be based on the latest financial information made public by the company, with any adjustments considered appropriate by the Remuneration Committee and Board of Directors.

Long-term Incentive Programs

In addition to base salary and short-term variable cash remuneration, 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. Long-term incentive programs shall be cash-based and linked to the development of earnings per share. The total remuneration during the three-year measurement period may amount to a maximum of 100 percent of the participant's annual base salary at the time of the implementation of the program. Alternatively, long-term incentive programs shall be share- or share-price-related and 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 pension and the benefits shall be in line with market practice in the country and the pension premiums for premium-based pension shall not exceed 40 percent of the annual base salary for the CEO and 35 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. Variable salary components shall not qualify for pension benefits, save for situations when the rules in a general pension plan are applicable (for example the Swedish ITP plan).

Other Benefits

Other benefits, such as company car, medical or health insurance, housing or travel benefits 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.

Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual base salary.

Notice of Termination and Severance Pay

Upon termination of employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not, in total, exceed an amount corresponding to the fixed cash salary for two years. When termination is made by the executive, the notice period may not exceed six months, without any right to severance pay.

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.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, the salary and employment conditions for employees of the company have been taken into account by the inclusion of information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

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

Under special circumstances and if it is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability, the Board of Directors may, in whole or in part, in an individual case deviate from these guidelines for remuneration. In case of such deviation, the next annual shareholders' meeting shall be informed of the reasons.

As regards the guidelines for remuneration adopted by the 2019 annual shareholders' meeting, the Board of Directors has exercised its mandate given by the annual shareholders' meeting to deviate from the guidelines in connection with the recruitment of a new CFO. It was agreed to compensate the new CFO for lost STI from the previous employment with a maximum amount of SEK 1,300,000. The final amount to be paid out in accordance therewith has been determined to SEK 1,276,136.

Sustainability and environmental impact

Sustainability

For more information on the Dometic Group and sustainability, read the full sustainability report on pages 44–59 in the Annual Report 2019. For information on subsidiaries in the Group, see note 26.

Environmental impact

Dometic undertakes production at some 26 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, Lodging and Retail.

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.

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, 2019 the number of shareholders amounted to 10,322 according to the share register kept by Euroclear Sweden AB. Of the total share capital, 45.4 percent was owned by Swedish institutions and mutual funds. 3.4 percent was held by Swedish private investors and the remaining 51.2 percent was held by foreign and non-disclosed owners. Alecta Pension Insurance is the largest shareholder, holding 7.7 percent of the share capital and 7.7 percent of the voting rights. SEB Funds is the second largest owner, holding 7.1 percent of the share capital and 7.1 percent of the voting rights. The ten largest shareholders accounted for approximately 43.1 percent of the share capital and 43.1 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	10,118,647
Profit for the year	–53,147
Total	**10,065,500**

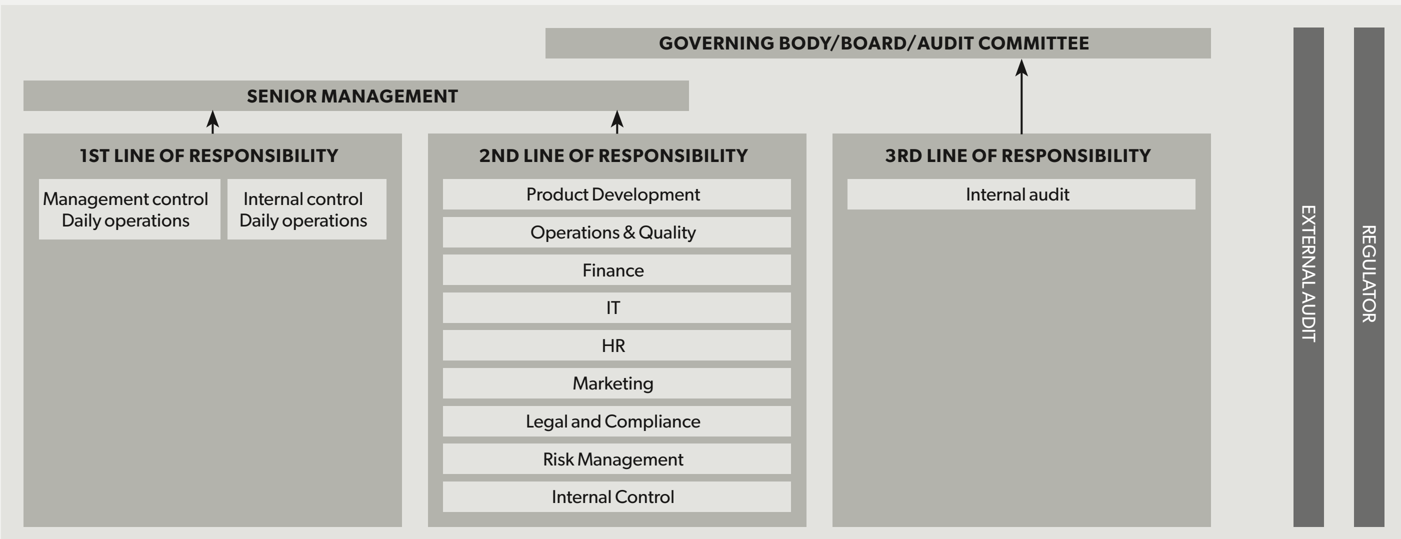
The Board of Directors proposes that earnings be distributed as follows:

A dividend to the shareholders of SEK 2.20 per share, totaling	650,833
To be carried forward	9,414,667
Total	**10,065,500**

RISK AND RISK MANAGEMENT

Risks are part of any business and as a global Group with production and distribution all over the world Dometic faces risks that can impact its ability to achieve established strategic and other objectives, including financial targets. Effective risk management of strategic, execution, compliance & regulatory and reporting risks creates opportunities and effective risk mitigation.

Three lines of responsibility model

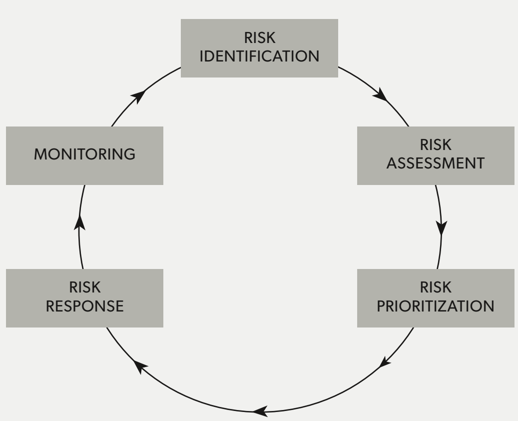


The key to effective risk management is identifying known risks and preparing for any unknown risks to which the Group is exposed. While mitigating risks usually comes at a cost, effective risk management adds value by establishing clear risk and process ownership combined with risk identification, assessment, prioritization and risk response i.e. risk mitigating actions as well as effective 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 and supporting management and the business operations with a risk framework including a risk management process and a risk universe for identification, assessment, and prioritization of risks, and for providing risk response i.e. risk mitigating actions as well as effective monitoring.

Risk management process



During the year, the risk framework was updated to increase the focus on strategic risks and to improve alignment with the Group strategic objectives and strategy toolbox for execution. Each defined tool in the strategy toolbox represents both risks and opportunities that, correctly managed, help the Group deliver on its strategy.

Risks in the risk framework and especially the strategic risks are connected to the objectives defined for each of the three pillars in the Group strategy, which are: Profitable Expansion in Mobile Living, Product Leadership through Innovation and Continuous Cost Reductions.

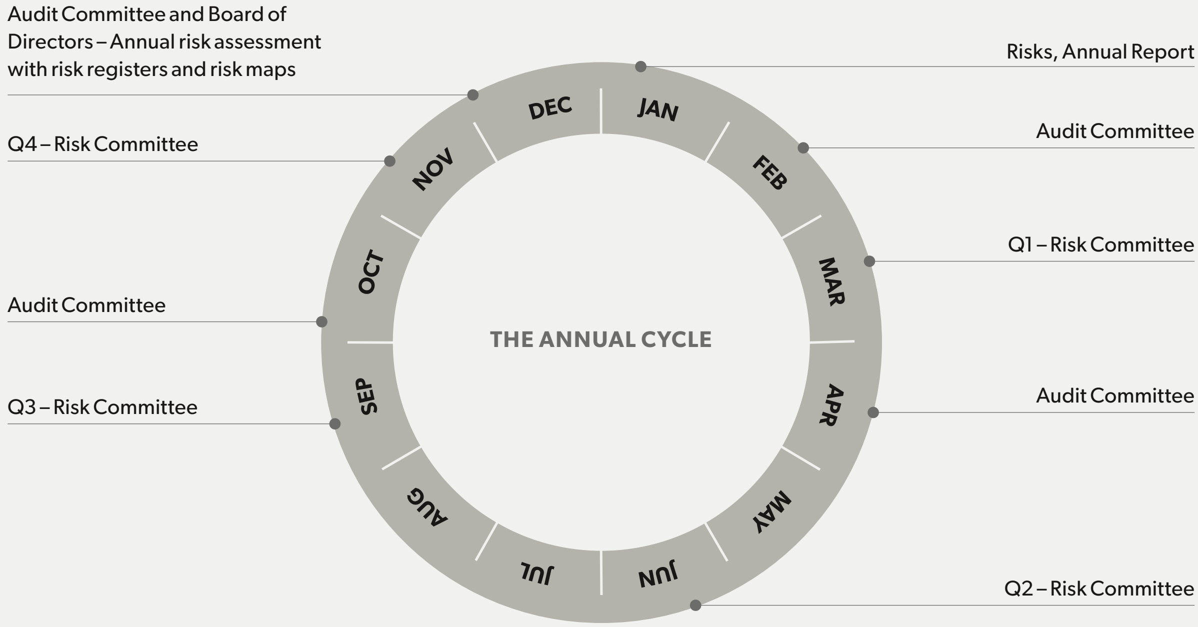
The Profitable Expansion in Mobile Living pillar contains branding, marketing, segmentation and commercial specialization, channel management, e-commerce, pricing as well as acquisitions. The pillar Product Leadership through Innovation includes voice of the customer, product management, robust common tools and processes, product development process, global approach with centers of excellence, modularity through platforms as well as quality from start. The Continuous Cost Reductions pillar comprises complexity reduction, manufacturing footprint optimization, sourcing excellence, lean excellence, automation wherever possible, logistics and warehousing excellence as well as digitalization.

The Risk Committee, which from 2019 comprises the members of Group management, held four quarterly meetings in connection with Group management meetings, during which significant time was dedicated to risk identification, risk assessment and discussion around risk response i.e. risk mitigating actions.

Strategic risks are since 2019 primarily assessed via a top-down approach by Group management, while execution, compliance & regulatory and reporting risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by regional risk and process owners. The Risk Committee discusses and makes decisions on risk mitigating actions and the

THE ANNUAL CYCLE

The Risk Management process annual cycle.



The Risk Committee comprising the members of Group management meets quarterly and the work of the Risk Committee is regularly reported to the Audit Committee and annually to the Board of Directors including the annual risk assessment with risk registers and risk maps

members of Group management act as global risk and process owners as applicable. The work of the Risk Committee is regularly reported to the Audit Committee and annually to the Board of Directors.

With strategic, execution, compliance & regulatory and reporting risks identified and assessed annually in the fourth quarter, the results thereof in terms of an annual risk assessment with risk registers and risk maps help raise risk awareness and support management and the business operations at different levels of the organization in prioritization of risk mitigating actions. The annual risk assessment, including risk registers and risk maps, also serves as a foundation for the Group's control functions, such as Internal Control and Internal Audit, for their prioritization of focus areas.

Risk response i.e. risk mitigating actions could include avoiding the risk, reducing the risk, sharing the risk or accepting the risk. Monitoring is executed in the daily business operations and more formally at the quarterly Risk Committee meetings as well as at the Audit Committee and Board of Directors' meetings respectively.

Risk universe

The risk framework includes a universe of risks that can impact Dometic's ability to achieve established strategic and other objectives including financial targets. The risks to which Dometic is exposed are classified into four main categories: strategic, execution, compliance & regulatory and reporting risks. Each main category has subcategories with defined underlying risks. Sustainability risks are integrated in the main categories and subcategories. Risks are mapped to strategic and other objectives including financial targets. Risk ownership is identified for each risk in the risk universe.

Strategic risks

Strategic risks can impact Dometic's ability to achieve strategic objectives including financial targets. Strategic risks are divided into the following subcategories:

- Market and sales risks
- Product risks
- Manufacturing, distribution and sourcing risks
- Organizational risks
- External risk factors

Strategic risks are primarily assessed via a top-down approach by Group management and strategic risk maps are used e.g. when evaluating the Group's options and strategic position.

Examples of market and sales risks are customer dependency, cyclicality, seasonality and segment dependency, market trends, channel conflicts, e-commerce, brand and reputation and M&A opportunities and prioritization. Examples of product risks are product prioritization, technology disruption, and product life cycle management. There are also manufacturing, distribution and sourcing risks and within organizational risks there are competence management and leadership risks. External risk factors could be political, climate change, weather-related, hazards and risks related to compensation and external crime. Political risks could be tariffs or other trade barriers caused by political decisions.

Execution risks

Execution risks are operational, commercial and financial risks associated with business operations. Execution risks are divided into the following subcategories:

- Financial risks
- Product-related risks
- Sales, sourcing/suppliers, distribution, manufacturing risks
- Organizational risks
- Corporate Governance risks
- Information and IT risks
- Asset risks

Execution risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by Regional management and execution risk maps are used by business operations to support in business evaluations and decisions.

Execution risks can impact the business operations' ability to reach established objectives. Execution risks are mitigated by implementing clear process ownership, governing documents, by effective internal control activities, quality programs, whistle-blower system, insurance programs and proper crisis management as well as by reducing environmental impact and improving energy efficiency.

Examples of financial risks are credit, liquidity and financing, impairment, tax, interest rate and currency risks. Examples of product-related risks are inefficient introduction of new products, reactions to product quality issues, product safety and liability, environmental and business disruption risks. Examples of risk related to sales, sourcing/suppliers, distribution, manufacturing risks are price control, customer/supplier contracts, suppliers and supply chain, manufacturing of existing products, distribution and environmental risks. Examples of organizational risks are employee health and safety, working conditions, ability to attract, hire, retain competence and personnel, change management, M&A integration and security risks. Examples of corporate governance risks are ineffective organization, process ownership, internal processes and governing documents, digitalization, internal corruption, fraud and misconduct risks. Examples of Information and IT risks are Information Security, IT operations, IT security, cybercrime and social media risks. Examples of asset risks are material assets, inventory and immaterial assets risks. For more information on financial risks and risk management, see Note 3 financial risk management and financial instruments on page 96.

Compliance & Regulatory risks

Compliance & Regulatory risks are both internal compliance to governing documents as well as external compliance to laws, rules and regulations. Compliance & Regulatory risks are divided into the following subcategories:

- Laws and regulations risks
- Other compliance and regulatory risks

Compliance & Regulatory risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by Regional management and compliance & regulatory risk maps are used to support business evaluations and decisions.

Dometic is subject to stringent environmental and other regulatory requirements, which can result in additional cost for the Group 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, rules and regulations, the discovery of previously unknown contamination, or the imposition of new or increased regulatory requirements could affect the Group's operational profit and quality of financial reporting. Internal compliance risks are mitigated by active dialogue, intranet publications and training of employees, annual assessments of governing documents by Compliance and by Group Internal Control. External compliance risks are mitigated by active review by the global Quality function and continuous dialogue between regional entities and Group functions, such as the Legal, HR, Finance and Tax.

Laws and regulations risks may be related to global, regional or local laws, rules and regulations. Examples of other compliance and regulatory risks are other specific industry or market requirements as well as dispute and litigation risks.

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.

Reporting risks

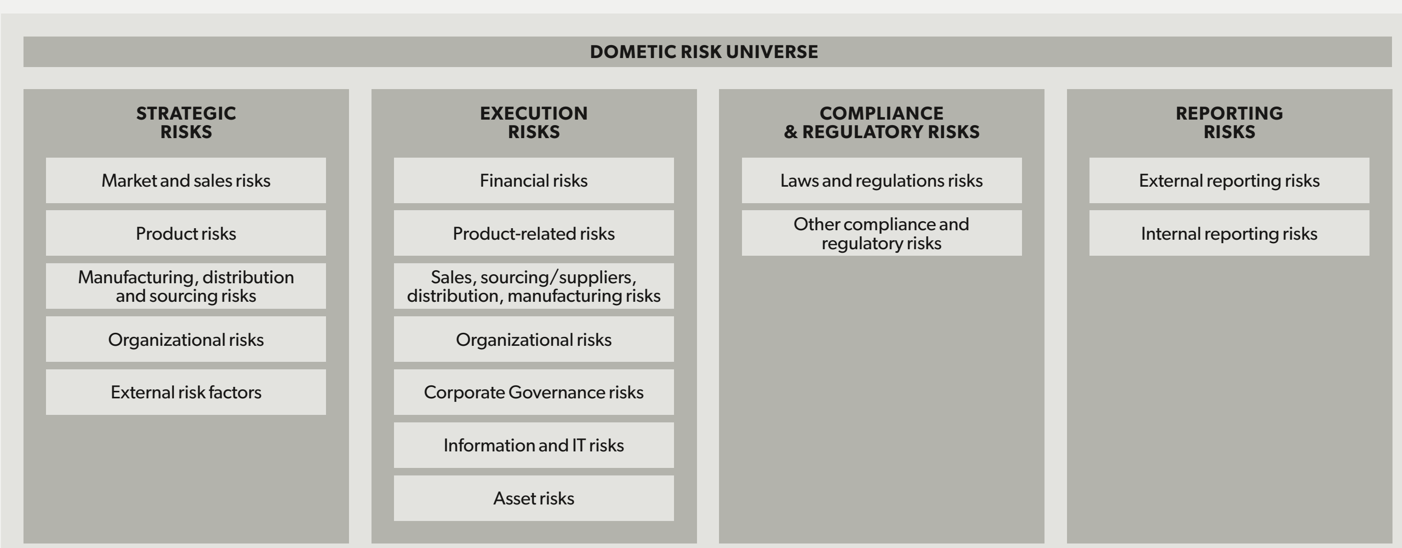
Reporting risks are risks associated with Dometic's reporting, information and communication, both financial and non-financial. Reporting risks are divided into the following subcategories:

- External reporting risks
- Internal reporting risks

Reporting risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by Regional management and risk maps are used in the assessment. External reporting is supported by e.g. an Information Policy approved by the Board of Directors, and internal reporting is supported by other governing documents.

Examples of external reporting risks are related to external reporting, communication and information both financial, such as Interim reports, Full-year reports and Annual reports, and non-financial. Examples of internal reporting risks are related to internal reporting, communication and information, both financial and non-financial, including decision supporting material and monitoring supporting material.

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.



CORPORATE GOVERNANCE REPORT

Dometic is a global market leader in branded solutions for Mobile Living in the areas of Food & Beverage, Climate, Power & Control and Other applications. Dometic is organized into three regions: the Americas, EMEA and APAC, providing products for use in recreational vehicles, pleasure and work boats, trucks, premium cars and for a variety of other uses. Our motivation is to create smart and reliable products with outstanding design. We have a global distribution and dealer network in place to serve the aftermarket. In 2019, Dometic had net sales of more than SEK 18.5 billion and approximately 7,200 employees worldwide.

The parent company of the Dometic group of companies ("Dometic", "the Group", "the Dometic 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 to implement 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 and the Group 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 2019. 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 2019.

Highlights 2019

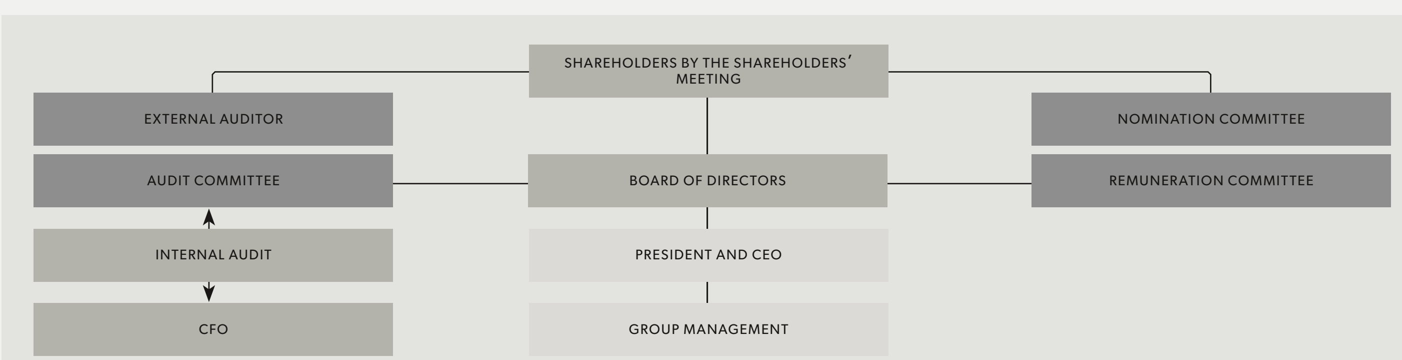
Re-election of Fredrik Cappelen as the Chairman of the Board. CFO shift. Per-Arne Blomquist, CFO and Deputy CEO, decided to leave his position. Stefan Fristedt, Executive Vice President and Chief Financial Officer at Mölnlycke Healthcare, was appointed as new CFO of Dometic as of October 1, 2019.

Applicable laws, rules and regulations, examples	Internal regulations in terms of Dometic's governing documents, examples
• Swedish Companies Act	• Articles of Association
• Swedish Annual Accounts Act	• Rules of Procedure for the Board of Directors
• Rule Book for Issuers at Nasdaq Stockholm	• Instructions for the CEO
• Swedish Corporate Governance Code.	• 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 Policy (incl. Tax Policy, Treasury Policy and Credit Policy)
	• Information Policy
	• Insider Policy
	• Internal Audit Policy
	• Dividend Policy
	• Privacy Policy
	• IT Policy
	• Finance Manual
	• 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 the Group and the results for the past year. The annual shareholders' meeting of the Company is held in Stockholm, Sweden, usually in April or May.

Dometic's corporate governance structure



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 share or share-price related incentive programs.
- Election of Board members, Chairman of the Board and external auditor.
- Remuneration to Board members, Chairman of the Board and external auditor.
- Other important matters, such as acquisition 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, www.dometic.com. 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.

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 2019

The 2019 annual shareholders' meeting of the Company was held at Hotel At Six in Stockholm, Sweden, on April 9, 2019. 282 shareholders representing a total of 45.0 percent of the votes were represented at the meeting. The CEO's speech was recorded and is available on the Group's website, www.dometic.com together with the minutes.

Decisions at the 2019 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 2.15 per share for fiscal year 2018. The record date for the dividend was set for April 11, 2019. The dividend was paid out to shareholders on April 16, 2019.
- 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, the Chairman of the Board 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 the Company's shares.

Annual Shareholders' Meeting 2020

The 2020 annual shareholders' meeting of the Company will be held on Tuesday, April 7, 2020, at Hotel At Six, Brunkebergstorg 6, SE-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 2019 annual shareholders' meeting resolved to adopt the following principles for the appointment and work of the Nomination Committee for the 2020 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 ownership in the Company 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 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, www.dometic.com 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 and Chairman of the Board.
- 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 no later than on the date of the notice 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 2019 Annual Shareholders' Meeting

The Nomination Committee for the 2019 annual shareholders' meeting comprised four members. Joachim Spetz (Swedbank Robur funds) was the Chairman of the Nomination Committee.

For the proposal for the 2019 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 2019 annual shareholders' meeting, two out of seven Board members are women.

Nomination Committee for the 2020 Annual Shareholders' Meeting

The Nomination Committee for the 2020 annual shareholders' meeting is based on the ownership in the Company as of August 31, 2019. The composition of the Nomination Committee was announced on the Group's website, www.dometic.com on October 7, 2019, i.e. six months before the 2020 annual shareholders' meeting, in accordance with the Code's announcement requirement.

The Nomination Committee's members are: Ramsay Brufer (Alecta), Joachim Spetz (Swedbank Robur funds), Hans Ek (SEB funds) and Fredrik Cappelen, Chairman of the Board. Ramsay Brufer is the Chairman of the Nomination Committee.

Nomination Committee

Name	Appointed by	Percentage of votes, August 31, 2019
Ramsay Brufer	Alecta	7.3%
Joachim Spetz	Swedbank Robur funds	5.7%
Hans Ek	SEB funds	5.3%
Fredrik Cappelen	Chairman of the Board	0.31%

The Board of Directors

The Board has the overall responsibility for the Company's and the Group's organization and administration by continuously monitoring the operations, ensuring an appropriate organization, management, governing documents and internal control. The Board establishes objectives 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 and the Group'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 2019 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 2019 annual shareholders' meeting resolved to appoint the Board members in accordance with the Nomination Committee's proposal. After the election at the 2019 annual shareholders' meeting, two out of seven Board members are women (28.6 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 2020 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 in order to ensure continuity in the Board's work. 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:

- Objectives and strategies.
- Appointing, evaluating, and, if necessary, dismissing the CEO.
- Identifying how sustainability issues impact business risks and opportunities.
- Internal governing documents, as applicable.
- Ensuring that there is an appropriate system of internal controls and risk management to follow-up the Group's 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.
- Evaluating the work of the CEO continuously.
- Matters that according to the Instructions for the CEO fall outside of the scope of the CEO's day-to-day management.

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 and effectively.
- Ensure that the Board discharges its duties.

- Ensure the efficient and effective functioning of the Board including necessary introductory training 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 reports and Annual reports, in connection with visits to the Group manufacturing facilities and coordinated with the most important processes of the Group, such as strategy, budget and risk. Furthermore, extraordinary Board meetings may be held when necessary by telephone, video conferences, or per capsulam.

The Board's Work in 2019

During the year, the Board held 14 meetings, including statutory, ordinary, extraordinary including 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 Group General Counsel serves as secretary at the Board meetings.

Each scheduled ordinary 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 2019 included:
- Organizational changes, including recruitment of new CFO
- Strategy implementation
- Restructuring program
- Cost reduction activities
- Growth opportunities, including M&A projects

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 reports and the Annual reports, 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 78.

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 regards 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 2019 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 and the Group. 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 2019. For an overview of remuneration to Board members please see the table below.

Remuneration to the Board 2018 and 2019 (applicable from the respective annual shareholders' meeting)

SEK	2019	2018
Chairman of the Board	900,000	850,000
Board member	420,000	400,000
Chairman of the Audit Committee	120,000	100,000
Member of the Audit Committee	65,000	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 respectively. 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 in accordance with laws, rules and regulations as well as internal governing documents. As of the 2019 annual shareholders' meeting, the Audit Committee comprises three members: Magnus Yngen (Chairman), Jacqueline Hoogerbrugge and Heléne Vibbleus. The Audit Committee meets all the requirements including accounting and auditing competence as stipulated in the Swedish Companies Act, as well as the requirements for independence as stipulated in the Code as from January 1, 2020.

At least four (4) meetings are held annually. Additional meetings are held as needed. In 2019, the Audit Committee held six (6) 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 Group 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 2019, 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 following 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. Furthermore, 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 2019 annual shareholders' meeting, the Remuneration Committee comprises three members: Erik Olsson (Chairman), Fredrik Cappelen and Rainer Schmückle. At least three (3) meetings are held annually. Additional meetings are held as needed.

In 2019 the Remuneration Committee held seven (7) 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 2019 annual shareholders' meeting as well as preparation of a proposal for the remuneration to the new CFO. 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 regards 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 the 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 (not monthly), 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 2019 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. Mr. 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 687,648 shares in the Company as of December 31, 2019. Mr. Vargues is also a member of the Board of Munters Group AB. 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 2019

On June 11, 2019, it was announced that Stefan Fristedt (born 1966) was appointed CFO of Dometic, effective as of October 1, 2019. Stefan Fristedt succeeded Per-Arne Blomquist, who had decided to leave Dometic after 5 years as CFO.

Remuneration for the CEO and Group Management

Guidelines for remuneration for the CEO and 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, performance of the Group, and be competitive in the country of employment.

Remuneration may comprise:

- Base salary.
- Variable salary.
- Long-term incentive programs.
- Pensions and other benefits.

Members of 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.

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 the Group's development, be implemented on market terms and have a term of no less than three years. Share or share price related incentive programs shall be approved by the shareholders' meeting.

Under special circumstances, the Board may in an individual case deviate from the guidelines for remuneration for the CEO and the 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 the Group management can be found on the Group's website, www.dometic.com.

External Auditor

The 2019 annual shareholders' meeting re-elected PricewaterhouseCoopers AB (PwC) as the Company's external auditor for a one-year period until the 2020 annual shareholders' meeting. Authorized Public Accountant Anna Rosendal is the auditor in charge of the Company.

The external auditor provides an opinion on the annual accounts and consolidated accounts of Dometic Group AB (publ), on the administration of the Board of Directors and the Managing Director of Dometic Group AB (publ) and on the proposed appropriation of the Company's profit or loss. Based on that the external auditor recommends the annual shareholders' meeting on adoption of the income statement and balance sheet for the parent company and the Group, appropriation of the Company's profit or loss, and on the discharge from liability for the financial year for the individual Board members and the Managing Director. In addition, the external auditor provides a review report on the Interim report for the third quarter.

Pursuant to the decision of the 2019 annual shareholders' meeting, the external auditor's fee until the 2020 annual shareholders' meeting is paid in accordance with approved invoices within the external auditors' quotation.

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

The external audit is conducted in accordance with the 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 are, exemplified on page 72 insofar as they concern the financial reporting, are updated at least once per year and mainly communicated via the Dometic 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 describes 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 & 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 accurate, reliable and relevant 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 overall 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 the financial situation, Code of Conduct, Finance Policy, Information Policy, Insider Policy, Internal Audit Policy, IT Policy, Finance Manual, 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 constitutes an important role by providing and supporting management and the business operations with a risk framework including a risk management process and a risk universe for identification, assessment, and prioritization of risks, and for providing risk response i.e. risk mitigating actions as well as effective monitoring, including risks related to financial reporting.

During the year, the risk framework was updated to increase the focus on strategic risks and to improve alignment with the Group strategic objectives and strategy toolbox for execution. Each defined tool in the strategy toolbox represents both risks and opportunities that, correctly managed help the Group deliver on its strategy.

The risk framework includes a universe of risks that can impact Dometic's ability to achieve established strategic and other objectives including financial targets as well as to achieve objectives with financial reporting. The risks to which Dometic is exposed are classified into four main categories: strategic, execution, compliance & regulatory and reporting risks. Each main category has subcategories with defined underlying risks. Risks are mapped to strategic and other objectives including financial targets as well as to objectives with financial reporting. Risk ownership is identified for each risk in the risk universe. Risk categories relevant for financial reporting are compliance & regulatory and reporting risks.

Compliance & Regulatory risks are both internal compliance to governing documents related to financial reporting e.g. Finance Policy Information Policy, IT Policy, Finance Manual, Processes for Internal control and risk management as well as Minimum Internal Control Requirements (MICR), as well as external compliance to laws, rules and regulations related to financial reporting e.g. accounting standards. Compliance & Regulatory risks are divided into the following subcategories:

- Laws and regulations risks
- Other compliance and regulatory risks

Compliance & Regulatory risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by Regional management and compliance & regulatory risk maps are used to support in business evaluations and decisions.

Reporting risks are risks associated with Dometic's reporting, information and communication, both financial and non-financial. Reporting risks are divided into the following subcategories:

- External reporting risks
- Internal reporting risks

Reporting risks are primarily assessed via a top-down approach by Group management as well as via a bottom-up approach by Regional management and risk maps are used in the assessment. External reporting is supported by e.g. an Information Policy approved by the Board, and both external and internal financial reporting are supported by e.g. the Finance Policy, Information Policy, IT Policy, Finance Manual, Processes for Internal control and risk management as well as Minimum Internal Control Requirements (MICR).

Examples of external reporting risks are related to external reporting, communication and information both financial, such as Interim reports, Full-year reports and Annual reports, and non-financial. Examples of internal reporting risks are related to internal reporting, communication and information, both financial and non-financial, including material that supports decisions and monitoring.

Risk response i.e. risk mitigating actions could include avoiding the risk, reducing the risk, sharing the risk or accepting the risk. Examples of risk responses for financial reporting in addition to the internal governing documents mentioned above are the risk framework, whistle-blower system, and insurance programs.

The Risk Committee, which from 2019 comprises the members of Group management, held four quarterly meetings in connection with Group management meetings, during which significant time was dedicated to risk identification, risk assessment and discussion around risk response i.e. risk mitigating actions.

The work of the Risk Committee is regularly reported to the Audit Committee and annually to the Board.

With strategic, execution, compliance & regulatory and reporting risks identified and assessed annually in the fourth quarter, the results thereof in terms of an annual risk assessment with risk registers and risks maps help raise risk awareness and support management and the business operations at different levels of the organization in prioritization of risk mitigating actions. The annual risk assessment, including risk registers and risk maps, also serves as a foundation for the Group's control functions, such as Internal Control and Internal Audit, for their prioritization of focus areas. Read more about Dometic's Risk and Risk management on pages 69–71.

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 financial reporting that are stipulated in the Finance Manual. This financial 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 seven key processes (entity level controls, purchase to pay, inventory, order to cash, payroll, fixed assets and financial closing). The MICR internal control framework was developed and implemented in 2016 and further developed in 2017–2019. MICR self-assessments are conducted on the legal 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.

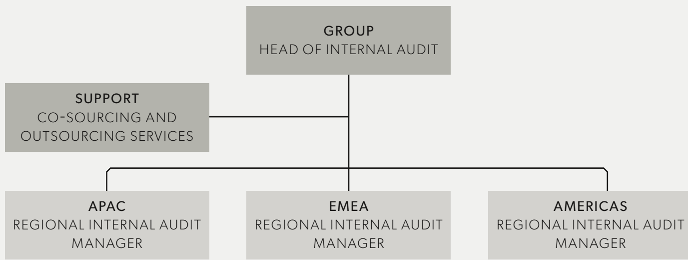
Information and Communication

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

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 has used InsiderLog, a digital tool, to ensure that the above persons meet 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 the 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.

Dometic's internal audit organization



Internal Information and Communication

The internal governing documents relevant to internal control over financial reporting are e.g. the Finance Policy, Information Policy, IT Policy, Finance Manual, 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 reports 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 Committee meetings that are submitted to the Board. Internal financial reports for monitoring of performance and for decision support are submitted to Group management and the Board on a regular basis.

External Information and Communication

Dometic aims to provide 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

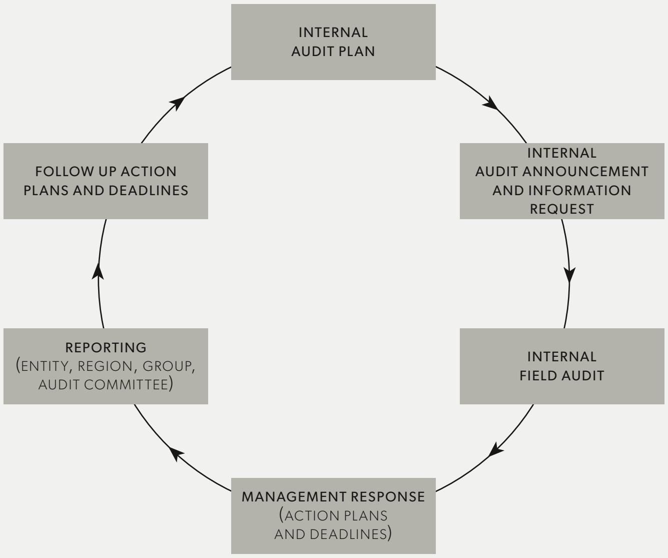
Ongoing evaluations, separate evaluations and some combinations of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations are performed by the Board, the Audit Committee and management at different levels of the Group, and 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 internal governing documents for efficient and effective operations and internal control.

Internal audit process



The Minimum Internal Control Requirements (MICR) internal control framework was developed and implemented 2016 under the leadership of the Internal Control function. The MICR internal control 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 risks and preventing losses and increase efficiency and effectiveness of internal control over financial reporting. The MICR internal control framework includes a systematic self-assessment of the MICRs. The MICR internal control framework is evaluated and adjusted annually and has been updated following the Group's expansion to ensure it is suited for the Group's current needs. Identification of key controls and target classification were initiated during 2018 to enable efficient focus on prioritized processes. During 2019 this work continued with the aim of taking a more risk-based approach and working even more efficiently.

Internal Audit

Internal Audit is an independent and objective, assurance and advisory function 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. 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 management as an independent Business Advisor.

The scope of Internal Audit includes all business 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 annual risk assessment results described under section Risk and Risk Management on pages 69–71. 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, 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 Group 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

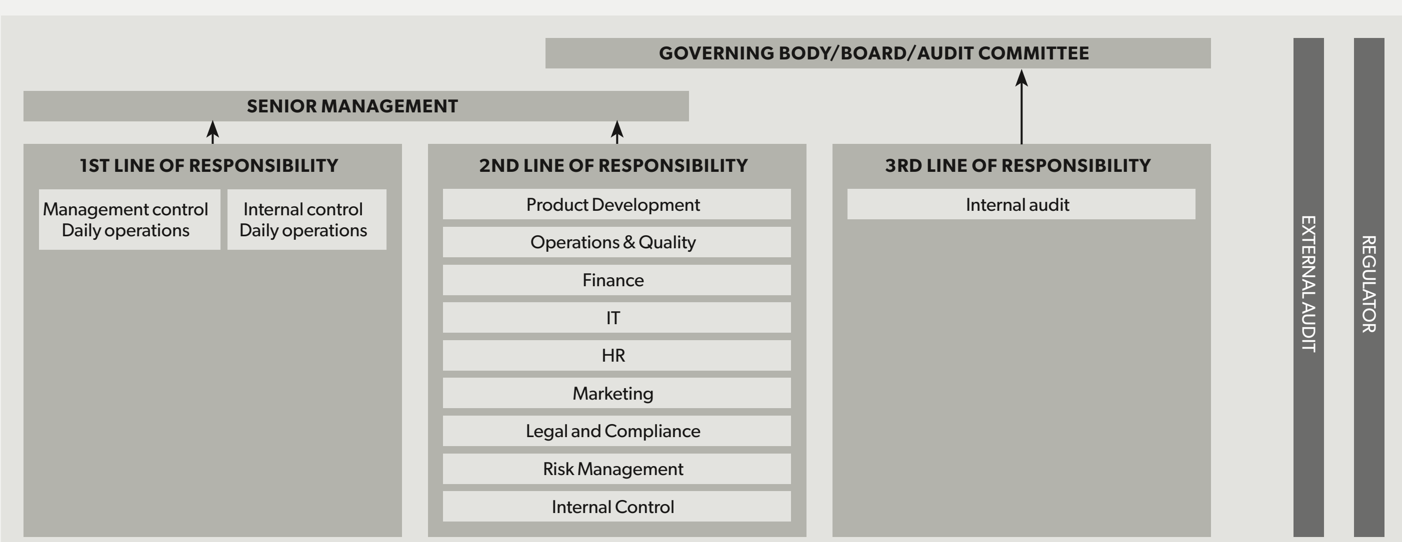
The Internal Audit function reviews and updates its internal audit plans every year, based on the annual risk assessment described under section Risk and Risk Management on pages 69–71. Regional annual internal audit plans, with input from Group management and regional management to capture business needs, are used to secure internal audit targeting. Internal audit plans are presented annually by the Head of Internal Audit to the Audit Committee for approval.

Since 2017 internal audits are conducted based on a defined internal audit process resulting in formal internal audit reports and following up agreed actions. In 2018 internal audit plans were referenced to risk maps, as the result of annual risk assessments. During 2019 data analytics was used as a method of testing in selected internal audits, to increase coverage and testing efficiency.

After internal audit announcement and information requests are communicated, internal audit field work is conducted followed by an internal audit report distributed to different levels and legal entities of the organization both at regional and Group levels as applicable, along with a report to the Audit Committee.

Agreed actions are followed up to verify their status in response to the internal audit recommendations.

Three lines of responsibility model



THE BOARD OF DIRECTORS



Board of Directors	Fredrik Cappelen	Heléne Vibbleus	Erik Olsson
	Chairman since 2013. Born 1957. Sweden. M.Sc. in Economics from Uppsala University. Studies in political science at Uppsala University. Member of the Remuneration Committee.	Board member since 2017. Born 1958. Sweden. B.Sc. in Business Administration and Economics from Linköping University. Member of the Audit Committee.	Board member since 2015. Born 1962. Sweden. B.Sc. in Business Administration and Economics, Gothenburg School of Business, Economics and Law. Chairman of the Remuneration Committee.
Position and Board membership[1)]	Chairman of the board of directors of Transcom WorldWide AB, Eterna Invest AB and KonfiDents GmbH (Germany). Member of the board of directors 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.	The Chairman of Mobile Mini, Inc. Member of the board of directors of Ritchie Bros. Auctioneers, Inc. and of the non-profit organization St Mary's Food Bank Alliance.
Previous positions	Chairman of the board of directors of Dustin Group AB, Byggmax Group AB, Granngården AB, Svedbergs AB, Sanitec Oy and Terveystalo Oy. Deputy chairman of the board of directors of Munksjö AB. Member of the board of directors of Carnegie Investment Bank AB and Cramo Oy. CEO and President of Nobia AB. CEO and member of the Group management of STORA Building-products AB. Vice President Marketing and Sales and member of Group management of STORA Finepaper AB. CEO of Kauko GmbH and Kauko International.	Member of the board of directors of Trelleborg AB, TradeDoubler AB, Marine Harvest ASA (Norway), Renewable Energy Corporation ASA (Norway), Orio AB, Swedbank Sjuhärad AB and Tyréns AB. Deputy chairman of the board of directors of Swedish International Development Cooperation Agency (SIDA). Chairman of the board of directors of Nordic Growth Market NGM AB and of Invisio Communications AB. Chief Audit Executive, CAE of Elekta AB. Senior Vice President Group Controller of AB Electrolux. Partner and member of the board of directors of PricewaterhouseCoopers, Sweden.	CEO and member of the board of directors of Mobile Mini Inc. CEO and member of the board of directors of RSC Holdings, Inc. Various senior positions in the United States, Brazil, and Sweden with the Atlas Copco Group.
Board meeting attendance	14/14	14/14	13/14
Remuneration Committee attendance	4/5		5/5
Audit Committee attendance		6/6	
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, 2019.
2) Holdings in Dometic Group AB (publ) as of December 31, 2019.
3) Through legal entity.
4) For further information about the independence assessment, see page 74.
5) Member of the Committee until the 2019 annual shareholders' meeting in April 2019.

			
Jacqueline Hoogerbrugge	**Peter Sjölander**	**Magnus Yngen**	**Rainer Schmückle**
Board member since 2017. Born 1963. The Netherlands. M.Sc. in Chemical Engineering from Rijks Universiteit Groningen. Member of the Audit Committee.	Board member since 2017. Born 1959. Sweden. M.Sc. in Economics from Gothenburg University.	Board member since 2011 Born 1958. Sweden. M.Sc. and Licentiate of Technology from the Royal Institute of Technology in Stockholm. Chairman of the Audit Committee.	Board member since 2011. Born 1959. Germany. Degree in Industrial Engineering at the University of Karlsruhe. Member of the Remuneration Committee.
Member of the board of directors of Swedish Match AB, IKEA Industries AB, Broadview B.V. and BA Glass I- Serviços de Gestão e Investimentos S.A.	Senior Executive Advisor of Altor. Industrial Advisor for EQT AB. Chairman of Eton Group AB, Grundéns Rainwear and Revolution Race (Borås). Board member in Fiskars Oy.	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.	Chairman of the board of directors of STIGA C (Luxembourg). Member of the board of directors of Autoneum Holding Ltd, Autoneum AG, Kunstoffteile Schwanden AG, MAN Truck & Bus SE and STIGA SpA (Italy).
President Operations of Cloetta. Member of the board of directors of Cederroth International. VP Operations Medical Division and VP Procurement Worldwide Baby Division of Danone. Procurement Director, Factory Director, Supply Chain Manger, Operations Manager and Services Manager of Unilever. Sales Manager Hydrocarbon Sector, Marketing Co-ordinator and Process Engineer of Fluor Daniel.	CEO of Helly Hansen Group AS. SVP, Product & Brand Europe, CMO Global Brand & Global Licensing of AB Electrolux. General Manager Central Europe (CEMEA) NIKE 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 AG. Brand Director of Mölnlycke AB, Project and Site manager ABV Construction AB. Member of the board of directors of Swims AS, BTX Group A/S, OBH Nordica Group, Varier AS, Fit Flop Ltd, F&S Ltd and Stadium AB. Senior advisor to F&S (London, UK).	President and CEO of Camfil AB, President and CEO of Dometic Group AB, President and CEO of Husqvarna AB and deputy CEO of Electrolux AB. Chairman of the board of directors of Sveba-Dahlén Group AB. Member of the board of directors of Intrum Justitia AB and Camfil AB, Frostbite Holding AB and the non-profit organizations Teknikarbetsgivarna i Sverige and Teknikföretagen i Sverige.	Member of the board of directors of Wittur GmbH and of Frostbite Holding AB. 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.
14/14	14/14	14/14	14/14
			5/5
6/6		6/6	
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 since 2018

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

Shareholding: 687,648*

2. SILKE ERNST

Born 1967. EVP and Head of Group 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. EVP and Head of Group Operations since 2018.

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

Shareholding: 6,160*

4. STEFAN FRISTEDT

Born 1966. CFO from October 1st 2019

Bachelor's degree in Business Administration and Economics from the University of Lund and an MBA from the University of Lund.

Shareholding: 0

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

* Including related party.

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: 39,200

9. ANNA SMIESZEK

Born 1964. EVP and Group General Counsel since 2015.

Masters of Law 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	2019	2018	2017
Result			
Net sales	18,503	18,274	14,044
Organic growth, %	–7	5	12
EBITDA	3,155	3,113	2,228
EBITDA before items affecting comparability	3,252	3,205	2,181
Operating profit (EBIT)	2,338	2,587	1,907
Operating profit (EBIT) before items affecting comparability	2,435	2,679	1,860
Net result	1,325	1,576	1,495
Margins			
Operating margin, %, EBITDA	17.1	17.0	15.9
Operating margin, % EBITDA before items affecting comparability	17.6	17.5	15.5
Operating margin, %, operating profit (EBIT)	12.6	14.2	13.6
Operating margin, % operating profit (EBIT) before items affecting comparability	13.2	14.7	13.2
Return on operating capital			
Return on operating capital	8.6	9.8	9.8
Return on operating capital, excl. goodwill and trademarks	28.3	30.5	32.9
Financial position			
Total assets	36,681	34,111	31,005
Interest bearing debt	13,109	12,349	10,543
Net debt/EBITDA	2.4	2.8	3.3
Equity	17,363	16,029	14,514
Operating capital	26,183	26,265	24,585
Operating capital excluding goodwill and trademarks	7,308	8,062	7,569
Equity ratio, %	47	47	47
Share			
Earnings per share before dilution, SEK	4.48	5.33	5.05
Earnings per share after dilution, SEK	4.48	5.33	5.05
Dividend per share, SEK[1]		2.15	2.05
Number of shares (note 28)	295,833,333	295,833,333	295,833,333
Employees			
Average number of employees	7,257	7,991	8,769
Revenue per employee[2]	2.55	2.29	1.60

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

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2019	2018
Net sales	5, 6	18,503	18,274
Cost of goods sold	6	–12,504	–12,323
Gross profit		**5,999**	**5,951**
Sales expenses	6	–2,411	–2,259
Administrative expenses	7	–918	–855
Other operating income and expenses	10	68	61
Items affecting comparability	6	–97	–92
Amortization of acquisition-related intangible assets	6	–303	–219
Operating profit	6, 8, 9	**2,338**	**2,587**
Financial income	11	14	11
Financial expenses	11	–522	–442
Net financial expenses		**–508**	**–431**
Profit (loss) before tax		**1,830**	**2,156**
Taxes	12	–505	–580
Profit (loss) for the year		**1,325**	**1,576**
Profit (loss) for the year attributable to owners of the Parent Company		**1,325**	**1,576**
Earnings per share	28		
before dilution, SEK		4.48	5.33
after dilution, SEK		4.48	5.33
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	2019	2018
Profit (loss) for the year		1,325	1,576
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans, net of tax	19	–69	–3
		–69	**–3**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax	3	–30	8
Gains/losses from hedges of net investments in foreign operations, net of tax	3	–41	–14
Exchange rate differences on translation of foreign operations		784	554
		713	**548**
Other comprehensive income for the year		**644**	**545**
Total comprehensive income for the year		**1,969**	**2,121**
Total comprehensive income for the year attributable to			
Owners of the Parent Company		1,969	2,121

CONSOLIDATED BALANCE SHEET

SEK m	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Goodwill	14	14,832	14,288
Trademarks	14	4,043	3,915
Other intangible assets	14	4,560	4,507
Buildings, land and land improvements	15	1,003	1,024
Machinery and other technical installations	15	561	522
Tools, equipment and installations	15	380	345
Construction in progress and advance payments	15	165	221
Right-of-use assets	8	623	–
Deferred tax assets	12	583	627
Derivatives, long-term	3	2	–
Other non-current assets	3, 13	99	71
Total non-current assets		**26,852**	**25,519**
Current assets			
Inventories	16	2,957	3,772
Trade receivables	3, 17	1,695	1,705
Current tax assets	12	74	86
Derivatives, short-term	3	36	107
Other current receivables	3	641	681
Prepaid expenses and accrued income	18	136	128
Cash and cash equivalents	25	4,289	2,113
Total current assets		**9,828**	**8,592**
TOTAL ASSETS		36,681	34,111

CONSOLIDATED BALANCE SHEET

SEK m	Note	December 31, 2019	December 31, 2018
EQUITY			
Equity attributed to owners of the Parent Company			
Share capital	28	1	1
Other paid in capital		11,446	11,446
Reserves		2,606	1,892
Retained earnings, including net profit (loss)		3,310	2,690
TOTAL EQUITY		17,363	16,029
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions, long-term	21	12,288	11,217
Deferred tax liabilities	12	1,895	1,944
Other non-current liabilities	29	165	153
Leasing liabilities, long-term	3, 8	475	–
Provisions for pensions	19	821	739
Other provisions, long-term	20	198	191
Total non-current liabilities		15,842	14,244
Current liabilities			
Liabilities to credit institutions, short-term	21	–	393
Trade payables	3	1,414	1,491
Current tax liabilities		468	399
Advance payments from customers	6	20	38
Leasing liabilities, short-term	3, 8	163	–
Derivatives, short-term	3	32	108
Other provisions, short-term	20	266	295
Other current liabilities	3	206	203
Accrued expenses and prepaid income	22	907	911
Total current liabilities		3,476	3,838
TOTAL LIABILITIES		19,318	18,082
TOTAL EQUITY AND LIABILITIES		36,681	34,111

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent				
SEK m	Note	Share capital	Other paid in capital	Other reserves[3]	Retained earnings	Total equity
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[1]					–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
Opening balance, January 1, 2019	28	1	11,446	1,892	2,690	16,029
Profit (loss) for the year					1,325	1,325
Other comprehensive income					–69	–69
Remeasurements of defined benefit plans, net of tax[2]						
Cash flow hedges, net of tax				–30		–30
Gains/losses from hedges of net investment in foreign operations, net of tax				–41		–41
Exchange rate differences on translation of foreign operations				784		784
Total comprehensive income		–	–	713	1,256	1,969
Transactions with owners						
Dividend paid to shareholders of the Parent Company					–636	–636
Total transactions with owners		–	–	–	–636	–636
Closing balance, December 31, 2019		1	11,446	2,606	3,310	17,363

1) 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.
2) 2019 Remeasurements of defined benefit plans amounted to SEK – 68 m, and the tax related remeasurements of defined benefit plans amounted to SEK -1 m.
3) Other reserves mainly comprise of exchange rate differences on translation of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Note	2019	2018
Cash flow from operating activities			
Operating profit		2,338	2,587
Adjustment for other non-cash items			
Depreciation and amortization	8, 25	817	526
Adjustment for other non-cash items	25	–29	122
Changes in working capital			
Changes in inventories		970	–41
Changes in trade receivables		81	–112
Changes in trade payables		53	–80
Changes in other working capital		–148	36
Income taxes paid		–529	–313
Net cash flow from operations		**3,553**	**2,725**
Cash flow from investments			
Acquisition of operations, net of cash acquired		–	–492
Investments in fixed assets	14, 15	–361	–422
Proceeds from sale of fixed assets		15	70
Deposit		–	–233
Other investing activities		–2	1
Net cash flow from investments		**–348**	**–1,076**
Cash flows from financing			
Borrowings from credit institutions	25	9,762	3,183
Repayment of loans to credit institutions	25	–9,546	–2,849
Payment of lease liabilities related to lease agreements	25	–166	–
Paid interest		–369	–376
Received interest		8	7
Other financing activities	25	–96	–88
Dividend paid to shareholders of the Parent Company		–636	–606
Net cash flow from financing		**–1,043**	**–729**
Cash flow for the year		**2,162**	**920**
Cash and cash equivalents at beginning of year	25	2,113	1,159
Exchange differences on cash and cash equivalents		14	34
Cash and cash equivalents at end of the year		**4,289**	**2,113**

PARENT COMPANY INCOME STATEMENT

SEK m	Note	2019	2018
Administrative expenses	7	–185	–171
Other operating income		185	166
Operating profit	6, 9	**0**	**–5**
Interest income subsidiaries	11	279	259
Interest expense subsidiaries	11	0	0
Result from shares in subsidiaries	11	–	528
Other financial expenses	11	–732	–777
Profit (loss) from financial items		**–453**	**10**
Group contributions		387	510
Profit (loss) before tax		**–66**	**516**
Taxes	12	12	1
Profit (loss) for the year		**–54**	**517**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2019	2018
Profit (loss) for the year		–54	517
Other comprehensive income			
Other comprehensive income		–	–
Total comprehensive income for the year		**–54**	**517**

PARENT COMPANY BALANCE SHEET

SEK m	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Shares in subsidiaries	26	16,228	16,228
Other intangible assets	2, 14	2	3
Equipment	15	1	0
Deferred tax assets	12	17	5
Receivables from subsidiaries		5,792	5,545
Other non-current assets	11, 13	31	19
Total non-current assets		**22,072**	**21,801**
Current assets			
Receivables from subsidiaries		519	1,797
Other current assets		5	4
Prepaid expenses and accrued income	18	9	12
Cash and cash equivalents		–	11
Total current assets		**532**	**1,825**
TOTAL ASSETS		22,604	23,626
EQUITY	28		
Equity attributed to owners of the parent company			
Restricted equity			
Share capital		1	1
Unrestricted equity			
Retained earnings		10,119	10,238
Profit/Loss for the year		–54	517
TOTAL EQUITY		10,066	10,755
PROVISIONS			
Other provisions	20	53	42
Total provisions		**53**	**42**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions, long-term	21	12,288	11,217
Total non-current liabilities		**12,288**	**11,217**
Current liabilities			
Liabilities to credit institutions, short-term	21	–	393
Trade payables		18	14
Liabilities to subsidiaries		–	1,099
Other current liabilities		12	12
Accrued expenses and prepaid income	22	167	92
Total current liabilities		**197**	**1,611**
TOTAL LIABILITIES		12,538	12,870
TOTAL EQUITY AND LIABILITIES		22,604	23,626

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Note	Share capital	Other reserves	Retained earnings	Total equity
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
Opening balance, January 1, 2019	28	1	–	10,754	10,755
Profit (loss) for the year				–54	–54
Other comprehensive income				–	–
Total comprehensive income		–	–	–54	–54
Transactions with owners					
Dividend paid to shareholders of the Parent Company				–636	–636
Total transactions with owners		–	–	–636	–636
Closing balance, December 31, 2019		1	–	10,065	10,066

PARENT COMPANY STATEMENT OF CASH FLOW

SEK m	Note	2019	2018
Cash flow from operating activities			
Operating profit		0	–5
Adjustment for other non-cash items			
Depreciation and amortization	25	1	1
Adjustment for other non-cash items	25	–540	–65
Changes in working capital			
Changes in trade payables		4	–3
Changes in other working capital		717	–1,052
Income taxes paid		–	–
Net cash flow from operations		**183**	**–1,123**
Cash flow from investments			
Investments in fixed assets		–1	–
Other investing activities		–	–
Net cash flow from investments		**–1**	**–**
Cash flow from financing			
Borrowings from credit institutions	25	9,762	3,116
Repayment of loans to credit institutions	25	–9,546	–2,646
Group contribution		387	510
Paid interest		–439	–330
Received interest		279	244
Other financing activities	25	–	–75
Received repayment of share capital and statutory reserve from directly owned subsidiary		–	921
Dividend paid to shareholders of the Parent Company		–636	–606
Net cash flow from financing		**–193**	**1,134**
Cash flow for the year		**–11**	**11**
Cash and cash equivalents at beginning of year	25	11	–
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") is a global market leader in branded solutions for mobile living in the areas of Food & Beverage, Climate, Power & Control and Other Applications. Dometic operates in the Americas, EMEA and APAC, providing products for use in recreational vehicles, pleasure and workboats, trucks and premium cars, and for a variety of other uses. The motivation is to create smart and reliable products with outstanding design. Dometic has a global distribution and dealer network in place to serve the aftermarket.

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, 2019 (comparative figures January 1 to December 31, 2018), and the financial statements were authorized for issue by the Board of Directors on March 12, 2020.

The balance sheets and income statements are subject to approval by the annual shareholders' meeting on April 7, 2020.

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. Further information about additional accounting policies are disclosed in the respective note.

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 2019:

IFRS 16 Leases

FRS 16 Leases came into effect as of January 1, 2019. The Group has adopted IFRS 16 Leases and it has been applied by the Group since January 1, 2019. This supersedes all lease requirements under IFRS.

For the IFRS 16 transition, Dometic has decided to apply the simplified retrospective approach and has not restated comparative amounts for 2018, the year prior to first adoption.

The impact on the Group's consolidated financial statements was an opening balance increase, deriving from a lease liability and right-of-use asset of around SEK 500 m each, adjusted by the amount of prepaid or accrued lease payment. There is no effect in equity. See further note 8 Leasing agreements.

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. IFRIC 23 came into effect January 1, 2019.

New or amended accounting policies for 2020 and later:

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

Definition of Material – Amendments to IAS 1 and IAS 8

The amendments of IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarify materiality assessment and definition of users of financial statements. The Definition of Material Amendments to IAS 1 and IAS 8 came into effect January 1, 2020.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business in IFRS 3 Business combination, requires a new evaluation of inputs and outputs in the acquisition calculation process. In general, this amendment might result in more acquisitions being accounted for as asset acquisitions and it will be part of the accounting of acquired businesses going forward. The Definition of a Business – Amendments to IFRS 3 came into effect January 1, 2020.

Revised Conceptual Framework for Financial Reporting

Dometic will apply the revised Framework from January 1, 2020.

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.

NOTE 2 cont.

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.

Exchange rates

		Average rate		Closing rate as of December 31	
Country	Currency	2019	2018	2019	2018
Australia	AUD	6.5725	6.4987	6.5338	6.3122
Canada	CAD	7.1041	6.7026	7.1479	6.5724
China	CNY	1.3661	1.3128	1.3372	1.3019
Denmark	DKK	1.4146	1.3743	1.3997	1.3737
Euro Zone	EUR	10.5594	10.2425	10.4547	10.2582
Great Britain	GBP	12.0441	11.5633	12.2458	11.3453
Hong Kong	HKD	1.2003	1.1125	1.1998	1.1420
Japan	JPY	0.0862	0.0789	0.0856	0.0811
Norway	NOK	1.0739	1.0656	1.0591	1.0276
Poland	PLN	2.4566	2.4006	2.4561	2.3860
United States	USD	9.4029	8.7162	9.3423	8.9441

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 Group 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 infrequent.

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. Since 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 Group applies the simplified approach to measure lifetime 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).

NOTE 2 cont.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as currency 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.

Net investment hedges

Dometic Group 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 9 Financial 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 has used RFR 2 exemption and will not apply IFRS 16 Leases. The standard came into effect 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 percent 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, 2019, 51 percent (46) of Dometic Group's borrowings were in euro, 41 percent (54) were in U.S. dollars and 8 percent (0) in Swedish krona. Loans in other currencies as of December 31, 2019 amounted to 0 percent (0) of total loans. Regarding the currency risk on the Senior Facilities and EMTN-program, a change of 1 percent in the respective currencies, with all other variables held constant, profit before tax would be impacted by SEK 114 m for the year ended December 31, 2019. 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 63 m and the effect from USD would be SEK 51 m. Equity hedging is used to reduce the translation effect on the borrowings in foreign currencies.

NOTE 3 cont.

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 percent and 75 percent 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 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, 2019 Dometic Group has hedged 55 percent (44) 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 55 percent. 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, 2019			December 31, 2018		
Currency (maturity date)	Nominal value in currency	Amount SEK m	Interest rate, %	Nominal value in currency	Amount SEK m	Interest rate, %
USD (2019)	–	–	–	420	3,757	2.0
USD (2022)	300	2,803	1.6	–	–	–
		2,803			3,757	

Market value derivatives

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

December 31, 2019	Nominal value	Assets	Liabilities
Derivative financial instruments			
Interest rate swaps – cash flow hedges	2,803	4	–
Currency forwards & options – cash flow hedges	3,550	34	–32
Total		38	–32
Less non-current portion:			–
Current portion		38	–32

Interest rate swaps mature on a quarterly basis whereas currency forward hedges mature on a monthly basis. During the period SEK 59 m (before taxes) have been moved from OCI to realized hedge result. As of December 31, 2019, a net of SEK 15 m is reported in OCI (Other comprehensive income).

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, 2019 no such financial contracts were in place.

Sensitivity analysis

The table shows the impact on the result if no hedges were in place if the currency increased 5 percent (1 percent)/decreased –5 percent (–1 percent) and if the interest rate increased 1 percent/decreased –1 percent.

We have changed the sensitivity for currency in 2019 from 1 percent to 5 percent because we consider 5 percent change in respective currency pair is closer to an average yearly change. 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, 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	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2018
Interest rate effect	Interest rate	– one percentage	63

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2019
Transaction effect	USD/CNY	+ five percentages	91
	EUR/USD	+ five percentages	59
	EUR/AUD	+ five percentages	–14
	AUD/USD	+ five percentages	35
Currency translation impact on loans	EUR/SEK	+ five percentages	0
	USD/SEK	+ five percentages	254
EMTN-program	EUR/SEK	+ five percentages	314

Interest rate	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2019
Interest rate effect	Interest rate	+ one percentage	–51

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2019
Transaction effect	USD/CNY	– five percentages	–91
	EUR/USD	– five percentages	–59
	EUR/AUD	– five percentages	14

NOTE 3 cont.

Currency	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2019
	AUD/USD	– five percentages	–35
Currency translation impact on loans	EUR/SEK	– five percentages	0
	USD/SEK	– five percentages	–254
EMTN-program	EUR/SEK	– five percentages	–314

Interest rate	Variable	Change	Impact on the result before income taxes for the year ended December 31, 2019
Interest rate effect	Interest rate	– one percentage	51

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, 2019, Dometic Group's financial credit risk was equal to the balance sheet value of cash and cash equivalents of SEK 4,289 m (2,113) and the positive unrealized results from derivatives positions of SEK 9 m (51). All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2019, 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, 2019	Assets	Liabilities
Derivatives		
Net amount recognized in the balance sheet	38	32
ISDA agreements whose transactions are not offset in the balance sheet	–29	–29
Net after offsetting in accordance with ISDA agreements	**9**	**3**

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 2020 an annual undiscounted cash flow of SEK 405 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, 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**

December 31, 2019	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	405	1,405	385	3,522	8,723
Derivative financial instruments	0	0	0	–	–
Forward foreign exchange contracts	32	–	–	–	–
Trade and other payables	1,414	–	–	–	–
Total	**1,851**	**1,405**	**385**	**3,522**	**8,723**

The table below shows Group's leasing liabilities by maturity.

31 December, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	More than 4 years
Leasing liabilities	183	143	113	98	171
Total	**183**	**143**	**113**	**98**	**171**

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.

The lease agreements, accounted for according to IFRS 16 Leases, will have no implication on the covenant calculations in our loan agreement.

At year-end 2019 the headroom was sufficient in both covenants. The headroom in the leverage ratio was 48 percent and in the interest cover covenant 102 percent. A breach of the bank covenants would technically put the Group in 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, 2019	December 31, 2018
Total Borrowing	12,288	11,610
Less: cash and cash equivalents	–4,289	–2,113
Net Debt	**7,999**	**9,497**
Total Equity	17,363	16,029
Total Capital	**25,361**	**25,526**
Gearing Ratio, %	32	37

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

NOTE 3 cont.

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 2019 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 2019 the fair value for level 2 financial assets was SEK 38 m (107) and for the total financial liabilities SEK 32 m (108).

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.

Financial instruments by category

December 31, 2019	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	99	99	–	–	–
Derivatives, long-term	2	–	–	2	–
Derivatives, short-term	36	–	–	30	6
Trade receivables	1,695	1,695	–	–	–
Other current receivables	641	641	–	–	–
Cash and cash equivalents	4,289	4,289	–	–	–
Total assets	**6,762**	**6,724**	–	**32**	**6**
Current portion	**6,661**	**6,625**	–	**30**	–

December 31, 2019	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	12,288	12,288	–	–	–
Other non-current liabilities	165	165	–	–	–
Derivatives, short-term	32	–	–	17	15
Liabilities to credit institutions, short-term	–	–	–	–	–
Trade payables	1,414	1,414	–	–	–
Other current liabilities	206	206	–	–	–
Total liabilities	**14,105**	**14,073**	**–**	**17**	**15**
Current portion	**1,652**	**1,620**	–	**17**	**15**

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 receivables	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**

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

Since September 2018 a single consolidated class action complaint had been pending in Florida. In July 2019, the district court in the Southern District of Florida denied class certification and dismissed the complaint. The plaintiffs have appealed the decision to the Eleventh Circuit Court of Appeals. Briefing in the appeal will take place in the first half of 2020, with a ruling expected in the end of 2020 or early 2021. Dometic remains firm in its position that the allegations in the case are without merit. Dometic reached an agreement with one of its insurers, pursuant to which this insurance company agreed to reimburse the company for a certain portion of the legal costs related to the class action. In addition, Dometic prevailed on summary judgment against a different insurer, pursuant to which this other insurance company will reimburse the company for the remaining portion of the legal costs related to the class action.

NOTE 5 | SEGMENT INFORMATION

Consolidated operating segments

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

2019	Americas	EMEA	APAC	Un-allocated	Total
Net sales, external	9,325	7,472	1,707	–	18,503
Operating profit before depreciation and amortization (EBITDA)	**1,543**	**1,192**	**421**	–	**3,155**
Depreciation and amortization	–488	–266	–64	–	–817
Operating profit (EBIT)	**1,055**	**926**	**357**	–	**2,338**
Financial income	–	–	–	14	14
Financial expenses	–	–	–	–522	–522
Taxes	–	–	–	–505	–505
Profit (loss) for the period	–	–	–	–	**1,325**
Operating profit (EBIT) before i a c	**1,096**	**978**	**362**	–	**2,435**
Items affecting comparability (i a c)	–41	–51	–5	–	–97
Operating profit (EBIT)	**1,055**	**926**	**357**	–	**2,338**
Investments in intangible and tangible assets	–	–	–	361	361
Net assets [1]	17,206	7,404	3,789	–	28,399

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.

NOTE 5 cont.

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.

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 percent 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 benefit the reader.

	2019	2018
Net sales, external		
Americas		
OEM	6,142	6,736
Aftermarket	3,183	3,022
Americas net sales, external	**9,325**	**9,758**
RV	4,938	5,595
Marine	3,994	3,757
CPV	184	229
Other (Lodging and Retail)	209	177
Americas net sales, external	**9,325**	**9,758**
EMEA		
OEM	3,624	3,532
Aftermarket	3,848	3,173
EMEA net sales, external	**7,472**	**6,706**
RV	3,795	3,180
Marine	845	805
CPV	1,807	1,769
Other (Lodging and Retail)	1,024	951
EMEA net sales, external	**7,472**	**6,706**
APAC		
OEM	792	857
Aftermarket	914	954
APAC net sales, external	**1,707**	**1,810**
RV	881	925
Marine	123	112
CPV	139	153
Other (Lodging and Retail)	564	620
APAC net sales, external	**1,707**	**1,810**

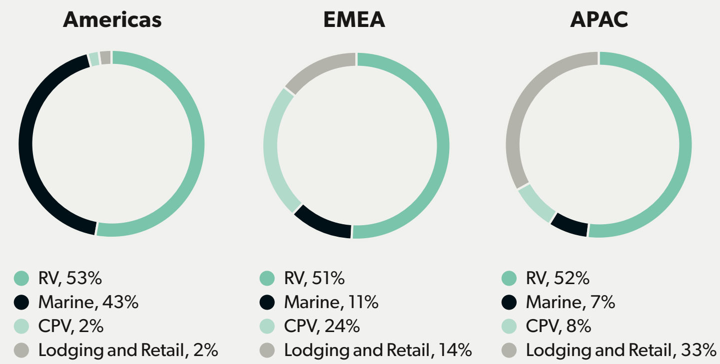
Inter-segment sales

Inter-segment sales were as follows:

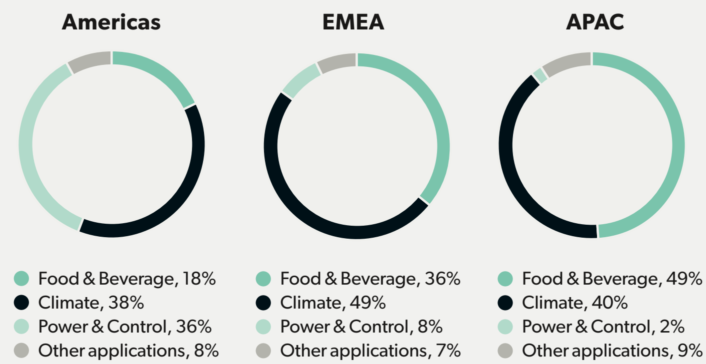
	2019	2018
Americas	363	389
EMEA	359	464
APAC	2,369	3,165
Eliminations	**3,092**	**4,017**

Net sales in percent by business area are as follows for 2019: Recreational Vehicles (RV) 52 percent, Marine 27 percent, Commercial and Passenger Vehicles (CPV) 12 percent and Other (Lodging and Retail) 9 percent. Net sales by sales channel are 57 percent for OEM and 43 percent for Aftermarket.

Net sales, external by region and business area



Net sales, external by region and application area



Application areas

SEK m	2019	2018
Net sales, external		
Americas		
Food & Beverage	1,681	2,135
Climate	3,504	3,797
Power & Control	3,368	3,161
Other applications	772	664
Americas net sales, external	**9,325**	**9,758**
EMEA		
Food & Beverage	2,695	2,662
Climate	3,672	2,986
Power & Control	566	522
Other applications	538	536
EMEA net sales, external	**7,472**	**6,706**
APAC		
Food & Beverage	839	937
Climate	690	685
Power & Control	31	38
Other applications	147	150
APAC net sales, external	**1,707**	**1,810**
Net sales, external		
Americas	9,325	9,758
EMEA	7,472	6,706
APAC	1,707	1,810
Total net sales, external	**18,503**	**18,274**

NOTE 5 cont.

Geographical information

	Net sales by country	
	2019	2018
United States	8,654	9,087
Germany	3,067	2,895
Australia	1,184	1,312
United Kingdom	979	738
France	749	699
Italy	502	475
Sweden	376	356
The Netherlands	388	311
Canada	380	408
Other	2,224	1,993
Total	**18,503**	**18,274**

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

Non-current assets

	Non-current assets by country	
	2019	2018
United States	13,363	12,724
Germany	4,572	4,411
Australia	3,139	3,036
Canada	2,525	2,328
Italy	406	402
China	446	419
Sweden	372	297
United Kingdom	808	759
Hong Kong	133	123
Other	404	323
Total	**26,168**	**24,822**

Non-current assets located in Sweden amount to SEK 372 m (297).

NOTE 6 | NET SALES AND OPERATING PROFIT

Dometic Group net sales 2019 amounted to SEK 18,503 m (18,274).

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 and Other applications. 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.

NOTE 6 cont.

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% (51) 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 388 m, not including capitalized spend of SEK 6.5 m (350), 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.

	Group		Parent	
Expenses by nature	**2019**	**2018**	**2019**	**2018**
Raw materials and manufacturing supplies	–9,464	–9,359	–	–
Employee benefit expenses (note 9)	–3,568	–3,486	– 86	–83
Transport expenses	–647	–663	–	–
Amortization and depreciation (note 8, 14 and 15)	–817	–526	–	–
Warranty costs	–334	–303	–	–
Marketing expenses	–326	–295	–	–
Other [1]	–1,009	–1,055	86	78
Total	**–16,165**	**–15,687**	**0**	**–5**

[1] The Parent Company has reported other operating income of SEK 185 m (166) of which the full amount relates to income from subsidiaries.

	Group		Parent	
Expenses by function	**2019**	**2018**	**2019**	**2018**
Cost of goods sold	–12.504	–12,323	–	–
Sales expenses	–2.411	–2,259	–	–
Administrative expenses	–918	–855	– 185	–171
Other operating income	75	97	185	166
Other operating expenses	–7	–36	–	–
Items affecting comparability	–97	–92	–	–
Amortization of acquisition-related intangible assets	–303	–219	–	–
Total	**–16,165**	**–15,687**	**0**	**–5**

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.

Amortization of acquisition-related intangible assets by function and other operating income/cost

The table below specifies acquisition-related intangible assets by function and other operating income/cost.

	Amortization of trademarks		Amortization of customer relationship assets		Amortization of technology		Amortization of intellectual property		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cost of goods sold	–	–	–	–	–47	–44	–23	–23	–70	–67
Sales expenses	–49	–	–185	–152	–	–	–	–	–234	–152
Administrative expenses	–	–	–	–	–	–	–	–	–	–
Other operating income and expenses	–	–	–	–	–	–	–	–	–	–
Total	**–49**	**–**	**–185**	**–152**	**–47**	**–44**	**–23**	**–23**	**–303**	**–219**

Items affecting comparability by function and other operating income/cost

The table below specifies items affecting comparability by function and other operating income/cost.

	Relocation China		Restructuring charges		Global restructuring program		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cost of goods sold	–	9	–	–66	–113	–	–	–	–113	–57
Sales expenses	–	–	–	–6	–	–	–	–	–	–6
Administrative expenses	–	–	–	–29	–3	–	–	–	–3	–29
Other operating income and expenses	–	–	–	–	–	–	19	–	19	–
Total	**–**	**9**	**–**	**–101**	**–116**	**–**	**19**	**–**	**–97**	**–92**

NOTE 6 cont.

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	2019	2018
Relocation China	–	9
Restructuring charges	–	–101
Global restructuring program	–116	–
Other	19	–
Total	**–97**	**–92**

In 2019 a global restructuring program was launched to optimize footprint and reduce costs to increase competitiveness.

The restructuring charges reported 2018 related to an initiative to optimize footprint and reduce costs, the majority of the costs were charged in the Americas and EMEA.

NOTE 7 | AUDIT FEES

	Group		Parent	
	2019	2018	2019	2018
PricewaterhouseCoopers (PwC)				
Audit fees [1)]	–19	–17	–3	–2
Audit-related fees [2)]	–1	–1	–	–1
Tax fees [3)]	–6	–4	–	–
All other fees [4)]	0	–1	–	–
Total fees to PwC	**–26**	**–23**	**–3**	**–3**
Other auditors				
Audit fees to other audit firms	–1	–3	–	–
Audit-related fees	0	–1	0	–1
Tax fees	–5	–11	–3	–3
All other fees	–	–1	–	–
Total fees other auditors	**–7**	**–16**	**–3**	**–4**
Total fees to auditors	**–33**	**–39**	**–6**	**–7**

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 2019 amount to SEK –3 m (– 3), audit-related fees SEK – 0.3 m (–1), tax fees SEK – 0.4 m (–) and all other fees to SEK – 0.1 m (–).

NOTE 8 | LEASING AGREEMENTS

Right-of-use assets information is specified below:

2019	Buildings	Machinery, equipment and other technical installations	Total
Acquisition costs			
Opening balance	–	–	–
Recognized on adoption of IFRS16 Leases	469	49	519
Additions during the year	278	30	308
Reductions	–33	–7	–40
Exchange rate differences	–4	–1	–5
Closing balance	**710**	**72**	**782**
Depreciation			
Opening balance	–	–	–
Depreciation and impairment for the year	–151	–29	–180
Reductions	14	6	20
Exchange rate differences	1	0	1
Closing balance	**–137**	**–22**	**–159**
Net carrying amount December 31, 2018	–	–	–
Net carrying amount December 31, 2019	**573**	**50**	**623**

Total depreciation and amortization of SEK 817 m (526) includes depreciation of right-of-use assets of SEK 180 m (–) for 2019.

Depreciation and amortization

	2019	2018
Depreciation and amortization	–817	–526
Add back depreciation related to right-of-use assets	180	–
Total depreciation and amortization excl. depreciation of right-of-use assets	**–637**	**–526**

Additional lease information

The interest expenses on lease agreements are disclosed in Note 11 Financial income and expenses. A maturity analysis of the lease liability is disclosed in Note 3 Financial risk management and financial instruments.

Expenses for leases with low value and short-term leases amounted to SEK 10 m. Variable lease cost amounted to SEK 8 m.

IFRS 16 Leases ("IFRS 16")

The Group has lease agreements as a lessee for some of its buildings, machinery, equipment and other technical installations including vehicles. Lease contracts are usually entered into for a fixed period of two to three years, however during 2019, a few building contracts with longer lease term have been signed.

Extension options are included in the accounting lease term for buildings when they are reasonably certain to be exercised. If the lease term ends within three years, extension options are considered reasonably certain to be utilized, in alignment with current plans for the Group.

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 presents 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 8 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 for different types of assets are assigned different discount factors, since the risk and thus the finance cost may vary significantly. Other adjusting factors for the rate are the currency and the time to maturity of the lease. 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 uses 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.

Dometic Group uses 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 include these in the balance sheet.

Cash flow

IFRS 16 lease payments are split in cash flow between cash payments for the interest portion of the lease liabilities and repayment of its principal portion. The Group presents the principal portion of lease payments within the cash flows from financing activities, as required by IFRS 16. Cash payment for the interest portion is 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 are not shown separately but are included in payments to suppliers.

Total cashflow from Leases amounted to SEK 202 m.

Explanation of difference between IAS 17 Leases and IFRS 16 Leases

The details below illustrate the link to recognized IFRS 16 opening lease liabilities from the previously classified operating lease commitments of IAS 17 Leases.

Future minimum lease charges for operating leases at nominal value on December 31, 2018 amounted to SEK 698 m. This amount is reduced by short-term lease agreements of SEK 164 m, low-value asset lease agreements of SEK 16 m, increased by lease term extensions of SEK 25 m, and reduced by the impact of discounting of SEK 26 m. This results in an opening lease liability of SEK 517 m for January 1, 2019.

Accounting principle for leases 2018

The Group´s portfolio of operating leases that were not included in the balance sheet under IAS 17 Leases in 2018 and earlier are disclosed below. Leasing objects in the Group are office buildings, production and warehouse space under leasing agreements. The Group also has leasing contracts for machinery, IT and office equipment and 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 for 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 the 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 2018, such as leased buildings, machinery, computer and office equipment are reported in operating expenses and amount to SEK 169 m. 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
Within 1 year	–169
1–5 years	–496
Over 5 years	–33
Total	**–698**

Future lease income for non-cancellable at nominal values fall due as follows:

	December 31, 2018
Within 1 year	3
1–5 years	5
Over 5 years	–
Total	**8**

Lease income amounts 2018 amounted to SEK 3 m and related 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	2019	2018	2019	2018
Salaries and remunerations	–2,720	–2,712	–45	–46
Social security costs	–393	–397	–17	–20
Pension costs – defined contribution plans	-84	–78	–11	–10
Pension costs – defined benefit plans	-19	–19	0	0
Other personnel costs	–352	–280	–13	–7
Total	**–3,568**	**–3,486**	**–86**	**–83**

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 2019 amounted to SEK 3,568 m (3,486).

Remuneration the Board of Directors

Remuneration to the Board of Directors approved by the 2018 annual general shareholders' meeting	SEK thousand
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 the Board of Directors approved by the 2019 annual general shareholders' meeting	SEK thousand
Fredrik Cappelen, Chairman	950
Jacqueline Hoogerbrugge, Board member	485
Erik Olsson, Board member, Chairman Remuneration Committee	520
Peter Sjölander, Board member	420
Rainer E. Schmückle, Board member	470
Magnus Yngen, Board member, Chairman Audit Committee	540
Heléne Vibbleus, Board member	485
Total remuneration to the Board of Directors	**3,870**

Remuneration to representatives in the Board of Directors for Board- and Committee work amount to SEK 3,870 thousand (3,700). Remuneration for the committee work (the Audit Committee and the Remuneration Committee) until the next annual shareholders' meeting amounts to SEK 450 thousand in total (of which SEK 120 thousand to the Chairman of the Audit Committee, SEK 100 thousand to the Chairman of the Remuneration Committee, SEK 65 thousand to each Audit Committee member and SEK 50 thousand to each Remuneration Committee member).

Group Management consist of the CEO and nine other members. The roles represented in the Group Management 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.

The shareholders' meeting held on April 9th 2019 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 performing executives needed to maintain the success of the business. Remuneration is built upon a total reward approach allowing for a market relevant, 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 percent of the base salary for Group Management members and 35 percent for the CEO.
- Other benefits associated with the position

Salaries and Remuneration to the CEO and Group Management 2019 amount to SEK 61,236 thousand (69,152). The decrease in total cost depends on lower STI payout levels compared to 2018.

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 3,743,522 (4,297,619) to the CEO for lost compensation relating to long-term incentive programs at the previous employer. Additional payment may be made in 2020 but the total gross amount paid during the period 2018 to 2020 shall not exceed SEK 15 million. As of 31st of December 2019, the total amounts to SEK 8,041,141. Other benefits include allowances and benefits associated with the position, such as company car or car allowance, health care and termination benefits. During 2019, the cost for termination benefits amounted SEK 0 thousand (928).

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 percent of the annual base salary for the Group Management members and 35 percent for the CEO. The Group Management members employed in Sweden are either covered by a defined contribution plan or by the relevant ITP 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 2019 were SEK 9,526 thousand (9,229).

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

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**

2019 SEK thousand	Annual fixed salary	Variable salary for 2019	Other benefits	Pension contribution	Total
President and CEO	8,145	5,560	1,065	2,874	17,644
Other members of Group Management	29,449	4,717	2,775	6,652	43,592
Total	**37,594**	**10,277**	**3,839**	**9,526**	**61,236**

NOTE 9 cont.

Salaries and remunerations by senior executives and other employees

Salaries and remunerations by senior executives and other employees	Group	
	2019	2018
Board, president and other senior executives	62	63
Other employees	2,658	2,649
Total	**2,720**	**2,712**

Average number of employees and gender distribution

The average number of employees in Dometic Group during the period 1 January to 31 December 2019 was 7,257 (7,991). Out of the total number of employees 36 percent 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, 2019		December 31, 2018	
	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	10	6
Group total	**17**	**11**	**17**	**11**

	2019		2018	
	Average number of employees	Of which men, %	Average number of employees	Of which men, %
Parent				
Sweden	8	57	7	57
Total	**8**	**57**	**7**	**57**
Subsidiary				
Australia	108	73	130	7
Austria	6	84	6	83
Belgium	22	87	22	86
Canada	425	79	453	78
China	2,262	64	2,603	63
Denmark	14	86	15	87
Finland	8	75	12	83
France	36	54	32	49
Germany	932	71	989	70
Hong Kong	72	40	68	42
Hungary	284	62	270	59
Italy	166	75	176	74
Japan	25	69	27	72
Korea	6	51	5	–
Mexico	7	57	–	–
Netherlands	39	74	37	72
New Zeeland	9	78	10	79
Norway	7	85	10	80
Poland	17	65	16	69
Portugal	1	–	–	–
Russia	15	67	17	71
Singapore	7	43	7	43
Slovakia	173	64	225	62
South Africa	5	60	5	60
Spain	26	62	23	66
Sweden	220	67	247	64
Switzerland	8	100	8	100
United Arab Emirates	14	71	12	75
United Kingdom	243	40	378	59
United States of America	2,092	59	2,172	59
Other	–	–	16	50
Group total	**7,257**	**64**	**7,991**	**64**

NOTE 10 | OTHER OPERATING INCOME AND EXPENSES

Other operating income	2019	2018
Gain on disposal of fixed assets	3	3
Exchange rate effect changes	65	91
Other	25	3
Total	**93**	**97**

Other operating expenses	2019	2018
Loss on disposal of fixed assets	–1	–2
Exchange rate effect changes	–20	–22
Other	–4	–12
Total	**–25**	**–36**
Other operating income and expenses	**68**	**61**

Parent Company

Other operating income amounts to SEK 185 m (166) of which the full amount relates to income from subsidiaries.

NOTE 11 | FINANCIAL INCOME AND EXPENSES

	Group	
	2019	2018
Interest income	14	11
Total financial income	**14**	**11**
Interest expenses borrowing, credit institutions	–434	–408
Interest expense on pension liabilities and expected return on plan assets (note 19)	–21	–18
Amortization capitalized long-term financing expenses	–50	–20
Interest expense leases	–19	–
Exchange rate difference, net	19	17
Other financial expenses	–16	–12
Total financial expenses	**–522**	**–442**
Net financial expenses	**–508**	**–431**

Interest income is recognized on a time-proportion basis using the effective interest method.

	Parent Company	
	2019	2018
Interest income subsidiaries	279	259
Total interest income subsidiaries	**279**	**259**
Interest expense subsidiaries	0	0
Total interest expense subsidiaries	**0**	**0**
Result from shares in subsidiaries[1)]	–	528
Total result from shares in subsidiaries	**–**	**528**
Interest expenses borrowing, credit institutions	–427	–400
Amortization capitalized long-term financing expenses	–50	–20
Exchange rate difference, net	–243	–349
Other financial expenses	–12	–8
Total other financial expenses	**–732**	**–777**
Profit (loss) from financial items	**–453**	**10**

[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.

NOTE 12 | TAXES

	Group		Parent	
	2019	2018	2019	2018
Current tax on profit for the year	–586	–349	–	–
Current tax in respect of prior year	–5	53	–	–
Deferred tax income/expense (–)	86	–284	12	1
Total tax income/expense	**–505**	**–580**	**12**	**1**

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	
	2019	2018	2019	2018
Profit (loss) before income tax	1,830	2,156	–66	516
Income tax calculated in accordance with the Group's current tax rate[1]	–458	–539	14	–114
Effects of:				
Non-taxable income[2]	4	4	–	202
Non-deductible expenses[3]	–85	–46	–4	–88
Temporary differences for which no deferred income tax was previously recognized	18	–23	–	–
Tax losses for which no deferred tax was recognized	–2	–2	–	–
Recognition of deferred tax on prior year losses	0	0	–	–
Effect of change in tax rates	0	–10	–	–
Other revaluation and recognition of deferred tax related to prior year	6	–23	–	–
Current tax in respect of prior year	–5	53	–	–
Other differences	17	6	2	1
Total tax income/expense	**–505**	**–580**	**12**	**1**
[1] Estimated average tax rate is, %	25	25	21.4	22

[2] The Parent Company's 2018 non-taxable income includes dividend from subsidiary due to inter alia reduction of share capital in subsidiary.

[3] The increase in non-deductible expenses mainly relates to the effect of the Base Erosion Anti-avoidance Tax rules, which were introduced in the 2017 US tax reform, and where the tax rate was increased from 5 percent to 10 percent in 2019. The Parent Company's 2018 non-deductible expenses include impairment of shares in subsidiary due to reduction of share capital in subsidiary.

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 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	
	2019	2018	2019	2018
Deferred tax assets				
Deductible goodwill amortization	1	1	–	–
Pension commitments	48	55	7	5
Tax loss carry-forwards	309	419	–	–
Provisions	70	55	–	–
Inventories, including internal profit in inventories	58	107	–	–
Derivatives	7	15	–	–
Other assets and liabilities	207	25	10	–
Total deferred tax assets	**700**	**677**	**17**	**5**
Netting of assets/liabilities	–117	–50	–	–
Net deferred tax asset	**583**	**627**	**17**	**5**
Deferred tax liabilities				
Trademarks	–943	–917	–	–
Other intangible assets	–873	–909	–	–
Tangible assets	–188	–145	–	–
Derivatives	–8	–23	–	–
Other assets and liabilities	–	–	–	–
Total deferred tax liabilities	**–2,012**	**–1,994**	**–**	**–**
Netting of assets/liabilities	117	50	–	–
Net deferred tax liabilities	**–1,895**	**–1,944**	**–**	**–**
Net deferred tax	**–1,312**	**–1,317**	**17**	**5**

	Group		Parent	
Change in net deferred tax	2019	2018	2019	2018
Opening balance	–1,317	–1,004	5	4
Deferred tax recognized in other comprehensive income	18	4	–	–
Tax income (expense) during the period recognized in profit or loss	86	–284	12	1
Operations/Acquisitions	–	42	–	–
Exchange rate differences	–99	–75	–	–
Closing balance	**–1,312**	**–1,317**	**17**	**5**

Of total deferred tax recognized in equity of SEK 18 m (4), SEK –1 m (1) relates to pensions and SEK 19 m (3) 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 203 m (182).

Tax loss carry-forwards with time limits total SEK 48 m (50), of which SEK 27 m (34) will expire after more than five years.

During the first quarter 2018 a deposit of SEK 233 m for an ongoing tax audit in Hong Kong was made, reported as Other current receivables.

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

NOTE 12 cont.

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, 2019	December 31, 2018
Shares and participation in associated companies	9	4
Present value for life assurance	73	52
Other long-term receivables	16	15
Closing balance	99	71

Parent Company

Other non-current assets in the Parent Company consist of capital insurance of SEK 31 m (19).

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. Trademarks which have been determined to have a defined useful life are amortized up to 10 years.

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 up to 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 amortization 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 4,560 m (4,507).

NOTE 14 cont.

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**

2019	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	14,288	3,915	3,661	1,034	160	85	268	23,411
Acquired in business combinations	–	–	–	–	–	–	–	–
Investments for the year	–	–	–	–	3	6	52	61
Sales and disposals	–	–	–	–	–	–	–1	–1
Exchange rate differences	544	176	213	74	0	0	5	1,010
Closing balance	**14,832**	**4,091**	**3,874**	**1,108**	**163**	**91**	**325**	**24,484**
Amortization								
Opening balance	0	0	– 310	–46	–94	–72	–179	–701
Sales and disposals	–	–	–	–	–	–	–	–
Amortization for the year	–	– 49	–185	–47	–23	–5	–17	–326
Exchange rate differences	–	0	–16	–3	0	0	–4	–24
Closing balance	**0**	**–49**	**–511**	**–96**	**–117**	**–77**	**–200**	**–1,050**
Net carrying amount December 31, 2018	14,288	3,915	3,351	988	66	13	89	22,711
Net carrying amount December 31, 2019	**14,832**	**4,043**	**3,363**	**1,012**	**46**	**14**	**125**	**23,435**

Amortization for the year

Total amortization for the year related to intangible assets amounts to SEK – 326 m (– 242). The increase compared to last year mainly relates to amortization of customer relationship and amortization of technology related to the acquisition of Kampa, and amortization of trademarks. See also the table above.

Amortization of capitalized development assets and other intangibles
The amortization of capitalized development expenses and other intangible assets has been charged to cost of goods sold at SEK – 22 m (– 23).

Amortization of acquisition-related intangible assets
The amortization of acquisition-related intangible assets is specified in the table below.

	2019	2018
Amortization trademarks	–49	–
Amortization customer relationship assets	–185	–152
Amortization technology	–47	–44
Amortization intellectual property and other rights	–23	–23
Amortization of acquisition-related intangible assets	**– 303**	**–219**

NOTE 14 cont.

Parent Company

Other intangible assets amount to SEK 3 m (4), which include patents, licenses and IT systems.

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**

2019	Other intangible assets: Intellectual property rights	IT system	Total
Acquisition costs			
Opening balance	2	3	5
Investments for the year	–	–	–
Closing balance	2	3	5
Amortization			
Opening balance	–1	–1	–2
Amortization for the year	–1	0	–1
Closing balance	–2	–1	–3
Net carrying amount, December 31, 2018	1	2	3
Net carrying amount, December 31, 2019	0	2	2

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 continuously evaluates how to develop the trademark portfolio.

As of December 31, 2019 the impairment test of the measured goodwill and trademarks shows no indication of impairment.

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 2019 (SEK – m).

Key assumptions in valuation

The following key assumptions have been applied:

The weighted average cost of capital (WACC) rates, IFRS 16 compliant since January 1, 2019, 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 9.42 percent (9.61) and set by region along with the carrying amounts as follows:

Goodwill, Trademarks and discount rate	Goodwill 2019	Goodwill 2018	Trademarks 2019	Trademarks 2018	Average discount rate pre-tax % 2019	Average discount rate pre-tax % 2018
Americas	8,336	7,981	2,419	2,309	10.08	10.64
EMEA[1)]	3,925	3,826	1,016	1,012	8.35	8.35
APAC	2,570	2,481	607	594	9.66	10.19
Group	**14,832**	**14,288**	**4,043**	**3,915**	**9.42**	**9.61**

1) 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 percent for all cash-generating units. This growth assumption set in comparison to GDP for Dometic main markets US, Europe and Australia/New Zeeland (2.2 percent annual increase since 2001) can be considered conservative.

Impact of possible changes in key assumptions

The group has performed a sensitivity analysis, by applying a 1 percent higher pre-tax discount rate and a 0.5 percent lower estimated perpetual growth rate to the cash flow projections of Dometic Group.

The calculations are based on management´s consideration and assessment of a reasonably possible change of cost of capital and growth. None of these changes in the key assumptions would lead to a reduction of the recoverable amount under the carrying amount for any of the cash-generating units. i.e. would not lead to any impairment needs in the Dometic Group.

A sensitivity analysis as of December 31, 2019 on the level of cash-generating unit, the regions indicates that an increase of WACC by 1 percent for the Americas, EMEA and APAC does not imply a write-down requirement of goodwill in the Group. The sensitivity to a change in WACC for the respective region of 1 percent corresponds to a change in future cash flows of SEK 0.8 billion (0.8) for APAC, SEK 3.8 billion (3.4) for EMEA and SEK 3.2 billion (2.9) for the 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

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**

2019	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	262	1,458	1,680	542	1,351	221	5,514
Acquired in business combinations	–	–	–	–	–	–	–
Investments for the year	0	8	24	19	42	207	300
Sales and disposals	–	–10	–47	–28	–25	–4	–114
Reclassifications	–1	14	137	5	111	–268	–
Exchange rate differences	7	38	47	13	36	9	150
Closing balance	**268**	**1,508**	**1,841**	**551**	**1,515**	**165**	**5,848**
Depreciation							
Opening balance	–9	–552	–1,139	–430	–1,105	–	–3,236
Acquired in business combinations	–	–	–	–	–	–	–
Sales and disposals	–	2	32	21	21	–	76
Depreciation for the year	–1	–63	–119	–39	–89	–	–311
Reclassifications	–	0	0	18	–17	–	–
Exchange rate differences	–1	–14	–27	–9	–28	–	–79
Closing balance	**–11**	**–627**	**–1,254**	**–439**	**–1,218**	**–**	**–3,550**
Impairment							
Opening balance	–38	–97	–19	–10	–3	–	– 167
Impairment charge for the year	–	–	–7	1	–16	–	–22
Exchange rate differences	0	0	0	0	0	–	0
Closing balance	**–38**	**–97**	**–26**	**–9**	**–20**	**–**	**–190**
Net carrying amount December 31, 2018	215	809	522	102	243	221	2,112
Net carrying amount December 31, 2019	**219**	**784**	**561**	**103**	**277**	**165**	**2,109**

NOTE 15 cont.

Land, land improvements and buildings amount in total to SEK 1,003 m (1,024). The total of equipment, installations and tools amounts to SEK 380 m (345).

Depreciation for the year – by line in the Income statement

In the consolidated income statement the total depreciation SEK 311 m (285) has been charged to the following: cost of goods sold, SEK 247 m (233), sales expenses, SEK 28 m (20) and administrative expenses, SEK 35 m (32).

Parent Company

Equipment in the parent company SEK 1 m (0).

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

2019	Equipment	Total
Acquisition costs		
Opening balance	1	1
Investments for the year	0	0
Closing balance	1	1
Depreciation		
Opening balance	0	0
Depreciation for the year	0	0
Closing balance	0	0
Net carrying amount, December 31, 2018	0	0
Net carrying amount, December 31, 2019	1	1

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, 2019	December 31, 2018
Acquisition value inventories		
Raw materials and consumables and products in progress	1,255	1,418
Finished products	2,098	2,894
Advances to suppliers	21	27
Total inventories before provisions	**3,374**	**4,339**
Provisions for obsolescence		
Raw materials and consumables and products in progress	–73	–74
Finished products	–344	–493
Total provisions for obsolescence	**-417**	**–567**
Book value inventories		
Raw materials and consumables and products in progress	1,182	1,344
Finished products	1,754	2,401
Advances to suppliers	21	27
Total book value	**2,957**	**3,772**

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, 2019	December 31, 2018
Trade receivables	1,740	1,724
Less provision for expected credit losses	–45	–19
Trade receivables – net	**1,695**	**1,705**

	December 31, 2019	December 31, 2018
Opening balance	–19	–29
Provision for expected credit losses	–55	–5
Receivables written off during the period as uncollectible	25	15
Unused amounts reversed	4	3
Exchange rate differences and other changes	0	–2
Closing provision for expected credit losses	**–45**	**–19**

Ageing analysis of trade receivables	December 31, 2019	December 31, 2018
Trade receivables, not due	1,470	1,437
Past due:		
Less than two months	180	173
2–6 months	51	85
6–12 months	17	19
More than 1 year	22	10
Total past due	**270**	**287**
of which provision for expected credit losses	–45	–19
Closing book value, net	**1,695**	**1,705**

NOTE 17 cont.

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, 2019, provision for expected credit losses of trade receivables amounted to SEK 45 m (19).

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 lifetime 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.

Parent Company

The parent company has substantial receivables from subsidiaries and measurement of expected credit loss shows an immaterial amount.

NOTE 18 | PREPAID EXPENSES AND ACCRUED INCOME

	December 31, 2019	December 31, 2018
Prepaid rent	6	7
Prepaid insurance	55	48
Prepaid financing expenses	2	0
Prepaid market expenses	10	7
Prepaid personnel expenses	4	4
Prepaid administrative expenses	23	16
Prepaid consumable supplies	23	21
Prepaid costs, other	11	15
Accrued interest	2	5
Accrued income, other	–	4
Total	**136**	**128**

Parent Company

The Parent Company had prepaid expenses and accrued income of SEK 9 m (12), of which prepaid consumer supplies amounts to SEK 6 m (6), prepaid insurance SEK 1 m (1) and accrued interest amounts to SEK 2 m (5).

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. The discount rates are based on corporate bonds indexes and government bonds indexes with the same maturity as the underlying plan liabilities. 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.

NOTE 19 cont.

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 2019, Alecta reports a plan surplus of 148 percent (142). 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 11 m (10) has been charged by Alecta. The amount is expected to be immaterially changed for 2020.

The amounts recognized in the balance sheet are determined as follows:

	December 31, 2019	December 31, 2018
Present value of funded or partly funded obligations	1,397	1,226
Fair value of plan assets	–603	–511
Net liabilities relating to funded obligations	**794**	**714**
Present value of unfunded obligations	27	25
Net liability in the balance sheet	**821**	**739**
Reconciliation to the balance sheet		
Defined benefit pension plan, net	821	739
Other pensions	–	–
Provision for pensions	**821**	**739**

The movement in the defined benefit obligation over the year is as follows:

	December 31, 2019	December 31, 2018
Opening balance	1,250	1,190
Current service cost	16	16
Interest expense	41	36
Remeasurements:		
Actuarial changes arising from changes in demographic assumptions	–8	2
Actuarial changes arising from changes in financial assumptions	158	–43
Experience adjustments	–16	11
Exchange difference	42	83
Benefits paid	–60	–46
Acquired in business combinations	–	–
Closing balance	**1,424**	**1,250**

The movement in the fair value of plan assets over the year is as follows:

	December 31, 2019	December 31, 2018
Opening balance	511	503
Interest income	20	18
Remeasurements:		
Return on plan assets, excluding amounts included in interest	63	–37
Exchange difference	21	40
Employer contributions	48	32
Benefits paid	–60	–46
Acquired in business combinations	–	–
Closing balance	**603**	**511**

	December 31, 2019	December 31, 2018
Present value of funded or partly funded obligations	1,424	1,250
Present value of plan assets	–603	–511
Net liabilities relating to funded obligations	**821**	**739**

Breakdown by country	December 31, 2019	December 31, 2018
Of which Funded plan Germany and USA	794	714
Of which Unfunded plan Other	27	25
Closing balance	**821**	**739**

The amounts recognized in the income statement are as follows:

	2019	2018
Current service cost[1)]	19	19
Interest cost, net	21	18
Costs attributable to defined benefit plans	**40**	**37**
Costs attributable to defined contribution plans	84	78
Total cost in the income statement	**124**	**115**

1) Incl. admin. expenses of SEK 3 m (3).

Remeasurement (gain)/loss in Other comprehensive income amounts to SEK 68 m.

Major assumptions for the valuation of the liability:

Major actuarial assumptions	December 31, 2019			December 31, 2018		
	Germany	USA	Other	Germany	USA	Other
Discount rate, %	1.20	3.05	1.22	1.90	4.11	2.03
Expected salary increase rate, %	2.50	2.50	1.75	2.50	2.77	1.75

Major categories of plan assets	December 31, 2019	December 31, 2018
Cash, cash equivalent	2	1
Equity instruments	301	241
Debt instruments	213	183
Real estate	6	5
Investment funds	81	81
Closing balance	**603**	**511**

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 53 m (43).

Average duration of obligation is 12.25 years in Germany, 13.54 years in the US and 11.20 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%	–89
Discount rate – 0.5%	98
Price inflation, incl. salary inflation + 0.5%	4
Price inflation, incl. salary inflation –0.5%	–4
Life expectancy +1 year	–47
Life expectancy – 1 year	47

NOTE 20 | OTHER PROVISIONS

	Warranty commitments	Environmental provisions	Recall provision	Restructuring provision	Other provisions	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**

	Warranty commitments	Environmental provisions	Recall provision	Restructuring provision	Other provisions	Total
Opening balance January 1, 2019	**226**	**20**	**3**	**100**	**136**	**486**
Charged to the income statement:						
– Acquired in business combinations	–	–	–	–	–	–
– Additional/revaluation provisions	7	3	1	66	18	94
– Unused amounts reversed	–	–2	–	0	0	–2
Used during year	–25	–	–1	–81	–17	–125
Exchange rate differences	9	0	0	1	1	–10
Closing balance December 31, 2019	**217**	**21**	**3**	**86**	**138**	**464**
Provisions consist of:						
Long-term	57	21	2	3	115	198
Short-term	159	–	1	83	23	266
Total	**217**	**21**	**3**	**86**	**138**	**464**

Parent Company

Provisions for the Parent Company consist of provisions for other post-employment benefits of SEK 37 m (25) and other provisions of SEK 16 m (17) in total SEK 53 m (42).

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 major part of the restructuring provisions are expected to be consumed within twelve months. In 2019 a global restructuring program was launched to optimize footprint and reduce costs to increase competitiveness. The restructuring charges reported 2018 related to an initiative to optimize footprint and reduce costs, the majority of the costs were charged in the Americas and EMEA.

Other provisions

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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Non-current				
Senior term loans, long-term	5,052	8,140	5,052	8,140
Other bank loans	–	–	–	–
EMTN program	7,236	3,077	7,236	3,077
	12,288	11,217	12,288	11,217
Current				
Senior term loans, short-term	–	393	–	393
Accrued interest	148	65	148	65
Other bank loans	–	–	–	–
	148	459	148	459
Total borrowings	12,436	11,676	12,436	11,676

The amount granted on the Senior Credit facilities agreement ("SFA") in the Dometic Group amounts to SEK 7,172 m (9,928), of which SEK 5,077 m (8,592) was utilized as of December 31, 2019. The amount on the issued Euro bonds under the EMTN program amounts to SEK 7,272 m (3,077) as of December 31, 2019. The amount granted on local facilities in the Dometic Group amounts to SEK 134 m (130), of which SEK 0 m (0) was utilized as of December 31, 2019.

Of the long-term borrowings SEK 3,136 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 2019 the headroom was sufficient for both covenants. The headroom in the Net debt/EBITDA was 48 percent (48) and for the interest cover covenant 102 percent (130).

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 2019 the headroom for the interest cover covenant under the EMTN program was 354 percent (403). See also Note 3 Financial risk management and financial instruments.

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 134 m (130), of which SEK 0 m (0) was drawn at December 31, 2019. These facilities are with local Chinese Banks and with Svenska Handelsbanken AB (publ).

Commercial papers

In Q1 2019 the Group started the process of establishing a Commercial paper program in the Swedish market. The program was signed in March 2019 and has a framework of SEK 3,000 m, with the possibility to issue commercial papers in SEK and EUR with maturities between 1 month and 1 year. The first issuance of SEK 500 m for a period of 3 months was made in March 2019. The issuing institutions are DNB Sweden AB, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ).

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 6th, 2018. The second issuance of a 2-year SEK 999 m was made in February 2019 and the third issuance of a 7-year EUR 300 m was made in May 2019. The equivalent of EUR 221 m and USD 157 was used to prepay current and non-current senior debt in connection with the third issuance. Prepayments were made on the senior facilities with maturity 2020 with amounts of EUR 130 m and USD 157 m and prepayments were made on the senior facilities with maturity 2022 with an amount of EUR 91 m.

In July 2019 the Group renegotiated the outstanding SFA of USD 543 m and revolving credit facility of EUR 133 m with maturities 2020 and 2022. The SFA of USD 543 m was prolonged with new maturity in year 2024 and with a possibility to prolong USD 333 m with maturity 2025. The outstanding revolving credit facility (RCF) was extended to EUR 200 m (133) with maturity 2024. One new bank, BNP Paribas was added to the bank group in connection with the renegotiation. The current term loan and revolving credit facilities is with DNB Sweden AB, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and BNP Paribas as lenders. The renegotiated SFA consists of term loan facility (equivalent of SEK 5,077 available for drawing in USD) and a revolving credit facility (SEK 2,094 available for drawing in SEK, USD & EUR), the SFA.

As of December 31, 2019 the aggregate principal amount under the SFA is equivalent to SEK 7,172 m (9,928). The renegotiated SFA has a final maturity date, July 10, 2024, with a possible extension of USD 333 m with a final maturity date July 10, 2025. The Group's main financing now consists of the Credit facilities and the Bonds under the EMTN program of EUR 600 m (SEK 6,273) and SEK 999 m, which are all unsecured, and a revolving credit facility (RCF) of SEK 2,094 m.

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 m of the Group's SFA and EMTN program are denominated in the following currencies:

	December 31, 2019	December 31, 2018
EUR (SFA)	–	2,270
USD (SFA)	5,077	6,322
EUR (EMTN program)	6,273	3,077
SEK (EMTN program)	999	–
Other currencies	–	–
Total	12,349	11,670
of which current	–	406
Total non-current	12,349	11,264

Interest-bearing debt

The Group's definition of interest-bearing debt of SEK 13,109 m (12,350) includes the following items: senior term loans (SFA) SEK 5,077 m (8,592), EMTN program SEK 7,272 m (3,077), other bank loans SEK 0 m (0), amortized costs SEK –61 m (–59) and provisions for pensions SEK 821 m (739). Derivative financial liabilities related to interest rate swaps were SEK 0 m (0).

NOTE 21 cont.

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			

December 31, 2019	Currency	SEK m	All-in Interest rate, %	Margin, %	Final payment year
Senior unsecured term loan B (SFA)					
Dometic Group AB	USD	1,963	3.89	1.90	2024
Dometic Group AB	USD	3,114	3.89	1.90	2025
Senior unsecured term revolving credit facility (SFA)					
Dometic Group AB	EUR	–	–	1.50	2025
EMTN program					
Dometic Group AB	SEK	999	2.00	–	2021
Dometic Group AB	EUR	3,136	3.00	–	2023
Dometic Group AB	EUR	3,136	3.00	–	2026
Total		12,349			

The margins in the table are the stipulated interest margins according to the SFA.

NOTE 22 | ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Prepaid income for extended guarantee period	12	13	–	–
Accrued employee-related items	322	324	12	15
Accrued bonus to customers	99	83	–	–
Accrued interest	166	84	150	70
Accrued production costs	52	39	–	–
Accrued administrative expenses	76	64	–	–
Accrued marketing expenses	44	52	–	–
Accrued finance expenses	3	1	–	–
Product liability claims	86	174	–	–
Other	47	77	5	7
Total	907	911	167	92

NOTE 23 | PLEDGED ASSETS

December 31, 2019 the local loan facilities in China are partly supported by pledged assets of SEK 254 m (248).

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, 2019 (–).

NOTE 24 | CONTINGENT LIABILITIES

There are no outstanding contingent liabilities as per December 31, 2019 (–).

NOTE 25 | CASH FLOW DETAILS

	Group		Parent	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash and cash equivalents includes				
Cash in hand and balances with banks	4,289	2,113	0	11
Total cash and cash equivalents	**4,289**	**2,113**	**0**	**11**
Adjustments for non-cash items				
Depreciation and amortization (Note 8, 14, 15)	817	526	1	1
Exchange rate differences	–114	128	–501	–6
Other non-cash items	86	–7	–40	–60
Total non-cash items	**788**	**648**	**–540**	**–65**

Other financing activities

Group

Other financing activities amounts SEK – 96 m (–88) including pensions paid SEK – 48 m (–32), realized result financial hedges SEK –27 m (–44) and paid financial fees SEK –16 m (–12 and other SEK –6 m (–).

Parent Company

Other financing activities amounts to SEK 0 m (–75) including paid financial fees SEK 0 m (–75).

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 (0) overdrafts were drawn December 31, 2019.

Group

2018	At January 1	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: Changes in defined benefit obligations	At December 31
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
Accrued interest	35	–	–	–	30	–	–	65
	11,323	**–**	**–2,849**	**3,183**	**30**	**735**	**52**	**12,474**
Cash and Cash equivalents	1,159	920	–	–	–	34	–	2,113
Net debt	**10,163**							**10,361**

2019	At January 1	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 incl fees	Non-cash changes: Changes in defined benefit obligations	At December 31
Senior term loans, long-term	8,187	–	–9,114	5,560	–	445	–	5,077
Senior term loans, short-term	406	–	–432	–	–	27	–	–
EMTN program	3,077	–	–	4,202	–	–7	–	7,272
Provisions for pensions	739	–	–	–	–	–	82	821
Accrued interest	65	–	–	–	83	–	–	148
	12,474	**–**	**–9,546**	**9,762**	**83**	**465**	**82**	**13,319**
Cash and Cash equivalents	2,113	2,162	–	–	–	14	–	4,289
Net debt	**10,361**							**9,030**

2019	At January 1	Changes arising from cashflow: Leasing payments	Changes arising from cashflow: Leasing interest	Non-cash changes: Additions/ reductions during the year	Non-cash changes: Foreign exchange movements	At December 31
Lease liabilities	517	–166	–19	268	38	638

NOTE 25 cont.

Parent Company

2018	At January 1	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: Other	At December 31
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
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**

2019	At January 1	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: Other	At December 31
Senior term loans, long-term	8,140	–	–9,114	5,560	–	429	–	5,015
Senior term loans, short-term	393	–	–432	–	–	40	–	–
EMTN program	3,077	–	–	4,202	–	–7	–	7,272
Accrued interest	65	–	–	–	83	–	–	148
	11,676	**–**	**–9,546**	**9,762**	**83**	**462**	**–**	**12,436**
Cash and Cash equivalents	11	–11	–	–	–	–	–	–
Net debt	**11,665**							**12,436**

NOTE 26 | SHARES IN SUBSIDIARIES

Dometic Group AB (publ)

Company name	Corp. id. no	Domicile	Number of shares	Proportion of equity in %	2019 book value SEK m
Direct shareholdings					
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 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			
Dometic Australia PTY LTD	086366305	Australia	100
Dometic Austria GmbH	FN290460y	Austria	100
Dometic Belgium Awnings 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	91340200595716090B	China	100
Atwood Trading (Shanghai) Co., Ltd.	310000400720486	China	100
Dometic (Shenzhen) Trading Co Ltd	91440300594318592P	China	100
Dometic (Shenzhen) Electronics Co Ltd	91440300618885496F	China	100
Dometic (Zhuhai) Electronics Co Ltd	91440400MA515CTU7T	China	100
Dometic (Zhuhai) Technology Co Ltd	91440400729235971W	China	100
Shenzen Leimi Textile Co Ltd	91440300618890543A	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 Germany Holding GmbH	HRB 5557	Germany	100

NOTE 26 cont.

Company name	Corp. id. no	Domicile	Proportion of equity in %
Dometic GmbH	HRB 5558	Germany	100
Dometic Light Systems GmbH	HRB 7855	Germany	100
Dometic Germany Krautheim GmbH	HRB 7731	Germany	100
Dometic Germany GmbH	HRB 3716	Germany	100
Dometic UK Ltd.	04190363	Great Britain	100
Dometic UK Awnings Ltd (former Kampa UK Limited)	05964899	Great Britain	100
Dometic UK Blind Systems Ltd (former Oceanair Marine Limited	02504653	Great Britain	100
Dometic Asia Co. Ltd.	14979283-000-02	Hong Kong	100
Dometic Asia Holding Co. 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	22342626-000-03	Hong Kong	100
Dometic Hűtőgépgyártó és Kereskedelmi Zrt. (Dometic Zrt)	Cg.16-10-001727	Hungary	100
Dometic Italy Marine S.r.l. (former 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
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
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
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
Sierra Netherlands Holdings, LLC	46-3981447	USA	100
Seloc Publishing Inc.	36-2643586	USA	100

Change analysis of shares in subsidiaries	December 31, 2019	December 31, 2018
Opening balance	16,228	16,622
Impairment losses[1]	–	–394
Closing balance	**16,228**	**16,228**

[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 –185 m (–171); of this SEK 185 m (166) 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, 2019	December 31, 2018
Earnings per share before dilution		
Earnings attributable to the Parent Company´s shareholders (thousands)	1,325,287	1,575,567
Weighted average number of shares issued	295,833,333	295,833,333
Earnings per share before dilution (SEK per share)	**4.48**	**5.33**
Earnings per share after dilution		
Earnings attributable to the Parent Company´s shareholders (thousands)	1,325,287	1,575,567
Weighted average number of shares issued	295,833,333	295,833,333
Earnings per share after dilution (SEK per share)	**4.48**	**5.33**

Proposed distribution of earnings

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

Retained earnings	10,118,647
Profit for the year	–53,147
Total	**10,065,500**

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

A dividend to the shareholders of SEK 2.20 per share, totaling	650,833
To be carried forward	9,414,667
Total	**10,065,500**

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.

2019

Dometic has not made any acquisitions or divestments during 2019. The purchase price allocation of Kampa is considered as final. No changes have been made.

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).

NOTE 29 cont.

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	–	–
Provisions and other non-current liabilities	–1,777	85	–1,777
Operating liabilities	–251	–13	–251
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.

NOTE 30 | SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On February 11, 2020 Dometic announced the implementation of a new organizational structure to generate additional focus and performance. The new structure will be formed around four Sectors, compared to previously three regions: Americas Sector, EMEA Sector, APAC Sector and Global Sector. The Sectors will be the highest responsible operational entities reporting to the Group. The new organizational structure will be effective as from April 1, 2020 and will be reflected in Dometic's report for the second quarter of 2020.

The following divisions are included in the new Sector organization:

- Americas Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor
- EMEA Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor
- APAC Sector: Recreational vehicles (RV), Commercial and passenger vehicles (CPV) and Outdoor
- Global Sector: Marine and other vehicles

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, leasing 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	10,118,647
Profit for the year	–53,147
Total	**10,065,500**

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

A dividend to the shareholders of SEK 2.20 per share, totaling	650,833
To be carried forward	9,414,667
Total	**10,065,500**

The Board of Directors propose April 9, 2020, as the record day for the right to dividend.

The Board of Directors has proposed that the 2020 annual shareholders' meeting resolves on a dividend to the shareholders of SEK 2.20. 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 12, 2020

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 12, 2020

PricewaterhouseCoopers AB

Anna Rosendal
Authorized public accountant
Partner in charge

AUDITORS' REPORT

Unofficial translation

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 2019. The annual accounts and consolidated accounts of the company are included on pages 65–124 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 parent company and the group as of 31 December 2019 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 2019 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 is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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 Board of Directors 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.

Dometic Group has operations worldwide with 26 manufacturing and assembly sites in 11 countries. The business is organized into 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% of the Group's total sales in 2019.

The consolidated financial statements of Dometic Group consist of some 60 reporting units located in 30 countries. 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. We also decided for the purpose of expressing an opinion on the consolidated accounts as a whole, that approximately 20 reporting units were the most significant and should be in scope for the Group audit – for instance reporting units in the US, Germany and Australia were in scope. In order to tailor an appropriate audit strategy, we updated our understanding about, among other things, the organization, strategic focus areas and overall control environment. We performed inquiries with management on Group and Regional level and obtained and read significant Group policies and instructions, management reports and other relevant documentation.

In addition to the group audit, 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 2019, with respect to the closings 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 2019, we issued a limited 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 for the consolidated financial statements as a whole. 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
Valuation of goodwill and trademarks Goodwill and trademarks amount to SEK 18,9 billion as of December 31, 2019. 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 valuation of goodwill and trademarks 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; Americas, EMEA and APAC which constitute Cash-Generating Units (CGUs), 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 Intangible assets.	Our audit included but was not limited to the following procedures: • Assessed the model used by the Group for impairment testing and evaluation of 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 as well as with external data sources where possible and relevant. PwC valuation specialists have been involved to perform many of these procedures. • 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. • Traced disclosure information to accounting records and other supporting documentation and verified that disclosures were in accordance with IAS 36.
Inventory valuation Inventories in the Group's consolidated financial statements amount to SEK 3.0 bn as of December 31, 2019. The provision for obsolescence was SEK 0.4 bn. Valuation of inventory is considered a key audit matter in our audit due to significance, complexity in underlying calculations and management judgments involved. Inventories are held by various manufacturing and assembly sites in many countries. Inventories are stated at the lower of cost and net realizable value. Cost of inventories is determined using the first-in, first-out method. Valuation of inventories and provision for obsolescence requires clear guidelines and are subject to management's estimates. Establishing product costing requires instances of management judgment with effect on the reported values. This includes considering normal production levels, foreign currency, prices of raw materials, and allocation of other direct and indirect costs. Net realizable value is assessed based on the estimated selling price in the ordinary course of business less variable selling expenses. Elimination of effects from intra-group transactions also include complexity. Refer to the Annual Report Note 16 Inventories for additional information on the line item.	Our audit included but was not limited to the following procedures: • Assessed processes and procedures for inventory accounting. • Tested, on a sample basis, stocks of raw materials to actual prices. Assessed the reasonableness of product costing for products in progress and finished products. • Participated in stock takes on a number of locations and tested on a sample basis the cut-off of deliveries in or out of inventory. • Obtained the analysis of slow movers and assessments of obsolescence as well as net selling prices. • Traced disclosure information to accounting records and other supporting documentation.

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 1–64 and page 128. 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 2019 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 9 April 2019 and has been the company's auditor since the 15 June 2001.

Stockholm 12 March 2020
PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant

FINANCIAL CALENDAR 2020

INTERIM REPORT **Q1**

The Interim Report January 1–March 31, 2020 will be published on **April 24, 2020**.

INTERIM REPORT **Q2**

The Interim Report April 1–June 30, 2020 will be published on **July 16, 2020**.

INTERIM REPORT **Q3**

The Interim Report July 1–September 30, 2020 will be published on **October 23, 2020**.

ANNUAL SHAREHOLDERS' MEETING **2020**

The 2019 annual shareholders' meeting of Dometic Group AB (publ) will be held on Tuesday **April 7, 2020** at 1 pm at Hotel At Six, Brunkebergstorg 6, SE-111 51 Stockholm, Sweden.

FOR FURTHER INFORMATION

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In the event of any discrepancies, the Swedish version shall govern.

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DOMETIC

Mobile living made easy is at the core of our offering. Dometic is committed to delivering smart reliable products with outstanding design. By doing so we will maintain and build product leadership within our main product categories Food & Beverage, Climate, Power & Control, Safety & Security and Other applications.

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