

ANNUAL REPORT 2018

Mekonomen Group

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Pehr Oscarson, President and CEO Mekonomen Group.

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Mekonomen Group's formal Annual Report comprises pages 35-87. Only the original version of the formal Annual Report has been reviewed by the company's auditors. Regarding the sustainability report, the auditors made a statement that the report had been prepared correctly, see page 93. The Annual Report is published in Swedish and English. The Swedish version represents the original version, and has been translated into English. Please visit our website at www.mekonomen.com.



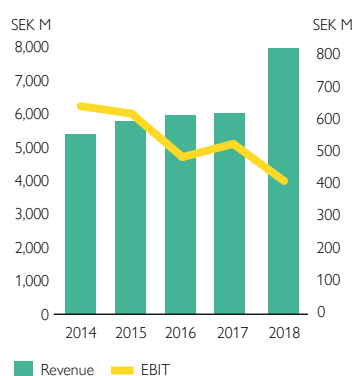
2018 IN BRIEF

- Revenue amounted to SEK 7,951 M (6,000). Adjusted for the acquisition of FTZ and Inter-Team, currency effects and calculated on a comparable number of workdays, revenue rose 3 per cent. Sales in comparable units decreased by 1 per cent in local currency.
- EBITA amounted to SEK 553 M (649) and the EBITA margin amounted to 7 per cent (11). EBITA was negatively impacted by items affecting comparability of SEK 89 M (positively: 9).
- EBIT amounted to SEK 407 M (522) and the EBIT margin amounted to 5 per cent (9). EBIT was negatively impacted by items affecting comparability of SEK 89 M (0).
- The gross margin amounted to 49.9 per cent (54.6).
- Earnings per share, before and after dilution, amounted to SEK 6.56 (10.05).
- Cash flow from operating activities amounted to SEK 331 M (496).
- Net debt amounted to SEK 4,098 M (1,444).
- The Board of Directors proposes no dividend (previous year SEK 4.46)¹⁾.
- Acquisition of FTZ in Denmark and Inter-Team in Poland.

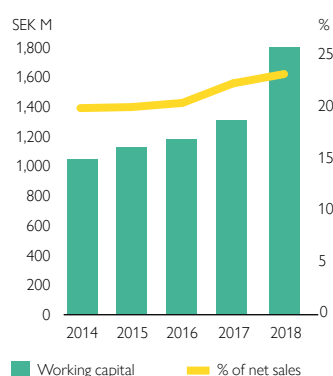
FINANCIAL SUMMARY

Key figures	2018	2017	2016
Revenue, SEK M	7,951	6,000	5,937
EBITA, SEK M	553	649	594
EBIT, SEK M	407	522	481
Profit for the year, SEK M	268	368	342
Earnings per share, SEK	6.56	10.05	9.32
EBITA margin, %	7	11	10
EBIT margin, %	5	9	8
Cash flow per share, SEK ²⁾	8.3	13.8	15.1
Dividend per share, SEK ¹⁾	-	4.46	4.46
Return on shareholders' equity, %	10	16	15
Equity/assets ratio, %	35	43	43
Net debt/EBITDA, multiple	6.44	2.03	2.19

Revenue and operating profit³⁾



Working capital³⁾



¹⁾ The Board's proposal for 2018. The dividend for 2016 and 2017 is restated with the number of shares outstanding as at 31 December 2018, 56,353,372. The actual dividend paid was SEK 7 per 35,901,487 shares for both 2016 and 2017.

²⁾ From operating activities.

³⁾ The acquired companies FTZ and Inter-Team are included in the above tables for the period 2018-09-03 – 2018-12-31.

SIGNIFICANT EVENTS DURING THE YEAR

First quarter:

- Implementation began of the Godkänd Bilverkstad (Approved Workshop) quality standard in Mekonomen Group's affiliated workshops in Sweden.
- Intensive test period of both hardware and software in the new automated part of our central warehouse in Strängnäs.

Second quarter:

- Bileko Car Parts was appointed the new supplier of car accessory products to St1's Shell stores in Sweden.
- ProMeister Solutions AS was approved as the training provider for PKK (vehicle inspectors) in Norway, where 10,000 inspectors are in need of undergoing training before autumn 2021.
- Mekonomen Group divested Marinshopen, the boat accessory business.
- Adaptations were implemented throughout the Group to the new General Data Protection Regulation for the handling of personal data.

Third quarter:

- Mekonomen Group almost doubled in size and took the step into Continental Europe through the acquisitions of FTZ in Denmark and Inter-Team in Poland.
- A decision was made on a rights issue in connection with the acquisition of FTZ and Inter-Team.
- A new cohort started the upper-secondary vocational training program to vehicle technicians at ProMeister Education.
- Mekonomen's and MECA's workshops in Sweden became Trygg-Hansa's new cooperative partners for automotive damages.
- The automation in the central warehouse in Strängnäs was completed. Tests of the equipment with low stock volumes began.

Fourth quarter:

- The rights issue was fully subscribed and Mekonomen Group received SEK 1.6 bn.
- In the autumn, use of the new automatic part of the central warehouse in Strängnäs began gradually.
- 65 per cent of the daily order lines in the central warehouse in Strängnäs go through the new automated warehouse.

"DOUBLED SIZE THROUGH ACQUISITION OF FTZ IN DENMARK AND INTER-TEAM IN POLAND."

THIS IS MEKONOMEN GROUP

Mekonomen Group consists of the leading car service chains in Northern Europe with a proprietary wholesale operation, more than 460 branches and over 3,400 affiliated workshops operating under the Group's brands. We make car life easier and more affordable for our customers. We do so through a broad and accessible range of affordable and innovative solutions and products for consumers and companies.

VISION BUSINESS CONCEPT

We are the car owner's first choice and strive for an easier and more affordable car life.

We offer consumers and companies solutions for an easier and more affordable car life by using clear and innovative concepts, high quality and an efficient logistics chain.

OUR MARKET SHARES

Market share ¹⁾ Denmark, approx.	Market share ¹⁾ Poland, approx.	Market share ¹⁾ Norway, approx.	Market share ¹⁾ Sweden, approx.
28%	4%	25%	15%

¹⁾ Proportion of spare part sales to workshops.

KEY FIGURES 2018

Revenue,
SEK M

7,951

EBIT,
SEK M

407

Number of employees
in the Group,
31 December

5,569

Number of affiliated
workshops

3,416

Number of
branches

467

Responsible
purchasing¹⁾

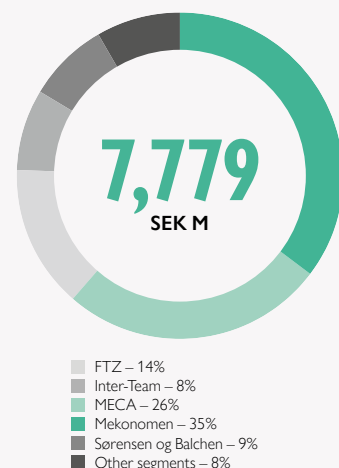
93%

¹⁾ Main suppliers of products that account for more than 93 per cent (92) of our purchases have signed our agreement clause on compliance with the UN Global Compact by 2020 or presented their own corresponding policy.

Mekonomen as an investment

- The market leader in Denmark, Norway and Sweden, and number four in Poland.
- Strong brands and well-known concepts.
- Broad customer offering and efficient logistics chain.
- Size advantage/purchasing power.
- A portfolio of proprietary brands.
- Own academies for continuous competence development among the automotive technicians of affiliated workshops.
- Entrepreneurship and high level of expertise among our employees.
- Ambition to lead the development of the industry.
- Participates in the transformation for more environmentally friendly car fleet through service and products for electric cars.

Net sales divided by segment



¹⁾ Acquired FTZ and Inter-Team are included from 3 September 2018.



OUR BRANDS



STRENGTHENED POSITION DESPITE A TOUGH YEAR

2018 was one of the most important years ever in Mekonomen's nearly 50-year history. After the acquisitions of Danish FTZ and Polish Inter-Team, Mekonomen Group is in many ways a new company. We have doubled in size which creates significant advantages for us and, in extension, for our affiliated workshops and their customers.



The acquisitions of FTZ in Denmark and Inter-Team in Poland influenced a large part of 2018. But it is now when the acquisitions are done the most important work begins. Although FTZ and Inter-Team will continue to work under their respective brands, we have a lot to learn from each other. I am convinced that the exchange of knowledge will go both ways. The implementation of the new companies in the Group's purchasing collaboration began immediately after the acquisition and is proceeding according to plan. The collaboration and experiential exchanges are initiated continuously with great commitment and high-priority focus by the Group's managers and employees.

Rapid market development requires local management

Our industry is in the midst of a major transition. Forces come from several directions. Electrification and digitalisation are two strong well-known forces that drive the market. However, people's view of transportation and their relationship to the car are

also affecting what our market will look like in the next few years.

Our organisation will also be developed to effectively govern the new, larger, Mekonomen Group. At the same time that we cooperate in the areas in which we benefit most from the Group's overall size, our businesses are also differentiated and active in markets with different conditions. To ensure an offering at the forefront that meets the trends in the market and the customers' needs, the decisions must be made quickly and close to the customers. Since we now are represented in countries that have made varying progress in their development, the need for local management is extra important.

Our core markets being in different phases and more geographically spread also reduces risk in our business. This applies both to the risk of weaker market development in individual countries and the weather, where geographical spread is an advantage. In 2018, for example, we were negatively impacted by the long, hot summer and mild autumn we had in the Nordic region.

Prior experience:

Senior positions in MECA since 2001 and before that the President of Swecar AB.

Number of shares: 70,457.

More than 6,000 employees are needed for the industry in the coming years.

I look forward to further developing the decentralised management that was implemented in the Group before the acquisitions of the new companies FTZ and Inter-Team.

2018 was a challenging year

Besides the weather being negative for our business, 2018 began with a challenge when we were struck by a strong drop in sales of DAB (Digital Audio Broadcasting) in Norway. Excluding FTZ and Inter-Team, and newly acquired smaller businesses in Sweden and Norway, sales only increased marginally during the year. In turn, profitability was negatively impacted by acquisition costs and the weak SEK's effect on purchasing costs. There is still a lot to work on in the Group that involves streamlining of operations, which is high on my and management's agenda for the next few years. The work on a shared central warehouse for MECA and Mekonomen in Sweden is continuing according to plan and, as previously announced, is expected to provide annual savings of SEK 50 M beginning in 2020.

A changing market

The traditional automotive aftermarket for spare parts has been impacted by low growth, which has been a challenge in our market-leading operations in the Nordic region. As a compensatory effect in the future, I believe the high new car sales that we have had for a number of years will have a positive effect. I am convinced that with our size and strong position we will be among the future winners in our industry. An industry that is experiencing a fundamental change in many ways. The clearest trends are the digitalisation and electrification of the automotive fleet.

We have come far in terms of digitalisation. Both in terms of the industry and within Mekonomen Group. The large majority of Mekonomen Group's sales take place digitally, especially sales to workshops and other companies.

Mekonomen is far ahead in terms of electrification as well. We have a major advantage from having been active in Norway for a long time, since Norway is the country with the most electric cars per capita worldwide. Now we can take this knowledge with us to our other markets. With our size we have the necessary strength to invest in expertise and equipment needed to position ourselves in the electric car aftermarket, in line with the growth in each market.

More vehicle technicians are needed – fast!

As a leading player in the industry, we have a responsibility to ensure that our business is sustainable. Sustainability is an integral part of our business, where we contribute to the global sustainability goals and comply with the principles of the UN Global Compact that we signed in 2013.

The absolutely greatest challenge for our industry, as I have pointed out many times, is the shortage of skilled automotive technicians. Together with the other players in the industry, we see a need for more than 6,000 employees in the next few years.

There is extensive interest in our own ProMeister Automotive upper-secondary school programme and high admission grades are needed to get in. I hope that the interest in the profession – which today is a varied profession with a high technical content – will continue to grow so that the industry's needs can be met. Having skilled automotive technicians in our workshops is a prerequisite to be competitive and provide a good customer experience.

Recruiting, training and skills development of automotive technicians is strategic and an area where we can contribute to society by creating jobs and contributing to the industry's continued development. Sustainability must be an integrated part of our business where we contribute to the global sustainability goals and comply with the principles of the UN Global Compact, which we signed in 2013.

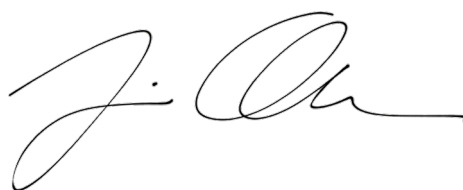
"DOUBLED SIZE – INCREASED PURCHASING VOLUMES AND BETTER NEGOTIATING POSITION"

Acquisitions make us stronger in the market

We see several advantages in being a larger company. Not least, it makes us stronger on the purchasing side. Our industry involves large volumes, and naturally larger volumes create a better negotiating position. We also strengthen our position as a leading player in the Nordic region, while taking the step out in Europe.

As a stronger and more competitive player, it is now time to advance our position and further improve the offering to our customers. In 2019, we will focus on developing our concepts with improved range and service offering to all customer groups. We are ready to meet the challenges of the future, focus on profitability in all business areas and take shares in our markets.

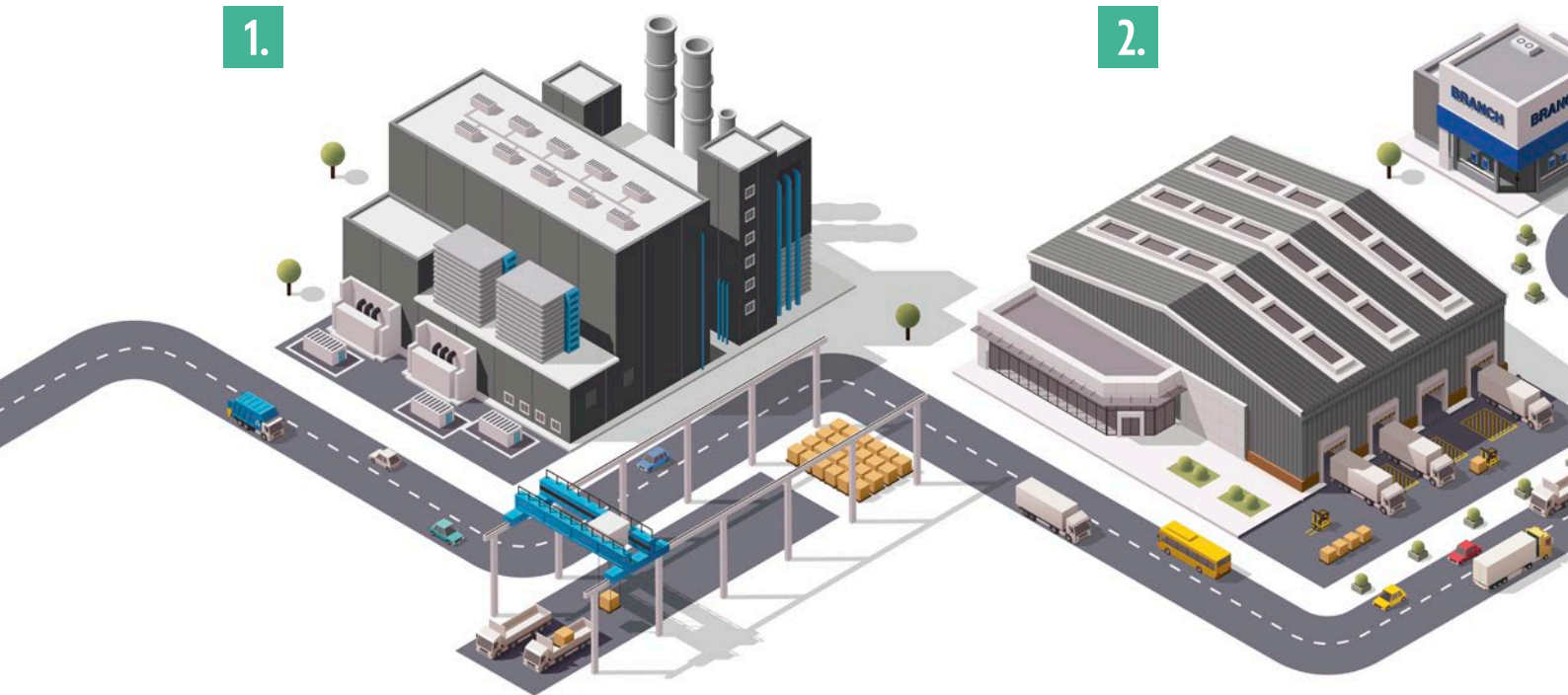
I would like to express my thanks to our shareholders for entrusting us to carry out the large acquisition in 2018 and thanks to all colleagues for the commitment and good work during the year. I also want to welcome all of our new colleagues in Denmark and Poland to the Group and I am looking forward to shared successes in the coming years.



Pehr Oscarson, President and CEO

OUR BUSINESS MODEL

Our business model comprises purchasing, stock-keeping and sales of spare parts and accessories. We create value for our customers and shareholders by offering affordable, high-quality products and services. Our sustainability efforts cover the three dimensions of social, environmental and financial responsibility.



1. Suppliers

Purchases of spare parts take place from the same suppliers that supply the car manufacturers. Purchases are made through a common purchasing function for all companies in the Group. Around 80 per cent of the product supply is obtained through purchases from 160 suppliers.

2. Wholesale business

In our central and regional warehouse in the Nordic region, articles for more than 15,000 car models are kept in stock. In Sweden, a project is under way where MECA and Mekonomen are obtaining a highly automated central warehouse in Strängnäs.

3. Branches

The majority of the Group's sales take place through the Group's five branch concepts. The customer groups are affiliated concept workshops, other workshops, other companies and consumers.

Important sustainability areas

Environmental responsibility

Emissions to air, soil and water in production. The products' contents, such as chemical and conflict minerals. Transports.

Environmental responsibility

Optimisation of transports. Right vehicles and fuel. Handling of flammable and chemical products. Sorting of waste. Energy use. Size of packaging. Hazardous goods. Producer responsibility.

Environmental responsibility

Sorting of waste. Handling of chemical and flammable products. Right vehicles and fuel. Optimisation of routes and filling ratio. Energy in the building. Hazardous goods.

Corporate social responsibility

Working conditions, health and the working environment for the suppliers' employees.

Corporate social responsibility

Working conditions and working environment for employees, e.g. heavy lifts/ergonomics. Possibility of skills development.

Corporate social responsibility

Working conditions and the working environment for employees. Possibility of skills development.

Financial responsibility

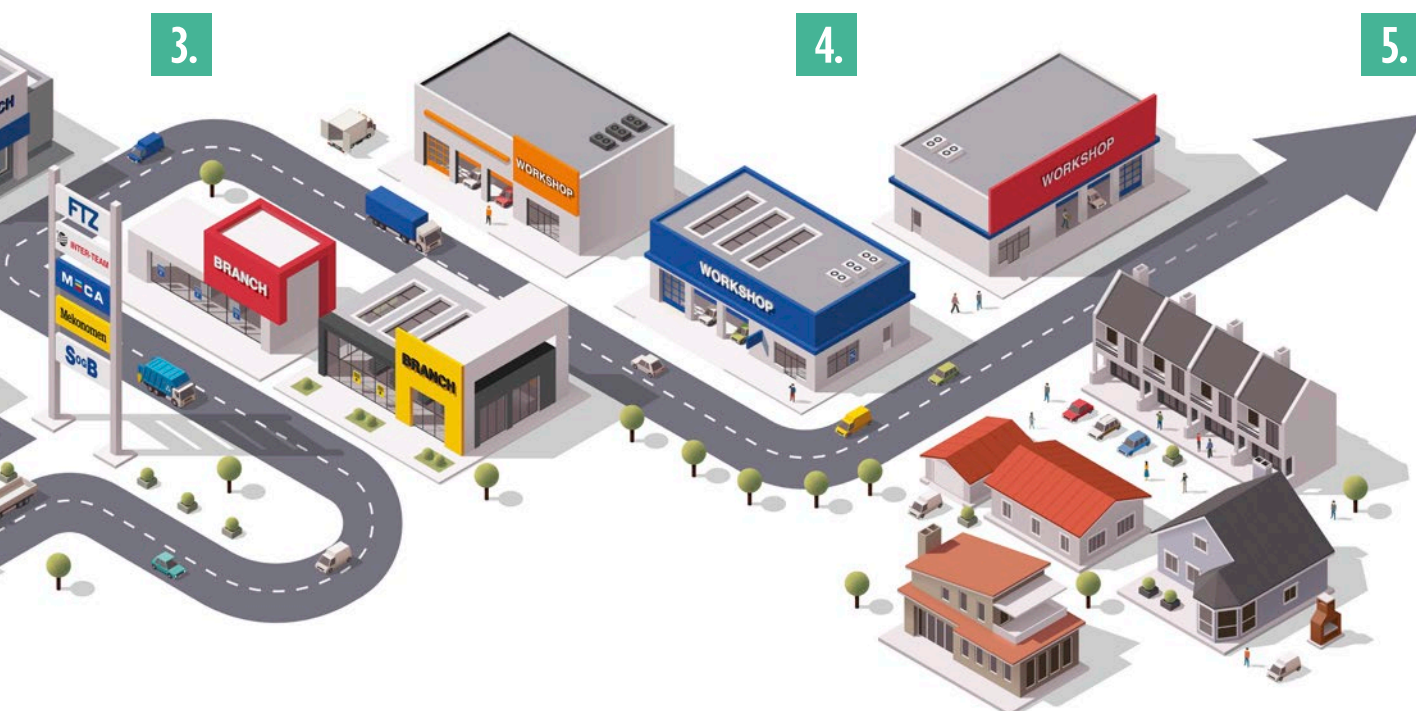
Adequate compensation to obtain the right quality and so that working conditions can be maintained.

Financial responsibility

Optimisation of stock, right products being sent out so returns are unnecessary.

Financial responsibility

Right spare part at the right time to the right workshop.



4. Workshops

Our affiliated concept workshops offer service and repairs of cars and light trucks, to consumers and companies. The workshops service and repair most car makes and models in the Nordic market.

5. Car owners

We offer workshop services and car accessories to car owners in the Nordic region and Poland. We seek to provide clear value to our customers and to be affordable and innovative with high quality and a high level of service.

Important sustainability areas

Environmental responsibility

Emissions to soil and water
Handling of chemical and flammable products. Oils and batteries.
Sorting of waste. Tyres. Right service minimises environmental impact in vehicle operation.

Corporate social responsibility

Working conditions, working environment and health of employees, e.g. heavy lifts and chemicals.
Possibility of skills development.

Financial responsibility

Right spare part at the right time optimises the workshop's resources.

Environmental responsibility

Properly serviced and repaired vehicles have fewer emissions to the air. The vehicle is whole and resource-efficient throughout its lifespan.

Corporate social responsibility

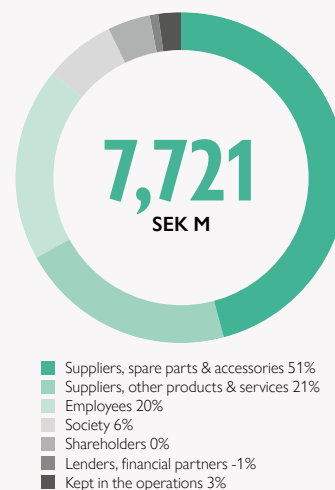
Safety and safe vehicles. Properly serviced and repaired vehicles provide greater road safety.

Financial responsibility

Warranties and the right advice and service provide lower costs for the car owner.

Distribution of financial value¹⁾

With our business, Mekonomen Group creates financial value that is distributed out to our stakeholders.



¹⁾ Revenue less depreciation and impairment, totalling SEK 7,721 M

MARKET OVERVIEW

Primary driving forces in the aftermarket for cars and light trucks is number of cars on the roads and their mileage. The Nordic region is a mature and consolidated market with an annual growth of 1-2 per cent, while the Polish market is fragmented and grows by about 4 per cent yearly. The aftermarket for car parts and workshop services is mainly affected by the number of cars older than four-five years. This is when the car parts begin to wear out and need to be repaired or replaced.



Trends that affect the aftermarket for cars and light trucks

The global macrotrends – from greater digitalisation to higher standards and initiatives for a sustainable society – change the conditions on the aftermarket for cars and light trucks even if development to-date has not been as strong as in many other industries. A good understanding of how the changes affect the needs of our workshops and car owners combined with a good adaptive ability are prerequisites for being a strong actor in the future as well. A trend on the European aftermarket for cars and light trucks is to acquire actors to leverage synergies, and Mekonomen Group's acquisition of FTZ and Inter-Team are successful examples of this. Different countries have achieved differing levels of consolidation and the Nordic market has progressed considerably while the Polish market is still fragmented.

Changed customer expectations and new possibilities create added value

- Digitalisation - increased transparency and simplicity for both workshops and car owners through e-commerce and more rational logistics for wholesalers.

- The value of big data and analytics – tailored customer offerings and more efficient logistics in the industry.
- Future car fleets – new customer needs through car pools and other kinds of car ownership are creating business opportunities.

Next generation of vehicles

- Electric cars - include fewer moving parts and require new expertise in the industry
- A higher share of software in the cars - requires new expertise in the industry.
- Connected cars - better maintenance forecasts for the car.

The shift in competitiveness

- New actors are being established on the market.
- A higher pace in the industry's consolidation and integration.

Mekonomen Group well positioned to benefit from the market trends

For Mekonomen Group, it is strategically important to be on the forefront of the development in the industry and through our investments in business development,

we are well positioned to benefit from the prevailing trends. The core of our business is the attractive workshop concepts, a broad spare parts range and efficient logistics and distribution. The core business is highly digitalised. Approximately 80 per cent of our sales take place through digital channels, mainly through digital spare parts catalogues. The development of new services and solutions, in addition to a well-functioning core business, is a must in order to attract new customers and keep existing customers. In 2018, we have among other things begun the launch of new digital spare parts catalogue within Mekonomen, started the use of our ultramodern and fully automated central warehouse in Strängnäs, continued the further training of automotive technicians and expanded our assortment to meet the demand for service, parts and accessories for electric and hybrid cars. We see major opportunities for consolidation in the Polish market in the next few years, which would benefit Mekonomen Group as an active player in this development.

MEKONOMEN GROUP'S POSITION IN THE MAIN MARKETS

Denmark

The Group company FTZ is the market leader in Denmark, which is the most consolidated market in which the Group is active. The market size is estimated at just below SEK 9 billion and FTZ's market share in 2018 was around 28 per cent. Market growth is estimated at around 1–2 per cent per year.

2018

Population:	5.8 million
GDP growth:	1.4%
Number of cars:	2.5 million
Growth in number of cars:	2.6%
Percentage cars ≥4 years old:	69%
Percentage of pure electric cars:	0.3%
Market structure:	High consolidation
Market share:	28%

Competing independent actors:

CAC Carl Christensen, Auto-G and AD Danmark, and a number of brand actors.

Norway

The Norwegian market consists of a few larger actors where Mekonomen Group is the market leader through the Group companies MECA, Mekonomen and Sørensen og Balchen. The Norwegian market has the fastest development in the world in terms of the transition of the car fleet from fossil-powered to electricity. The market size is estimated over SEK 8 billion and Mekonomen Group's market share in 2018 was around 25 per cent. Market growth is estimated at around 1–2 per cent per year.

2018

Population:	5.3 million
GDP growth (Mainland Norway):	2.2%
Number of cars:	2.8 million
Growth in number of cars:	1.1%
Percentage cars ≥4 years old:	82%
Percentage of pure electric cars:	7.1%
Market structure:	High consolidation
Market share:	25%

Competing independent actors:

Helland, Romnes and KG Knutson, and a number of brand actors.

Poland

The Group company Inter-Team is the fourth largest actor in the fragmented Polish market, which is characterised by a high price competition. The market consists of one large actor and a number of medium sized actors of the same size as Inter-Team. The market size is estimated at around SEK 39 billion and Inter-Team's market share in 2018 was around 4 per cent. Market growth is estimated at around 4–5 per cent per year.

2018

Population:	38.4 million
GDP growth:	5.1%
Number of cars:	22.5 million
Growth in number of cars:	3.9%
Percentage cars ≥4 years old:	93%
Percentage of pure electric cars:	<0.1%
Market structure:	Fragmented
Market share:	4%

Competing independent actors:

Inter-Cars, Moto-Profil, Auto Partner, Gordon and ELIT (owned by Mekonomen Group's largest shareholder, LKQ Corporation).

Sweden

Through the Group companies MECA and Mekonomen, Mekonomen Group is the market leader in the consolidated Swedish aftermarket. The total market size is estimated at around SEK 14–15 billion and Mekonomen Group's market share in 2018 was around 15 per cent. Market growth is estimated at around 1–2 per cent per year.

2018

Population:	10.2 million
GDP growth:	2.3%
Number of cars:	4.8 million
Growth in number of cars:	0.5%
Percentage cars ≥4 years old:	81%
Percentage of pure electric cars:	0.3%
Market structure:	High consolidation
Market share:	15%

Largest competing actors:

Autoexpertern, AD Bildelar and BDS, and a number of brand actors.

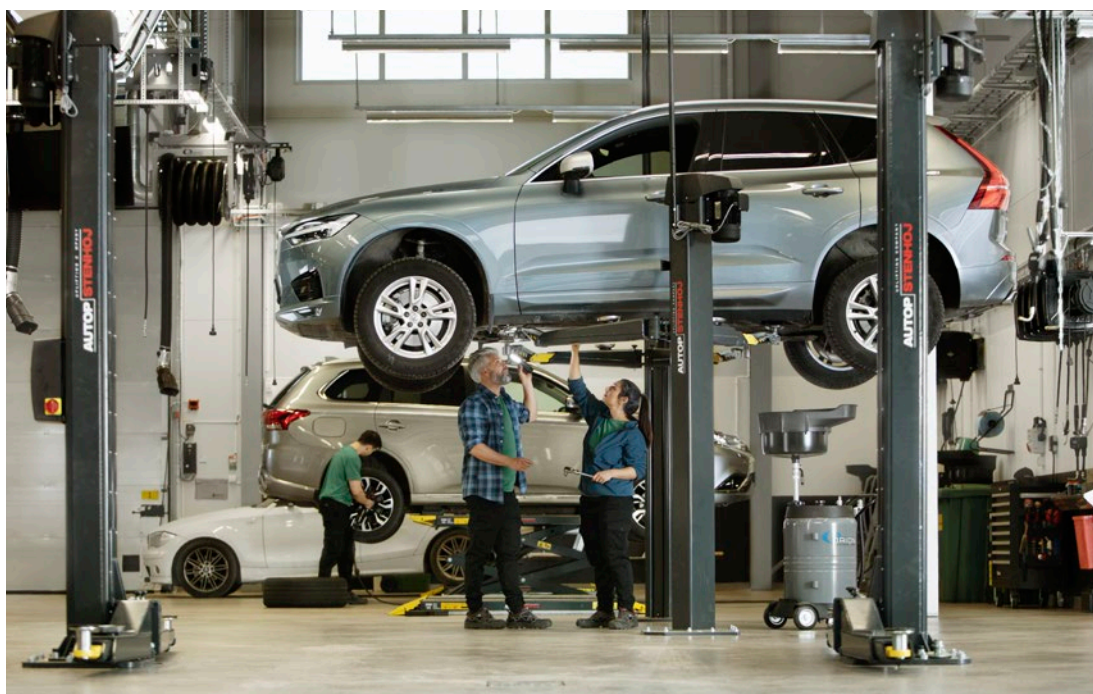
Mekonomen Group is the market leader in all of the company's main markets in the Nordic region and has a clear positioning on the Polish market.

Source: SCB, SSB, Statistics Denmark, Statistics Poland and PSPA, except assumption of market size and market share which is the company's own.

STRATEGY FOR PROFITABLE GROWTH

Mekonomen Group's overall strategy is to grow with good profitability. The strategy is based on the three main areas of customer focus, leveraging economies of scale and continuous development of our business to be able to offer our customers solutions for an easier and more affordable car life.

We create long-term profitable growth by constantly adjusting our business based on the customers' needs and drive the development of the industry forward.



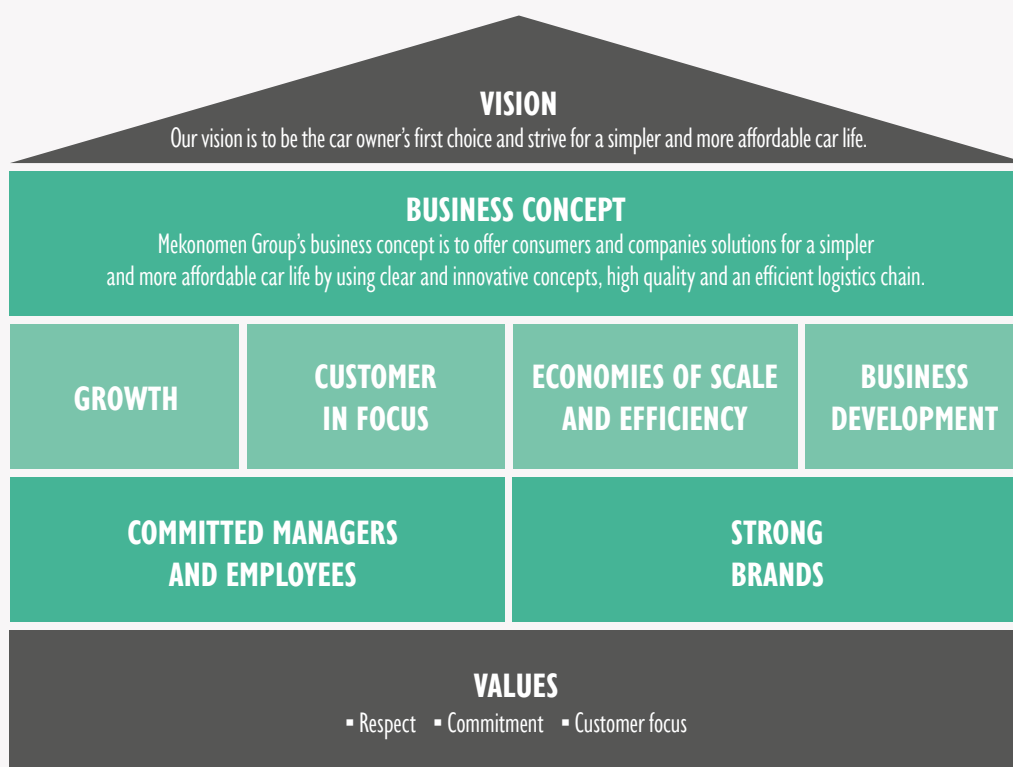
The strategy is the action plan we constantly follow to continue to be competitive, achieve our long-term goals and create value for our stakeholders. It is based on our foremost assets, which are our committed employees and differentiated businesses, brands and concepts. The Group's operations are built up of strong individual cultures and values, which is a strength we cherish and will retain. Common to the Group is that we as a company and our employees act on the basis of respect, commitment and customer focus.

Profitable growth

Mekonomen Group's main focus is generating profitable sales growth in all of our Group companies. Our strategy builds on the conviction that we have a better possibility of meeting the customers' varying needs through the companies' differentiated concepts and

brands. To create profitable growth, it is important that we quality assure the customer experience and are deemed to have an affordable offering. To ensure long-term sustainable growth, it is important that Mekonomen Group is involved in leading the industry's development of future product and service offerings.

In 2018, sales growth was 33 per cent (1), strongly impacted in a positive direction by our acquired businesses FTZ and Inter-Team. Excluding FTZ and Inter-Team, sales increased by 4 per cent. The Group reported a lower profitability during the year and the EBIT margin amounted to 5 per cent (9). The EBIT margin was negatively impacted by generally lower margins in acquired Inter-Team than the Group as a whole, initially rising costs in connection with acquisitions, higher purchasing expenses and items affecting comparability.



Customer focus

The customer is always the focus of Mekonomen Group. With our various concepts, we want to attract car owners to our branches and workshops, both proprietary and affiliated. Being sensitive to what car owners demand and being on the forefront of development are crucial to Mekonomen Group's success. Being a good partner to our affiliated workshops is equally important. It is primarily through value creation for our affiliated and proprietary workshops that we can be successful ourselves. One of our most important focus areas is therefore to support our workshops to jointly offer added value, availability, affordability and provide solutions for the needs of the car owners. In 2018, we began to implement the industry's quality standard, Godkänd Bilverkstad (Approved Workshop), in all of our concept workshops in Sweden. We are also continuously training vehicle technicians in, for example, electric and hybrid cars and new technology to be able to keep up with the development of the gradually increased need for service and repair of the cars of the future.

Economies of scale and efficiency

Mekonomen Group has a major advantage from being one of the larger actors in the aftermarket for car parts and workshop services in Northern Europe. Even if the various Group companies are largely run as their own businesses, we have strategically focused on leveraging our economies of scale and creating a shared platform

in areas where we can gain synergies. The acquisition of FTZ and Inter-Team in 2018 paves the way for more opportunities. We gain purchasing advantages that give us more room for competitive offers to our customers, and it gives us the potential to invest in the customer offers of the future, logistics and support systems. During the year, we worked intensively on completing MECA's and Mekonomen's future shared central warehouse in Strängnäs and started the implementation of a new e-commerce platform.

Business development

In an increasingly changing world, it is important for us to be sensitive and continuously develop our business to remain competitive. Since Mekonomen Group was founded at the beginning of the 1970s, then under the name Bileko, entrepreneurship, business development and innovation have been strong characteristics that are deeply rooted in the corporate culture – a culture that still permeates the Group today. It is just as important for us to be innovative and develop new products and services for our customers as it is for us to constantly develop our way of working, such as by analysing and adapting our business structures and business flows. In 2018, for example, we continued to train automotive technicians in our affiliated workshops to handle electric and hybrid vehicles. Another strategically important step during the year was the commissioning of the automation in the central warehouse in Strängnäs.

Entrepreneurship, business development and innovation have characterised the Group for almost half a century.

GOALS AND GOAL FULFILLMENT

Mekonomen Group's overall goal is to develop with high profitability and thereby generate value growth for the shareholders.

Sales growth

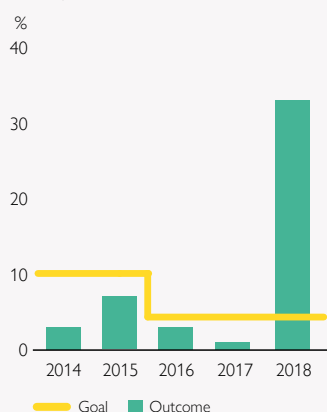
The target is to achieve an annual sales growth of at least 5 per cent, as a combination of organic and acquired growth.

>5%

Outcome

In 2018, sales growth was 33 per cent (1), positively impacted by the acquired businesses FTZ and Inter-Team. Sales excluding FTZ and Inter-Team increased by 4 per cent, positively affected by a number of smaller acquisitions, but negatively impacted by the occasionally weak demand for car parts and workshop services in the second half of the year.

Sales growth¹⁾



EBIT margin

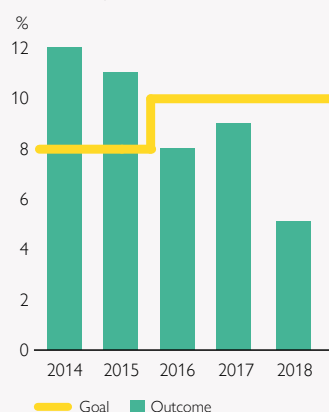
The target is to annually achieve an EBIT margin in excess of 10 per cent.

>10%

Outcome

The EBIT margin decreased to 5 per cent (9) for 2018. The EBIT margin was negatively impacted by generally lower margins in acquired Inter-Team than the Group as a whole, initially rising costs in connection with acquisitions, higher purchasing expenses and items affecting comparability.

EBIT margin¹⁾



Equity/assets ratio

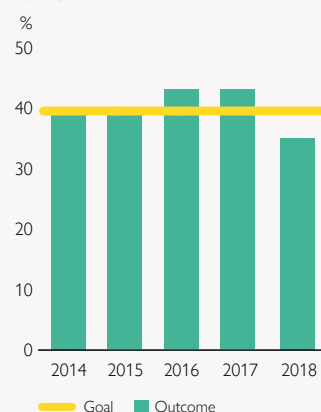
The target is that the equity/assets ratio shall not in the long term be less than 40 per cent.

>40%

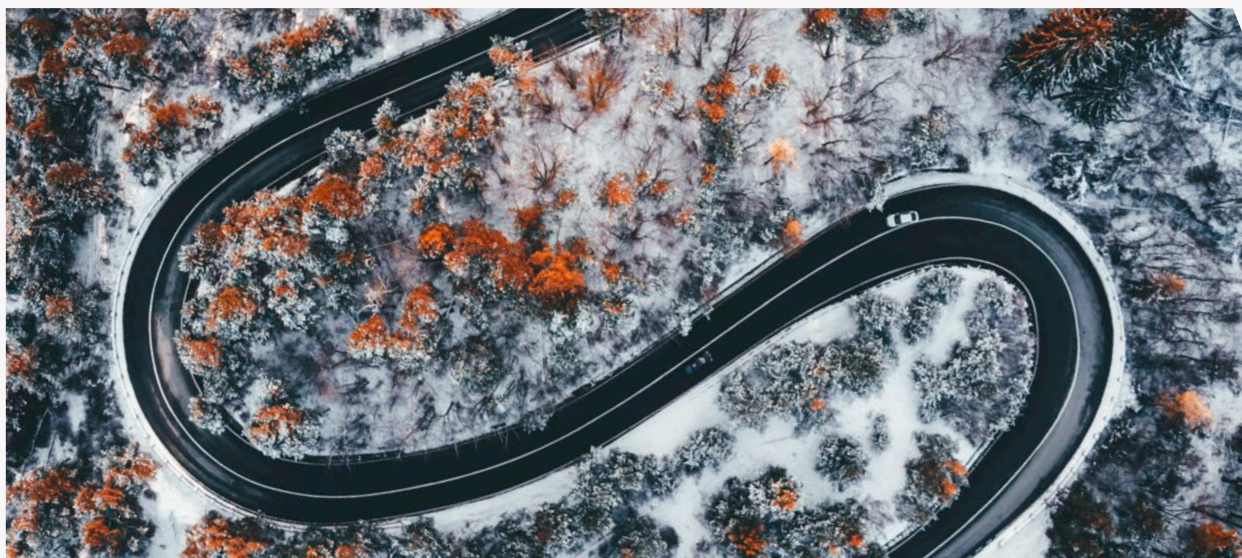
Outcome

The equity/assets ratio amounted to 35 per cent at 31 December 2018 compared with 43 per cent at 31 December 2017.

Equity/assets ratio



¹⁾ Adjusted goal as of 2016.



Net debt/EBITDA

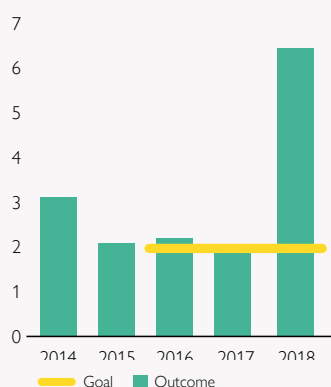
The target is that net debt/EBITDA shall not in the long term exceed 2.0.

<2%

Outcome

Net debt/EBITDA was 6.44 (2.03) for 2018. The increase is mainly attributable to an increase in the net liability to SEK 4,098 M (1,444) attributable to the acquisition of FTZ and Inter-Team.

Net debt/EBITDA¹⁾



Dividend ratio

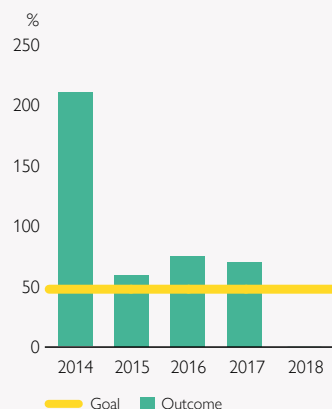
The Board's intention is that Mekonomen Group will pay dividends corresponding to not less than 50 per cent of profit after tax. When deciding on dividend proposals, consideration is primarily taken to investment needs, but also to other factors deemed significant by the Board.

>50%

Outcome

The Board proposes no dividend for 2018 (SEK 4.46 per share 2017). Consideration has then been taken to how to best prioritise between the company's goals to reduce debt and pay dividends. The Board continues to support the long-term goal of paying not less than 50 per cent of the earnings as dividends.

Dividend ratio



Responsible purchasing

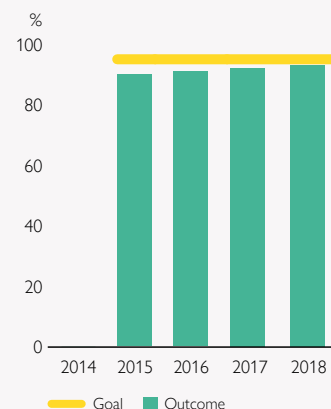
The goal is that main suppliers of products that account for 95 per cent of the Group's purchasing volumes have signed the agreement clause on compliance with the UN Global Compact by 2020.

>95%

Outcome

Main suppliers of products that account for more than 93 per cent (92) of our purchases have signed our agreement clause or presented their own corresponding policy.

Responsible purchasing²⁾



¹⁾ New goal as of 2016.

²⁾ The goal includes agreements in Mekonomen Group excluding FTZ and Inter-Team. FTZ and Inter-Team became part of Mekonomen Group during the third quarter of 2018. The goal will be updated in 2019.

RISKS AND UNCERTAINTIES

Mekonomen Group's operations are, like all business operations, associated with risks that can affect the Group and our stakeholders to varying degrees. A well-balanced risk management can add value and business benefit, at the same time that risks that are not managed effectively can lead to damage and losses.

Mekonomen Group continuously maps the Group's risks where the Board of Directors bears the utmost responsibility for the Group's risk management. For a description of the Board's risk assessment, refer to the section Board's report on internal control for the financial reporting in the Corporate Governance Report. Continuously identifying and evaluating risks is a natural and integrated part of the operations to proactively be able to control, limit and handle prioritised risks.

Market and competitors

Reduced overall market

Description: The aftermarket for cars and light trucks is primarily dependent on the number of cars in the fleet and the mileage on the cars. In recent years, there has been a stable increase in the number of cars and their mileage in our main markets. A decrease in the number of cars and mileage could negatively impact the Mekonomen Group's operations. The fact that the spare parts' quality and lifespan are increasing over time is compensated by the parts becoming more expensive and the lifespan of the cars increasing.

Handling: Mekonomen Group works continuously to ensure the strength of the concepts and maintain a high rate of innovation to keep or increase our sales even in a declining market. The geographic expansion in 2018 through the acquisitions of FTZ and Inter-Team made Mekonomen Group less sensitive to how the market develops in a single country.

Larger percentage of electric cars

Description: Sweden and above all Norway are two countries where the transformation to fossil-free engine alternatives have come the furthest, where the share of pure electric cars accounted for 2.8 per cent of the total car fleet at the end of 2018. Weighted share of electric cars on our main markets Denmark, Norway, Poland and Sweden was 0.7 per cent. The transition to new engine alternatives mean that the industry needs to gradually be adapted to meet customer demand. However, a significant increase in the number of electric cars from today's level is necessary to have a substantial effect on our total market.

Handling: To future-proof our affiliated workshops to be the first choice of electric car owners, we have gradually adapted the workshops, especially in Norway, to be able to accept rechargeable cars since 2016. For example, automotive technicians are trained in electric and hybrid vehicles through our own training centres. Development is proceeding at varying rates in our main markets and the automotive technicians are trained at a pace to match the growing demand. We are also increasing our assortment with spare parts and accessories for electric vehicles in pace with the growing demand.

Competition

Description: The competition regarding car part sales to workshops is extensive. The assortment of the largest players in the brand-independent trade, including Mekonomen Group, covers most car makes. In addition, a number of smaller actors, digital actors and brand-dependent actors also compete in the market. In terms of accessories, Mekonomen Group competes with a large number of players, including the retail trade, petrol stations, the convenience-goods trade and online actors. A significantly increased competition from one or more actors may entail a risk of reduced market shares for Mekonomen Group.

Handling: The operations in Mekonomen Group have a strong customer focus and continuously revise and ensure a competitive customer offering both to workshop customers and car owners. As approximately 80 per cent of Mekonomen Group's sales take place digitally, investments in our e-commerce offer are of major importance. In 2018, the launch of a new digital spare parts catalogue continued in our Mekonomen concept. The catalogue builds on the next generation e-commerce platform and offers new possibilities for greater purchasing loyalty and other added value for our workshop customers, other companies and in extension to consumers.

Product offering and services

Description: Mekonomen Group's long-term success is dependent, among other things, on the ability to adapt to the customers' needs and changed industry requirements and to introduce attractive new products and services, at the same time that it maintains competitive pricing. To maintain its competitiveness, Mekonomen Group must foresee the customers' needs and purchase and also develop products and services that are accepted by these customers. Mekonomen Group is also subject to product liability if the products do not work as expected or are defective.

Handling: Mekonomen Group's ambition is to lead the industry's development of future product and service offers. We invest central and local resources to anticipate and understand future trends. In order to continue to offer our customers a competitive and affordable customer experience, we continuously adapt our product and service offering and our internal processes. We secure our product responsibility through purchasing agreements with suppliers in the automotive industry and through careful quality controls of our own brands, supplemented with Group-wide insurance coverage.

Shortage of vehicle technicians

Description: There is a shortage of vehicle technicians in the market, which affects Mekonomen Group's affiliated and proprietary workshops. The shortage of vehicle technicians with relevant training and experience can in the long term constitute a factor that limits the possibilities of continued growth in our industry or reduce profitability through higher personnel costs.

Handling: With strong brands and concepts, our training centre and our own upper-secondary school programme ProMeister Education in Sweden, we are working continuously to attract people to the vehicle technician profession. At the same time, we contribute to increasing the level of expertise among existing and new vehicle technicians. We also offer our affiliated workshops staffing and recruitment services.

Operational risks

Employees

Description: Mekonomen Group's success depends on attracting, keeping and developing committed managers and employees. We work for diversity and equal treatment of all employees. With different competencies and experiences among the employees, we will reflect the diversity of our customer groups and thereby develop our customer offering. A good physical and psychosocial work environment and good social conditions are fundamental for our employees. If Mekonomen Group does not attract relevant expertise or if there are bad conditions at the workplace, it can affect the Group's operations and earnings negatively.

Handling: We believe that committed employees and managers create efficiency and increased sales. An important prerequisite for commitment is a clear direction for the Group and clear assignments for our managers and employees. The work of identifying, analysing and minimising work environment risks in the operations is done at every level of the Group. Our Code of Conduct, whistle-blower system, work environment policy, together with employee talks, employee surveys and continuous dialogue, identify irregularities, improprieties and other risk areas. Also refer to pages 26–28.

IT

Description: The company is highly aware that a coordinated IT structure within certain parts provides the Group major benefits. At the same time, this entails greater risks in the form of, for example, operating outages in the Group's systems for orders and stock management and external attacks on the IT structure through viruses, hacking, digital trespassing and information theft.

Handling: An outage in the systems for order and stock management would negatively impact the deliveries to our customers. To ensure operations and prevent outages in data communication, doubled connections, among other measures, are used. In order to minimise the risk of external attacks on the IT structure, Mekonomen Group is protected by firewalls and we are continuously working to update antivirus protection and analyse threats and risks. Mekonomen Group is connected to the credit management institutes's rules regarding Payment card industry data system security.

Damage to central warehouse or regional warehouses

Description: Any damage, such as fire or technical disruption, at any of the Group's central or regional warehouses would entail significant negative consequences for the company's sales and delivery possibilities to our customers, which can in turn harm the Group's reputation.

Handling: Fire safety and protection from technical disruptions are a prioritised area at all of our facilities and extensive emphasis is assigned to prevention efforts. The Group has consequential-loss insurance if a fire were to occur or other damage were to arise that disrupts the operations at our facilities.

Losses and value handling risks

Description: The Group's operations include sales and stock-keeping of a large number of products, of which many are considered theft-prone. The Group's operations also include cash management, which entails a risk of theft, both in branches and during the transportation of cash from the branch to the bank.

Handling: At Mekonomen Group, work is continuously in progress to combat losses and to define what is scrapping, internal consumption and actual theft. This work is based on it being important to focus on all types of losses, for example, by reviewing order procedures, delivery checks and unpacking of goods. In terms of value handling risks, Mekonomen Group strives to provide the same level of solutions for security services, security systems and cash management for all companies within the Group.

Merger of central warehouses

Description: Merger of the Group's two central warehouses in Sweden is under way and investments have been made in Mekonomen's central warehouse in Strängnäs with an expansion of a fully automated part. The project is proceeding according to plan and the automation was put into operation in autumn 2018. In 2019, MECA's central warehouse operations were gradually included. We see major strategic gains coming from the merger at the same time that the project is business critical and associated with risks. Problems can arise during the transfer of MECA's operations that lead to operating outages or to the project not resulting in the expected positive effects.

Handling: We evaluate the risks continuously throughout the course of the project. A project organisation is responsible for minimising risks and delays, and makes rapid responses to potential problems possible. Through expanded work on master data and product harmonisation, we ensure that we have the right assortment in the new warehouse. Risks in the merger are minimised through an action plan for various scenarios that may arise upon unforeseen events.

Environmental risk

Description: Mekonomen Group's impact on the environment and climate mainly occurs through energy use in premises, transports and waste and chemicals management. If our stakeholders do not have confidence in our environmental efforts, our operations can be negatively impacted. Possible violations of rules would have a legal impact and harm our brands. Good environmental and sustainability work is also becoming an increasingly important factor for young people when they choose an employer. Our business is to some extent affected by weather conditions. The warm summer of 2018 caused several of our workshop customers to close for a longer period than in a normal summer, which negatively impacted our sales.

Handling: Our proprietary operations in MECA Sweden, MECA Norway and Mekonomen Sweden have come the furthest in the environmental efforts. These operations work systematically on environmental issues and have certified management systems in accordance with ISO 14001. In 2019, Mekonomen Group will analyse the Group's carbon dioxide emissions to then set relevant targets to reduce our climate impact. A more detailed description of our environmental efforts is on pages 29–30.

Supplier risks

Description: A large number of products and suppliers at a company is usually associated with higher risks in the form of, for example, quality and delivery time, as well as sustainability risks. Mekonomen Group stocks more than 100,000 part numbers in different warehouses in the Group and has access to over 1 million items for ordering. This makes control and follow-up of quality of spare parts and product content as well as checks of suppliers in relation to corruption or human rights violations an extensive effort for us.

Handling: To facilitate control of the supplier level and the supply chain, all major purchasing agreements are controlled by Mekonomen Group's joint purchasing organisation. Purchasing takes place mainly from European suppliers, which also deliver to the car makers. Suppliers that account for more than 93 per cent of our purchases have signed our clause on compliance to the UN Global Compact or presented their own corresponding policy. For more information, see page 31.

Financial risks

Description: Mekonomen Group's financial risks mainly comprise currency, credit, interest-rate and liquidity risks. See Note 35 for a description of the financial risks. In the Corporate Governance Report on pages 46–47, there is a description of the internal control and risk assessment that aim to prevent misstatements in the financial statements.

GROUP OVERVIEW

We are convinced that the combination of differentiated businesses and concepts, as well as a strong shared purchasing function enable us to meet our customers needs with a broad offering, and thus we create good conditions for profitable growth.



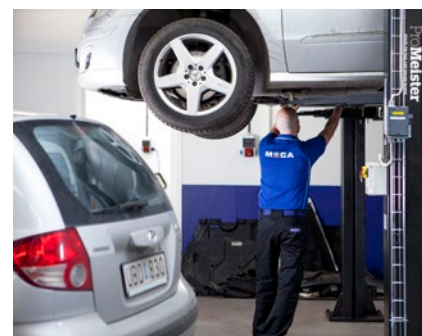
FTZ

FTZ is the leading car part distributor in the Danish market with B2B sales of spare parts, consumables and tools to customer groups such as workshops, car dealers and other wholesalers.



Inter-Team

Inter-Team is a well-established car part distributor in the Polish automotive aftermarket with sales of spare parts, consumables and tools to workshops, car dealers, retailers and other wholesalers. Inter-Team conducts export business to Germany, the Czech Republic and Ukraine, among others.



MECA

MECA is a leading actor in the Swedish and Norwegian aftermarket for spare parts, tools and workshop equipment. Sales are primarily made to B2B customers. This includes the own workshop concept MECA Car Service, the cooperating workshop chain Bosch Car Service, and the branch and petrol chain OKQ8.



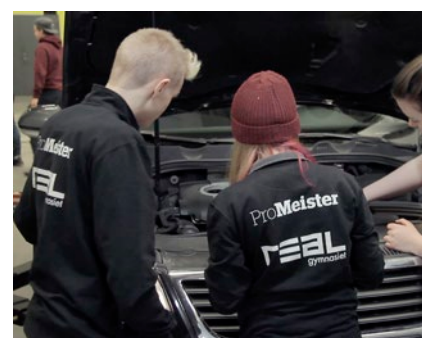
Mekonomen

Mekonomen's strong brand and concept is well-established in the Swedish and Norwegian markets. Through branches, e-commerce and the workshop concepts Mekonomen Bilverkstad and MekoPartner, affordable complete solutions are offered for both companies and consumers.



Sørensen og Balchen

Sørensen og Balchen sells spare parts and car accessories and operates the branch and workshop concept BilXtra in the Norwegian market. Sørensen og Balchen is the leading actor in Norway for car accessories for consumers through branches and e-commerce.



Other business areas

Within the Group, we have started up or invested in businesses with the aim of broadening and complementing our core business. The Group is part owner in the technology company Swedspot, the e-commerce actor Mekster and the digital booking portal for workshop services Lasingoo. Through ProMeister Solutions, the Group develops services for professional workshops and trains and recruits automotive technicians.

FTZ



Market leader in Denmark

FTZ was founded in 1962 and has been a part of Mekonomen Group since 2018.

The company has a national network of 49 branches in Denmark, two branches on the Faeroe Islands and a central warehouse in Odense. The broad geographic network enables rapid deliveries of products to the workshops.

FTZ has four workshop concepts with franchise agreements under the brands AutoMester, HELLA Service Partner, Din Bilpartner and CarPeople with a total of more than 900 franchise workshops. Through the four workshop concepts, customers are offered differentiated high-quality products and services.

Besides its own franchise concepts, FTZ also has cooperation with the workshop chain Bosch Car Service and has a car dealer concept for pre-owned cars under the brand 100 procent Autotjek.

Competitive advantages in the market

With well-developed logistics, FTZ meets the customers' needs for availability through deliveries of spare parts between 4-10 times a day.

The company's business system FTZ+ serves as both management system and business system for the workshop customers and is continuously developed to meet the customers' needs for a comprehensive business tool.

Through its own academy, expertise is continuously developed among the company's employees and the workshop's automotive technicians. Skills development is strategic in order to meet customer demand, develop the company based on new trends in the market and master new technology in pace with automotive technical development.

To benefit from the company's size, the shared knowledge is gathered in a competence base where automotive technicians are offered support to solve technical challenges over a hotline.

Number of workshops
FTZ:

921

FTZ – key figures 2018 and 2017

	2018 ¹⁾	2017
Net sales (external), SEK M	1,088	-
EBITA, SEK M	50	-
EBIT, SEK M	49	-
EBITA margin, %	5	-
EBIT margin, %	5	-
Number of branches/of which proprietary	51/51	-
Number of AutoMester	423	-
Number of Din BilPartner	136	-
Number of HELLA Service Partner	336	-
Number of CarPeople	26	-
Average number of employees ²⁾	389	-

FTZ is the leading car part distributor in the Danish market with B2B sales of spare parts, consumables and tools to customer groups such as workshops, car dealers and other wholesalers. Website: www.ftz.dk

¹⁾ FTZ is included in this report from 3 September 2018.

²⁾ The average number of employees in full-year 2018 is calculated for the period 3 September - 31 December 2018.

INTER-TEAM



Well-established actor in Poland

Inter-Team was founded as a family company in 1989 in Poland. The company's headquarters are located in Warsaw and the central warehouse only 40 km away. With a strong B2B focus the company delivers a wide range of car spare parts and workshop equipment to customers in Poland as well as in neighboring countries.

Constantly growing Inter-Team's sales network includes about 80 branches nationwide and a subsidiary in the Czech Republic. The two workshop concepts, O.K. Serwis and Inter Data Service, are Inter-Team's answers to the growing expectations of the Polish market. O.K. Serwis is a garage network that meets the need of professional workshops seeking the best assortment, full marketing support and access to the latest training programs. Inter Data Service is the concept dedicated to car workshops wishing to reach their full potential in the future when given necessary support and advice.

Approximately 70 per cent of the turnover is generated in the domestic market, the remaining 30 per cent comes mainly from Czech Republic, Germany, Slovakia and Ukraine.

Competitive advantages in the market

With its wide network of branches, professional staff and deep knowledge of the demanding Polish market, Inter-Team is a one stop shop for all aftermarket players.

Owning all its branches, Inter-Team takes full control of the business chain. The investment in a wide range of services constitutes real value for the customers and creates further growth opportunities. Inter-Team's Technical Academy is a training center for car mechanics. It offers professional and practical training programs as well as latest knowledge about car maintenance. The Technical Hotline is Inter-Team's response to car mechanics' needs in terms of quick access to various vehicle issues.

More than 15 years of cooperation with Asian and European suppliers together with understanding of the market expectations have contributed to the strong position of Inter-Team's private labels in the company's product portfolio. Kraft Automotive comprises a wide range of car parts for European cars, while Sakura includes batteries for all types of cars.

Number of workshops
Inter-Team:

465

Inter-Team – key figures 2018 and 2017

	2018 ¹⁾	2017
Net sales (external), SEK M	638	-
EBITA, SEK M	0	-
EBIT, SEK M	-1	-
EBITA margin, %	0	-
EBIT margin, %	0	-
Number of branches/of which proprietary	82/79	-
Number of O.K. Serwis	175	-
Number of INTER-DATA SERVICE	290	-
Average number of employees ²⁾	449	-

¹⁾ Inter-Team is included in this report from 3 September 2018.

²⁾ The average number of employees in full-year 2018 is calculated for the period 3 September - 31 December 2018.

Inter-Team is a well-established car part distributor in the Polish automotive aftermarket with sales of spare parts, consumables and tools to workshops, car dealers, retailers and other wholesalers. Inter-Team conducts export business to Germany, the Czech Republic and Ukraine, among others.
Website: www.inter-team.com.pl/

MECA



Strong position in Sweden and Norway

MECA was founded in 1967 under the name Malmö Bil-detaljer and became a part of Mekonomen Group in 2012.

The company has 85 branches in Sweden and Norway that supply affiliated workshop customers with spare parts, and a central warehouse in Eskilstuna and a regional warehouse in Gjøvik.

In the future, the company's supply chain will be run through the Group's new automated central warehouse in Strängnäs, Bileko Car Parts. The warehouse is under construction and will serve as a shared central warehouse for Mekonomen's and MECA's Swedish operations and continued support for the regional warehouse in Gjøvik.

MECA provides workshop concepts for individual workshops that can join as members under the brand MECA Car Service. MECA also has a cooperation with the workshop chain Bosch Car Service in Sweden and Norway, and cooperation with the store and petrol chain OKQ8 in Sweden.

Competitive advantages in the market

MECA offers its B2B customers high availability and effective distribution up to five times a day. Work-

shops affiliated to MECA Car Service gain access to IT solutions, business systems, training, technical support, results-oriented marketing support and fast and precise deliveries through MECA's distribution network. In order to offer good service to the customers, MECA sets certain requirements on affiliated workshops and the workshops must share MECA's values and live up to a high level of quality.

Besides focus on the workshop customers, MECA also focuses on improving service to the end customers, the car owners. In 2018, an extensive work was initiated to develop the workshop concept, the offering and clarify the positioning of the MECA brand.

Besides being a supplier, MECA is a partner to the workshops and understands the end customers' needs. Building value in every stage creates a win, win, win situation - good solutions for the end customer and profitability for both the workshops and MECA.

As a complement to the core business, MECA is making investments in the Heavy Vehicle area with a product range and equipment for vehicles over 3.5 tonnes.

Number of workshops
MECA:

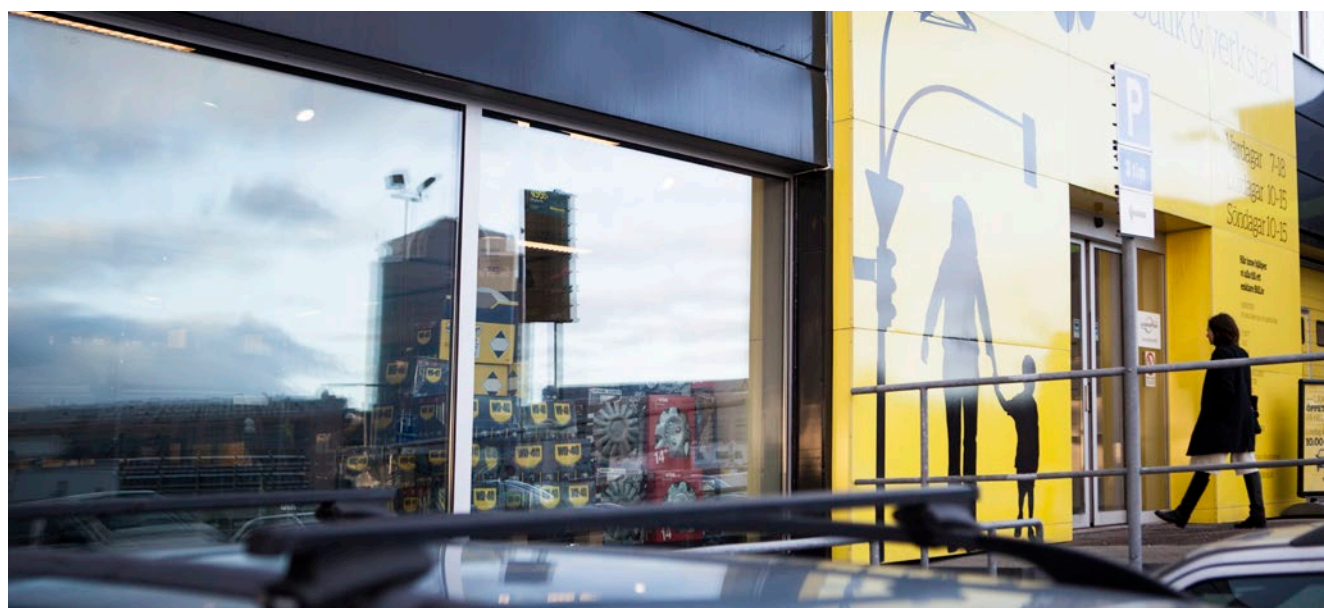
717

MECA – key figures 2018 and 2017

	2018	2017
Net sales (external), SEK M	2,008	1,907
EBITA, SEK M	260	273
EBIT, SEK M	249	265
EBITA margin, %	13	14
EBIT margin, %	12	14
Number of branches/of which proprietary	85/80	86/76
Number of MECA Car Service workshops	717	722
Average number of employees	628	567

MECA is a leading actor in the Swedish and Norwegian aftermarket for spare parts, tools and workshop equipment. Sales are primarily made to B2B customers. This includes the own workshop concept MECA Car Service, the cooperating workshop chain Bosch Car Service, and the store and petrol chain OKQ8.
Website: www.meca.se, www.meca.no

MEKONOMEN



Market leader in Sweden and Norway

Mekonomen was founded in 1973 under the name Bileko. The company changed name to Mekonomen in 1996.

Under the Mekonomen brand, there are over 170 branches in Sweden, Norway and Finland and a central warehouse in Strängnäs. The central warehouse in Strängnäs is being modernised with a new automation and changing name to Bileko Car Parts, to in the future supply both MECA and Mekonomen with spare parts and accessories.

Mekonomen operates two workshop concepts under the brands Mekonomen Bilverkstad and MekoPartner. Mekonomen Bilverkstad is the premium concept with higher standards of quality and concept compliance. High quality is also an important requirement in the MekoPartner concept. However, MekoPartner is not as tied to profiling or concept compliance.

Competitive advantages in the market

The Mekonomen concept offers complete solutions for companies and consumers for an easier car life. Availability and high quality are keywords. Mekonomen's

services to their workshop customers include business systems and business support to improve the workshops' profitability, financing solutions and marketing. Skills development of the workshops' automotive technicians is strategically important to maintain a high level of expertise and develop the knowledge in line with the technical development of the car manufacturers.

Car owners are safe knowing that the new car warranty always applies. They get a three-year warranty on spare parts and a one-year assistance insurance after a car service is made. For maintenance and repairs, spare parts equivalent to original quality are used and the work is done according to the manufacturer's specifications. In addition, there is a price guarantee that means that the customer will get double the difference in a price reduction if he or she finds a less expensive service or repair alternative at ordinary price at a brand-dependent workshop.

Upcoming business development in Mekonomen focuses on further broadening the comprehensive offering, soon with car wash and car glass services.

Number of workshops
Mekonomen:

945

Mekonomen – key figures 2018 and 2017

	2018	2017
Net sales (external), SEK M	2,684	2,683
EBITA, SEK M	295	325
EBIT, SEK M	290	313
EBITA margin, %	11	12
EBIT margin, %	11	11
Number of branches/of which proprietary	172/143	175/145
Number of Mekonomen Service Centres	721	746
Number of MekoPartner	224	236
Average number of employees	939	955

Mekonomen's strong brand and concept is well-established in the Swedish and Norwegian markets. Through branches, e-commerce and the workshop concepts Mekonomen Bilverkstad and MekoPartner, affordable complete solutions are offered for both companies and consumers. Website: www.mekonomen.se, www.mekonomen.no, www.mekonomen.fi

SØRENSEN OG BALCHEN



Leading actor in car accessories in Norway

Sørensen og Balchen was founded in 1904 as a car part wholesaler and importer of cars. Since 1992, the company has focused solely on spare part distribution and branch and workshop concepts. Sørensen og Balchen became a part of Mekonomen Group in 2011.

The company's branch and workshop concepts are run under the BilXtra brand. The company has more than 60 branches with a central warehouse in Oslo.

Workshops under the BilXtra brand are run mainly through franchise agreements and the concept has a strong local focus, with control of quality requirements, concept compliance and a shared basic assortment. The workshops primarily purchase products from Sørensen og Balchen through BilXtra's branch network, which also includes Mekonomen Group's own product brands ProMeister and Carwise.

Sales of spare parts and car accessories to car owners take place through branches and online.

Competitive advantages in the market

Sørensen og Balchen has a strong focus on and is the market leader in car accessories to consumers in Norway. The company stands for the largest share of car accessory sales among the Group's companies, including the Group's own range of accessories, Carwise.

Through the BilXtra Service offering, BilXtra has taken over the role of the petrol stations in terms of assisting car owners who need fast help with their car. The branches serve as pit stops for car owners who get help in replacing windscreen wipers, replacing light bulbs, installing roof boxes, installing child car seats or washing the car.

Number of workshops
BilXtra:

258

Sørensen og Balchen sells spare parts and car accessories and operates the branch and workshop concept BilXtra in the Norwegian market. Sørensen og Balchen is the leading actor in Norway for car accessories for consumers through branches and e-commerce. Website: www.sogb.no, www.bilxtra.no

Sørensen og Balchen – nyckeltal 2018 och 2017

	2018	2017
Net sales (external), SEK M	739	778
EBITA, SEK M	107	120
EBIT, SEK M	106	120
EBITA margin, %	14	15
EBIT margin, %	14	15
Number of branches/of which proprietary	64/36	68/39
Number of BilXtra workshops	258	258
Average number of employees	256	253

MEKONOMEN GROUP — A PART OF SOCIETY

Mekonomen Group's operations affect our customers, shareholders, employees, suppliers and the environment. As the industry leader, we have a particular responsibility for sustainability. Sustainability must be an integrated part of our business operations and generate value for the company and our stakeholders.

Mekonomen Group has signed the UN Global Compact's principles regarding human rights, labour, environment and anti-corruption.

WE SUPPORT



Transports of people and goods are necessary and Mekonomen Group's operations play an important role here. Through service, maintenance and repairs, the vehicle can be driven as efficiently as possible during its lifespan. Our operations contribute to the vehicles on the road being as fuel efficient as possible. The right maintenance and service of cars increases traffic safety on our roads.

The transport sector is transitioning from using fossil fuels to biofuels and electricity, and to greater automation. Car owners need to be able to service and repair their vehicles regardless of how they are powered. As the industry leader, Mekonomen Group has an important role in the transition to a less fossil-dependent society.

Besides our products and services generating value, we also create jobs for employees and suppliers and pay taxes.

We are dependent on our employees. As employers, we are present in Sweden, Norway, Denmark, Finland and Poland, some other parts of Europe and Hong Kong. In a changing world, the right expertise is important for us. This is about maintaining and developing the expertise of existing employees. We need to ensure that opportunities exist for competence development for staff in our affiliated workshops. We must also promote the development of future expertise in the workshop area.

We work to reduce our operations' impact on the environment, mainly in the areas of chemicals, waste and energy and fuel consumption.

We purchase spare parts and accessories from suppliers mainly in Europe, but also in Asia. Consequently, the sustainability work in the supply chain is of central importance to us.

Read more about sustainability in the business model on pages 6-7 and the materiality analysis on page 91.

Through the acquisitions of the companies FTZ in Denmark and Inter-Team in Poland in the third quarter of 2018, they became a part of Mekonomen Group. Our current vision in the sustainability area applies up to 2020. Because of this and the acquisitions, the Group's strategy and vision will be revised during 2019.

“WE SHALL BE AT THE FOREFRONT WHEN IT COMES TO SUSTAINABILITY IN OUR INDUSTRY”

Governance of the sustainability work

The responsibility for the strategic sustainability work, including targets and follow-up, rests with the Group Management Team of which the Director of Legal Affairs and Sustainability is a member. To further strengthen the Group's strategic sustainability work, a sustainability manager was hired in 2018. The Board of Directors follows up the work in the Group Management Team's reporting. The operational work is driven by the manager or president of the respective segments in collaboration with the managers for the environment and quality in the respective Group companies. Mekonomen Group has signed the UN Global Compact's principles regarding human rights, labour, environment and anti-corruption.

Vision until 2020

1. Enable recruitment of 500 automotive technicians.
2. Committed employees 82 (EI) and leadership (LSI) 85¹⁾.
3. 35 per cent women in management positions.
4. 95 per cent of the Group's automotive technicians annually participate in ProMeister Academy courses.
5. All employees have undergone training in the Group's Code of Conduct, the whistleblowing function and corruption policy.
6. Main suppliers of products that account for 95 per cent of the Group's purchasing volumes have signed the UN Global Compact.

¹⁾ Due to changed measurement methods, the previous measurement Employee Satisfaction Index (ESI) has been discontinued. Instead, indexes for committed employees and leadership are measured. New goals were set in 2018.

THE GLOBAL GOALS AND MEKONOMEN GROUP

The member countries of the United Nations have adopted 17 global sustainable development goals that are to be achieved by 2030. Among other things, the goals are to contribute to ending extreme poverty, reducing inequality and injustice in the world, promoting peace and justice and combat climate change.

Mekonomen Group's operations contribute to and affect many goals and targets either directly or indirectly in the supply chain, for example. In 2018, an analysis was done of which goals are most relevant to the Group. This analysis supplements the earlier materiality analysis and forms a platform for the Group's further development of the sustainability work (read more about the materiality analysis on page 91).



UN Global Goal 7.

Ensure access to affordable, reliable, sustainable and modern energy for all

The right maintenance and service of vehicles reduces energy consumption. For car owners, it is key to be able to service and repair their vehicles regardless of how they are powered.

We make it possible for car owners to service and repair their vehicles regardless of whether they run on fossil fuels, biofuels or electricity. By developing our products and services for the growing share of vehicles run on alternative fuels, we contribute to a transformation in society.

Internally, we work to reduce our energy use in premises and lower fuel consumption.



UN Global Goal 8.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Our overall goal is to develop with high profitability and thereby generate value growth for the shareholders.

Good profitability means that we can continue to work and create jobs and contribute to society through e.g. the payment of taxes.

As employers, we have a responsibility with regard to the terms of employment, working environment, gender equality, diversity and inclusion. Our operations are constantly developing and it is therefore of central importance that our employees develop to be able to meet the customers' needs and the expectations of our surroundings. We also invest resources in the training of future vehicle technicians to increase the supply of trained labour.



UN Global Goal 12.

Ensure sustainable consumption and production patterns

A properly maintained vehicle contributes to traffic safety and that the vehicle has as small an environmental impact as possible during its lifespan.

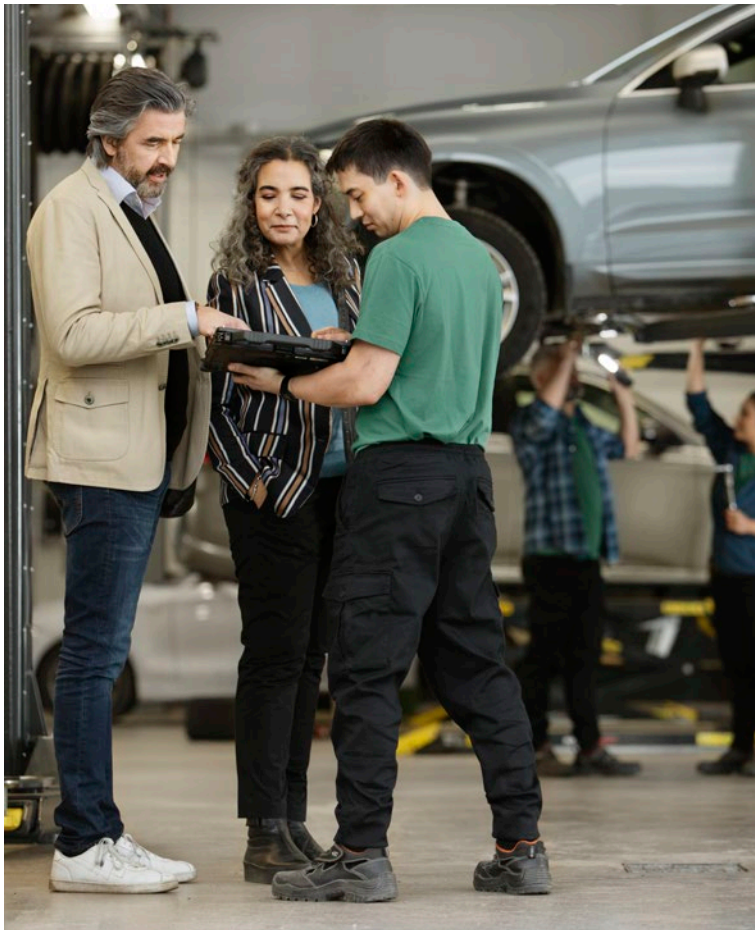
Our operations entail the handling of chemicals. We take responsibility for the right marking and handling according to current legislation. The waste that arises in our value chain is sorted and recycled. We report to the authorities according to set requirements.

We influence through our supply chain through, for example, proper payment and requirements with regard to human rights, terms of employment and environmental impact in the manufacturing process. In this respect, there is also a connection to Goal 8.



COLLABORATION WITH OUR STAKEHOLDERS CREATES VALUE

The customers, which are corporate customers and individuals, are our most important stakeholders. To maintain confidence and develop the company, the dialogue with our stakeholders is key. Mekonomen Group conducts continuous dialogues with customers, employees, owners and investors, suppliers and society.



Customer

The relationship between Mekonomen Group's operations and our customers is crucial regardless of whether it concerns companies or consumers. Quality is a critical success factor for continued positive development of the company, our products and our service to our customers.

Dialogue and follow-up:

Continuous dialogue in the customer interaction, customer service, through consumer surveys and customer satisfaction surveys, the website, newsletters and in social media.

Issues in focus in 2018:

Customer service level, workshop quality, affordability and availability, Godkänd Bilverksamhet (Approved Workshop).

Offering a workplace with the possibility of competence development and career paths is the foundation to attract and retain skilled managers and employees.

Having skilled automotive technicians in our workshops is a prerequisite to be competitive and provide a good customer experience.

Employees

Our employees are a prerequisite for the operations' development and growth. Our employees having the right expertise is crucial to having satisfied customers. We therefore have a major responsibility to offer a safe and developing workplace and to be an attractive employer for future colleagues.

Dialogue and follow-up:

Annual employee talks and continuous dialogue during the year, employee surveys, workplace meetings, the intranet, newsletters, and dialogue with union organisations.

Issues in focus in 2018:

Physical and psychosocial work environment, commitment, leadership and development, terms of employment, possibility to influence the local workplace. Diversity, gender equality and inclusion.

Suppliers

Mekonomen Group mainly purchases spare parts and accessories from the large European suppliers in the automotive industry. Through our own ProMeister brand, we also have suppliers in Asia. In addition, we have suppliers of indirect materials and services.

Dialogue and follow-up:

Continuous meetings, follow-up during the contract period and audits.

Issues in focus in 2018:

Product quality and safety, signatures and compliance with the UN Global Compact's principles.

Owners and analysts

Mekonomen Group is listed on Nasdaq Stockholm. Mekonomen Group's overall goal is to develop with high profitability and thereby generate value growth for the shareholders.

Dialogue and follow-up:

Annual General Meeting, annual and sustainability report, interim reports, capital market days, road shows and individual meetings with investors and analysts.

Issues in focus in 2018:

A long-term financially sustainable development, growth opportunities, governance and transparency, as well as new share issues.

Society and authorities

Mekonomen Group's operations entail an environmental impact from both operations and products. The work environment is affected by, for example, heavy lifts and the use of chemicals. These areas are regulated by authorities, which is why an open and transparent dialogue is important. To increase the supply of labour with the right expertise, the Group established cooperation with upper-secondary schools.

Dialogue and follow-up:

Meetings and cooperation with industry organisations. Collaboration with NGOs and schools. Dialogue with supervisory authorities regarding permits and inspections (including those in the environment, working environment, chemicals handling and fire safety).

Issues in focus in 2018:

Godkänd Bilverkstad (Approved Workshop), training and expertise, fulfilment of legislation in e.g. environment, work environment, chemicals and fire safety.

WE HAVE COMMITTED AND COMPETENT EMPLOYEES

Mekonomen Group works to offer a developing and safe workplace. In the Group, there is a distinct culture where the customer is in focus. Commitment and respect for duties, colleagues and our surroundings are the foundation of a successful development for the company.

We have committed and competent employees

Committed managers and employees are a necessity for attracting customers, future employees and developing the company. Offering a workplace with the possibility of competence development and career paths is the foundation to attract and retain skilled managers and employees.

The strategic work has been led by the Director of HR, who has been a member of the Group Management Team, in collaboration with the companies' HR managers and HR coordinators. They ensure that the strategy is implemented in the operational work.

The Group conducts regular employee surveys. The most recent was done in 2017 with a result for employee commitment (EI) of 78 (75) and the leadership index (LSI) of 77 (73)^{1,2)}. The response rate was high at 82%. The survey shows that the commitment among managers is high and that they provide good leadership. The cooperation in the work teams functions well and the possibility of influencing one's own work situation is good. Identified areas of improvement are internal communication, follow-up and feedback.

The results are discussed both Group-wide and in the respective companies. Each group has formulated a unique action plan based on their results.

The next employee survey will be done in autumn 2019.

A safe and healthy work environment

A positive and safe work environment is a strategically important part of Mekonomen Group's development and is important to our employees. The Group's work environment efforts aim to create a physically, psychologically and socially sound and developing workplace for all employees, where risks of occupational injuries and work-related illness are prevented. The Group's view of the work environment efforts is based on the work environment policy.

Committed employees

78%

Goal: Committed employees (EI) 82²⁾

Outcome: 78 (75)¹⁾

Leadership

77%

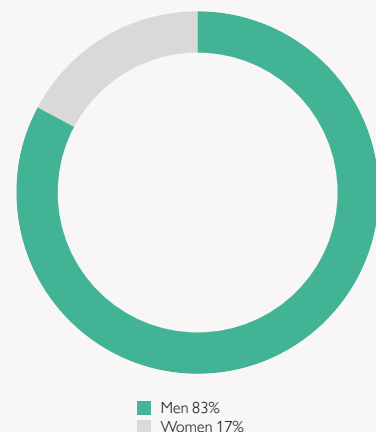
Goal: Leadership (LSI) 85²⁾

Outcome: 77 (73)¹⁾

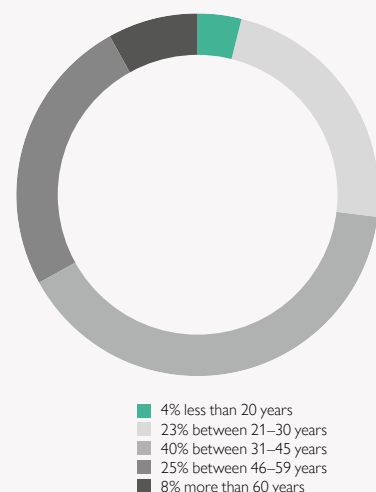
¹⁾ FTZ and Interteam are not included in the survey as they were acquired in 2018.

²⁾ Due to changed measurement methods, the previous measurement Employee Satisfaction Index (ESI) has been discontinued. Instead, indexes for committed employees and leadership are measured. New goals were set in 2018.

Gender distribution



Age distribution employees



Our managers and employees get the development necessary

Our operations are continuously developed to meet the customers' and surrounding world's requirements and expectations. Competence development takes place continuously – in daily work, through meetings and through courses. We encourage internal mobility and advertise the majority of available positions internally. Internal mobility is a way to develop both employees and organisation. Internal mobility provides new perspectives and possibilities to learn from each other.

During the year, Mekonomen Group carried out a special effort in communicative leadership. The majority of managers and leaders have undergone step one in the training programme that will continue with step two in 2019. The goal is for everyone in the target group to participate in the initiative.

In connection with GDPR becoming enforceable, an internal web-based course in two steps was done by all employees.

In 2019, a common Learning Management System (LMS) will be introduced in the Group's Nordic operations. The system includes unique skills profiles and training packages per position.

Mekonomen Sweden started a pilot in 2018 for a talent programme for future managers in the branch operations. The aim is to make use of and develop skilled employees in the company with the conditions and desire to become future managers. MECA Sweden had a clear employee focus in its strategic efforts. The message "One MECA" emphasises that we are stronger together. An inclusive working atmosphere where everyone's skills are put to use, regardless of where in the organisation they work, is necessary for MECA's continued success.

We ensure the competence of the workshop technicians

Our core business depends on us supporting affiliated workshops with training of existing staff and potentially new employees. Vehicle technology is changing in pace with the development of society, which is why securing the right expertise is of central importance.

For existing workshops, we offer training through ProMeister Academy in e.g. technology, customer service and areas such as electric and hybrid cars. During the year, more than 4,000 training days were held for automotive technicians in Norway and Sweden within the framework of ProMeister Academy. Of these training days, 75 per cent were carried out by workshops affiliated to our concepts.

In the Swedish upper-secondary schools, too few vehicle technicians are graduating. This is due both to a lack of interest in the profession as such and the fact that traditional automotive programmes do not maintain an adequate level of quality in the training.

In autumn 2017, Mekonomen Group took an initial step towards modernising the image of the automotive technician profession by starting its own upper-secondary



education for prospective vehicle technicians in Stockholm and Lund. The programme is being conducted in cooperation with the school actor Lärande i Sverige. The programme now has around 40 students per year group.

To increase interest in the automotive technician profession, the Group also cooperates with industry organisations and we arranged study visits for eg. the Swedish Public Employment Service to show what it looks like at a modern workshop.

Diversity contributes to greater business value

Mekonomen Group's work on diversity is based on the view that people's differences contribute to an attractive and dynamic workplace. We strive for our workplaces to reflect the diversity of our customer groups and society in general. With employees and managers with varying experience and expertise, we have better possibilities of meeting the customers' needs.

Diversity is also important in order to create renewal and change in a traditional industry. For us, diversity is about the value of differences among our employees when it comes to gender, ethnic background, age, education and experience.

A major challenge for us is to create an even gender distribution in a traditionally male industry. The proportion of women in Mekonomen Group is currently about 17 per cent. Our goal for 2020 is to have 35 per cent women in management positions. To achieve a more even distribution, there are clear processes in recruitment. We strive to identify both male and female final candidates when filling positions and we use competence-based recruitment tests in recruitment.

ProMeister Solutions, which supports the workshops with recruitment, participates in the Double Vocational Education project, which is a collaboration between the City of Malmö, the Chamber of Commerce and Industry of Southern Sweden, the Swedish Public Employment Service and Region Skåne. ProMeister Solutions is also cooperating with "Äntligen Jobb" (Finally Work), which has been developed in collaboration with the Swedish Agency for Economic and Regional Growth to find a faster way to employment for recently arrived immigrants.

Employee KPIs: See page 92.

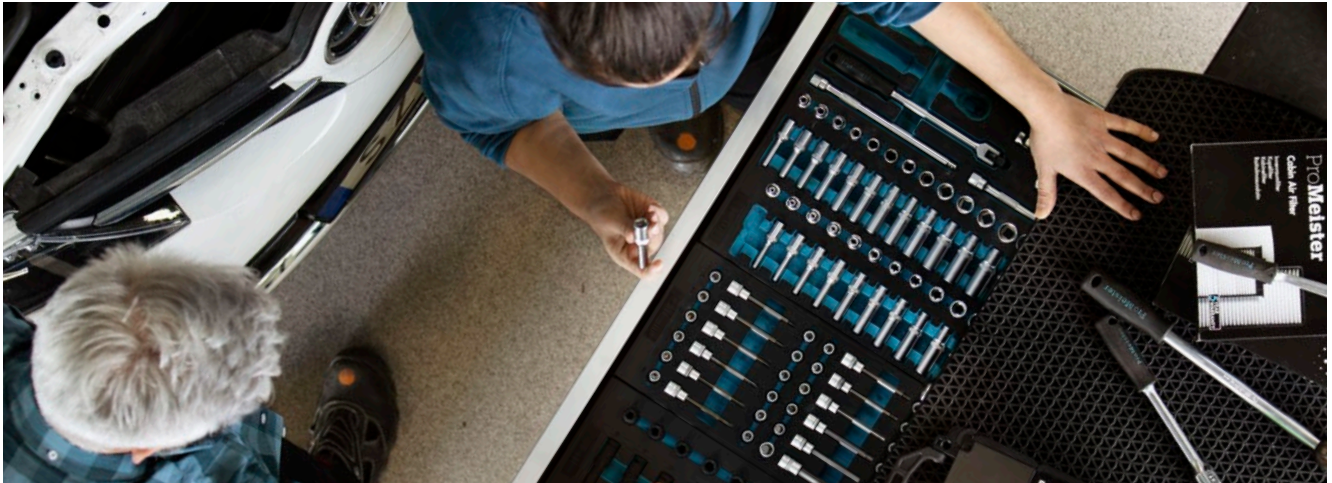
Women in senior positions

10%

Goal: 35% women in management positions by 2020

Outcome: 10%

WE HAVE A BUSINESS ETHICS APPROACH



Code of Conduct

Mekonomen Group's Code of Conduct provides guidance on how we are to act and treat each other and our stakeholders. Among other things, the Code states how Mekonomen Group and our employees are to act with regard to human rights, working conditions, external environment and anti-corruption. There is also information about the Group's whistle-blower function in the Code of Conduct. The Code of Conduct was approved by the Board and has been translated to every Nordic language as well as English. A review is done annually and any updates are communicated to all employees by e-mail and published on intranet platforms and the external website mekonomen.com.

In 2018, extensive work was begun to update the Group's Code of Conduct. The work will be completed in 2019 and the Code will cover all companies and employees in Mekonomen Group. As a part of the implementation, an online course will also be prepared.

Anti-corruption

Although the risk is considered higher in certain markets and certain industries, corruption is not geographically limited. Mekonomen Group applies zero tolerance to corruption. The Group's view of corruption is presented in the Code of Conduct. The Group's anti-corruption policy has clear rules regarding, for example, benefits, gifts and arrangements. The policy is available to all employees on the Group's intranet. The rules apply to all employees and build on parts of the Swedish "Business Conde" that is managed by the Swedish Anti-Corruption Institute (IMM).

Today, we make purchases from some markets where corruption is a well-known problem, which requires that we actively distance ourselves from these practices. Through a common purchasing organisation that secures all major purchasing agreements for our Group companies, we have better control over suppliers and the flow of products. Our supplier agreements contain clauses that refer to the United Nations Global Compact.

In 2018, there were no reported cases of corruption in Mekonomen Group.

Whistle-blower system

The purpose of the whistle-blower system is to give all employees in the Group a possibility of reporting suspicions of people in management or people in key positions in the Group committing serious improprieties that conflict with Mekonomen Group's Code of Conduct or law. The whistle-blower system is to be used only in the cases the circumstances mean that it is not appropriate to report according to the usual reporting channels, such as to the immediate manager.

Information on the Group's whistle-blower system is in the Code of Conduct and detailed information is in a Group policy that is available on the Group's intranet.

The Code of Conduct states how we are to act with regard to human rights, working conditions, environment and anti-corruption.

REDUCE OUR IMPACT ON THE ENVIRONMENT

Our largest environmental impact is in the areas of transports, energy use and chemicals and waste management.

We have a responsibility for our impact on the environment and the climate

Mekonomen Group's largest environmental impact is in the areas of transports, energy use, chemicals and waste management. The operations have rules and procedures to manage their environmental impact. In 2019, the Group will conduct a more thorough analysis to quantify the operations' environmental and climate impact to then set relevant targets.

The strategic environmental efforts rests with the Group's sustainability manager, who reports to the Director of Legal Affairs and Sustainability, who represents these issues in the Group Management Team. The operational work is the responsibility of the manager or president of the respective business areas in collaboration with the managers for the environmental work.

Transports

Our operations require transports both with our own vehicles and through subcontractors. Products and goods are transported from our large warehouses to the Group's branches and our e-commerce customers. From the branches, transports are made with delivery vehicles to our own and affiliated concept workshops.

To reduce the environmental impact from the transports, consideration is taken to fuel consumption in the purchase of vehicles.

A new cardboard machine has been installed in the central warehouse in Strängnäs. The new machine senses the fill level of the boxes with goods that are sent out. Based on the contents, the machine automatically creates an optimal box size. This way, the transport of air from the warehouse to our customers is minimised.

Energy use

We have warehouses, branches, workshops and offices. Energy mapping was done according to the requirements incorporated in the respective countries regarding the EU Energy Performance Directive.

Branches in Mekonomen Sweden regularly receive information about their energy use and advice on how they can reduce consumption. In autumn 2018, MECA began so-called "night walks". When the operations are closed and it is dark outside, the premises are checked in terms of lighting, equipment (eg. computers, screens and printers), ventilation, temperature and outer doors. Green electricity is purchased for a large number of

branches in MECA as well as Mekonomen in Sweden. In 2017/2018, FTZ conducted an analysis of energy improvements at selected departments. This resulted in LED lighting being installed at several workplaces.

In the on-going work with automation of the central warehouse in Strängnäs, continuous improvements are made to achieve the best possible efficiency. During the year, all lighting in the warehouse was replaced by LED lighting. This reduces energy use by around 524,000 kWh/year, which corresponds to an energy saving of more than 66 per cent.

Handling of chemicals

Mekonomen Group puts a large number of chemical products on the market. This entails a responsibility to check labelling, ensure that the right information exists in the form of e.g. safety data sheets, ensuring that certain kinds of chemicals are only sold to professionals and that storage is correct in warehouses and branches. Proper handling and the right protective equipment are of central importance to our workshops.

To further strengthen the handling of chemicals, an effort is under way to prepare an online course for the branch operations for companies active in Sweden. The training will be implemented in 2019. A course for chemicals handling in workshops will also be developed in 2019.

Reporting is done to authorities according to current legislation. Supervisory authorities conduct inspections with regard to chemicals handling and labelling.

Despite a systematic check of chemicals, it occurs that incorrectly labelled products reach the market. If this happens, we act as soon as we are apprised of it. The products are stopped centrally for further sales and a recall is made when necessary.

Our largest environmental impact is in the areas of transports, energy use and chemicals and waste management.

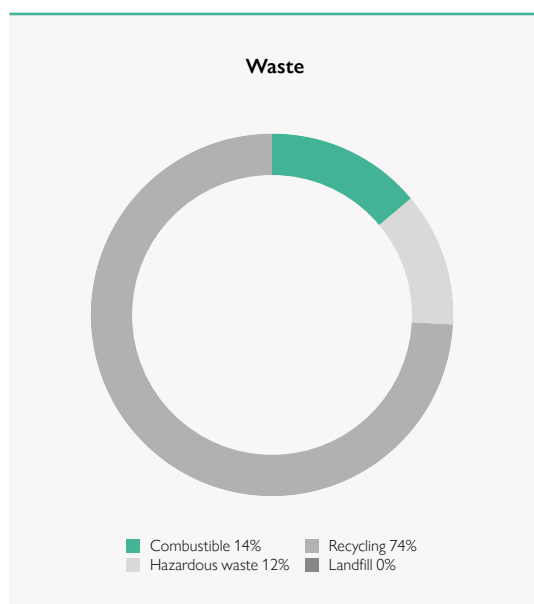
Handling of oil emissions

During the year, an affiliated workshop had an oil leak that polluted the soil. The leak was caused by trespassing and sabotage in the area where the oil is stored. The soil has been cleaned and there are no indications that oil spread to the surrounding area.



Waste management

In our operations, waste and hazardous waste arise. The conversion of the warehouse in Strängnäs has given rise to larger amounts of waste in 2018. The greater automation of the warehouse in Strängnäs has also resulted in some increase in corrugated board in the waste flow. This is expected to decrease once the fine tuning of the system is done. In the workshops, hazardous waste also arises in the form of e.g. oils, batteries and chemicals. The waste is sorted and handled according to legislation and collected by a waste contractor with a permit to transport waste and hazardous waste.



Systematic environmental work and certified management systems

MECA's express warehouse and departments in Sweden and Norway have environmental management systems certified according to ISO 14001. A certified management system according to ISO 14001 means, among other things, that the operations have an environmental policy, have identified their significant environmental aspects, have procedures for handling environmental aspects and relevant legal requirements, as well as set environmental targets.

Mekonomen Sweden's branches and several workshops have certified management systems according to environment (ISO 14001), quality (ISO 9001) and work environment (OHSAS 18001). Certification of the management systems entails regular internal evaluations and external audits, which are an important part in the improvement work.

In the industry initiative, Godkänd Bilverkstad (Approved Workshop), requirements are also set on systematic quality, environment and work environment efforts, which will be checked by an external party.

Environmental legislation, environmental permits and inspections

The Group does not conduct any operations that require permits according to the respective national environmental legislation. Car washes that requires notification of activity are conducted within the Group. The permits required by the respective authority for handling certain amounts of chemicals are handled by the respective company and locally.

Supervisory authorities in the respective countries in which Mekonomen Group is active inspect our operations.

Mekonomen Group complies with current environmental legislation, which also means that we apply the precautionary approach about taking necessary steps to reduce our negative impact on the environment.

We work systematically with the environment and several parts of our operations have certified management systems according to ISO 14001.

WE HAVE REQUIREMENTS AND EXPECTATIONS ON OUR SUPPLIERS



Goal: The main suppliers of products that account for 95 per cent of the Group's purchasing volumes have signed the agreement clause on compliance with the UN Global Compact by 2020².

93%

Outcome: Main suppliers of products that account for more than 93 (92) per cent of our purchases have signed our agreement clause or presented their own corresponding policy.

Spare parts constitute the majority of the Group's purchases and sales and account for a large part of the Group's sales. Purchases mainly take place from the same suppliers that supply the car makers. Nearly all suppliers have their base in Europe, while the production of products takes place in both Europe and Asia. Around 20 per cent of our articles are purchased through direct imports from Asia¹.

Through the acquisitions of the companies FTZ in Denmark and Inter-Team in Poland in the third quarter of 2018, they became a part of Mekonomen Group. The acquisitions entail possibilities of synergies with regard to suppliers.

Sustainable supply chain

Since 2013, all supplier agreements at Bileko Car Parts, Mekonomen Group's wholesale company have included a clause on compliance with the principles of the UN Global Compact. Around 80 per cent of the product supply is obtained through purchases from 160 suppliers. At the end of 2018, 93 per cent (92)² of all suppliers have signed our agreement clause or presented their own corresponding policy.

Suppliers for our own brand products (OBP), ProMeister and Carwise, are deemed to be the largest quality and sustainability risk. The Group therefore conducts internal audits of all new ProMeister suppliers. The audits take place through factory visits and tests of products based on checklists that encompass the review of product quality, environmental and social requirements. The product range is quality audited through independent actors and in our test laboratory Intermeko in Poland. The test laboratory is jointly owned with the Polish car part company Inter Cars.

Through the acquisitions of the companies FTZ in Denmark and Inter-Team in Poland in the third quarter of 2018, they became a part of Mekonomen Group. In light of this change, and that the current vision extends to 2020, the Group's vision and processes for a sustainable supply chain will be revised. This work has begun and will continue in 2019.

The Group will continue to work on a common agreement base for the main suppliers and thereby ensure continued compliance with the UN Global Compact.

¹ Direct imports from Asia mean that a delivery is made directly from Asia to the Group's wholesale warehouse, without the products being kept in stock by a supplier in Europe. Direct import comprises both purchases directly from Asian suppliers and purchases from European suppliers as they are not always stocked in Europe before delivery.

² The goal covers agreements in Mekonomen Group excluding FTZ and InterTeam. FTZ and InterTeam became a part of Mekonomen Group in the third quarter of 2018. The Group's vision for a sustainable supply chain will be updated with regard to this in 2019.

THE SHARE

Mekonomen's share is listed on Nasdaq Stockholm, in the Mid Cap segment and is traded under the MEKO ticker.

The Mekonomen share

At 31 December 2018, the total market value of the company was SEK 5.2 billion. The share's highest price in 2018 was quoted at SEK 166.2 on 1 August. The lowest price was quoted on 10 December at SEK 88.4. The number of shareholders on 31 December 2018 was 12,310 (10,707). As per 31 December 2018, Mekonomen's share capital amounted to SEK 141 M (90) and comprised 56,416,622 shares (35,901,487) at a quotient value of SEK 2.50 per share (2.50). Each share carries one vote at the Annual General Meeting and all shares carry equal entitlement to a share in the company's profits and assets.

Each shareholder is entitled to vote for all their shares with no restrictions and the shares are not included in any transfer restrictions.

New share issue with preferential right

The acquisition of FTZ and Inter-Team in 2018 was partially financed by a rights issue. The rights issue was oversubscribed and Mekonomen's share capital increased by SEK 51.2 million to SEK 141.0 million and the number of shares increased by 20,515,135 shares. For more information, page 40.

Buyback of own shares

In December, Mekonomen AB carried out a buyback of 63,250 own shares to cover the company's commitment under the "LTIP 2018" approved by the Annual General Meeting on 9 May 2018. Shares in own custody do not entitle to dividends and are not entitled to vote. For more information, page 40.

Dividend

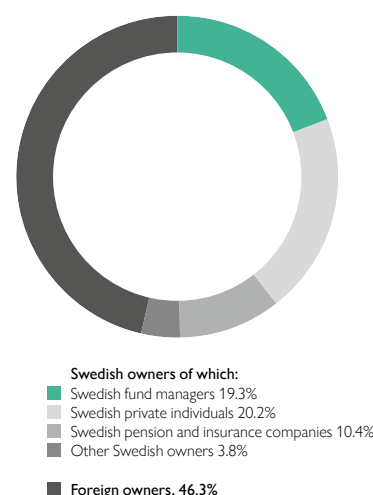
The Board of Directors proposes that no dividend for 2018 to be paid. The dividend actually paid in the previous year was SEK 7.00 per 35,901,487 shares (SEK 4.46, translated with a number of shares outstanding at 31 December 2018, 56,353,372). With this recommendation, the Board has balanced

the company's cash flow between the company's goal of both reducing the debt and pay dividend. In light of recent rights issue and higher debt level, the Board believes it to be wise to pause the dividend for 2018. The Board continues to support the long-term goal of paying not less than 50 per cent of the earnings as dividends.

Communication to the capital market

Mekonomen Group's communication to the capital market aims to provide the market reliable, accurate and current information regarding the company's position, operations and development. The information shall increase the knowledge and interest of the company. Mekonomen Group participated in a number of conferences in the Nordic countries and organising meetings with investors and analysts in Stockholm and London in 2018. Some of the topics that were of particular interest to investors and analysts were market growth, the competitive situation, the weak SEK's impact on purchasing prices, the effect of increased share of electric cars on our roads, and the acquisition of FTZ and Inter-Team.

Holding per ownership category¹⁾



Share history¹⁾

Year	Transaction	Nominal value, SEK	Shares, total	Share capital, total, SEK
1990	Formation of company	100.00	1,000	100,000.00
1998	Bonus issue	100.00	400,000	40,000,000.00
1998	Split 10:1	10.00	4,000,000	40,000,000.00
1999	New share issue	10.00	5,434,444	54,344,440.00
2000	New share issue	10.00	7,252,626	72,526,260.00
2001	Redemption of convertible bonds	10.00	7,286,626	72,866,260.00
2002	Redemption of convertible bonds	10.00	7,385,226	73,852,260.00
2003	Redemption of convertible bonds	10.00	7,397,326	73,973,260.00
2003	Split 2:1	5.00	14,794,652	73,973,260.00
2003	Redemption of convertible bonds	5.00	14,869,150	74,345,750.00
2004	Redemption of convertible bonds	5.00	15,304,618	76,523,090.00
2004	New share issue	5.00	15,434,411	77,172,055.00
2005	Split 2:1	2.50	30,868,822	77,172,055.00
2011	New share issue	2.50	32,814,605	82,036,512.50
2012	New share issue	2.50	35,901,487	89,753,717.50
2018	New share issue	2.50	56,416,622	141,041,055.00

¹⁾ Source: Modular Finance.

The 15 largest shareholders, 31/12/2018¹⁾

Name	Number of shares	Votes and capital, %
LKQ Corporation	15,001,046	26.6
Didner & Gerge Fonder	4,992,616	8.8
Fjärde AP-fonden	4,617,503	8.2
Swedbank Robur Fonder	2,497,754	4.4
Eva Fraim Pählman	2,009,176	3.6
Catella Fonder	1,193,852	2.1
Vanguard	1,082,541	1.9
Ing-Marie Fraim	1,000,000	1.8
Kempen Capital Management	973,485	1.7
Dimensional Fund Advisors	959,120	1.7
Avanza Pension	764,628	1.4
Nordnet Pensionsförsäkring	718,267	1.3
Försäkringsbolaget PRI	600,864	1.1
Norges Bank	516,911	0.9
BlackRock	460,421	0.8
Total 15 largest shareholders	37,388,184	66.3
Other	19,028,438	33.7

Holding per size class, 31 December 2018¹⁾

Size class	Number of known share-holders	Owner (%)	Number of shares	Votes and capital, %
1 – 100	5,650	45.9%	198,221	0.4%
101 – 200	1,625	13.2%	259,279	0.5%
201 – 500	2,030	16.5%	721,858	1.3%
501 – 1 000	1,451	11.8%	1,103,056	2.0%
1 001 – 2 000	752	6.1%	1,135,555	2.0%
2 001 – 5 000	503	4.1%	1,636,556	2.9%
5 001 – 10 000	133	1.1%	956,711	1.7%
10 000 – 20 000	76	0.6%	1,097,104	2.0%
20 001 – 50 000	40	0.3%	1,296,059	2.3%
50 001 – 100 000	14	0.1%	884,155	1.6%
100 001 – 200 000	11	0.1%	1,558,113	3.0%
200 001 – 500 000	11	0.1%	3,636,556	6.4%
500 001 – 1 000 000	7	0.1%	5,533,275	9.8%
1 000 001 – 20 000 000	7	0.1%	31,394,488	55.6%
Anonymous ownership			5,005,636	8.5%
Total	12,310	100.0%	56,416,622	100.0%

Data per share¹⁾

Amounts in SEK per share unless otherwise stated	2018	2017	2016	2015	2014
Earnings, continuing operations	6.56	10.05	9.32	11.77	12.80
Earnings, discontinued operations	0.00	0.00	0.00	0.00	-9.46
Earnings	6.56	10.05	9.32	11.77	3.34
Cash flow	8.3	13.8	15.1	12.2	11.5
Shareholders' equity	67.9	65.8	64.4	59.7	57.5
Dividend ²⁾	-	7.00	7.00	7.00	7.00
Share of profit paid, %	0	70	75	59	210
Share price at year-end	91.5	149.3	171.5	173.0	204.0
Share price, highest for the year	166.2	191.0	207.0	234.5	207.0
Share price, lowest for the year	88.4	139.8	150.5	170.0	139.0
Direct yield, %	0.0	4.7	4.1	4.0	3.4
P/E ratio at year-end, multiple	14.0	14.9	18.4	14.7	61.1
Average number of shares after dilution effects ³⁾	39,718,604	35,901,487	35,901,487	35,901,487	35,901,487
Number of shares at end of period	56,416,622	35,901,487	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	12,310	10,707	9,484	9,373	9,664

¹⁾ Source: Modular Finance.²⁾ The Board's proposal for 2018.³⁾ No dilution is applicable.

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The shareholders of Mekonomen Aktiebolag (publ), corporate identity number 556392-1971, are hereby invited to attend the Annual General Meeting at 4:00 p.m. on 2 May 2019 at Vasa-teatern, Vasagatan 19, Stockholm, Sweden. Registration for the Annual General Meeting will open at 3:00 p.m.

Registration

Shareholders wishing to participate the Annual General Meeting must:

- be registered in the shareholders' register maintained by Euro-clear Sweden AB not later than Thursday, 25 April 2019, and
- notify the company of their intention to attend the meeting no later than Thursday, 25 April 2019.

Notification may be made in writing to Mekonomen Aktiebolag, "Ärsstämmen", c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden or by phone +46 8 402 90 47 between 9:00 a.m. and 4:00 p.m. on weekdays. Shareholders who are natural persons may also register on Mekonomen's website, www.mekonomen.com. When registering, name, personal or corporate identity number, address, phone number and number of any assistants must be provided.

Nominee-registered shares

Shareholders who have nominee-registered shares must, in addition to register participation in the Meeting, temporarily re-register the shares in their own name in the shareholders' register in order to be entitled to participate in the Annual General Meeting. Such re-registration must be carried out by Thursday, 25 April 2019 and should be requested at the bank or trustee well in advance of this date.

Proxies

Shareholders who participate by proxy or representative should send authorisation documents (power of attorney and/or registration certificate) to the company at the above postal address well in advance of the Meeting. Power of attorney forms are available on Mekonomen's website, www.mekonomen.com.

Dividends

The Board of Directors proposes no dividend for 2018 to the Annual General Meeting. The dividend actually paid in the previous year was SEK 7.00 per 35,901,487 shares (SEK 4.46, translated with a number of shares outstanding at 31 December 2018, 56,353,372).

Printed Annual Report

Printed Annual Reports will be distributed only to shareholders requesting them approximately one week before the Annual General Meeting.

Financial calendar 2019

Information	Period	Date
Interim report	January–March 2019	2 May 2019
Interim report	January–June 2019	23 August 2019
Interim report	January–September 2019	8 November 2019
Year-end report	January–December 2019	7 February 2020

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Analysts

The analysts below continuously monitor Mekonomen. Please note that these analysts' estimates, forecasts or other opinions do not represent Mekonomen or its company management.

Company	Name
ABG Sundal Collier	Andreas Lundberg
Carnegie	Mikael Löfdahl
Handelsbanken	Mika Karppinen
Kepler Cheuvreux	Mats Liss
Nordea	Stellan Hellström
SEB	Nicklas Fhärm

ADMINISTRATION REPORT

General

The Board of Directors and CEO of Mekonomen AB (publ.) corporate identity number 556392-1971, hereby submit the Annual Report and consolidated financial statements for the 2018 financial year.

Mekonomen Group consists of the leading car service chains in Northern Europe with a proprietary wholesale operation, more than 460 branches and over 3,400 affiliated workshops operating under the Group's brands. We have one thing in common: we make car life easier and more affordable for our customers. We do so through a broad and accessible range of affordable and innovative solutions and products for consumers and companies.

In 2018, Mekonomen Group's business is conducted through five segments: FTZ (Denmark), Inter-team (Poland), MECA (Sweden and Norway), Mekonomen (Sweden and Norway) and Sørensen og Balchen (Norway). Our growth potential lies in a combination of strong common purchasing functions and differentiated concepts and brands in the eyes of our customers. Our segments have their own business model with unique concepts and solutions to meet their customers' needs. At the same time, we make use of our size advantage through consolidated organisations in such areas as purchasing, logistics and supply chain.

FTZ, Inter-Team and MECA have a B2B focus on their respective markets and cater mainly to the workshops as business partners. In addition to its relationship with affiliated concept workshops and other business customers, Mekonomen has a clear positioning towards the consumer market – with a focus on complete solutions for all kinds of car owners. Sørensen og Balchen, which operates the BilXtra spare-parts chain, has a strong consumer focus and a leading position in car accessories. The target group includes young drivers who want to personalise the appearance of their cars.

The Group's three branch chains in Sweden and Norway are operated under the brands MECA, Mekonomen and BilXtra. The branch chains largely consist of proprietary branches, a smaller number are operated through partnerships or franchise cooperation. Branch sales in Denmark and Poland are mainly B2B sales and are made in the brand FTZ in Denmark and Inter-Team in Poland. Our workshop chains in the Nordic region are mainly operated under the five brands BilXtra, MECA Car Service, Mekonomen Bilverkstad, MekoPartner and Speedy. Mekonomen Group owns a small number of workshops under our brands. In Denmark, the Group operates the workshop concepts Automester, Hella Servicepartner, Din Bilpartner and CarPeople through the FTZ segment. In Poland, the Group operates the workshop concepts O.K. Serwis and Inter Data Service through the Inter-team segment.

The Parent Company has its registered office in Stockholm. The address of the head office is Box 19542, SE-104 32 Stockholm, Sweden. Visiting address: Solnavägen 4, 11th floor. The Parent Company's share is listed on Nasdaq Stockholm Mid Cap segment. The three largest owners in the Parent Company as per 31 December 2018 are LKQ Corporation with 26.6 per cent, Didner & Gerge Fonder with 8.8 per cent, and Fjärde AP-Fonden with 8.2 per cent.

Financial year

2018 was one of the most important years ever in Mekonomen's nearly 50-year history. After the acquisitions of Danish FTZ and Polish Inter-Team, Mekonomen Group is in many ways a new company. We have doubled in size and this creates significant advantages for us and,

in extension, for our affiliated workshops and their customers.

Growth did not materialise in 2018 in our Swedish and Norwegian core business – sales of spare parts for workshops – which is essentially a stable and profitable business. When there is no market growth, our costs are too high. In addition to this, we conducted a number of smaller business acquisitions in Sweden and Norway, which indeed increased our revenue, but further diluted the EBIT margins.

Revenue rose to SEK 7,951 M (6,000). Adjusted for positive currency effects of SEK 88 M and effects of the acquisition of FTZ and Inter-Team of SEK 1,726 M, revenue increased by 2 per cent. Sales in comparable units decreased 1 per cent. EBIT amounted to SEK 407 M (522) and the EBIT margin amounted to 5 per cent (9). Earnings were negatively impacted by items affecting comparability of SEK 89 M (0).

2018 was a challenging year. Besides occasionally weak demand for car parts and workshop services, 2018 began with a challenge when we were struck by a strong drop in sales of DAB in Norway. Excluding FTZ and Inter-Team, and newly acquired small workshops in Sweden and Norway, sales decreased marginally during the year. In turn, profitability was negatively impacted by acquisition costs and the weak SEK's effect on purchasing costs. There is still a lot to work on in the Group that involves streamlining of operations, which is high on management's agenda for the next few years.

The work on a shared central warehouse for MECA and Mekonomen in Sweden is continuing according to plan and, as previously announced, is expected to provide annual savings of SEK 50 M beginning in 2020.

The extremely warm summer, the mild start to winter and the long Christmas break were contributing causes of an unusually weak demand for car parts and workshop services in all of our main markets in the second half of 2018. A development that characterised large parts of Europe. We assess that the market will again grow by 1-2 per cent in the Nordic region and 4-5 per cent in Poland for the first half of 2019.

The total number of branches in the chains at the end of the year was 467 (336), of which 396 (263) were proprietary branches. The number of affiliated workshops totalled 3,416 (2,045), of which 75 (45) were proprietary workshops.

Revenue

Revenue rose to SEK 7,951 M (6,000). Adjusted for positive currency effects of SEK 88 M and effects of the acquisition of FTZ and Inter-Team, revenue increased by 2 per cent. The number of weekdays was one fewer in Sweden and Finland and two fewer in Norway during the year compared with the previous year. Calculated on comparable workdays and adjusted for currency effects, revenue increased 3 per cent. Sales in comparable units decreased 1 per cent. The decrease in sales of DAB products negatively impacted the revenue by around SEK 136 M compared with the previous year.

Other operating revenue mainly comprises rental income, marketing subsidies and exchange-rate gains.

Operating profit before amortisation and impairment of intangible assets, EBITA

EBITA amounted to SEK 553 M (649) and the EBITA margin amounted to 7 per cent (11). Earnings were negatively impacted by items affecting comparability of SEK 89 M (positive: 9), of which SEK 20 M was attributable to impairment of DAB product stock

for the Norwegian market, SEK 23 M was attributable to costs of the acquisition of FTZ and Inter-Team, SEK 6 M was attributable to the divestment of Marinshopen and SEK 15 M for handling of spare parts in 2017 that were returned to suppliers for reconditioning and integration costs of SEK 25 M. Currency effects on the balance sheet negatively impacted EBITA by SEK 3 M (negative: 1). The decrease in sales of DAB products negatively impacted EBITA by around SEK 18 M compared with the previous year.

Operating profit, EBIT

EBIT amounted to SEK 407 M (522) and the EBIT margin amounted to 5 per cent (9). Earnings were negatively impacted by items affecting comparability of SEK 89 M (0), of which SEK 20 M was attributable to impairment of DAB product stock for the Norwegian market, SEK 23 M was attributable to costs of the acquisition of FTZ and Inter-Team, SEK 6 M was attributable to the divestment of Marinshopen and SEK 15 M for handling of spare parts in 2017 that were returned to suppliers for renovation and integration costs of SEK 25 M.

Currency effects on the balance sheet negatively impacted EBIT by SEK 3 M (negative: 1). The decrease in sales of DAB products negatively impacted EBIT by around SEK 18 M compared with the previous year.

Operating profit (EBIT) adjusted for items affecting comparability, SEK M	2018	2017
Operating profit (EBIT), excluding items affecting comparability	496	522
Impairment of stock of DAB products	-20	
Divestment Marinshopen	-6	
Acquisition costs FTZ and Inter-Team	-23	
Handling of reconditioned spare parts	-15	
Costs related to integration of FTZ and Inter-Team	-25	
Items affecting comparability 2017 total		0
Items affecting comparability, total	-89	0
Operating profit (EBIT)	407	522

Profit after financial items

Profit after financial items increased to SEK 477 M (475). Net interest expense amounted to SEK 47 M (25) and other financial items to SEK 117 M (-23).

Profit for the year

Profit after tax amounted to SEK 268 M (368). The tax expense was negatively impacted by an amount of SEK 93 M (positive: 17) by the impairment of deferred tax assets for Group deductions for earlier deficits in Denmark due to the acquisition of FTZ. Corporate tax in Sweden will be reduced in two steps from 2019, which have an effect on the calculation of deferred tax in the balance sheet, which positively affected the tax expense by SEK 7 M. Earnings per share before and after dilution amounted to SEK 6.56 (10.05).

Seasonal effects

Mekonomen Group has no actual seasonal effects in its operations. However, the number of workdays affects both sales and profit.

FTZ segment

The FTZ segment primarily includes wholesaling and branch operations in Denmark and is included in the Group from September 2018, in other words only four months. The operations in FTZ generally have lower gross margins than Mekonomen Group as a whole, which is compensated by generally lower operating expenses.

During the period September to December 2018, FTZ reported sales in line with the same period in 2017 (before the acquisition date), negatively affected by a weak aftermarket for car parts and workshop services in Denmark during the second half of 2018. Operating profit was negatively impacted by items affecting comparability of SEK 18 M regarding costs related to the integration work.

Net sales (external) amounted to SEK 1,088 M (-). EBIT amounted to SEK 49 M (-) and the EBIT margin amounted to 5 per cent (-).

The number of branches amounted to 51 (-), of which 51 (-) were proprietary. There were 921 (-) workshops.

Inter-Team segment

The Inter-Team segment primarily includes wholesaling and branch operations in Poland and export operations and is included in the Group from September 2018, in other words only four months. The operations in Inter-Team generally have lower margins than Mekonomen Group as a whole.

During the period September to December, Inter-Team reported a sales increase of around 5 per cent compared with the same period in 2017 (before the acquisition date). Sales in Poland were negatively impacted by a somewhat weaker market than the expected 4-5 per cent annually during the second half of 2018, but was counterbalanced by new customers and exports to new markets. Operating profit was negatively impacted by items affecting comparability of SEK 7 M regarding costs related to the integration work.

Net sales (external) amounted to SEK 638 M (-). EBIT amounted to SEK -1 M (-) and the EBIT margin amounted to 0 per cent (-).

The number of branches amounted to 82 (-), of which 79 (-) were proprietary. There were 465 (-) workshops.

MECA segment

The MECA segment mainly includes wholesale and branch operations in Sweden and Norway, and fleet operations in Sweden.

MECA showed a good sales trend in 2018 despite a weak aftermarket for car parts and workshop services in Sweden and Norway in the second half of 2018. Net sales was positively impacted by a number of smaller acquisitions and a strong NOK against the SEK. The operating profit was negatively impacted by high purchasing costs, due to a strong EUR, and initially low EBIT margins in the acquired operations.

Net sales (external) amounted to SEK 2,008 M (1,907), of which net sales in the Swedish operations were SEK 959 M (949) and in the Norwegian operations were SEK 1,049 M (958). The currency effect on net sales against the NOK was a positive SEK 35 M. The number of weekdays was one fewer for Sweden and two fewer for Norway. The underlying net sales increased 4 per cent.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) amounted to SEK 260 M (273) and the EBITA margin amounted to 13 per cent (14). Operating profit (EBIT) amounted to SEK 249 M (265) and the EBIT margin amounted to 12 per cent (14).

The number of branches amounted to 85 (86), of which 80 (76) were proprietary. There were 717 (722) workshops.

Mekonomen segment

The Mekonomen segment primarily includes wholesale, branch and fleet operations in Sweden and Norway.

The weak aftermarket for car parts and workshop services in Sweden and Norway in the second half of 2018 had a negative effect on the Mekonomen segment's net sales, which is partially compensated by a positive effect from a strong NOK against the SEK. The operating profit for 2018 was negatively impacted by high purchasing costs due to a weak SEK and items affecting comparability of SEK -28 M (negative: 7). The items affecting comparability refer to

SEK -13 M attributable to impairment of DAB product stock for the Norwegian market and SEK -15 M attributable to an incorrect handling of spare parts in 2017 and 2018 that were returned to suppliers for reconditioning.

Net sales (external) amounted to SEK 2,684 M (2,683), of which net sales in the Swedish operations were SEK 1,800 M (1,816) and in the Norwegian operations were SEK 884 M (867). The currency effect on net sales against the NOK was a positive SEK 29 M. The number of weekdays was one fewer in Sweden and two fewer in Norway.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) amounted to SEK 295 M (325) and the EBITA margin amounted to 11 per cent (12). Operating profit (EBIT) amounted to SEK 290 M (313) and the EBIT margin amounted to 11 per cent (11).

The number of branches amounted to 172 (175), of which 143 (145) were proprietary. There were 945 (982) workshops.

Sørensen og Balchen segment

The Sørensen og Balchen segment primarily includes wholesale and branch operations in Norway.

Net sales in Sørensen og Balchen were negatively impacted by the weak Norwegian aftermarket for car parts and workshop services in the second half of 2018, which was partly positively counterbalanced by a strong NOK against the SEK. Sørensen og Balchen is the segment in the Group that has the largest share of sales directly to the consumer and is thereby more exposed to the higher competition in retailing and to the declining sales of DAB products. In 2018, Sørensen og Balchen continued to show effective cost control. However, operating profit was negatively impacted by items affecting comparability of SEK 7 (0), attributable to impairment of stock of DAB products for the Norwegian market.

Net sales (external) amounted to SEK 739 M (778). The currency effect on net sales against the NOK was a positive SEK 24 M for the full-year. There were two weekdays fewer. The underlying net sales decreased 7 per cent.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) amounted to SEK 107 M (120) and the EBITA margin amounted to 14 per cent (15). Operating profit (EBIT) amounted to SEK 106 M (120) and the EBIT margin amounted to 14 per cent (15).

The number of branches amounted to 64 (68), of which 36 (39) were proprietary. There were 258 (258) workshops.

Acquisitions and start-ups

On 6 July 2018, Mekonomen entered an agreement to acquire all shares in the car part distributors FTZ Autodele & Verktøj A/S ("FTZ") in Denmark and INTER-TEAM Sp.z.o.o. ("Inter-Team") in Poland. After approval by relevant authorities was obtained, the acquisition of FTZ and Inter-Team was completed on 3 September 2018. Payment for the shares was fully made in cash and the total purchase consideration amounted to EUR 404 M, translated at the rate on the transaction date to SEK 4,284 M. FTZ and Inter-Team are included in Mekonomen's financial statements from the acquisition date 3 September 2018.

In addition to the acquisitions of FTZ and Inter-Team, the Group acquired 18 workshops in Sweden and four workshops in Norway during the year. Acquisitions also took place of 65 per cent of the shares in Allt i Bil AB with seven workshops in Sweden, which in turn acquired Bilglascentralen with operations in Gothenburg and 51 per cent of the shares in Mekster AB with sales of spare parts over the Internet. In addition, seven branches and three car wash facilities were acquired in Sweden. In addition, four new workshops were established in Sweden. The effect of them on consolidated sales and earnings was marginal.

Investments

Investments in fixed assets for the year amounted to SEK 221 M (164). Depreciation and impairment of tangible fixed assets amounted to SEK 84 M (60). Investment in construction in progress for the central warehouse in Strängnäs was made in an amount of SEK 104 M (77). The investments in the central warehouse now total SEK 194 M.

Company and business combinations amounted to SEK 4,406 M (68), of which SEK 3 M (13) relates to the estimated supplementary purchase considerations. During 2018, supplementary purchase considerations were also paid in an amount of SEK 5 M (4). Acquired assets totalled SEK 2,850 M (25) and assumed liabilities SEK 1,385 M (10). In addition to goodwill, which amounted to SEK 1,865 M (22), surplus values on intangible fixed assets of SEK 829 M (34) were identified with regard to customer relations. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 300 M (3).

Acquired non-controlling interests amounted to SEK 1 M (8).

Divested non-controlling interests amounted to SEK 1 M (0).

Divested operations amounted to SEK 6 M (10).

Financial position and cash flow

Cash flow from operating activities amounted to SEK 331 M (496). Tax paid amounted to SEK 199 M (66). Cash and cash equivalents amounted to SEK 205 M (254). The equity/assets ratio was 35 per cent (43). Long-term interest-bearing liabilities amounted to SEK 3,232 M (1,453). Current interest-bearing liabilities amounted to SEK 1,081 M (255).

Net debt amounted to SEK 4,098 M (1,444), which is an increase of SEK 2,653 M. The increase of the net debt is mainly attributable to loans raised in connection with the acquisition of FTZ and Inter-Team of SEK 4,564 M, dividend of SEK 260 M, and an effect of repayments, investments and a positive operating cash flow. SEK 1,997 M (139) in loans was repaid during 2018. At 31 December 2018, net debt/EBITDA amounted to 6.44 (2.03).

Employees

The number of employees at the end of the year was 5,569 (2,286) and the average number of employees during the year was 3,181 (2,231).

Mekonomen Group has well-developed HRM (Human Resource Management) work that includes equal opportunities plans, action programmes against discrimination in the workplace, clear goals and goal follow-ups, reporting and explicit segregation of responsibilities.

Managers and employees

Committed managers and employees are a prerequisite for successful growth and development of our operations. We believe that a clear direction for the Group and clear missions for our managers and employees are important conditions for this commitment. Skills development takes place in daily work, through meetings and courses. A fundamental approach at Mekonomen Group is to capitalise on the skills available in the Group and develop them through further training and opportunities for new challenges within the Group. Internal recruitment takes place within and between Group companies. During the year, Mekonomen Group carried out a special effort in communicative leadership. The majority of managers and leaders have undergone step one in the training programme that will continue with step two in 2019.

Diversity and gender equality

Mekonomen Group has participated in several external projects relating to issues in such areas as diversity and the labour market for a number of years. The intention is for Mekonomen Group's workplaces to reflect the diversity of our customer groups and society in general. Diversity is also important in order to create renewal and change in a traditional industry. By having employees and managers with varying experience and expertise, we improve the possibility of meeting the customers' needs.

Employee surveys

The Group's employee surveys include questions about job satisfaction and working conditions, and whether individual employees are able to influence their work situation. The employee survey captures opinions from all employees. The results are discussed Group-wide and within the respective companies with the aim of implementing improvements in the operations from an overall perspective to one's own group/unit.

Competence of the workshop technicians

Mekonomen Group's skills and development initiatives are intended not only to meet today's needs but also to anticipate the future challenges of tomorrow's society: a fossil-independent car fleet, a service society, urbanisation and a shared economy. Through our own training efforts that ensure quality and competence of our vehicle technicians in the Group's workshop chains, skills development is offered in e.g. new technology, customer service and professionalism.

Remuneration of senior executives

Remuneration of senior executives is presented in Note 5. The Board of Directors will propose the following guidelines for remuneration of senior executives to the 2019 Annual General Meeting.

The Board considers it very important to ensure that there is a clear link between remuneration and the Group's values and financial goals in both the short and the long term. The Board's proposals for guidelines for remuneration entail that the company is to offer market-based remuneration that allows the Group to recruit and retain the right executives, and entail that the criteria for determining remuneration is to be based on the significance of work duties and employees' competencies, experience and performance. Remuneration is to comprise:

- fixed basic salary,
- variable remuneration,
- pension benefits,
- other benefits and severance pay.

The guidelines encompass the Group Management Team, which currently comprises five individuals including the President.

Remuneration is determined by the Board's Remuneration Committee. However, remuneration of the President is determined by the Board in its entirety.

The company is to offer an attractive basic salary in the market, in the form of a fixed cash monthly salary. This comprises remuneration for dedicated work performance at a high professional level that creates added value for Mekonomen Group's customers, owners and employees.

In addition to basic salary, short-term and long-term variable cash remuneration is to be offered, both of which are based on fulfilment of Mekonomen Group's goals for:

- the Group's earnings, and
- individual qualitative parameters.

The distribution between basic salary and variable remuneration is to be proportionate to the senior executive's responsibilities and authorities.

The short-term variable remuneration is maximised to a certain percentage of fixed annual salary. The percentage is linked to the position of each individual and varies between 33 and 60 percentage points for members of the Group Management Team.

Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. For the President, pension provisions according to the employment agreement are paid in an

amount corresponding to 30 per cent of basic salary. Pensionable salary comprises basic salary. The period of notice for the President is 12 months if employment is terminated by the company, and six months if terminated by the President. The period of notice for other members of the Group Management Team is a maximum of 12 months if employment is terminated by the company, and six months if terminated by the employee. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company.

In December, Mekonomen AB also carried out a buyback of 63,250 own shares to cover the company's commitment under the "LTIP 2018" approved by the Annual General Meeting on 9 May 2018. As a result of the acquisition of FTZ and Inter-Team, the targets in LTIP 2018 were not achieved. The Board of Directors has decided to not change the targets, but rather discontinue LTIP 2018 in its entirety and instead propose to the Annual General Meeting to pass a resolution on a new programme for 2019.

Sensitivity analysis

Mekonomen Group's earnings are affected by a number of factors, such as sales volume, currency fluctuations on imported goods and sales to foreign subsidiaries, margins on purchased products, salary changes, etc. Imports mainly take place from Europe, mainly in the currencies EUR, DKK, SEK and NOK. Purchases in EUR comprised approximately 35 per cent of the purchased volumes. The table below shows the currency effects on the net flow for each currency. NOK impacted internal sales from Bileko Car Parts AB and from MECA CarParts AB to each country and profit for the year in Norway. Refer to Note 35 for more detailed information on how the Group manages currency risk.

Impact of factors on profit before tax

Factors pertaining to profit before tax	Change, %	Impact, SEK M ¹⁾
Sales volumes	+1	39 (32)
Exchange-rate fluctuations		
- NOK	+10	83 (80)
- EUR	+10	-143 (118)
- DKK	+10	6 (0)
- USD	+10	-7 (0)
Gross margin	+1 - unit	78 (58)
Personnel costs	+1	-20 (-15)
Interest rate ²⁾	+1	-36(-10)

¹⁾ All things being equal, profit before tax for the 2018 financial year.

²⁾ The effect is based on the Group's net debt of SEK 4,098 M as per 31 December 2018 adjusted for the interest-rate swap of SEK 450 M.

The Group's currency exposure in the translation of assets and liabilities in foreign currencies (excluding translation of foreign subsidiaries and net investments in foreign operations) was mainly against EUR, NOK and PLN. The effects on earnings in the translation of financial assets and liabilities that existed at 31 December 2018 are presented below:

- If EUR had strengthened by 10 per cent, keeping all other variables constant, profit before tax would have been negatively impacted by SEK 43 M (negative: 8), largely as a result of losses in the translation of accounts payable.
- If NOK had strengthened by 10 per cent, keeping all other variables constant, profit before tax would have been positively impacted by SEK 3 M (positive: 7), largely as a result of gains in the translation of accounts receivable.
- If PLN had strengthened by 10 per cent, keeping all other variables constant, profit before tax would have been positively impacted by SEK 4 M (0), largely as a result of gains in the translation of accounts receivable.

The above estimated effect as of 31 December 2018 vary from month to month, depending on the size of the balance-sheet items at the closing date.

Risks and uncertainties

Mekonomen Group's operations are, like all business operations, associated with risks that can affect the Group and our stakeholders to varying degrees. A well-balanced risk management can add value and business benefit, at the same time that risks that are not managed can effectively lead to damage and losses. Mekonomen Group continuously maps the Group's risks where the Board of Directors bears the utmost responsibility for the Group's risk management. Continuously identifying and evaluating risks is a natural and integrated part of the operations to thereby be able to control, limit and handle prioritised risks in a proactive manner.

For a more detailed description of the Group's prioritised risks and risk management, see page 14-15 and Note 35 Financial risks.

Parent Company, "Other segments" and "Other items"

The Parent Company's operations comprise mainly the Group Management Team and finance management. The Parent Company's profit after net financial items amounted SEK 54 M (loss: 49), excluding dividends of SEK 612 M (315) from subsidiaries. The average number of employees was 5 (5). Mekonomen AB sold products and services to Group companies totalling SEK 30 M (34).

"Other segments" include business activities and operating segments for which information is not provided separately. This includes Mekonomen's wholesale and branch operations in Finland, Meko Service Nordic with the workshop operation BilLivet, the workshop operation Speedy, the workshop operations in Allt i Bil, the operations with Heavy Vehicles, ProMeister Solutions, Preqas, the operation in Mekster, the service Mekonomen vehicle leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norway and Group-wide functions also including Mekonomen AB (publ). Mekonomen's branch operations in Iceland were divested in the first quarter and Marinshopen was divested in the second quarter.

The operations with Heavy Vehicles, ProMeister Solutions, Preqas and MECA Scandinavia AB were previously reported as a part of MECA, but as of the first quarter of 2018, as a part of "Other segments"; the comparative figures have been translated.

The units reported in "Other segments" do not achieve quantitative limits to be reported separately and the benefit is deemed to be limited for the users of the financial statements for them to be reported as independent segments. EBIT for "Other segments" amounted to a loss of SEK 184 M (loss: 98).

"Other items" include acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items are amortisation of acquired intangible assets related to the acquisitions of MECA, Sørensen og Balchen, FTZ and Inter-Team in an amount of SEK -103 M (-77) for the full year.

Sustainability Report

The Group's 2018 Sustainability Report was prepared in observance of the requirements in the Annual Accounts Act and refers to the Global Reporting Initiative's (GRI) Standards core. The Sustainability Report is prepared based on the significant areas prioritised based on internal and external stakeholders' view of which sustainability issues are the most important for Mekonomen Group. The 2018 Sustainability Report also constitutes our Communication on Progress Report to the UN Global Compact. Mekonomen Group's Sustainability Report is available on page 93 and more on the sustainability work is available at mekonomen.com.

Environment

The Group does not conduct any operations that require permits according to the respective national legislation. Operations requiring permits in the form of car washes are conducted within the Group. The permits required by the respective authority for handling certain amounts of chemicals are handled by the respective company and locally. Supervisory authorities in the respective countries in which Mekonomen Group is active inspect our operations. Mekonomen Group complies with current environmental legislation, which also means that we apply the precautionary approach about taking necessary steps to reduce our negative impact on the environment.

Mekonomen Group's largest environmental impact is in the areas of transports, energy use and chemicals and waste management. The operations have rules and procedures to manage their environmental impact. In 2019, the Group will conduct a more thorough analysis to quantify the operations' environmental and climate impact and identify relevant environmental objectives.

The strategic environmental efforts rest with the Group's sustainability manager, who reports to the Director of Legal Affairs and Sustainability, who represents these issues in the Group Management Team. The operational work is the responsibility of the manager or president of the respective business areas in collaboration with the managers for the environmental work.

For further information on the Group's environmental efforts, refer to pages 29-30.

Events after the end of the year

On 11 January, in a separate transaction, the acquisition of Nordic Forum Holding was concluded as previously announced. The acquisition is not material.

Mekonomen Group's earnings will be reported in four segments as of the first quarter of 2019. The new reportable segments will be MECA/Mekonomen, Sørensen og Balchen, FTZ and Inter-Team. The MECA/Mekonomen segment also includes Preqas, Speedy and Meko Service Nordic.

Mekonomen Group's management structure was changed as of 14 February 2019 to be better adapted to the new Group's structure. As of 14 February 2019, the Group Management Team comprises the following people:

- Pehr Oscarson, President and CEO
- Åsa Källenius, CFO
- Tobias Narvinger, Director for Purchasing & Supply Chain
- Gabriella Granholm, Director for Communication & Marketing
- Robert Hård, Director for Legal Affairs & Sustainability

No other significant events occurred after the end of the financial year.

Future development

In 2019, our focus will continue to be driving profitable growth in all of our Group companies, with an emphasis on profitability. The Group's gross margin will also in the future be lower than previous years due to FTZ and Inter-Team, which is in line with our calculations prior to the acquisition.

We are not taking strong measures to increase efficiency and adjust our cost structure in the entire Group. A cost savings programme has been initiated that will result in cost reductions of SEK 65 M on an annual basis, of which SEK 30 M will be achieved as of the third quarter of 2019, and full effect as of the fourth quarter of 2019. As a part of the programme, we will act on unprofitable operations and enhance the efficiency of our organisation and prioritise projects that contribute to us being able to increase the rate of our strategic projects that comprise the platform for the core operations and our

future growth. Since year-end, we have also raised the sales prices on our Swedish and Norwegian markets to compensate for the higher purchasing costs, as a result of a strong EUR.

The work of integrating FTZ and Inter-Team and generating purchasing synergies of SEK 100 M as of 2021 is proceeding according to plan.

The merger of MECA's and Mekonomen's central warehouses in Sweden is also proceeding according to plan and will generate cost savings of SEK 50 M as of 2020.

The share

Share capital and ownership structure

The Board of Directors of Mekonomen AB decided on 24 August 2018, on condition of the General Meeting's approval, to increase the company's share capital through a new share issue with preferential rights for Mekonomen's shareholders. The Board's decision was approved by the shareholders at an Extraordinary General Meeting on 26 September 2018. The subscription price was set at SEK 79 per share.

The results of the rights issue, where the subscription period ended 18 October 2018 showed that the rights issue was oversubscribed. Through the rights issue, Mekonomen obtained around SEK 1,621 M before emission expenses and tax. The net amount was SEK 1,588 M.

Through the rights issue, Mekonomen's share capital increased by SEK 51,287,837.50 to SEK 141,041,055.00 and the number of shares increased by 20,515,135 shares.

As per 31 December 2018, the share capital of Mekonomen AB (publ) amounted to SEK 141 M (90) and comprised 56,416,622 shares (35,901,487) at a quotient value of SEK 2.50 per share (2.50). Each share (excluding treasury shares) carries one vote at the Annual General Meeting and all shares carry equal entitlement to a share in the company's profits and assets. Each shareholder is entitled to vote for all their shares with no restrictions and the shares are not included in any transfer restrictions.

In December, Mekonomen AB also carried out a buyback of 63,250 own shares in accordance with the Annual General Meeting resolution. Treasury shares do not entitle to dividends and are not entitled to vote.

LKQ Corporation represents 26.6 per cent of the number of votes. For information about the 15 largest shareholders as per 31 December 2018, refer to the table on page 33.

Authorisation

The Annual General Meeting in May 2018 resolved to authorise the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 3,590,149 shares. At the end of the financial year, no new shares were issued under this authorisation.

Dividend policy

It is the Board's intention that Mekonomen Group will pay dividends corresponding to not less than 50 per cent of profit after tax. When determining future dividends, consideration is primarily given to investment needs, but other factors deemed significant by the Board are also considered.

Shareholder agreements

As far as the Board of Mekonomen AB (publ) is aware, no shareholder agreements exist or other agreements between Mekonomen's shareholders for joint influence over the company. As far as the Board of Mekonomen AB (publ) is aware, there are no agreements or similar that may result in a change in the control of the company.

Share dividends

The Board of Directors proposes no dividend for 2018. The dividend actually paid in the previous year was SEK 7.00 per 35,901,487 shares (SEK 4.46, translated with a number of shares outstanding at 31 December 2018, 56,353,372).

Board of Directors' work 2018

The Annual General Meeting on 9 May 2018 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's proposal, the Annual General Meeting resolved to re-elect John S. Quinn (also re-elected as the Chairman), Helena Skåntorp (Executive Vice Chairman), Kenny Bräck, Joseph M. Holsten, Malin Persson and Magnus Håkansson to the Board and to elect Evor Andersson as a new Board member.

Due to the significant acquisition and its financing, the Board held 32 meetings (14) in 2018 of which one was a statutory meeting. The Board meetings during the year addressed the fixed items of each meeting agenda, such as business situation, financial reporting and investments. Other issues discussed in the Board during the year were market development, risk analysis, formal work plans, policies, acquisition of FTZ and Inter-Team, as well as financing of the acquisitions. In addition, selected Board meetings discussed issues relating to annual accounts, interim reports and budget.

The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the statutory Board meeting held directly after the election of Board members. For more information, refer to page 44.

Auditors

The auditors of the company are elected annually at the Annual General Meeting. According to a resolution of the Annual General Meeting, auditors' fees are paid according to approved invoices. The Group's auditors report to the Board as required, but at least once a year. The Group's external auditors also participate at the meetings of the Audit Committee.

At the 2018 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2019 Annual General Meeting. The Auditor-in-Charge is Authorised Public Accountant Lennart Danielsson and with Authorised Public Accountant Linda Corneliussen as co-signing auditor.

Proposed appropriation of profit

Parent Company

The following profit is at the disposal of the Annual General Meeting,	SEK 000s:
Profit brought forward	2,466,906
- Share premium reserve	1,536,815
- Profit for the year	616,732
TOTAL	4,620,453

The Board of Directors proposes that profits be appropriated as follows:	SEK 000s:
- To be carried forward	4,620,453
TOTAL	4,620,453

For further information regarding the company's and the Group's earnings and financial position, refer to the following income statement, balance sheet, cash-flow statements and accompanying notes.

CORPORATE GOVERNANCE REPORT

Mekonomen Group comprises approximately 190 companies that conduct business operations primarily in Denmark, Finland, Norway, Poland and Sweden. The Parent Company of the Group is the Swedish public limited liability company Mekonomen AB, whose shares are listed on the Nasdaq Stockholm.

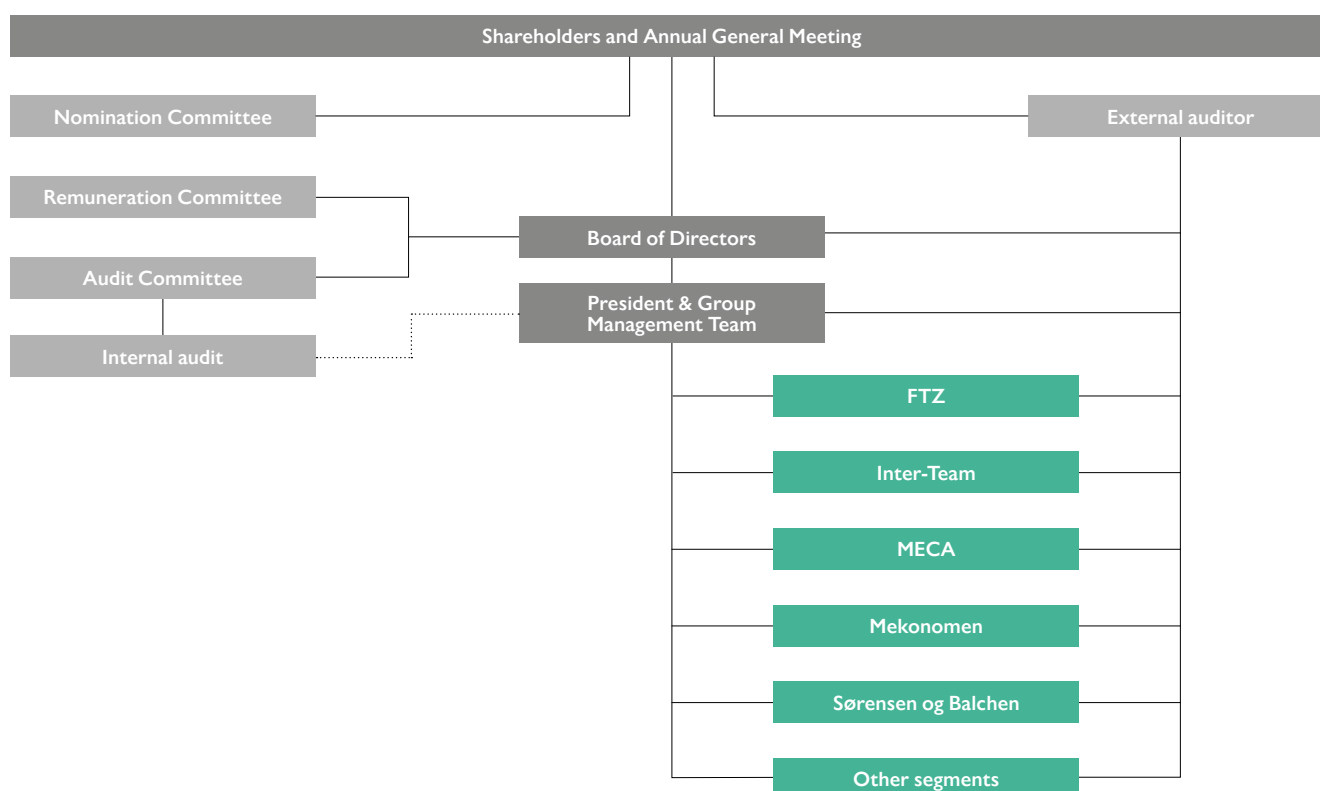
Principles for corporate governance

Mekonomen Group's corporate governance concerns how the operations are governed, managed and controlled in order to create value for the company's shareholders and other stakeholders. The aim of corporate governance is to create the conditions for active and responsible company bodies, to clarify roles and segregation of responsibilities and to ensure true and fair reporting and information.

Both internal and external regulations are used as a foundation for the governance of Mekonomen Group.

External regulations	Internal regulations
Swedish Companies Act	Articles of Association
Annual Accounts Act	Board's and committees' rules of procedure
Other relevant laws	Board's instruction for the President
Nasdaq Stockholm AB's Rule book for issuers	Policies, guidelines and instructions
Swedish Corporate Governance Code (the Code)	Policies, guidelines and instructions
EU Market Abuse Regulation (MAR)	Code of Conduct and Core Values

Overall Corporate Governance Model



Application of the Swedish Corporate Governance Code

Mekonomen Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2018:

Deviation from the Code (rule 2:4):

According to the Code, a Board member shall not be the Nomination Committee's chairman.

Explanation:

Chairman of the Board John S. Quinn is also the chairman of the Nomination Committee as it is a natural choice considering the ownership structure of Mekonomen.

Sustainability governance in Mekonomen Group

The sustainability work within Mekonomen Group is an integrated part of the operations as a part of the ongoing business activities. The basis of the work is comprised of the company's core values and code of conduct together with a running stakeholder dialogue and materiality analysis.

The responsibility for the strategic sustainability work, as well as targets and follow-up rests with the Group Management including Director of Legal Affairs & Sustainability. To further strengthen the Group's strategic sustainability work a Head of Sustainability was employed in 2018. The Board of Directors follows up the work in the Group Management Team's reporting. The operational work runs by the head or president of the respective segment together with manager of environment and quality within each Group company.

Mekonomen Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. This means that the Group commits to the UN Global Compact's ten principles. A clause regarding fulfilment of the UN Global Compact is included in all new and renewed supplier agreements. The principles are also a part of the Group's Code of Conduct.

Mekonomen Group's Sustainability Report is available on page 93 in the 2018 Annual Report and more on the sustainability work is available at mekonomen.com.

Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. Share capital amounted to SEK 141,041,555 on 31 December 2018, represented by 56,416,622 shares. At year-end, Mekonomen AB had 63,250 treasury shares. Treasury shares do not entitle to dividends and are not entitled to vote. The total market value for the company on 31 December 2018 amounted to SEK 5.2 billion, based on the closing price of SEK 91.50. All shares (excluding treasury shares) provide the same voting rights and equal rights to the company's profit and capital. The company's Articles of Association do not include any restrictions on how many votes each shareholder can cast at a General Meeting.

The number of known shareholders on 31 December 2018 was 12,310 (10,707). On the same date, the ten largest shareholders controlled 60.8 per cent (63.2) of the capital and voting rights and the participation of known foreign owners accounted for 37.8 per cent (44.7) of the capital and voting rights.

Shareholders which directly or indirectly represent at least one-tenth of the voting rights for all shares in Mekonomen are LKQ Corporation and subsidiaries, whose shareholding on 31 December 2018 amounted to 26.6 per cent (26.5). For further information on Mekonomen's share and shareholders, see pages 32–33.

General Meeting

The General Meeting is Mekonomen Group's highest governing body, at which every shareholder is entitled to participate. The Annual Gen-

eral Meeting is to be held within six months of the close of the financial year. The Annual General Meeting approves the income statement and balance sheet, the appropriation of the company's earnings, decides on discharge from liability, elects the Board of Directors and auditors, and approves fees, addresses other statutory matters as well as making decisions pertaining to proposals from the Board and shareholders. The company announces the date and location of the Annual General Meeting as soon as the Board has made its decision, but not later than in connection with the third-quarter report. Information pertaining to the location and time is available on the company's website. Shareholders that are registered in Euroclear's shareholders register on the record date and have registered participation in adequate time are entitled to participate in the Annual General Meeting and vote according to their shareholdings. All information concerning the company's meetings, such as registration, entitlement for items to be entered in the agenda in the notification, minutes, etc., is available on the company's website. With regard to participation in the Annual General Meeting, the Board has deemed it is currently not financially justifiable to allow shareholders to participate in the Annual General Meeting through any means other than physical presence. It is the company's aim that the General Meeting be a consummate body for shareholders, in accordance with the intentions of the Swedish Companies Act, which is why the objective is that the Board in its entirety, the representative of the Nomination Committee, the President, auditors and other members of the Group Management Team must always be present at the Meeting.

Annual General Meeting 2018

The Annual General Meeting was held in Stockholm on 9 May 2018. The complete minutes of the Annual General Meeting are available on the Mekonomen website at mekonomen.com. In brief, the Annual General Meeting resolved:

- to adopt the income statement and balance sheet, the consolidated income statement and the consolidated balance sheet
- to pay a dividend of SEK 7.00 per share to shareholders
- to discharge the members of the Board and the presidents from liability
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members
- to pay total Board fees of SEK 2,345,000, of which SEK 590,000 relates to fees to the Chairman of the Board and SEK 330,000 relates to the Executive Vice Chairman, and also SEK 285,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Furthermore, fees for Committee work are to be paid as follows: SEK 70,000 to the Chairman of the Audit Committee, SEK 40,000 to each of the other members of the Audit Committee, SEK 40,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee.
- to re-elect John S. Quinn as the Chairman of the Board
- to re-elect Board members John S. Quinn, Kenny Bräck, Joseph M. Holsten, Malin Persson, Helena Skåntorp and Magnus Håkansson and to elect Eivor Andersson as a new Board member
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the close of the 2019 Annual General Meeting
- to adopt a proposal on instructions for the Nomination Committee's composition and work
- to adopt the Board's proposals for guidelines regarding remuneration of senior executives
- to adopt the Board's proposal to establish a long-term incentive programme (LTIP 2018) and in conjunction with this to authorise the Board to decide on acquisition of own shares and transfer of own shares
- to adopt the Board's proposals concerning employees' acquisition of shares in subsidiaries

- to adopt authorisation for the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 3,590,149 shares

Information from the Extraordinary General Meeting on 26 September 2018

The Extraordinary General Meeting was held on 26 September 2018 and the Meeting resolved in brief:

- to approve the Board's decision on 24 August 2018 on a rights issue of shares comprising around SEK 1,650 M
- to approve the Board's proposal on a change to Section 3 of the Articles of Association, whereby the limits for share capital and the number of shares are changed to a minimum of SEK 100,000,000 and a maximum of SEK 400,000,000 kronor and a minimum of 40,000,000 share and a maximum of 160,000,000 shares.

Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 9 May 2018, Mekonomen Group has established a Nomination Committee. The company is to have a Nomination Committee comprising four members. The largest shareholders of the company were contacted by the company's Board based on the list of registered shareholders on 31 August 2018 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2019 Annual General Meeting is comprised of John Quinn, LKQ Corporation, Caroline Sjösten, Swedbank Robur Fonder, Arne Lööv, Fjärde AP-fonden and Kristian Åkesson, Didner & Gerge Småbolagsfond. In accordance with the guidelines, John Quinn has been appointed the Chairman of the Nomination Committee. Mekonomen's Board member, Helena Skåntorp, was co-opted to the Nomination Committee. Fees are not paid to members of the Nomination Committee.

In accordance with the Swedish Corporate Governance Code, the Nomination Committee is to have at least three members, one of whom is to be appointed Chairman. The majority of these members are to be independent in relation to the company and company management and at least one of the Nomination Committee members is to be independent in relation to the company's largest shareholders in terms of the number of votes. Mekonomen Group's Nomination Committee comprises four members, all of whom are deemed to be independent in relation to the company and company management. Mekonomen Group's Nomination Committee also meets other independence requirements.

The Nomination Committee's task is to present proposals to the Annual General Meeting concerning:

- election of Chairman of the Meeting,
- number of Board members and deputy Board members,
- the election of the Chairman of the Board and other members of the company's Board of Directors,
- Board fees and any remuneration for committee work,
- the election and remuneration of auditors, and
- any changes to the instructions for the Nomination Committee

In conjunction with its task, the Nominating Committee is to perform the duties incumbent on nomination committees in accordance with the Swedish Corporate Governance Code, and at the request of the Nomination Committee, the company is to provide human resources, such as a secretary function for the Committee, to facilitate its work. If necessary, the company is also to pay reasonable costs for external consultants deemed necessary by the Nomination Committee for it to perform its duties.

Mekonomen Group has not established any specific age limit for Board members or time limits pertaining to the length of time Board members may sit on the Board. Auditors are elected annually when the matter is submitted to the Annual General Meeting.

Annual General Meeting 2019

The Annual General Meeting will be held at 4:00 p.m. on 2 May 2019 at Vasateatern, Vasagatan 19, SE-111 22 Stockholm, Sweden.

Specific information about the Board's work

Size and composition

According to the Articles of Association, the Board of Directors is to comprise three to seven members and not more than three deputy members. The company's Articles of Association have no specific provisions relating to the appointment and discharge of Board members or amendments to the Articles of Association. The Board of Directors is to be elected annually at the Annual General Meeting.

The Board of Directors shall consist of a well overall mix of the competencies that are important to govern Mekonomen's strategic work in a responsible and successful manner. Examples of such competencies include knowledge of retailing, the automotive industry, corporate governance, compliance to rules and regulations, financing and financial analysis as well as remuneration issues. Earlier Board experience is another important competency.

The Annual General Meeting on 9 May 2018 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's proposal, the Annual General Meeting resolved to re-elect John S. Quinn (also re-elected as the Chairman), Helena Skåntorp (Executive Vice Chairman), Kenny Bräck, Joseph M. Holsten, Malin Persson and Magnus Håkansson to the Board and to elect Eivor Andersson as a new Board member.

All ordinary members are independent in relation to the company and its management in accordance with the definition in the Swedish Corporate Governance Code. Five of the Board members are independent also in relation to major shareholders. The President is not a member of the Board and neither is any other member of the Group Management Team. A more detailed presentation of the Board members and their participation in Board meetings is provided on page 48.

Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The company has a diversity policy for the Group that includes the company's Board and management. The company's diversity policy, which was prepared in accordance with the Code's rule 4.1, aims to achieve an even distribution of people in the company in terms of age, gender, education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2019 Annual General Meeting.

Chairman

The Chairman of the Board, John S. Quinn, is not employed by the company and does not have any assignments with the company beyond his chairmanship. It is the opinion of the Board that John S. Quinn ensures that the Board conducts its assignments efficiently and also fulfils its duties in accordance with applicable laws and regulations.

The Board's working procedures

The Board is responsible for the company's organisation and management and also to make decisions pertaining to strategic issues. Due to the significant acquisition and its financing, the Board of Directors held 32 (14) meetings, of which one was a statutory meeting, during 2018. The minutes of the meetings were recorded by the Board's secretary, who is the Group's CFO.

Relevant meeting documentation was sent to all members prior to each meeting, which were then held in accordance with the approved agenda. On occasions, other senior executives participated in Board Meetings in a reporting capacity, as necessary. No dissenting opinions to be recorded in the minutes were expressed at any of the meetings during the year. The Board meetings during the year addressed the fixed items of each meeting agenda, such as the year-end financial statement including establishment of dividends, interim reports, budgets, strategies, business situation, financial reporting and investments. In addition to this, at selected Board meetings, issues concerning market development, risk analysis, rules of procedure, policies, the acquisition of FTZ and Inter-Team and the financing of the acquisitions were addressed.

Assignments

In accordance with the requirements of the Code, the Board's aim was to devote particular attention to establishing overall goals for the operations and decide on strategies by which to achieve these goals and to continuously evaluate the operating management, with the aim of ensuring the company's governance, management and control. The Board is responsible for ensuring that suitable systems are in place for the monitoring and control of the company's operations and the risks to the company associated with its operations, that control is implemented of compliance with laws, internal guidelines and other regulations and that the provision of external information is open, objective and relevant. The tasks of the Board also include establishing necessary guidelines for the company's conduct in society with the aim of securing its long-term value-creating ability.

There are written instructions that regulate the internal rules of procedure in the Board and the distribution of assignments between the Board and the President, and for the reporting process. The instructions are reviewed annually and are primarily: the rules of procedure for the Board's work, instructions for the President and authorisation regulations.

The Board evaluates its work every year and it is the duty of the Chairman of the Board to ensure that evaluation is performed. In

2018, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2018 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

The Annual General Meeting resolved, in accordance with the proposal from the Nomination Committee, to allocate Board fees amounting to SEK 2,345,000, of which SEK 590,000 to the Chairman of the Board and SEK 330,000 to the Executive Vice Chairman, and SEK 285,000 to each of the other Board members. Furthermore, fees for Committee work are to be paid as follows: SEK 70,000 to the Chairman of the Audit Committee, SEK 40,000 to each of the other members of the Audit Committee, SEK 40,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee.

Board Committees

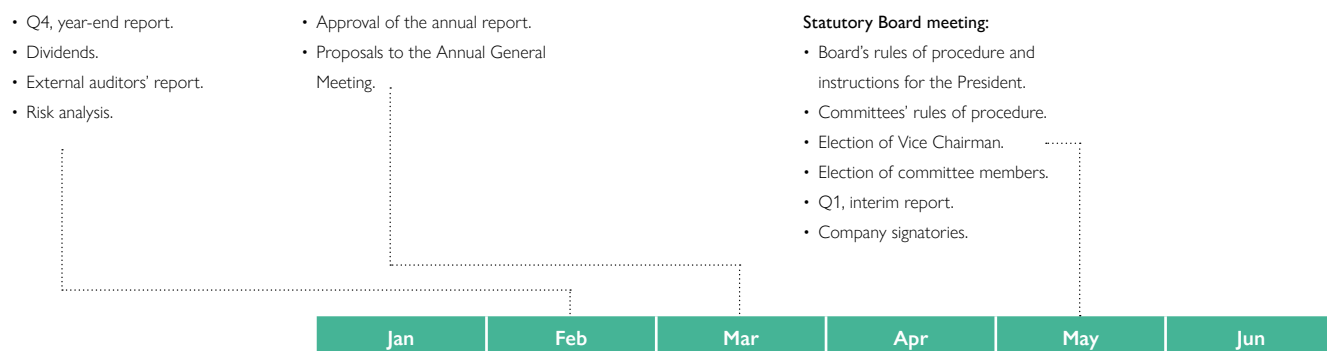
The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the statutory Board meeting held directly after the election of Board members.

Audit Committee

The Audit Committee's duties comprise:

- monitoring the company's financial statements and making recommendations and proposals to ensure reporting reliability and to be responsible for the preparation of the Board's work on quality assuring the company's financial statements, including making proposal on the "Board's report on internal control" regarding the financial reporting for the respective financial year
- with regard to the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management
- staying informed of the audit of the annual accounts and the consolidated accounts and the result of the Swedish Inspectorate of Auditors' quality control
- informing the Board of the results of the audit and the manner in which the audit contributed to the reliability of the financial reporting and what role the Audit Committee had in the process
- performing annual risk analyses together with the President and Group CFO to govern the resources of the internal audit towards key risk areas
- establishing an audit plan for internal audits and preparing an audit plan for the Board for external audits and ensuring coordination between them

Overview of all points on the Board's agenda in 2018



Ordinary Board meetings 2018

At each ordinary Board meeting, the Group's position and performance and the outlook for the upcoming quarter were discussed.

- meeting the auditors on a running basis to keep informed about the audit's emphasis and scope as well as discussing the coordination between the external and internal audits and the view of the Company's risks
- inspecting and monitoring the auditor's impartiality and independence and preparing guidelines for the other non-audit services that the company may procure from the company's auditors and, where necessary, grant pre-approval when the company's auditors are engaged for assignments other than audit assignments
- annually following up audit costs against budget and the share of costs that pertain to the audit and assignments other than auditing services
- evaluating the audit effort and informing the company's Nomination Committee of the results of the evaluation
- studying the audit report to the Audit Committee as per Article 11 of the Audit Regulation and taking any requisite action due to it
- assisting the company's Nomination Committee in the preparation of proposals on auditors and remuneration of the audit effort, whereby the Audit Committee shall ensure that the auditor's mandate period does not exceed applicable rules, procuring the audit and providing a recommended motivation in accordance with what is stated in Article 16 of the Audit Regulation
- annually evaluating the Audit Committee's formal work plan
- preparing other matters the Board assigns the Audit Committee to handle

As of 9 May 2018, the Audit Committee consists of Board members Helena Skåntorp (Chair), Magnus Håkansson and John S. Quinn. In 2018, the Audit Committee held six meetings. The respective member's participation is presented in the table on page 48. The Group's external auditors, the Group's CFO and Head of Accounting also participated at the meetings.

Remuneration Committee

The task of the Remuneration Committee is to discuss, decide on and present recommendations on the salaries, other employment terms and incentive programmes for company management. However, the Board in its entirety determines the remuneration and other employment terms for the President. The work of the Remuneration Committee is based on resolutions by the Annual General Meeting pertaining to guidelines for remuneration of senior executives.

Until the end of the 2018 Annual General Meeting, the Remuneration Committee consisted of Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Christer Åberg.

As of 9 May 2018, the Remuneration Committee consists of Board members Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Eivor Andersson.

The Remuneration Committee held six meetings in 2018, of which four were before 9 May and two after 9 May. The respective member's participation is presented in the table on page 48. The company's president, Pehr Oscarson, was also present at six of these meetings. The Group's CFO was the committee secretary at five meetings and the Corporate HR Director at one meeting.

Group Management Team

President

The President is appointed and may be discharged by the Board and his work is regularly evaluated by the Board, which occurs without the presence of the Group Management Team.

Pehr Oscarson has been the President and CEO of Mekonomen Group since 1 March 2017. Prior to that, he served as the acting President and CEO of Mekonomen Group since 6 October 2016. In addition to his assignment for Mekonomen Group, Pehr is the Vice Chairman of SBF (Sveriges Bilgrossisters Förening - Swedish Automotive Wholesalers' Association), and a Board member of Fresks Holding AB and Oscarson Invest Aktiebolag. Pehr Oscarson has no shareholdings or partial ownership in companies that the Mekonomen Group has significant business ties with.

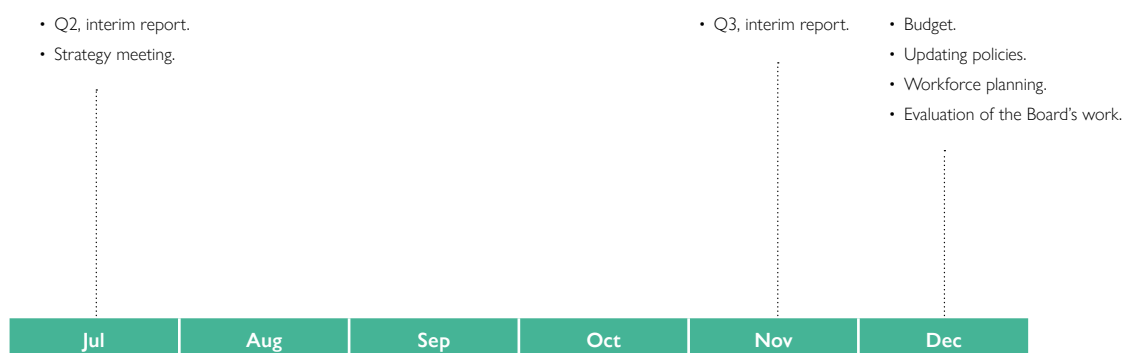
Group Management Team

In 2018, Group Management consisted of the Group's CEO, the Group's CFO, the Group's HR director, President of Sørensen and Balchen, President of MECA Sweden, President of MECA Norway, President Mekonomen Sweden, President Mekonomen Norway and directors for Purchasing & Product Supply, Marketing & Communication, Legal Affairs & Sustainability and Head of the Group's Venture operations.

From 14 February 2019, Mekonomen Group's management structure has changed in order to better adapt to the structure of the new Group. As of February 14, 2019, Group Management consists of the following persons:

- Pehr Oscarson, President and CEO
- Gabriella Granholm, Director of Marketing & Communication
- Robert Hård, Director of Legal Affairs & Sustainability
- Åsa Källenius, CFO
- Tobias Narvinger, Purchasing Director

A more detailed presentation of the current Group Management Team is found on page 49.



Remuneration of senior executives

It is considered very important to ensure that there is a clear link between remuneration and the Group's distinct values and financial goals in both the short and the long term. The guidelines for remuneration of senior executives approved by the 2018 Annual General Meeting entail that the company is to offer market-based remuneration that allows the Group to recruit and retain the right executives, and entail that the criteria for determining remuneration is to be based on the significance of work duties and employees' competencies, experience and performance.

Remuneration is to comprise:

- fixed basic salary,
- variable remuneration,
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President. Remuneration is determined by the Board's Remuneration Committee. However, remuneration of the President is determined by the Board in its entirety.

The President Pehr Oscarson has a fixed cash basic salary per month and a short-term cash variable salary portion, which is based on the company's earnings and individual qualitative parameters and that can amount to a maximum of 60 per cent of the basic annual salary. The President receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefits consist of a company car. The period of notice for the President is 12 months if employment is terminated by the company, and six months if terminated by the President. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company.

The distribution between basic salary and variable remuneration is to be proportionate to the senior executive's responsibilities and authorities. The short-term variable remuneration for other senior executives is based on the Group's earnings and on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and varies between 33 and 60 percentage points for members of the Group Management Team. Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. Pensionable salary comprises basic salary.

The company applies a period of notice of no more than 12 months. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company. Upon resignation, a six-month period of notice applies.

The 2018 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2018), in accordance with the Board's proposal. LTIP 2018 comprises a maximum of 16 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. For information on the complete proposal, see the Annual General Meeting minutes 2018 on the company's website. As a result of the acquisition of FTZ and Inter-Team, the targets in LTIP 2018 were not achieved. The Board of Directors has decided to not change the targets, but rather discontinue LTIP 2018 in its entirety and instead propose to the Annual General Meeting to pass a resolution on a new programme for 2019.

In connection with the approval of the long-term share-based incentive programme (LTIP 2018) by the AGM, the earlier programme that ran during the financial years 2016-2018 ceased to apply. No payments regarding this programme have yet been made.

There are no ongoing share-based incentive programmes.

Auditors

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and President's management of the company. At the 2018 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was appointed as the auditing firm until the 2019 Annual General Meeting. Auditor in charge is Authorised Public Accountant Lennart Danielsson and with Authorised Public Accountant Linda Corneliussen as co-signing auditor. PwC has an organisation comprising broad and specialised competency that is well-suited to Mekonomen Group's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2018	2017
PwC		
Fees for audit assignments	8	6
Audit-related services other than the audit assignment	1	0
Tax consultancy	0	0
Other services	6	0
Total PwC	15	7
Other auditing firms ¹⁾		
Fees for audit assignments	1	-
Audit-related services other than the audit assignment	0	-
Tax consultancy	0	-
Other services	1	-
Total other	1	-
Total fees to auditors	16	7

¹⁾ Other auditors refer mainly to KPMG in Inter-Team (Poland) and EY in FTZ (Denmark).

PwC submits an auditor's report for Mekonomen AB (publ.) and for the company's subsidiaries excluding Inter-Team, FTZ and a few other smaller subsidiaries. The auditors also perform a review of the third-quarter interim report. The audit is conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The audit of annual report documents for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country.

The Board report on internal control regarding financial reporting

Under the Swedish Companies Act, the Board shall ensure that the company's organisation is structured so that accounting, financial management and the company's financial affairs otherwise can be adequately controlled. The Swedish Corporate Governance Code ("the Code") clarifies this and prescribes that the Board is responsible for internal control. This report is prepared in accordance the Annual Accounts Act and the Code. The reporting is limited to addressing internal control concerning financial reporting in accordance with the Code, item 7.4.

The Board supervises the quality of the financial reporting through instructions to the President. It is the President's duty, jointly with the Group's CFO, to review and quality-assure all external financial reporting including financial statements, interim reports, annual reports and press releases with financial content, as well as presentation material in connection with meetings with the media, shareholders and financial institutions.

The rules of procedure decided annually by the Board include detailed instructions on, for example, the financial reports and the type of financial information to be submitted to the Board. In addition to financial statements, interim reports and annual reports, the Board examines and evaluates comprehensive financial information that pertains to the Group as a whole and to the various units included in the Group.

The Board also examines, primarily through the Board's Audit Committee, the most significant accounting policies applied to the financial reporting by the Group, and significant changes to policies in the reporting. The Audit Committee's duties also include examining internal and external audit reports regarding internal control and the processes for financial reporting.

The Group's external auditors report to the Board as required, but at least once a year. At least one of these meetings, the President and CFO leave after presenting their formal reports to enable Board members to conduct discussions with auditors without the participation of senior executives. The Group's external auditors also participate at the meetings of the Audit Committee. The Audit Committee reports back to the Board after every meeting. All Audit Committee meetings are minuted and the minutes are available for all Board members and the auditors.

Control environment

The control environment represents the basis for the internal control over financial reporting. An important part of the control environment is that decision paths, authorities and responsibilities must be clearly defined and communicated between various levels in the organisation and that the control documents are available in the form of internal policies, handbooks, guidelines and manuals. Thus, a key part of the Board's work is to prepare and approve a number of fundamental policies, guidelines and frameworks. These include, among other things, the Board's rules of procedure, Instructions for the President, Investment policies, Financial policies and the Insider policy. The aim of these policies is to create a basis for sound internal control.

Furthermore, the Board focuses on ensuring that the organisational structure provides distinct roles, responsibilities and processes that benefit the effective management of the operation's risks and facilitate goal fulfilment. Part of the responsibility structure includes an obligation for the Board to evaluate the operation's performance and earnings on a regular basis, through appropriate report packages containing income statements, balance sheets, analyses of important key figures and comments pertaining to the business status of each operation. The Board has established an Audit Committee to assist the Board specifically in the financial reporting. To help strengthen the internal control, Mekonomen Group has prepared a financial handbook that provides an overall view of existing policies, rules and regulations and procedures within the financial area. This is a living document, which is updated regularly and adapted to internal and external changes. In addition to the financial handbook, there are instructions that provide guidance on daily work in branches and the rest of the organisation, for example, pertaining to stock taking and cash-register reconciliation, etc.

More information is available on mekonomen.com

- Articles of association
- Code of Conduct
- Information from previous General Meetings, from 2006
- Information about the Nomination Committee
- Information about principles of remuneration of senior executives
- The Board's evaluation of guidelines for remuneration of programmes for variable remuneration
- Corporate Governance Reports from 2006
- Information about the 2019 Annual General Meeting

Risk assessment

Mekonomen Group conducts continuous surveys of the Group's risks. In these surveys, a number of items are identified in the financial statements and administrative flows and processes where there is an elevated risk of error. The company works continuously to reduce these risks by strengthening controls. Furthermore, risks are addressed in a special forum, including questions related to start-ups and acquisitions. For a more detailed description of risks, refer to Risks and uncertainties in the Administration Report and in Note 35 Financial risks in the 2018 Annual Report.

Control activities

Risks of errors in the financial reporting are reduced through a high level of internal control over the financial reporting, with specific focus on significant areas defined by the Board. Within Mekonomen Group, the control structures comprise an organisation with clear roles that enables effective and, from an internal control perspective, suitable division of responsibilities, specific control activities that aim to identify and prevent risks of misstatements in the reporting in time.

Examples of control activities include clear decision-making processes and decision orders for significant decisions, results analyses and other control activities within significant processes. Control activities within these processes include analytical follow-up, spot checks, account reconciliation, inventory checks in stock and branches and engagement reviews.

Internal audit

In 2018, Mekonomen Group hired the auditing firm Deloitte to conduct the internal audit in the Group. The internal audit function as an independent and objective assurance and advisory function, which creates value and increases certainty in internal control. This is done by evaluating and proposing improvement in such areas as risk management, compliance with policies and efficiency in the internal control over the financial reporting. The function works throughout the Group. Reporting is done to the Audit Committee, the President and the CFO and information is provided to management in each business area and other units on the results of the audits performed.

Information and communications

Policies and guidelines are particularly important for accurate accounting, reporting and dissemination of information. Policies and guidelines on the financial process are continuously updated at Mekonomen Group. Such updates mainly take place in each Group function for the various operations through e-mails, but also at regular CFO meetings in which representatives from the Group finance function participate. For communication with internal and external parties, a communications policy is in place that states guidelines for conducting communication. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

Follow-up

The Board evaluates the information submitted by the Group Management Team and auditors. In conjunction with this, the Audit Committee was responsible for the preparation of the Board's work to quality assure the Group's financial reporting. The CEO and CFO hold monthly reviews of financial position with each Head of Operations. Group finance function also cooperates closely with the Group company finance managers and controllers of Group companies on matters pertaining to accounting and reporting. The follow-up and feedback concerning possible deviations arising in the internal controls are a key part of the internal control work, since this is an efficient manner for the company to ensure that errors are corrected and that the control is further strengthened.

MEKONOMEN ANNUAL REPORT 2018 — MEMBERS OF THE BOARD



John S. Quinn	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Malin Persson
Board position						
Chairman of the Board. Member of Mekonomen's Audit Committee. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman. Chairman of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Remuneration Committee.	Board member.	Board member. Member of Mekonomen's Remuneration Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.
Education						
M.B.A, Bachelor of Business Administration and certified public accountant. Certified Management Accountant.	Graduate in Business Administration, Stockholm University.	Marketing specialist and studies in Business Management at IHM Business School as well as board of directors training at Michael Berglund AB.	Upper secondary school education.	M.B.A, Bachelor of Arts and certified public accountant.	BSc, Stockholm School of Economics. MSc, MIT Sloan School. AMP, Harvard Business School.	MSc in Engineering, Chalmers University of Technology.
Elected in						
2017	2004	2018	2007	2017	2017	2015
Born						
1958	1960	1961	1966	1952	1963	1968
Position and Board assignments						
CEO and Managing Director of LKQ Europe. Member of the Boards in a number of LKQ subsidiaries.	Self-employed. Co-founder and Chairman of the Board of Nielstorp AB. Board member of ByggPartner i Dalarna Holding AB (publ). Chairman of the Board and President of Skåntorp & Co AB. Board member of Storyfire AB.	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Board member of AB Svenska Spel and Unlimited Travel Group UTG AB (publ).	Chief Test and Development Driver for McLaren Automotive. Minority owner and Board member of Motorsport Auctions Ltd.	Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	CEO of RNB Retail and Brands AB (publ). Chairman of the Boards of Tenant & Partner Group AB and GS1 Sweden AB.	Member of the Boards of Getinge AB, HEXPOL AB and Peab AB.
Work experience						
EVP and CFO of LKQ Corporation for six years. SVP, CFO and Treasurer of Casella Waste Systems, Inc., SVP of Finance at Allied Waste Industries, Inc. and held several financial and operating roles at Waste Management, Inc.	President of Lernia AB, President and CEO of SBC Sveriges BostadsrättsCentrum AB, President and CEO of Jarowskij, CFO of Aria and authorised public accountant at Ohrlings/PwC.	President and CEO of TUI Nordic (Fritidsresor AB, Star Tour AS Norway/Danmark, Finnmatkat OY, TUIfly Nordic AB), Chairman of the Board of TUI Nordic Holding AB, CEO COOP Marknad and CEO Ving Sverige AB & Thomas Cook Sweden.	Former professional race car driver.	President and CEO of LKQ Corporation for 13 years. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as EVP and COO. Prior to that auditor at a public accounting firm.	CEO of Expert Sverige AB, CFO of KF Group and consultant at McKinsey & Co. Chairman of the Board in RNB Retail and Brands AB (publ) 2010-2011.	President of Volvo Technology AB and the Chalmers University of Technology Foundation. Many years of experience from large Swedish industrial companies, including SKF, ASG and the Volvo Group.
Total remuneration, SEK						
655 000	400 000	310 000	285 000	310 000	325 000	325 000
Attendance at Board meetings						
23/24 ¹⁾	32/32	23/23	30/32	24/24 ¹⁾	31/32	31/32
Attendance at Audit Committee meetings						
6/6	6/6	-	-	-	6/6	-
Attendance at Remuneration Committee meetings						
6/6	-	2/2	-	6/6	-	6/6
Own shareholdings and shareholdings of related parties						
None.	3 142	None.	1 571	None.	None.	1 571
Independent of the company/company management						
Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
Independent of major shareholders						
No, dependent in relation to major shareholders of the company.	Yes.	Yes.	Yes.	No, dependent in relation to major shareholders of the company.	Yes.	Yes.






¹⁾ Due to the presence of LKQ's subsidiary in Poland and the independence of the Board and the interests of all shareholders, a number of the meetings that concerned the acquisition of FTZ and Inter-Team were held excluding John S. Quinn and Joseph M. Holsten.

Changes in the Board

Christer Åberg withdrew from the Board in connection with the 2018 AGM. Christer Åberg participated in seven out of ten Board meetings before the 2018 AGM. He was a member of the Remuneration Committee until the 2018 AGM and participated in four of four meetings. He was also a member of the Remuneration Committee and participated in two of three meetings until the 2018 AGM.

Remuneration and compensation set by the AGM are expensed every calendar year. Remuneration for Board and committee work during 2018 to Christer Åberg was therefore reported under 2017.

GROUP MANAGEMENT TEAM FROM 14 FEBRUARY 2019

				
Pehr Oscarsson	Gabriella Granholm	Robert Hård	Åsa Källenius	Tobias Narvinger
Role				
President and CEO.	Director of Marketing & Communication.	Director of Legal Affairs & Sustainability.	CFO.	Purchasing Director, and President, Bileko Car Parts.
Born				
1963	1982	1966	1967	1974
Education				
Technical upper-secondary school, supplemented with short economics and management courses.	Jurisprudence - civil law, Luleå University of Technology, PR and Communication, Berghs School of Communication.	Master of Laws, Lund University.	Graduate in Business Administration, Stockholm University.	Master of Science in Engineering Physics, Chalmers University of Technology. MBA - Master's Course in International Business Administration, Chalmers University of Technology.
Employed				
2001	2010	2003	2017	2011–2016, 2017–
Work experience				
President of MECA Scandinavia and before that held senior positions in MECA since 2001, President of Swecar AB.	Director of Communications, Mekonomen Group, Information Manager, IMA Sport.	Director of Legal Affairs, HR and Environment, MECA Group. Attorney-at-law, Advokatfirman Vinge. Clerk of Helsingborg District Court.	CFO of Tele2 Sweden, CFO Inflight Service. Financial Manager Spendrups Bryggerier.	Various positions in development, sales and purchasing Scania CV AB in Södertälje.
Board appointments				
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Fresks Holding AB and Oscarson Invest Aktiebolag.	-	-	Green Landscaping, Källenius Invest AB, KAAX Investment AB, KAAX Fastigheter AB.	-
Own shareholdings and shareholdings of related parties				
70,457	1,317	1,625	16,582	4,000

Changes in the Group Management Team

Throughout 2018, the Group management has consisted of the Group's CEO, the Group's CFO, the Group's HR director, President of Sørensen and Balchen, President of MECA Sweden, President of MECA Norway, President of Mekonomen Sweden, President of Mekonomen Norway and responsible for Purchasing & Supply, Market & Communications, Legal & Legal & Sustainability and Business Area Manager for the Group's Venture Company.

From 14 February 2019, Mekonomen Group's management structure has changed in order to better adapt to the structure of the new Group. As of February 14, 2019, the Group Management consists of the Group's CEO, CFO, Purchasing Director, Communications & Marketing Director and Legal Affairs & Sustainability Director.

FINANCIAL STATEMENTS

Consolidated income statement

SEK M	Note	2018	2017
Net sales	3	7,779	5,850
Other operating revenue		172	150
Total revenue		7,951	6,000
Operating expenses			
Goods for resale	17	-3,901	-2,654
Other external costs	4	-1,581	-1,249
Personnel costs	5	-1,832	-1,386
Operating profit before depreciation/amortisation and impairment of tangible and intangible fixed assets (EBITDA)		637	710
Depreciation and impairment of tangible fixed assets	6	-84	-60
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)		553	649
Amortisation and impairment of intangible fixed assets	6	-146	-127
Operating profit (EBIT)	9	407	522
Financial income and expenses			
Interest income		6	4
Interest expenses		-53	-29
Other financial items	9	117	-23
Profit after financial items		477	475
Tax on profit for the year	10	-209	-107
Profit for the year		268	368
Profit for the year attributable to:			
Parent Company's shareholders		260	361
Non-controlling interests		8	7
Total profit for the year		268	368
Earnings per share attributable to Parent Company's shareholders			
Earnings per share, SEK ¹⁾		6.56	10.05
Average number of shares ¹⁾		39,718,604	35,901,487

¹⁾No dilution is applicable. For further information on data per share, refer to pages 32-33.

Consolidated statement of comprehensive income

SEK M	Note	2018	2017
Profit for the year		268	368
Other comprehensive income:			
<i>Components that will not be reclassified to profit for the year:</i>			
- Actuarial gains and losses		-2	0
<i>Components that may later be reclassified to profit for the year:</i>			
- Exchange-rate differences on translation of foreign subsidiaries		-129	-51
- Hedging of loans against net investment ¹⁾		4	-
- Cash-flow hedging ²⁾		1	3
Total other comprehensive income, net after tax³⁾		-125	-48
Comprehensive income for the year		143	320
Comprehensive income for the year attributable to			
Parent Company's shareholders		135	313
Non-controlling interests		8	7
Comprehensive income for the year		143	320

¹⁾ Loans raised in connection with an acquisition in Denmark hedge the currency risk in the net investment and the currency translation is hedge accounted.

²⁾ Holding of financial interest rate derivatives for hedging purposes, valued according to level 2 defined in IFRS 13.

³⁾ For information about tax recognised directly against items in other comprehensive income, refer to Note 15.

Consolidated balance sheet

SEK M	Note	31 Dec. 2018	31 Dec. 2017
Assets			
Fixed assets			
<i>Intangible fixed assets</i>	12		
Goodwill		3,688	1,872
Brands		855	324
Franchise contracts		10	14
Customer relations		1,046	360
Capitalised expenditure for IT systems		146	116
Total intangible fixed assets		5,745	2,686
<i>Tangible fixed assets</i>			
Land and buildings	14	55	-
Improvement costs, third-party property	13	33	23
Equipment and transport	14	402	231
Total tangible fixed assets		490	254
<i>Financial fixed assets</i>			
Investments accounted for using the equity method		22	22
Other financial fixed assets	11, 16	54	39
Total financial fixed assets		77	62
Deferred tax assets	15	0	93
Total fixed assets		6,312	3,095
Current assets			
Goods for resale	17	2,816	1,382
Current receivables	11, 18, 19	1,530	823
Cash and cash equivalents	11, 20	205	254
Total current assets		4,551	2,459
Total assets		10,863	5,554
Shareholders' equity and liabilities			
Shareholders' equity	27		
Share capital		141	90
Other capital contributions		2,993	1,456
Reserves		-307	-182
Profit brought forward including profit for the year		1,001	1,000
Total shareholders' equity attributable to Parent Company's shareholders		3,828	2,363
Non-controlling interests		25	16
Total shareholders' equity		3,853	2,379
Long-term liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	3,228	1,451
Deferred tax liabilities	15	474	168
Provisions	22	24	21
Total long-term liabilities		3,726	1,640
Current liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	1,081	255
Tax liabilities		86	84
Other current liabilities, non-interest-bearing	11, 23, 24	2,088	1,182
Provisions	22	29	14
Total current liabilities		3,284	1,535
Total shareholders' equity and liabilities		10,863	5,554

Consolidated statement of changes in equity

SEK M	Share capital	Other capital contributions	Reserves	Profit brought forward	Total attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance on 1 January 2017	90	1,456	-134	900	2,311	14	2,324
Profit for the year				361	361	7	368
Other comprehensive income:			-48	0	-48	0	-48
Comprehensive income for the year	-	-	-48	361	313	7	320
Transactions with shareholders:							
Dividends				-251	-251	-7	-258
Acquisition/divestment of non-controlling interests				-9	-9	2	-7
Total transactions with shareholders	-	-	-	-261	-261	-5	-265
Closing balance on 31 December 2017	90	1,456	-182	1,000	2,363	16	2,379
Opening balance on 1 January 2018	90	1,456	-182	1,000	2,363	16	2,379
Profit for the year				260	260	8	268
Other comprehensive income:			-124	-2	-125	0	-125
Comprehensive income for the year	-	-	-124	258	135	8	143
Transactions with shareholders:							
New share issue	51	1,570			1,621		1,621
New share issue costs, net after tax ¹⁾		-33			-33		-33
Buyback of own shares				-6	-6		-6
Dividends				-251	-251	-9	-260
Shareholders' contribution from minority					-	3	3
Acquisition/divestment of non-controlling interests				0	0	6	6
Total transactions with shareholders	51	1,537	-	-257	1,331	0	1,331
Closing balance on 31 December 2018	141	2,993	-307	1,001	3,828	25	3,853

¹⁾ For information about tax recognised directly against equity, refer to Note 27.

Consolidated cash-flow statement

SEK M	Note	2018	2017
Operating activities			
Profit after financial items		477	475
Adjustments for items not affecting liquidity	29	175	200
		652	675
Tax paid		-199	-66
Cash flow from operating activities before changes in working capital		453	609
Cash flow from changes in working capital			
Decrease (+) / increase (-) in inventories		-336	-127
Decrease (+) / increase (-) in receivables		78	-74
Decrease (-) / increase (+) in liabilities		135	88
Increase (-) / decrease (+) in working capital		-123	-113
Cash flow from operating activities		331	496
Investments			
Acquisition of subsidiaries and operations	30	-4,196	-59
Divestment of subsidiaries and operations		6	9
Acquisition of tangible fixed assets	13, 14	-178	-130
Divestment of tangible fixed assets		1	2
Acquisition of intangible fixed assets	12	-43	-34
Acquisition/sale of participations in associated companies and joint ventures		-	-20
Purchase of financial fixed assets		0	-1
Decrease in long-term receivables		4	4
Cash flow from investing activities		-4,407	-229
Financing activities	29		
Acquisition of non-controlling interests	30	-1	-8
Divestment of non-controlling interests	30	1	0
Received shareholders' contributions from minority		3	-
New share issue	27	1,580	-
Buyback of own shares	27	-6	-
Change in overdraft facilities		161	-148
Loans raised	21	4,564	258
Amortisation of loans		-1,997	-139
Dividends paid		-260	-258
Cash flow from financing activities		4,044	-295
Cash flow for the year		-32	-27
Cash and cash equivalents at the beginning of the year		254	291
Exchange-rate differences in cash and cash equivalents		-18	-9
Cash and cash equivalents at year-end	20	205	254

Interest received amounted to SEK 6 M (4) and interest paid amounted to SEK 53 M (29).

Income statement for the Parent Company

SEK M	Note	2018	2017
Net sales	3, 31	30	34
Other operating revenue		51	47
Total revenue		81	81
Operating expenses			
Goods for resale		-2	-1
Other external costs	4	-92	-86
Personnel costs	5	-26	-25
Depreciation/amortisation of tangible and intangible fixed assets	6	0	0
EBIT		-39	-31
Financial income and expenses			
Result from participations in Group companies	7	612	315
Interest income		37	26
Interest expenses		-56	-31
Other financial items	9	111	-13
Profit after financial items		666	267
Appropriations	8	73	171
Profit before tax		738	438
Tax on profit for the year	10	-122	-11
Profit for the year		617	427

Statement of comprehensive income for the Parent Company

SEK M	Note	2018	2017
Profit for the year		617	427
Other comprehensive income, net after tax		-	-
Comprehensive income for the year		617	427

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2018	31 Dec. 2017
Assets			
Fixed assets			
<i>Tangible fixed assets</i>			
Improvement costs, third-party property	13	0	0
Equipment and transport		0	0
Total tangible fixed assets		0	0
<i>Financial fixed assets</i>			
Participations in Group companies	26	7,363	3,030
Receivables from Group companies		688	121
Deferred tax assets	15	4	96
Total financial fixed assets		8,055	3,248
Total fixed assets		8,055	3,248
Current assets			
<i>Current receivables</i>			
Accounts receivable		5	9
Receivables from Group companies		1,338	1,502
Other receivables		14	11
Prepaid expenses and accrued income	19	9	9
Total current receivables		1,365	1,531
Cash and cash equivalents	20	79	152
Total current assets		1,444	1,683
Total assets		9,499	4,931
Shareholders' equity and liabilities			
Shareholders' equity	27		
<i>Restricted shareholders' equity</i>			
Share capital		141	90
Statutory reserve		3	3
Total restricted shareholders' equity		144	93
<i>Non-restricted shareholders' equity</i>			
Share premium reserve		1,537	-
Profit brought forward		2,467	2,297
Profit for the year		617	427
Total non-restricted shareholders' equity		4,620	2,724
Total shareholders' equity		4,765	2,817
Untaxed reserves		247	252
Provisions	22	3	3
Long-term liabilities			
Liabilities to credit institutions	21	3,224	1,446
Total long-term liabilities		3,224	1,446
Current liabilities			
Overdraft facilities	21	278	117
Other liabilities to credit institutions	21	800	136
Accounts payable		35	1
Liabilities to Group companies		123	145
Current tax liabilities		2	4
Other liabilities		1	1
Accrued expenses and deferred income	24	21	11
Total current liabilities		1,260	414
Total shareholders' equity and liabilities		9,499	4,931

Statement of changes in shareholders' equity for the Parent Company

SEK M	Restricted shareholders' equity		Non-restricted shareholders' equity		Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	
Opening balance on 1 January 2017	90	3	-	2,549	2,642
Profit for the year				427	427
Other comprehensive income				-	-
Comprehensive income for the year				427	427
Transactions with shareholders					
Dividends				-251	-251
Total transactions with shareholders				-251	-251
Closing balance on 31 December 2017	90	3	-	2,724	2,817
Opening balance on 1 January 2018	90	3	-	2,724	2,817
Profit for the year				617	617
Other comprehensive income				-	-
Comprehensive income for the year				617	617
Transactions with shareholders					
New share issue	51		1,570		1,621
New share issue costs, net after tax ¹⁾			-33		-33
Buyback of own shares				-6	-6
Dividends				-251	-251
Total transactions with shareholders	51		1,537	-257	1,331
Closing balance on 31 December 2018	141	3	1,537	3,084	4,765

¹⁾ For information about tax recognised directly against equity, refer to Note 27.

The number of shares as at 31 December 2018 amounted to 56,416,622 (35,901,487) with a quotient value of SEK 2.50 (2.50) per share.

Cash-flow statement for the Parent Company

SEK M	Note	2018	2017
Operating activities			
Profit after financial items		666	267
Adjustments for items not affecting liquidity	29	-124	-6
		542	261
Tax paid		-23	31
Cash flow from operating activities before changes in working capital		519	292
Cash flow from changes in working capital			
Decrease (+) / increase (-) in receivables		321	18
Decrease (-) / increase (+) in liabilities		-64	-9
Increase (-) / decrease (+) in working capital		257	9
Cash flow from operating activities		777	301
Investments			
Acquisition of subsidiaries	26	-4,305	-
Divestment of subsidiaries and operations		-	2
Capital contributions paid	26	-28	-20
Acquisition of tangible fixed assets		0	-
Increase in long-term receivables		-568	-16
Cash flow from investing activities		-4,901	-34
Financing activities			
New share issue	27	1,580	-
Buyback of own shares	27	-6	-
Change in overdraft facilities		161	-148
Loans raised	21	4,564	258
Amortisation of loans		-1,996	-136
Dividends paid		-251	-251
Cash flow from financing activities		4,051	-278
Cash flow for the year		-73	-11
Cash and cash equivalents at the beginning of the year		152	163
Cash and cash equivalents at year-end	20	79	152

Profit after financial items includes dividends received from subsidiaries of SEK 612 M (315).

Interest received amounted to SEK 37 M (26) and interest paid amounted to SEK 56 M (31).

NOTES

NOTE 1 ACCOUNTING POLICIES

Accounting and measurement policies

The most important accounting policies that were applied to the preparation of these consolidated financial statements are stated below. These policies were consistently applied for all years presented, unless otherwise stated.

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) as approved by the EU and interpretations issued by the IFRS Interpretations Committee that apply for financial years beginning on 1 January 2018. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups was applied.

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the Group's presentation currency. All amounts are stated in SEK M, unless otherwise stated.

The items in the Annual Report are measured at cost, with the exception of certain financial instruments, which are measured at fair value.

The Parent Company's financial statements were prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for legal entities.

Preparing financial statements in accordance with IFRS requires the use of certain key estimates for accounting purposes. Furthermore, management is required to make certain assessments in the application of the consolidated accounting policies. The areas that include a high degree of complicated assessments or areas where assumptions and estimates are of material significance to the consolidated financial statements are stated in Note 2.

Amended and new accounting policies for 2018

The Group applies a number of new standards and interpretations as of 1 January 2018, which primarily concerns IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. None of the new standards and interpretations applied by Mekanomen Group as of 1 January 2018 has had any significant effect on the consolidated financial statements, except expanded disclosure requirements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 regulates how recognition of revenue shall take place and replaces IAS 18 Revenue and IAS 11 Construction Contracts, and associated SICs and IFRICs.

The principles on which IFRS 15 is based are to provide users of financial statements with more informative, relevant disclosures of the company's revenue. The expanded disclosure requirements entail that information is to be provided about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15, revenue is to be recognised when the customer controls the sold good or service and can use and obtain the benefits from the good or service.

The introduction of IFRS 15 has not had a significant impact on Mekanomen Group's financial statements besides expanded disclosure requirements.

Revenue recognition for the Group is essentially unaffected. Total assets increased by small amounts due to the gross recognition for returns of goods. The Group has chosen to use the modified retrospective approach which is why the comparative figures have not been restated. For information on applied accounting policies in the previous year, see the 2017 Annual Report.

IFRS 9 Financial Instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that addressed the classification and measurement of financial instruments and introduces a new impairment model. The new standard requires more disclosures on expected credit losses from financial instruments and risk management in hedge accounting.

The introduction of IFRS 9 has not had an impact on Mekanomen Group's financial statements besides expanded disclosure requirements. Financial instruments recognised at amortised cost or fair value through profit or loss under IAS 39 are classified and also recognised at amortised cost or fair value through profit or loss under IFRS 9. Impairment of accounts receivable and loan receivables takes place according to the simplified model in IFRS 9. The Group has chosen to use the modified retrospective approach which is why the comparative figures have not been restated. For information on applied accounting policies in the previous year, see the 2017 Annual Report.

Amended accounting policies 2019 and later

A number of new standards and amendments of interpretations and existing standards come into effect for financial years beginning after 1 January 2018 and were not applied in the preparation of the consolidated financial statements. The most important amendment for Mekanomen Group is:

IFRS 16 Leases

IFRS 16 Leases is a new accounting standard that enters into effect as of 1 January 2019 and replaces IAS 17. According to the new standard, virtually all leases are to be recognised with a right of use (ROU) asset and a lease liability in the balance sheet and as an expense in the income statement divided into depreciation in operating profit and interest expenses in net financial items. The Group will mainly be affected by

the leases that pertain to rent of premises and leasing of vehicles. The Group chose the prospective method and in accordance with the standard will not restate the comparison year. Equity will not be affected as the size of the right of use is valued as equivalent to the lease liability, adjusted for any prepaid or accrued leasing fees related to the lease, recognised as of 31 December 2018.

The Group has chosen to apply the majority of the relief rules available in connection with the transition to IFRS 16 of which the most significant pertain to excluding leases that at the transition date have an outstanding term of no more than 12 months. In addition to the relief rules in connection with the transition, the Group will continuously apply the practical exceptions that mean that leases with a lease term of no more than 12 months and leases where the underlying asset has a low value are excluded from the calculation of the lease liability and asset. These will instead be expensed on a straight-line basis in the income statement. The Group expects the liability for leasing commitments as of 1 January 2019 will amount to around SEK 2,000 M and the right of use at around SEK 2,000 M. Equity will not be affected at the transition to IFRS 16. For more information, refer to Note 36.

Other new standards, amendments or interpretations of existing standards that have not come into effect are not relevant to the Group at present or are deemed to not have any material effect on the Group's earnings or financial position.

Consolidated financial statements

Subsidiaries

The consolidated financial statements include the Parent Company and all companies (including structured companies) over which the Parent Company has a controlling influence. The Group controls a company 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 a company. Subsidiaries are included in the consolidated financial statements from the point in time at which controlling influence is achieved and excluded from the consolidated financial statements from the point in time at which the controlling influence ceases.

The purchase method was used for recognising the Group's business combinations. The purchase consideration for the acquisition of a subsidiary is measured at fair value on transferred assets, liabilities arising in the Group from previous owners of the acquired company and the shares issued by the Group. The purchase consideration also includes the fair value of all assets or liabilities resulting from an agreement on contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. For each acquisition - meaning, acquisition by acquisition - the Group decides whether the non-controlling interests in the acquired company are measured at fair value or proportionate to the holding's share of the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are recognised in profit or loss as they arise.

If the business combination is a step acquisition, the earlier equity shares in the acquired company are re-measured to its fair value on the date of acquisition. Any gains or losses arising are recognised in profit or loss.

Each contingent consideration to be transferred by the Group is measured at fair value on the date of acquisition. The subsequent changes in fair value of contingent consideration are recognised in profit or loss. Contingent consideration classified as shareholders' equity is not re-measured and the subsequent adjustment is recognised in shareholders' equity.

Goodwill is initially measured at the amount by which the total purchase consideration and fair value for the non-controlling interests exceeds the fair value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognised directly in profit or loss.

Where necessary, subsidiaries' accounting is adjusted to comply with the same policies applied by the other Group companies. Transactions between Group companies take place on commercial grounds and thereby at market prices. All internal transactions between Group companies and Group intermediaries are eliminated when preparing the consolidated financial statements.

Transactions with non-controlling interests that will not result in a loss of control are recognised as shareholders' equity transactions - meaning, transactions with shareholders in their roles as owners. In acquisitions from non-controlling interests, the difference between the fair value of purchase consideration paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognised in shareholders' equity. Profits or losses from divestments to non-controlling interests are also recognised in shareholders' equity.

When the Group no longer has controlling influence, each remaining holding is measured at fair value on the date controlling influence ceases. The change in the carrying amount is recognised in profit or loss. The fair value is used as the initial carrying amount and is the basis for continued recognition of the remaining holding in associated companies, joint ventures or financial assets. All amounts pertaining to the divested unit previously recognised in other comprehensive income are recognised as if the Group had directly divested the assets or liabilities in question. This may result in the amount previously recognised in other comprehensive income being reclassified to profit or loss.

Associated companies

Associated companies are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associated companies are recognised using the equity method. Mekonomen Group has only one associated company with a marginal impact on the Group.

Joint arrangements

Under IFRS 11, holdings in a joint arrangement are to be classified as either a joint operation or a joint venture depending on each investor's contractual rights and obligations. Mekonomen Group has only one joint arrangement with a marginal impact on the Group and has determined that it is a joint venture. Joint ventures are recognised in accordance with the equity method.

Translation of transactions in foreign currencies

Transactions in foreign currencies are translated into Swedish Kronor (SEK) based on the exchange rate on the date of the transaction. Monetary items (assets and liabilities) in foreign currencies are translated into SEK according to the exchange rate on the balance-sheet date. Exchange-rate gains and losses that arise in connection with such translations are recognised in profit or loss as Other operating revenue and/or Other operating expenses. Exchange-rate differences that arise in foreign long-term loans and liabilities, and in the translation of bank accounts in currencies other than the accounting currency, are recognised in financial income and expenses. Exchange rate differences on loans that are classified as hedging instruments in a hedge of a net investment in foreign operation are recognised insofar as they constitute an effective hedge in other comprehensive income.

Translation of foreign subsidiaries

When the consolidated financial statements were prepared, the Group's foreign operations' balance sheets were translated from their functional currencies to SEK based on the exchange rates on the balance-sheet date. The income statements and other comprehensive income were translated at the average exchange rate for the period. Translation differences that arose were recognised in other comprehensive income against the translation reserve in shareholders' equity. If the Group has classified borrowing as hedging instruments in a hedge of net investment in foreign operations, these exchange rate differences are also recognised in other comprehensive income and accumulated in the translation reserve. The accumulated translation differences were transferred and recognised as part of capital gains or capital losses in cases where foreign operations were divested. Goodwill and adjustments to fair values attributable to acquisitions of operations using functional currencies other than SEK are treated as assets and liabilities in the acquired operations' currencies and translated at the exchange rates on the balance-sheet date.

Segment reporting

Operating segments are reported to correspond with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for the allocation of resources and assessing the earnings of the operating segments. In the Group, this function has been identified as the company's President and CEO.

Revenue recognition

Revenue from external customers derives primarily from the sale of goods, representing approximately 96 per cent (96) of net sales. The remaining net sales derive from workshop services, as well as annual and license fees to affiliated branches and workshops. Some agreements include several different services, such as sales of goods and workshop services. The goods and workshop services are recognised as separate performance commitments. If the agreements contain several performance commitments, the transaction price is distributed to each separate performance commitment based on their standalone selling prices.

Sale of goods

Mekonomen Group's business model comprises the entire chain from purchasing and warehousing of spare parts and accessories to the sale of our affiliated workshops and to other B2B customers, partner branches and consumers; also see Note 3 for the distribution of revenue.

The sale of goods is recognised as revenue when control of the goods is transferred, which normally occurs when the goods are delivered to the customer. Sales are recognised net after deduction of discounts, returns and value-added tax.

No financing component is deemed to exist at the time of sale as the credit period normally does not exceed 30 days.

A receivable is recognised when the goods have been delivered as this is the time the compensation becomes unconditional (i.e. only the passing of time is required for payment to be made).

The terms of sale usually include a right to return goods ordered incorrectly by the customer. Therefore, a repayment liability (which is included in the item current provisions) and an asset for the right to receive back the product from the customer (included in goods for resale) are recognised for goods the Group expects to receive in return. Historical data is used to assess the size of the returns at the portfolio level at the time of sale (method that uses the anticipated value). As the scope of the returns have been stable in recent years, it is very probable that a material reversal of the recognised revenues will not occur. The validity of the assumption and the estimated amount of returns are revalued at each balance sheet date.

The right of regress for product sales usually exists towards the supplier, whereby the Group's costs for warranty commitments normally only constitute small amounts for the Group. Where applicable, the Group's commitments for warranties are recognised as a provision; see Note 22.

Revenue – other

Revenue from the sale of workshop services is recognised in the period in which the service took place. Revenue is recognised based on the degree of completion on the balance-sheet date (percentage of completion).

Revenue from licensing agreements is allocated over the term of the agreement.

Other operating revenue mainly comprises of rental income, marketing subsidies and exchange-rate gains.

Interest income is recognised over the term by applying the effective interest method.

Leasing

A financial lease agreement is an agreement according to which the financial risks and benefits associated with ownership of an object are essentially transferred from the lessor to the lessee. Leasing objects mainly comprise company vehicles and distribution vehicles.

Operating leases primarily comprise leased premises and vehicles.

Group as lessee

Assets held under financial lease agreements are measured as fixed assets in the consolidated balance sheets at fair value at the beginning of the leasing period or at the present value of minimum leasing fees if this is lower. The liability that the lessee has to the lessor is recognised in the balance sheet under the heading "Lease agreement" divided into long-term and short-term liabilities. Leasing payments are divided between interest and amortisation of liabilities. Interest is divided over the leasing period so that each reporting period is charged with an amount corresponding to a fixed interest rate of the liability recognised during each period. Interest expenses are recognised directly in profit or loss. Lease fees that are paid during operating lease agreements are systematically expensed over the leasing period.

Remuneration of employees

The Group has both defined-contribution and defined-benefit pension plans. A defined-benefit pension plan is a pension plan whereby the Group guarantees an amount, which the employee receives as pension benefits upon retirement, normally based on several different factors, for example, salary and period of service. A defined-contribution pension plan is a pension plan in which the Group, after having paid its pension premium to a separate legal entity, has fulfilled its commitments towards the employee.

Defined-contribution plans are recognised as an expense in the period to which the premiums paid are attributable.

Pension expenses for defined-benefit plans are calculated using the Projected Unit Credit Method whereby expenses are distributed over the employee's period of employment. These commitments, meaning the liabilities that are recognised, are measured at the present value of expected future payments, taking estimated future salary increases into account, applying a discount rate corresponding to the interest on first-class corporate bonds issued in the same currency as the pension is to be paid in, with a remaining duration that is comparable to the current commitment and with deductions for the fair value of plan assets. In countries where there are no functioning markets for corporate bonds, a discount rate corresponding to the interest rate on mortgage bonds is used. Consequently, a discount rate established by referring to the interest rate on mortgage bonds is used for the Group's defined-benefit pension plans in Norway. The most important actuarial assumptions are stated in Note 22. If a net asset arises, it is recognised only to the extent that it represents future financial benefits, for example, in the form of repayments or reduced future premiums.

One of the Group's defined-benefit pension plans comprises a so-called multi-employer defined-benefit pension plan (ITP plan in Alecta). In accordance with Mekonomen Group's accounting policies, a multi-employer defined-benefit plan is recognised based on the rules of the plans and recognises its proportional share of the defined-benefit pension obligations and of plan assets and expenses related to the plan in the same manner as for any other similar defined-benefit pension plan. However, Alecta has not been able to present sufficient information to facilitate reporting as a defined-benefit plan, which is why the ITP plan is recognised as a defined-contribution plan in accordance with IAS 19.34.

In addition to the defined-benefit pension plans via Alecta described above, the Group has defined-benefit pension plans for employees in Norway. Actuarial gains and losses on the defined-benefit pension plans for employees in Norway are recognised in their entirety over comprehensive income in the period in which they arise.

Remuneration in connection with termination of employment can be paid when an employee has been served notice of termination prior to the expiration of the normal date of retirement or when an employee accepts voluntary retirement. The Group recognises liabilities and expenses in connection with a termination of employment, when Mekonomen Group is unquestionably obligated to either terminate employment prior to the normal termination date or to voluntarily pay remuneration to encourage early retirement.

Mekonomen Group recognises a liability and an expense for bonuses when there are legal or informal obligations, based on earlier practice, to pay bonuses to employees.

Tax

The Group's total tax expense comprises current tax and deferred tax. Current tax is tax that is to be paid or received pertaining to the current year and adjustments of prior years' current tax. Deferred tax is calculated based on the difference between the carrying amounts and the values for tax purposes of company assets and liabilities. Deferred tax is recognised according to the balance-sheet method. Deferred tax liabilities are recognised in principle on all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that the amount can be utilised against future taxable surplus.

The carrying amount on deferred tax assets is assessed at each accounting year-end and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to be utilised either in its entirety or partially against the deferred tax asset.

Deferred tax is calculated based on the tax rates that are expected to apply for the period when the asset is recovered or the debt settled. Deferred tax is recognised as revenue or expenses in profit or loss, except in cases when it pertains to transactions or events that are recognised against other comprehensive income or directly against shareholders' equity. The deferred tax is then also recognised against other comprehensive income or directly against shareholders' equity. Deferred tax assets and tax liabilities are offset when they are attributable to income tax that is charged by the same authority and when the Group intends to pay the tax with a net amount.

Goodwill

Goodwill is initially measured at the amount by which the total purchase consideration and fair value for the non-controlling interests exceeds the fair value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognised directly in profit or loss. Goodwill has an indefinite useful life and is recognised at cost less any accumulated impairment. In the divestment of an operation, the portion of goodwill attributable to this operation is recognised in the calculation of gain or loss on the divestment.

Other intangible assets

Expenditure for the development and implementation of IT systems can be capitalised if it is probable that future financial benefits will accrue to the company and the cost for the asset can be calculated in a reliable manner.

Brands, customer relations and franchise contracts acquired through business combinations are measured at fair value on the date of acquisition.

Acquired brands attributable to the acquisitions of Sørensen og Balchen, MECA, FTZ and Inter-Team have been deemed to have an indefinite useful life and are recognised at cost less any accumulated impairment losses. Customer relations, other brands, franchise contracts and strategic IT investments have definite useful lives and are recognised at cost less accumulated amortisation. Amortisation is applied according to the straight-line method over the assets' estimated useful life. Customer relations, other brands and franchise contracts are deemed to have a useful life of five to ten years.

IT investments are deemed to have a useful life of three to ten years from the start of operation.

Tangible fixed assets

Tangible fixed assets are recognised as assets in the balance sheet if it is probable that future financial benefits will be accrued to the company and the cost of the asset can be calculated in a reliable manner. Tangible fixed assets, primarily comprising land and buildings, equipment, computers, transport and construction in progress, are recognised at cost less accumulated depreciation and any impairment. When the difference in the consumption of significant components of a tangible fixed asset is deemed to be material, the asset is divided up into these components. Depreciation of tangible fixed assets is recognised as an expense so that the asset's value is depreciated according to the straight-line method over its estimated useful life. Land is not depreciable.

The following percentages were applied for depreciation:

Fixed assets	%
Buildings	25–10
Improvement costs, third-party property ¹⁾	10
Equipment	10–20
Vehicles	20
Servers	20
Workplace computers	33

¹⁾ Depreciation takes place over the shorter period corresponding to 10 per cent per year and the remaining duration of the contract.

The residual value of assets and useful life are tested at the end of each reporting period and adjusted when necessary.

An asset's carrying amount is immediately depreciated to its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount.

Gains and losses from divestments are determined by comparing the proceeds and the carrying amount and recognised net in profit or loss.

Impairment

Assets with an indefinite useful life, for example, goodwill and intangible assets that are not ready for use are not impaired but tested annually for any impairment requirements. The brands that were added through the acquisitions of Sørensen og Balchen, MECA, FTZ and Inter-Team have been deemed to have indefinite useful lives, which is why these are also tested at least annually for any impairment requirements. Assets impaired are measured in terms of value decline whenever events or changes in conditions indicate that the carrying amount may not be recoverable. If this occurs, a calculation of the asset's recoverable amount is performed.

The recoverable amount comprises the highest of the value in use of the asset in the operation and the value that would be received if the asset was divested to an independent party, net realisable value. The value in use comprises the present value of all in and out payments attributable to the asset during the period it is anticipated to be used in the operation, plus the present value of the net realisable value at the end of the useful life. If the estimated recoverable amount falls below the carrying amount, the asset is impaired to the recoverable amount. The impairment is recognised in profit or loss in the period it is determined.

Refer also to Note 12 for information on how impairment testing is performed.

Previously recognised impairment is reversed only if there has been a change to the assumptions that served as the basis for determining the recoverable amount in connection with the impairment. If this is the case, a reversal will be conducted to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of an earlier impairment takes place in an amount that does not allow the new carrying amount to exceed what would have been the carrying amount (after impairment) if the impairment had not taken place. Impairment of goodwill is never reversed.

Inventories

Inventories are recognised at the lower of the cost and net realisable value. The cost is established by using the first in/first out principle (FIFO).

A provision for estimated obsolescence in inventories is established when there is an objective basis to assume that the Group will be unable to receive the carrying amount when inventories are sold in the future. The size of the provision amounts to the difference between the asset's carrying amount and the value of expected future cash flows. The reserved amount is recognised in profit or loss. The inventory value was reduced by the value included in the inter-company profit from goods sold from the Group's central warehouse to the company's own branches on the goods that are still in stock. Furthermore, the inventory value was also reduced by the value of the remaining portion of the supplier bonus on goods that are still in stock.

Financial instruments

IFRS 9 contains three parts: classification and measurement, impairment and hedge accounting, and replaces IAS 39 Financial Instruments: Recognition and Measurement. All financial instruments in Mekonomen Group, except for derivatives, are classified and measured at amortised cost with application of the effective interest method. All of Mekonomen's financial assets, except for derivatives, are the business model held-to-maturity and the contractual cash flows are only comprised of principal and interest. Derivatives are classified and measured at fair value through profit or loss. The new rules for classification and measurement have no impact on Mekonomen Group. The new rules for hedge accounting have no effect on the consolidated balance sheet or income statement, but the scope of disclosure requirements has increased.

The change at the introduction of IFRS 9 pertains to impairment and the model for calculating anticipated credit losses. Mekonomen Group has chosen to apply the simplified method in the calculation of expected credit losses throughout the lifespan. Compared with the previously applied incurred loss model, it entails an earlier recognition of credit losses. As grounds for forecasting expected credit losses, historical information and experience of earlier credit losses are used. In addition, current and prospective information is used to reflect current and future conditions. The new model for calculation of expected credit losses has not entailed any material impact on Mekonomen Group's financial statements.

Financial assets recognised as assets in the balance sheet include loan receivables, accounts receivable and cash and cash equivalents. Liabilities in the balance sheet include long-term and short-term loans and accounts payable. A currency derivative is recognised either as an asset or liability, depending on changes in the exchange rate. A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contractual conditions, but the scope of the disclosure requirement has increased.

With the exception of cash and cash equivalents, only an insignificant portion of the financial assets is interest-bearing, which is why interest exposure is not recognised. The maximum credit risk corresponds to the carrying amount of the financial assets. The terms for long-term and short-term loans are stated in separate note disclosures; other financial liabilities are non-interest-bearing. A financial asset, or portion thereof, is eliminated when the rights contained in the contract are realised or mature. A financial liability, or portion thereof, is eliminated as it is regulated when the commitment in the agreement has been fulfilled or has been terminated in another manner.

Calculation of fair value, financial instruments

When establishing the fair value of derivatives, official market listings at year-end are used. If no such information is available, a measurement is conducted applying established methods, such as discounting future cash flows to the quoted market rate for each term. Translation to SEK is based on the quoted exchange rate at year-end.

The fair value of the agreement on conditional supplementary purchase considerations is estimated by the application of the income approach.

Long-term receivables

Long-term receivables comprise primarily deposits and lease-purchase agreements. They have contractual terms that give rise to cash flows that are solely payments of principal and interest and held within the framework of a business model the goal of which is to collect contractual cash flows. They are valued at amortised cost according to the effective interest method. Changes in reserves for credit losses are recognised in operating profit in the income statement.

For information about the change for the year and the loss reserve as per 31 December 2018, refer to Note 16.

Accounts receivable

Accounts receivable are recognised net after provisions for expected bad debts. The expected term of accounts receivable is short, which is why the amount is recognised at nominal value without discounting in accordance with the method for amortised cost. For information on the model for and calculation of expected credit losses, refer to the financial instruments section. Changes in reserves for credit losses are recognised in operating profit in the income statement.

Accounts receivable are written off when there is no reasonable expectation of repayment. For information about the change for the year and the loss reserve as per 31 December 2018, refer to Note 18.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds held at financial institutions and current liquid investments with a term from the date of acquisition of less than three months, which are exposed to only an insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at nominal amounts.

Derivative instruments and hedge accounting

Mekonomen Group hedges receivables in foreign currencies. Hedging is conducted using currency derivatives with a maximum term of three months. Hedged receivables in foreign currencies are recognised at the closing day rate and hedging instruments are recognised separately at fair value in the balance sheet and the change in value is recognised in profit or loss.

The Group signed derivative instruments aimed at hedging interest payments attributable to loans at floating interest rates (cash-flow hedges). The Group applies hedge accounting to these derivative agreements. The derivatives are measured at fair value in the balance sheet. Value changes are recognised in Other comprehensive income to the extent they are effective and accumulated in the hedge reserve in shareholders' equity until the hedged item impacts earnings. The portion of unrealised value changes that is ineffective is recognised in profit or loss.

If the hedging instrument expires, is sold or the hedge no longer meets the requirements on hedge accounting, the hedge accounting is discontinued. The accumulated value change in the hedge reserve is reclassified to profit or loss when the hedged transaction occurs, i.e. in pace with interest payments. If the hedged transaction is no longer contracted or likely, e.g. if the loan hedged is redeemed early, the accumulated value change in equity is immediately reclassified to the income statement. Also refer to the section "Translation of foreign subsidiaries".

Accounts payable

Accounts payable are recognised at amortised cost according to the effective interest method, which in practice entails a nominal amount without discounting since the term is short.

Loans

Liabilities to credit institutions, overdraft facilities and other liabilities (loans) are initially measured at fair value net after transaction costs. Thereafter, loans are recognised at amortised cost. Any transaction costs are distributed over the loan period applying the effective interest method. Long-term liabilities have an estimated term longer than one year while current liabilities have a term of less than one year.

Share capital

Ordinary shares are classified as share capital. Transaction costs in connection with a new rights issue are recognised as a deduction, net after tax, from proceeds from the rights issue.

Provisions

Provisions differ from other liabilities since there is uncertainty regarding the date of payment or the amount for settling the provision. Provisions are recognised in the statement of financial position when Mekonomen Group has a legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amounts can be made. Provisions are recognised in an amount corresponding to the most reliable estimate of the payment required to settle the commitment. When an outflow of resources is expected to be required far later in the future, the expected future cash flow and provision are recognised at present value.

Cash-flow statement

The cash-flow statement was prepared in accordance with the indirect method. The recognised cash flow comprises only transactions that result in inward and outward payments.

Parent Company accounting policies

The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that, in the annual accounts for a legal entity, the Parent Company is to apply all of the IFRS and statements that have been approved by the EU where this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and taking into account the link between accounting and taxation. The recommendation specifies the exceptions and additions that are to be made from IFRS. The differences between the Group's and the Parent Company's accounting policies are stated below.

Financial instruments exist to a limited extent and are recognised in the Parent Company based on cost in accordance with the Annual Accounts Act. The Parent Company applies hedge accounting in legal entities for the hedging of interest rate risk. This means that the derivative's fair value is not taken up in the balance sheet insofar as it is an effective hedge. What is continuously recognised in profit or loss is the fixed interest expense that the interest-rate swaps give rise to in each period.

The policies have been applied consistently for all years presented, unless otherwise stipulated.

Amended accounting policies 2018

In January 2018, the Swedish Financial Reporting Board issued a new version of the RFR 2 Accounting for Legal Entities. Implemented amendments to RFR 2 did not have any material impact on the Parent Company's financial statements.

Classification and presentation format

The income statement and balance sheet comply with the presentation format specified in the Annual Accounts Act. This means they are slightly different to the consolidated financial statements, for example, balance-sheet items are more specified and subitems are given different designations in shareholders' equity.

Shares and participations in subsidiaries

Participations in subsidiaries are recognised in the Parent Company according to the cost method. Acquisition-related costs for subsidiaries, expensed in the consolidated financial statements, are included as part of the cost for participations in subsidiaries.

Contingent considerations are measured based on the probability that the purchase consideration will be paid. Any changes in the provision/receivable will be added/deducted from the cost. In the consolidated financial statements, contingent consideration is measured at fair value with changes in value in profit or loss. The carrying amount for participations in subsidiaries is tested pertaining to any impairment requirements when there are indications of impairment needs.

Tax

The amounts reserved as untaxed reserves consist of taxable temporary differences. Due to the link between accounting and taxation, the deferred tax liabilities that are attributable to the untaxed reserves are not recognised separately in a legal entity. The changes in untaxed reserves are recognised in accordance with Swedish practice in profit or loss for individual companies under the heading "Appropriations." The accumulated value of provisions, including deferred tax liability, are recognised in the balance sheet under the heading "Untaxed reserves".

Group contributions and shareholders' contributions

Shareholders' contributions paid are recognised as an increase in the value of shares and participations. An assessment is then conducted as to whether impairment requirements exist for the value of the shares and participations in question.

Group contributions are recognised according to the alternative rule, entailing that all Group contributions, both paid and received, are recognised as appropriations.

Pensions

Defined-benefit and defined-contribution pension plans are recognised in accordance with the current Swedish accounting standard, which is based on the regulations in the Pension Obligations Vesting Act.

Leasing

All lease agreements, regardless of whether they are finance or operating leases, are recognised as operating leases (rental agreements), which means that the leasing charges are distributed according to the straight-line method across the leasing period.

Other information

The financial statements are in SEK M, unless otherwise stated. Rounding off may result in some tables not tallying.

NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS

The preparation of the annual accounts and application of various accounting standards are based to a certain extent on management's assessments or assumptions and estimates that are considered reasonable under the circumstances. These assumptions and estimates are frequently based on historic experience, as well as other factors, including expectations of future events. The results could differ if other assumptions and estimates were used and the actual outcome will, in terms of definition, rarely agree with the estimated outcome. The assumptions and appreciations made by Mekonomen Group in the 2018 annual accounts, and which had the greatest impact on earnings and assets and liabilities, are discussed below.

Goodwill and other acquisition-related intangible fixed assets

When assessing the impairment requirement for goodwill and other intangible assets with an indefinite useful life, the carrying amount is compared with the recoverable amount. The recoverable amount is the highest of an asset's net realisable value and the value in use. Since there are normally no listed prices that may be used to assess the net realisable value of an asset, the value in use will normally be the value that is used to compare with the carrying amount. Calculation of the value in use is based on assumptions and assessments. Key assumptions are the future trends for revenue and margins, including trends for prices and volumes, utilisation of operating capital employed, as well as yield requirements, which are used to discount future cash flows. These assumptions are described in more detail in Note 12 Intangible fixed assets.

On the whole, this means that the measurement of goodwill and intangible assets items with an indefinite useful life is subject to significant estimates and assessments.

Company acquisitions

In conjunction with acquisitions, analyses are prepared in which all identifiable assets and liabilities, including intangible assets, are identified and measured at fair value on the date of acquisition. In accordance with IFRS 3, acquired identifiable intangible assets, for example, customers, franchise contracts, brands and customer relations, are to be separated from goodwill. This applies if these fulfil the criteria as assets, meaning that it is possible to separate them or they are based on contractual or other formal rights, and that their fair values can be established in a reliable manner. An examination is conducted at each acquisition. The remaining surplus value is allocated to goodwill. Measuring identifiable assets and liabilities in acquisition assessments is subject to important estimates and assessments. Information about company acquisitions and acquisition analyses is found in Note 30.

Reserves for inventories, doubtful receivables, guarantee commitments and product returns

The Group operates in several geographic markets, with sales to consumers and companies and with a wide range to many different customer groups. In order to satisfy customers' needs, a sufficiently large inventory of products must be kept and various types of warranties must be provided that the products function as they should and customers must be offered the right to return products ordered by mistake by the customer. With the type of business conducted in the Group, there is a risk of customer losses and that some of the Group's stocked products cannot be sold at their carrying amounts, and also the risk that the company has guarantee commitments or return claims that extend further than the reserves for these commitments. The right of regress for product sales usually exists towards the supplier, whereby the Group's costs for warranty commitments normally only constitute small amounts for the Group. The Group has established policies for reserves for accounts receivable, obsolescence provisions and provisions for guarantee commitments and product returns. These policies per se are estimates of historic outcome and evaluated continuously to ensure that they correspond to actual outcome in terms of customer losses, obsolescence, guarantee commitments and product returns. For the financial year and the comparison year, no further information on obsolescence and provisions, respectively, is provided for warranty commitments and product returns as materiality does not exist. Further information about credit loss reserves for accounts receivable is found in Note 18.

Deferred tax

When preparing the financial statements, Mekonomen Group calculates the income tax for each tax jurisdiction in which the Group operates and the deferred taxes attributable to temporary differences. Deferred tax assets that are primarily attributable to loss carryforwards and temporary differences are recognised if tax assets can be expected to be recovered based on future taxable income. Changes in assumptions regarding forecast future taxable earnings, and changes in tax rates, may result in significant differences in the measurement of deferred taxes. At 31 December 2018, Mekonomen Group recognised deferred tax liabilities in excess of deferred tax assets at a net amount of SEK 474 M (75). Further information about deferred taxes is found in Note 15.

NOTE 3 SEGMENT INFORMATION

Operating segments are reported to correspond with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for the allocation of resources and assessing the earnings of the operating segments. In Mekonomen Group, this function has been identified as the company's President and CEO.

Mekonomen Group implemented as of 1 January 2018 a new organisation to be better adapted to the business. The organisational change and the additionally changed internal governance also affected the segment reporting and from 1 January 2018, a new segment reporting has therefore been implemented.

As of the first quarter of 2018, Mekonomen Group is presented with three reportable segments: MECA, Mekonomen and Sørensen og Balchen. In accordance with the new segment reporting, the comparative figures for 2017 have thereby been restated.

Through the acquisitions of FTZ and Inter-Team, two new segments, FTZ Segment and Inter-Team Segment, were added as of the third quarter of 2018.

The MECA segment comprises MECA Sweden and MECA Norway and mainly includes wholesale and branch operations in Sweden and Norway, and fleet operations in Sweden.

The Mekonomen segment primarily includes wholesale, branch and fleet operations in Sweden and Norway and primarily includes wholesale, branch and fleet operations in Sweden and branch and fleet operations in Norway.

The Sørensen og Balchen segment primarily includes wholesale and branch operations in Norway. The segment is unchanged from earlier segment reporting.

The FTZ segment primarily includes wholesale and branch operations in Denmark. FTZ is included in Mekonomen's financial statements from the acquisition date 3 September 2018, meaning only four months.

The Inter-Team segment primarily includes wholesaling and branch operations in Poland and export operations. Inter-Team is included in Mekonomen's financial statements from the acquisition date 3 September 2018, meaning only four months.

"Other segments" include business activities and operating segments for which information is not provided separately. This includes Mekonomen's wholesale and branch operations in Finland, Meko Service Nordic with the workshop operation BilLivet, the workshop operation Speedy, the workshop operations in Allt i Bil, the operations with Heavy Vehicles, ProMeister Solutions, Preqas, the service Mekonomen vehicle leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norway and Group-wide functions also including Mekonomen AB (publ). Mekonomen's branch operations in Iceland were divested in the first quarter of 2018 and Marinshopen was divested in the second quarter of 2018. The operations with Heavy Vehicles, ProMeister Solutions, Preqas and MECA Scandinavia AB were previously reported as a part of MECA, but as of the first quarter of 2018, as a part of "Other segments". The units reported in "Other segments" do not achieve quantitative limits to be reported separately and the benefit is deemed to be limited for the users of the financial statements for them to be reported as independent segments.

For further information on the respective operating segment, refer to pages 16-21.

"Other items" include acquisition-related items attributable to Mekonomen AB's direct acquisitions and elimination of intra-Group revenue. Current acquisition-related items are amortisation of acquired intangible assets related to the acquisitions of MECA, Sørensen og Balchen, FTZ and Inter-Team.

The CEO assesses the results of the operating segments at an EBIT level. Financial items are not distributed in segments since they are impacted by measures implemented by central finance management. The distribution of assets and liabilities at segment is not reported regularly.

Mekonomen Group's earnings will be reported in four segments as of 1 January 2019. The new reportable segments will be MECA/Mekonomen, Sørensen og Balchen, FTZ and Inter-Team. The MECA/Mekonomen segment also includes Preqas, Speedy and Meko Service Nordic.

NOTE 3 CONTINUED

	FTZ		Inter-Team		MECA		Mekonomen		Sørensen og Balchen		Other segments		Other items		Group	
SEK M	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue																
External net sales	1,088	-	638	-	2,008	1,907	2,684	2,683	739	778	622	482			7,779	5,850
Internal revenue	0	-	0	-	80	42	209	155	38	47	369	465	-696	-709	0	0
Other revenue	0	-	0	-	23	10	68	72	10	10	71	58			172	150
Total revenue	1,088	-	638	-	2,111	1,959	2,961	2,910	787	835	1,062	1,005	-696	-709	7,951	6,000
Operating profit/loss before amortisation and impairment of intangible fixed assets (EBITA)	50	-	0	-	260	273	295	325	107	120	-159	-70			553	649
Operating profit/loss (EBIT)	49	-	-1	-	249	265	290	313	106	120	-184	-98	-103	-77	407	522
Financial items – net															70	-48
Profit before tax															477	475
Investments, tangible assets ¹⁾	10	-	2	-	17	15	122	96	6	3	22	17			178	130
Investments, IT systems ¹⁾	0	-	1	-	0	0	1	0	0	0	40	33			43	34
Depreciation and impairment (tangible assets)	5	-	6	-	16	13	40	33	3	3	14	10			84	60
Amortisation and impairment (intangible assets) ²⁾	1	-	0	-	11	9	5	13	1	0	24	28	103	77	146	127
Average number of employees for the period	389	-	449	-	628	567	939	955	256	253	521	455			3,181	2,231
Number of proprietary branches	51	-	79	-	80	76	143	145	36	39	7	3			396	263
Number of partner branches	-	-	3	-	5	10	29	30	28	29	6	4			71	73
Number of branches in the chain	51	-	82	-	85	86	172	175	64	68	13	7			467	336
Key figures																
EBITA margin, % ³⁾	5	-	0	-	13	14	11	12	14	15					7	11
EBIT margin, % ³⁾	5	-	0	-	12	14	11	11	14	15					5	9
Change in sales, % ³⁾	-	-	-	-	5	4	0	-2	-5	7					33	1
Revenue per employee, SEK 000s	2,797	-	1,421	-	3,360	3,455	3,154	3,047	3,044	3,300					2,499	2,689
Operating profit per employee, SEK 000s	126	-	-2	-	396	467	309	328	414	474					128	234

¹⁾ Investments do not include company and business combinations

²⁾ Including amortisation and impairment of acquisition-related intangible assets.

³⁾ Internal sales were excluded from the calculation of the EBIT margin and the sales increase for the segments.

Sales between segments take place on market-based terms and conditions. Revenue from external customers that is reported to the Group Management Team is measured in the same manner as in the income statement.

Net sales from external customers derived primarily from the sale of goods, representing approximately 96 per cent (96) of net sales. The remaining net sales derived from workshop services, as well as annual and license fees to affiliated branches and workshops.

Net sales derived from the sale of goods from external customers are distributed according to the following customer groups:

Analysis of net sales by customer groups, %:	2018	2017
- Affiliated workshops ¹⁾	37%	37%
- Other B2B customers	45%	38%
- Consumer	14%	19%
- Partner branches	4%	6%
Total net sales	100%	100%

¹⁾ Sales in proprietary workshops are included in sales to affiliated workshops.

The company has its registered office in Sweden. The distribution of revenue from external customers in Sweden and other geographic markets is presented in the table below:

	Denmark		Poland		Sweden		Norway		Other		Total	
Net sales by country	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
FTZ	1,088	-	-	-	-	-	-	-	-	-	1,088	-
Inter-Team	-	-	638	-	-	-	-	-	-	-	638	-
MECA	-	-	-	-	959	949	1,049	958	-	-	2,008	1,907
Mekonomen	-	-	-	-	1,800	1,816	884	867	-	-	2,684	2,683
Sørensen og Balchen	-	-	-	-	-	-	739	778	-	-	739	778
Other segments	-	-	-	-	-	-	-	-	622	482	622	482
Total	1,088	0	638	0	2,759	2,765	2,672	2,603	622	482	7,779	5,850

The Group has no individual customers that account for 10 per cent or more of the Group's revenue.

All fixed assets, other than financial instruments and deferred tax assets (there are no assets in connection with benefits after terminated employment or rights according

to insurance agreements), located in Sweden amounted to SEK 2,424 M (2,284) and the total of such fixed assets located in other countries amounted to SEK 3,811 M (655), of which SEK 3,020 M (0) in Denmark and SEK 662 M (653) in Norway.

NOTE 4 AUDITING EXPENSES

	Group ¹⁾		Parent Company ¹⁾	
	2018	2017	2018	2017
PwC				
Audit assignment	8	6	1	1
Audit-related services other than the audit assignment	1	0	0	0
Tax consultancy	0	0	0	0
Other services	6	0	6	0
Total PwC	15	7	7	1
Other auditors²⁾				
Audit assignment	1	-	-	-
Audit-related services other than the audit assignment	0	-	0	-
Tax consultancy	0	-	-	-
Other services	1	-	1	-
Total other	1	-	1	-
Total fees to auditors	16	7	8	1

¹⁾ Of the total fees from PwC for the Group of SEK 15 M (7), SEK 9 M (4) refers to fees invoiced from PwC Sweden. Of total fees from PwC for the Parent Company of SEK 7 M (1), SEK 4 M (1) relates to fees invoiced from PwC Sweden.

²⁾ Other auditors primarily refers to KPMG in Inter-Team (Poland) and EY in FTZ (Denmark).

NOTE 5 AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

Average number of employees	2018		2017	
	No. of employees	Of whom, men %	No. of employees	Of whom, men %
Parent Company				
Sweden	5	40	5	80
Total in Parent Company	5	40	5	80
Subsidiaries				
Sweden	1,433	82	1,360	82
Denmark	389	88	-	-
Norway	883	83	834	83
Poland	449	86	-	-
Other countries	22	82	31	71
Total in subsidiaries	3,176	84	2,226	82
Group total	3,181	84	2,231	82

	Salaries and other remuneration	Soc. security expenses (of which pension costs)	Salaries and other remuneration	Soc. security expenses (of which pension costs)
Salaries, remuneration, etc. SEK 000S				
Parent Company	16,061	9,170 (3,658)	14,835	9,389 (4,147)
Subsidiaries	1,383,795	390,599 (104,840)	1,006,878	329,512 (66,788)
Group total	1,399,856	399,769 (108,498)	1,021,713	338,901 (70,935)

	Board and President ¹⁾ (of which bonus, and the like)	Other employees	Board and President ¹⁾ (of which bonus, and the like)	Other employees
Salaries and other remuneration distributed between the President and Board members and other employees, SEK 000s				
Parent Company				
Mekonomen AB	7,934 (0)	8,127 (552)	7,381 (0)	7,454 (340)
Total in Parent Company	7,934 (0)	8,127 (552)	7,381 (0)	7,454 (340)
Subsidiaries in Sweden	22,364 (3,759)	603,861 (2,159)	21,415 (2,305)	568,575 (3,406)
Subsidiaries abroad				
Denmark	808 (0)	221,337 (1,644)	-	-
Norway	12,898 (866)	456,152 (2,789)	11,239 (1,139)	395,754 (4,314)
Poland	2,475 (0)	53,834 (80)	-	-
Other countries	0 (0)	10,066 (0)	0 (0)	9,895 (0)
Total in subsidiaries	38,544 (4,625)	1,345,251 (6,673)	32,654 (3,444)	974,224 (7,720)
Group total	46,478 (4,625)	1,353,378 (7,225)	40,035 (3,444)	981,678 (8,060)

¹⁾ Remuneration to the Board and President includes the Parent Company and, where applicable, subsidiaries in each country.

NOTE 5 CONTINUED

Remuneration of senior executives

Fees are paid to the Chairman of the Board and Board members in accordance with the resolution of the Annual General Meeting. The annual Board fee totalling SEK 2,345,000 (2,210,000) was determined in accordance with the resolution of the 2018 Annual General Meeting. Of this, SEK 590,000 (550,000) represents fees to the Chairman of the Board, SEK 330,000 (310,000) to the Executive Vice Chairman, and SEK 285,000 (270,000) to each of the remaining Board members. For members of the Board's Audit Committee, SEK 70,000 (60,000) is paid to the Chairman of the Audit Committee and SEK 40,000 (35,000) is paid to the other members of the Audit Committee. For members of the Board's Remuneration Committee, SEK 40,000 (35,000) is paid to the Chairman of the Remuneration Committee and SEK 25,000 (25,000) is paid to the other members of the Remuneration Committee.

No fees are paid to the Boards of other subsidiaries.

The President, Pehr Oscarson, has a basic salary of SEK 435,000 per month and a variable salary portion, which is based on the company's earnings and can amount to a maximum of 60 per cent of the basic annual salary. The President receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. The retirement age for the President is 65.

Other benefits consist of a company car. The period of notice is 12 months if employment is terminated by the company, and six months if terminated by the President. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company.

For other senior executives, remuneration follows the policies adopted at the 2018 Annual General Meeting. This means that the company is to strive to offer its senior executives market-based remuneration, that the criteria for this is to be based on the significance of work duties, skills requirements, experience and performance and that remuneration is to comprise the following parts:

- fixed basic salary,
- variable remuneration,
- pension benefits and
- other benefits and severance pay

The variable remuneration for senior executives, excluding the President, is based partly on the Group's earnings and partly on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and varies between 33 and 60 percentage points for members of the Group Management Team. Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. Pensionable salary comprises basic salary. The company applies a period of notice of no more than 12 months. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company. Upon resignation, a six-month period of notice applies. Matters pertaining to remuneration of company management are resolved by the Board's Remuneration Committee. However, remuneration of the President is determined by the Board in its entirety.

The 2018 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2018), in accordance with the Board's proposal. LTIP 2018 comprises a maximum of 16 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. As a result of the acquisition of FTZ and Inter-Team, the targets in LTIP 2018 were not achieved. The Board of Directors has decided to not change the targets, but rather discontinue LTIP 2018 in its entirety and instead propose to the Annual General Meeting to pass a resolution on a new programme for 2019.

In connection with the approval of the long-term share-based incentive programme (LTIP 2018) by the AGM, the earlier programme that ran during the financial years 2016–2018 ceased to apply. No payments regarding this programme have yet been made.

Executives/category, SEK 000s	Basic salary ¹⁾		Bonus		Board fees ²⁾		Other benefits		Pension premiums	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
John S. Quinn, Chairman of the Board					655	610				
Helena Skåntorp, Executive Vice Chairman					400	330				
Eivor Andersson, Board member					310	–				
Kenny Bräck, Board member					285	270				
Joseph M. Holsten, Board member					310	295				
Magnus Håkansson, Board member					325	305				
Malin Persson, Board member					325	305				
Former Board members										
Christer Åberg					–	370				
President Pehr Oscarson	5,324	4,896	–	–			78	78	1,545	449
former Executive Vice President Marcus Larsson until 6 November 2017	–	3,118	–	–			–	99	–	654
Other senior executives, 11 (4) ³⁾	20,410	8,203	1,487	942			1,022	407	4,554	2,189
Total	25,734	16,217	1,487	942	2,610	2,485	1,100	584	6,099	3,292

¹⁾ Basic salary in this table includes holiday bonus.

²⁾ Board fees include fees to members of the Board's Committees. Remuneration and compensation set by the AGM are expensed every calendar year.

³⁾ The average number of people in the Group Management Team, except the President, amounted to 11 (5) people during 2018, including 4 (2) women.

One member of the Group Management Team is covered by a defined-benefit pension plan. The net obligation at 31/12/2018 amounted to SEK 0 M (0).

A closer presentation of the Board and the Group Management Team and its changes during the year are presented on pages 48–49.

NOTE 6 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS

	Group		Parent Company	
	2018	2017	2018	2017
Depreciation of tangible fixed assets	-84	-60	0	0
Impairment of tangible fixed assets	0	0	-	-
Total depreciation and impairment of tangible fixed assets	-84	-60	0	0
Amortisation, brands	0	0	-	-
Amortisation, customer relationships	-118	-86	-	-
Amortisation, franchise contracts	-4	-4	-	-
Amortisation, capitalised expenditure for IT systems	-23	-28	-	-
Impairment, goodwill	-	-9	-	-
Total amortisation and impairment of intangible fixed assets	-146	-127	-	-
Total	-229	-187	0	0

NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2018	2017
Dividends	612	315
Gains from divestment of participations	-	-
Impairment	-	-
Total	612	315

NOTE 8 APPROPRIATIONS

	Parent Company	
	2018	2017
Group contributions received	155	285
Group contributions paid	-87	-72
Changes in tax allocation reserve	5	-42
Total	73	171

NOTE 9 EXCHANGE-RATE DIFFERENCES — NET

Exchange-rate differences were recognised in profit or loss as follows:

	Group		Parent Company	
	2018	2017	2018	2017
Exchange-rate differences in EBIT	-3	-1	1	0
Exchange-rate differences in net financial items	138	-13	132	-3
Total	135	-14	133	-3

NOTE 10 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2018	2017	2018	2017
Current tax				
Sweden	-52	-37	-29	-28
Other countries	-72	-84	-	-
Total current tax	-124	-121	-29	-28
Changes in deferred tax, temporary differences	-85	14	-93	17
Recognised tax expenses	-209	-107	-122	-11
Tax on profit for the year				
Recognised profit before tax	477	475	738	438
Tax according to applicable tax rate	-108	-111	-162	-96
Tax on standard interest on tax allocation reserves	0	0	0	0
Tax effects on expenses that are not tax deductible				
Other non-deductible expenses	-8	-7	-1	-1
Other non-taxable revenue	1	0	135	69
Effects on adjustments from preceding year	1	-1	-	-
Effects of non-capitalised loss carryforwards	-8	-4	-	-
Effect of change in the Swedish tax rate ¹⁾	7	-	-	-
Effect of change in the Norwegian tax rate	-1	0	-	-
Effects of previously capitalised loss carryforwards ²⁾	-93	17	-93	17
Recognised tax expenses	-209	-107	-122	-11

¹⁾ Corporate tax in Sweden will be reduced in two steps from 2019, which have an effect on the calculation of deferred tax in the balance sheet, which positively affected the tax expense by SEK 7 M.

²⁾ Historical deficits attributable to Mekonomen's earlier operations in Denmark are deemed to no longer be able to be used through Group deductions after the acquisition of FTZ. Capitalised loss carryforwards regarding the former Danish operations, which amounted to SEK 93 M, were therefore fully expensed in 2018.

The weighted average tax rate amounted to 22.7 per cent (23.5). The decrease is mainly attributable to a lower tax rate in Norway from 24 per cent in 2017 to 23 per cent in 2018.

NOTE 11 SUPPLEMENTAL DISCLOSURES, FINANCIAL RISK MANAGEMENT

Disclosures on financial instruments measured at fair value in the balance sheet

The financial instruments that were measured at fair value in the balance sheet are presented below. Measurement is divided into three levels:

Level 1: Fair value is determined according to listed prices in an active market for the same instrument.

Level 2: Fair value is determined based on either direct (prices) or indirect (derived from prices) observable market data not included in Level 1.

Level 3: Fair value is determined based on inputs not observable in the market.

All of Mekonomen's financial instruments are included in Level 2, except supplementary purchase considerations which are included in Level 3.

Calculation of fair value

The following summarises the main methods and assumptions used to determine the fair value of the financial instruments shown in the table below.

Fair value of listed securities, where appropriate, is determined based on the asset's listed average price on the balance-sheet date with no additions for transaction costs on the acquisition date.

For currency contracts, fair value is determined on the basis of listed prices. Fair value for interest-rate swaps is based on discounting estimated future cash flows in accordance with the contract terms and due dates, and on the basis of the market interest rate for similar instruments on the balance-sheet date. If discounted cash

NOTE 11 CONTINUED

flows have been used, future cash flows are calculated on company management's best assessment. The discount rate applied is a market-based interest rate on similar instruments on the balance-sheet date.

The fair value of the agreement on conditional supplementary purchase considerations is estimated by the application of the income approach. The supplementary purchase considerations are all non-interest-bearing with relatively short durations and amount to non-material amounts for the Group, which is why detailed disclosures on measurement are not provided.

All valuation techniques applied are accepted on the market and take into account all parameters which the market would take into consideration when pricing. The techniques are reviewed regularly with a view to ensuring their reliability. Assumptions applied are followed up against actual results so as to identify any need for adjustments to measurements and forecasting tools.

For methods of payment, receivables and liabilities with variable interest rates, and current assets and liabilities (such as accounts receivable and accounts payable), fair value is equivalent to the carrying amount.

Group's derivative instruments measured at fair value in balance sheet	31 Dec. 2018	31 Dec. 2017
Financial liabilities		
Interest-rate swaps	3	4
Total	3	4

Net gains on derivative instruments, held for trading amounted to SEK 0 M (-1).

Financial assets and liabilities by measurement category, 31 Dec. 2018	Derivative instruments ¹⁾	Financial assets – amortised cost	Financial liabilities – amortised cost	Total carrying amount	Fair value	Non-financial assets and liabilities	Total Balance sheet
Financial assets							
Financial fixed assets	-	54	-	54	54	22	77
Accounts receivable	-	868	-	868	868	-	868
Other current receivables	-	-	-	-	-	662	662
Cash and cash equivalents	-	205	-	205	205	-	205
Total	-	1,128	-	1,128	1,128	684	1,812
Financial liabilities							
Long-term liabilities, interest-bearing	3	-	3,229	3,232	3,232	-	3,232
Long-term liabilities, non-interest-bearing	-	-	8	8	8	12	20
Current liabilities, interest-bearing	1	-	1,080	1,081	1,081	-	1,081
Accounts payable	-	-	1,363	1,363	1,363	-	1,363
Other current liabilities	-	-	12	12	12	828	840
Total	4	-	5,692	5,696	5,696	840	6,536

¹⁾ Derivative instruments used for hedging purposes.

Financial assets and liabilities by measurement category, 31 Dec. 2017 ¹⁾	Derivative instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total Balance sheet
Financial assets							
Financial fixed assets	-	39	-	39	39	22	61
Accounts receivable	-	488	-	488	488	-	488
Other current receivables	-	-	-	-	-	334	334
Cash and cash equivalents	-	254	-	254	254	-	254
Total	-	782	-	782	782	356	1,138
Financial liabilities							
Long-term liabilities, interest-bearing	4	-	1,449	1,453	1,453	-	1,453
Long-term liabilities, non-interest-bearing	-	-	14	14	14	4	18
Current liabilities, interest-bearing	-	-	255	255	255	-	255
Accounts payable	-	-	636	636	636	-	636
Other current liabilities	-	-	8	8	8	636	644
Total	4	-	2,362	2,367	2,367	640	3,006

¹⁾ In the introduction of IFRS 9, the Group has chosen to use the prospective transition method, which is why the comparative figures are not translated. Measurement categories according to IAS 39 have therefore been applied for the comparative figures. No transition effect exists.

Group's maturity structure for undiscounted cash flows for financial liabilities and derivatives

31 Dec. 2018

Nominal amount	2019	2020	2021	2022	2023	Total
Liabilities to credit institutions, bank borrowing	870	399	375	1,297	1,322	4,263
Liabilities to leasing companies	2	1	0	0	0	3
Overdraft facilities	281	0	0	0	0	281
Derivatives	4	4	3	3	3	17
Supplementary purchase considerations	12	8	1	0	0	21
Accounts payable	1,363	0	0	0	0	1,363
Total	2,532	412	379	1,300	1,325	5,948

Group's maturity structure for undiscounted cash flows for financial liabilities and derivatives

31 Dec. 2017

Nominal amount	2018	2019	2020	2021	2022	Total
Liabilities to credit institutions, bank borrowing	157	155	153	139	1,065	1,670
Liabilities to leasing companies	2	1	0	0	0	3
Overdraft facilities	118	0	0	0	0	118
Derivatives	0	4	0	0	0	4
Supplementary purchase considerations	8	13	1	0	0	23
Accounts payable	636	0	0	0	0	636
Total	921	173	154	139	1,065	2,454

Time when hedged cash flows in the hedging reserve are expected to occur and affect profit for the year

	2019 - Q1	2019 - Q2	2019 - Q3	2019 - Q4	2020	2021 and later	Total
Interest-rate swap	2	1	1	1	3	9	17
Total	2	1	1	1	3	9	17

Offsetting financial assets and liabilities

Derivative contracts are subject to legally binding framework agreements on netting. This information is limited as the amounts are of minor value.

NOTE 12 INTANGIBLE FIXED ASSETS

	Goodwill		Brands		Franchise contracts		Customer relations		Capitalised expenditure for IT systems		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Opening accumulated cost, 1 January	1,880	1,883	327	330	42	44	803	776	259	280	3,312	3,314
Acquisitions	-	-	-	-	-	-	-	-	43	34	43	34
Acquisitions in connection with acquired operation	1,865	22	548	-	-	-	829	34	12	-	3,254	56
Divestments/disposals	-9	-2	-	-	-	-	0	-	-25	-55	-34	-57
Translation difference, currency	-48	-23	-17	-3	1	-2	-23	-8	-1	0	-88	-36
Closing accumulated cost, 31 December	3,688	1,880	858	327	43	42	1,609	803	287	259	6,486	3,312
Opening acc. depreciation and impairment, 1 January	-9	-	-3	-3	-28	-25	-443	-362	-143	-167	-627	-558
Divestments/disposals	9	-	-	-	-	-	0	0	25	52	34	52
Depreciation for the year	-	-	0	0	-4	-4	-118	-86	-23	-28	-146	-118
Impairment for the year	-	-9	-	-	-	-	0	0	-	-	0	-9
Translation difference, currency	-	-	0	0	-1	1	-1	4	0	0	-2	5
Closing accumulated depreciation and impairment, 31 December	-	-9	-3	-3	-33	-28	-563	-443	-141	-143	-741	-627
Closing carrying amount, 31 December	3,688	1,872	855	324	10	14	1,046	360	146	116	5,745	2,686

NOTE 12 CONTINUED

The carrying amounts of intangible fixed assets are distributed among operating segments as follows:

	Goodwill		Brands		Franchise contracts		Customer relations		Capitalised expenditure for IT systems		Total Group	
Carrying amount for operating segment for	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
FTZ	1,708	-	501	-	-	-	727	-	7	-	2,943	-
Inter-Team	28	-	29	-	-	-	21	-	3	-	81	-
MECA	1,113	1,105	270	270	-	-	238	298	0	1	1,621	1,674
Mekonomen	301	280	-	-	-	-	11	11	1	1	314	292
Sørensen og Balchen	412	402	55	53	10	14	28	39	0	1	504	509
Other	127	85	0	1	-	-	20	12	135	113	282	211
Total	3,688	1,872	855	324	10	14	1,046	360	146	116	5,745	2,686

Testing of impairment requirement for goodwill and other intangible assets with indefinite useful period

Goodwill is distributed and tested among the Group's cash-generating units (CGU) identified by operating segments. In addition to goodwill, the Group has acquired brands that are deemed to have indefinite useful period.

The useful period is deemed indefinite when it pertains to well-established brands

in their individual markets, which the Group intends to retain and further develop. The brands that have been identified and evaluated pertain to the acquisition of brands in connection with the acquisitions of Sørensen og Balchen in 2011, MECA in 2012 and FTZ and Inter-Team in 2018. Other brands are amortised and their carrying amount at year-end was SEK 0 M (1). A summary of goodwill and brands with indefinite useful period at operating segment level is provided in the table below.

Goodwill 2018							Brands (indefinite useful period) 2018				
Operating segments	01 Jan. 2018	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2018	01 Jan. 2018	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2018
FTZ	-	1,766	-	-	-58	1,708	-	518	-	-17	501
Inter-Team	-	29	-	-	-1	28	-	30	-	-1	29
MECA	1,105	7	-	-	0	1,113	270	-	-	-	270
Mekonomen Sweden	225	11	-	-	-	236	-	-	-	-	-
Mekonomen Norway	56	8	-	-	1	65	-	-	-	-	-
Mekonomen	280	19	-	-	1	301	-	-	-	-	-
Sørensen og Balchen	402	1	-	-	9	412	53	-	-	1	55
Other	85	43	-	0	0	127	-	-	-	-	-
Total	1,872	1,865	-	0	-48	3,688	323	548	-	-17	855

Goodwill 2017							Brands (indefinite useful period) 2017				
Operating segments	01 Jan. 2017	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2017	01 Jan. 2017	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2017
MECA	1,094	10	-	-	0	1,105	270	-	-	-	270
Mekonomen Sweden	230	4	-9	-	-	225	-	-	-	-	-
Mekonomen Norway	57	2	-	-	-3	56	-	-	-	-	-
Mekonomen	287	6	-9	-	-3	280	-	-	-	-	-
Sørensen og Balchen	423	-	-	-	-20	402	56	-	-	-3	53
Other	79	7	-	-2	0	85	-	-	-	-	-
Total	1,883	22	-9	-2	-23	1,872	326	-	-	-3	323

Testing impairment requirements for goodwill and other intangible assets with indefinite useful period takes place in the fourth quarter annually or more frequently if there are indications of value depreciation.

The recoverable amount for a cash-generating unit is established based on calculations of the value in use. The value in use is the present value of the estimated future cash flows.

Cash-flow forecasts are based on an assessment of the anticipated growth rate and the trend of the EBITDA margin, based on the budget that was adopted in December for the next year, forecasts for the next three years, managements' long-term expectations of the operation, and historic trends. The cash-flow forecasts for years two-four are based on an annual growth rate of 2.0 (2.0) percent except for Inter-Team where the annual growth rate is deemed to amount to 5.0 per cent in the forecast's year two and year three, and 2.0 per cent thereafter. Cash flows beyond this four-year period were extrapolated using an estimated growth rate of 2.0 per cent (2.0). The growth rate does not exceed the long-term growth rate for the market segments in which each cash-generating unit operates.

Calculated value in use is most sensitive to changes in assumptions for growth-rate, EBITDA margin and the relevant discount rate (WACC, Weighted Average Cost of Capital), which is used to discount future cash flows. The conditions that apply for the various Nordic markets in which Mekonomen operates do not deviate significantly from each other, which is why the same discount rate is used there.

The significant assumptions used to calculate the value in use for 2018 and 2017, respectively, are summarised as follows:

	31 Dec. 2018	Inter-Team	31 Dec. 2017
	All CGU ¹⁾		All CGU ¹⁾
Discount rate (WACC) before tax	9.1-93%	12.8%	9.2%
Discount rate (WACC) after tax	7.6%	10.8%	7.6%
Growth rate beyond the forecast period	2.0%	2.0%	2.0%
Total price and volume trend years 2-4 of forecast period	2.0%	5.0-2.0%	2.0%

¹⁾ Refers to all test levels CGU excluding Inter-Team as at 31 December 2018, and all test levels CGU within Mekonomen Group as at 31 December 2017; see tables on operating segments above.

Sensitivity analysis

An increase in the discount rate by 2 percentage points, a reduction in the assumed long-term growth rate by 2 percentage points or a decrease in the EBITDA margin by 2 percentage points would not individually result in any impairment requirement.

According to implemented impairment testing, there is no impairment requirement for goodwill or other intangible assets with indefinite periods of use as per 31 December 2018.

NOTE 13 IMPROVEMENT COSTS, THIRD-PARTY PROPERTY

	Group		Parent Company	
	2018	2017	2018	2017
Opening accumulated cost, 1 January	86	83	0	0
Purchases, rebuilding and extensions	7	5	-	-
Increase through business combinations	14	-	-	-
Sales/disposals	-3	-2	-	-
Translation difference, currency	-1	0	-	-
Closing accumulated cost, 31 December	103	86	0	0
Opening accumulated depreciation, 1 January	-63	-56	0	0
Sales/disposals	3	1	-	-
Depreciation for the year	-10	-8	0	0
Translation difference, currency	0	0	-	-
Closing accumulated depreciation, 31 December	-70	-63	0	0
Closing carrying amount, 31 December	33	23	0	0

NOTE 14 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment and transport		Construction in progress		Financial leasing		Total	
Group	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Opening accumulated cost, 1 January	-	-	494	519	89	-	30	30	612	549
Purchasing	-	-	60	42	104	77	7	7	171	126
Increase through business combinations	59	-	73	9	-	-	-	-	132	9
Reclassification	-	-	185	-11	-185	11	-	-	0	0
Sales/disposals	-	-	-17	-56	-	-	-4	-7	-21	-63
Translation difference, currency	-2	-	1	-9	-	-	-	-	-1	-9
Closing accumulated cost, 31 December	57	-	796	494	9	89	33	30	894	612
Opening acc. depreciation and impairment, 1 January	-	-	-354	-369	-	-	-27	-27	-381	-396
Sales/disposals	-	-	14	54	-	-	4	7	18	61
Depreciation for the year	-2	-	-64	-45	-	-	-7	-7	-73	-52
Impairment for the year	-	-	-	0	-	-	-	-	0	0
Translation difference, currency	0	-	-2	6	-	-	-	-	-2	6
Closing accumulated depreciation and impairment, 31 December	-2	-	-406	-354	-	-	-30	-27	-438	-381
Closing carrying amount, 31 December	55	-	391	140	9	89	3	3	457	231

Operational lease agreements

Operating leases primarily comprise leased premises.

	Group		Parent Company	
Information about leasing expenses, operating leases	2018	2017	2018	2017
Premises rent	374	311	1	0
Leasing expenses, other	53	43	0	0
Total	427	354	1	0

	Group		Parent Company	
Future leasing fees for irrevocable lease agreements falling due for payment:	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Within one year	484	344	1	1
Later than one year but within five years	938	679	2	-
After five years	315	298	-	-
Total	1,737	1,321	3	1

Of the future lease fees, rent for premises represented SEK 1,599 M (1,251) for the Group and SEK 3 M (1) for the Parent Company.

NOTE 15 DEFERRED TAX

Deferred tax assets and liabilities are offset against each other when a legal right of offset exists for current tax assets and tax liabilities and when deferred taxes refer to the same tax authority. Below, deferred tax assets and liabilities are presented gross, with information on the netting done regarding the company in the same tax law jurisdiction.

	Group		Parent Company	
Deferred tax assets (+) /tax liabilities (-)	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Capitalised loss carryforwards ¹⁾	2	94	-	93
Temporary differences on inter-company profits	42	52	-	-
Temporary differences, inventory obsolescence	18	12	-	-
Temporary differences, other	16	17	4	3
Less netting	-78	-82	-	-
Total deferred tax assets	0	93	4	96
Untaxed reserves	-85	-75	-	-
Surplus value in intangible fixed assets (through acquisition)	-432	-175	-	-
Temporary differences, other	-35	-	-	-
Less netting	78	82	-	-
Total deferred tax liabilities	-474	-168	-	-
Total (net)	-474	-75	4	96

	Group		Parent Company	
Gross change in deferred tax assets/tax liabilities	2018	2017	2018	2017
Opening balance	-75	-86	96	79
Translation difference, currency	11	1	-	-
Acquisition of subsidiaries	-324	-3	-	-
Recognition in income statement ¹⁾	-85	14	-93	17
Tax recognised in comprehensive income	-1	0	-	-
At year-end	-474	-75	4	96

¹⁾ Historical deficits attributable to Mekonomen's earlier operations in Denmark are deemed to no longer be able to be used through Group deductions after the acquisition of FTZ. Capitalised loss carryforwards regarding the former Danish operations, which amounted to SEK 93 M, were therefore fully expensed in 2018.

Taxable loss carryforwards

At the end of the financial year, tax loss carryforwards amounted to SEK 0 M (0) in the Parent Company and SEK 711 M (649) in the Group. For deficits amounting to SEK 116 M (96), there is a time limit of up to 10 years. None of these deficits were assigned a value in the balance sheet. All other deficits run without limit in time. Deferred tax assets pertaining to tax loss carryforwards in the Group amounted to SEK 2 M (94) on the balance-sheet date, of which SEK 0 M (93) was attributable to the branch operations in Denmark closed in 2015. Deferred tax assets on the remaining deficit was not assigned a value in the balance sheet.

NOTE 16 OTHER FINANCIAL FIXED ASSETS

	Group	
	31 Dec. 2018	31 Dec. 2017
Rental deposits paid	0	1
Hire-purchase contracts	46	32
Other	8	7
Total	54	39

	Group	
	31 Dec. 2018	31 Dec. 2017
Hire-purchase contracts		
Hire-purchase contracts	48	38
Credit loss reserve ¹⁾	-2	-6
Total	46	32

¹⁾ The transition to IFRS 9 at 1 January 2018 has not entailed any change in the reserved amount compared with earlier reserves as of 31 December 2017.

	Group	
	2018	2017
Credit loss reserve, hire-purchase contracts¹⁾		
Credit loss reserve at beginning of year	-6	-6
Change in net credit loss reserve for the year	0	0
Receivables written off during the year as non-collectable	4	2
Reclassification of renegotiated accounts receivable	0	-2
Translation difference, currency	0	0
Credit loss reserve at year-end	-2	-6

¹⁾ Information is limited as the amounts are of minor value.

Interest income on hire-purchase contracts during the year was SEK 0 M (0).

NOTE 17 INVENTORIES

	Group	
	31 Dec. 2018	31 Dec. 2017
Goods for resale	2,816	1,382
Total	2,816	1,382

The cost of inventories expensed is included in the item goods for resale in the income statement and amounted to SEK 3,901 M (2,654). Provisions for obsolescence are induced in the value of inventories. In addition to the normal obsolescence reserve, inventories have been impaired by SEK 48 M (the previous year no material impairments were made). Only an insignificant part of the inventory is measured at net realisable value.

NOTE 18 CURRENT RECEIVABLES

	Group	
	31 Dec. 2018	31 Dec. 2017
Accounts receivable	868	488
Tax assets	15	15
Other receivables	72	67
Prepaid expenses and accrued income	574	253
Total	1,530	823

	Group	
	31 Dec. 2018	31 Dec. 2017
Accounts receivable		
Accounts receivable	915	522
Credit loss reserve	-47	-34
Total	868	488

Mekonomen applies the simplified method for expected credit losses, which means that expected credit losses are calculated as percentages based on the number of different time categories. The transition to IFRS 9 at 1 January 2018 has not entailed any change in the reserved amount compared with earlier reserves for bad debts as of 31 December 2017 of SEK 34 M.

	Group	
	2018	2017
Credit loss reserve		
Credit loss reserve at beginning of year	-34	-54
Incurred through acquisitions	-18	0
Change in net credit loss reserve for the year	-3	-6
Change in provision, net in balance sheet	8	23
Reclassification to long-term receivables	0	2
Translation difference, currency	0	1
Credit loss reserve at year-end	-47	-34

NOTE 18 CONTINUED

Accounts receivable at 31 December 2018	Not due	Receivables due between 1–30 days	Receivables due between 31–60 days	Receivables due longer than 60 days	Total
Reported amount of accounts receivable, net	729	105	26	8	868
Total	729	105	26	8	868

Accounts receivable at 1 January 2018	Not due	Receivables due between 1–30 days	Receivables due between 31–60 days	Receivables due longer than 60 days	Total
Reported amount of accounts receivable, net	417	62	6	3	488
Total	417	62	6	3	488

Fair value of accounts receivable agrees with the carrying amounts. Credit quality of unreserved receivables is assessed to be good.

Interest income on accounts receivable during the year was SEK 5 M (3).

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Prepaid rents	53	44	-	-
Prepaid lease fees	2	2	-	-
Prepaid insurance	6	2	1	1
Accrued supplier bonus	428	138	-	-
Other interim receivables	85	67	8	8
Total	574	253	9	9

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Current				
Liabilities to credit institutions, bank borrowing	800	136	800	136
Overdraft facilities	278	117	278	117
Liabilities to leasing companies	2	2	-	-
Derivatives, currency and interest-rate swaps	1	-	-	-
Total current liabilities, interest-bearing	1,081	255	1,078	253
Total borrowing	4,309	1,706	4,302	1,699
Overdraft facility limit	443	435	443	435
- of which, unutilised portion	165	318	165	318

NOTE 20 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Cash and bank balances	205	254	79	152
Total	205	254	79	152

NOTE 21 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Long-term				
Liabilities to credit institutions, bank borrowing	3,225	1,446	3,224	1,446
Liabilities to leasing companies	1	1	-	-
Derivatives, interest-rate swaps	3	4	-	-
Total long-term liabilities, interest-bearing	3,228	1,451	3,224	1,446

Long-term interest-bearing liabilities increased during the year, mainly as a result of recently raised loans in connection with the acquisitions of FTZ and Inter-Team in September 2018. The new loans consist of a long-term loan of (EUR 203.5 M) and three bridge loans of EUR 162 M, EUR 40.5 M and SEK 100 M. The first bridge loan was paid back in connection with the new share issue in October 2018. The two remaining bridge loans fall due in February with a possibility for extension up to a maximum of another six months. The long-term loan runs for five years and is to be repaid at EUR 5 M per quarter beginning on 30 June 2019. During the year, Mekonomen AB entered two interest-rate swaps in EUR to reduce the risk in the Group's cash flow as a result of changed market interest rates. These swaps are of EUR 60.75 M each. One runs until March 2022 and the other runs until August 2023. Value change of the derivatives included in the cash flow hedge is recognised in other comprehensive income. In the fourth quarter of 2018, Mekonomen also entered hedging relationships in accordance with IFRS 9 Financial Instruments for the loans raised in connection with the acquisition of FTZ in Denmark. The loan hedges the currency risk in the net investment. Currency translation of the part of the loan included in the hedging relationship is thereby recognised in other comprehensive income as of 1 October 2018.

The loan that was renegotiated in 2017 was again renegotiated in connection with the aforementioned acquisitions. It is mainly the so-called covenants that were renegotiated and an increase of the existing granted credit (RCF) from SEK 1,050 M to SEK 1,250 M. These loans consist of two parts, a so-called Term A loan that as of the year-end had SEK 396 M in outstanding amounts and an RCF of SEK 1,250 M, of which SEK 1,050 M was utilised at year-end. The Term A loan is repaid by SEK 34 M per quarter and falls due in June 2022. RCF falls due in November 2022. The company has also hedged the cash flow risk for these loans with an interest-rate swap of SEK 450 M. The swap was entered into in 2015 and falls due in March 2019. All interest rates, excluding interest-rate swaps, are variable or have a maximum fixed period of three months. During the financial year, the interest level varied up to just over 2 per cent (just under 2).

Mekonomen AB's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The conditions include an owner change clause that becomes current upon an owner change in excess of 50 per cent or upon a delisting. The Group's long-term borrowing occurs mainly under credit

NOTE 21 CONTINUED

frameworks with long-term lines of credits, but with short-term fixed-interest periods. The Group's interest expenses pertaining to borrowing amounted to SEK 53 M (29). Refer also to the sensitivity analysis pertaining to interest-rate risks in the sensitivity analysis section in the Administration Report and in Note 35. Existing overdraft facilities are in SEK, NOK and EUR.

NOTE 22 PROVISIONS

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Provision for pensions	4	3	-	-
Provisions for supplementary purchase considerations	21	23	-	-
Provisions for returns	17	5	-	-
Other provisions	11	4	3	3
Total	53	34	3	3

	Provisions for returns and other	Provisions for supplementary purchase considerations
Carrying amount at the beginning of the year	9	23
- New provisions	8	3
- Reversed provisions	-4	0
Amounts utilised during the period	-1	-5
Increase through business combinations	18	-
Currency effects	-1	0
Carrying amount at year-end	28	21

Provisions comprise:

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Long-term portion	24	21	3	3
Short-term portion	29	14	-	-
Total	53	34	3	3

Pensions

Alecta

The ITP 2 scheme's defined-benefit pension obligations for old-age and family pensions (or family pension) for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of ITP 2 Pension Plans Financed through Insurance with Alecta, this is a multi-employer defined-benefit plan. In the 2018 financial year, the company did not have access to such information that made it possible to recognise its proportional share of the plan's obligations, plan assets and costs, which means that it was not possible to recognise this as a defined-benefit plan. ITP 2 pension plans that are secured through insurance with Alecta are therefore recognised as defined-contribution plans. The anticipated fees for the next reporting period for ITP 2 policies signed with Alecta amounts to SEK 13 M (15).

The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which are not in agreement with IAS 19. Alecta's surplus, in the form of the collective consolidation level, amounted to 142 per cent at year-end 2018 (154 per cent).

Pension commitments

All pension commitments pertain to employees in the subsidiary in Norway. The Group is obliged to provide pension provisions according to the Norwegian act on occupational pensions. The Group has a total of five defined-benefit pension plans which jointly include 51 (55) gainfully employed individuals and 50 (50) pensioners. Pension benefits are largely dependent on the number of years of service, salary level at retirement and the amount of the benefit. The obligation is covered via insurance companies. Employer contributions are included in the net pension obligation. The amounts recognised in the balance sheet have been calculated as follows:

	Group	
	31 Dec. 2018	31 Dec. 2017
Present value of funded commitments	53	51
Fair value of plan assets	-49	-48
Deficit in funded plans	4	3
Present value in unfunded commitments	-	-
Net debt in the balance sheet	4	3

	Group	
	2018	2017
Present value of commitments		
Opening balance	51	54
Gross pension cost for the year	2	2
Interest expenses	1	1
Pension payment	-2	-2
Actuarial gains and losses ¹⁾	0	-1
Exchange-rate differences	1	-3
Closing balance	53	51

	Group	
	2018	2017
Fair value of plan assets		
Opening balance	48	50
Expected return	1	0
Payments	3	4
Pension payment	-2	-2
Actuarial gains and losses ¹⁾	-2	-1
Exchange-rate differences	1	-3
Closing balance	49	48
Net pension commitments	4	3

¹⁾ Changes in demographic and financial assumptions are not specified on the basis of a materiality assessment.

	Group	
	2018	2017
Costs recognised in profit or loss		
Pension vesting for the year including contributions	2	2
Administration fees	0	0
Interest expenses	1	1
	3	3

	Group	
	31 Dec. 2018	31 Dec. 2017
Composition of plan assets		
Equities	10%	9%
Bonds	72%	72%
Property	11%	11%
Other	7%	8%
Total	100%	100%

	Group	
	31 Dec. 2018	31 Dec. 2017
Actuarial assumptions		
Discount rate	2.60%	2.30%
Future salary increases	2.75%	2.50%
Future pension increases	0.80%	0.40%

Assumptions regarding future length of life are based on public statistics and experience from mortality studies in the country concerned, and set in consultation with actuarial experts.

Through its post-employment defined-benefit pension plans, the Group is exposed to a number of such risks as asset volatility, changes in returns and length of life commitments. The company actively monitors how terms of and expected returns on investments match expected payments arising from its pension commitments. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivative instruments to manage its risk. Investments are highly diversified.

Contributions to post-employment benefit plans for the 2019 financial year are expected to amount to SEK 3 M.

A sensitivity analysis and weighted average term for the pension commitments and term analysis for undiscounted payments have not been provided since they are deemed to be insignificant.

NOTE 23 OTHER CURRENT LIABILITIES, NON-INTEREST-BEARING

	Group	
	31 Dec. 2018	31 Dec. 2017
Accounts payable	1,363	636
Other liabilities	195	177
Accrued expenses and deferred income	530	369
Total	2,088	1,182

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Accrued personnel-related costs	337	205	10	8
Accrued bonuses/contract fees	94	82	-	-
Accrued interest expenses	6	1	6	1
Prepaid rental income	3	4	-	-
Other interim liabilities	90	77	6	1
Total	530	369	21	11

NOTE 25 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Pledged assets	-	-	-	-
Contingent liabilities				
Other guarantee commitments ¹⁾	0	94	-	-
Guarantees on behalf of subsidiaries ¹⁾	-	-	393	446
Other sureties	15	16	-	-
Total	15	110	393	446

¹⁾ The decrease during the year mainly originates from a guarantee amount regarding the new central warehouse system decreasing as investments are made.

For information on commitments regarding future lease charges, refer to Note 14.

NOTE 26 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2018	2017
Opening cost	3,604	3,586
Capital contributions paid	28	20
Sale of subsidiaries	-	-2
Acquisitions during the year ¹⁾	4,305	-
Closing accumulated cost	7,937	3,604
Opening impairment	-574	-574
Closing accumulated impairment	-574	-574
Closing residual value	7,363	3,030

¹⁾ Refers to the acquisition of FTZ and Inter-Team. For further information and the acquisition analysis, refer to Note 30.

Participations in Group companies	Corp. ID number	Share of equity, %	Number of branches	Book value 31 Dec. 2018	Book value 31 Dec. 2017
Name of company/registered office, Denmark					
Acem A/S /Copenhagen	30 07 81 28	100		0	0
FTZ Autodele & Værktøj A/S/Odense	73 64 87 18	100	49	4,065	
Name of company/registered office, Finland					
Mekonomen Oy/Helsinki	2259452-4	100	2	0	0
Name of company/registered office, Norway					
Mekonomen AS/Oppegård	980 748 669	100	29	24	24
Sørensen og Balchen AS/Oslo	916 591 144	100	-	840	840
Name of company/registered office, Poland					
Inter-Team Sp. z o.o./Warszawa	5 240 301 927	100	79	240	
Name of company/registered office, Sweden					
MECA Scandinavia AB/Malmö	556218-3037	100		2,053	2,053
Mekonomen Group AB/Stockholm	556724-9254	100		35	35
Bileko Car Parts AB/Stockholm	556062-4875	100		40	40
Mekonomen Detaljist AB/Stockholm	556157-7288	100	55	5	5
Meko Service Nordic AB/Stockholm	556179-9676	100		1	1
Speedy Autoservice AB/Malmö	556575-9858	100		31	31
Mekonomen Nya Affärer AB/Stockholm	556821-5981	100		28	0
Mekonomen Services AB/Huddinge	556840-9428	100		0	0
Participations in Group companies, total			214	7,363	3,030

Indirect participations in subsidiaries Company name/domicile	Corp. ID number	Share of equity, %	Number of branches				
FTZ							
Automester Danmark ApS/Odense	16 81 72 44	100	-				
Din Bilpartner ApS/Odense	32 14 21 09	100	-				
FTZ Autodele & Værktøj P/F/Torshavn	51 29 23	70	2				
				2			
MECA							
MECA Car Parts AB/Malmö	556169-0412	100	-				
MECA Sweden AB/Malmö	556356-5612	100	56				
MECA Verkstadsdrift AB/ Malmö	559012-2478	100	-				
MECA Norway AS/Gjøvik	935 682 525	100	24				
MECA Service AS/Gjøvik	920 377 068	100	-				
				80			
MEKONOMEN							
Bildelar i Kristinehamn AB/Kristinehamn	559131-6590	100	-				
Hedemora Bildelsbutik AB/Stockholm	559112-6494	100	-				
Mekonomen Alingsås AB/Alingsås	556596-3690	95	1				
Mekonomen Arvika AB/Arvika	556528-3750	100	4				
Mekonomen Backaplan AB/Gothenburg	556226-1338	100	-				
Mekonomen Bilverkstad AB/Stockholm	556607-1493	100	-				
Mekonomen Blekinge AB/Sölvesborg	556649-9017	100	3				
Mekonomen Bollnäs AB/Bollnäs	556827-3675	91	1				
Mekonomen Butikerna AB/ Halmstad	556261-4676	100	-				
Mekonomen Båstad AB/Båstad	556594-1951	100	-				
Mekonomen Eklanda AB/Gothenburg	556887-1999	51	1				
Mekonomen Enköping AB/Enköping	556264-2636	91	1				
Mekonomen Eskilstuna AB/Eskilstuna	556613-5637	100	-				
Mekonomen Falkenberg AB/Falkenberg	556213-1622	91	1				
Mekonomen Falun AB/Falun	556559-3927	100	2				
Mekonomen FKV AB/Stockholm	556775-9831	100	-				
Mekonomen Fleet AB/Stockholm	556720-6031	100	-				
Mekonomen Flen AB/Flen	556769-8542	100	-				
Mekonomen Gävle AB/Gävle	556353-6803	100	-				
Mekonomen Göteborg AB/Gothenburg	556887-2294	51	3				
Mekonomen Hallsberg AB/Hallsberg	556530-7237	100	-				
Mekonomen Hedemora AB/Hedemora	556308-8011	91	1				
Mekonomen Härnösand AB/Härnösand	556217-2261	100	1				
Mekonomen Hässleholm AB/Hässleholm	556678-0622	91	1				
Mekonomen Järfälla AB/Järfälla	556580-2351	95	-				
Mekonomen Jönköping AB/Jönköping	556237-5500	91	-				
Mekonomen Kalmar AB/Kalmar	556236-8349	100	-				
Mekonomen Karlskoga AB/Uppsala	556821-6062	100	-				
Mekonomen Kramfors AB/Kramfors	556496-1810	91	1				
Mekonomen Kristianstad AB/Kristianstad	556171-9203	100	-				
Mekonomen Kungsbacka AB/Kungsbacka	556887-2336	51	1				
Mekonomen Kungshamn AB/Sotenäs	559101-6257	80	1				
Mekonomen Lidköping AB/Lidköping	556761-3012	75	1				
Mekonomen Linköping AB/Linköping	556202-9545	100	-				
Mekonomen Ljusdal AB/Ljusdal	556786-1066	100	2				
Mekonomen Ludvika AB/Ludvika	556470-4210	91	1				
Mekonomen Luleå AB/Luleå	556338-4071	100	-				
Mekonomen Lund AB/Lund	556531-0108	91	1				
Mekonomen Lycksele AB/Lycksele	556687-8095	100	-				
Mekonomen Mariestad AB/Mariestad	556261-0179	75	1				
Mekonomen Mjölby AB/Mjölby	556362-0565	95.5	1				
Mekonomen Mora AB/Mora	556363-2487	100	-				
Mekonomen Motala AB/Motala	556311-8750	95.5	1				
Mekonomen Norrköping AB/Norrköping	556376-2797	100	2				
Mekonomen Norrtälje AB/Stockholm	556178-9719	60	1				
Mekonomen Nyköping AB/Nyköping	556244-0650	75	1				
Mekonomen Nässjö AB/Nässjö	556187-8637	100	-				
Mekonomen Osby AB/Osby	556408-8044	91	1				
Mekonomen Oskarshamn AB/Oskarshamn	556631-8589	75	1				
Mekonomen Piteå AB/Piteå	556659-8966	100	1				
Mekonomen Sala AB/Sala	556882-0905	100	-				
Mekonomen Sandviken AB/Sandviken	556201-1295	100	1				
Mekonomen Services AS/Oppegård	999 323 332	100	-				
Mekonomen Skellefteå AB/Skellefteå	556389-4095	100	-				
Mekonomen Sollefteå AB/Sollefteå	556216-9424	100	1				
Mekonomen Strängnäs AB/Strängnäs	556786-9457	100	-				
Mekonomen Strömstad AB/Strömstad	556775-9849	100	1				
Mekonomen Sundsvall Birsta AB/Sundsvall	556201-1675	100	1				
Mekonomen Sundsvall Nacksta AB/Sundsvall	556777-4863	100	-				
Mekonomen Södertälje AB/Södertälje	556405-5498	100	-				
Mekonomen Torslanda AB/Gothenburg	556583-3893	100	-				
Mekonomen Tranås AB/Tranås	556770-0041	100	-				
Mekonomen Trollhättan AB/Trollhättan	556515-0298	100	2				
Mekonomen Tønsberg AS/Tønsberg	934 256 867	75	1				
Mekonomen Umeå AB/Umeå	556483-3084	81.8	1				
Mekonomen Valdemarsvik AB/Valdemarsvik	556963-4966	100	1				
Mekonomen Varberg AB/Varberg	556261-0161	75	1				
Mekonomen Verkstadscenter Älvsjö AB/Huddinge	556192-0314	91	1				
Mekonomen Vetlanda AB/Vetlanda	556653-4219	91	1				
Mekonomen Vimmerby AB/Vimmerby	556232-5877	100	1				
Mekonomen Vänersborg AB/Vänersborg	556770-0058	100	1				
Mekonomen Västerås AB/Västerås	556344-5492	100	-				
Mekonomen Växjö AB/Växjö	556192-0439	100	3				
Mekonomen Örebro AB/Örebro	556216-4250	100	-				
Mekonomen Örnsköldsvik AB/Örnsköldsvik	556465-6287	51	1				
Mekonomen Östersund AB/Östersund	556296-5243	100	2				
Motor Norge AS/Alta	945 481 668	51	1				
Sandefjord Bil AS/Sandefjord	898 012 212	100	-				
Stolpet bildelar AB/ Uddevalla	559164-2755	100	-				
Strandgata Auto AS/Rørvik	990 043 302	100	-				
							59
Sørensen og Balchen							
Askim Bilrekvisita AS/Askim	885 049 702	100	2				
Autoproducts AS/Trondheim	995 080 125	50	1				
Bilartikler AS/Fredrikstad	921 462 867	60	-				
Bilutstyr Arendal AS/Arendal	961 171 067	100	1				
Bilvarehusene Nor AS/Oslo	880 553 852	100	8				
Bilvarehusene Sør AS/Oslo	887 813 752	100	5				
BilXtra AS/Oslo	983 032 133	100	7				
BilXtra Autogården Kongsberg AS/Kongsberg	914 746 345	91.9	-				
BilXtra Kristiansund AS/Kristiansund	999 255 876	91	1				
BilXtra Skøyen AS/Ringeby	916 795 521	100	-				
DINDEL NORWAY AS/Oslo	913 284 607	100	-				
Høistad Bildeler AS/Lillehammer	981 015 142	100	1				
Jahre Motor Hamar AS/Hamar	935 614 031	91	1				
Rogaland Rekvisita AS/Stavanger	936 043 119	100	2				
Rønneberg Auto Industri AS/Ålesund	981 015 150	100	5				
Vest Bilutstyr AS/Bergen	980 281 450	100	2				
							36

NOTE 26 CONTINUED

OTHER SEGMENTS

Name of company/registered office, Finland¹⁾

Mekonomen Grossist Oy/Vantaa	2445185-0	100	-
Mekonomen Levänen Oy/Kuopio	2462875-9	100	1
Mekonomen Renkomäki Oy/Lahti	2429678-2	100	1
Mekonomen Tammisto Oy/Vantaa	2359731-3	100	1
Mekonomen Viiki Oy/Helsinki	2359722-5	100	-

Name of company/registered office, Hong Kong

ProMeister Global Limited/Hong Kong	1988735	100	-
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Name of company/registered office, Iceland

Mekonomen ehf./Gardabaer	411214-0520	100	-
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Name of company/registered office, Norway

Lasings Norge AS/ Oppegård	914 835 585	100	-
J&B Maskinteknikk AS/Gjøvik	915 971 865	100	-
Preqas AS/Gjøvik, Norway	816 479 932	100	-
ProMeister Solutions AS/Gjøvik	917 100 462	100	-

Name of company/registered office, Sweden

AlltBil Västra Sverige AB/Göteborg	556603-0747	65	-
Bilglascentralen AB/Göteborg	556076-4598	65	-
BilXtra Sweden AB/Malmö	556509-7861	100	-
J&B Maskinteknik AB/Gothenburg	556490-2996	100	-
Meca bilverkstad Eskilstuna AB/Stockholm	559123-7424	100	-
Meca Bilverkstad Karlskoga AB/Stockholm	559123-7416	100	-
Meca Bilverkstad Trollhättan AB /Stockholm	559124-5070	100	-
Meca Bilverkstad Tunby AB/Stockholm	559101-9681	100	-
MECA Tunga Fordon AB/Malmö	559009-7837	100	2
Meko Service 24 AB/Stockholm	559149-8976	100	-
Meko Service 25 AB/Stockholm	559149-9255	100	-
Meko Service 29 AB/Stockholm	559149-9420	100	-
Meko Service 31 AB/Stockholm	559181-0790	100	-
Meko Service 32 AB/Stockholm	559181-0782	100	-
Meko Service 33 AB/Stockholm	559181-0766	100	-
Meko Service 34 AB/Stockholm	559179-3269	100	-
Meko Service 35 AB/Stockholm	559181-0758	100	-
Meko Service Auto Mek i Karlskrona AB/ Stockholm	556882-0772	100	-
Meko Service Hemmesta AB/Upplands-Väsby	556428-1102	100	-
Meko Service Råå AB/Upplands-Väsby	559086-6744	80	-
Meko Service Småland AB/Stockholm	559115-9479	51	-
Meko Service Susannes Bilverkstad i Härlöv AB/ Upplands-Väsby	556964-0641	60	-
Meko Service Södra AB/Upplands-Väsby	559086-6645	100	-
Mekonomen BilLivet AB/Stockholm	556845-2196	100	-
Mekonomen Billivet Albyberg AB/Stockholm	559149-8893	100	-
Mekonomen BilLivet Backaplan AB/Gothenburg	556756-1146	91	-
Mekonomen Billivet Borås AB/Stockholm	559149-8570	100	-
Mekonomen BilLivet Bromma AB/Stockholm	556864-3455	100	-
Mekonomen Billivet Eklanda AB/Upplands-Väsby	556863-9909	91	-
Mekonomen Billivet Fosie AB/Stockholm	559098-0537	100	-
Mekonomen Billivet Gislaved AB/Stockholm	559123-7408	51	-
Mekonomen BilLivet Gärdet AB/Upplands-Väsby	556821-6047	100	-
Mekonomen BilLivet Gävle AB/Stockholm	556864-3448	100	-
Mekonomen Billivet Hedemora AB/Stockholm	559112-6460	51	-
Mekonomen Billivet Härnösand AB/Stockholm	559149-9313	100	-
Mekonomen BilLivet Infra City AB/Stockholm	556864-3471	100	-

Mekonomen BilLivet Johanneshov AB/Stockholm	556882-0780	91	-
Mekonomen Billivet Karlshamn AB/Stockholm	559118-0608	100	-
Mekonomen BilLivet Katrinelund AB/Stockholm	556882-0954	91	-
Mekonomen Billivet Kiruna AB/Stockholm	559118-0616	100	-
Mekonomen BilLivet Krokslätt AB/Gothenburg	559055-8549	100	-
Mekonomen Billivet Lidingö AB/Stockholm	559149-9289	100	-
Mekonomen Billivet Ljungby AB/Stockholm	559118-0582	51	-
Mekonomen Billivet Ljusdal AB/Stockholm	559149-9297	100	-
Mekonomen Billivet Norrmark AB/Stockholm	559116-8694	100	-
Mekonomen Billivet Nybro AB/Stockholm	559149-9388	51	-
Mekonomen Billivet Nödinge AB/Stockholm	559123-7432	100	-
Mekonomen Billivet Skellefteå AB/Stockholm	559118-0590	100	-
Mekonomen Billivet Strömstad AB/Stockholm	559123-7382	100	-
Mekonomen BilLivet Södertälje AB/Stockholm	556882-0939	100	-
Mekonomen Billivet Täby AB/Stockholm	556882-0962	91	-
Mekonomen BilLivet Värby AB/Stockholm	556882-0947	91	-
Mekonomen Billivet Värnamo AB/Stockholm	559123-7705	51	-
Mekonomen Billivet Växjö AB/Stockholm	559118-0574	51	-
Mekonomen Billivet Älmhult AB/Stockholm	559115-9461	51	-
Mekster AB/Stockholm	556917-2595	51	-
Preqas AB/Göteborg	556884-6504	100	-
ProMeister Solutions AB/Malmö	559034-6929	100	-
ProMeister Verkstad AB/Stockholm	559149-9347	100	-
Promotor Åkersberga AB/Stockholm	556819-5019	100	-
Speedy Bilservice Högsbo AB/Malmö	556909-4906	100	-
Speedy Bilservice Mölndal AB/Mölndal	559004-5711	91	-
Speedy Bilservice på Limhamn AB/Malmö	559097-7970	100	-
Speedy Bilservice Östermalm AB/Malmö	556953-2434	91	-

5

Total number of branches	396
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¹⁾ All companies in Finland have their registered offices in Helsinki; the place of business is stated above.

Including the Parent Company, Mekonomen Group comprises a total of 194 companies, 396 proprietary branches and 75 proprietary workshops. Currently, 37 wholly-owned companies run 361 branches and 32 partly-owned companies run 35 branches. Furthermore, 33 wholly-owned companies run 48 car workshops and 19 partly-owned companies run 27 workshops.

The Group has no subsidiary with non-controlling interests that is of individual significance to Mekonomen Group.

NOTE 27 SHAREHOLDERS' EQUITY

A specification of changes to shareholders' equity can be found in the statement of changes in consolidated and Parent Company's shareholders' equity (see pages 52 and 56, respectively).

Share capital and number of shares

Group		
Total number of shares	2018	2017
At 1 January	35,901,487	35,901,487
New share issue	20,515,135	-
At 31 December	56,416,622	35,901,487

Group		
Treasury shares	2018	2017
At 1 January	-	-
Acquisitions for the year ¹⁾	63,250	-
At 31 December	63,250	-

¹⁾ In December, Mekonomen AB carried out a buyback of 63,250 own shares to cover the company's commitment under the long-term incentive programme approved by the Annual General Meeting (LTIP 2018). As a result of the acquisition of FTZ and Inter-Team, the targets in LTIP 2018 were not achieved. The Board of Directors has decided to not change the targets, but instead propose to the Annual General Meeting to pass a resolution on a new programme for 2019.

Group		
Number of outstanding shares ¹⁾	31 Dec. 2018	31 Dec. 2017
Total number of shares	56,416,622	35,901,487
Treasury shares	-63,250	-
Total	56,353,372	35,901,487

¹⁾ There were no outstanding shareholders' equity instruments that could result in a dilution of the share capital as per 31 December 2018 and 31 December 2017.

Group		
Share capital, SEK	2018	2017
At 1 January	89,753,718	89,753,718
New share issue	51,287,838	-
At 31 December	141,041,555	89,753,718
Quotient value per share, SEK	2.50	2.50

Other capital contributions

Other capital contributions included contributions the company received from shareholders and which are not recognised as share capital.

Other capital contributions	
Opening balance on 1 January 2017	1,456
Closing balance on 31 December 2017	1,456
Opening balance on 1 January 2018	1,456
New share issue	1,570
New issue expenses	-41
Tax effect on new issue expenses	8
Closing balance on 31 December 2018	2,993

Reserves

The item consists of translation differences attributable to the translation of foreign subsidiaries and related hedges of equity in accordance with IAS 21 and cash-flow hedges as shown in the table below:

Reserves	Translation differences ¹⁾	Hedges	Total
Opening balance on 1 January 2017	-128	-6	-134
Exchange-rate differences on translation of foreign subsidiaries	-50	-	-50
Cash-flow hedges	-	3	3
Closing balance on 31 December 2017	-178	-3	-182
Opening balance on 1 January 2018	-178	-3	-182
Exchange-rate differences on translation of foreign subsidiaries	-129	-	-129
Hedging of net investment, net ²⁾	4	-	4
Cash-flow hedges	-	1	1
Closing balance on 31 December 2018	-304	-3	-307

¹⁾ At 31 December 2018, the accumulated translation reserve for the former operations in Denmark amounted to SEK -14 M (-13) (i.e. excluding translation differences for FTZ). The translation reserve for the former operations in Denmark will be reclassified within equity through the income statement at an amount relevant at that time if the Danish company is liquidated, which will be investigated in the future.

²⁾ Loans raised in connection with the acquisition of FTZ hedge the currency risk in the net investment and the currency translation is hedge accounted.

Profit brought forward

The profit brought forward item corresponds to the accumulated profits and losses generated in total in the Group.

Profit brought forward	
Opening balance on 1 January 2017	900
Comprehensive income for the year:	
- Profit for the year	361
- Actuarial gains and losses	0
Comprehensive income for the year	361
Dividends	-251
Acquisition/divestment of non-controlling interests	-9
Closing balance on 31 December 2017	1,000
Opening balance on 1 January 2018	1,000
Comprehensive income for the year:	
- Profit for the year	260
- Actuarial gains and losses	-2
Comprehensive income for the year	258
Dividends	-251
Buyback of own shares	-6
Acquisition/divestment of non-controlling interests	0
Closing balance on 31 December 2018	1,001

Dividend to Parent Company's shareholders

The Board of Directors proposes no dividend for 2018.

Proposed appropriation of profit - Parent Company

The following profit is at the disposal of the Annual General Meeting, SEK 000s:	
- Profit brought forward	2,466,906
- Share premium reserve	1,536,815
- Profit for the year	616,732
Total	4,620,453

The Board of Directors and President propose that profits be appropriated as follows:

To be carried forward	4,620,453
Total	4,620,453

NOTE 28 CAPITAL

Mekonomen Group manages its capital to ensure that the units in the Group are able to continue operating, while dividends to shareholders are maximised through a sound balance between liabilities and shareholders' equity. The Group's capital comprises shareholders' equity, as well as short and long-term borrowing. The proportions of shareholders' equity and changes during the year are described in the changes in consolidated shareholders' equity on page 52 and Note 27 Shareholders' equity.

At least once per year, the Board reviews the capital structure and takes this into account when making decisions on, for example, dividends or raising new loans. The key figure the Group Management Team and the Board primarily assesses regarding capital structure is net debt relative to EBITDA. This key figure is continuously followed up in the internal reporting to the Group Management Team and the Board. Mekonomen Group's financial targets include that net debt/EBITDA shall not exceed 2.0 over the long term. The Group's acquisition of FTZ and Inter-Team in 2018 have temporarily materially increased the key figure of net debt/EBITDA as the acquisitions are partly loan financed. According to plan, the loan financing will gradually decrease, with it the net debt as well, and Mekonomen Group's goal that net debt/EBITDA shall not remain above 2.0 in the long term. The Group's financial targets also include that the equity/assets ratio shall not drop below 40 per cent long term. For further information on Mekonomen Group's financial targets, see pages 12-13 and for further information on the Group's key figures, see the section of the Five-year summary on pages 88-89.

NOTE 29 SUPPLEMENTAL DISCLOSURES ON THE CASH FLOW STATEMENT

	Group		Parent Company	
Adjustments for non-cash items in operating activities	2018	2017	2018	2017
Depreciation/Amortisation	229	178	0	0
Impairment of intangible fixed assets	0	9	-	-
Impairment of financial fixed assets	0	-1	-	-
Impairment of inventories	48	0	-	-
Other provisions	9	-1	0	0
Capital gain/loss from divestment of fixed assets	3	1	-	0
Capital gain/loss from divestment of operations	7	2	-	-
Exchange gains/losses	-133	10	-126	-3
Other items not affecting liquidity	11	1	2	-3
Total	175	200	-124	-6

Non-cash items						
Change in liabilities with cash flows in financing activities, Group	Opening balance 1 January 2018	Cash flows	Currency effect	Period-allocated loan-raising expenses	Change in fair value	Closing balance 31 Dec 2018
Liability to credit institutions, long term	1,447	1,903	-136	11	-	3,225
Liability to credit institutions, short term	255	825	-	-	-	1,080
Derivative interest-rate swap, long term	4	-	-	-	-1	3
Derivative interest-rate swap, short term	-	-	-	-	1	1
Total	1,706	2,728	-136	-	0	4,309

Non-cash items						
Change in liabilities with cash flows in financing activities, Group	Opening balance 1 January 2017	Cash flows	Currency effect	Period-allocated loan-raising expenses	Change in fair value	Closing balance 31 Dec 2017
Liabilities to credit institutions, long term	1,328	119	0	0	-	1,447
Liabilities to credit institutions, short term	403	-148	-	-	-	255
Derivative interest-rate swap, long term	7	-	-	-	-3	4
Total	1,738	-29	0	-	-3	1,706

NOTE 30 EFFECTS OF ACQUISITIONS IMPLEMENTED

Business combinations 2018

On 6 July 2018, Mekonomen entered an agreement to acquire all shares in the car part distributors FTZ Autodeler & Værktøj A/S ("FTZ") in Denmark and INTER-TEAM Sp.z.o.o. ("Inter-Team") in Poland. After approval by relevant authorities was obtained, the acquisition of FTZ and Inter-Team was completed on 3 September 2018. Payment for the shares was fully made in cash and the total purchase consideration amounted to EUR 404 M, translated at the rate on the transaction date to SEK 4,284 M. Distribution of the total purchase consideration is presented by the table below.

The share purchase agreement between Mekonomen and Hella Holding International GmbH comprised, in addition to acquisitions of the companies FTZ and Inter-Team, that Mekonomen on certain conditions would acquire Nordic Forum Holding A/S, the former holding company for FTZ and Inter-Team. After the end of the financial year, the acquisition of the holding company was carried out with the aim of fulfilling the agreement and the transaction is not of a material significance to Mekonomen. Nordic Forum has no active operations after 2018 and will not be used in its former role in as the holding company or a commercial counterparty to its subsidiaries; the acquisition is only a practical result of the earlier acquisitions.

The acquisition of FTZ and Inter-Team fit well Mekonomen Group's strategy of being part of the ongoing consolidation in Europe. The business is strategic for Mekonomen Group, which is now taking the next step in its journey of growth. Through FTZ, the Group is strengthening its position as the leading car part distributor in the Nordic region and through FTZ, which holds 28 per cent of the market share in Denmark, the leading car parts distributor in Denmark. Through Inter-Team, Mekonomen Group establishes a strong market position in Poland and will be able to partake of the fast-growing and fragmented Polish car parts market that is also characterised by an older car fleet than in the Nordic countries. The acquired companies shall continue to be developed in the scope of existing corporate structure and brands within their own segments in the Group.

Through the acquisitions of FTZ and Inter-Team, Mekonomen Group's sales were almost doubled. The acquisition is expected to generate annual synergies of SEK 100 M, of which the majority is comprised of purchasing synergies, with full effect in 2021. The Group is at the same time increasing the number of branches from around 330 to more than 460 and the number of affiliated workshops is from 2,000 to more than 3,400.

FTZ and Inter-Team are included in Mekonomen's financial statements from the acquisition date 3 September 2018.

In addition to the acquisitions of FTZ and Inter-Team, the Group acquired 18 workshops in Sweden and four workshops in Norway during the year. Acquisitions also took place of 65 per cent of the participations in Allt i Bil AB with seven workshops in Sweden, which in turn acquired Bilglascentralen with operations in Gothenburg and 51 per cent of the participations in Mekster AB with sales of spare parts over the Internet. In addition, seven branches and three car wash facilities were acquired in Sweden. In addition, four new workshops were established in Sweden.

Besides FTZ and Inter-Team, which are reported separately below, information on corporate acquisitions is provided in aggregate form since each individual acquisition is not deemed to be of such a size as to warrant separate recognition. All other acquisitions were paid in cash.

During the 2018 financial year, FTZ and Inter-Team have affected the Group's net sales and operating profit according to the table below:

SEK M	FTZ	Inter-Team	Total
Net sales, external	1,088	638	1,726
Operating profit/loss ¹⁾	49	-1	49

¹⁾ Excluding acquisition costs of SEK 23 M and excluding amortisations of intangible assets identified in connection with the acquisition totalling SEK 26 M.

The impact of other acquisitions on consolidated sales and earnings was marginal.

If the acquisition of FTZ or Inter-Team been done as of 1 January 2018, the impact on consolidated net sales and the impact on the operating profit during the 2018 financial year would have amounted to:

SEK M	FTZ	Inter-Team	Total
Net sales, external	3,288	1,882	5,170
Operating profit/loss ¹⁾	341	19	360

¹⁾ Excluding acquisition costs of SEK 23 M and excluding amortisations of intangible assets identified in connection with the acquisition totalling SEK 77 M.

The total of other acquisitions would have had an immaterial impact on sales and earnings if they had been implemented at the beginning of the year.

Acquisition-related costs amount to SEK 23 M for the 2018 financial year. The acquisition costs are essentially attributable to the acquisition of FTZ and Inter-Team. These costs are not included in the total purchase consideration in the table below, but rather have been reported as other costs in the consolidated income statement.

The preliminary acquisition analysis for acquired operations is presented below:

Acquisitions in 2018	FTZ	Inter-Team	Other acquisitions	Total acquisitions
Value of acquired assets and liabilities				
Intangible fixed assets	8	3	1	11
Tangible fixed assets	76	51	20	148
Financial fixed assets	8	6	0	14
Deferred tax assets	-	1	-	1
Inventories	559	605	18	1,182
Current receivables	596	207	10	813
Cash and cash equivalents	640	37	4	681
Long-term liabilities	-12	-469	-1	-482
Deferred tax liabilities	-25	-	-	-25
Current liabilities	-581	-273	-23	-878
Acquired net assets	1,269	168	29	1,465
Brands	518	30	-	548
Customer relations	778	22	29	829
Goodwill	1,766	29	70	1,865
Deferred tax liabilities	-285	-10	-5	-300
Acquired non-controlling interests, surplus value recognised against shareholders' equity	-	-	1	1
Total identifiable net assets and goodwill	4,045	239	123	4,407
Total purchase price	-4,045	-239	-123	-4,407
- of which, cash portion	-4,045	-239	-120	-4,404
- of which supplementary purchase considerations entered as liabilities	-	-	-3	-3
Cash and cash equivalents in the acquired companies ¹⁾	640	37	4	681
Less settlement of the acquired units' liabilities to the seller	-	-469	-	-469
Plus paid supplementary purchase considerations regarding earlier years	-	-	-5	-5
Impact on Group's cash and cash equivalents	-3,405	-670	-121	-4,196

Fair value of acquired receivables amounts to SEK 813 M.

The brands have indefinite lifespans. Customer relationships amount to SEK 829 M, of which SEK 800 M is attributable to the acquisition of FTZ and Inter-Team and is assessed to have a useful life of 10 years. The remaining customer relationships of SEK 29 M are deemed to have a useful life of 5 years.

Arisen goodwill is mainly attributable to the value of geographic expansion and a stronger market position, especially in the Nordic region. Arisen goodwill is furthermore attributable to anticipated specific synergies in Mekonomen, new customers and, to a limited extent, the combined workforce. These advantages have not been recognised separately from goodwill since they do not meet the criteria for recognition of identifiable intangible assets. The acquisition of FTZ and Inter-Team is expected to generate annual synergies of SEK 100 M, of which the majority is comprised of purchasing synergies. The synergies will gradually arise beginning in the second half of 2018 and are expected to achieve full effect in 2021. Expenses of SEK 60 M are deemed to arise in connection with the work to realise the synergies and achieve integration. FTZ and Inter-Team shall continue to act as own companies in their existing corporate structures; thereby no significant integration costs will arise over time.

Of the goodwill that arose in connection with the acquisitions, SEK 25 M is expected to be tax deductible.

Three workshop managers entered as partners in three workshop companies during the year.

NOTE 30 CONTINUED

Acquired subsidiaries/ operations 2018	Country	Acquisition date	% equity and % votes	Object
Branch, Värby - Mekonomen	Sweden	Quarter 1	100	Assets and liabilities
Branches, Hedemora and Kristinehamn - Mekonomen	Sweden	Quarter 1	100	Equities
Workshops, Värnamo and Gislaved - Meko Service Nordic	Sweden	Quarter 1	100	Assets and liabilities
Workshop, Hedemora - Meko Service Nordic	Sweden	Quarter 1	100	Equities
Workshop, Sandefjord - Mekonomen	Norway	Quarter 1	100	Equities
Verkstad, Skøyen - Sørensen og Balchen	Norway	Quarter 1	100	Assets and liabilities
Branch, Söderhamn - MECA	Sweden	Quarter 1	100	Assets and liabilities
Workshops, Trollhättan, Strömstad, Borås and Gävle - Meko Service Nordic	Sweden	Quarter 2	100	Assets and liabilities
Workshops, Nynäshamn - Speedy	Sweden	Quarter 2	100	Assets and liabilities
Allt i Bil AB	Sweden	Quarter 2	65	Equities
Bilglascentralen AB	Sweden	Quarter 3	65	Equities
Workshop, Jaren - MECA	Norway	Quarter 3	100	Equities
Workshop, Trøndelag - Mekonomen	Norway	Quarter 3	100	Equities
Workshops, Eskilstuna, Nödinge and Nybro - Meko Service Nordic	Sweden	Quarter 3	100	Assets and liabilities
Workshops, Rosersberg and Lund - MECA	Sweden	Quarter 3	100	Assets and liabilities
Mekster AB	Sweden	Quarter 3	51	Equities
FTZ Autodele & Værktøj A/S	Denmark	Quarter 3	100	Equities
INTER-TEAM Sp.z.o.o.	Poland	Quarter 3	100	Equities
Workshop, Uddevalla - Meko Service Nordic	Sweden	Quarter 4	100	Equities
Workshops, Lidingö, Ljusdal and Härnösand - Meko Service Nordic	Sweden	Quarter 4	100	Assets and liabilities
Workshop, Åbro - Speedy	Sweden	Quarter 4	100	Assets and liabilities
Branches, Sunne and Hagfors - MECA	Sweden	Quarter 4	100	Assets and liabilities
Branch, Uddevalla - Mekonomen	Sweden	Quarter 4	100	Equities
Car wash facilities - Mekonomen	Sweden	Quarter 4	100	Assets and liabilities

Business combinations 2017

MECA acquired three branches during the year in Sweden, one each in Västervik, Visby and Trelleborg, and four workshops in Norway, one each in Lillehammer, Brumunddal, Gjøvik and Hamar. MECA also acquired operations for heavy workshop equipment in eastern Norway.

Mekonomen Sweden acquired non-controlling interests in four branches, all for a minor value. Mekonomen Sweden also acquired a branch in Kungshamn, established a branch in Karlstad, and transferred three branches in Gothenburg to partly owned companies in the Group.

Mekonomen Norway acquired non-controlling interests in one branch and one workshop in Norway, both for a minor value. Mekonomen Norway also acquired two partner branches in Mosjön and Mo i Rana and one workshop in Halden, Norway.

Sørensen og Balchen acquired non-controlling interests in one workshop in Norway at minor value. Sørensen og Balchen also established two branches in Norway, one in Bø and one in Råholt.

Meko Service Nordic also acquired non-controlling interests in one workshop for a minor value. Meko Service Nordic also acquired six workshops in Sweden, two in Malmö, one in Älmhult, Växjö, Ljungby and Västerås, respectively.

Acquisitions of non-controlling interests also occurred through dilution in a new share issue at a minor value in Mekonomen Iceland.

The impact of all acquisitions on consolidated sales and earnings was marginal.

Information on corporate acquisitions is provided in aggregate form since each individual acquisition is not deemed to be of such a size as to warrant separate recognition. All acquisitions were paid in cash.

Acquisitions in 2017	Total acquisitions
Value of acquired assets and liabilities	
Tangible fixed assets	9
Inventories	11
Current receivables	4
Current liabilities	-10
Acquired net assets	14
Customer relations	34
Goodwill	22
Deferred tax liabilities	-3
Acquired non-controlling interests, surplus value recognised against shareholders' equity	8
Total identifiable net assets and goodwill	75
Total purchase price	-75
- of which, cash portion	-63
- of which supplementary purchase considerations	-13
Cash and cash equivalents in the acquired companies	0
Plus paid supplementary purchase considerations regarding earlier years	-4
Impact on Group's cash and cash equivalents	-66

One workshop manager entered as a partner in the workshop company during the year.

Acquired subsidiaries/ operations 2017	Country	Acquisition date	% equity and % votes	Object
Branches, Västervik and Visby - MECA	Sweden	Quarter 1	100	Assets and liabilities
Workshop equipment, eastern Norway - MECA	Norway	Quarter 1	100	Assets and liabilities
Partner branches, Mosjön, Mo i Rana - Mekonomen	Norway	Quarter 1	100	Assets and liabilities
Workshop, Halden - Mekonomen	Norway	Quarter 1	100	Assets and liabilities
Workshop, Malmö - Meko Service Nordic	Sweden	Quarter 1	100	Equities
Workshop, Malmö - Meko Service Nordic	Sweden	Quarter 1	100	Assets and liabilities
Branch, Trelleborg - MECA	Sweden	Quarter 2	100	Assets and liabilities
Branch, Kungshamn - Mekonomen	Sweden	Quarter 3	80	Equities
Workshops, Älmhult, Växjö, Ljungby, Västerås - Meko Service Nordic	Sweden	Quarter 3	100	Assets and liabilities
Workshops, Lillehammer, Brumunddal, Gjøvik, Hamar - MECA	Norway	Quarter 4	100	Equities

NOTE 31 INFORMATION CONCERNING REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

During the year, the Parent Company Mekonomen AB sold products and services to Group companies totalling SEK 30 M (34). Purchases relating to goods and services from Group companies amounted to SEK 67 M (72).

NOTE 32 TRANSACTIONS WITH RELATED-PARTIES

In 2018, Mekonomen Group sold goods and services worth SEK 5 M (0) and acquired goods and services worth SEK 3 M (5) from companies where Mekonomen Group has significant influence or joint controlling influence.

Figo AS, which is owned by Frank Bekken, President of Mekonomen Norway, has during the period rented out premises to Mekonomen AS to a value of SEK 3 M.

Agreements on goods and services with related parties are made on market-based terms. As of the balance sheet date, receivables from affiliated companies totalled SEK 3 M (0) and liabilities to SEK 0 M (0).

Mekonomen Group has entered an agreement with a major shareholder in the company, LKQ Corporation, with the aim of finding joint purchasing agreements with key suppliers. The agreement has been approved by the Board's independent members.

No other transactions with related parties took place. For information on remuneration of senior executives, refer to Note 5.

NOTE 33 EVENTS AFTER THE END OF THE YEAR

On 11 January, in a separate transaction, the acquisition of Nordic Forum Holding was concluded as previously announced. The acquisition is not material.

Mekonomen Group's earnings will be reported in four segments as of the first quarter of 2019. The new reportable segments will be MECA/Mekonomen, Sörensen og Balchen, FTZ and Inter-Team. The MECA/Mekonomen segment also includes Preqas, Speedy and Meko Service Nordic.

Mekonomen Group's management structure was changed as of 14 February 2019 to be better adapted to the new Group's structure.

As of 14 February 2019, the Group Management Team comprises the following people:
Pehr Oscarson, President and CEO
Åsa Källenius, CFO
Tobias Narvinger, Director for Purchasing & Supply Chain
Gabriella Granholm, Director for Communication & Marketing
Robert Hård, Director for Legal Affairs & Sustainability

No other significant events occurred after the end of the financial year.

NOTE 34 APPROVAL OF ANNUAL REPORT

The Annual Report and consolidated financial statements were approved for issue by the Board on 1 April 2019. The consolidated income statement, the statement of comprehensive income and balance sheet and the Parent Company's income statement, statement of comprehensive income and balance sheet will be subject to approval by the Annual General Meeting on 2 May 2019.

NOTE 35 FINANCIAL RISKS

Through its operations, Mekonomen Group is exposed to currency, credit, interest-rate, financing and liquidity risks. The management of these risks is regulated in the finance policy adopted by the Board. Credit risk relating to customer commitments is managed, according to central frameworks, decentralised locally. Other risks are mainly managed centrally by the Group's Treasury unit.

Currency risk

Currency risks occur when currency fluctuations have a negative impact on the Group's earnings and shareholders' equity. Currency exposure arises in connection with cash flows in foreign currencies (transaction exposure), as well as in translation of loans/receivables in foreign currencies and in the translation of foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

In 2018, currency fluctuations had a positive impact on the Group's profit before tax totalling SEK 135 M (-14). The most important currency in terms of transaction exposure is EUR, which represents 35 per cent (46) of goods purchases in the Group, as well as NOK pertaining to internal sales from wholesale companies in Mekonomen Sweden and MECA to Norway. NOK, DKK and PLN are the most important currencies regarding translation exposure. The handling of currency risks is regulated in the finance policy. The Group can hedge operating cash flows with a hedging period of between 3 and 12 months.

The Group has a number of holdings in foreign operations, the net assets of which are exposed to currency risks, mainly in NOK, DKK and PLN. With regard to this currency exposure, the principal rule is that Mekonomen Group does not hedge this exposure. However, if major foreign investments are made that require separate financing, a decision may be made to recognise all or part of the financing in the acquisition currency. During the year, the Group began hedge accounting of net investments in foreign operations in DKK, as a result of the acquisition of FTZ Autodele & Værktøj A/S in September 2018, by classifying a loan in EUR as a hedging instrument. The translation of the loan at the closing day rate is recognised in other comprehensive income instead of for profit or loss and meet the restatement of the net assets in DKK. This forms an effective hedge as a result of the strong connection between the exchange rates SEK/EUR and SEK/DKK since DKK is closely linked to EUR. For more information on currency exposure, refer also to the sensitivity analysis section in the Administration Report.

Credit risk

The Group's financial transactions give rise to credit risks in relation to financial counterparties. Credit risks or counterparty risks refer to the risk of loss if the counterparty does not fulfil its commitments. Mekonomen Group's credit risks primarily comprise accounts receivable, which are distributed over a large number of counterparties and a small portion of long-term hire-purchase contracts. For each new customer, or in the event an existing customer wants to increase the credit limit, a credit rating is conducted according to the Group's established policies. The maximum credit risk corresponds to the carrying amount of financial assets. Specifications of changes to the credit loss reserve of accounts receivable for the year and long-term hire-purchase contracts are found in Notes 16 and 18.

Interest-rate risk

Interest-rate risks refer to the risk that changes in market interest rates will have a negative impact on the Group's net interest expense. The rate at which interest rate changes affect the net interest expense depends on the period of fixed interest for the loan. According to the finance policy, the fixed-interest period is normally to be 24 months, with an exception mandate of +12/-18 months.

As per 31 December 2018, Mekonomen's net debt is SEK 4,098 M (1,444). A fixed-interest period is available with a term of less than one year. In addition to this, there are interest-rate swaps of SEK 450 M falling due in March 2019, EUR 60.75 M falling due in March 2022 and EUR 60.75 M falling due in August 2023 to hedge the cash flow in the loans Mekonomen AB has. The swaps lead to Mekonomen receiving variable interest and paying fixed interest. The Group has classified the interest-rate swaps as hedging instruments in a cash flow hedge of future interest payments. Mekonomen measures the effectiveness of the hedging relationship on each reporting occasion. The interest rate swap and the loan have the same currency, interest base (STIBOR 3M and EURIBOR 3M), interest translation date and the loan volume is not below the interest-rate swap's nominal amount whereby there is a strong financial link between the loan and the interest-rate swap. See also the table in the Sensitivity analysis section of the Administration Report.

Financing and liquidity risks

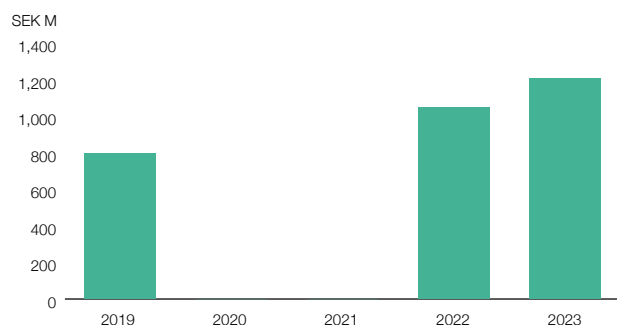
Financing risk is seen as the risk of the cost being higher and financing opportunities limited when loans are renewed and payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing financing. According to the finance policy, refinancing risks are to be managed by signing long-term and flexible credit agreements.

NOTE 35 CONTINUED

As per 31 December 2018, the Group's total loan financing amounted to SEK 4,303 M (1,699), of which the long-term portion is SEK 3,225 M (1,446). The Group's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The conditions include an owner change clause that becomes current upon an owner change in excess of 50 per cent or upon a delisting.

See the maturity structure excluding amortisation in the graph below.

Mekonomen Group's external loans without backup facilities as per 31/12/2018.



Repayments of loans take place in an amount of SEK 136 M per year and EUR 5 M (SEK 51 M) per quarter beginning in June 2019. In addition, the Group has overdraft facilities totalling SEK 443 M (435). The Group's cash and cash equivalents are invested short term and any excess liquidity is to primarily be used for amortising loans. According to the finance policy, investments may be made in SEK, NOK and EUR. Investments may be made with or in securities issued by the Swedish Government or Swedish and foreign banks with at least an A rating, according to the definition of Standard & Poor's (S&P).

Fair value

No financial assets or liabilities were recognised at a value that significantly deviated from fair value.

Ineffectiveness in hedge accounting

For all hedging relationships, the effectiveness is evaluated. The relationship between the hedged item and the hedging instrument is evaluated continuously to ensure that the relationship meets the requirements to be able to apply hedge accounting. The Group matches the critical conditions in the hedged item with corresponding conditions in the hedging instrument.

For cash flow hedges of interest-rate risk, the Group enters into interest-rate swaps that have the same critical conditions as the hedged item. Critical conditions can be reference rate, interest translation dates, payment dates, due dates and nominal amounts. The Group does not hedge 100% of the loans and therefore identified only the part of the outstanding loans that are matched by the swaps' nominal amounts. In addition, the credit risk at Mekonomen and the counterparty does not significantly affect the measurement of the interest-rate swaps, which makes the hedge effective. The hedge ratio is 1:1.

For hedges of net investments of foreign operations, ineffectiveness arises as a result of EUR loans being used to currency hedge net investments in DKK. As the currencies are closely linked, the discrepancy that arises is not deemed to be material.

Other possible sources of ineffectiveness in the hedging relationship is if the hedged item, net investment in DKK, were to suddenly decrease since it would lead to the part of the loan classified as a hedging instrument exceeding the equity in DKK. The hedge ratio in the relationship is 1:1, which means that net investments in DKK and loans in EUR are equal.

If changed conditions affect the condition for the hedged item in such an extent that the critical conditions no longer match the hedging instrument's critical conditions, the Group uses the hypothetical derivative method to evaluate effectiveness.

No ineffectiveness has been reported in the results in 2017 or 2018.

Hedge accounting's impact on the Group's financial position and performance

Translation of net assets in foreign currencies	Group	
	2018	2017
Carrying amount, hedging instrument, long-term liabilities to credit institutions	SEK 2,497 M	-
Nominal amount in EUR, hedging instrument	EUR 243 M	-
Carrying amount in foreign assets	SEK 2,497 M	-
	DKK 1,815 M	-
Amounts in DKK		-
Hedge ratio	1:1	-
Changes in the loan's carrying amount due to changes in exchange rate	SEK -5 M	-
Changes in value of assets in foreign currency	SEK +8 M	-

Cash flow hedges of interest-rate risk	Group	
	2018	2017
Carrying amount, hedging instrument	SEK 3 M	-
	SEK 1,248 M	-
Nominal amount	(2 x EUR 60.75 M)	-
Due date	2022 and 2023	-
Hedge ratio	1:1	-
Value changes for outstanding derivative instruments	SEK 3 M	-
Value changes of the hedged item	SEK 3 M	-

Mekonomen's impact on the uncertainty in future cash flows is presented by the table below (SEK M):

Due date for nominal amount	Within 1 year	1-3 years	3-5 years	More than 5 years
Nominal amount	-	-	1,248	-
Average hedged fixed interest	-	-	0.275%	-

For impact on comprehensive income and reserves in equity, see Note 27 Equity.

NOTE 36 CHANGES IN MEKONOMEN GROUP'S FINANCIAL STATEMENTS 2019

Implementation of new accounting standards

As of 1 January 2019, Mekonomen Group applies IFRS 16 Leases. The Group applies the simplified transition method with the alternative that the asset value for the right of use is fully taken up at an equal amount as the lease liability total adjusted for any prepaid or accrued leasing fees, whereby no effect on the opening balance in equity has arisen. In accordance with the transition rules in the standard, the comparative figures for 2018 have not been restated. The liability for leasing commitments as of 1 January 2019 will amount to around SEK 2,000 M and the right of use at around SEK 2,000 M.

At the transition to IFRS 16, the Group recognises lease liabilities attributable to leases that were previously classified as operating leases in accordance with the rules in IAS 17 Leases. These liabilities have been measured at the present value of expected future minimum leasing fees. In the calculation, the lessee's implicit interest as of 1 January 2019 has been used.

The Group's leasing activities and their reporting

The Group's leases essentially all relate to premises and vehicles. Leases are normally signed for fixed periods between three to five years, but the possibility of extension may exist; this is described below. The conditions are negotiated separately for each lease and contain a large number of different contractual terms. The leases contain no special conditions or restrictions that would mean that the leases could be cancelled if the terms were not met, but the leased assets may not be used as collateral for loans.

Leases are recognised as rights of use and a corresponding liability, the date the leased asset is available for use by the Group. Each lease payment is allocated among the repayment of debt and financial expense. The financial expense is divided over the leasing period so that each reporting period is charged with an amount corresponding to a fixed interest rate of the liability recognised during each period. The right of use is depreciated straight-line over the shorter of the asset's useful life and the term of the lease.

Assets and liabilities that arise from leases are initially recognised at present value. The lease liabilities include the present value of the following lease payments:

- fixed fees (including fees that are fixed in substance), less incentive receivables
- variable lease charges that depend on an index or a price
- guaranteed residual value that the lessee expects to have to pay to the lessor
- redemption price for a buy option, if it is reasonably certain that the lessee will use the option, and
- penalties for ending the lease if the lease length reflects the assumption that the lessee will use this option.

The lease payments are discounted by the implicit interest if the interest can be determined, or the marginal loan interest rate otherwise.

The assets with right of use are measured at cost and include the following:

- the amount the lease liability originally was valued at
- lease charges paid at or before the start date, less any benefits received in connection with signing of the lease
- initial direct expenses
- expenses for restoring the asset to the condition prescribed in the lease terms.

Payments for short contracts and leases of minor value are expensed on a straight-line basis in the income statement. Short contracts are agreements with a lease term of 12 months or less. Agreements of minor value include IT equipment and basic office furniture.

When IFRS 16 was applied for the first time, the Group used the following practical solutions permitted by the standard:

- The same discount rate was used on lease portfolios with similar characteristics
- Operating leases with a remaining term of less than 12 months at 1 January 2019 were recognised as short-term leases
- Direct acquisition costs for the rights of use were excluded at the transition, and
- Historical information was used in the assessment of a lease's length if there is an option to extend or cancel a lease.

The Group also chose to not apply IFRS 16 to the agreements not identified as leases in accordance with IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

Uncertainty in estimates depending on variable lease charges

Some leases for rent of premises include sales-based rents in branches. For some branches, up to 100 per cent of the lease charges consist of variable fees and the percentages in the agreements vary widely. Variable fees are used for various reasons, such as minimising the fixed expenses for a newly started branch. Sales-based rents are reported in the income statement in the period the term arises that triggers the charge.

Options to extend and cancel a lease

Options to extend and cancel a lease are included in a number of the Group's leases for premises and vehicles. The terms are used to maximise flexibility in the handling of the agreements. The overwhelming share of the options that provide possibility to extend or cancel a lease can only be used by the Group and not by the lessor.

Important estimates and assessments regarding lease lengths

When the lease's length is determined, management takes into account all available information that gives a financial incentive to use an extension option, or not use an option to cancel a lease. Possibilities to extend a lease are included only in the lease's length if it is reasonable to assume that the lease will be extended (or not concluded).

The assessment is reviewed if any material event occurs or change in circumstances that affects this assessment and the change is within the lessee's control.

Guaranteed residual values

To optimise the lease expenses during the lease term for rent of machinery, the Group sometimes guarantees residual values.

Estimates of expected fees to pay for guaranteed residual values

The Group initially estimates the amounts for guaranteed residual values that one is expected to be obliged to pay and recognises them as a part of the lease liability. The amounts are evaluated, and adjusted if suitable, at the end of each reporting period.

The Board of Directors and CEO hereby certify that the Annual Report, including sustainability report, was prepared in accordance with the Annual Accounts Act and RFR 2 and provides a true and fair view of the company's financial position and earnings and that the Administration Report provides a true and fair view of the performance of the company's operations, position and earnings and describes significant risks and uncertainty factors faced by the company.

The Board of Directors and CEO hereby certify that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the EU, and provide a true and fair view of the Group's financial position and earnings and that the Administration Report for the Group provides a true and fair view of the performance of the Group's operations, position and earnings and describes significant risks and uncertainty factors faced by the companies included in the Group.

Stockholm, 1 April 2019

John S. Quinn
Chairman of the Board

Helena Skåntorp
Executive Vice Chairman

Eivor Andersson
Board member

Kenny Bräck
Board member

Joseph M. Holsten
Board member

Magnus Håkansson
Board member

Malin Persson
Board member

Pehr Oscarsson
President and CEO

Our Auditors' Report was submitted on 1 April 2019
PricewaterhouseCoopers AB

Lennart Danielsson
*Authorised Public Accountant
Auditor-in-Charge*

Linda Corneliusson
Authorised Public Accountant

AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF MEKONOMEN AB (PUBL), CORP. ID NO. 556392-1971

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Mekonomen AB (publ) for the year 2018 except for the corporate governance statements on pages 41–49. The annual accounts and consolidated accounts of the company are included on pages 35–84 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statements on pages 41–49. 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 audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis of the 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 focus and scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements. 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
<p>Cut-off, completeness and existence of revenues</p> <p><i>We refer to Note 3 and the accounting policies.</i></p> <p>Mekonomen group's revenues are comprised of a large number of sales transactions generated in approximately 430 branches and workshops primarily in Sweden, Norway, Denmark and Poland. The customers are comprised of both companies and private individuals. The majority of the transactions refer to invoiced sales, while a small portion is comprised of cash sales. Rebates, returns and complaints take place frequently and, as a result, have an impact on reported revenue.</p> <p>The group's operations are, in nature, transaction intensive and this places demands on the reliability of the systems and processes. The revenue process is dependent on effective and appropriate IT solutions.</p>	<p>We have mapped the sales processes and thereby obtained an understanding of how revenues are generated and how they are reflected in the accounts and in the financial reports.</p> <p>Furthermore, the relevant IT systems have been tested as regards, amongst other things, change management, authorisations and access rights.</p> <p>Within the different sales processes there are controls which are undertaken by the operations in order to ensure a correct accounting. We have evaluated the design and tested the effectiveness of those controls significant to the audit.</p> <p>In addition to the evaluation and testing of controls, we have performed substantive procedures on revenues via so-called detailed testing, which implies that we performed a sample testing of a selection of revenue transactions.</p> <p>We have also studied and evaluated the information provided in Notes 1 and 3 in the annual report.</p>

Key audit matter	How our audit addressed the Key audit matter
<p>Existence and valuation of inventory</p> <p><i>We refer to Note 17 and the accounting principles.</i></p> <p>The inventory comprises a significant portion of the group's assets and consists of finished goods inventory. The inventory is comprised of both a limited number of central warehouses and of numerous branch warehouses. The group's inventory is, consequently, spread out over a large number of geographical locations in the countries in which Mekonomen has operations.</p> <p>In order to ensure the existence of the inventories, Mekonomen executes ongoing stock-takings at the various inventory sites during the year.</p> <p>The value of the inventory is impacted by factors such as purchase prices and obsolescence.</p> <p>Purchase prices are, in their turn, impacted by contractual agreements with various suppliers as regards rebates and purchase bonuses which are based on achieved purchase volumes.</p> <p>The existence of obsolescence requires that estimations and judgments are undertaken in valuing the inventory.</p> <p>The group's operations are, in nature, transaction intensive and this places demands on the reliability of the systems and processes. The inventory process is dependent on effective and appropriate IT solutions.</p>	<p>We have obtained an understanding of the inventory accounting through mapping the routines for inventory transactions and for the reporting of these transactions. We have formed an opinion as to the manner in which the financial reporting is impacted by the group's inventory.</p> <p>Furthermore, the relevant IT systems have been tested with regard to, amongst other things, change management, authorisations and access rights.</p> <p>Within the inventory process, there are controls executed by the operations to ensure correct accounting. We have evaluated the design and tested the effectiveness of those controls significant to the audit.</p> <p>In order to ensure the existence of the inventory and its condition, we also participated in a selection of all of the stock-taking exercises executed by Mekonomen. Furthermore, we have assessed the obsolescence provision in accordance with the obsolescence schedule applied within the Mekonomen group.</p> <p>For some of the group's central warehouses a so-called data analysis was performed implying that all inventory transactions were sorted and analysed according to pre-determined, established parameters.</p> <p>We have also studied and evaluated the information provided in Notes 1 and 17 of the annual report.</p>
<p>FTZ and Inter-Team acquisition – Purchase Price Allocation</p> <p><i>We refer to Note 30 and the accounting principles.</i></p> <p>The Mekonomen group acquired FTZ in Denmark and Inter-Team in Poland in September 2018. The acquisitions significantly increase the size of the Mekonomen group.</p> <p>The accounting for the acquisitions of FTZ and Inter-Team has required a significant amount of management estimates and judgements. The key judgements relate to adjustments made to align accounting policies and to the allocation of the purchase price to the assets and liabilities acquired.</p> <p>The purchase consideration amounts to SEK 4.3 billion and the goodwill recognized is SEK 1.7 billion. Further, the value of trademarks recognized amount to SEK 0.5 billion and the value of customer relations to SEK 0.7 billion.</p>	<p>We instructed the local auditors of each acquired entity to audit the opening balances as per acquisition date. We conducted audit procedures to assess other aspects of the accounting including the adjustments made to align accounting policies with those of the group.</p> <p>In evaluating the company's purchase price allocation for FTZ and Inter-Team respectively, we reviewed and assessed the identification and valuation of the acquired assets and liabilities against market data, where available, industry benchmarks and facts in the transaction. For the material assets, namely trade names and customer relationships, we tested the assumptions for reasonableness, and involved our internal valuation specialists in our audit work.</p> <p>We have also studied and evaluated the information provided in Notes 1 and 30 in the annual report.</p>
<p>Other Information than the annual accounts and consolidated accounts</p> <p>This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–34 and 88–97. Other information consist of information of Mekonomen group and information about the board of directors, group management and key ratios definitions. The Board of Directors and the Managing Director are responsible for this other information.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>Responsibilities of the Board of Director's and the CEO</p> <p>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.</p> <p>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</p>	<p>Auditor's responsibility</p> <p>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.</p> <p>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.</p> <p>Report on other legal and regulatory requirements</p> <p>Opinions</p> <p>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 Mekonomen AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.</p> <p>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.</p>

Basis of the 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41–49 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, Stockholm was appointed auditor of Mekonomen AB (publ) by the general meeting of the shareholders on the 9th of May 2018 and has been the company's auditor since the 8th of April 2014.

Stockholm 1 April 2019
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant
Auditor in charge

Linda Corneliussen
Authorised Public Accountant

FIVE YEARS IN SUMMARY

The tables below present financial information in summary for the financial years 2014-2018.

Income statements, SEK M	2018	2017	2016	2015	2014
Continuing operations:					
Net sales	7,779	5,850	5,786	5,624	5,262
Other revenue	172	150	151	137	128
Goods for resale	-3,901	-2,654	-2,686	-2,529	-2,337
Other operating expenses	-3,413	-2,635	-2,595	-2,449	-2,229
EBITDA	637	710	656	784	824
Depreciation and impairment of tangible fixed assets	-84	-60	-62	-57	-61
EBITA	553	649	594	726	763
Amortisation and impairment of intangible fixed assets	-146	-127	-113	-110	-124
Operating profit, EBIT	407	522	481	616	639
Net financial items	70	-48	-35	-22	-19
Profit after financial items	477	475	446	594	620
Tax on profit for the year	-209	-107	-105	-164	-153
Profit for the year from continuing operations	268	368	342	430	466
Discontinued operations:					
Profit for the year from discontinued operations ¹⁾	-	-	0	0	-340
Profit for the year	268	368	342	430	127

Balance sheets, SEK M	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014
Assets					
Intangible fixed assets	5,745	2,686	2,757	2,734	2,813
Other fixed assets	567	409	304	288	321
Inventories	2,816	1,382	1,279	1,226	1,223
Accounts receivable	868	488	485	453	450
Other current assets	662	335	336	365	319
Cash and cash equivalents	205	254	291	295	258
Total assets	10,863	5,554	5,452	5,361	5,384
Shareholders' equity and liabilities					
Shareholders' equity, Parent Company's shareholders	3,828	2,363	2,311	2,143	2,066
Non-controlling interests	25	16	14	12	14
Long-term liabilities	3,726	1,640	1,524	1,645	1,575
Current liabilities	3,284	1,535	1,603	1,560	1,728
Total shareholders' equity and liabilities	10,863	5,554	5,452	5,361	5,384

Condensed cash-flow statement, SEK M	2018	2017	2016	2015	2014
Cash flow from operating activities	331	496	544	439	413
Cash flow from investing activities	-4,407	-229	-94	-146	-121
Cash flow from financing activities	4,044	-295	-466	-245	-309
Cash flow for the year	-32	-27	-16	48	-17

Data per share ²⁾ , amounts in SEK per share unless otherwise stated	2018	2017	2016	2015	2014
Earnings, continuing operations	6.56	10.05	9.32	11.77	12.80
Earnings, discontinued operations	-	-	0.00	0.00	-9.46
Earnings	6.56	10.05	9.32	11.77	3.34
Cash flow	8.3	13.8	15.1	12.2	11.5
Shareholders' equity	67.9	65.8	64.4	59.7	57.5
Dividend ³⁾	0.00	4.46	4.46	4.46	4.46
Share of profit paid, %	0	70	75	59	210
Share price at year-end	91.5	149.3	171.5	173.0	204.0
Share price, highest for the year	166.2	191.0	207.0	234.5	207.0
Share price, lowest for the year	88.4	139.8	150.5	170.0	139.0
Direct yield, %	0.0	4.7	4.1	4.0	3.4
P/E ratio at year-end, multiple	14.0	14.9	18.4	14.7	61.1
Average number of shares after dilution effects ⁴⁾	39,718,604	35,901,487	35,901,487	35,901,487	35,901,487
Number of shares at end of period	56,416,622	35,901,487	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	12,310	10,707	9,484	9,373	9,664

¹⁾ The discontinued branch operations in Denmark are presented as discontinued operations as of 1 January 2015.

²⁾ For information on financial definitions, refer to page 96.

³⁾ Board of Directors' dividend proposal 2018. The dividend for 2014-2017 is restated with the number of shares outstanding as at 31 December 2018, 56,353,372. The actual dividend paid was SEK 7 per 35,901,487 shares for 2014-2017.

⁴⁾ No dilution is applicable.

Key figures ¹⁾²⁾	2018	2017	2016	2015	2014
Sales growth, %	33	1	3	7	3
Gross margin, %	50	55	54	55	56
EBITDA margin, %	8	12	11	14	15
EBITA margin, %	7	11	10	13	14
EBIT margin, %	5	9	8	11	12
Capital employed, SEK M	8,166	4,087	4,066	4,086	3,980
Return on capital employed, %	9	12	12	15	16
Return on shareholders' equity, %	10	16	15	20	21
Return on total capital, %	7	9	9	12	12
Equity/assets ratio, %	35	43	43	40	39
Net debt/equity ratio, multiple	1.1	0.6	0.6	0.8	0.8
Interest-coverage ratio, multiple	10	17	17	19	16
Net debt, SEK M	4,098	1,444	1,437	1,626	1,629
Net debt/EBITDA, multiple ²⁾	6.44	2.03	2.19	2.07	3.09
Average number of employees³⁾					
Sweden	1,438	1,365	1,413	1,438	1,335
Denmark ⁴⁾	389	-	-	-	-
Norway	883	834	808	794	772
Poland ⁴⁾	449	-	-	-	-
Other countries	22	31	66	58	24
Group	3,181	2,231	2,287	2,290	2,131
Number of branches/of which proprietary³⁾					
FTZ - Denmark	51/51	-	-	-	-
Inter-Team - Poland	82/79	-	-	-	-
MECA Sweden	61/56	62/52	61/51	61/48	63/48
MECA Norway	24/24	24/24	24/24	24/24	24/24
Total MECA	85/80	86/76	85/75	85/72	87/72
Mekonomen Sweden	130/112	133/113	132/112	134/113	137/113
Mekonomen Norway	42/31	42/32	45/32	45/32	46/33
Total Mekonomen	172/143	175/145	177/144	179/145	183/146
Sørensen og Balchen - Norway	64/36	68/39	72/37	70/35	71/34
Other	13/7	7/3	8/5	8/5	10/6
Group	467/396	336/263	342/261	342/257	351/258
Number of affiliated workshops⁵⁾					
Mekonomen Bilverkstad - Sweden	423	434	447	457	485
Mekonomen Bilverkstad - Norway	334	335	339	345	378
Mekonomen Bilverkstad - Denmark	-	-	-	102	195
Mekonomen Bilverkstad - Finland	23	23	23	19	17
Total Mekonomen Bilverkstad	780	792	809	923	1,075
MekoPartner - Sweden	138	141	127	125	129
MekoPartner - Norway	86	95	93	97	73
MekoPartner - Denmark	-	-	-	39	153
Total MekoPartner	224	236	220	261	355
Speedy - Sweden	39	35	26	20	14
BilXtra - Norway	258	258	255	246	232
MECA Car Service - Sweden	419	425	425	404	377
MECA Car Service - Norway	302	299	286	272	251
Total MECA Car Service	721	724	711	676	628
Allt i Bil - Sweden	8	-	-	-	-
AutoMester - Denmark	423	-	-	-	-
Din BilPartner - Denmark	136	-	-	-	-
HELLA Service Partner - Denmark	336	-	-	-	-
CarPeople - Denmark	26	-	-	-	-
O.K. Serwis - Poland	175	-	-	-	-
INTER DATA SERVICE - Poland	290	-	-	-	-
Total number of affiliated workshops in the Group	3,416	2,045	2,021	2,126	2,304

¹⁾ For information on financial definitions, refer to page 96.

²⁾ The key figures refer to continuing operations. In the calculation of the key figure Net debt/EBITDA, discontinued operations were, however, included for applicable years.

³⁾ The number of employees and numbers of branches are reported excluding the branch operations in Denmark discontinued in 2015.

⁴⁾ The average number of employees in 2018 is calculated for the period 3 September - 31 December 2018.

⁵⁾ Includes 75 (45) proprietary workshops operated under our brands.

QUARTERLY OVERVIEW

SEK M	2018					2017				
	Full-year	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1
Net sales¹⁾										
FTZ	1,088	836	252	-	-	-	-	-	-	-
Inter-Team	638	490	147	-	-	-	-	-	-	-
MECA	2,008	508	467	543	490	1,907	477	442	495	493
Mekonomen ²⁾	2,684	670	656	726	631	2,683	679	650	703	651
Sørensen og Balchen	739	168	180	209	182	778	176	178	211	213
Other segments ³⁾	622	190	148	154	130	482	135	103	119	125
Group	7,779	2,864	1,850	1,633	1,432	5,850	1,467	1,372	1,529	1,482
EBITA										
FTZ	50	37	14	-	-	-	-	-	-	-
Inter-Team	0	0	0	-	-	-	-	-	-	-
MECA	260	44	51	104	61	273	45	58	93	77
Mekonomen ²⁾	295	51	92	108	45	325	89	80	90	67
Sørensen og Balchen	107	24	29	39	14	120	27	27	39	28
Other segments ³⁾	-159	-49	-30	-50	-31	-70	-26	-8	-19	-17
Group	553	107	155	202	89	649	134	157	203	155
EBIT										
FTZ	49	36	13	-	-	-	-	-	-	-
Inter-Team	-1	0	0	-	-	-	-	-	-	-
MECA	249	41	48	102	59	265	42	56	91	75
Mekonomen ²⁾	290	50	90	107	43	313	79	79	89	66
Sørensen og Balchen	106	24	29	39	14	120	27	27	39	28
Other segments ³⁾	-184	-56	-36	-55	-37	-98	-32	-15	-26	-24
Other items ⁴⁾	-103	-39	-26	-19	-19	-77	-19	-19	-19	-19
Group	407	57	118	173	60	522	96	127	174	126
Investments⁵⁾										
FTZ	10	10	0	-	-	-	-	-	-	-
Inter-Team	3	2	1	-	-	-	-	-	-	-
MECA	17	6	3	4	4	15	4	2	4	5
Mekonomen	124	11	7	55	50	96	11	69	8	8
Sørensen og Balchen	6	0	1	3	2	3	0	0	1	1
Other segments ³⁾	62	23	13	16	10	49	14	7	15	13
Group	222	52	25	78	66	164	30	79	28	27
EBITA margin, %										
FTZ	5	4	5	-	-	-	-	-	-	-
Inter-Team	0	0	0	-	-	-	-	-	-	-
MECA	13	9	11	19	12	14	9	13	19	15
Mekonomen ²⁾	11	8	14	14	7	12	13	12	12	10
Sørensen og Balchen	14	15	16	18	8	15	15	15	18	13
Group	7	4	8	12	6	11	9	11	13	10
EBIT margin, %										
FTZ	5	4	5	-	-	-	-	-	-	-
Inter-Team	0	0	0	-	-	-	-	-	-	-
MECA	12	8	10	18	12	14	9	13	18	15
Mekonomen ²⁾	11	7	13	14	7	11	11	12	12	10
Sørensen og Balchen	14	15	16	18	8	15	15	15	18	13
Group	5	2	6	10	4	9	6	9	11	8
Quarterly data, Group⁶⁾										
Total revenue	7,951	2,922	1,887	1,673	1,469	6,000	1,507	1,414	1,560	1,518
EBITDA	637	134	177	219	106	710	150	172	218	170
EBITA	553	107	155	202	89	649	134	157	203	155
EBIT	407	57	118	173	60	522	96	127	174	126
Net financial items	70	-39	114	-3	-2	-47	-9	-8	-18	-13
Profit after financial items	477	17	233	170	58	475	87	119	156	113
Tax	-209	-9	-147	-38	-15	-107	-12	-30	-38	-27
Profit/loss for the period	268	8	85	131	43	368	75	89	118	86
Gross margin, %	50	44	51	56	53	55	55	54	54	54
EBITDA margin, %	8	5	9	13	7	12	10	12	14	11
EBITA margin, %	7	4	8	12	6	11	9	11	13	10
EBIT margin, %	5	2	6	10	4	9	6	9	11	8
Earnings per share, SEK	6.56	0.18	2.30	3.53	1.15	10.05	2.07	2.43	3.22	2.33
Shareholders' equity per share, SEK	67.9	67.9	64.4	66.3	68.8	65.8	65.8	64.3	61.6	66.3
Cash flow per share, SEK	8.3	0.9	4.9	6.5	0.2	13.8	6.8	2.2	3.7	1.0
Return on shareholders' equity, %	9.7	9.7	13.7	14.0	13.6	15.6	15.6	15.3	15.2	14.9
Share price	91.5	91.5	126.4	123.8	142.6	149.3	149.3	184.5	167.0	176.5

¹⁾ Net sales for each segment are from external customers.

²⁾ As of 1 January 2018, Marinshopen is included in "Other segments" instead of the Mekonomen segment, the comparative figures are not restated. Marinshopen's net sales amounted to SEK 4 M for the fourth quarter of 2017 and EBIT amounted to SEK -2 M. For the period January-December 2017, net sales were SEK 26 M and EBIT was SEK -12 M, including an impairment of goodwill of SEK -9 M. Marinshopen was externally divested in the second quarter of 2018.

³⁾ "Other segments" includes Mekonomen's wholesale and branch operations in Finland, Meko Service Nordic with the workshop operation Billivet, the workshop operation Speedy, the workshop operation Allt i Bil, the operations with Heavy Vehicles, ProMeister Solutions, Preqas, the operation in Mekster, the service Mekonomen vehicle leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norway and Group-wide functions also including Mekonomen AB (publ). Mekonomen's branch operations in Iceland were divested in the first quarter and Marinshopen was divested in the second quarter of 2018.

⁴⁾ "Other items" include acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items are amortisation of acquired intangible assets related to the acquisitions of MECA, Sørensen og Balchen, FTZ and Inter-Team.

⁵⁾ Investments do not include company and business combinations

⁶⁾ For information on financial definitions, refer to page 96.

SUSTAINABILITY INFORMATION

Principles and delimitations

This year's Sustainability Report is a part of the Annual Report and was prepared in observance of the requirements in the Annual Accounts Act and refers to the Global Reporting Initiative's (GRI) Standards Core. The Sustainability Report also constitutes our Communication on Progress to the UN Global Compact.

The Sustainability Report is a part of Mekonomen Group's Annual Report 2018 and covers Mekonomen Group's proprietary operations in the Nordic region. Through the acquisitions of the companies FTZ in Denmark and Inter-Team in Poland in the third quarter of 2018, they became part of Mekonomen Group. The acquired companies are included in sustainability information and data in the cases stated in the text. Affiliated workshops are not owned by the Group and are not covered in the report's information or presented key figures unless otherwise stated.

The GRI index refers to the sustainability reporting and information in the annual report for 2018. The company's auditors have reviewed and certified that a Sustainability Report has been prepared by Mekonomen Group as per the regulations of the Annual Accounts Act. The content of the sustainability reporting and Sustainability Report has not been audited by a third party. The most recent Sustainability Report was published on 28 March 2018.

Materiality analysis

An analysis of significant areas began in 2014 and was then supplemented with an analysis of the Group's work in relation to the UN Global Compact. In 2017, the Group's work was screened in relation to the Annual Accounts Act and new guidelines under GRI standards. In 2018, the materiality analysis was supplemented based on the UN's 17 Global goals for sustainable development.

Our most important sustainability areas are within the four following main areas:

We focus on the customer

- Customer satisfaction
- Product and workshop quality

We have committed and competent employees

- Competence development
- Working conditions and work environment
- Managers and employees
- Gender equality, diversity and inclusion

We have requirements and expectations on our suppliers

- Responsible purchasing

We have a responsibility for our impact on the environment and the climate

- Transports and energy use
- Waste and chemicals management

SUMMARY RESULTS OF THE MATERIALITY ANALYSIS

	Material area	Materiality Ext	Materiality Int	Why material to the stakeholders	Why material to Mekonomen Group
Customer in focus	Customer satisfaction	✓	✓	To live up to our motto "making car life easier", we need to develop our offering in pace with society's development and customer demand to create recurring and loyal customers.	Creating value for consumers and businesses is important for the Group's profitability and growth. We want to be the car owner's first choice and strive for an easier and more affordable car life.
	Product and workshop quality	✓	✓	Workshops and branch customers have requirements and expectations on the right quality and price on spare parts and accessories. The car owners demand that their cars are maintained and repaired in accordance with their expectations of quality and price.	Many of our products and services are directly linked to the car's safety. A properly serviced and maintained car is an efficient car. It is therefore critical that we offer high quality and continuously quality assure products and workshop services to keep the customers' trust.
Committed and competent employees	Competence development		✓	The technical development of the vehicle manufacturers is taking place at a rapid pace. Employees at our workshops need continuous competence development to take care of the customers' car in a secure and professional manner.	Offering a workplace with the possibility of competence development and career paths is necessary to attract and retain skilled managers and employees.
	Managers and employees		✓	Being a good employer is fundamental to attracting and retaining competent personnel.	Committed managers and employees are key to the Group's success and growth. A good working atmosphere and a good work environment and possibility of involvement and development are prioritised issues.
	Gender equality, diversity and inclusion		✓	Our workplaces should reflect the diversity among our customer groups and society at large. By having employees and managers with varying experience and expertise, we improve the possibility of meeting the customers' needs.	People's differences and experiences contribute to an attractive workplace and promote developing teams with better results.
Requirements on and expectations of suppliers	Responsible purchasing		✓	Good relationships to suppliers have a positive effect on our operations. Mekonomen Group's customers expect us to manage the supply chain responsibly.	Working with responsible suppliers reduces the risks and contributes to Mekonomen Group's sustainability performance.
Responsibility for our impact on the environment and the climate	Transports and energy use	✓	✓	Purchases from suppliers and deliveries to our branches and workshops entail daily transports, which affect the climate and local environment. Energy use in premises affects the climate and environment.	Effective planning of transports and a high filling ratio, as well as energy-efficiency improvements in buildings contribute to a better environment and lower costs.
	Waste and chemicals management	✓	✓	Chemicals and waste management is governed by law. We put chemical products on the market. It is of central importance to people and the environment that the products have the right labelling, are correctly stored and that the right information is available to the user. Waste and hazardous waste arise in our operations, which can affect people and the environment.	The right labelling, storage and control of chemicals reduces environmental and work environment risks. Correctly managed waste reduces costs and contributes to reduced environmental impact.

EMPLOYEES

Employees per category

	FTZ		Inter-Team		MECA		Mekonomen		Sørensen og Balchen		Other items	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
No. of employees												
Men	1034	-	1165	-	625	544	910	924	286	286	626	519
Women	158	-	196	-	115	117	228	232	61	78	165	135
Total	1192	-	1361	-	740	661	1138	1156	347	364	791	654
Permanent / Temporary employees												
Men	1028/6	-	501/664	-	567/58	502/42	760/150	739/185	286/0	286/0	601/21	490/29
Women	154/4	-	91/105	-	103/12	104/13	195/33	188/44	61/0	78/0	159/6	117/18
Total	1182/10	-	592/769	-	670/70	606/55	955/183	927/229	347/0	364/0	760/31	607/47
Full-time/ Part-time												
Men	1007/27	-	1087/78	-	527/98	444/100	690/220	705/219	163/123	195/91	605/21	506/13
Women	124/34	-	190/6	-	87/28	114/3	162/66	162/70	34/27	42/36	156/9	121/14
Total	1131/61	-	1277/84	-	614/126	558/103	852/286	867/289	197/150	237/127	761/30	627/27

Measurement and calculation method: The reporting of employee statistics is gathered from the respective company's system for employee management. The information and method are ensured by the coordinating HR function. In order to enhance the efficiency of the handling, implementation of a human resource management system is under way that will manage employees in MECA and Mekonomen, as well as Group functions.

Comments: The majority of the work in Mekonomen Group is done by employees who are employed in the Group. In our wholesaler operations, staff is hired in from staffing agencies based on ongoing needs. Other exceptions from employment mainly concern project managers or IT personnel in the event of temporary needs during a project or in business development.

Employee turnover

	FTZ		Inter-Team		MECA		Mekonomen		Sørensen og Balchen		Other items	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Men	11.1%	-	1.8%	-	10.8%	12.8%	15.5%	17.6%	-	-	18.6%	16.1%
Women	7.8%	-	0.0%	-	6.8%	10.6%	21.0%	21.3%	-	-	13.8%	16.2%
Total	10.7%	-	1.5%	-	10.2%	12.4%	16.7%	18.3%	-	-	16.7%	16.1%

Measurement and calculation method: The number of employee departures as a percentage of the number of permanent employees regardless of the reason for leaving.

Comments: Data regarding Inter-Team is not directly comparable with other data as permanent employees are not used in the same way as in the Nordic region. Data regarding Sørensen og Balchen not available.

Sick leave

	FTZ		Inter-Team ¹⁾		MECA		Mekonomen		Sørensen og Balchen		Other items	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Men	3.9%	-	-	-	3.8%	4.4%	3.1%	1.7%	3.5%	4.1%	3.1%	5.1%
Women	3.5%	-	-	-	5.5%	6.9%	5.2%	3.3%	6.7%	5.9%	2.8%	4.7%
Total	3.9%	-	3.3%	-	4.0%	4.8%	3.5%	2.0%	4.0%	4.4%	3.0%	5.0%

Measurement and calculation method: Sick leave in relation to ordinary contracted working hours presented in per cent.

¹⁾ Data divided into men/women not available

Occupational injuries

	FTZ		Inter-Team		MECA		Mekonomen		Sørensen og Balchen		Other items	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total	18	-	5	-	21	7	5	9	0	2	42	26

Comments: Refined measurement methods mean that data is not directly comparable between the years.

Employee commitment (EI) and leadership index (LSI)

Measurement and calculation method: In the Group, an employee survey is done every two years. The latest measurement was done in 2017. Presented data pertains to the Group before the acquisitions of FTZ and Inter-Team. The survey is done in cooperation with an external party.

Employee commitment (EI) measures commitment in the form of clarity regarding the operations' goals and motivation in the work. Leadership index measures the fundamental leadership of the employees' immediate managers.

Membership in employer organisations and information on collective agreements

Mekonomen Group is a member of relevant employer organisations. In Sweden, we are, for example, members of Teknikarbetsgivarna, the Swedish Trade Federation and Motorbranschens arbetsgivareförbund.

All employees in the Group have the right to join associations, organisations and to organise in trade unions. Within the Group, 100% of the workforce in Sweden is covered by collective agreements that are signed in the respective companies.

ENVIRONMENT

SUSTAINABILITY REPORT

Waste

Waste (tonnes)	2018	2017
Lead batteries	46	55
For incineration	297	300
Landfill	6	0
Electronics	12	9
Hazardous waste	202	165
Metal	419	205
Paper	42	24
Plastic	20	18
Wood	498	258
Corrugated cardboard	454	344
Other sortable	106	50
Total	2,103	1,429

Measurement and calculation method: Data refers to units in Mekonomen Sweden, MECA Sweden and MECA Norway, which have certified management systems according to ISO 14001 and where framework agreements are used with contract providers. Data also refers to the Group's warehouses in Strängnäs and Eskilstuna and the head office. Data is obtained from the waste contractor that Mekonomen Group's companies have contracts with. 2018's data is not directly comparable with 2017 as more units were added in 2018.

Mekonomen Group is covered by the requirement of a sustainability report according to the Annual Accounts Act. The statutory sustainability report is found in the annual and sustainability report under the bullets below and covers reporting requirements, such as environment, social responsibility, personnel, human rights and anti-corruption.

- Business model p. 6-7
- Governance of the sustainability work p. 22, 42
- Risk management p. 14-15, 39
- Materiality analysis p. 91
- Stakeholders p. 24-25
- Responsible purchasing p. 31
- Human rights p. 26-28, 31, 37-48
- Environment p. 29-30, 39
- Personnel p. 26-27, 37-38
- Business ethics and anti-corruption p. 28

AUDITOR'S STATEMENT REGARDING THE SUSTAINABILITY REPORT

TO THE GENERAL MEETING OF MEKONOMEN AB (PUBL), CORP. ID NO. 556392-1971

Mission and activities

It is the Board of Directors who is responsible for the Sustainability Report for 2018, stated under the heading Sustainability report above (page 93), and that it has been prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's statement RevU 12 Auditor's statement on the sustainability report. This means that our statutory examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides us adequate grounds for our opinions.

Opinions

A sustainability report has been prepared.
Stockholm, 1 April 2019

Lennart Danielsson
Authorised Public Accountant
Auditor in charge

Linda Corneliussen
Authorised Public Accountant

GRI INDEX

GENERAL DISCLOSURES

GRI	Type		Description	Page	Comment/Reservation	UNGC principle
Organisation profile						
GRI 102	General disclosures	102-1	Organisation name		Mekonomen AB (publ).	
GRI 102	General disclosures	102-2	Operations, brands, products and services	2-3, 6-7, 16-21		
GRI 102	General disclosures	102-3	Location of the organisation's headquarters	97		
GRI 102	General disclosures	102-4	Countries where the organisation has operations	3		
GRI 102	General disclosures	102-5	Ownership structure and organisation form	41-49		
GRI 102	General disclosures	102-6	Markets the organisation is active in.	2-3, 9		
GRI 102	General disclosures	102-7	Organisation's size.	1-3, 63, 92		
GRI 102	General disclosures	102-8	Information on employees and others who work for the organisation	3, 63, 92		
GRI 102	General disclosures	102-9	Supply chain	6-7, 31		
GRI 102	General disclosures	102-10	Significant changes regarding organisation and supply chain	35-40		
GRI 102	General disclosures	102-11	Precautionary approach	30		7
GRI 102	General disclosures	102-12	External initiatives regarding sustainability that the organisation supports/is covered by	5, 22		
GRI 102	General disclosures	102-13	Membership in organisations		The Group is part-owner and has Board members in Telge Tillväxt. The Group also has a Board position in the foundation En Frisk Generation, and is a member of the trade association SFVF.	
Strategy						
GRI 102	General disclosures	102-14	Statement from senior management	4-5		
GRI 103	General disclosures	102-15	Significant impact, risk and opportunities	6-7, 12-15, 22-23, 91		
Ethics and Integrity						
GRI 102	General disclosures	102-16	Values, principles and ethical guidelines	10-11, 28		10
Governance						
GRI 102	General disclosures	102-18	Governance structure	22, 41-49		
Stakeholder dialogue						
GRI 102	General disclosures	102-40	List over stakeholder groups	24-25		
GRI 102	General disclosures	102-41	Collective agreements	92		3
GRI 102	General disclosures	102-42	Identification and selection of stakeholders	24-25		
GRI 102	General disclosures	102-43	Methods for stakeholder dialogue	24-25		
GRI 102	General disclosures	102-44	Important issues addressed	24-25		
Reporting practice						
GRI 102	General disclosures	102-45	Units included in the financial reporting	35-40		
GRI 102	General disclosures	102-46	Definition of reporting content and the issues' delimitation	22-23, 91		
GRI 102	General disclosures	102-47	List over significant issues	91		
GRI 102	General disclosures	102-48	Changes to information		No changes have been made	
GRI 102	General disclosures	102-49	Changes in the reporting		No significant changes have been made	
GRI 102	General disclosures	102-50	Reporting period	35, 91		
GRI 102	General disclosures	102-51	Date for publication of the latest report	91		
GRI 102	General disclosures	102-52	Reporting cycle	91		
GRI 102	General disclosures	102-53	Contact person for the report		susanna.fink@mekonomengroup.com	
GRI 102	General disclosures	102-54	Report in accordance with GRI Standards	91		
GRI 102	General disclosures	102-55	GRI index	94-95		
GRI 102	General disclosures	102-56	External review	91		

SUSTAINABILITY GOVERNANCE

GRI	Type	Description	Page	Comment/Reservation	UNGC principle
Sustainability governance					
GRI 103	Sustainability governance	103-1	Explanation of significant issues and their delimitation	22-23, 91	1, 2, 6, 7, 8, 10
GRI 103	Sustainability governance	103-2	Sustainability governance and its components	22-31, 42	1, 2, 6, 7, 8, 10
GRI 103	Sustainability governance	103-3	Evaluation of sustainability governance	22-31	1, 2, 6, 7, 8, 10

GENERAL STANDARD DISCLOSURES

GRI	Type	Description	Page	Comment/Reservation	UNGC principle
Economic impact					
GRI 205	Corruption	205-2	Communication and training regarding anti-corruption	28	10
GRI 205	Corruption	205-3	Confirmed corruption incidents and steps taken	28	10
Environmental impact					
GRI 302	Energy	302-1	Energy consumption within the organisation	29	Information is not available at present (U). 7, 8
GRI 306	Waste	306-2	Waste by type and disposal method	30, 93	8
GRI 307	Compliance with environmental legislation	307-1	Significant fines and sanctions resulting from violations of environmental legislation		The Group did not incur significant fines or sanctions in 2018. 8
GRI 308	Environmental assessment of suppliers	308-1	Share of new suppliers assessed based on environmental requirements	13, 31	8
Social impact					
GRI 401	Employment	401-1	New employees and personnel turnover	92	6
GRI 403	Work environment, health and safety	403-2	Scope of injuries and sickness absence	92	
GRI 404	Training and education	404-1	Number of hours of training per year and employee	27	Information is not available at present (U). 6
GRI 405	Equality and diversity	405-1	Diversity within the Board, management and among employees	27, 38, 43	6
GRI 406	Non-discrimination	406-1	Number of incidents of discrimination and their handling		No cases of discrimination were reported in 2018. 6
GRI 414	Assessment of social conditions at suppliers	414-1	Share of new suppliers assessed based on social requirements	13, 31	2, 4, 5, 6
GRI 416	Customers - health and safety	416-1	Evaluation regarding impact on health and safety from product and service categories		Information is not available at present (U).

GLOSSARY, DEFINITIONS AND ALTERNATIVE PERFORMANCE MEASURES

Financial definitions

Capital employed

Total assets less non-interest-bearing liabilities and provisions including deferred tax liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds held at financial institutions and current liquid investments with a term from the date of acquisition of less than three months, which are exposed to only an insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at nominal amounts.

Cash flow per share

Cash flow from operating activities in relation to the average number of shares. Average number of shares is calculated as the number of shares at period-end multiplied by the number of days this number existed during the period and added to any other number of shares during the period multiplied by the number of days these numbers existed during the period, divided by the number of days during the period.

Earnings per share

Profit for the period excluding non-controlling interests, in relation to the average number of shares. Average number of shares is calculated as the number of shares at period-end multiplied by the number of days this number existed during the period and added to any other number of shares during the period multiplied by the number of days these numbers existed during the period, divided by the number of days during the period.

EBIT margin

EBIT after depreciation/amortisation as a percentage of total revenue.

EBITA

EBITA after depreciation according to plan but before amortisation and impairment of intangible fixed assets.

EBITA margin

EBITA as a percentage of total revenue.

EBITDA

Operating profit before depreciation/amortisation and impairment of tangible and intangible fixed assets.

EBITDA margin

EBITDA as a percentage of total revenue.

Equity/assets ratio

Shareholders' equity including non-controlling interest as a percentage of total assets. Equity/assets ratio for the Parent Company includes shareholders' equity part of untaxed reserves.

Gross margin

Net sales less costs for goods for resale, as a percentage of net sales.

Gross profit

Revenue minus the cost of goods for resale.

Interest-coverage ratio

Profit after net financial items plus interest expenses divided by interest expenses.

Net debt

Current and long-term interest-bearing liabilities for borrowing, meaning excluding pensions, leasing, derivatives and similar obligations, less cash and cash equivalents.

Net debt/equity ratio

Net debt divided by shareholders' equity including non-controlling interest.

Return on capital employed

Profit after net financial items plus interest expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the end of the period added to the four immediately preceding quarters' capital employed at the end of the period divided by five.

Return on shareholders' equity

Profit for the period, excluding non-controlling interests, as a percentage of average shareholders' equity attributable to Parent Company's shareholders. Average shareholders' equity attributable to the Parent Company's shareholders is calculated as shareholders' equity attributable to the Parent Company's shareholders at the end of the period added to the four immediately preceding quarters' shareholders' equity attributable to the Parent Company's shareholders at the end of the period divided by five.

Return on total capital

Profit after net financial items plus interest expenses as a percentage of the average total assets. Average total assets are calculated as total assets at the end of the period added to the four immediately preceding quarters' total assets at the end of the period divided by five.

Sales growth

Increase in the total revenue as a percentage of the total revenue of the previous year.

Shareholders' equity per share

Shareholders' equity excluding non-controlling interests, in relation to the number of shares at the end of the period.

Company-specific definitions

Accessories for cars

Products that are not necessary for a car to function, but enhance the experience or extend use of the car, for example, car-care products, roof boxes, car child seats, etc.

Affiliated workshops

Workshops that are not proprietary owned, but conduct business under the Group's brands (Mekonomen Service Centre, MekoPartner, MECA Car Service, BilXtra and Speedy).

B2B

Sales of goods and services between companies (business-to-business).

B2C

Sales of goods and services between companies and consumers (business-to-consumer).

Comparable units

Branches, majority-owned workshops and Internet sales that have been in operation for the past 12 month period and throughout the entire preceding comparative period.

Concept workshops

Affiliated workshops.

Currency effects on the balance sheet

The impact of currency regarding realised and unrealised revaluations of foreign short-term non-interest-bearing receivables and liabilities.

Currency-transaction effects

Currency impact on internal sales from Mekonomen Gossist AB and from MECA Car Parts AB to each country.

Currency-translation effects

Currency impact in the translation of the earnings of foreign subsidiaries to SEK.

DAB products

Accessories for the car adapted to digital solutions for radio broadcasting. DAB is an abbreviation for Digital Audio Broadcasting.

Fleet operations

Mekonomen Group's offering to companies.

Items affecting comparability

Events or transactions with significant effects, which are relevant to understanding the financial development compared with the earnings of the period in question with earlier periods, including restructuring programmes, costs related to large legal disputes and impairments, as well as gains and losses from acquisitions or divestment of operations, subsidiaries, associated companies and joint ventures or items of a similar nature.

Lasingsoo

The car portal that Mekonomen Group owns together with industry players that simplifies the workshop selection and booking processes for car owners.

OBP

Own brand products, such as ProMeister and Carwise.

Other operating revenue

Mainly comprises rental income, marketing subsidies and exchange-rate gains within Mekonomen Group.

Partner branches

Branches that are not proprietary, but conduct business under the Group's brands.

ProMeister

Mekonomen Group's proprietary brand for high quality spare parts with five-year warranties.

Proprietary branches

Branches with operations in subsidiaries, directly or indirectly majority owned, by Mekonomen AB.

Proprietary workshops

Workshops with operations in subsidiaries, directly or indirectly majority owned, by Mekonomen AB.

Sales in comparable units

Sales in comparable units comprise external sales (in local currency) in majority-owned branches, wholesale sales to partner branches, external sales in majority-owned workshops and Internet sales.

Sales to customer group Affiliated workshops

Sales to affiliated workshops and sales to proprietary workshops.

Sales to customer group Consumers

Cash sales from proprietary branches to customer groups other than affiliated workshops and Other B2B customers, as well as the Group's e-commerce sales to consumers.

Sales to the customer group Other B2B customers

Sales to business customers that are not affiliated to any of Mekonomen Group's concepts, including sales in the fleet operations.

Spare parts for cars

Parts that are necessary for a car to function.

Underlying net sales

Sales adjusted for the number of comparable working days and currency effects.

Alternative performance measures

As of the January-June 2016 interim report, Mekonomen applies the guidelines for alternative performance figures issued by ESMA¹⁾. An alternative performance measure is a financial measure over historical or future earnings trends, financial position or cash flow that are not defined or specified in IFRS. Mekonomen believes that these measures provide valuable supplemental information to the company's management, investors and other stakeholders to evaluate the company's performance. The alternative performance measures are not always comparable with measures used by other companies since not all companies calculate these measures in the same way. They shall thereby be seen as a complement to measures defined according to IFRS. For relevant reconciliations of the alternative performance measures that cannot be directly read or derived from the financial statements, refer to the complement to the 2018 Annual Report on our website www.mekonomen.com/en/alternative-performance-measures/

¹⁾ The European Securities and Markets Authority.

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