ANNUAL REPORT 2019

Mekonomen Group

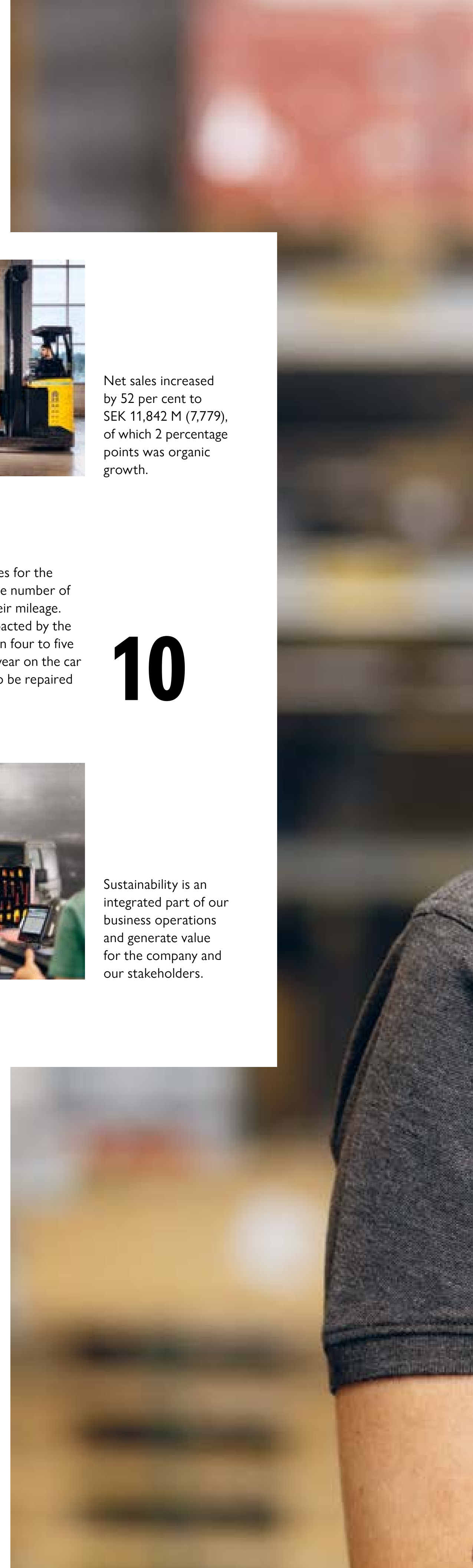
CONTENTS

Mekonomen Group's formal Annual Report comprises pages 36–89. 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 97. 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.

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



Net sales increased by 52 per cent to SEK 11,842 M (7,779), of which 2 percentage points was organic growth.

The primary driving forces for the aftermarket for cars is the number of cars on the roads and their mileage. The market is mainly impacted by the number of cars older than four to five years. That is when the wear on the car parts begins and needs to be repaired or replaced.

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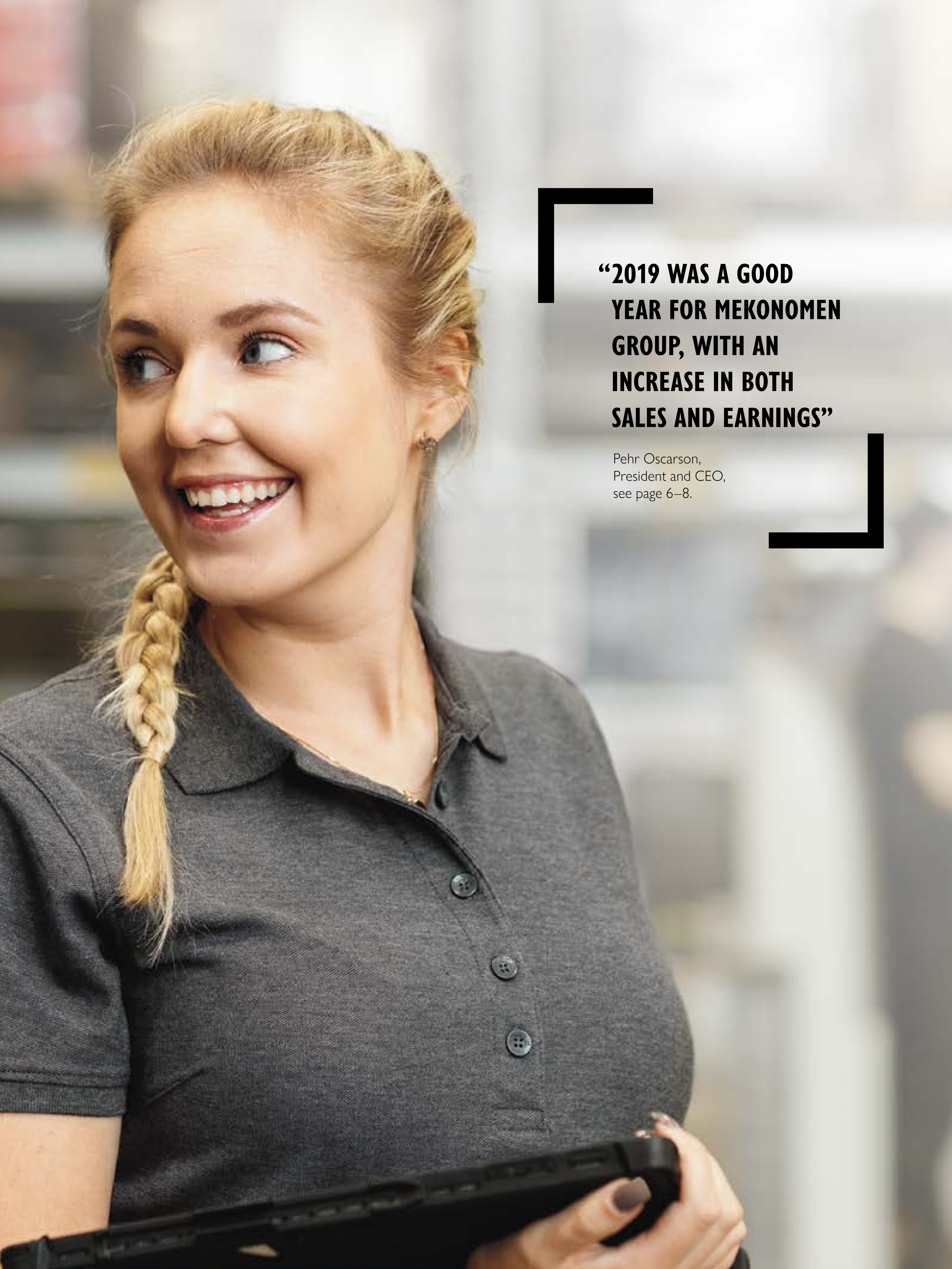
Sustainability is an integrated part of our business operations and generate value for the company and our stakeholders.



"2019 WAS A GOOD YEAR FOR MEKONOMEN GROUP, WITH AN INCREASE IN BOTH SALES AND EARNINGS"

Pehr Oscarson,
President and CEO,
see page 6–8.

THIS IS MEKONOMEN GROUP

Mekonomen Group consists of the leading spare parts distributors in Northern Europe with a proprietary wholesale operation, more than 460 stores and over 3,600 affiliated workshops. We make car life simpler through a broad and accessible range of affordable and innovative solutions and products for car owners and companies.

We mainly make sales to affiliated workshops and other companies. At the same time, it is strategically important for us to develop attractive concepts under strong brands to attract car owners to our affiliated workshops.

VISION

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

BUSINESS CONCEPT

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.

NET SALES SEK M
11,842

NUMBER OF AFFILIATED WORKSHOPS
3,603

RESPONSIBLE PURCHASING[1)]
71.5%

OPERATING PROFIT SEK M
705

NUMBER OF STORES
469

DIGITAL ORDERS
>80%

1. 71.5% of our suppliers of direct materials (products) to our central warehouses (regional or central warehouses) have signed contracts that include a clause on the Global Compact.

DENMARK

#1 POSITION ON THE MARKET

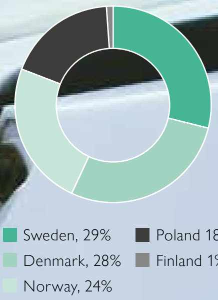
Net sales 3,371
Number of stores 51
Number of affiliated workshops 982
Number of employees 1,178

NORWAY

#1 POSITION ON THE MARKET

Net sales 2,822
Number of stores 131
Number of affiliated workshops 983
Number of employees 1,174

NET SALES BY COUNTRY, %



POLAND

#4 POSITION ON THE MARKET

Net sales 2,155
Number of stores 82
Number of affiliated workshops 603
Number of employees 1,435

SWEDEN

#1 POSITION ON THE MARKET

Net sales 3,404
Number of stores 195
Number of affiliated workshops 1,002
Number of employees 1,815

FINLAND

Net sales 60
Number of stores 10
Number of affiliated workshops 33
Number of employees 35

THE YEAR IN BRIEF

- **Net sales amounted** to SEK 11,842 M (7,779). Net sales increased by 52 per cent, of which 2 percentage points was organic growth.
- **Adjusted EBIT** amounted to SEK 874 M (599) and adjusted EBIT margin amounted to 7 per cent (8).
- **EBIT** increased to SEK 705 M (407) and the EBIT margin increased to 6 per cent (5). EBIT was negatively impacted by items affecting comparability of SEK 11 M (89).
- **Earnings per share** before and after dilution increased to SEK 7.34 (6.56).
- **Cash flow** from operating activities amounted to SEK 1,142 M (331).
- **Net debt** amounted to SEK 3,709 M (4,098).
- The Board proposes no **dividend** (0.00).

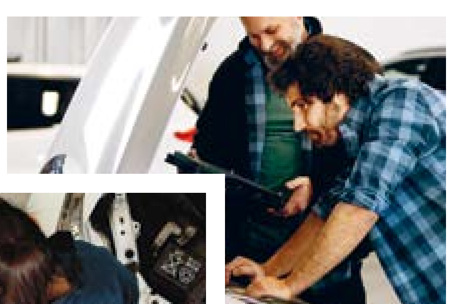
As of 2019, leasing are reported in accordance with the new IFRS 16 standard; comparative figures are not restated. Impact is mainly on cash flow in the ongoing operations.

FIRST QUARTER

- FTZ launched AutoMester E+ in Denmark, a workshop concept with an increased focus on sustainability.
- An overall cost-savings programme was initiated to streamline and adjust the cost structure in the entire Group.
- The merger of MECA's and Mekonomen's central warehouses in Strängnäs – the ramp-up of the newly built fully automatic warehouse area and the conversion of the rest of the warehouse area was finished to support Mekonomen's volumes.
- MECA implemented electric car certification for MECA Car Service workshops in Norway.
- The Group completed the acquisition of Nordic Forum Holding, the holding company for FTZ and Inter-Team.

SECOND QUARTER

- MECA's and Mekonomen's fleet operations are steadily growing and, during the quarter, agreements were signed with a large number of companies, including Leaseplan and Uber.
- BilXtra, a new store concept in Sweden, was opened to attract new workshop customers.
- A training programme was begun in cooperation with the Swedish Public Employment Service and the vocational training provider Yrkesakademin in Sweden to train adults to become automotive technicians.



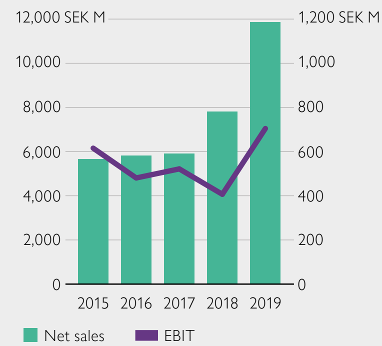
THIRD QUARTER

- Mekonomen was named Sweden's strongest brand in the Car parts and auto workshops category for the fifth consecutive year, according to Evimetrix.
- Mekonomen Group's training centre ProMeister Academy was the first in Norway to start a preparatory training programme for second degree self-driving vehicles, the most advanced level that is in regular traffic today.
- Merger of MECA´s and Mekonomen's central warehouse in Strängnäs – pilot test were conducted where the product supply for a handful of MECA branches was moved to the central warehouse in Strängnäs.

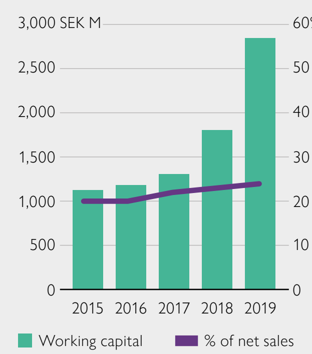
FOURTH QUARTER

- FTZ named the Supplier of the Year during the Auto Awards 2019 in Denmark.
- Inter-Team opened a regional warehouse in the Krakow area in Poland.
- Mekonomen Group was ranked 7th among consumer product companies, in the business daily Dagens Industri's Sustainability Ranking 2019.
- The Group's first adult education in cooperation with the Swedish Public Employment Service was concluded, where 85 per cent of the students found employment after graduation.

NET SALES AND EBIT



WORKING CAPITAL



FINANCIAL SUMMARY

Key figures	2019	2018	2017
Net sales, SEK M	11,842	7,779	5,850
Adjusted EBIT, SEK M	874	599	599
EBIT, SEK M	705	407	522
Profit for the year, SEK M	421	268	368
Earnings per share, SEK	7.34	6.56	10.05
Adjusted EBIT margin, %	7	8	10
EBIT margin, %	6	5	9
Cash flow per share, SEK[1)]	20.3	8.3	13.8
Dividend per share, SEK[2)]	–	–	4.46
Return on shareholders' equity, %	10	10	16
Equity/assets ratio, %[3)]	34	35	43
Net debt/EBITDA, multiple	3.68	6.44	2.03

1. From operating activities.
2. The Board's proposal for 2019. The dividend for 2017 is restated with the number of shares outstanding as at 31 December 2019, 56,323,372. Actual paid dividend in 2017 was SEK 7.00 per 35,901,487 shares.
3. The equity/assets ratio has changed materially as a result of IFRS 16, Equity/assets ratio excl. IFRS 16 amounts to 39.3 per cent for 2019.

INCREASE IN BOTH SALES AND EARNINGS

2019 was a good year for Mekonomen Group. We have successfully integrated Danish FTZ and Polish Inter-Team, which was acquired in 2018, and reduced our leverage. We grew organically and delivered according to plan in our strategic projects to reduce costs and realise synergies. Going forward, we will continue to focus on profitable growth in all operations, while we in the short term are now putting all our efforts into dealing with the effects of the corona virus's rapid spread and its impact on the Mekonomen Group.

The customer in focus

About 90 per cent of our total sales is within the B2B segment and are primarily related to concept-affiliated workshops and other corporate customers. In 2019, we conducted a major customer survey, in which more than 1,500 concept-affiliated workshops participated. Our workshop concepts generally received high ratings from the customers.

The areas that were most appreciated include our development of services and concepts, our central marketing, the support in attracting new customers to the workshops and the contact with the local store. The brand, fast deliveries and a wide range of spare parts were identified as the main reasons for joining one of our concepts.

It is pleasing that the areas that our customers appreciate most align well with our strengths. In addition to this, the survey also provides the basis for how we should prioritize in our work to develope the customer offering.

Synergies and strategic projects

During the year, we focused on realising purchasing synergies following the acquisitions of FTZ and InterTeam. The work is proceeding according to plan and is expected to have full results effect of SEK 100 M from 2021. In 2019, we also established collaboration between our business areas within training and technical support, where the idea is to find and disseminate best practice within the Group.

"CONTINUED FOCUS ON PROFITABLE GROWTH, BUSINESS DEVELOPMENT AND CREATING VALUE FOR OUR CUSTOMERS"

The cost savings programme initiated in the first quarter of 2019, together with greater focus on efficiency improvement and review of unprofitable operations, has contributed with a profit increase of SEK 65 M on a full-year basis from the end of the 2019 fiscal year.

The merger of MECA's and Mekonomen's central warehouses in Strängnäs also proceeds according to plan. In order to minimise risk and ensure a continuously high level of service, we cautiously initiated pilot deliveries to MECA's customers during the second half of the year. Deliveries were then gradually scaled up and, we are now expecting to complete the merger and achieve savings of SEK 50 M annually from 2021.

We also opened a regional warehouse near Krakow to increase our availability and competitiveness in southern Poland. The merger of the central warehouse structure in Sweden and the regional warehouse in Poland resulted in a temporary stock accumulation towards the end of 2019, which is expected to dissolve in 2020.

During the year, the BilXtra concept was launched in the Swedish market. With BilXtra we see that we can increase our market shares in an efficient way, by allowing stores with an established customer base that we cannot reach today becoming affiliates or being acquired.

In addition, we also made changes in the organisation during the year, partly in the form of a smaller Group Management Team and partly through the establishment of four business areas. The target is to create a management of the Group that is closer to the customer with a clearly decentralised responsibility to the respective business area.

Strategic focus

We continue to focus on profitable growth, business development and creating value for our customers.

We will grow profitably by gaining market shares and increasing sales, while maintaining good cost control and taking advantage of synergies and best practice between our business areas in the Group.

By investing in the development of our concepts and adding new business, we ensure the Group's long-term business and future competitiveness. Digitization and the development of new services have a central role in the business development of the Group. We see today that our digital solutions are appreciated, partly through a rapidly increasing proportion of digital workshop bookings, and partly through a growing e-commerce to affilliated workshops and directly to the car owner. The car owners appreciate the services of our affiliated workshops, which was confirmed through a survey by the car owner association Vi Bilägare. This showed that car owners in Sweden who turn to brand-independent general car workshops affiliated with one of the major car workshop chains are more satisfied than those who choose purely branded workshops. It is a very gratifying message and a carrot for us to continue to develop our workshop concepts.

We create value for our affiliated workshops by offering services and solutions that increase their profitability and ensure quality and competence, in line with car manufacturers' technological development. We also attract car owners to the workshops through large customer agreements, digital booking flows and not least through our strong brands. For the fifth time in six years, Mekonomen was named Sweden's strongest brand in the category of car parts and workshops by the Swedish Brand Awards.

Sustainability permeates our business

As a leading player in the industry, we must develop our business in a sustainable way so that we contribute to the global sustainability goals and comply with the principles of the UN Global Compact, which we signed in 2013. We have chosen to especially focus on three of the UN's global sustainable development goals: Affordable and clean energy (7), Decent work and economic growth (8) and Responsible consumption and production (12).

"OUR STRONG CONCEPTS AND CONTINUOUS CONCEPT DEVELOPMENT WILL CREATE CONTINUED OPPORTUNITIES TO GAIN MARKET SHARE AND FURTHER STRENGHTEN OUR POSITION."

Mekonomen Group was ranked number seven within the segment of consumer goods in the business daily Dagens Industri's sustainability ranking and we will continue to work in order for sustainability to be an integrated part of our business model. A part of this is in the training and skills development of mechanics, whose importance increases as the cars change and the technical complexity of the car are becoming ever larger.

A challenge in the industry is to ensure the supply of skilled vehicle technicians. Therefore it is pleasing to note that we will be graduating the first students from our own upper-secondary programme, ProMeister Vehicles, in Lund and Stockholm in the spring of 2020. In the autumn semester of 2020, we will be extend the programme through the establishment in Örebro.

Our training efforts do not apply only in Sweden. In addition to skills development of mechanics in our affiliated workshops, Inter-Team in Poland has had a cooperation with the oldest upper-secondary vehicle training programme in Warsaw since 2017. In Norway, ProMeister Solutions' training programmes for vehicle inspection inspectors has certified around 2,500 mechanics to-date. In addition, ProMeister's skills portal is used by more than 6,000 workshops in four different countries and will be launched in another 15 countries in 2020.

Strong position in a changing industry

The auto industry is changing and in the future we will see more electric cars and connected vehicles on our roads and probably also a broader range of alternative forms of ownership. These are changes that have a relatively limited direct impact on our core business. We are well prepared and see change as an opportunity rather than a threat.

Through our size and our well-established concepts, together with efficient logistics and training academies on the forefront, we have historically been able to benefit from changes in the industry. Not least when it comes to the technical development of the cars, which today is far more complex than 10 years ago.

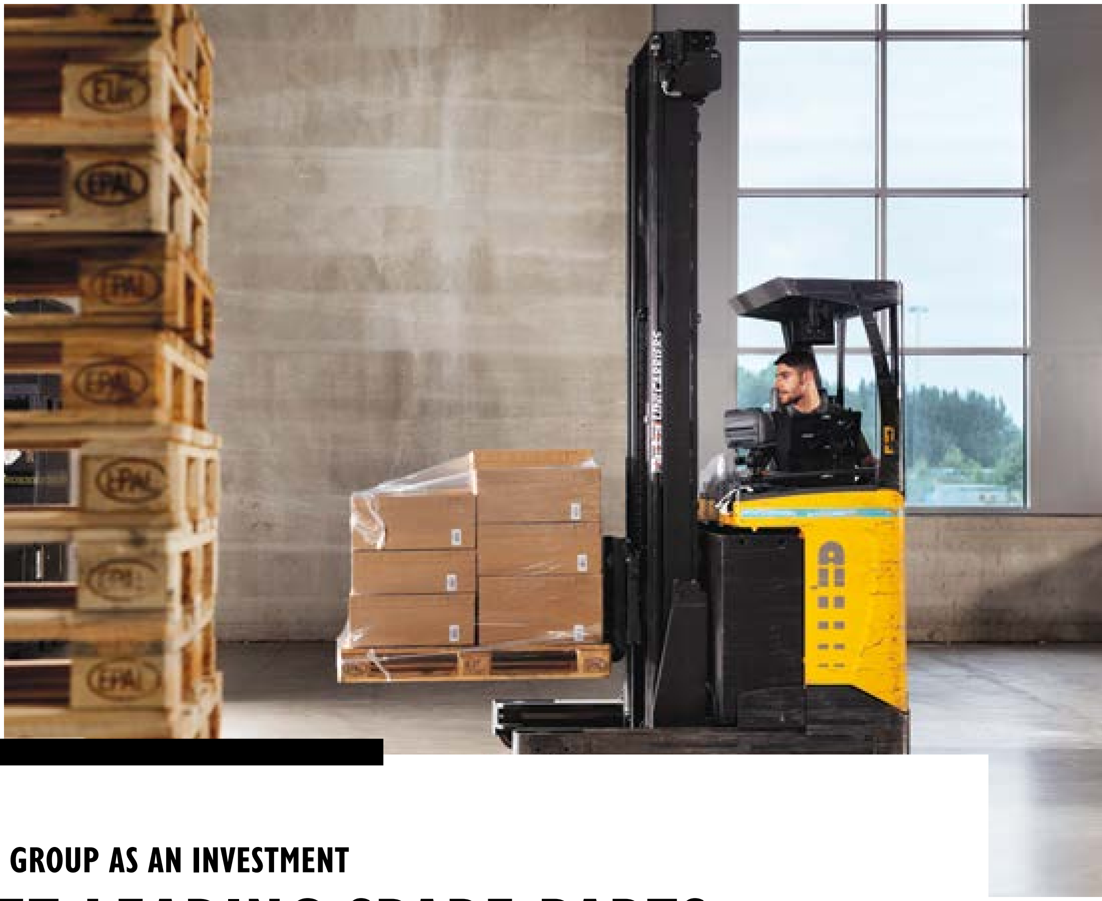
In 2019, the strong euro together with a weak market put pressure on our gross margin, but with the support of our strategic initiatives, we sum up the fiscal year with improved profitability. However, we are not satisfied and see continued room for improvement.

We have a fundamentally stable business to build on by continuing to focus on improvement in profitability in all our operations going forward. This will give us the conditions for improved cash flow and a lower leverage over time. Our strong concepts, together with our well-functioning wholesale and logistics operations, will create continued opportunities to gain market share and further strengthen our position.

As a result of the rapid spread of the coronavirus since the end of February and its impact in markets where Mekonomen Group has a significant presence and the currencies the company is exposed to, we believe that the risk of adverse effects has increased significantly. We are working diligently to manage the situation, with the highest priority being the health and safety of employees and customers. We are also working to safeguard profitability and therefore responsibly rightsize the cost structure to meet temporarily declined demand. During March, we have seen a significantly lower market activity and demand for workshop services and products. The effects are likely to have a significant impact on Mekonomen Group's sales, earnings and cash flow for 2020.

With that, I would like to thank everyone in Mekonomen Group for the commitment and hard work done in 2019. I am looking forward to continued shared successes in 2020.

Pehr Oscarson, President and CEO



MEKONOMEN GROUP AS AN INVESTMENT

MARKET-LEADING SPARE PARTS DISTRIBUTOR IN NORTHERN EUROPE

Well positioned to generate value
Mekonomen Group is a leading spare parts distributor in Northern Europe – number 1 in the market in Denmark, Norway and Sweden, and number 4 in the Polish market with export business to Germany, the Czech Republic and the Baltics, among others. Mekonomen also has a smaller business in Finland. More than 90 per cent of our sales are made to companies, mainly to our affiliated workshops or other workshops outside our concepts. At the same time, the close dialogue with car owners gives us a good understanding of their needs, which gives us a major competitive advantage to continue leading the development in the industry.

Broad competitive offers to our business customers and efficient logistics functions
Through our size, we have a greater opportunity to develop our affiliated workshops to give service and repair the new generation of cars. We ensure that the workshops have access to the right equipment and spare parts and that they have the expertise to take care of all kinds of cars. Order management and sales platforms are mainly digital and through our efficient logistics chain, we can offer workshops and other business customers high availability, a broad product range and fast deliveries of car parts.

Strong local workshop concepts and brands
The Group's workshop concepts and brands have strong awareness among car owners. Our more than 3,600 affiliated workshops are mainly operated as franchises under our brands. Affiliated workshops are our largest and most strategically important customer group. We only own a small number of workshops ourselves. Our strong concepts and brands attract car owners to our affiliated workshops, which benefits the affiliated workshops by them gaining more customers and the Group through greater sales of car parts. The digitalisation of booking procedures and payment solutions creates simplicity and efficiency for both workshops and car owners.

Size advantage and purchasing power
The Group has a major competitive advantage from being one of the largest actors in the aftermarket for car parts and workshop services in Northern Europe. At the same time that our business areas are mainly run as independent operations, we utilise economies of scale and create common platforms in the areas where we can gain synergies. We have economies of scale through our large purchasing volumes, which gives us room for competitive offers to our customers, we differentiate ourselves through our broad portfolio of our own brands and our size enables us to invest in and be on the forefront of the customer offerings, logistics and support systems of the future.

A sustainable business for the future
The Group is participating in the transformation from fossil-powered petrol and diesel cars to a more fossil-independent car fleet by also offering service, repairs and products for electric cars, for example. We seek to be the car owner's first choice regardless of model and fuel. Our goal is therefore to achieve the same market share for cars that are fully or partly powered by electricity as the market shares we have for cars with traditional combustion engines.

Through our own training academies, we ensure that employees in our affiliated workshops have relevant expertise to handle all kinds of cars. We are training the next generation of automotive technicians in our own upper-secondary schools in Sweden. Through Preqas, our company that sells and serves workshop equipment, we ensure that the workshops have updated and modern equipment. With the right service intervals and continuous maintenance, the vehicle can be driven as fuel efficiently as possible during its lifespan. This also contributes to increasing traffic safety on the road.

STABLE AFTERMARKET FOR CARS AND LIGHT TRUCKS

The primary driving forces in the aftermarket for cars and light trucks is the 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 per year. The market is mainly impacted by the number of cars older than five years. That is when the wear on the car parts begins and needs to be repaired or replaced.

GLOBAL TRENDS THAT PROVIDE NEW BUSINESS OPPORTUNITIES

Changed customer expectations – new possibilities create added value

Like other industries, the aftermarket for cars and light trucks is affected by strong global trends, where a new generation of car owners is growing forth with increased expectations on digitalization, sustainability and availability, among other aspects. For us, It is important to have a strong understanding of how the market and our customers' needs change and how we are affected by it. By making use of these driving forces, we create long-term and sustainable growth.

- **Digitalisation** – Online bookings and online stores provide increased transparency and simplicity for workshops and car owners. At the same time, digitalisation provides major opportunities for more efficient logistics through the shortening of value chains and optimisation of logistics flows.
- **Big Data and analysis** provide better understanding of the needs of workshops and car owners and enable tailored customer offerings to the car owners.
- **Future car fleets** – Carpools and other kinds of car ownership are creating new customer needs and new business opportunities. One example is when tenant owner associations or other groups of private individuals own a number of cars together and need that a number of people must be able to use the cars together and that they are maintained.

Next generation of vehicles – requires new expertise

In the automotive industry, development is underway to make smarter vehicles, including electrification and self-driving vehicles. However, it will take time before cars developed today get effect on the aftermarket, since it is after about five years that the car parts start to wear out and need to be repaired or replaced. There is considerable potential for actors that are monitoring the development and gradually preparing to take in the cars of the future.

- **Electric cars** - include fewer moving parts and require new expertise in the industry
- **Self driving cars** – requires new technical expertise around autonomous functions.
- **Connected cars** – simplifies planning and preparations for maintenance and repairs of the car.

	Denmark	Norway	Poland	Sweden
Population (millions)	5.8	5.4	38.4	10.3
GDP growth (%)	2.3	2.3	4.1	1.2
Number of cars (millions)	2.7	2.8	23.4	4.9
Growth in number of cars (%)	2.2	1.8	4.0	0.4
Kilometres driven (10 billions)	4.0	3.6	21.3	6.8
Cars >3 years (%)	70	83	93	75
Purely electric cars (%)	0.6	9.7	<0.1	0.6
Market structure	High consolidation	High consolidation	Fragmented	High consolidation
Expected long-term growth (%)	1–2	1–2	4–5	1–2
Mekonomen Group's B2B share of total sales (%)	100	~85	100	~85
Mekonomen Group's market share (%)	28	25	4	15

Source: Eurostat, OFV, PZPM, Statistics Sweden, Statistics Norway, Statistics Denmark and Statistics Poland, besides market size and market share that is based on the company's own calculations and assumptions.

Shift in competitiveness – possibility of broadening the customer offering

New technology and changed needs among car owners are causing a shift in the competitiveness. Greater demand for simplicity and availability for car owners and workshops pave the way for new services in the market, such as price comparison services and comprehensive solutions. This provides an opportunity for existing actors to broaden and integrate their offers or for new actors to enter the market. One trend in the European aftermarket is to reach economies of scale by acquisition other actors. Partly in order to take advantage of synergies and partly to have a greater possibility of investing in future customer offers. The Group's acquisition of FTZ and Inter-Team in 2018 is a successful example of this. Different countries have achieved differing levels of consolidation and the Nordic market has progressed considerably while the Polish market is still fragmented.

Mekonomen Group well positioned to benefit from the market trends

We are mainly a distributor of spare parts to workshops and other companies, but for us, it is strategically important that we have a strong insight into the needs of the end customer – the car owners – to be able to be on the forefront of development in the industry. Through our investments in business development, we are well positioned to benefit from the prevailing trends. The core of our business is a broad range of spare parts, efficient logistics and distribution, together with attractive workshop concepts. The core business is highly digitalised, around 80 per cent of our sales are already made through digital channels. We also see a large increase in digital bookings. In 2019, we extended the use of our modern and automated central warehouse in Strängnäs, Sweden, opened a new regional warehouse in Krakow, Poland, provided further training to automotive technicians in all of our markets and expanded our offerings of service, parts and accessories for electric cars. We see major opportunities for consolidation in the Polish market in the next few years, which would benefit us based on our long experience of market consolidation.

MEKONOMEN GROUP'S POSITION IN THE MAIN MARKETS

Denmark

In the Danish market, Mekonomen Group works through FTZ and is the market leader. Denmark is the most consolidated market in which the Group is active.

Competing independent actors: CAC Carl Christensen, Auto-G and AD Danmark, and the car manufacturers' network of workshops, the latter represent a large share of the market.

Norway

The Norwegian market is consolidated and consists of a few major actors. Through MECA/Mekonomen and Sørensen og Balchen, who operates the concept BilXtra, Mekonomen Group is the market leader. The Norwegian market has the fastest development in the world in terms of the transition of the car fleet from fossil-powered to electricity.

Competing independent actors: NDS, Romnes and KG Knutson, and the car manufacturers' network of workshops, the latter represent a large share of the market.

Poland

In the Polish market, Mekonomen Group conducts business through Inter-Team. The Polish market is fragmented and consists of one large actor and a number of actors of the same size as Inter-Team. The market is characterised by a high price competition.

Competing actors: Inter-Cars, Moto-Profil, Auto Partner, Gordon and ELIT (owned by Mekonomen Group's largest shareholder, LKQ Corporation), and the car manufacturers' network of workshops, the latter represent a large share of the market.

Sweden

Through MECA and Mekonomen, Mekonomen Group is the market leader in the consolidated Swedish aftermarket.

Largest competing actors: Autoexperten, AD Bildelar and BDS, and the car manufacturers' network of workshops, the latter represent a large share of the market.

BUSINESS MODEL

The Group's core business encompasses purchasing, warehousing and sales of spare parts to workshops and car owners. Distribution takes place through a broad network of stores and local warehouses. In addition to this, we develop and provide concepts with services and solutions to professional workshops, such as technical support, skills development, quality and management systems, recruitment support and business systems.

MEKONOMEN GROUP

PURCHASING AND WHOLESALE OPERATIONS

Through the Group's size, our central purchasing function and our central and regional warehouses, we create economies of scale that allow us to purchase and stock an affordable and broad range of spare parts and accessories. We buy parts from the same suppliers that supply car makers and we set requirements on the quality of the parts in accordance with the car makers' specifications in order to guarantee that the parts match original part quality.

MEKONOMEN GROUP

DISTRIBUTION, STORES AND LOCAL WAREHOUSES

We distribute spare parts and car accessories from our central and regional warehouses to our nationwide networks of branches and local warehouses. From here, sales are made to consumers and companies. The local presence of branches and local warehouses are what our affiliated workshops value most and are also most satisfied with according to an extensive customer survey that was conducted in 2019.

MEKONOMEN GROUP

WORKSHOP CONCEPTS

We offer workshop concepts with services and solutions to our affiliated workshops in all of our main markets. In addition to a broad and available affordable product range, the workshops gain access to technical support, skills development, quality and management systems, recruitment support and business systems. Through strong brands, central large customer agreements and digital booking flows, the workshops also gain a steady flow of car owners to their workshops.

MEKONOMEN GROUP

BUSINESS DEVELOPMENT OF SERVICES AND SOLUTIONS

Our industry is changing at a rapid pace. Through a strong business development function and alliances with strategic partners, we ensure we make use of the new business opportunities offered by new technology and new trends. Technical skills development of automotive technicians is an important part of our DNA and an area in which we are on the forefront in all of our main markets. At the same time, we must continuously streamline and improve our core business, which generates value for us, our owners and our customers today.

AFFILIATED WORKSHOPS & STORES

MORE THAN 3,600 AFFILIATED WORKSHOPS AND 460 BRANCHES AVAILABLE TO CAR OWNERS

Car owners meet us through our workshop and branch concepts. It is therefore important that we develop our concepts with extensive insight of the end customers and ensure the customer experience all the way. The end customer are both private and commercial vehicle owners, where the latter group often owns several cares and has a so-called fleet agreement with the Group for workshop services.

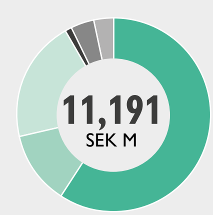
MEKONOMEN GROUP'S VALUE CREATION

We create value for our customers and shareholders by offering affordable, high-quality products and services.

Distribution of financial value[1]

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

Suppliers get value in the form of payment of goods and services that we purchase. Our employees get back value in the form of wages, pensions and other benefits. The Board has the aim that the equivalent of at least 50 per cent of Mekonomen Group's profit after tax be distributed to the shareholders in the form of a dividend. Our lenders get financial value mainly in the form of interest. We generate value to society by paying taxes and social security contributions.



1. Revenue less depreciation, amortisation and impairment, totalling SEK 11,191 M.

THE PATH TO PROFITABLE GROWTH

We create long-term profitable growth by taking advantage of economies of scale and constantly adapting our business based on customer needs, society's development and future trends. Committed employees and leaders and differentiated brands and concepts are our main assets.

The Group's size and operating breadth makes it possible for us to influence and drive development in the entire value chain in the automotive aftermarket. We are focusing our resources and activities on developing The car owner's customer experience and strong workshop concepts as well as leading product ranges and distribution methods. We are in addition benefiting from the synergies from operating as a Group. With this, together with our affiliated workshops, we create a strong offering to private and commercial vehicle owners in the end customer stage.

Focus on profitable growth, business development and creating value for our customers is permeating everything we do.

The car owner's customer experience

We seek to create a seamless customer experience and simplicity for the car owners. By car owners, we mean private and commercial vehicle owners that own one or more vehicles. Even though sales directly to the car owners only constitutes around 10 per cent of the Group's total sales, car owners are a strategic target group that extensively guides concept and business development in the Group. Creating services and solutions that attract car owners to the Group's concept workshops contributes extensively to workshops affiliating themselves with our concepts. At the same time, the flow of car owners to the workshops contributes to increasing the Group's sales of spare parts to affiliated workshops.

In Sweden and Norway, we have come the farthest in terms of the relationship with the end customer group of car owners. Here, we are on the forefront in Europe where we seek to continue developing digital booking flows and developing services that make car life easier for car owners. E-commerce for products and services is growing strongly where we seek to take market shares at the same time that we develop and modernise the assortment and concepts in our physical stores.

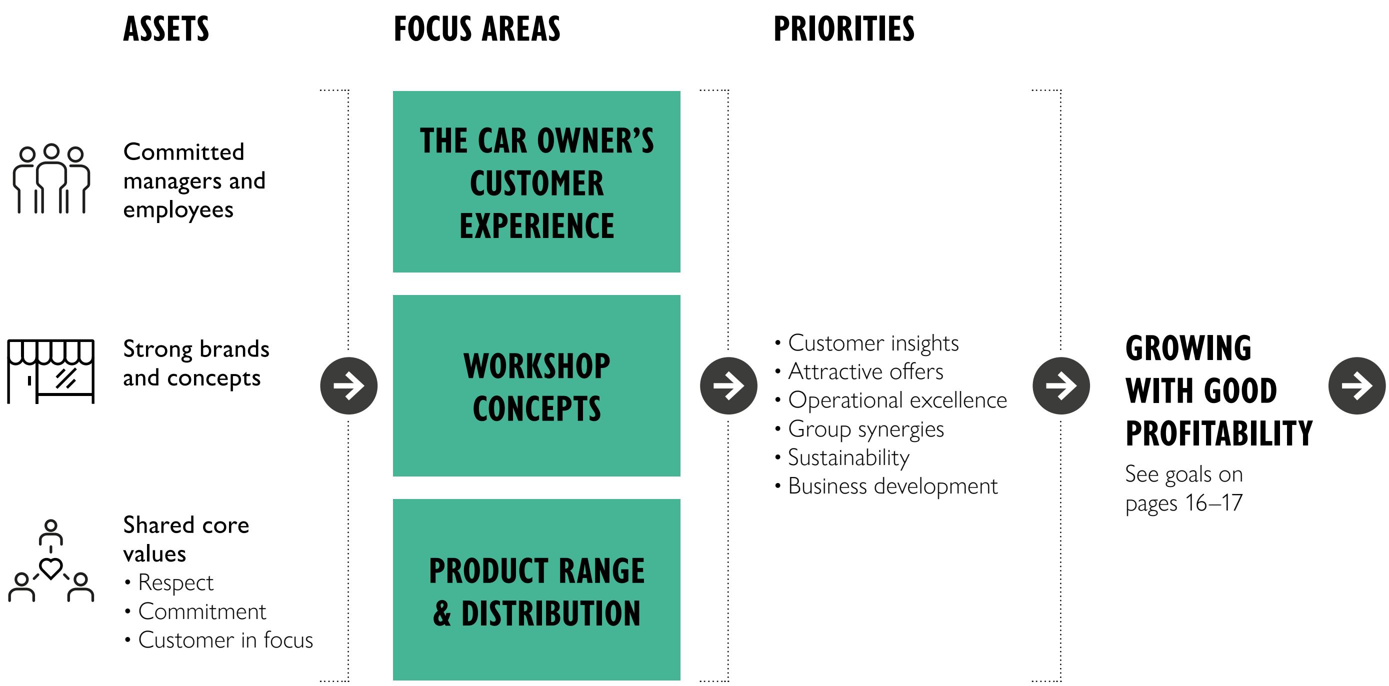
In Denmark and Poland, focus is on strengthen the relationship with car owners with the aim of driving the customer group to our affiliated workshops. Among other things, by continuing to develop services, such as service agreements, digital booking and mobility solutions.

Workshop concepts

We seek to offer attractive and differentiated workshop concepts to our affiliated workshops. The concepts are intended to contribute to business benefit for the workshops with a focus on quality and increased profitability. In addition to an available and broad range of spare parts and car accessories, workshops are offered a number of services and solutions that simplify everyday life and improve the customer experience for the car owners in the end customer stage. This includes business systems, training, technical support, recruitment support and profitability optimisation. The concept also contributes to the workshops acquiring more customers, through among other things large customer agreements, bookings through a central customer service and digital booking flows and, not least, strong brands that guarantee quality and the degree of service. Continuing to develop services and the offering to our workshops is strategically important for all of the business areas.

In Sweden and Norway, focus remains on differentiating and creating unique positions for the respective workshop concepts. In Sweden and Norway, the focus is to support the workshops in streamlining through digital flows and solutions. One successful example is the payment and communication solution that has been integrated into the business system that simplifies administration for the workshops and creates a clearer overview and flexible payment possibilities for the car owners. In Sweden we also help our workshops to get certified according to the new industry standards Godkänd Bilverkstad.

Sørensen og Balchen is the business area in the Group that is mainly impacted by a generally weak retail market



given their strong market share in car accessory sales directly to consumers.

In Denmark, FTZ focuses on differentiating the workshop concepts, in part by developing the largest concept, AutoMester, with service agreements and an environmental positioning through AutoMester E+. Within the concept Din Bilpartner, workshop services are combined with sales of used cars.

The focus for Polish Inter-Team is to continue to attract more affiliated workshops to the concepts, as well as the quality assurance of affiliated workshops and development of more services and solutions that contribute to efficiency and profitability for the workshops.

Product range and distribution

In our core business, we will offer an available and complete assortment of spare parts and car accessories to professional workshops and car owners. We have strong partnerships with leading suppliers and offer assortment under our own brands.

Backwards in the value chain, through our central purchasing function, we set high demands on our suppliers to ensure quality in our product range.

The suppliers must also relate to requirements on sustainability and offer competitive purchasing prices to the Group. In our own wholesale and distribution operations, we control efficiency and availability.

The business models in the respective business area look slightly different, adapted based on the customers' needs, the competition in the market and the development phase in the companies.

In Sweden, the merger of MECA's and Mekonomen's central warehouses is under way, involving new automation and a shared organisation, and entailing significant synergies for the MECA/Mekonomen business area in both Sweden and Norway. In Norway we will continue to have additional local warehousing and distribution to meet the customers' expectations of frequent and on-time deliveries.

In Denmark, deliveries take place from the central warehouse to regional warehouses on to local warehouses before they reach the customer. The regional warehouses and the local warehouses create availability and the possibility of meeting the need for up to ten deliveries daily, which constitutes one of FTZ's largest competitive advantages in the very competitive Danish market. With the dominant market share in the market, there are good possibilities for efficiency improvement while retaining competitiveness.

Inter-Team established a regional warehouse in southern Poland in 2019 to better meet the demand for availability in an area where the company is growing strongly and taking market shares. Poland's large geographic area and tough competition in the market create the need for local availability to a broad assortment.

The assets for driving profitable growth

Our foremost assets for delivering on our strategy are committed managers and employees, differentiated operations, brands and concepts. With these assets we ensure that we cover all parts of the market dynamics whilst we derive the synergies from operating as one Group in not only purchasing benefits, but also in other strategically chosen areas.

Sustainability is integrated in everything we do. In addition, the operations are built from strong individual cultures and values, which is a strength that we safeguard and will retain. Common to the Group is that we as a company and our employees act based on respect, commitment and having the customer in focus. In an increasingly changing world, it is important for us to be sensitive and continuously develop and adapt our business structures and business flows to remain competitive.

GOALS AND GOAL FULFILMENT

Mekonomen Group's overall goal is to develop with high profitability and thereby generate value growth for the shareholders. Our sustainability work is an important component for achieving the overall goals and to ensure that the Group conducts long-term operations.

>5%
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.

OUTCOME 2019

In 2019, net sales increased by 52 per cent (33), positively impacted by the acquired businesses FTZ and Inter-Team in September 2018. Organic growth was 2 per cent as a result of stable sales in the Nordic region and a number of minor acquisitions in Sweden and Norway.

>10%
OPERATING MARGIN

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

OUTCOME 2019

The operating margin increased to 6 per cent (5) for 2019. The margin was positively impacted by lower negative items affecting comparability, cost savings and measures in unprofitable operations. Higher purchasing prices due to a strong EUR and generally lower margins in the acquired Inter-Team than the Group as a whole had a negative effect on the margin.

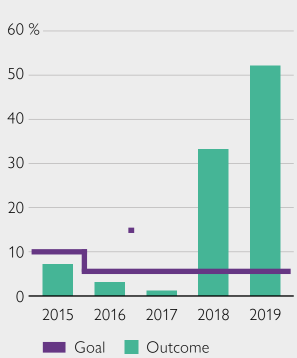
>40%
EQUITY/ASSETS RATIO

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

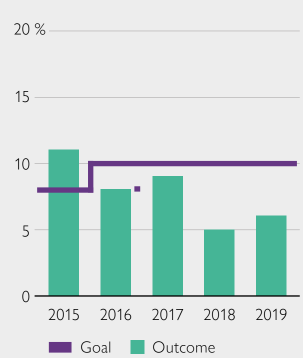
OUTCOME 2019

The equity/assets ratio amounted to 34 per cent at 31 December 2019 compared with 35 per cent at 31 December 2018. Calculated without IFRS 16, the equity/assets ratio was 39 per cent (35)[1].

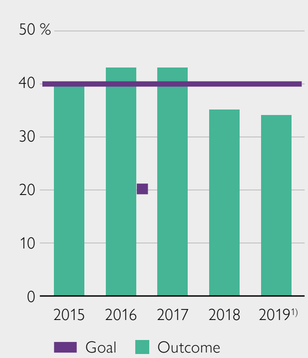
SALES GROWTH



EBIT MARGIN



EQUITY/ASSETS RATIO



1. The equity/assets ratio has materially changed as a result of the introduction of IFRS 16 in 2019. The equity/assets ratio for 2019 excluding IFRS 16 was 39%.

<2.0
NET DEBT/EBITDA

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

OUTCOME 2019

Net debt/EBITDA was 3.68 (6.44) for 2019[1]. The high ratio is mainly due to a continued high net debt in 2019, SEK 3,709 M (4,098), due to the acquisition of FTZ and Inter-Team in 2018. The ambition is to reduce net debt/EBITDA to the same level as before the acquisition by the end of 2021.

>50%
DIVIDEND RATIO

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

OUTCOME 2019

The Board proposes no dividend for 2019 (0.00). Consideration has 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 that at least 50 per cent of profit after tax should be paid as a dividend.

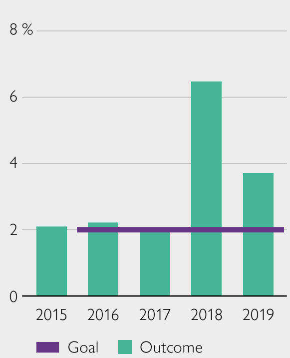
>95%
RESPONSIBLE PURCHASING

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

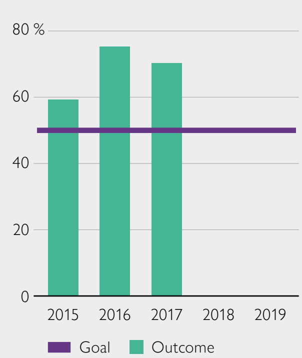
OUTCOME 2019

71.5% of our suppliers of direct materials (products) to our central warehouses (regional or central warehouses) have signed contracts that include a clause on the Global Compact.

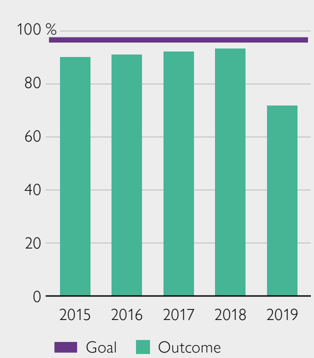
NET DEBT/EBITDA



DIVIDEND RATIO



RESPONSIBLE PURCHASING[2]



1. New goal as of 2016. Net debt/EBITDA excluding IFRS 16 (net debt/EBITDA for 2019 including IFRS 16 was 3.59).

2. The strong decrease from earlier years is due to the acquisitions of Inter-Team and FTZ. Work is under way to increase the proportion in the acquired companies. The goal may be revised in 2020.

RISKS AND RISK MANAGEMENT

The 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.

Risk-management process

In order to ensure a good overview and suitable management of the risks the business is exposed to, the Group works in a structured manner to identify, analyse and manage risks in accordance with a process initiated in 2019. The ambition is for this work to be fully implemented in 2020. The risk analysis is based on the Group's strategy and business planning work, is a natural part of the operating activities and is also a part of major change or investment projects. Each large legal units in the Group must establish a risk register where its material risks, mitigation measures and the people responsible are identified. The Group's sustainability work is taken into account in risk management and the Group's Code of Conduct is a basis for the analysis.

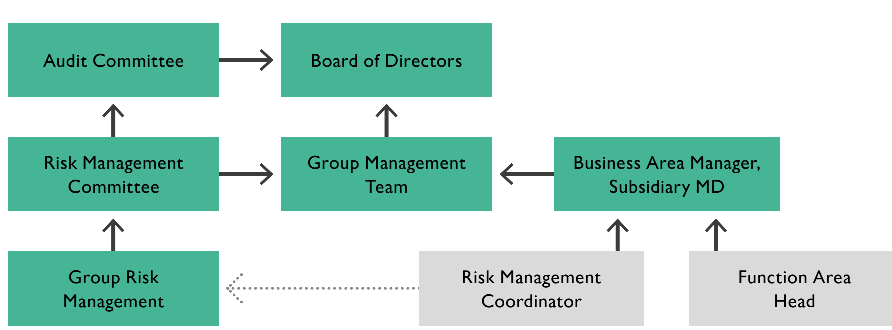
Governance model for risk management

During the year, an overall risk management committee was established for the Group. The cases are presented by the Head of Group Risk Management and the President and CEO chairs the committee. The committee is responsible for providing guidance to the organisation and governing the process of ensuring an overview of the Group's risks, as well as following up the effectiveness of the risk management work. Continuous reporting from the respective business area on risk analyses and mitigation measures is made to the committee, which in turn reports material changes in the risk situation to the Board of Directors through the Audit Committee. The risk analysis is annually reviewed more thoroughly in all forums; see figure below.

Risk function's responsibility and collaboration

Group Risk Management coordinates the Group's risk work and follows up compliance and occurred incidents and supports the subsidiaries with external monitoring, guidelines and training. Regular checks are done between the risk function, internal control responsible´s and internal audit in order to share information on shortcomings identified in self-evaluations or audits done. The effectiveness of the activities conducted are thereby improved to increase risk awareness in identified risk areas. For more information on the work on internal control in financial reporting, refer to page 49 of the Corporate Governance Report. In addition, Group Risk Management manages the Group's common insurance plan, which was renegotiated in a tender round during the year, where complete risk analyses, among other efforts, were done for the central warehouses. During the year, the Group's crisis management and business continuity plans were updated. The whistle-blower procedure was also upgraded to a third-party solution.

A selection of the risk areas identified in the scope of Mekonomen Group's risk-management process and the steps taken to manage the risks are presented on the following pages.



MARKET AND COMPETITOR RISKS

Description	Handling
Overall market	
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.	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. During the year: A Group-wide Best Practice effort was initiated in important strategic areas, such as digital services, concepts and logistics. Projects that build on clear business cases are driven at several levels, from experience exchange to jointly working across the Group.
Car fleet	
Sweden and above all Norway are two countries where the transformation from conventional vehicles to electric vehicles and electric hybrids has come the furthest. The proportion of purely electric vehicles accounted for 2.8 per cent of the total car fleet at the end of 2019. A combined percentage on all of our main markets Denmark, Norway, Poland and Sweden is still low at 0.7 per cent. The transition to electric means that the industry needs to gradually adapt to meet customer demand.	To future-proof our affiliated workshops to be the first choice of electric car owners, for the past several years, we have gradually adapted the workshops, especially in Norway, to be able to accept rechargeable cars. For example, vehicle 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 vehicle 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. During the year: Launch of certified electric car workshops in MECA Norway. The certification gives the customers security in the knowledge that the workshop has provided its technicians with adequate training and is properly equipped. Careful monitoring of the number of electric vehicles in the respective make is done to ensure the supply of spare parts. Active work to create industry-wide standards for the handling of electric cars in the markets with the strongest growth, i.e. Norway and Sweden.
Competition	
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.	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 the majority of Mekonomen Group's sales take place digitally, investments in our e-commerce offer are of major importance. During the year: Development and continued roll-out of the digital spare parts catalogue have continued in Mekonomen Norway. Investment in an upgraded booking service that simplifies the booking process for both car owners and workshops was carried out and launched in Mekonomen Sweden. Launch in more parts of the Group will take place continuously in 2020. We offer our customers qualified technical support through an FAQ portal and over the phone, which builds loyalty among workshops and gives the car owners faster and more advanced help.
Product offering and services	
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 and builds loyalty. To maintain its competitiveness, Mekonomen Group must foresee the customers' needs and purchase and 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.	Mekonomen Group's ambition is to lead the industry's development of future product and service offerings. We are investing in central and local resources to foresee and understand future trends. 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 liability through purchasing agreements with suppliers in the automotive industry and through careful quality controls of our own brands, supplemented with a Group-wide insurance protection. During the year: Continuous development of the Group's own business systems for workshops in order to more clearly than before help the workshops to follow standards, work efficiently and engage customers. A new training portal and support portal were launched with a plan to launch in all business areas as it creates synergies and broadens the knowledge database. An analysis of service agreements was carried out with the goal of offering easier and foreseeable car ownership and generating customers for the workshops to build profitability and loyalty. Focus on developing the fleet business for more efficient administration and better service to corporate customers.

MARKET AND COMPETITOR RISKS, CONT.

Description	Handling
Automotive technicians	
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. There is a shortage in every market, but the shortage is the worst in the Swedish market.	With strong brands and concepts, our training centre and our own upper-secondary school programme ProMeister Vehicles 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. During the year: We actively worked with PR and information campaigns to attract people to the industry. We started a training programme in cooperation with the Swedish Public Employment Service to introduce new adults to the automotive profession where 85% found employment at concept-affiliated workshops and stores after completing training. The decision was also made to start ProMeister Automotive in a new city in 2020. We see a continued increase in the percentage of women applying for automotive programmes.

OPERATIONAL RISKS

Description	Handling
Employees	
Mekonomen Group's success depends on attracting, keeping and developing committed managers and employees. We work for diversity, gender equality and inclusion. 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.	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 appraisals, employee surveys and continuous dialogue, identify irregularities, improprieties and other risk areas. Also refer to pages 28–29 and page 32. During the year: The Group's Code of Conduct was updated and adapted to the new larger Group. Implementation among all employees in the Group will continue during 2020. An employee survey was conducted in the FTZ, MECA & Mekonomen and Sørensen og Balchen business areas, as well as among central functions.
IT	
There is extensive awareness that a coordinated IT structure within certain parts provides the Group major benefits. At the same time, this entails greater risks as disruptions or outages in the Group's common systems affect several subsidiaries where special systems for orders and inventory management are critical.	An outage in the systems for order and stock management would negatively impact the deliveries to our customers. Threats and risks are regularly analysed to identify and ensure that we have adequate robustness to be able to manage disruptions and outages, such as by there being redundancy for critical systems and communication channels. During the year: Efforts to strengthen and develop the IT environment's resilience to disruptions and outages were carried out. Processes, roles, responsibilities and technical solutions were reviewed with the aim of ensuring robustness over time.
Cyber crime	
Like every company, we are subjected to cyber crime, such as attempted fraud, trespassing or sabotage.	To combat attempts at trespassing or sabotage to our IT environments, external monitoring is done within the area, as well as a continuous assessment of whether our protection needs to be changed or expanded. We continuously develop our procedures, processes and technical solutions in the area and have preparedness if we were nonetheless attacked. During the year: A Group-wide cyber insurance was taken out to ensure external support and financial compensation in the event of a major incident. Procedures and technical protection against denial-of-service (DOS) attacks were also reviewed.
Damage to central warehouse or regional warehouses	
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.	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. During the year: All insurance figures were updated per facility during the year in connection with the tender process of a new insurance solution for the Group. There was also a review of continuity plans for the larger central warehouses.

Losses and value handling risks

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 stores and during the transportation of cash from the store to the bank.

At Mekonomen Group, work is continuously in progress to reduce 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.

During the year: System solutions with better functionality were introduced in Swedish Mekonomen stores, which provided better conditions for stable procedures.

Merger of central warehouses

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. 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.

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.

During the year: The project proceeded according to plan. In 2019, preparations and pilots were conducted for the supply of MECA's department warehouse from Strängnäs instead of Eskilstuna. The transfer of all of MECA's department warehouses will continue during 2020.

Environment

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 operations work with the environment systematically. MECA Sweden, MECA Norway and Mekonomen Sweden have certified management system in accordance with ISO 14001 (environment).

During the year: During 2019, Mekonomen Group analysed the Group's carbon dioxide emissions. A more detailed description of our environmental efforts is on pages 30–31.

Suppliers

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 warehouses more than 100,000 article numbers in various warehouses in the Group and has access to more than one million articles for order. 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.

To facilitate control of the supplier level and the supply chain, all major purchasing agreements are controlled by the Group's joint purchasing organisation. Purchasing takes place mainly from European suppliers, which also deliver to the car makers. The suppliers sign our clause on compliance to the UN Global Compact or have shown an equivalent policy of their own.

During the year: During the year, a Supplier Code of Conduct was developed, which describes in more detail Mekonomen Group's expectations of its suppliers.

Corruption risks

Although the risk is considered higher in certain markets and certain industries, corruption is not geographically limited. In general, purchasers and sellers are employee groups that run a greater risk of being involved in corruption.
Today, we make purchases from some markets where corruption is a well-known problem, which requires that we actively distance ourselves from these practices (also see above under supplier risks).

Mekonomen Group applies zero tolerance to corruption. The Group's anticorruption policy is included in the Code of Conduct. In addition to this, there are special guidelines regarding anticorruption with rules on gifts and representation.

During the year: Procedures regarding whistle blowing were clarified in 2019 with a web-based system. The system is accessible to employees and external stakeholders, such as suppliers. The whistle-blower procedure can be used anonymously. A web-based course in the Code of Conduct will be launched in 2020.

FINANCIAL RISKS

Description

Mekonomen Group's financial risks mainly comprise currency, credit, interest-rate and liquidity risks. See Note 36 for a description of the financial risks.
In the Corporate Governance Report on pages 49–50, there is a description of the internal control and risk assessment that aim to prevent misstatements in the financial statements.

OPERATIONS

We are convinced that the combination of differentiated and strong concepts out in the market and a strong centralised purchasing function will enable us to meet our customers' needs with an attractive offering. Together with our efforts in technical support, training academies and digitalisation, we are creating good conditions for profitable growth.

The Group has developed a strategic position when it comes to technical skills development for automotive technicians in all of the Group's main markets. The business areas have developed respective training academies with differentiated focuses where a best-practice project was initiated in the Group to make use of the successful examples and implement them broadly in the Group. One clear example is the well-developed courses and certifications in electric and hybrid automotive technologies in MECA and Mekonomen in Norway, which will be able to be quickly implemented in the rest of the markets as demand grows in the respective markets.

As one of the first aftermarket actors, the Group launched a training programme for level 2 autonomous vehicle technology in 2019. Autonomous vehicles are graded from level 1 to level 5, where level 2 is the most advanced level in a vehicle driven in regular traffic today.

Concept and business development with differentiated focus in our business areas is a strength that means that we can effectively drive a large number of development areas in parallel in the Group and then implement finished solutions in other markets.

By working centrally in areas such as business development and purchasing and also applying best practices between our business areas, we make use of economies of scale in the Group. At the same time, it is strategically important for us that our brands and concepts have their own unique positions in the market.

FTZ

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

In 2019, FTZ launched service agreements, where car owners are offered a fixed price for service for cars up to ten years old. For cars up to three years old, allocations to a repair fund are included in the service subscription that is used by the car owner when a repair need arises.

FTZ was rewarded as the Supplier of the Year in Denmark during the Auto Awards 2019. FTZ also won two more awards through its workshop concept AutoMester: Workshop Chain of the Year and Venture of the Year. In total, awards were given in 24 categories.

MECA & MEKONOMEN

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.

Mekonomen's leading position an strong brand is well-established in the Swedish and Norwegian markets. Through stores, e-commerce and the workshop concepts Mekonomen Bilverkstad and MekoPartner, affordable comprehensive solutions are offered for both car owners and companies.

The workshop concepts MECA and Mekonomen in Sweden and Norway offer the affiliated workshops a proprietary business system that is integrated with a mobile communication and payment solution for a close dialogue between the workshop and the car owner, as well as flexible payment options for the car owner. MECA Norway is a general agent for the digital key storage cabinet Sharebox. Another solution that has been integrated with the business system to create flexibility for the car owner at drop-off and pick-up of the car.

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 the Baltics, among others.

Since 2017, Inter-Team has had cooperation with the oldest automotive upper-secondary school in Warsaw, Poland. The objective of the project is to give prospective young automotive technicians current and practical knowledge in automotive diagnostics and repair. The students participate in specialised training that is organised and conducted by Inter-Team's technical staff in parallel with the school programme. The students receive an opportunity for placement at Inter-Team's workshop concept OK Serwis. Since the beginning, 24 courses have been organised and 94 students have received training.

SØRENSEN OG BALCHEN

Sørensen og Balchen sells spare parts and car accessories and operates the store and workshop concept BilXtra in the Norwegian market. The car part wholesaler is the leader in car accessories for consumers through stores and e-commerce.

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 stores serve as pit stops for car owners who get help in replacing windscreen wipers, replacing light bulbs, installing car boxes, installing child car seats or washing the car.

SUSTAINABILITY IS AN INTEGRATED PART OF OUR BUSINESS

Transports of people and goods are necessary for a well-functioning society and here our operations play an important role, today and in the future. The transport sector is transitioning from fossil fuels to biofuels and electricity, and to greater automation. We are keeping up with the development and train automotive technicians in electric and hybrid electric technology and are increasing our product range with spare parts and accessories for electric cars as demand grows.

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. The sustainability work is an important component for achieving the Group's overall goals and for being a company with sustainable operations in the future as well.

One of the largest challenges in the environmental efforts globally, is to reduce the negative impact on the climate and the environment from transportation. Many new cars sold today are electric or hybrid electric cars, but a large number of cars are still sold that are only run on petrol or diesel. This means that petrol and diesel cars will drive our roads for a long time to come.

Car owners need to be able to service and repair their vehicles regardless of how they are powered. With proper service, maintenance and repairs, the vehicle can be driven as fuel efficiently as possible during its lifespan. We train automotive technicians in electric and hybrid electric vehicles through our training centres and we are increasing our product range with spare parts for electric

WE SUPPORT UN GLOBAL COMPACT

Mekonomen Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption.

CERTIFIED MANAGEMENT SYSTEMS

MECA Sweden and MECA Norway have certified management systems in accordance with the environmental standard ISO 14001. Mekonomen Sweden's stores and several workshops have certified management systems according to the standards for environment (ISO 14001), quality (ISO 9001) and work environment (OHSAS 18001). Preqas in Sweden has a certified quality management system (ISO 9001). Certification of the management systems entails regular internal evaluations and external audits, which are an important part in the improvement work. In the Swedish industry initiative, Godkänd Bilverkstad (Approved Workshop), requirements are also set on systematic quality, environment and work environment efforts, which are checked by an external party. The Group is at the forefront of the introduction of Godkänd Bilverkstad in the Swedish workshops, where a large number of MECA and Mekonomen workshops have been certified according to the standard.

cars as demand grows. The proper maintenance and service of cars means that traffic safety increases on our roads, which is also an important sustainability aspect.

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

As employers, we are present in Sweden, Norway, Denmark, Finland and Poland 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 also need to ensure that opportunities exist for competence development for staff in the workshops. We also promote the development of future expertise in the workshop area.

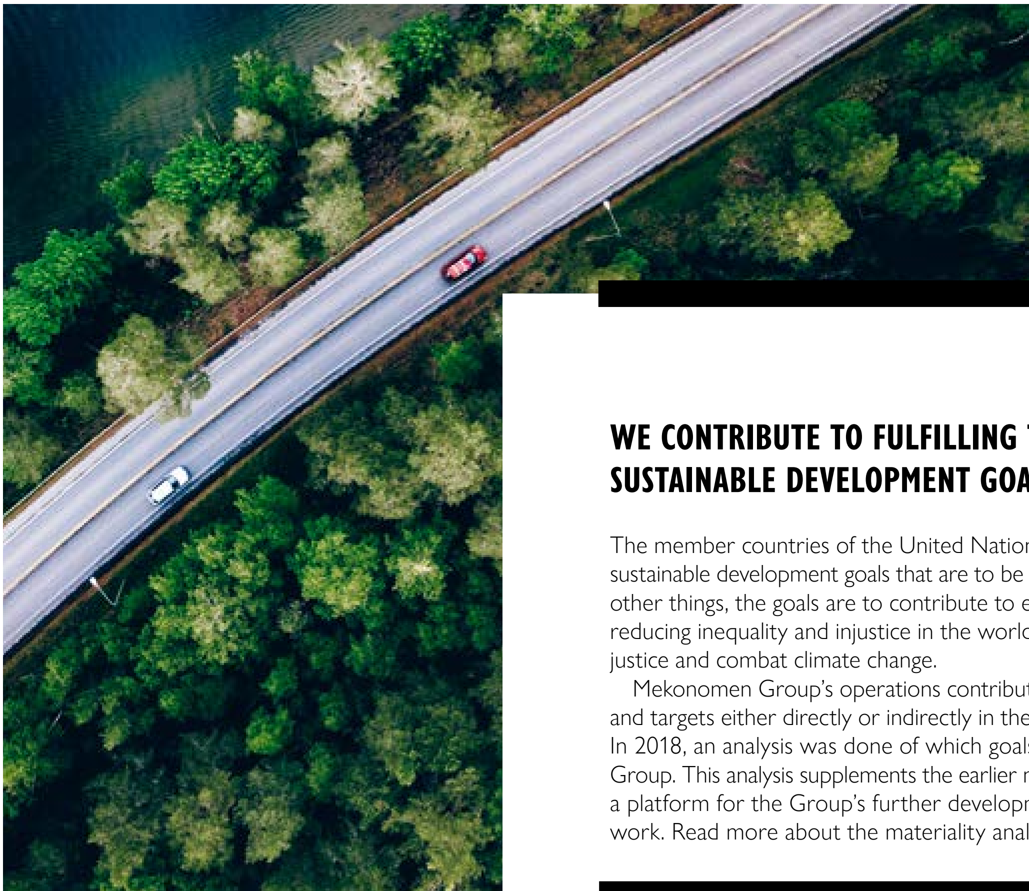
We work to reduce our own operations' impact on the environment and climate, mainly in the areas of chemicals, waste and energy and fuel consumption.

Read more about our material sustainability areas under the respective section.

VISION UNTIL 2020[1)]

1. Enable recruitment of 500 automotive technicians.
2. Committed employees (EI) 82 and leadership (LSI) 85.
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 whistle-blowing procedure and Anti-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. Work is in progress to develop new goals within the sustainability area.



WE CONTRIBUTE TO FULFILLING THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

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 94.

7 AFFORDABLE AND CLEAN ENERGY

AFFORDABLE AND CLEAN ENERGY

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

We make it possible for car owners to service and repair their vehicles regardless of whether they run on fossil fuels, biofuels or electricity. Proper maintenance and service makes the vehicles as fuel efficient as possible.

By developing our products and services for the growing share of vehicles run on alternative fuels, such as biofuels and electricity, we contribute to a transformation in society.

Internally, we work to reduce our energy use in premises and lower fuel consumption, which also means that we reduce our impact on the environment and climate.

8 DECENT WORK AND ECONOMIC GROWTH

DECENT WORK AND ECONOMIC GROWTH

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 developing and it is therefore of central important that our employees develop to be able to meet the customers' needs and the expectations of our surroundings. We invest resources in the training of future vehicle technicians to increase the supply of trained labour.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

RESPONSIBLE CONSUMPTION AND PRODUCTION

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 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

Our customers, which are mainly comprised of workshops and car owners, are our most important stakeholder groups. With our concepts, we want to attract car owners to affiliated workshops as well as our own workshops. We have to be sensitive to what the car owner demands and must be on the forefront in terms of offering training and other service to the workshops. To maintain confidence and develop the company, the dialogue with our stakeholders is key. We conduct continuous dialogues with customers, employees, owners and investors, suppliers and society.

Stakeholder		Dialogue and follow-up	Issues in focus in 2019
Customer	Affiliated and other workshops We sell spare parts to workshops. Orders for spare parts from the workshops are made almost exclusively digitally through the spare parts catalogue. We also offer courses, business systems, and other services to the workshops. Our affiliated workshops offer service and repairs of vehicles to car owners, both companies and private individuals.	• Continuous dialogue in the customer interaction and in contact with customer service. • Customer survey.	• Fast deliveries, contact with the local store, central marketing, range of spare parts, • Affordability and training. • Godkänd Bilverkstad (Approved Workshop) (Sweden).
	Car owners With our concepts, we want to attract car owners, both private and commercial, to our affiliated workshops. Several of our stores also address consumers, both as physical stores and as delivery locations for e-commerce purchases.	• Dialogue over the web, newsletters and in social media. • Consumer surveys and customer satisfaction surveys are carried out.	Offering, quality of services and products, affordability and competence.
Employees	The employees' commitment and performance are crucial to obtaining satisfied customers, good financial results and a pleasant workplace. We seek to offer a safe and developing workplace.	Annual employee talks and continuous dialogue during the year, employee surveys, workplace meetings, intranets, newsletters, and dialogue with union organisations.	Physical and psychosocial work environment, commitment, leadership and development, terms of employment, possibility to influence the local workplace.
Owners and analysts	The Group's share is listed on Nasdaq Stockholm. The company's overall goal is to develop with high profitability and thereby generate value growth for the shareholders.	Annual General Meeting, annual and sustainability report, interim reports, capital market days, road shows and individual meetings with investors and analysts.	A long-term financially sustainable development, growth opportunities, governance and transparency. Business ethics, environmental and climate impact.
Suppliers	We mainly purchase spare parts and accessories from the large European suppliers in the automotive industry. We also have suppliers in Asia. In addition, we have suppliers of indirect materials and services.	Continuous meetings, follow-up during the contract period and audits.	Product quality and safety, signatures and compliance with the UN Global Compact's principles.
Society and authorities	Our business impacts the environment both in terms of the operations and products. The work environment is affected by, for example, heavy lifts and the handling 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 has cooperation with upper-secondary schools.	• Dialogue with supervisory authorities regarding permits and inspections (including those in the environment, working environment, chemicals handling and fire safety). • Meetings and cooperation with authorities, municipalities and industry organisations • Collaboration with NGOs and schools.	• Fulfilment of legislation in e.g. environment, work environment, chemicals and fire safety. • Climate impact. • Enabling more automotive technicians in the labour market. • Training and competence.

Our operations are built up from individual cultures and values, which is a strength that is important to us. Common for the Group is that we act based on respect, commitment and a customer focus.

WE HAVE COMMITTED AND COMPETENT EMPLOYEES

8 DECENT WORK AND ECONOMIC GROWTH

An attractive employer with committed managers and employees

Strong commitment among our managers and employees is necessary to obtain satisfied customers, good financial results and a pleasant workplace. Good leadership is a factor that influences commitment positively. Good leadership, stimulating work and development are factors that mean that we are perceived as an attractive employer, that our employees want to stay with us and that we can recruit new colleagues.

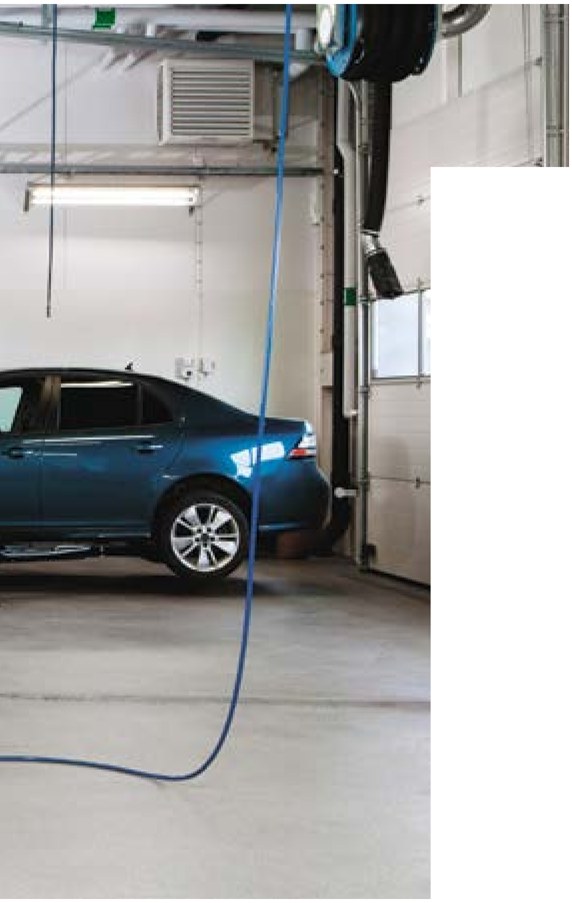
During the year, the business areas FTZ, MECA/Mekonomen, Sørensen og Balchen and central functions conducted employee surveys. The response frequency was high at 86 per cent, which shows that the Group's employees want to contribute to improving the company, their workplace and their own work situation.

The surveys show that commitment is high. For example, the majority of the employees say that they to a high or very high degree are prepared to make a some extra effort for the company to become more successful. In addition, the employees believe that the cooperation in their own team works well and that the team has good leadership.

A good and safe work environment

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 operations work systematically on the work environment, which among other things means that risks are evaluated, procedures are in place to manage the risks and that incidents and accidents are reported.

In our warehouses, stores and workshops, there are some risks regarding the physical work environment that must be managed. The largest work environment risks in the warehouses are heavy lifting, loading and unloading, and forklift operation. In stores, it concerns for example heavy lifting, but also traffic safety as many



OUR FIRST UPPER-SECONDARY PUPILS ARE GRADUATING

In June 2020, the first pupils in the ProMeister Automotive programme will graduate. After completing and graduating with their upper-secondary diploma, the students are guaranteed a six-month probationary employment in one of Mekonomen Group's workshop chains.

In Sweden alone, there is an urgent need in a three year period for 6,000 automotive technicians with the right expertise. 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 therefore took an initial step towards modernising the image of the automotive technician profession by starting its own upper-secondary education, ProMeister Automotive. The programme is being conducted in cooperation with the school actor Lärande i Sverige. The programme has around 40 students per year group. The programme is currently available in Stockholm and Lund. In autumn 2020, the upper-secondary programme will also be started in Örebro.

In order to increase interest in the automotive technician profession, the Group also cooperates with other external organisations, such as the Swedish Public Employment Service, trade associations and municipalities.

store employees drive delivery vehicles. For the workshops, the risks mainly consist of heavy lifting, chemical hazards in the work environment and noise.

Risks in the psychosocial work environment concern for example stress and bullying or victimisation (psychological violence, social exclusion, sexual harassment or other forms of harassment). No employee shall be subjected to this and we have procedures for how we work with these issues. As a part of the prevention work during the year, we clarified the Group's view of bullying and victimisation through our policy for gender equality, diversity and inclusion being in the Group's Code of Conduct. We also communicated the possibility of using the Group's system for whistle blowing in these issues. Read more on page 32.

Diversity, gender equality and inclusion

For us, diversity is about the recognising the value of differences among our employees when it comes to gender, ethnic background, faith, disability, sexual orientation, age, education and experience. We strive for our workplaces to reflect the diversity of our customer groups and society in general.

A major challenge for us is to create an even gender distribution in a traditionally male industry. The proportion of women in the Group is currently about 17 per cent (17). The number of women in senior positions[1)] is 12 per cent (10). We strive to identify both male and female final candidates when filling positions.

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 also offer courses to ensure the correct expertise at our own and affiliated workshops. The technology in the vehicles is developing quickly and we see a higher degree of digitalisation, alternative fuels and electric power. We offer training in e.g. technology, customer service and areas such as handling AC systems, electric and hybrid electric cars, and gas vehicles. In Norway, a course for self-driving vehicles was launched in the autumn (training in the assistance systems of self-driving vehicles).

ProMeister Solutions in Norway also has a training programme for vehicle inspection inspectors where around 2,500 mechanics have been certified to-date.

During the year, more than 11,000 training days were held for automotive technicians, of which 75 per cent were held by workshops affiliated with our concepts.

In 2019, more than 11,000 training days were held for automotive technicians.

1) Senior positions mean those with personnel and budget responsibility.

WE TAKE RESPONSIBILITY FOR OUR IMPACT ON THE ENVIRONMENT AND THE CLIMATE

The Group's operations work systematically with environmental issues and have rules and procedures to manage their environmental impact. Parts of our operations have certified environmental management systems (read more on page 24).

During the year, the Group's emissions of greenhouse gases that arise in our own operations were analyzed. The emissions mainly originate from transports and energy consumption in our premises.

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 stores and e-commerce customers. From the stores, transports are made with our own delivery vehicles and with subcontractors to our own and affiliated workshops. To reduce the environmental impact from the transports, consideration is taken to fuel consumption in the purchase of vehicles.

In the Group's new automated central warehouse in Sweden, the packing 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 customers is minimised.

Energy consumption in premises

We have warehouses, stores, workshops and offices that require energy in the form of heating and electricity. Energy surveys have been conducted according to the requirements set in the respective countries regarding the EU Energy Performance Directive. The most common means of heating are district heating and electricity.

Chemicals management

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 labelling and safety data sheets, ensuring that certain kinds of chemicals are only sold to professionals and that storage is correct in warehouses, stores and workshops. An e-learning on handling chemicals was prepared in 2019 for stores in Sweden with the aim of strengthening the competence regarding these issues.

Proper handling and the right protective equipment in the use of chemicals are of central importance to our workshops.

Mekonomen Group has a systematic control of chemicals. If incorrectly labelled products were to come out on the market, we act as soon as we become aware of it. The products are then stopped centrally for further sales and a recall is made when necessary.

Waste management

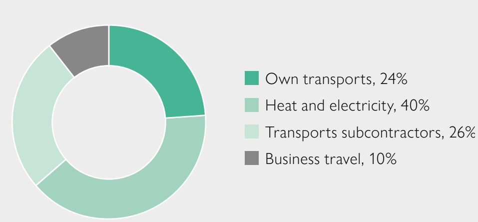
In our operations, waste and hazardous waste arise. In the workshops, hazardous waste arises in the form of e.g. oils, batteries and chemicals. The waste is sorted and handled according to legislation and collected by a waste contractor with a permit to transport waste and hazardous waste.

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Mekonomen Group's largest environmental impact is in the areas of transports, energy use in premises and chemicals and waste management.

DISTRIBUTION OF GREENHOUSE GAS EMISSIONS



WE CONTRIBUTE TO THE TRANSFORMATION TO A FOSSIL-INDEPENDENT VEHICLE FLEET

The transport sector is transitioning from using fossil fuels to biofuels and electricity. As a major actor in the industry, we play a role in contributing to this transformation. Car owners need to be able to service and repair their vehicles regardless of how they are powered. This means that we train automotive technicians in electric and hybrid electric technology through our training centres. We are increasing our assortment with spare parts and accessories for electric vehicles in pace with the growing demand.

FTZ's workshop chain AutoMester in Denmark launched a new workshop concept, AutoMester E+, during the year. The concept includes several components and has a focus on the cars of the future and reducing emissions in diesel and petrol cars. By setting up charging stations at AutoMester E+ workshops, we contribute to the local charging infrastructure in Denmark. The automotive technicians are trained in electric and hybrid electric technology and the workshops will invest in electric and hybrid electric technology to be able to offer the car owner such a car to borrow when their car is turned into the workshop. For the car owners who have conventional petrol or diesel cars, the workshop provides advice on how the car owner should drive as fuel efficiently as possible. This means, for example, having the right tyre pressure, advice on fuel efficient driving and cleaning of the engine. The E+ workshops also have collaboration with the organisation "Plant et Træ" (Plant a Tree). For every booking made online, a tree is planted. In the middle of 2020, the planting of the first 3,000 trees is planned. The Plant et Træ organisation has been around for more than 30 years and to-date has planted around 1.5 million trees in Denmark.

7 AFFORDABLE AND CLEAN ENERGY

WE HAVE A BUSINESS ETHICS APPROACH

Anti-corruption
Although the risk is considered higher in certain markets and certain industries, corruption is not geographically limited. We have zero tolerance to corruption. The Group's view of corruption is presented in the Group's Code of Conduct which includes the Anticorruption Policy. In addition to the Anticorruption Policy, there are special guidelines regarding anticorruption with rules on gifts and representation.

The guidelines apply to all employees and build on parts of the Swedish Code of Business Conduct 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 central 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 2019, a Supplier Code of Conduct was also prepared, which includes specific texts on anticorruption. Implementation of the Supplier Code is under way (read more about the Supplier Code of Conduct on page 33).

In 2019, there were no reported cases of corruption in Mekonomen Group.

Code of Conduct
The Group's Code of Conduct was approved by the Board of Directors and a major update was done in 2019. The Code of Conduct clarifies what is expected of the company. It also clarifies what behaviour is expected of everyone that works under any of the Group's brands. The Code states how the company and our employees shall act with regard to social, environmental and financial responsibility. To make it easier for employees and stakeholders, a number of policies are also included in the Code of Conduct. The Code of Conduct is available in every Scandinavian language, Polish and English. As a part of the implementation of the updated Code, a course will be prepared that all employees will take.

Whistle-blower system
The Group's whistle-blower system gives everyone a possibility to provide information on a suspicion of a serious impropriety. It is important to safeguard good corporate governance and preserve the customers', the suppliers' and the public's confidence in us. Procedures regarding whistle blowing were clarified in 2019 with a web-based system.

The whistle-blower service can be used 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. The service can be used to submit information on a fear that something is not in line with the law, the Code of Conduct or other ethical principles, that can seriously impact our organisation or human life or health.

Information security and data protection
We process information in many different ways in the Group. This processing is generally governed by our information security policy, which is included in the Group's Code of Conduct. Each business area also has its own guidelines for clarifying how, for example, IT systems and personal data shall be handled.

Potential incidents are handled according to set procedures and reported to concerned authorities when necessary according to the respective country's legislation.

THE GROUP'S WHISTLE-BLOWER SYSTEM

The system is available on www.mekonomen.com and is accessible to employees and external stakeholders, such as suppliers. The whistle-blower procedure can be used anonymously.

CODE OF CONDUCT

The Code of Conduct includes Mekonomen Group's Policy regarding Gender equality, Diversity and Inclusion, the Work Environment Policy, the Traffic Safety Policy, the Environmental Policy, the Quality Policy, the Information Security Policy and the Anti-corruption Policy.

WE HAVE REQUIREMENTS AND EXPECTATIONS ON OUR SUPPLIERS

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 the rest of the world.

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 coordination effects with regard to suppliers. The large Group-wide suppliers are handled by the Group purchasing, which works with Group-wide agreements and terms.

During the year, a large number of the Group's most important supplier agreements were revised to also include the newly acquired companies. This means that agreement dependence to earlier parent companies of FTZ and Inter-Team was discontinued. In addition, as of 1 January 2020, FTZ and Inter-Team joined the purchasing association, ATR, which the rest of Mekonomen Group belongs to, in order to harmonise terms within the Group.

Agreements that are not Group-wide are managed by the respective purchasing function within FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen.

The 100 largest suppliers account for more than 80 per cent of the product supply.

Sustainable supply chain

Since 2013, the Group's supplier agreements have had a clause on compliance to the UN Global Compact's principles. In 2019, a Supplier Code of Conduct was developed that is published on the Group's website, which in more detail describes our expectations on suppliers.

In connection with the acquisitions of FTZ and Inter-Team, new suppliers have been added to the Group and also additional own brand products (OBP). The following OBP are now in the Group – ProMeister, Carwise, Kraft Automotive, Sakura, Vehcare and Forumline. The largest quality and sustainability risk is deemed to be comprised of the OBP suppliers. The Group therefore conducts internal audits of all new spare parts suppliers. All Asian suppliers of spare parts to the Polish and Danish own brand products were visited during the year and new contracts with the UN Global Compact's rules were signed, or are in the final phase of being signed.

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 InterCars.

Through the acquisitions of the companies FTZ in Denmark and Inter-Team in Poland, the purchase volumes were doubled and the supplier base was expanded. Work is under way to further develop and implement processes regarding sustainable supplier chains in the whole of the new Group. This work will continue in 2020. The Group will continue to work on a common agreement base, both for local and Group-wide suppliers, and thereby ensure continued compliance with the UN Global Compact.

THE SHARE

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

At 31 December 2019, the total market value of the company was SEK 5.2 billion. The share's highest price in 2019 was quoted at SEK 96.00 on 8 and 9 January. The lowest price was quoted on 15 August at SEK 60.80. The number of shareholders on 31 December 2019 was 12,259 (12,310). As per 31 December 2019, Mekonomen's share capital amounted to SEK 141 M (141) and comprised 56,416,622 shares (56,416,622) 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.

Buyback of own shares

In July, Mekonomen AB carried out a buyback of 30,000 own shares to cover the company's commitment under the *LTIP 2019* approved by the Annual General Meeting on 2 May 2019. The company holds 93,250 treasury shares at 31 December 2019. Treasury shares do not entitle the holder to dividends or votes. For more information, see page 41.

Dividends

In the light of the uncertainty about the market development, as a result of the rapid spread of the corona virus and in order to further strengthen the company's financial position, Mekonomen Group's Board of Directors proposes no dividend for 2019 (0.00). 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. The Board continues to support the long-term goal of paying at least 50 per cent of the earnings as dividends.

Analyst coverage

At present, there are five analysts who follow and analyse Mekonomen Group and provide recommendations on the share.

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 should increase the knowledge about and interest in the company. In 2019, in addition to quarterly reporting and phone conferences, Mekonomen Group participated in a number of investor conferences in the Nordic region and held meetings with investors and analysts in Stockholm, Oslo and Copenhagen. Some of the topics of particular interest to investors and analysts in 2019 were potential synergies from the acquisition of FTZ and Inter-Team, the competition situation, the effect of the strong euro on the purchase prices, and the effect of a larger percentage of electric cars on our roads.

More information on the share

The following information and more is on www.mekonomen.com/sv/investerare

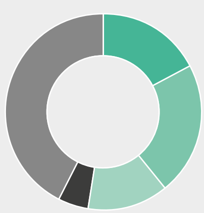
- Share trend
- Ownership structure
- Share history
- Insider trading
- Analyst coverage

Share history

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. 2. The Board's proposal for 2019. 3. No dilution is applicable.

Holding per ownership category[1]



- Swedish fund managers, 17.4%
- Swedish private individuals, 22.0%
- Swedish pension and insurance companies, 13.4%
- Other Swedish owners, 4.8%
- Foreign owners, 42.5%

The 15 largest shareholders, 31 December 2019[1)]

Name	Number of shares	Votes and capital
LKQ Corporation	15,001,046	26.6
Didner & Gerge Fonder	4,992,616	8.9
Fjärde AP-fonden	4,617,503	8.4
Swedbank Robur Fonder	2,497,754	4.0
Eva Fraim Påhlman	2,009,176	3.4
Catella Fonder	1,193,852	3.1
Vanguard	1,082,541	2.6
Ing-Marie Fraim	1,000,000	2.4
Kempen Capital Management	973,485	2.1
Dimensional Fund Advisors	959,120	2.0
Avanza Pension	764,628	1.9
Nordnet Pensionsförsäkring	718,267	1.8
Försäkringsbolaget PRI	600,864	1.6
Norges Bank	516,911	1.6
BlackRock	460,421	1.1
Total 15 largest shareholders	**37,388,184**	**71.6**
Other	**19,028,438**	**28.4**

Holding per size class, 31 December 2019[1)]

Size class	Number of known shareholders	Owner (%)	Number of shares	Votes and capital, %
1–100	5,443	44.4%	193,461	0.3%
101–200	1,679	13.7%	269,292	0.5%
201–500	2,024	16.5%	719,496	1.3%
501–1,000	1,452	11.8%	1,105,207	2.0%
1,001–2,000	761	6.2%	1,148,959	2.0%
2,001–5,000	539	4.4%	1,765,404	3.1%
5,001–10,000	168	1.4%	1,243,092	2.2%
10,001–20,000	86	0.7%	1,289,471	2.3%
20,001–50,000	53	0.4%	1,708,789	3.0%
50,001–100,000	14	0.1%	996,050	1.8%
100,001–200,000	15	0.1%	1,965,736	3.5%
200,001–500,000	9	0.1%	2,935,219	5.2%
500,001–1,000,000	5	0.0%	4,002,219	7.1%
1,000,001–2,000,000	11	0.1%	36,973,679	65.5%
Anonymous ownership			100,548	0.1%
Total	**12,259**	**100.0%**	**56,416,622**	**100.0%**

Data per share[2)]

Amounts in SEK per share unless otherwise stated	2019	2018	2017	2016	2015
Profit	7.34	6.56	10.05	9.32	11.77
Cash flow	20.3	8.3	13.8	15.1	12.2
Shareholders' equity	76.4	67.9	65.8	64.4	59.7
Dividends[3)]	–	–	4.46	4.46	4.46
Share of profit paid, %	–	–	70	75	59
Share price at year-end	93.1	91.5	149.3	171.5	173.0
Share price, highest for the year	96.0	166.2	191.0	207.0	234.5
Share price, lowest for the year	60.8	88.4	139.8	150.5	170.0
Direct yield, %	–	–	4.7	4.1	4.0
P/E ratio at year-end, multiple	12.7	14.0	14.9	18.4	14.7
Average number of shares after dilution effects[4)]	56,338,824	39,718,604	35,901,487	35,901,487	35,901,487
Number of shares at end of period[5)]	56,416,622	56,416,622	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	12,259	12,310	10,707	9,484	9,373

1. Source: Modular Finance
2. For information on financial definitions, refer to page 100.
3. The Board's proposal for 2019. The dividend for 2015–2017 is restated with the number of shares outstanding as at 31 December 2019, 56,323,372. The actual dividend paid was SEK 7 per 35,901,487 shares for 2015–2017.
4. No dilution is applicable.
5. The total number of shares amounts to 56,416,622, of which 93,250 are treasury shares at the end of the financial year.

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 2019 financial year.

The Group consists of the leading car service chains in northern Europe divided across the four business areas: FTZ (Denmark), Inter-team (Poland), MECA/Mekonomen (Sweden and Norway) and Sørensen og Balchen (Norway). Our business areas have unique concepts and solutions to meet the customers' needs. At the same time, we benefit from our economy of scale through a centralised purchasing organisation and structured work with best practice in the areas such as logistics and product flows, technical expertise and concept development.

The Group buys and distributes car-related products through its own central warehouses, regional warehouses and a broad network of stores and local warehouses in the main markets of Denmark, Poland, Sweden and Norway. All of the warehouses and the majority of the stores are wholly owned by the Group, a smaller number of stores is run through part-ownership or franchise cooperation.

We mainly make B2B sales to affiliated workshops and other corporate customers. At the same time, it is strategically important for us to develop attractive concepts under strong brands to attract car owners to our affiliated workshops. Our companies Mekonomen in Sweden and Norway and Sørensen og Balchen, which operates the concept BilXtra in Norway, in addition to the B2B focus, have a clear positioning towards the consumer market – with complete solutions and assortment offers adapted to the target groups.

The Group's workshop concept is operated in the Group's four business areas under the brands: AutoMester, AlltiBil, BilXtra, CarPeople, Din Bilpartner, Hella Servicepartner, Inter Data Service, MECA Car Service, Mekonomen Bilverkstad, MekoPartner, O.K. Serwis and Speedy.

Through the workshop concept, the affiliated workshops are offered a broad, accessible and affordable assortment of spare parts, workshop equipment, diagnostic and other tools and services, such as technical support, skills development for automotive technicians, customer service and digital booking flows. The Group owns and operates only a small number of workshops under its own direction.

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 2019 are LKQ Corporation with 26.6 per cent, Didner & Gerge Fonder with 8.9 per cent, and Fjärde AP-Fonden with 8.4 per cent.

Financial year

The 2019 financial year was a year of transformation and great focus on profitability measures. Inter-Team and FTZ, acquired in September 2018, have been successfully integrated and efforts to reduce our debt leverage ratio have intensified during the year. The market has been weak at times, with the warm summer and unusually mild beginning of winter, as well as the long Christmas break, all contributing to weak demand for car parts and workshop services in most of our markets for periods during the year.

At the beginning of the financial year, a cost-cutting program was initiated, which will result in cost reductions of SEK 65 M on an annual basis, which will take full effect from the end of the fourth quarter of 2019. At the same time, work commenced on dealing with unprofitable operations, which will need to deliver good profitability within a reasonable time frame in order to remain part of the Group.

Work to realise purchasing synergies worth SEK 100 M, which will take full effect in 2021, are proceeding according to schedule and as at the end of the financial year approximately SEK 60 M of gains have been realised, including volume effects.

The project to merge our central warehouses in Sweden is still proceeding according to plan and is expected to generate annual cost savings of SEK 50 M, and should take full effect from the end of 2020.

Net sales increased by 52 per cent to SEK 11,842 M (7,779), of which 2 percentage points were organic growth. The number of weekdays was unchanged in Sweden, Norway and Finland, while there was one additional day in Denmark and Poland compared with the corresponding periods in the previous year.

The gross margin fell to 44.8 per cent (49.9), with FTZ and Inter-Team achieving lower gross margins than the other business areas and thus having a negative impact on the headline figure. The gross margin has also been negatively affected during the year by a changing customer/product mix and increased purchasing costs as a result of the strong Euro against the company's main currencies. As a result of the strong Euro, prices in Norway, Poland and Sweden were adjusted to take exchange rates into account at the end of the financial year.

Adjusted EBIT amounted to SEK 874 M (599) and adjusted EBIT margin amounted to 7 per cent (8). EBIT amounted to SEK 705 M (407) and the EBIT margin amounted to 6 per cent (5). EBIT was negatively impacted by items affecting comparability totalling SEK 11 M (89), regarding integration costs and a positive reversal of DAB products. Adjusted EBIT and EBIT were positively impacted by SEK 20 M as a result of IFRS 16. Currency effects on the balance sheet negatively impacted adjusted EBIT and EBIT by SEK 2 M (–3).

The total number of stores in the chains at the end of the year was 469 (467), of which 397 (396) were proprietary stores. The number of affiliated workshops totalled 3,603 (3,416), of which 82 (75) were proprietary workshops.

Revenue

Net sales rose to SEK 11,842 M (7,779). Net sales increased by 52 per cent, of which 2 percentage points was organic growth. There were the same number of weekdays in the full year as in the previous year in Sweden, Norway and Finland. There was one more weekday in Denmark and Poland during the period of September to December compared with the year-before period after the acquisition of the businesses.

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

Operating profit, EBIT

EBIT amounted to SEK 705 M (407) and the EBIT margin amounted to 6 per cent (5). Profit was negatively impacted by items affecting comparability of SEK 11 M (negative 89), regarding integration costs of SEK 14 M and a positive reversal of DAB products of SEK 3 M.

EBIT was positively impacted by SEK 20 M as a result of IFRS 16. Currency effects on the balance sheet negatively impacted EBIT by SEK 2 M (negative: 3).

Adjusted operating profit EBIT

Adjusted EBIT amounted to SEK 874 M (599) and adjusted EBIT margin amounted to 7 per cent (8). Adjusted EBIT was positively impacted by SEK 20 M as a result of IFRS 16. Currency effects on the balance sheet negatively impacted adjusted EBIT in the period by SEK 2 M (negative: 3).

SEK M	2019	2018
Operating profit (EBIT)	**705**	**407**
Impairment of stock of DAB products	3	–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	–14	–25
Items affecting comparability, total	**–11**	**–89**
Other items[1)]	–157	–103
Adjusted operating profit (EBIT)	**874**	**599**

1. Other items include material acquisition-related items. Current acquisition-related items are amortisation of acquired intangible assets relating to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

Profit after financial items

Profit after financial items increased to SEK 555 M (477), negatively impacted by IFRS 16 in an amount of SEK 23 M. Net interest expense amounted to SEK 139 M (47) and other financial items amounted to an expense of SEK 11 M (income: 117). The large difference in other financial items compared with the previous year is due to positive exchange-rate effects on long-term loans in the third quarter of 2018.

Profit for the year

Profit after tax amounted to SEK 421 M (268) and was negatively impacted by SEK 18 M as a result of IFRS 16. The tax expense in the comparative period was negatively impacted in an amount of SEK 93 M by the impairment of deferred tax assets for Group deductions for earlier deficits in Denmark due to the acquisition of FTZ.

Earnings per share before and after dilution amounted to SEK 7.34 (6.56).

Seasonal effects

The Group has no actual seasonal effects in its operations. However, the number of workdays affects both sales and profit. Additionally, extreme summer or winter weather can affect sales.

FTZ business area

The FTZ business area primarily includes wholesale and store operations in Denmark. The business was acquired on 3 September 2018. FTZ generally has lower grow margins than Mekonomen Group as a whole, which is compensated by generally lower operating expenses.

In 2019, FTZ reported sales on a par with those for 2018. Sales to affiliated workshops and major customers have developed positively, while continued price competition and a weak aftermarket for car parts and workshop services in Denmark during the second half of the year had a negative impact on sales.

Operating profit was negatively impacted by items affecting comparability of SEK 9 M (negative 18) 18regarding costs related to the integration work.

Net sales amounted to SEK 3,371 M (1,088). EBIT amounted to SEK 299 M (49) and the EBIT margin was 9 per cent (5), including items affecting comparability totalling SEK –9 M (negative: 18).

The number of stores amounted to 51 (51), of which 51 (51) were proprietary. There were a total of 982 affiliated workshops (921).

Inter-Team business area

The Inter-Team business area primarily includes wholesaling and store operations in Poland and export operations. The business was acquired on 3 September 2018. Inter-Team generally has lower gross and EBIT margins than Mekonomen Group as a whole.

Inter-Team showed strong sales growth in 2019 compared to 2018, which was driven by good growth both in the domestic market and in export operations. The operating profit includes items affecting comparability of SEK 0 M (negative 7) 18regarding costs related to the integration work.

Net sales amounted to SEK 2,155 M (638). EBIT amounted to SEK 43 M (negative: 1) and the EBIT margin was 2 per cent (0), including items affecting comparability totalling SEK 0 M (negative: 7).

The number of stores amounted to 82 (82), of which 79 (79) were proprietary. There were a total of 603 affiliated workshops (465).

MECA/Mekonomen business area

The MECA/Mekonomen business area primarily includes wholesale, store, workshop and fleet operations in Sweden, Norway and Finland. The business area consists of the previously reported segments MECA and Mekonomen, and of smaller operations that were previously reported in “other segments”: Heavy vehicles, Preqas, Meko Service Nordic, Speedy, AlltiBil and Mekster.

The business area had a stable sales trend in 2019, despite a weak aftermarket for car parts and workshop services in Sweden and Norway. Net sales were positively affected by a number of minor acquisitions, while mild conditions during the early part of winter had a dampening effect. The operating profit was negatively affected by high purchasing costs as a result of the stronger Euro against the Swedish and Norwegian krones, while continued price pressure and changes in the customer and product mix also had an impact.

Net sales amounted to SEK 5,527 M (5,301), of which sales in the Swedish operations were SEK 3,404 M (3,240), sales in the Norwegian operations were SEK 2,063 M (2,015) and sales in the Finnish operations were SEK 60 M (46). Currency effects had a positive impact on net sales totalling SEK 12 million. There were the same number of weekdays as in the previous year in Sweden, Norway and Finland. Organic growth amounted to 2 per cent. EBIT amounted to SEK 438 M (428) and the EBIT margin was 8 per cent (8), including items affecting comparability totalling SEK –2 M (negative: 34).

The number of stores amounted to 271 (270), of which 230 (230) were proprietary. There were a total of 1,760 affiliated workshops (1,772).

Sørensen og Balchen business area

The Sørensen og Balchen business area primarily includes wholesale and store operations in Norway. Sørensen og Balchen is the business area 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 than the rest of the Group.

Net sales at Sørensen og Balchen were relatively stable compared to 2018, with acquisitions at the beginning of the financial year compensating for weak development in the aftermarket for car parts and workshop services. The operating profit improved compared with the previous year as the result of continued good cost control measures and less impact as a result of items affecting comparability.

Net sales amounted to SEK 759 M (739). Currency effects had a positive impact on net sales totalling SEK 4 million. There were the same number of weekdays as in the previous year in Norway. Organic growth amounted to –6 per cent. EBIT amounted to SEK 121 M (106) and the EBIT margin was 16 per cent (14), including items affecting comparability totalling SEK 2 M (negative: 7).

The number of stores amounted to 65 (64), of which 37 (36) were proprietary. There were a total of 258 affiliated workshops (258).

Acquisitions and start-ups

During the year, the Group acquired four stores in Sweden and one store in Norway, as well as three workshops in Sweden and two workshops in Norway. Through FTZ as a part of the acquisition of Inter-Team and FTZ, the Group acquired Nordic Forum Holding, which at the time of the acquisition did not have any operations. This was only as a part of fulfilling the earlier acquisition of FTZ and Inter-Team. The acquisitions' effect on consolidated sales and earnings was only marginal.

Investments

Investments in fixed assets amounted to SEK 457 M (221) during the year, including leases of SEK 326 M. Depreciation and impairment of tangible fixed assets amounted to SEK 611 M (84). Investment in construction in progress for the central warehouse in Strängnäs was made in an amount of SEK 6 M (104). The investments in the central warehouse now total SEK 200 M.

Company and business combinations amounted to SEK 73 M (4,406), of which SEK 8 M (3) relates to the estimated supplementary purchase considerations. During 2019, supplementary purchase considerations were also paid in an amount of SEK 13 M (5). Acquired assets totalled SEK 40 M (2,850) and assumed liabilities SEK 20 M (1,385). In addition to goodwill, which amounted to SEK 35 M (1,865), surplus values on intangible fixed assets of SEK 17 M (829) were identified with regard to customer relations. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 1 M (300).

Acquired non-controlling interests amounted to SEK 6 M (1). Divested non-controlling interests amounted to SEK 1 M (1). Divested operations amounted to SEK – M (6).

Financial position and cash flow

Cash flow from operating activities amounted to SEK 1,142 M (331). Tax paid amounted to SEK 226 M (199). Cash and cash equivalents amounted to SEK 355 M (205). The equity/assets ratio was 34 per cent (35). Calculated without IFRS 16, the equity/assets ratio was 39 per cent. Long-term interest-bearing liabilities amounted to SEK 4,655 M (3,232) including long-term lease liabilities of SEK 1,323 M. Current interest-bearing liabilities amounted to SEK 1,204 M (1,081) including current lease liabilities of SEK 457 M. Net debt amounted to SEK 3,709 M (4,098), which is a decrease of SEK 389 M. The reduction in net debt is primarily an effect of positive cash flow from operating activities, investments, repayments and exchange-rate changes. In 2019, loans were repaid in an amount of SEK 1,445 M (1,997) including repayment of lease liabilities according to IFRS 16 in an amount of SEK 507 M. At 31 December 2019, net debt/EBITDA excluding IFRS 16 amounted to 3.68 (6.44). Net debt including IFRS 16/EBITDA amounted to 3.59.

Amended accounting policies 2019

The implementation of IFRS 16 Leases as of January 1, 2019 has had an effect on most of the Group's profit and loss measures and on individual lines in the income statement, the balance sheet and on the distribution between lines of cash flow. We refer to Note 1 Accounting and measurement policies and Note 15 Leases for a more detailed description of the effects in the Group in 2019. The comparative figures have not been restated as the Group applied the modified retrospective approach in the implementation of IFRS 16 Leases.

Employees

The number of employees at the end of the year was 5,641 (5,569) and the average number of employees during the year was 4,953 (3,181). The 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 the 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.

Diversity and gender equality

Mekonomen Group's workplaces should reflect the diversity among our customer groups and society at large. 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 reviewed 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. Employee surveys are currently conducted in all business areas except Inter-Team, and it is intended that this area is included in future.

Competence of the workshop technicians

The 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, greater digitalisation, 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 2020 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 Group Management, which currently comprises six individuals including the President and CEO.

Remuneration is determined by the Board's Remuneration Committee. However, remuneration of the President and CEO 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 the 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.

During the year, the Group established the long-term share-based incentive programme LTIP 2019 in accordance with the Annual General Meeting resolution on 2 May 2019. The primary motives for establishing LTIP 2019 are to link together the shareholders' and company management's and other key individuals' interests to ensure maximal long-term value creation and to encourage personal shareholding in the Group.The programme is targeted at Group Management Team and some other key individuals in the Group.

To participate in LTIP 2019, some personal shareholding in the Group is required. After the establish vesting period, which extended to 31 March 2022, the participants will be allocated shares in Mekonomen free of charge on condition that certain conditions are met. These conditions are linked to continued employment in the Group, personal shareholding in Mekonomen and the development of Total Shareholder Return (TSR) and Earnings per Share (EPS). The cost for the year amounts to SEK 0.8 M, including social security contributions. For more detailed information, see Note 5 Average number of employees, salaries, other remuneration and social security contributions.

The maximum number of shares in Mekonomen that can be allocated according to LTIP 2019 is limited to 105,000 (including any dividend compensation) according to the General Meeting resolution on 2 May. The actual number of participants is 17 and the number of shares needed to cover the company's commitment according to LTIP is 93,250 shares. To ensure delivery of shares according to LTIP 2019, the company bought back 30,000 shares during the period 3 July–10 July 2019. The company already has 63,250 treasury shares intended for LTIP 2018, which is now being replaced by LTIP 2019. The company thereby has a total of 93,250 treasury shares at the end of 2019 to ensure delivery of shares for LTIP 2019. As the total number of shares in Mekonomen amounts to 56,416,622, this corresponds to 0.17 per cent.

Other benefits refer primarily to company car benefits. 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 and CEO, 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 and CEO is 12 months if employment is terminated by the company, and six months if terminated by the President and CEO. 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.

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, and salary changes. Imports mainly take place from Europe, mainly in the currencies EUR, DKK, SEK and NOK. Purchases in EUR comprised approximately 47 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 36 for more detailed information on how the Group manages currency risk.

Factors pertaining to profit before tax

	Change, %	Impact, SEK M[1]
Sales volumes	+1	53 (39)
Exchange-rate fluctuations		
NOK	+10	73 (83)
EUR	+10	–196 (–143)
DKK	+10	24 (6)
USD	+10	–15 (–7)
Gross margin	+1 – unit	118 (78)
Personnel costs	+1	–27 (–20)
Interest rate[2]	+1	–21 (–36)

1. All things being equal, profit before tax for the 2019 financial year.
2. The effect is based on the Group's net debt of SEK 3,709 M as per 31 December 2019 adjusted for the interest-rate swap of SEK 1,609 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 and NOK. The effects on earnings in the translation of financial assets and liabilities that existed at 31 December 2019 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 64 M (negative: 43), 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: 3), largely as a result of gains in the translation of accounts receivable.

The above estimated effect as of 31 December 2019 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 pages 18–21 and Note 36 Financial risks.

Parent Company, Central functions and Other items

The Parent Company's operations mainly comprise Group Management and functions that support the work of the entire Group, such as Group finance/controlling, internal audit, sustainability, legal affairs and central purchasing. The Parent Company's loss after net financial items amounted SEK 117 M (profit: 54), excluding dividends of SEK 332 M (612) from subsidiaries. The average number of employees was 5 (5). Mekonomen AB sold products and services to Group companies totalling SEK 33 M (30).

Central functions include Group-wide functions, as well as Mekonomen AB and the operations in ProMeister Solutions. The units reported in Central functions 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 segments.

Several units that were previously reported in Other segments: Heavy Vehicles, Preqas, Meko Service Nordic, Speedy, Allt i Bil and Mekster are included in the MECA/Mekonomen Business Area as of 1 January 2019. Comparative figures have been recalculated.

EBIT for "Central functions" amounted to a loss of SEK 39 M (73). "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 –157 M (–103) for the full year.

Sustainability reporting and the Sustainability Report

The Group reports its sustainability work annually using the Global Reporting Initiatives (GRI) Standards core. The 2019 Sustainability Report also constitutes the Group's Communication on Progress to the UN Global Compact. The Group's 2019 Sustainability Report was prepared in observance of the requirements in the Annual Accounts Act. The Sustainability Report's scope is presented on page 96.

Environment

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.

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 and types of chemicals and flammable products are handled by the respective company and locally.

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. For further information on the Group's environmental efforts, refer to pages 30–31.

Events after the end of the year

From 7 February 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team for Mekonomen AB. As of 7 February 2020, the Group Management Team comprises the following people:

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

During the winter of 2020, COVID 19 pandemic is ongoing, which also affects Mekonomen Group's market conditions and operations. At the submission of this annual report, the viral epidemic is still ongoing and the total impact of this cannot be estimated. See note 34.

In the end of March 2020, the business area MECA/Mekonomen was exposed to data breaches. It is not possible to predict the duration of the breaches and therefore the company cannot predict the full potential financial impact. However, the company's cyber insurance will limit the potential financial damage. See note 34.

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

Future development

At the beginning of 2020, Mekonomen Group has a solid business, both operationally and financially, and a strong position in the Group's respective markets. anuary and February have developed in line with the corresponding period last year.

As a result of the rapid spread of the coronavirus and its impact in markets where Mekonomen Group has a significant presence and the currencies the company is exposed to, the company believes that the risk of adverse effects has increased significantly. From beginning of March we noticed a significantly lower market activity and demand for workshop services and products. The difference in activity among our markets is considerable, with Norway standing out as very weak. The supply chain is working well in the current situation and the company's branches and warehouses operate at normal levels. The effects of the coronavirus situation will affect Mekonomen Group's sales, earnings and cash flow for the first quarter and for some portion of the rest of the year.

Mekonomen Group is working diligently to manage the effects of the coronavirus situation, the highest priority being the health and safety of employees and customers. All activities in the company are being carefully evaluated from a cost and risk perspective in order to mitigate the negative financial effects associated with the virus. Management and the Board continuously monitor the development of COVID 19 and its impact on the company's operations and conduct ongoing activities and measures to reduce the effects of this.

Due to the rapidly changing situation, it is not possible to predict the duration or scope of the impact on the company thereof and therefore the company cannot predict the full potential financial impact.

As a consequence of the uncertainty regarding the market development, the Board of Directors of Mekonomen Group has decided, in order to further strengthen the company's financial position, to withdraw the previous dividend proposal for 2019 to the Annual General Meeting of SEK 0.50 per share.

The Group continues to maintain a focus on increasing profitability, reducing its debts and generating good cash flows. Furthermore, the Group intends to continue its work on the continuous development and adaptation of the business in the form of developing services and ranges targeting major customer segments with affiliated workshops, as well as other workshop customers.

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.

The ongoing projects and activities, in order to reduce costs and genrate synergies, proceeds according to plan.

The share

Share capital and ownership structure

As per 31 December 2019, the share capital of Mekonomen AB (publ) amounted to SEK 141 M (141) and comprised 56,416,622 shares (56,416,622) 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 July, Mekonomen AB also carried out a buyback of 30,000 own shares in accordance with the Annual General Meeting resolution. Mekonomen AB thereby has 93,250 treasury shares. Treasury shares do not entitle the holder to dividends or votes. LKQ Corporation represents 26.6 per cent of the number of votes.

For information about the 15 largest shareholders as per 31 December 2019, refer to the table on page 35.

Authorisation

The Annual General Meeting in May 2019 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 5,641,662 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 AB 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

In the light of the uncertainty about the market development, as a result of the rapid spread of the corona virus and in order to further strengthen the company's financial position, Mekonomen Group's Board of Directors proposes no dividend for 2019. No dividends were paid in the previous year. 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.

Board of Directors' work 2019

The Annual General Meeting on 2 May 2019 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), Eivor Andersson, Kenny Bräck, Joseph M. Holsten and Magnus Håkansson to the Board and to elect Arja Taaveniku as a new Board member.

During 2019, the Board held 10 meetings (32), of which one was independent. 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 and policies. 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 44–46.

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 2019 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2020 Annual General Meeting. The Auditor-in-Charge is Authorised Public Accountant Linda Corneliusson.

Proposed appropriation of profit

Parent Company

The following profit is at the disposal of the Annual General Meeting,	SEK 000s:
Profit brought forward	4,618,681
Profit for the year	401,393
Total	**5,020,074**

The Board of Directors proposes that profits be appropriated as follows:	SEK 000s:
To be carried forward	5,020,074
Total	**5,020,074**

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 200 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

The 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 the 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	Code of Conduct and Core Values
Swedish Corporate Governance Code (the Code)	Policies, guidelines and instructions
EU Market Abuse Regulation (MAR)	

Application of the Swedish Corporate Governance Code

The Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2019:

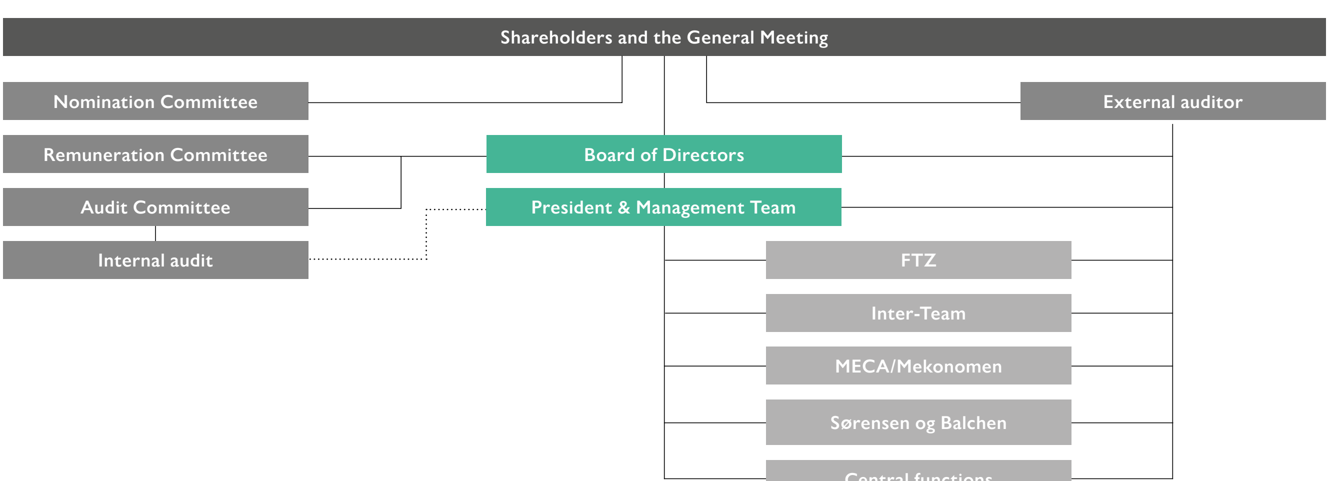
Deviation from the Code (rule 2:4):
According to the Code, a Board member shall not be the Nomination Committee's chairman.

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.

Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. Share capital amounted to SEK 141 M on 31 December 2019, represented by 56,416,622 shares. At year-end, Mekonomen AB had 93,250 treasury shares. Treasury shares do not entitle the holder to dividends or votes. The total market value for the company on 31 December 2019 amounted to SEK 5,2 billion, based on the closing price of SEK 93,05. 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.

Overall Corporate Governance Model



The number of shareholders on 31 December 2019 was 12 259 (12,310). On the same date, the ten largest shareholders controlled 63,6 per cent (60.8) of the capital and voting rights and the participation of foreign owners accounted for 42,5 per cent (37.8) 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 2019 amounted to 26.6 per cent (26.6). For further information on Mekonomen's shares and shareholders, see pages 34–35.

General Meeting

The General Meeting is the company's highest governing body, at which every shareholder is entitled to participate. The Annual General 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 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 and CEO, auditors and other members of the Group Management Team must always be present at the Meeting.

General Meeting 2019

The Annual General Meeting was held in Stockholm on 2 May 2019. The complete minutes of the Annual General Meeting are available on the company's 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 0 per share to shareholders.
- to discharge the members of the Board and the President and CEO 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 3,435,000, of which SEK 620,000 relates to fees to the Chairman of the Board, SEK 400,000 relates to the Executive Vice Chairman, and also SEK 300,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Total board fees also include fees for Committee work, to be paid as follows: SEK 120,000 to the Chairman of the Audit Committee, SEK 50,000 to each of the other members of the Audit Committee, SEK 45,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee. Total Board fees also includes a one-time fee of SEK 600,000 to Helena Skåntorp, for the special work effort during 2018 in connection with the Company's acquisition of FTZ and Inter-Team.s in 2019.
- to re-elect John S. Quinn as the Chairman of the Board.
- to re-elect Board members John S. Quinn, Helena Skåntorp, Eivor Andersson, Kenny Bräck, Joseph M. Holsten and Magnus Håkansson and to elect Arja Taaveniku as a new Board member.
- to re-elect the auditing firm of Pricewaterhouse-Coopers AB as the company's auditor for the period until the 2020 Annual General Meeting.
- 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 2019) 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 5,641,662 shares.

Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 2 May 2019, Mekonomen Group has established 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 2019 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2020 Annual General Meeting is comprised of John Quinn, LKQ Corporation, Kristian Åkesson, Didner & Gerge, Arne Lööw, Fourth Swedish National Pension and Caroline Sjösten, Swedbank Robur Fonder. 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 2020
The Annual General Meeting will be held on 7 May 2020 at 11:00 a.m. at Norra Latin (Pelarsalen) Barnhusgatan 7B, 111 23 Stockholm, Sweden

The Board of Directors

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 the company'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.

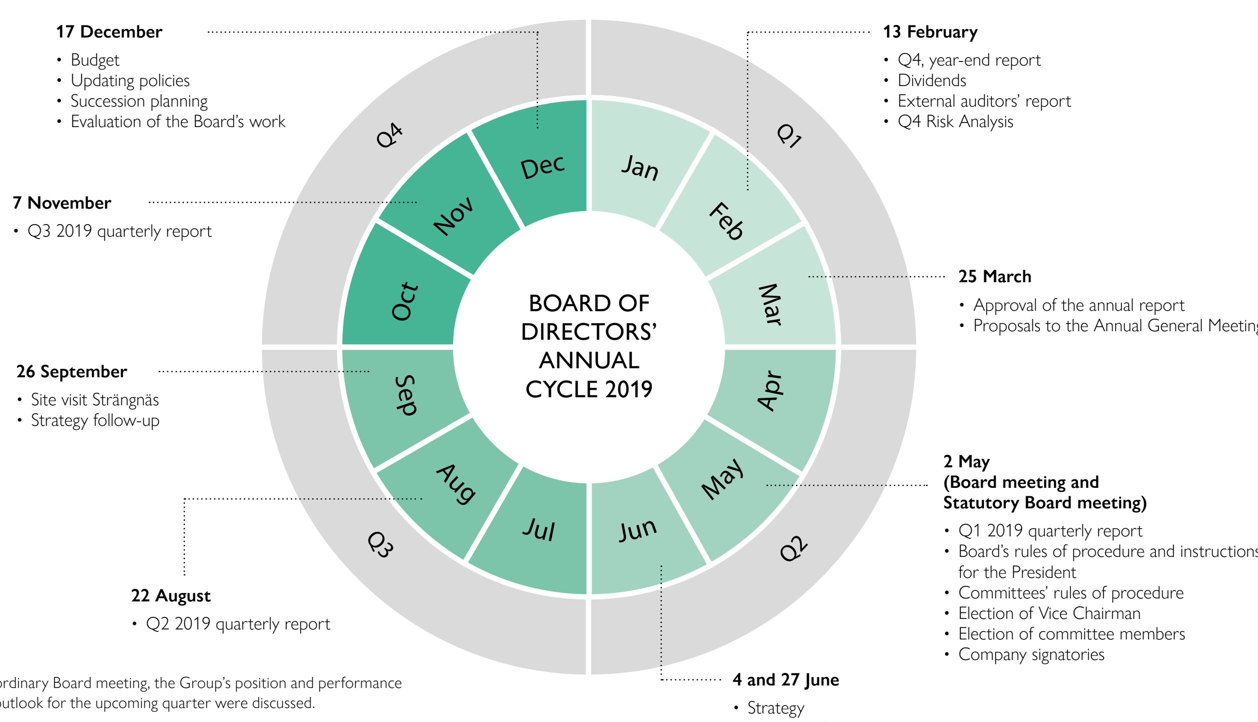
The Annual General Meeting on 2 May 2019 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's proposal, the Annual General Meeting resolved to re-elect John S. Quinn (also re-elected as the Chairman), Helena Skåntorp (Executive Vice Chairman), Eivor Andersson, Kenny Bräck, Joseph M. Holsten and Magnus Håkansson to the Board and to elect Arja Taaveniku 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 and CEO 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 46.

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,

Overview of all points on the Board's agenda in 2019 (Ordinary Board meetings 2019)



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

education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2020 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 is to also make decisions pertaining to strategic issues. In 2019, the Board held 10 meetings (32) of which 1 was an independent board meeting. The minutes of the meetings were recorded by the Board's secretary, who is the Group's CFO. As in previous years, independent board meeting were held for issues that might involve conflicts of interest, in which the board members representing LKQ Corporation did not participate, and separate confidential minute was written.

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, internal control and policies were addressed.

The Board of Director´s 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 CEO, 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 2019, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2019 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

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 tasks are documented in the rules of procedure for the Audit Committee, which are annually approved by the Board of Directors.

- The Audit Committee monitors the financial reporting and ensures its reliability. They monitor the internal and external audit process, as well as the external auditor's impartiality and independence towards the company, including the extent to which the auditor provides the company services other than auditing.
- The Audit Committee's tasks include a risk review regarding the Group's risks related to the market and competitors, operational risks and financial risks.
- The Audit Committee annually evaluates its own work, as well as the work of the external and internal auditors. In addition, the Audit Committee recommends proposals on external auditors and the remuneration of the auditors for the upcoming year to the Nomination Committee.

Until the end of the 2019 Annual General Meeting, the Audit Committee consisted of Helena Skåntorp (Chair), Magnus Håkansson and John S. Quinn. As of 2 May 2019, the Audit Committee consists of Board members Helena Skåntorp (Chair), Joseph M. Holsten and Magnus Håkansson. In 2019, the Audit Committee held five meetings. The respective member's participation is presented in the table on page 46. The Group's external auditors, the CFO, the Head of Risk Management and Internal Audit as well as the Head of Accounting participated at the meetings. The Head of Accounting was the Committee´s secretary.

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 and CEO. 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 2019 Annual General Meeting, the Remuneration Committee consisted of Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Eivor Andersson. As of 2 May 2019, the Remuneration Committee consists of Board members Eivor Andersson (Chair), John S. Quinn and Arja Taaveniku.

The Remuneration Committee held five meetings in 2019, of which two were before 2 May and three after 2 May. The respective member's participation is presented in the table on page 46. The company's president and CEO, Pehr Oscarson, was also present at five of these meetings. The Group's CFO was the Committee's secretary for four meetings. The Group's former HR Director was the Committee's secretary during the Remuneration Committee's first meeting in 2019.

BOARD OF DIRECTORS







	John S. Quinn	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Arja Taaveniku
	Chairman of the Board. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman of the Board. Chairman of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.	Board member.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Remuneration Committee.
Education	MBA Bachelor of Business Administration and certified public accountant.	Graduate in Business Administration, Stockholm University.	Economics, IHM Business School, Stockholm.	Upper secondary school education.	M.B.A., Bachelor of Arts and certified public accountant.	Graduate in Business Administration, Stockholm School of Economics, and holds a Master of Science in Management, MIT Sloan School.	Executive MBA, Stockholm School of Economics.
Elected in	2017	2004	2018	2007	2017	2017	2019
Born	1958	1960	1961	1966	1952	1963	1968
Position and Board assignments	Executive Strategic Advisor, LKQ Corporation, Member of Supervisory Board ATR International.	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 Cellink AB (publ).	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Board member of AB Svenska Spel, Unlimited Travel Group UTG AB (publ) and United Camping AB.	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.	Chairman of the Boards of Department & Stores AB, Tenant & Partner Group AB, GS1 Sweden AB and Impande Foundation Sweden.	Board member of Handelsbanken, and nominated to the Nobia AB's board.
Work experience	Managing Director and CEO, LKQ Europe, Executive Vice President and CFO of LKQ Corporation. Senior Vice President, CFO and Treasurer of Casella Waste Systems, Inc, Senior Vice President of Finance at Allied Waste Industries, Inc, and held several financial and operating roles at Waste Management, Inc.	President and CEO of Lernia AB, President and CEO of SBC Sveriges Bostadsrätts-Centrum AB, President and CEO of Jarowskij, CFO of Arla and authorised public accountant at Öhrlings/PwC.	President and CEO of TUI Nordic. CEO of Coop Marknad AB and CEO of Ving Sverige AB/Thomas Cook Sweden, as well as many years of experience from board work in Swedish companies.	Former professional race car driver.	President and CEO of LKQ Corporation. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as Executive Vice President and COO. Prior to that, auditor at a public accounting firm.	CEO of RNB Retail and Brands AB (publ), Managing Director 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.	Chief Offer & Supply Chain Officer and member of the Management of Kingfisher Plc (UK), CEO of Ikano Group in Luxembourg and leading positions within IKEA Group internationally.
Total remuneration, SEK	645,000	1,120,000	345,000	300,000	350,000	350,000	325,000
Attendance at Board meetings	9/9	9/9	8/9	7/9	9/9	9/9	6/9
Attendanc at independent board meetings	–	1/1	1/1	1/1	–	1/1	1/1
Attendance at Audit Committee meetings	3/5	5/5	–	–	2/5	5/5	–
Attendance at Remuneration Committee meetings	5/5	–	5/5	–	2/5	–	3/5
Own shareholdings and shareholdings of related parties	None	3,142	None	1,571	None	None	None
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

GROUP MANAGEMENT TEAM

					
Pehr Oscarsson	**Gabriella Granholm**	**Robert Hård**	**Åsa Källenius**	**Tobias Narvinger**	**Petra Bendelin**
President and CEO	Director of Communication & Marketing	Director of Legal Affairs & Sustainability	CFO	Director of Purchasing	Director of Business Development & Strategy
Born					
1963	1982	1966	1967	1974	1978
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.	Master Psychology/Behavioral Science, Luleå University of Technology
Employed					
2001	2010	2003	2017	2011–2016, 2017–	2010
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.	Managing Director ProMeister Solutions. Various positions within business development in MECA, Sigma, Tectura and as self-employed.
Board appointments					
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Oscarson Invest Aktiebolag.	–	–	Green Landscaping, Källenius Invest AB, KAAX Investment AB, KAAX Fastigheter AB.	–	Member of the Boeard of Swedspot, Telge Tillväxt, Lasingoo Sweden and Forthright
Own shareholdings and shareholdings of related parties					
170,457	1,317	1,625	16,582	5,000	1,745

Changes in the Board

Malin Persson withdrew from the Board in connection with the 2019 AGM. Malin Persson participated in 3 out of 3 Board meetings before the 2019 AGM. She was a member of the Remuneration Committee until the 2019 AGM and participated in 2 out of 2 meetings.

Helena Skåntorp's total remuneration includes a one-time fee of SEK 600,000 for the special work effort during 2018 in connection with the Company's acquisition of FTZ and Inter-Team.

At the 2019 Annual General Meeting on 7 May, Arja Taaveniku was elected to the Board. Arja participated in all Board and Remuneration Committee meetings thereafter during the year. In total 7 of 10 Board meetings and 3 of 5 Remuneration Committee meetings in 2019.

In connection with the Annual General Meeting on May 2, 2019, the composition of the Board's two committees changed, which affects the attendance record for John S. Quinn and Joseph M. Holsten. Both have full attendance at the respective committee meetings for the time they were members of the committee.

Changes in Group Management

In 2019, the Group Management Team consisted of the President and CEO, the CFO, the Director of Purchasing, the Director for Communication & Marketing and the Director of Legal Affairs & Sustainability. In addition to the aforementioned functions, the former HR Director, Managing Director Sørensen og Balchen, Managing Director MECA Sweden, Managing Director MECA Norway, Managing Director Mekonomen Sweden, Managing Director Mekonomen Norway and Manager for the Group's Venture Company were members of the Group Management Team until 14 February 2019.

As of 7 February, 2020, Petra Bendelin, Director Business Development and Strategy, is included in the Group Management.

President and CEO and Group Management Team

President and CEO

The President and CEO 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 AB since 1 March 2017. Prior to that, he served as the acting President and CEO of Mekonomen AB since 6 October 2016. In addition to his assignment for Mekonomen AB, Pehr is the Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Oscarson Invest Aktiebolag. Pehr has no shareholdings or partial ownership in companies that Mekonomen AB or the company's subsidiaries have significant business ties with.

Group Management Team

In 2019, the Group Management Team consisted of the President and CEO, the CFO, the Director for Communication & Marketing, the Director of Legal Affairs & Sustainability and the Director of Purchasing. A more detailed presentation of the current Group Management Team is found on page 47.

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 2019 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,
- short-term variable remuneration
- long-term share-based incentive programme (LTIP)
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President and CEO. Remuneration is determined by the Board's Remuneration Committee. However, remuneration of the President and CEO is determined by the Board in its entirety. Long-term share-based incentive programmes are decided by the Annual General Meeting, however.

The President and CEO 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 and CEO is included in LTIP 2019, which was approved at the 2019 Annual General Meeting. The President and CEO receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefits primarily consist of a company car. The period of notice for the President and CEO is 12 months if employment is terminated by the company, and six months if terminated by the President and CEO. 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 2019 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2019), in accordance with the Board's proposal. LTIP 2019 comprises a maximum of 19 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. For information on the complete proposal, refer to the minutes of the 2019 Annual General Meeting on the company's website and Note 5 of the 2019 Annual Report.

There are no other ongoing share-based incentive programmes.

External 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 and CEO's management of the company. At the 2019 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2020 Annual General Meeting. The Auditor-in-Charge is Authorised Public Accountant Linda Corneliusson. PwC has an organisation comprising broad and specialised competency that is well-suited to Mekonomen AB's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2019	2018
PwC		
Fees for audit assignments	10	8
Audit-related services other than the audit assignment	1	1
Tax consultancy	0	0
Other services	0	6
Total PwC	**11**	**15**
Other auditing firms[1)]		
Fees for audit assignments	0	1
Audit-related services other than the audit assignment	0	0
Tax consultancy	0	0
Other services	0	1
Total other	**0**	**1**
Total fees to auditors	**12**	**16**

1) Other auditors primarily refers 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 a few 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.

Internal audit

For a number of years, Mekonomen Group has hired the auditing firm Deloitte to conduct the internal audit in the Group. In 2019, their focus was to work together with Mekonomen Group to strengthen the internal control framework for stock management at the central warehouses through interviews and self-rating by the units. To strengthen focus on risk management, the internal control environment and internal audit, a manager for risk management and internal audit was hired at the end of 2018, reporting to the Audit Committee and the Group Management Team.

The internal audit functions 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 CEO and the CFO and information is provided to management in each business area and other units on the results of the audits performed.

Internal control financial reporting

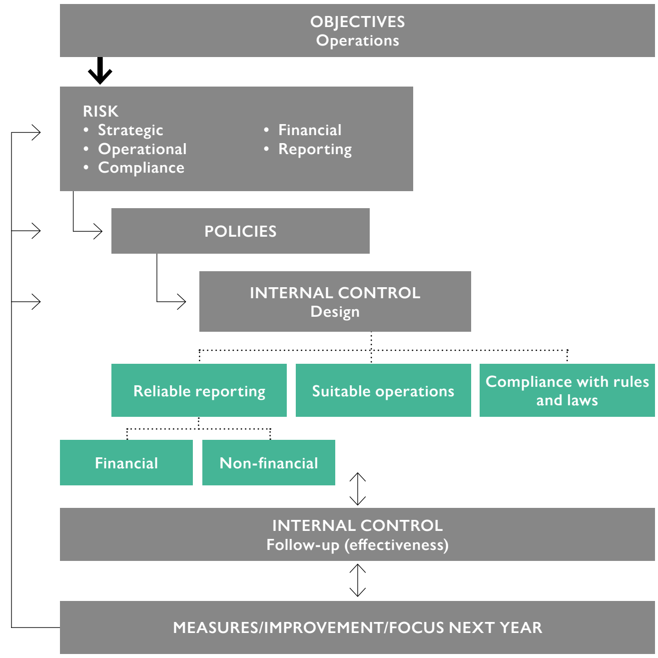
The Board of Directors is responsible for Mekonomen Group's internal control, whose overall purpose is to protect the owners' investment and the company's assets. The figure below shows the process for the Group's internal control work, which is based on a risk assessment on conducted operations and its objectives, which causes mitigating measures based primarily on policies or other form of guidance for the organization. Internal control frameworks are designed and implemented continuously, the follow-up and its effectiveness is reported to the Board annually.

The Board supervises the quality of the financial reporting through instructions to the President and CEO. It is the President and CEO'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 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. This also includes ensuring that capacity exists to implement extensive changes, such as IFRS 16 in 2019 and the European Single Electronic Format (ESEF) from 2020. 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 CEO and the 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



The illustration shows how different components (grey boxes) interact within internal governance and control.

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.

Internal control framework regarding financial reporting

Internal control for financial reporting is included as a part of the overall internal governance and control and constitutes a central part of the Group's corporate governance. According to generally accepted frameworks established for this purpose, internal control is usually described from five different aspects described below.

Control environment

The control environment constitutes the basis for internal governance and control. An important part of the control environment is that decision paths, authorities and responsibilities, as well as competence requirements 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, are adapted to operational changes and are updated regularly. 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. During the year, a substantial update was done of the financial handbook to fully be adapted to the new operational structure, considering the large subsidiaries acquired in Denmark and Poland in 2018.

In addition, work is underway to produce a comprehensive governance document that will provide mainly new employed, but also current managers a collective overview of the requirements placed on managers and ensuring good internal control and management of their units. This document will clarifie organisation and decision pathways, goals, values and overall strategies, formal governance tools and all of the Group policies.

Risk assessment

Risk assessment and risk management mean that the management is aware of and has itself assessed risks and threats in the business. Mekonomen Group conducts regularly surveys of the Group's risks and 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.

During the year, a special forum was established on a Group level, the Risk and Compliance Committee, which operationally handles identified risks for further reporting to the Audit Committee and the Board of Directors. For a more detailed description of risks, and the committees' work, see section Risks and risk management in the Administration Report and in Note 35 Financial risks in the 2019 Annual Report regarding the Group's risk work.

Control activities

Control activities are the measures and procedures that the management has structured to keep errors from arising and to discover and resolve errors. 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 management and the Board. Within the Group, there are specific control activities that are intended to ensure the timely discovery or prevention of the risks of errors in the reporting.

During the year, the work of strengthening the Group's internal control framework with key controls continued, where the framework to "close the books" was further formalised and implemented and the framework for "inventory management" at central warehouses was reviewed and aligned to be fully implemented in 2020.

Information and communications

In order for individual task to be able to be done in a satisfactory manner, the employees in an organisation must have access to relevant and current information. Policies and guidelines are particularly important for accurate accounting, reporting and dissemination of information. Guidelines on the financial process are updated as necessary 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. A review of policies is done once a year or in the event of significant changes. For communication with internal and external parties, a communications policy is in place that states guidelines for conducting communication.

Follow-up and evaluation

The final component in the framework pertains to follow-up of the structure and effectiveness of internal governance and control. 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 President 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.

During the year, a special review was done of each business area of their self-rating of the level by significant legal unit of their internal control framework for financial reporting, including the CFO, Head of Accounting and the Head of Internal Audit for the Group and the CFO for the respective business area.

Sustainability governance

The sustainability work is an integrated part of the operations as a part of the ongoing business activities. In order to identify and prioritize the Group's most important sustainability issues, stakeholder dialogues and materiality analysis are conducted. Our most significant sustainability risks can be found in the risk management section on pages 18–21, mainly under the headings Employees, Environment, Suppliers and Corruption risks.

The Group's Code of Conduct was approved by the Board of Directors and was last updated in 2019. The Code of Conduct contains several Group-wide policies and serves as a starting point for all of the Group's other policies and rules.

The Group's requirements on suppliers regarding sustainability are clarified in a special supplier code.

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

Governance for the strategic sustainability work, including targets and follow-up, rests with the Group Management Team, where the Director of Legal Affairs and Sustainability has the overall responsibility. The sustainability work is led and coordinated by the Group's sustainability manager, who reports to the Director of Legal Affairs and Sustainability. The responsibility for the strategic focus on specific sustainability issues in the Group rests with the manager of the respective area. The Board of Directors follows up the work in the Group Management Team's reporting.

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 2020 Annual General Meeting

FINANCIAL STATEMENTS

Consolidated income statement

SEK M	Note	2019	2018
Net sales	3	11,842	7,779
Other operating revenue		174	172
Total revenue		**12,017**	**7,951**
Operating expenses			
Goods for resale	18	–6,535	–3,901
Other external costs[1)]	4	–1,375	–1,581
Personnel costs	5	–2,576	–1,832
Operating profit before depreciation/amortisation and impairment of tangible and intangible fixed assets (EBITDA)		**1,531**	**637**
Depreciation/amortisation and impairment of tangible fixed assets and right-of-use assets[1)]	6	–611	–84
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)		**920**	**553**
Amortisation and impairment of intangible fixed assets	6	–215	–146
Operating profit (EBIT)	9	**705**	**407**
Financial income and expenses			
Interest income		12	6
Interest expenses[1)]		–151	–53
Other financial items	9	–11	117
Profit after financial items		**555**	**477**
Tax on profit for the year	10	–134	–209
Profit for the year		**421**	**268**
Profit for the year attributable to:			
Parent Company's shareholders		413	260
Non-controlling interests		8	8
Total profit for the year		**421**	**268**
Earnings per share attributable to Parent Company's shareholders			
Earnings per share, SEK[2)]		7.34	6.56
Average number of shares, pcs[2)]		56,338,824	39,718,604

1. As a result of the implementation of IFRS 16 Leases for 2019, other external expenses have been positively impacted by SEK 523 M, depreciation and impairment of tangible fixed assets were negatively impacted by SEK 503 M and interest expenses were negatively impacted by SEK 43 M. Total impact on EBIT is positive by SEK 20 M and the total impact on profit after tax is negative by SEK 18 M. The comparative figures have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16. For further information on the implementation of IFRS 16, see Note 1, the section Amended and new accounting policies for 2019.
2. No dilution is applicable. For further information on data per share, refer to pages 34–35.

Consolidated statement of comprehensive income

SEK M	Note	2019	2018
Profit for the year		**421**	**268**
Other comprehensive income:			
Components that will not be reclassified to profit for the year:			
– Actuarial gains and losses		–4	–2
Components that may later be reclassified to profit for the year:			
– Exchange-rate differences on translation of foreign subsidiaries, net after tax[3)]		106	–129
– Hedging of net investment, net after tax[1)3)]		–27	4
– Cash flow hedges, net after tax[2)3)]		–3	1
Total other comprehensive income, net after tax[3)]		**71**	**–125**
Comprehensive income for the year		**492**	**143**
Comprehensive income for the year attributable to			
Parent Company's shareholders		484	135
Non-controlling interests		8	8
Comprehensive income for the year		**492**	**143**

1. Loans raised in EUR in connection with an acquisition in Denmark in 2018 hedge the currency risk in the net investments in Denmark and loans converted to NOK in 2019 hedge the net investment in Norway. The currency translation of these loans is presented in accordance with IFRS 9.
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 16 and Note 28.

Consolidated balance sheet

SEK M	Note	31 Dec. 2019	31 Dec. 2018
Assets			
Fixed assets			
Intangible fixed assets	12		
Goodwill		3,770	3,688
Brands		866	855
Franchise contracts		6	10
Customer relations		901	1,046
Capitalised expenditure for IT systems		155	146
Total intangible fixed assets		**5,697**	**5,745**
Tangible fixed assets			
Land and buildings	14	47	55
Improvement costs, third-party property	13	30	33
Equipment and transport	14	388	402
Total tangible fixed assets		**465**	**490**
Right-of-use assets[1)]	15	**1,818**	**–**
Financial fixed assets			
Investments accounted for using the equity method		23	22
Other financial fixed assets	11, 17	78	54
Total financial fixed assets		**101**	**77**
Total fixed assets		**8,081**	**6,312**
Current assets			
Goods for resale	18	2,854	2,816
Current receivables	11, 19, 20	1,580	1,530
Cash and cash equivalents	11, 21	355	205
Total current assets		**4,789**	**4,551**
Total assets		**12,870**	**10,863**
Shareholders' equity and liabilities			
Shareholders' equity	28		
Share capital		141	141
Other capital contributions		2,993	2,993
Reserves		–232	–307
Profit brought forward including profit for the year		1,401	1,001
Total shareholders' equity attributable to Parent Company's shareholders		**4,303**	**3,828**
Non-controlling interests		32	25
Total shareholders' equity		**4,335**	**3,853**
Long-term liabilities			
Liabilities to credit institutions, interest-bearing	11, 22	3,326	3,227
Lease liabilities[1)]	15	1,323	1
Deferred tax liabilities	16	428	474
Provisions	23	27	24
Total long-term liabilities		**5,104**	**3,726**
Current liabilities			
Liabilities to credit institutions, interest-bearing	11, 22	748	1,079
Lease liabilities[1)]	15	457	2
Tax liabilities		75	86
Other current liabilities, non-interest-bearing	11, 24, 25	2,130	2,088
Provisions	23	21	29
Total current liabilities		**3,431**	**3,284**
Total shareholders' equity and liabilities		**12,870**	**10,863**

1. As an effect of the introduction of IFRS 16 Leases from 1 January 2019, the consolidated balance sheet for 2019 was impacted compared with the previous year. The comparative figures have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16. For further information on effects of implementation of IFRS 16, see Note 1, the section Amended and new accounting policies for 2019.

Consolidated statement of changes in equity

SEK M	Share capital	Other capital contributions	Reserves	Profit brought forward	Total attributable to Parent Company shareholders	Minority share	Total equity
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**
Opening balance on 1 January 2019	**141**	**2,993**	**–307**	**1,001**	**3,828**	**25**	**3,853**
Profit for the year				413	413	8	421
Other comprehensive income:			75	–4	71	0	71
Comprehensive income for the year	**–**	**–**	**75**	**409**	**484**	**8**	**492**
Transactions with shareholders							
Buyback of own shares				–2	–2		–2
Share-savings programme				1	1		1
Dividends				–	–	–9	–9
Shareholders' contribution from minority					–	7	7
Acquisition/divestment of non-controlling interests				–6	–6	1	–6
Total transactions with shareholders	**–**	**–**	**–**	**–8**	**–8**	**–1**	**–10**
Closing balance on 31 December 2019	**141**	**2,993**	**–232**	**1,401**	**4,303**	**32**	**4,335**

1. For information about tax recognised directly against equity, refer to Note 16 and Note 28.

Consolidated cash-flow statement

SEK M	Note	2019	2018
Operating activities			
Profit after financial items		555	477
Adjustments for items not affecting liquidity	30	861	175
		1,416	**652**
Tax paid		–226	–199
Cash flow from operating activities before changes in working capital[1)]		**1,190**	**453**
Cash flow from changes in working capital			
Decrease (+) / increase (-) in inventories		6	–336
Decrease (+) / increase (-) in receivables		–53	78
Decrease (-) / increase (+) in liabilities		–2	135
Increase (-) / decrease (+) in working capital		**–48**	**–123**
Cash flow from operating activities[1)]		**1,142**	**331**
Investments			
Acquisition of subsidiaries and operations	31	–64	–4,196
Divestment of subsidiaries and operations		–	6
Acquisition of tangible fixed assets	13, 14	–88	–178
Divestment of tangible fixed assets		5	1
Acquisition of intangible fixed assets	12	–43	–43
Purchase of financial fixed assets		–	0
Increase (-) / Decrease (+) of long-term receivables		–9	4
Cash flow from investing activities		**–199**	**–4,407**
Financing activities	30		
Acquisition of non-controlling interests	31	–6	–1
Divestment of non-controlling interests	31	1	1
Received shareholders' contributions from minority		7	3
New share issue	28	–	1,580
Buyback of own shares	28	–2	–6
Change in overdraft facilities		129	161
Loans raised	22	529	4,564
Amortisation of loans		–1,445	–1,997
Dividends paid		–9	–260
Cash flow from financing activities[1)]		**–798**	**4,044**
Cash flow for the year		**146**	**–32**
Cash and cash equivalents at the beginning of the year		**205**	**254**
Exchange-rate differences in cash and cash equivalents		5	–18
Cash and cash equivalents at year-end	21	**355**	**205**

1. In 2019, classification of items and thereby the presentation in the cash flow was impacted by the introduction of IFRS 16 Leases. Cash flow from operating activities has increased by SEK 507 M and cash flow from financing activities has decreased by SEK 507 M. The comparative figures have not been restated as the Group applied the modified retrospective method in the implementation of IFRS 16. Changed classification has not entailed any impact on the total cash flow. For further information, refer to Notes 1, 15 and 30.

Interest received amounted to SEK 12 M (6) and interest paid amounted to SEK 151 M (53).

Income statement for the Parent Company

SEK M	Note	2019	2018
Net sales	3, 32	34	30
Other operating revenue		36	51
Total revenue		**69**	**81**
Operating expenses			
Goods for resale		–1	–2
Other external costs	4	–72	–92
Personnel costs	5	–28	–26
Depreciation/amortisation of tangible and intangible fixed assets	6	0	0
EBIT		**–32**	**–39**
Financial income and expenses			
Result from participations in Group companies	7	332	612
Interest income		58	37
Interest expenses		–114	–56
Other financial items	9	–28	111
Profit after financial items		**215**	**666**
Appropriations	8	206	73
Profit before tax		**421**	**738**
Tax on profit for the year	10	–20	–122
Profit for the year		**401**	**617**

Statement of comprehensive income for the Parent Company

SEK M	Note	2019	2018
Profit for the year		**401**	**617**
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		**401**	**617**

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2019	31 Dec. 2018
Assets			
Fixed assets			
Tangible fixed assets			
Improvement costs, third-party property	13	–	0
Equipment and transport		0	0
Total tangible fixed assets		**0**	**0**
Financial fixed assets			
Participations in Group companies	27	7,837	7,363
Receivables from Group companies		1,189	688
Deferred tax assets	16	11	4
Total financial fixed assets		**9,037**	**8,055**
Total fixed assets		**9,037**	**8,055**
Current assets			
Current receivables			
Accounts receivable		2	5
Receivables from Group companies		239	1,338
Other receivables		7	14
Prepaid expenses and accrued income	20	5	9
Total current receivables		**252**	**1,365**
Cash and cash equivalents	21	235	79
Total current assets		**487**	**1,444**
Total assets		**9,524**	**9,499**
Shareholders' equity and liabilities			
Shareholders' equity	28		
Restricted shareholders' equity			
Share capital		141	141
Statutory reserve		3	3
Total restricted shareholders' equity		**144**	**144**
Non-restricted shareholders' equity			
Share premium reserve		–	1,537
Profit brought forward		4,619	2,467
Profit for the year		401	617
Total non-restricted shareholders' equity		**5,020**	**4,620**
Total shareholders' equity		**5,164**	**4,765**
Untaxed reserves		**211**	**247**
Provisions	23	**3**	**3**
Long-term liabilities			
Liabilities to credit institutions	22	3,314	3,224
Total long-term liabilities		**3,314**	**3,224**
Current liabilities			
Overdraft facilities	22	407	278
Other liabilities to credit institutions	22	341	800
Accounts payable		2	35
Liabilities to Group companies		70	123
Current tax liabilities		–	2
Other liabilities		1	1
Accrued expenses and deferred income	25	12	21
Total current liabilities		**832**	**1,260**
Total shareholders' equity and liabilities		**9,524**	**9,499**

Statement of changes in shareholders' equity for the Parent Company

SEK M	Restricted shareholders' equity		Non-restricted shareholders' equity		
	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total equity
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**
Opening balance on 1 January 2019	**141**	**3**	**1,537**	**3,084**	**4,765**
Profit for the year				401	401
Other comprehensive income				–	–
Comprehensive income for the year				**401**	**401**
Reversal according to appropriation of profit			**–1,537**	**1,537**	**0**
Transactions with shareholders					
Buyback of own shares				–2	–2
Share-savings programme				1	1
Total transactions with shareholders	**–**		**–**	**–1**	**–1**
Closing balance on 31 December 2019	**141**	**3**	**–**	**5,020**	**5,164**

1. For information about tax recognised directly against equity, refer to Note 28.

The number of shares as at 31 December 2019 amounted to 56,416,622 (56,416,622) with a quotient value of SEK 2.50 (2.50) per share.

Cash-flow statement for the Parent Company

SEK M	Note	2019	2018
Operating activities			
Profit after financial items		215	666
Adjustments for items not affecting liquidity	30	0	–124
		216	**542**
Tax paid		–29	–23
Cash flow from operating activities before changes in working capital		**187**	**519**
Cash flow from changes in working capital			
Decrease (+) / increase (–) in receivables		1,419	321
Decrease (–) / increase (+) of liabilities		–213	–64
Increase (–) / decrease (+) in working capital		**1,206**	**257**
Cash flow from operating activities		**1,393**	**777**
Investments			
Acquisition of subsidiaries	27	–	–4,305
Capital contributions paid	27	–392	–28
Increase (–) / decrease (+) of long-term receivables		–563	–568
Cash flow from investing activities		**–955**	**–4,901**
Financing activities			
New share issue	28	–	1,580
Buyback of own shares	28	–2	–6
Change in overdraft facilities		129	161
Loans raised	22	526	4,564
Amortisation of loans		–934	–1,996
Dividends paid		–	–251
Cash flow from financing activities		**–281**	**4,051**
Cash flow for the year		**156**	**–73**
Cash and cash equivalents at the beginning of the year		**79**	**152**
Cash and cash equivalents at year-end	21	**235**	**79**

Profit after financial items includes dividends received from subsidiaries of SEK 332 M (612).
Interest received amounted to SEK 44 M (37) and interest paid amounted to SEK 114 M (56).

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 2019. 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 2019

The Group applies a number of new standards and interpretations as of 1 January 2019, which primarily concerns IFRS 16 Leases. None of the other new standards and interpretations applied by Mekonomen Group as of 1 January 2019 has had any significant impact on the consolidated financial statements.

IFRS 16 Leases

From 1 January 2019, Mekonomen Group applies IFRS 16 Leases, which replaced the earlier standard IAS 17. According to IAS 17, the lessee classified its leases as either finance and operating leases. The agreements classified as operating leases were not recognised as an asset and liability in the balance sheet. According to the new standard IFRS 16, the lessee does not differentiate between operating and finance leases and essentially recognises all leases as a right-of-use asset and a lease liability in the balance sheet. Leases are recognised in the balance sheet, the date the leased asset is available for use by the Group. Amortisation of the asset is recognised in operating profit and interest on the lease liability in net financial items. The new standard thereby has some positive impact on operating profit as part of the leasing expenses are recognised as interest expense in net financial items. Reported EBITDA increases substantially as recognised rental expenses decrease at the same time that amortisation of right-of-use assets increases. The lease charge is recognised partly as payment of interest, partly as repayment of the lease liability. Cash flows for the repayment of the lease liability are included in financing activities. Payment for the interest component is presented as other interest payments in operating activities. The Group will mainly be affected by the leases that pertain to rent of premises and leasing of vehicles. The new accounting policies are recognised in Note 1 under the heading Leasing and in Note 15 Leases.

The Group chose the modified retrospective approach and in accordance with the standard is not restating the comparison year. The lease liability was the sum of the present value of all future lease charges and the right-of-use asset corresponds to the lease liability adjusted for prepaid and accrued lease charges. The calculation of the present value is based on a marginal borrowing interest rate as per 1 January 2019. The weighted average marginal borrowing interest rate applied amounts to 2.23 per cent. The Group has chosen to recognise lease liabilities and right-of-use assets on their own lines in the balance sheet from 2019 and thereby reclassified assets and liabilities regarding finance leases in accordance with the previous IAS 17 to the new balance-sheet items. Equity has not been affected by the transition.

Right-of-use assets of SEK 2,065 M were recognised in the 2019 opening balance. Of the recognised right-of-use assets, SEK 3 M was recognised in the balance sheet as finance leases as per 31 December 2018. Lease liabilities of SEK 2,010 M were recognised in the opening balance of which SEK 3 M previously as at 31 December 2018 were recognised as finance lease. The difference between liability and asset consists in advance payments.

The Group has chosen to apply the majority of the exemption 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 exemption rules in connection with the transition, the Group continuously applies the practical exemptions 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 right-of-use asset. These are instead expensed on a straight-line basis in the income statement. The simplifed approach for the definition of a lease was applied, which means that all components of an agreement have been considered to be leasing component. In addition, Mekonomen Group chose to not apply IFRS 16 for intangible assets as this choice exists according to the standard.

Disclosures on the transition	
Commitments for operating leases at 31 December 2018	1,737
Finance lease liabilities at 31 December 2018	3
Leases with a short duration (deducted when expensed)	–15
Leases of a minor value (deducted when expensed)	–56
Effects of extension options	484
Discounting effect	–142
Lease liabilities recognised on 1 January 2019	2,010

Amended accounting policies 2020 and later

A number of new standards and amendments of interpretations and existing standards come into effect for financial years beginning on 1 January 2019.

Mekonomen has chosen early application of the change of IFRS 9 and IFRS 7 – "reference interest reform" – which was published in September 2019 and which was adopted by the EU in January 2020 with a possibility of early application. In accordance with what comes forth of the change, the relief was applied to both existing hedging relationships at the beginning of the reporting period and those entered into during the year, as well as the amounts found in other comprehensive income at this period. In summary, the relief means that the hedging relationships must not be discontinued due to the uncertainty that the reforms entail even if this would have been the case under normal application of IFRS 9. However, possible inefficiency must still be recognised in profit and loss if it were to arise. The Group carefully monitors developments in the IBOR reforms and manages the effects of them according to the regulatory frameworks that exist. The Group's assessment is that there is an uncertainty regarding both EURIBOR and NIBOR, which are the reference interest rates that are included in Mekonomen's cash-flow hedges. The total nominal amount for the interest-rate swaps with EURIBOR and NIBOR branches used in the hedging relationships is presented by Note 36 on page 85.

Other new standards and interpretations are not expected to have a material effect on Mekonomen Group's financial statements.

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.

NOTE 1 ACCOUNTING POLICIES, CONT.

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 97 per cent (96) of net sales. The remaining net sales derive from workshop services, as well as annual and license fees to affiliated stores 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 stores and car owners; 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 revalues 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 23.

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.

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

NOTE 1 ACCOUNTING POLICIES, CONT.

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 23. If a net asset arises, it is be 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.

Share-based incentive programmes

Mekonomen Group has share-based remuneration plans in the form of share-savings programmes.

For the programme, the cost is recognised based on the fair value per share award at the allocation date, calculated by independent third-parties, and the expected number of shares that will be vested. These remunerations are recognised as personnel costs during the vesting period with a corresponding increase of equity. Insofar as the vesting conditions in the programme are linked to market conditions (TSR) and continued ownership of the investment shares, they are taken into account in the determination of the fair value of the share awards. Performance conditions (equity/assets ratio and EPS) and service terms (continued employment) affect the personnel expense during the vesting period through a change in the number of shares that are ultimately expected to be issued at the end of the programme. At the end of each reporting period, the Group reviews its assessments of how many shares are expected to be vested based on the performance terms and service terms.

When allocation of shares takes place, social security contributions must be recognised in certain countries for the value of the employee's benefit. The Group continuously recognises a liability for social security contributions for this remuneration. The liability is continuously revalued and based on the share-based remuneration's fair value on the balance sheet date period-allocated over the vesting period.

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 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	2.5–10
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.

Right-of-use assets / Leasing, from 1 January 2019 IFRS 16

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 leased assets may not be used as collateral for loans.

The exemption rule for the definition of a lease was applied, which means that all components of an agreement have been considered to be leasing component.

NOTE 1 ACCOUNTING POLICIES, CONT.

The lease liability was the sum of the present value of all future lease charges and the right-of-use asset corresponds to the lease liability adjusted for prepaid and accrued lease charges. The lease liabilities include the present value of the following lease payments:

- fixed fees (including substantially fixed fees), less any benefits in connection with the signing of the lease that are to be obtained, variable lease charges that depend on an index or a price, initially valued using an index or price at the initial date
- amounts expected to be paid out by the lessee according to residual value guarantees
- the exercise price for an option to buy if the Group is reasonably certain to exercise such an opportunity
- penalties that are payable upon termination of the lease, if the leasing period reflects that the Group will use an opportunity to terminate the 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 probability that an extension option for a premises lease will be exercises is assessed based on factors, such as the market situation for the property and its significance to the business activities.

The lease payments are discounted by the implicit interest in the lease. If the interest cannot be easily established, which is usually the case, the marginal loan interest rate is used. The marginal loan interest rate is determined based on country, duration and credit rating for the respective unit.

The Group is exposed to possible future increases in variable leasing payments based on an index or an interest rate that is not included in the lease liability until they become effective. When adjustments of leasing payments based on an index or an interest rate enter into effect, the lease liability is revalued and adjusted against the right-of-use asset.

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.

Right-of-use assets are usually amortised straight-line over the shorter of the asset's useful life and the term of the lease. If the Group is reasonably certain of utilising a purchase option, the right-of-use asset is amortised over the useful life of the underlying asset. Even if the Group revalues buildings and land, which are recognised as tangible fixed assets, it has chosen to not do so for the Group's right-of-use assets.

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.

Leasing, 2018, IAS 17

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.

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 stores 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 not 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 expected 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 actual 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.

NOTE 1 ACCOUNTING POLICIES, CONT.

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 2019, refer to Note 17.

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 2019, refer to Note 19.

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 applies hedge accounting to 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. 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.

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 short-term 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 2019

In January 2019, 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 liabilities, are recognised in the balance sheet under the heading "Untaxed reserves".

NOTE 1 ACCOUNTING POLICIES, CONT.

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

The Parent Company recognises all leases insofar as they exist in accordance with RFR2. IFRS 16 Leases is not applied in the Parent Company and lease charges are period-allocated straight-line over the term of the lease. Right-of-use assets and lease liabilities are accordingly not recognised in the Parent Company balance sheet.

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 2019 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 31.

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

The Group operates in several geographic markets with sales to both consumers and companies and with a broad product 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 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 19.

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 2019, Mekonomen Group recognised deferred tax liabilities in excess of deferred tax assets at a net amount of SEK 428 M (474). Further information about deferred taxes is found in Note 16.

Right-of-use assets and lease liabilities

The Group has a significant number of leases and rental contracts that are covered by IFRS 16, which means that they are recognised in the consolidated balance sheet as a right-of-use asset and a lease liability. The value of the asset and liability is dependent on several assumptions, such as the interest rate that discounts the liability to present value and an assessment o the likelihood of exercising extension options. Changes in assessments and assumptions may result in significant differences in the Group's value of the right-of-use asset and the lease liability.

The lease liability amounted to SEK 2,010 M at 1 January 2019 and was the sum of the present value on all future lease charges. The calculation of the present value is based on a marginal loan interest rate set based on country, duration and credit rating for the respective unit. The weighted average marginal borrowing interest rate applied in the transition to IFRS 16 is 2.23 per cent.

The possibility 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). Rental contracts with an extension option are divided into different categories based on market situation for the property and its significance to the business activities. Based on these categories, the leasing period is assessed. The assessment is reviewed if a material event occurs or change in circumstances that affects this assessment and the change is within the lessee's control.

Lease liabilities at 31 December 2019 amounted to SEK 1,780 M. For the maturity structure for undiscounted cash flows, refer to Note 11. Further information about leasing 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.

As of the first quarter of 2019, Mekonomen Group implemented a new organisation to be better adapted to the business. The organisational change and additionally changed internal governance also affects the segment reporting. As of the first quarter of 2019, Mekonomen Group will be presented with four business areas: FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen. The comparative figures for MECA/Mekonomen and Central functions have been restated. The segments FTZ, Inter-Team and Sørensen og Balchen are unchanged, since earlier segment reporting.

The FTZ business area primarily includes wholesale and store operations in Denmark. FTZ is included in Mekonomen's financial statements from the acquisition date 3 September 2018, meaning the comparative period only pertains to four months.

The Inter-Team business area primarily includes wholesaling and store operations in Poland and export operations. Inter-Team is included in Mekonomen's financial statements from the acquisition date 3 September 2018, meaning the comparative period only pertains to four months.

The MECA/Mekonomen business area primarily includes wholesale, store, workshop and fleet operations in Sweden, Norway and Finland. The business area consists of the previously reported segments MECA and Mekonomen, and of smaller operations that were previously reported in "other segments": Tunga Fordon, Preqas, Meko Service Nordic, Speedy, AlltiBil and Mekster. Comparative figures have been recalculated.

The Sørensen og Balchen business area primarily includes wholesale and store operations in Norway.

"Central functions" include Group-wide functions, as well as Mekonomen AB and the operations in ProMeister Solutions. The units reported in "Central functions" 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 segments. Comparative figures have been recalculated.

"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.

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Other items		Group	
SEK M	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue														
External net sales	3,371	1,088	2,155	638	5,527	5,301	759	739	31	14			11,842	7,779
Internal revenue	0	0	1	0	97	88	34	38	115	94	–247	–220	0	0
Other revenue	1	0	20	0	108	105	8	10	38	56			174	172
Total revenue	**3,372**	**1,088**	**2,176**	**638**	**5,731**	**5,493**	**801**	**787**	**183**	**164**	**–247**	**–220**	**12,017**	**7,951**
Operating profit/loss (ebit)	**299**	**49**	**43**	**–1**	**438**	**428**	**121**	**106**	**–39**	**–73**	**–157**	**–103**	**705**	**407**
Financial items – net													–150	70
Profit before tax													**555**	**477**
Investments, tangible assets[1]	10	10	9	2	63	157	5	6	1	4			88	178
Investments in intangible fixed assets[1]	0	0	4	1	28	33	0	0	11	8			43	43
Depreciation and impairment (tangible assets)	16	5	16	6	69	68	4	3	2	2			108	84
Amortisation of right-of-use assets	85	–	34	–	340	–	44	–	0	–			503	–
Amortisation and impairment (intangible assets)[2]	3	1	1	0	49	39	0	1	5	1	157	103	215	146
Average number of employees for the period	1,148	389	1,438	449	2,047	2,031	265	256	56	57			4,953	3,181
Number of proprietary stores	51	51	79	79	230	230	37	36	–	–			397	396
Number of partner stores	–	–	3	3	41	40	28	28	–	–			72	71
Number of stores in the chain	**51**	**51**	**82**	**82**	**271**	**270**	**65**	**64**	**–**	**–**			**469**	**467**
Key figures														
EBIT margin, %[3]	9	5	2	0	8	8	16	14					6	5
Change in sales, %[3]	210	–	238	–	4	5	3	–5					52	33
Revenue per employee, SEK 000s	2,937	2,797	1,513	1,421	2,800	2,705	3,026	3,074					2,426	2,499
Operating profit per employee, SEK 000s	261	126	30	–2	214	211	456	414					142	128

1. Investments are exclusive of company and business combinations and exclusive of leases according to IFRS 16.
2. Including amortisation and impairment of acquisition-related intangible assets.
3. Internal sales were excluded from the calculation of the operating 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 97 per cent (96) of net sales. The remaining net sales derived from workshop services, as well as annual and license fees to affiliated stores 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, %[1]	2019	2018
– Affiliated workshops	31%	32%
– Other corporate customers	53%	44%
– Consumers	13%	20%
– Partner stores	3%	4%
Total net sales	**100%**	**100%**

1. Customer groups were reclassified in 2019. Comparative figures have been recalculated.

NOTE 3 SEGMENT INFORMATION, CONT.

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		Finland		Norway		Poland		Sweden		Other		Total	
Net sales by country	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
FTZ	3,371	1,088	–	–	–	–	–	–	–	–	–	–	3,371	1,088
Inter-Team	–	–	–	–	–	–	2,155	638	–	–	–	–	2,155	638
MECA/Mekonomen	–	–	60	46	2,063	2,015	–	–	3,404	3,240	–	–	5,527	5,301
Sørensen og Balchen	–	–	–	–	759	739	–	–	–	–	–	–	759	739
Central functions	–	–	–	–	–	–	–	–	–	–	31	14	31	14
Total	**3,371**	**1,088**	**60**	**46**	**2,822**	**2,754**	**2,155**	**638**	**3,404**	**3,240**	**31**	**14**	**11,842**	**7,779**

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 3,308 M (2,424) and the total of such fixed assets located in other countries amounted to SEK 4,673 M (3,811), of which SEK 3,207 M (3,020) in Denmark and SEK 1,229 M (662) in Norway.

For 2019, fixed assets increased by right-of-use assets of SEK 1,818 M which were added as a result of the introduction of IFRS 16 Leases.

NOTE 4 AUDITING EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
PwC				
Audit assignment	10	8	2	1
Audit-related services other than the audit assignment	1	1	–	0
Tax consultancy	0	0	–	0
Other services	0	6	–	6
Total PwC[1)]	**11**	**15**	**2**	**7**
Other auditors				
Audit assignment	0	1	–	–
Audit-related services other than the audit assignment	0	0	–	0
Tax consultancy	0	0	–	–
Other services	0	1	–	1
Total other	**0**	**1**	**–**	**1**
Total fees to auditors	**12**	**16**	**2**	**8**

1. Of the total fee to PwC for the Group of SEK 11 M (15), SEK 6 M (5) relates to fees regarding audit assignments and SEK 0 M (4) relates to fees regarding other services than audit assignments invoiced by PwC Sweden. Of the total fee to PwC for the Parent Company of SEK 2 M (7), SEK 2 M (4) relates to fees invoiced by PwC Sweden.

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

	2019		2018	
Average number of employees	No. of employees	Of whom, men %	No. of employees	Of whom, men %
Parent Company				
Sweden	5	49	5	40
Total in Parent Company	**5**	**49**	**5**	**40**
Subsidiaries				
Sweden	1,394	82	1,433	82
Denmark	1,148	88	389	88
Norway	931	84	883	83
Poland	1,438	84	449	86
Other countries	37	80	22	82
Total in subsidiaries	**4,948**	**84**	**3,176**	**84**
Group total	**4,953**	**84**	**3,181**	**84**

Salaries, remuneration, etc. SEK '000s	Salaries and other remuneration	Soc. security expenses (of which pension costs)	Salaries and other remuneration	Soc. security expenses (of which pension costs)
Parent Company	17,128	10,444 (3,932)	16,061	9,170 (3,658)
Subsidiaries	2,031,675	484,330 (181,120)	1,383,795	390,599 (104,840)
Group total	**2,048,803**	**494,774 (185,052)**	**1,399,856**	**399,769 (108,498)**

Salaries and other remuneration distributed between the President and CEO, Board members and other employees, SEK '000s	Board and President[1] (of which bonus, and the like)	Other employees (of which bonus, and the like)	Board and President[1] (of which bonus, and the like)	Other employees (of which bonus, and the like)
Parent Company				
Mekonomen AB	8,827 (85)	8,301 (121)	7,934 (0)	8,127 (552)
Total in Parent Company	**8,827 (85)**	**8,301 (121)**	**7,934 (0)**	**8,127 (552)**
Subsidiaries in Sweden	16,451 (1,309)	646,635 (5,251)	22,364 (3,759)	603,861 (2,159)
Subsidiaries abroad				
Denmark	3,158 (394)	680,339 (22,662)	808 (0)	221,337 (1,644)
Norway	13,918 (613)	478,599 (5,695)	12,898 (866)	456,152 (2,789)
Poland	2,365 (0)	171,892 (0)	2,475 (0)	53,834 (80)
Other countries	0 (0)	18,318 (0)	0 (0)	10,066 (0)
Total in subsidiaries	**35,891 (2,316)**	**1,995,784 (33,608)**	**38,544 (4,625)**	**1,345,251 (6,673)**
Group total	**44,718 (2,401)**	**2,004,085 (33,729)**	**46,478 (4,625)**	**1,353,378 (7,225)**

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

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

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 2,520,000 (2,345,000) was determined in accordance with the resolution of the 2019 Annual General Meeting. Of this, SEK 620,000 (590,000) represents fees to the Chairman of the Board, SEK 400,000 (330,000) to the Executive Vice Chairman, and SEK 300,000 (285,000) to each of the remaining Board members. For members of the Board's Audit Committee, SEK 120,000 (70,000) is paid to the Chairman of the Audit Committee and SEK 50,000 (40,000) is paid to the other members of the Audit Committee. For members of the Board's Remuneration Committee, SEK 45,000 (40,000) 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 individual qualitative parameters and can amount to a maximum of 60 per cent of the basic annual salary. The President and CEO is included in LTIP 2019, which was approved at the 2019 Annual General Meeting. The President and CEO receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefits are primarily in the form 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 and CEO. 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 2019 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
- long-term share-based incentive programme (LTIP)
- pension benefits and
- other benefits and
- severance pay

The variable remuneration for senior executives, excluding the President and CEO, 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 and CEO is determined by the Board in its entirety.

Long-term share-based incentive programmes are decided by the Annual General Meeting, however.

Share-based remuneration

The 2019 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2019), in accordance with the Board's proposal. The primary motives for establishing LTIP 2019 are to link together the shareholders' and company management's and other key individuals' interests to ensure maximal long-term value creation and to encourage personal shareholding in Mekonomen Group.

To participate in LTIP 2019, the participant must make his or her own investment in shares in Mekonomen Group ("investment shares") that are allocated to LTIP 2019. Each investment share entitles the holder to five share awards. The five share awards are divided into Class A and Class B. Of the five share awards the participants receive for each investment share, one share award is of Class A and four are Class B.

For both classes, continued employment and continued ownership of the investment shares are required. Allocation of Class A depends on the total return on the company's shares (TSR), which is measured in the first quarter of 2019 against the first quarter of 2022 and the company's equity/assets ratio at the 2021 year-end account closing. Allocation of Class B also depend on earnings per share (EPS) during the period compared with budget 2019 according to different levels. The Board of Directors has set a minimum level and a maximum level during the measurement period and the outcome will be measured according to a linear scale.

The vesting period for LTIP 2019 began on the allocation date, which was in June 2019 and expires in connection with publication of the interim report for the period 1 January–31 March 2021. Any allocation of shares normally takes place within two weeks after publication of Mekonomen's interim report for the period 1 January–31 March 2021.

In accordance with the terms, the Group Management Team for Mekonomen Group and certain other key individuals in the Group, 17 people in total, acquired or already head 15,850 shares. To ensure delivery of shares according to LTIP 2019, the company bought back 30,000 shares during the period 3 July–10 July 2019. The company already has 63,250 treasury shares. The company thereby has a total of 93,250 treasury shares at the end of 2019 to ensure delivery of shares for LTIP 2019. As the total number of shares in Mekonomen amounts to 56,416,622, this corresponds to 0.17 per cent.

For the programme, the cost is recognised based on the fair value per share award at the allocation date, amounting to 66.70 and the estimated number of shares that will be vested. The total cost for the year amounts to SEK 0.8 M, including social security contributions.

There are no ongoing share-based incentive programmes.

	Basic salary[1]		Bonus[2]		Board fees[3]		Other benefits		Pension premiums	
Executives/category, SEK 000s	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
John S. Quinn, Chairman of the Board					645	655				
Helena Skåntorp, Executive Vice Chairman					1,120	400				
Eivor Andersson, Board member					345	310				
Kenny Bräck, Board member					300	285				
Joseph M. Holsten, Board member					350	310				
Magnus Håkansson, Board member					350	325				
Arja Taaveniku, Board member					325	–				
Former Board members										
Malin Persson					–	325				
President and CEO Pehr Oscarson	5,307	5,324	85	–			91	78	1,541	1,545
Other senior executives, 5 (11)[4]	9,072	20,410	121	1,487			396	1,022	2,110	4,554
Total	**14,379**	**25,734**	**206**	**1,487**	**3,435**	**2,610**	**486**	**1,100**	**3,651**	**6,099**

1) Basic salary in this table includes holiday bonus.
2) Bonus for the President and CEO and other senior executives for 2019 is fully comprised of costs for the long-term share-based incentive programme (LTIP).
3) Board fees include fees to members of the Board's Committees. The Board fees for 2019 include the one-time remuneration of SEK 600,000 set by the AGM for Helena Skåntorp for the special work done in connection with the company's acquisition of FTZ and Inter-Team in 2018. Remuneration and compensation set by the AGM are expensed every calendar year.

The average number of people in Group Management, except the President and CEO, amounted to 5 (11) people during 2019, including 2 (4) women. In 2019, the Group Management Team consisted of the President and CEO, the CFO, the Director of Purchasing, the Director for Communication & Marketing and the Director of Legal Affairs & Sustainability. In addition to the aforementioned functions, the former HR Director, President of Sørensen og Balchen, President of MECA Sweden, President of MECA Norway, President of Mekonomen Sweden, President of Mekonomen Norway and the Business Area Head for the Group's Venture companies were included until 14 February 2019.

A closer presentation of the Board and Group Management and its changes during the year are presented on pages 46–47.

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

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation of tangible fixed assets according to plan	–108	–84	0	0
Amortisation according to plan of right-of-use assets	–503	–	–	–
Total depreciation and impairment of tangible fixed assets	**–611**	**–84**	**0**	**0**
Amortisation, brands	0	0	–	–
Amortisation, customer relationships	–176	–118	–	–
Amortisation, franchise contracts	–4	–4	–	–
Amortisation, capitalised expenditure for IT systems	–34	–23	–	–
Total amortisation and impairment of intangible fixed assets	**–215**	**–146**	**–**	**–**
Total	**–825**	**–229**	**0**	**0**

NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2019	2018
Dividends	332	612
Total	**332**	**612**

NOTE 8 APPROPRIATIONS

	Parent Company	
	2019	2018
Group contributions received	204	155
Group contributions paid	–34	–87
Changes in tax allocation reserve	36	5
Total	**206**	**73**

NOTE 9 EXCHANGE-RATE DIFFERENCES – NET

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

	Group		Parent Company	
	2019	2018	2019	2018
Exchange-rate differences in EBIT	–2	–3	–1	1
Exchange-rate differences in net financial items	6	138	–12	132
Total	**3**	**135**	**–13**	**133**

NOTE 10 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2019	2018	2019	2018
Current tax				
Sweden	–42	–52	–27	–29
Other countries	–144	–72	–	–
Total current tax	**–186**	**–124**	**–27**	**–29**
Changes in deferred tax, temporary differences	53	–85	7	–93
Recognised tax expenses	**–134**	**–209**	**–20**	**–122**
Tax on profit for the year				
Recognised profit before tax	555	477	421	738
Tax according to applicable tax rate	–122	–108	–90	–162
Tax on standard interest on tax allocation reserves	–1	0	–1	0
Tax effects on expenses that are not tax deductible				
Other non-deductible expenses	–8	–8	–1	–1
Other non-taxable revenue	2	1	72	135
Effects on adjustments from preceding year	–1	1	–	–
Effects of non-capitalised loss carryforwards	–4	–8	–	–
Effect of change in the Swedish tax rate[1]	–	7	–	–
Effect of change in the Norwegian tax rate	–	–1	–	–
Effects of previously capitalised loss carryforwards[2]	–	–93	–	–93
Recognised tax expenses	**–134**	**–209**	**–20**	**–122**

1. Corporate tax in Sweden is being reduced in two steps from 2019, which has an effect on the calculation of deferred tax in the balance sheet in 2018, 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 21.99 per cent (22.7). The decrease is mainly attributable to a reduced tax rate in Norway from 23 per cent in 2018 to 22 per cent in 2019 and a reduced tax rate in Sweden from 22 per cent in 2018 to 21.4 per cent in 2019, and a major part of the profit pertains to Denmark at a 22 per cent tax rate as FTZ is a part of the 2019 full-year profit, but only four months 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 showed 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 wither direct (prices) or indirect (derived from prices) observable market data not included in Level 1.
Level 3: Fair value is determined base on inputs not observable in the market.

All of Mekonomen's financial instruments that are valued are measured at fair value included in Level 2, except supplementary purchase considerations which are included in Level 3.

NOTE 11 SUPPLEMENTAL DISCLOSURES, FINANCIAL RISK MANAGEMENT, CONT.

Calculation of fair value

The following summarises he main methods and assumptions used to determined 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 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. 2019	31 Dec. 2018
Financial assets		
Interest-rate swaps	2	–
Total	**2**	**0**
Financial liabilities		
Interest-rate swaps	10	3
Total	**10**	**3**

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

Financial assets and liabilities by measurement category, 31 Dec. 2019	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	2	76	–	78	78	23	101
Accounts receivable	–	855	–	855	855	–	855
Other current receivables	–	–	–	–	–	725	725
Cash and cash equivalents	–	355	–	355	355	–	355
Total	**2**	**1,286**	**–**	**1,288**	**1,288**	**748**	**2,036**
Financial liabilities							
Long-term liabilities, interest-bearing	10	–	3,323	3,333	3,333	–	3,333
Long-term lease liabilities	–	–	1,323	1,323	–		1,323
Long-term liabilities, non-interest-bearing	–	–	6	6	6	14	20
Current liabilities, interest-bearing	–	–	748	748	748	–	748
Current lease liabilities	–	–	457	457	–		457
Accounts payable	–	–	1,353	1,353	1,353	–	1,353
Other current liabilities	–	–	5	5	5	869	874
Total	**10**	**–**	**7,214**	**7,224**	**5,444**	**883**	**8,107**

1. Derivative instruments used for hedging purposes.

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.

NOTE 11 SUPPLEMENTAL DISCLOSURES, FINANCIAL RISK MANAGEMENT, CONT.

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

	31 Dec. 2019					
Nominal amount	2020	2021	2022	2023	2024 and later	Total
Liabilities to credit institutions, bank borrowing	428	401	1,289	1,772	0	3,890
Liabilities to leasing companies	499	449	336	281	360	1,925
Overdraft facilities	410	0	0	0	0	410
Derivatives	3	3	3	1	0	10
Supplementary purchase considerations	5	5	1	0	0	11
Accounts payable	1,353	0	0	0	0	1,353
Total	**2,699**	**859**	**1,629**	**2,054**	**360**	**7,599**

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

	31 Dec. 2018					
Nominal amount	2019	2020	2021	2022	2023 and later	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**

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

	2020 – Q1	2020 – Q2	2020 – Q3	2020 – Q4	2021	2022 and later	Total
Interest-rate swap	1	1	1	1	3	4	10
Total	**1**	**1**	**1**	**1**	**3**	**4**	**10**

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening accumulated cost, 1 January	3,688	1,880	858	327	43	42	1,609	803	287	259	6,486	3,312
Acquisitions	–	–	1	–	–	–	–	–	42	43	43	43
Acquisitions in connection with acquired operation	35	1,865	–	548	–	–	17	829	0	12	52	3,254
Divestments/disposals	0	–9	–	–	–	–	0	0	0	–25	0	–34
Translation difference, currency	47	–48	10	–17	0	1	11	–23	0	–1	68	–88
Closing accumulated cost, 31 December	**3,770**	**3,688**	**869**	**858**	**43**	**43**	**1,637**	**1,609**	**329**	**287**	**6,650**	**6,486**
Opening acc. depreciation and impairment, 1 January	**0**	**–9**	**–3**	**–3**	**–33**	**–28**	**–563**	**–443**	**–141**	**–143**	**–741**	**–627**
Divestments/disposals	–	9	–	–	–	–	0	0	0	25	0	34
Depreciation for the year	–	–	0	0	–4	–4	–176	–118	–34	–23	–215	–146
Impairment for the year	–	–	–	–	–	–	0	0	–	–	0	0
Translation difference, currency	–	–	0	0	0	–1	3	–1	0	0	4	–2
Closing accumulated amortisation and impairment, 31 December	**–**	**–**	**–3**	**–3**	**–37**	**–33**	**–736**	**–563**	**–174**	**–141**	**–953**	**–741**
Closing carrying amount, 31 December	**3,770**	**3,688**	**866**	**855**	**6**	**10**	**901**	**1,046**	**155**	**146**	**5,697**	**5,745**

NOTE 12 INTANGIBLE FIXED ASSETS, CONT.

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 at	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
FTZ	1,739	1,708	509	501	–	–	662	727	4	7	2,914	2,943
Inter-Team	29	28	30	29	–	–	19	21	6	3	84	81
MECA/Mekonomen	1,560	1,541	271	270	–	–	204	270	126	125	2,161	2,207
Sørensen og Balchen	442	412	56	55	6	10	16	28	0	0	520	504
Central functions	–	–	–	–	–	–	–	–	19	10	19	10
Total	**3,770**	**3,688**	**866**	**855**	**6**	**10**	**901**	**1,046**	**155**	**146**	**5,697**	**5,745**

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 1 M (0). A summary of goodwill and brands with indefinite useful period at operating segment level is provided in the table below.

	Goodwill 2019						Brands (indefinite useful period) 2019				
Operating segments	1 January 2019	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2019	1 January 2019	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2019
FTZ	1,708		–	–	31	1,739	501	–	–	8	509
Inter-Team	28	–	–	–	1	29	29	–	–	1	30
MECA/Mekonomen	1,541	18	–	–	1	1,560	270	–	–	–	270
Sørensen og Balchen	412	17	–	–	13	442	55	–	–	1	56
Total	**3,688**	**35**	**–**	**–**	**47**	**3,770**	**855**	**–**	**–**	**10**	**865**

	Goodwill 2018						Brands (indefinite useful period) 2018				
Operating segments	01/01/2018	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2018	01/01/2018	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/Mekonomen	1,470	69	–	0	1	1,541	270	–	–	–	270
Sørensen og Balchen	402	1	–	–	9	412	53	–	–	1	55
Total	**1,872**	**1,865**	**–**	**0**	**–48**	**3,688**	**323**	**548**	**–**	**–17**	**855**

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 the years two-four are based on an annual growth rate of 2.0 per cent (2.0) except for Inter-Team where the annual growth rate is deemed to amount to 5.0 per cent (5.0) in the forecast's year two and year three, and 2.0 per cent (2.0) 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 2019 and 2018, respectively, are summarised as follows:

	31 Dec. 2019		31 Dec. 2018	
	All CGU[1]	Inter-Team	All CGU[1]	Inter-Team
Discount rate (WACC) before tax	9.6–10.3%	10.6%	9.1–9.3%	12.8%
Discount rate (WACC) after tax	7.5–7.9%	8.5%	7.6%	10.8%
Growth rate beyond the forecast period	2.0%	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%	5.0–2.0%

1. Pertains to all test levels CGU excluding Inter-Team, see tables on operating segments above.

Sensitivity analysis

For all CGUs, excluding Inter-team, 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. For Inter-Team, an increase of the discount interest rate by two percentage points and a decrease of the assumed long-term growth rate by two percentage points each do not entail any impairment need. For Inter-Team, EBITDA can decrease by 0.8 percentage points before the recoverable amount reaches the book value. These calculations are hypothetical and shall not be seen as an indication that these factors are more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

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 2019.

NOTE 13 IMPROVEMENT COSTS, THIRD-PARTY PROPERTY

	Group		Parent Company	
	2019	2018	2019	2018
Opening accumulated cost, 1 January	**103**	**86**	**0**	**0**
Purchases, rebuilding and extensions	6	7	–	–
Increase through business combinations	–	14	–	–
Sales/disposals	–4	–3	0	–
Reclassification	3	–	–	–
Translation difference, currency	1	–1	–	–
Closing accumulated cost, 31 December	**110**	**103**	**–**	**0**
Opening accumulated depreciation, 1 January	**–70**	**–63**	**0**	**0**
Sales/disposals	4	3	0	–
Depreciation for the year	–12	–10	0	0
Translation difference, currency	–1	0	–	–
Closing accumulated depreciation, 31 December	**–80**	**–70**	**–**	**0**
Closing carrying amount, 31 December	**30**	**33**	**–**	**0**

NOTE 14 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment and transport		Construction in progress		Financial leasing[1]		Total	
Group	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening accumulated cost, 1 January	**57**	**–**	**796**	**494**	**9**	**89**	**33**	**30**	**894**	**612**
Purchasing	2	–	61	60	18	104	–	7	82	171
Increase through business combinations	–	59	2	73	–	–	–	–	2	132
Reclassification	–	–	–2	185	–1	–185	–33	–	–36	0
Sales/disposals	–4	–	–31	–17	–	–	–	–4	–35	–21
Translation difference, currency	3	–2	11	1	–	–	–	–	14	–1
Closing accumulated cost, 31 December	**58**	**57**	**838**	**796**	**26**	**9**	**–**	**33**	**922**	**894**
Opening acc. depreciation and impairment, 1 January	**–2**	**–**	**–406**	**–354**	**–**	**–**	**–30**	**–27**	**–438**	**–381**
Sales/disposals	–	–	27	14	–	–	–	4	27	18
Reclassification	–	–	–	–	–	–	30	–	30	–
Depreciation for the year	–6	–2	–90	–64	–	–	–	–7	–96	–73
Translation difference, currency	–3	0	–8	–2	–	–	–	–	–10	–2
Closing accumulated depreciation and impairment, 31 December	**–11**	**–2**	**–477**	**–406**	**–**	**–**	**–**	**–30**	**–487**	**–438**
Closing carrying amount, 31 December	**47**	**55**	**362**	**391**	**26**	**9**	**–**	**3**	**435**	**457**

1. Tangible fixed assets also included lease assets rented under finance leases until 31 December 2018 (IAS 17). Reclassification of these leased assets was done in connection with the transition to IFRS 16 Leases and, as of 1 January 2019, are found under the heading right-of-use assets; refer to Note 15 and further disclosures in Note 1.

Operational lease agreements

Operating leases primarily comprise leased premises.

Information about leasing expenses, operational leasing	Group[1]	Parent Company	
	2018	2019	2018
Premises rent	374	0	1
Leasing expenses, other	53	0	0
Total	**427**	**0**	**1**

Future leasing fees for irrevocable lease agreements falling due for payment:	Group[1]	Parent Company	
	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Within one year	484	0	1
Later than one year but within five years	938	1	2
After five years	315	–	–
Total	**1,737**	**1**	**3**

1. From 1 January 2019, leases for the Group are instead recognised in accordance with IFRS 16 Leases. For further information, refer to Note 1 Accounting and valuation policies and Note 15 Leases.

Of the future lease fees, rent for premises accounted for SEK 1 M (3) for the Parent Company.

NOTE 15 LEASES

Information on leases where the Group is the lessee

The following amounts related to leases are recognised in the balance sheet:

Right-of-use assets	31 Dec. 2019	1 Jan. 2019[1)]
Buildings	1,688	1,945
Vehicles	124	115
Other	6	5
Total	**1,818**	**2,065**
Lease liabilities		
Long-term	1,323	1,552
Current	457	458
Total	**1,779**	**2,010**

1. Only leasing assets and leasing liabilities attributable to finance leases were recognised in the previous year in accordance with IAS 17 Leases. The assets were presented as a part of tangible fixed assets and the liabilities as a part of the Group's borrowing. For adjustments recognised at the transition to IFRS 16 at 1 January 2019, refer to Note 1 Accounting policies under the heading Amended accounting policies and Leasing.

For information on maturity structure regarding lease liabilities, refer to Note 11 Supplemental disclosures on financial risk management.

Additional right-of-use assets in 2019 amounted to SEK 326 M.

The following amounts related to leases are recognised in the income statement:

	2019	2018[1]
Amortisation of right-of-use assets	–503	–
of which buildings	–436	–
Vehicles	–64	–
of which other	–3	–
Interest expenses (included in financial expenses)	–43	–
Expenses attributable to short-term leases (included in other external expenses)	–9	–
Expenses attributable to leases for which the underlying asset is of low value that is not a short-term lease (included in other external expenses)	–30	–
Expenses attributable to variable leasing payments that are not included in lease liabilities (included in other external expenses)	–13	

1. Expenses attributable to leases reported in 2018 in accordance with IAS 17 as other external expenses.

Total cash outflow for leases in 2019 was SEK 559 M.

Information on rental agreements where the Group is the lessor

Premises are leased to tenants under operating leases with monthly rental payments. Leasing payments for certain contracts include CPI increases, but there are no other variable leasing payments that depend on an index or an interest rate. Even if the Group is exposed to changes in the residual value at the end of the current leases, the Group usually enters new operating leases and will therefore not immediately realise any decrease in the residual value at the end of these leases.

Information about leasing income	2019	2018
Leasing income, operating leases	53	55
Future minimum lease charges that will be received		
Within 1 year	51	53
Between 1–2 years	50	51
Between 2–3 years	42	50
Between 3–4 years	41	42
Between 4–5 years	18	41
More than 5 years	20	18

NOTE 16 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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Capitalised loss carryforwards	8	2	–	–
Temporary differences on inter-company profits	43	42	–	–
Temporary differences, inventory obsolescence	19	18	–	–
Temporary differences, other	58	16	11	4
Less netting	–128	–78	–	–
Total deferred tax assets	**0**	**0**	**11**	**4**
Untaxed reserves	–86	–85	–	–
Surplus value in intangible fixed assets (through acquisition)	–406	–432	–	–
Temporary differences, other	–64	–35	–	–
Less netting	128	78	–	–
Total deferred tax liabilities	**–428**	**–474**	**–**	**–**
Total (net)	**–428**	**–474**	**11**	**4**

	Group		Parent Company	
Gross change in deferred tax assets/tax liabilities	2019	2018	2019	2018
Opening balance	–474	–75	4	96
Translation difference, currency	–7	11	–	–
Acquisition of subsidiaries	–1	–324	–	–
Recognition in profit or loss[1)]	53	–85	7	–93
Tax recognised in comprehensive income	1	–1	–	–
At year-end	**–428**	**–474**	**11**	**4**

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 761 M (711) in the Group. For deficits amounting to SEK 148 M (116), 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 for tax loss carry-forwards in the Group amount to SEK 8 M (2) at the balance sheet date. Deferred tax assets on the remaining deficit was not assigned a value in the balance sheet.

NOTE 17 OTHER FINANCIAL FIXED ASSETS

	Group	
	31 Dec. 2019	31 Dec. 2018
Hire-purchase contracts	67	46
Other	11	8
Total	**78**	**54**

Hire-purchase contracts	Group 31 Dec. 2019	31 Dec. 2018
Hire-purchase contracts	68	48
Credit loss reserve[1]	–1	–2
Total	**67**	**46**

Credit loss reserve, hire-purchase contracts[1]	Group 2019	2018
Credit loss reserve at beginning of year	–2	–6
Change in net credit loss reserve for the year	0	0
Receivables written off during the year as non-collectable	1	4
Reclassification of renegotiated accounts receivable	0	0
Translation difference, currency	0	0
Credit loss reserve at year-end	**–1**	**–2**

1. This information is limited as the amounts are of minor value.

Interest income on hire-purchase contracts during the year was SEK 1 M (0).

NOTE 18 INVENTORIES

	Group	
	31 Dec. 2019	31 Dec. 2018
Goods for resale	2,854	2,816
Total	**2,854**	**2,816**

The cost of inventories expensed is included in the item goods for resale in the income statement and amounted to SEK 6,535 M (3,901). Provisions for obsolescence are induced in the value of inventories. In addition to the normal obsolescence reserve, inventories have been impaired by SEK 12 M (48).

Only an insignificant part of the inventory is measured at net realisable value.

NOTE 19 CURRENT RECEIVABLES

	Group	
	31 Dec. 2019	31 Dec. 2018
Accounts receivable	855	868
Tax assets	46	15
Other receivables	54	72
Prepaid expenses and accrued income	625	574
Total	**1,580**	**1,530**

Accounts receivable	Group 31 Dec. 2019	31 Dec. 2018
Accounts receivable	901	915
Credit loss reserve	–46	–47
Total	**855**	**868**

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.

Credit loss reserve	Group 2019	2018
Credit loss reserve at beginning of year	–47	–34
Incurred through acquisitions	0	–18
Change in net credit loss reserve for the year	–13	–3
Change in provision, net in balance sheet	14	8
Reclassification to long-term receivables	0	0
Translation difference, currency	0	0
Credit loss reserve at year-end	**–46**	**–47**

Accounts receivable on 31 December 2019	Not overdue	Overdue up to 30 days	Overdue up to 60 days	Overdue more than 60 days	Total
Carrying amounts, accounts receivable, net	606	217	17	15	**855**
Total	**606**	**217**	**17**	**15**	**855**

Accounts receivable on 31 December 2018	Not overdue	Overdue up to 30 days	Overdue up to 60 days	Overdue more than 60 days	Total
Carrying amounts, accounts receivable, net	729	105	26	8	**868**
Total	**729**	**105**	**26**	**8**	**868**

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 3 M (5).

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Prepaid rents	0	53	–	–
Prepaid lease fees	0	2	–	–
Prepaid insurance	6	6	1	1
Accrued supplier bonus	534	428	–	–
Other interim receivables	85	85	4	8
Total	**625**	**574**	**5**	**9**

NOTE 21 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Cash and bank balances	355	205	235	79
Total	**355**	**205**	**235**	**79**

NOTE 22 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
Long-term	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Liabilities to credit institutions, bank borrowing	3,317	3,225	3,314	3,224
Liabilities to leasing companies	1,323	1	–	–
Derivatives, interest-rate swaps	10	3	–	–
Total long-term liabilities, interest-bearing	**4,649**	**3,228**	**3,314**	**3,224**

	Group		Parent Company	
Current	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Liabilities to credit institutions, bank borrowing	341	800	341	800
Overdraft facilities	407	278	407	278
Liabilities to leasing companies	457	2	–	–
Derivatives, currency and interest-rate swaps	–	1	–	–
Total current liabilities, interest-bearing	**1,204**	**1,081**	**748**	**1,078**
Total borrowing	**5,853**	**4,309**	**4,061**	**4,302**
Overdraft facility limit	**570**	**443**	**570**	**443**
of which, unutilised portion	163	165	163	165

The introduction of IFRS 16 Leases means that items totalling SEK 1,779 M are recognised as a liability to the leasing company, compared with SEK 3 M in 2018. During the year, two short-term bridge loans of EUR 40.5 M and SEK 100 M were replaced by long-term loans. The former through an increase in the existing Term A loan and the latter through an increase of existing RCF. The long-term Term A loan in EUR runs until 2023 and is repaid at EUR 5 M per quarter. The company also has an SEK loan that runs until 2022 and is repaid at SEK 34 M per quarter. The RCF loan runs until 2022. During the year, Mekonomen moved parts of the SEK loan under RCF to NOK loans. This is to hedge the currency risk in net investments in NOK. The Group had already in the same way currency hedged net investments in DKK with loans in EUR. Currency translation of the part of the loan included in the hedging relationship is recognised in other comprehensive income.

During the year, Mekonomen entered interest-rate swaps in NOK of SEK 300 M to reduce the risk in the Group's cash flow as a result of changed market interest rates. This swap runs until 2022. There are already two swaps in EUR of EUR 60.75 M each that run to 2022 and 2023, respectively. 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 around 2.3 per cent.

Mekonomen AB's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The introduction of IFRS 16 Leases does not affect the Group's ability to fulfil these covenants. 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 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 151 M (53). Refer also to the sensitivity analysis pertaining to interest-rate risks in the sensitivity analysis section in the Administration Report and in Note 36. Existing overdraft facilities are in SEK.

NOTE 23 PROVISIONS

	Group 31 Dec. 2019	Group 31 Dec. 2018	Parent Company 31 Dec. 2019	Parent Company 31 Dec. 2018
Provision for pensions	7	4	–	–
Provisions for supplementary purchase considerations	11	21	–	–
Provisions for returns	16	17	–	–
Other provisions	13	11	3	3
Total	**48**	**53**	**3**	**3**

	Provisions for returns and other	Provisions for supplementary purchase considerations
Carrying amount at the beginning of the year	28	21
– New provisions	9	8
– Reversed provisions	–7	–4
Amounts utilised during the period	0	–13
Currency effects	0	0
Carrying amount at year-end	**29**	**11**

Provisions comprise:	Group 31 Dec. 2019	Group 31 Dec. 2018	Parent Company 31 Dec. 2019	Parent Company 31 Dec. 2018
Long-term portion	27	24	3	3
Short-term portion	21	29	–	–
Total	**48**	**53**	**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 2019 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 15 M (13).

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 148 per cent at year-end 2019 (2018: 142 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 49 (51) gainfully employed individuals and 49 (50) pensioners. Pension benefits are largely dependent on the number of years of service, salary level at retirement and the amount of the benefit. This 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. 2019	Group 31 Dec. 2018
Present value of funded commitments	61	53
Fair value of plan assets	–54	–49
Deficit in funded plans	**7**	**4**
Present value in unfunded commitments	–	–
Net debt in the balance sheet	**7**	**4**

Present value of commitments	Group 2019	Group 2018
Opening balance	53	51
Gross pension cost for the year	2	2
Interest expenses	1	1
Pension payment	–2	–2
Actuarial gains and losses[1]	6	0
Exchange-rate differences	2	1
Closing balance	**61**	**53**

Fair value of plan assets	Group 2019	Group 2018
Opening balance	49	48
Expected return	1	1
Payments	4	3
Pension payment	–2	–2
Actuarial gains and losses[1]	1	–2
Exchange-rate differences	1	1
Closing balance	**54**	**49**
Net pension commitments	**7**	**4**

1. Changes in demographic and financial assumptions are not specified on the basis of a materiality assessment.

Costs recognised in profit or loss	Group 2019	Group 2018
Pension vesting for the year including contributions	2	2
Administration fees	0	0
Interest expenses	0	1
Total	**2**	**3**

Composition of plan assets	Group 31 Dec. 2019	Group 31 Dec. 2018
Equities	10%	10%
Bonds	70%	72%
Property	13%	11%
Other	7%	7%
Total	**100%**	**100%**

Actuarial assumptions	Group 31 Dec. 2019	Group 31 Dec. 2018
Discount rate	1.80%	2.60%
Future salary increases	2.23%	2.75%
Future pension increases	0.70%	0.80%

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 2020 financial year are expected to amount to SEK 4 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 24 OTHER CURRENT LIABILITIES, NON-INTEREST-BEARING

	Group	
	31 Dec. 2019	31 Dec. 2018
Accounts payable	1,353	1,363
Other liabilities	193	195
Accrued expenses and deferred income	584	530
Total	**2,130**	**2,088**

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Accrued personnel-related costs	373	337	8	10
Accrued bonuses/contract fees	104	94	–	–
Accrued interest expenses	2	6	2	6
Prepaid rental income	2	3	–	–
Other interim liabilities	103	90	2	6
Total	**584**	**530**	**12**	**21**

NOTE 26 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Pledged assets	–	–	–	–
Contingent liabilities				
Other guarantee commitments	0	0	–	–
Guarantees on behalf of subsidiaries	–	–	391	393
Other sureties	22	15	–	–
Total	**22**	**15**	**391**	**393**

NOTE 27 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2019	2018
Opening cost	7,937	3,604
Capital contributions paid	474	28
Sale of subsidiaries	–	–
Acquisitions during the year[1)]	–	4,305
Closing accumulated cost	**8,411**	**7,937**
Opening impairment	–574	–574
Impairment	–	–
Closing accumulated impairment	**–574**	**–574**
Closing residual value	**7,837**	**7,363**

1. Refers to the acquisition of FTZ and Inter-Team in 2018. For further information and the acquisition analysis, refer to Note 31.

Participations in Group companies	Corporate identity number	Share of equity, %	Number of stores	Book value, 31 December 2019	Book value, 31 December 2018
Name of company/registered office, Denmark					
Acem A/S /Odense	30 07 81 28	100		0	0
FTZ Autodele & Værktøj A/S/Odense	73 64 87 18	100	49	4,065	4,065
Name of company/registered office, Finland					
Mekonomen Oy/Helsinki	2259452-4	100	4	0	0
Name of company/registered office, Norway					
Mekonomen AS/Kolbotn	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	240
Name of company/registered office, Sweden					
Bileko Car Parts AB/Stockholm	556062-4875	100		46	40
Bileko Tires AB/Stockholm	556821-5981	100		28	28
MECA Scandinavia AB/Malmö	556218-3037	100		2,446	2,053
Meko Service Nordic AB/Stockholm	556179-9676	100		1	1
Mekonomen Detaljist AB/Stockholm	556157-7288	100	83	81	5
Bileko Services AB/Stockholm	556724-9254	100		35	35
Mekonomen Services AB/Huddinge	556840-9428	100		0	0
Speedy Autoservice AB/Malmö	556575-9858	100		31	31
Participations in Group companies, total			**244**	**7,837**	**7,363**

NOTE 27 PARTICIPATIONS IN GROUP COMPANIES, CONT.

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
FTZ			
Automester Danmark ApS/Odense	16 81 72 44	100	–
Din Bilpartner ApS/Odense	32 14 21 09	100	–
DriveClever A/S/ Odense	32 08 15 76	100	–
FTZ Autodele & Værktøj P/F/Torshavn	51 29 23	70	2
			2
MECA/MEKONOMEN[1)]			
Mekonomen Grossist Oy/Vantaa	2445185-0	100	–
Mekonomen ehf./Gardabaer	411214-0520	100	–
Follo Autosenter AS/Vestby	986 573 704	100	–
J&B Maskinteknikk AS/Gjøvik	915 971 865	100	–
MECA Norway AS/Gjøvik	935 682 525	100	24
MECA Service AS/Gjøvik	920 377 068	100	–
Mekonomen Services AS/Kolbotn	999 323 332	100	–
Mekonomen Tønsberg AS/Tønsberg	934 256 867	75	1
Motor Norge AS/Alta	945 481 668	51	1
Preqas AS/Gjøvik, Norway	816 479 932	100	–
Sluppen Bilservice AS/Trondheim	997 956 753	100	–
AltiBil Västra Sverige AB/Gothenburg	556603-0747	65	–
Bilglascentralen AB/Gothenburg	556076-4598	65	–
BilXtra Sweden AB/Malmö	556509-7861	100	3
J&B Maskinteknik AB/Gothenburg	556490-2996	100	–
MECA Car Parts AB/Malmö	556169-0412	100	–
MECA Sweden AB/Malmö	556356-5612	100	56
MECA Tunga Fordon AB/Malmö	559009-7837	100	–
MECA Verkstadsdrift AB/ Malmö	559012-2478	100	–
Meko Service 15 AB/Stockholm	559123-7424	100	–
Meko Service 16 AB/Stockholm	559123-7416	100	–
Meko Service 19 AB/Stockholm	559124-5070	100	–
Meko Service 24 AB/Stockholm	559149-8976	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 5 AB/Stockholm	559101-9681	100	–
Meko Service Hemmesta AB/Upplands-Väsby	556428-1102	100	–
Meko Service Småland AB/Stockholm	559115-9479	100	–
Meko Service Susannes Bilverkstad i Härlöv AB/ Upplands-Väsby	556964-0641	100	–
Meko Service Södra AB/Stockholm	559086-6645	100	–
Mekonomen Alingsås AB/Alingsås	556596-3690	95	1
Mekonomen Arvika AB/Arvika	556528-3750	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 Bemanning AB/Stockholm	559149-9255	100	–
Mekonomen Billivet Borås AB/Stockholm	559149-8570	100	–
Mekonomen Billivet Bromma AB/Stockholm	556864-3455	100	–
Mekonomen Billivet Eklanda AB/Stockholm	556863-9909	91	–
Mekonomen Billivet Fosie AB/Stockholm	559098-0537	100	–
Mekonomen Billivet Gislaved AB/Stockholm	559123-7408	100	–
Mekonomen BilLivet Grimmered AB/ Stockholm	559185-6983	100	
Mekonomen BilLivet Gärdet AB/Upplands-Väsby	556821-6047	100	–
Mekonomen BilLivet Gävle AB/Stockholm	556864-3448	100	–
Mekonomen Billivet Hedemora AB/Stockholm	559112-6460	91	–
Mekonomen BilLivet Helsingborg AB/Stockholm	559086-6744	80	–
Mekonomen Billivet Härnösand AB/Stockholm	559149-9313	100	–

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
Mekonomen BilLivet Infra City AB/Stockholm	556864-3471	100	–
Mekonomen BilLivet Johanneshov AB/Stockholm	556882-0780	100	–
Mekonomen Billivet Karlshamn AB/Stockholm	559118-0608	100	–
Mekonomen BilLivet Karlskrona AB/Stockholm	556882-0772	100	–
Mekonomen BilLivet Katrinelund AB/Stockholm	556882-0954	100	–
Mekonomen Billivet Kiruna AB/Stockholm	559118-0616	100	–
Mekonomen Billivet Lidingö AB/Stockholm	559149-9289	100	–
Mekonomen BilLivet Ljungby AB/Stockholm	559118-0582	100	–
Mekonomen Billivet Ljusdal AB/Stockholm	559149-9297	100	–
Mekonomen BilLivet Moränen AB/Stockholm	559055-8549	100	–
Mekonomen Billivet Norremark AB/Stockholm	559116-8694	100	–
Mekonomen Billivet Nybro AB/Stockholm	559149-9388	100	–
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	100	–
Mekonomen BilLivet Uddevalla AB/Stockholm	559164-2722	100	–
Mekonomen BilLivet Vårby AB/Stockholm	556882-0947	100	–
Mekonomen Billivet Värnamo AB/Stockholm	559123-7705	100	–
Mekonomen BilLivet Växjö AB/Stockholm	559118-0574	100	–
Mekonomen BilLivet Åkersberga AB/Stockholm	556819-5019	100	–
Mekonomen BilLivet Älmhult AB/Stockholm	559115-9461	100	–
Mekonomen Bilverkstad AB/Stockholm	556607-1493	100	–
Mekonomen Blekinge AB/Sölvesborg	556649-9017	100	–
Mekonomen Bollnäs AB/Bollnäs	556827-3675	91	1
Mekonomen Eklanda AB/Gothenburg	556887-1999	51	1
Mekonomen Enköping AB/Enköping	556264-2636	91	1
Mekonomen Falkenberg AB/Falkenberg	556213-1622	91	1
Mekonomen Falun AB/Falun	556559-3927	100	–
Mekonomen Fleet AB/Stockholm	556720-6031	100	–
Mekonomen Göteborg AB/Gothenburg	556887-2294	51	3
Mekonomen Hedemora AB/Hedemora	556308-8011	91	1
Mekonomen Härnösand AB/Härnösand	556217-2261	100	–
Mekonomen Hässleholm AB/Hässleholm	556678-0622	91	1
Mekonomen Järfälla AB/Järfälla	556580-2351	95	1
Mekonomen Karlskoga AB/Uppsala	556821-6062	100	1
Mekonomen Kramfors AB/Kramfors	556496-1810	91	1
Mekonomen Kungsbacka AB/Kungsbacka	556887-2336	51	1
Mekonomen Kungshamn AB/Sotenäs	559101-6257	80	1
Mekonomen Lidköping AB/Lidköping	556761-3012	100	–
Mekonomen Linköping AB/Linköping	556202-9545	100	–
Mekonomen Ljusdal AB/Ljusdal	556786-1066	100	–
Mekonomen Ludvika AB/Ludvika	556470-4210	91	1
Mekonomen Lund AB/Lund	556531-0108	91	1
Mekonomen Mariestad AB/Mariestad	556261-0179	75	1
Mekonomen Mjölby AB/Mjölby	556362-0565	95.5	–
Mekonomen Mora AB/Mora	556363-2487	100	–
Mekonomen Motala AB/Motala	556311-8750	95.5	–
Mekonomen Norrköping AB/Norrköping	556376-2797	100	–
Mekonomen Norrtälje AB/Stockholm	556178-9719	60	1
Mekonomen Nyköping AB/Nyköping	556244-0650	75	1
Mekonomen Nödinge AB/Ale	556530-7237	100	–
Mekonomen Osby AB/Osby	556408-8044	91	1
Mekonomen Oskarshamn AB/Oskarshamn	556631-8589	75	1
Mekonomen Piteå AB/Piteå	556659-8966	100	–
Mekonomen Sandviken AB/Sandviken	556201-1295	100	–
Mekonomen Sollefteå AB/Sollefteå	556216-9424	100	–
Mekonomen Strängnäs AB/Strängnäs	556786-9457	100	–

NOTE 27 PARTICIPATIONS IN GROUP COMPANIES, CONT.

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
Mekonomen Strömstad AB/Strömstad	556775-9849	100	–
Mekonomen Sundsvall Birsta AB/Sundsvall	556201-1675	100	–
Mekonomen Sundsvall Nacksta AB/Sundsvall	556777-4863	100	–
Mekonomen Trollhättan AB/Trollhättan	556515-0298	100	–
Mekonomen Umeå AB/Umeå	556483-3084	81.8	1
Mekonomen Valdemarsvik AB/Valdemarsvik	556963-4966	100	–
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	–
Mekonomen Vänersborg AB/Vänersborg	556770-0058	100	–
Mekonomen Växjö AB/Växjö	556192-0439	100	–
Mekonomen Örebro AB/Örebro	556216-4250	100	1
Mekonomen Örebro Birsta AB/Örebro	556389-4095	100	1
Mekonomen Örnsköldsvik AB/Örnsköldsvik	556465-6287	51	1
Mekonomen Östersund AB/Östersund	556296-5243	100	–
Mekster AB/Stockholm	556917-2595	51	–
Mianjo i Nödinge AB/Ale	559210-7808	100	–
Preqas AB/Gothenburg	556884-6504	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 Solna AB/Malmö	556953-2434	91	–
			114

1. Within MECA Mekonomen, a total of 26 wholly owned store companies were merged into their respective parent companies: Mekonomen Detaljist AB, Mekonomen Oy, Mekonomen Service AS.

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
SØRENSEN OG BALCHEN			
Askim Bilrekvisita AS/Askim	885 049 702	100	2
Autoproducts AS/Tiller	995 080 125	50	1
Bilartikler AS/Fredrikstad	921 462 867	60	3
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	5
BilXtra Autogården Kongsberg AS/Kongsberg	914 746 345	91.9	–
BilXtra Skøyen AS/Oslo	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	100	1
Rogaland Rekvisita AS/Stavanger	936 043 119	100	2
Rønneberg Auto Industri AS/Ålesund	981 015 150	100	6
Vest Bilutstyr AS/Kokstad	980 281 450	100	2
			37

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
OTHER SEGMENTS			
Name of company/registered office, Hong Kong			
ProMeister Global Limited/Hong Kong	1988735	100	–
Name of company/registered office, Norway			
Lasingoo Norge AS/Trollåsen	914 835 585	100	–
ProMeister Solutions AS/Gjøvik	917 100 462	100	–
Name of company/registered office, Sweden			
ProMeister Solutions AB/Malmö	559034-6929	100	–
ProMeister Verkstad AB/Stockholm	559149-9347	100	–
			0
TOTAL NUMBER OF STORES			**397**

Including the Parent Company, Mekonomen Group comprises a total of 172 companies, 397 proprietary stores and 82 proprietary workshops. Currently, 21 wholly-owned companies run 363 stores and 29 partly-owned companies run 34 stores. Furthermore, 40 wholly-owned companies run 67 car workshops and 9 partly-owned companies run 15 workshops.

The Group has no subsidiary with non-controlling interests that is of individual significance to Mekonomen Group.

NOTE 28 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 53 and 57, respectively.

Share capital and number of shares

	Group	
Total number of shares	2019	2018
At 1 January	56,416,622	35,901,487
New share issue	–	20,515,135
At 31 December	**56,416,622**	**56,416,622**

	Group	
Treasury shares	2019	2018
At 1 January	63,250	63,250
Acquisitions for the year[1]	30,000	–
At 31 December	**93,250**	**63,250**

1. To ensure delivery of shares according to the long-term incentive programme decided by the AGM (LTIP 2019), the company bought back 30,000 shares during the period 3 July–10 July 2019. The company already has 63,250 treasury shares. The company thereby has a total of 93,250 treasury shares at the end of 2019 to ensure delivery of shares for LTIP 2019. As the total number of shares in Mekonomen amounts to 56,416,622, this corresponds to 0.17 per cent.

	Group	
Number of outstanding shares[1]	31 Dec. 2019	31 Dec. 2018
Total number of shares	56,416,622	56,416,622
Treasury shares	–93,250	–63,250
Total	**56,323,372**	**56,353,372**

1. There was no dilution effect from the number of shares as of 31 December 2019 and 31 December 2018, respectively.

	Group	
Share capital, SEK	2019	2018
At 1 January	141,041,555	89,753,718
New share issue	–	51,287,838
At 31 December	**141,041,555**	**141,041,555**
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 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**
Opening balance on 1 January 2019	**2,993**
Closing balance on 31 December 2019	**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 2018	**–178**	**–3**	**–182**
Exchange-rate differences on translation of foreign subsidiaries	–129	–	–129
Hedging of net investment, net[1]	4	–	4
Cash-flow hedging[2]	–	1	1
Closing balance on 31 December 2018	**–304**	**–3**	**–307**
Opening balance on 1 January 2019	**–304**	**–3**	**–307**
Exchange-rate differences on translation of foreign subsidiaries	108	–	108
Hedging of net investment[1]	–33	–	–33
Cash-flow hedging[2]	–	–4	–4
Tax recognised directly against equity	4	1	5
Closing balance on 31 December 2019	**–226**	**–7**	**–232**

1. Loans raised in EUR in connection with acquisitions in Denmark in 2018 hedge the currency risk in the net investments and loans converted to NOK in 2019 hedge the net investment in Norway and the currency translation is recognised in accordance with IFRS 9.
2. Holding of financial interest rate derivatives for hedging purposes, valued according to level 2 defined in IFRS 13.

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 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**
Opening balance on 1 January 2019	**1,001**
Comprehensive income for the year:	
Profit for the year	413
Actuarial gains and losses	–4
Comprehensive income for the year	**409**
Buyback of own shares	–2
Sharesavings programme	1
Acquisition/divestment of non-controlling interests	–6
Closing balance on 31 December 2019	**1,401**

Dividend to Parent Company's shareholders

The Board of Directors proposes no dividend for 2019.

Proposed appropriation of profit – Parent Company

The following profit is at the disposal of the Annual General Meeting, SEK 000s:	
Profit brought forward	4,618,681
Profit for the year	401,393
Total	**5,020,074**

The Board of Directors proposes that profits be appropriated as follows:	
To be carried forward	5,020,074
Total	**5,020,074**

NOTE 29 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 53 and Note 28 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 (adjusted for IFRS 16)/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 page 16–17 and for further information on the Group's key figures, see the section of the Five-year summary on page 90–92.

NOTE 30 SUPPLEMENTAL DISCLOSURES ON THE CASH FLOW STATEMENT

Adjustments for non-cash items in operating activities	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Depreciation/Amortisation	825	229	0	0
Impairment of intangible fixed assets	–	0	–	–
Impairment of financial fixed assets	–	0	–	–
Impairment of inventories	12	48	–	–
Other provisions	–6	9	0	0
Capital gain/loss from divestment of fixed assets	5	3	–	–
Capital gain/loss from divestment of operations	–	7	–	–
Exchange gains/losses	0	–133	19	–126
Capitalised interest income	–	–	–23	–9
Interest expense, IFRS 16	21	–	–	–
Other items not affecting liquidity	4	11	5	11
Total	**861**	**175**	**0**	**–124**

Change in liabilities with cash flows in financing activities, Group	Opening balance, 1 Jan. 2019	Effect of implementation of IFRS 16[1] 1 Jan. 2019	Cash flow: Loans raised/repaid	Cash flow: Amortisation leasing[1]	Non-cash items: Increase of lease liabilities[1]	Non-cash items: Currency effect	Non-cash items: Period-allocated loan raising expenses	Non-cash items: Change in fair value	Closing balance, 31 Dec. 2019
Liabilities to credit institutions[2]	4,303	–	–280	–	–	36	5	–	4,064
Lease liabilities[2]	3	2,007	–	–507	250	27	–	–	1,780
Derivatives, interest-rate swaps	3	–	–	–	–	–	–	7	10
Total	**4,309**	**2,007**	**–280**	**–507**	**250**	**63**	**5**	**7**	**5,853**

1. The implementation of IFRS 16 from 1 January 2019 meant that the lease liabilities increased without entailing a cash flow. The transition effect as per 1 January 2019 is reported separately in the table above. Continuous repayments of the lease liabilities (part of rental payments) are classified as cash flows in financing activities. The current year's increase in lease liabilities as a result of new leases, etc. are not classified as cash flow, however. The comparative figures have not been restated as the Group applied the simplified method in the implementation of IFRS 16. For further information on the transition to IFRS 16 at 1 January 2019, refer to Note 1 Accounting policies under the heading Amended and new accounting policies and Leasing.
2. Opening lease liabilities of SEK 3 M at 1 January 2019 were included in the item liabilities to credit institutions in the previous year.

Change in liabilities with cash flows in financing activities, Group	Opening balance, 1 January 2018	Cash flow: Loans raised/repaid	Non-cash items: Currency effect	Non-cash items: Period-allocated loan raising expenses	Non-cash items: Change in fair value	Closing balance, 31 Dec. 2018
Liabilities to credit institutions	1,702	2,728	–136	11	–	4,305
Derivatives, interest-rate swaps	4	–	–	–	0	3
Total	**1,706**	**2,728**	**–136**	**11**	**0**	**4,309**

NOTE 31 EFFECTS OF ACQUISITIONS IMPLEMENTED

Business combinations 2019

MECA/Mekonomen acquired four stores in Sweden and three workshops in Sweden and two workshops in Norway. MECA / Mekonomen has also acquired minority holdings in three stores and two workshops.

Sørensen og Balchen acquired one store in Norway.

Through FTZ, the Group also acquired Nordic Forum Holding A/S, the former holding company for FTZ and Inter-Team. This was a part of the earlier acquisition of FTZ and Inter-Team. However, Nordic Forum has not had any operations as a holding company as before and the transaction does not have any material significance to Mekonomen, but rather the acquisition was only a practical result of the earlier acquisitions.

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.

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 2019	Total acquisitions
Value of acquired assets and liabilities	
Tangible fixed assets	2
Inventories	11
Current receivables	13
Cash and cash equivalents	14
Current liabilities	–20
Acquired net assets	**20**
Customer relations	17
Goodwill	35
Deferred tax liabilities	–1
Acquired non-controlling interests, surplus value recognised against shareholders' equity	6
Total identifiable net assets and goodwill	**78**
Total purchase price	–78
– of which, cash portion	–70
– of which supplementary purchase considerations entered as liabilities	–8
Cash and cash equivalents in the acquired companies	14
Plus paid supplementary purchase considerations regarding earlier years	–13
Impact on Group's cash and cash equivalents	**–70**

One store manager entered as a partner in one store company during the year.

Acquired subsidiaries/ operations 2019	Country	Acquisition date	Participating interest and share of voting rights	Object
Stores, Malmö, Växjö, Jönköping – MECA/Mekonomen	Sweden	Quarter 1	100	Assets and liabilities
Workshop, Gothenburg – MECA/Mekonomen	Sweden	Quarter 1	100	Equities
Workshop, Växjö – MECA/Mekonomen	Sweden	Quarter 1	100	Assets and liabilities
Store, Fredrikstad	Norway	Quarter 1	100	Assets and liabilities
Workshop, Trondheim – MECA/Mekonomen	Norway	Quarter 1	100	Equities
Store, Nödinge – MECA/Mekonomen	Sweden	Quarter 3	100	Equities
Workshop, Gothenburg – MECA/Mekonomen	Sweden	Quarter 3	100	Assets and liabilities
Workshop, Follo – MECA/Mekonomen	Norway	Quarter 4	100	Equities

Business combinations 2018

On 6 July 2018, Mekonomen entered an agreement to acquire all shares in the car part distributors FTZ Autodele & 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 stores 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 AlltiBil Västra Sverige 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 stores 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 amortisation 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 amortisation according to plan of intangible assets identified in connection with the acquisition totalling SEK 77 M.

NOTE 31 EFFECTS OF ACQUISITIONS IMPLEMENTED, CONT.

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 acquisition analysis for acquired operations is presented below:

Acquisitions during 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	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.

Acquired subsidiaries/ operations 2018	Country	Acquisition date	% equity and % votes	Object
Store, Vårby – Mekonomen	Sweden	Quarter 1	100	Assets and liabilities
Stores, 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
Workshop, Skøyen – Sørensen og Balchen	Norway	Quarter 1	100	Assets and liabilities
Store, 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
AlltiBil Västra Sverige 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
Stores, Sunne and Hagfors – MECA	Sweden	Quarter 4	100	Assets and liabilities
Store, Uddevalla – Mekonomen	Sweden	Quarter 4	100	Equities
Car wash facilities – Mekonomen	Sweden	Quarter 4	100	Assets and liabilities

NOTE 32 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 34 M (30). Purchases relating to goods and services from Group companies amounted to SEK 52 M (67).

NOTE 33 TRANSACTIONS WITH RELATED-PARTIES

In 2019, Mekonomen Group sold goods and services worth SEK 5 M (5) and acquired goods and services worth SEK 3 M (3) 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 0 M (3) and liabilities to SEK 0 M (0).

No other transactions with related parties took place. For information on remuneration of senior executives, refer to Note 5.

NOTE 34 EVENTS AFTER THE END OF THE YEAR

On 5 January 2020, Mekonomen's Nomination Committee submitted its proposal to the Board for the General Meeting to be held on 7 May 2020. The Nomination Committee proposes the re-election of John S. Quinn, Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson, Helena Skåntorp and Arja Taaveniku. John S. Quinn is proposed to be re-elected as the Chairman of the Board.

From 7 February 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team for Mekonomen AB.

During the winter of 2020, COVID 19 pandemic is ongoing, which also affects Mekonomen Group's market conditions and operations.

Mekonomen Group is working diligently to manage the effects of the coronavirus situation, the highest priority being the health and safety of employees and customers. All activities in the company are being carefully evaluated from a cost and risk perspective in order to mitigate the negative financial effects associated with the virus.

As a result of the rapid spread of the coronavirus and its impact in markets where Mekonomen Group has a significant presence and the currencies the company is exposed to, the company believes that the risk of adverse effects has increased significantly.

January and February have developed in line with the corresponding period last year, while recent weeks have shown a significantly lower market activity and demand for workshop services and products. The difference in activity among our markets is considerable, with Norway standing out as very weak. The supply chain is working well in the current situation and the company's branches and warehouses operate at normal levels. The effects of the coronavirus situation will affect Mekonomen Group's sales, earnings and cash flow for the first quarter and for some portion of the rest of the year.

Due to the rapidly changing situation, it is not possible to predict the duration or scope of the impact on the company thereof and therefore the company cannot predict the full potential financial impact.

In the end of March 2020, the business area MECA/Mekonomen was exposed to data breaches. It is not possible to predict the duration of the breaches and therefore the company cannot predict the full potential financial impact. Mekonomen Group has activated the company's cyber insurance which, among other things, gives the company access to IT expertise and limits potential financial damage for the company. The company believes it has adequate back-ups of these systems and is implementing its disaster recovery plan.

As a result of the COVID 19 pandemic and the impact of the data breaches, it is very difficult to forecast the performance of the company, but we anticipate a material negative impact in the trading environment for the rest of the year. While the company believes that at this time it has adequate liquidity, as a result of the fast-changing environment, the company has been evaluating its liquidity and bank covenants.

The company believes it was in full compliance with its bank covenants as of 31 March 2020; however, out of an abundance of caution it pro-actively began discussions with its banking group. As a result of those discussions the banking group has agreed to raise the bank leverage covenant as of 31 March and postpone the company´s planned amortization payment of Euro 5 million due 31 March 2020.

In addition, the company is in further discussions with its banking group regarding additional covenant relief or amendments for the future as well as potentially further postponing amortization payments and expanding its borrowing capacity. A breach of the covenants, if not waived by the banking group, could mean that the company may no longer utilize its credit facilities and could lead to an acceleration of the repayment dates of certain of its borrowings leading to a liquidity shortage.

As a consequence of the uncertainty regarding the market development, the Board of Directors of Mekonomen Group has decided, in order to further strengthen the company's financial position, to withdraw the previous dividend proposal for 2019 to the Annual General Meeting of SEK 0.50 per share.

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

NOTE 35 APPROVAL OF ANNUAL REPORT

The Annual Report and consolidated financial statements were approved for issue by the Board on 31 March 2020. The consolidated income statement, 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 7 May 2020.

NOTE 36 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 2019, currency fluctuations had a positive impact on the Group's profit before tax totalling SEK 3 M (135). The most important currency in terms of transaction exposure is EUR, which represents 47 per cent (42) 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 investment by foreign operations in NOK as a result of earlier investments in Norway. This hedging has been done by classifying a loan in NOK as hedging instruments. 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 NOK. There is already a currency hedge of net assets in DKK through loans in EUR that have been classified as hedging instruments. 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 17 and 19.

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 2019, Mekonomen's net debt is SEK 3,709 M (4,098). A fixed-interest period is available with a term of less than one year. In addition to this, there are interest-rate swaps of EUR 60.75 M falling due in March 2022, EUR 60.75 M falling due in August 2023 and NOK 300 M falling due in 2022 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 (EURIBOR 3M and NIBOR), 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.

NOTE 36 FINANCIAL RISKS, CONT.

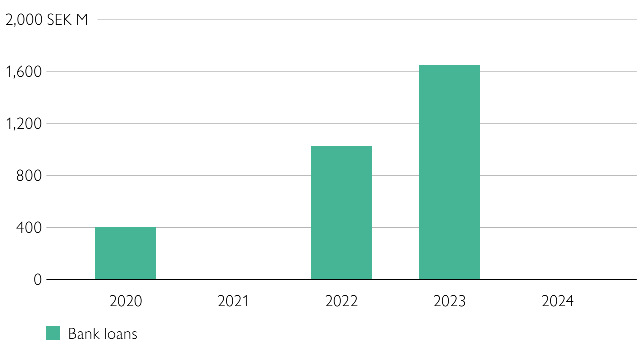
Financing and liquidity risks

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.

As per 31 December 2019, the Group's total loan financing excluding IFRS 16 Leases amounted to SEK 4,064 M (4,303), of which the long-term portion is SEK 3,317 M (3,225). 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 in addition to amortisation according to plan in the graph below:

MEKONOMEN GROUP'S EXTERNAL LOANS WITHOUT BACKUP FACILITIES AS PER 31 DECEMBER 2019



Repayments of loans take place in an amount of SEK 136 M plus EUR 20 M (SEK 209 M) per year. In addition, the Group has overdraft facilities totalling SEK 570 M (443). 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. Effects of reference rate reforms may have an impact on the hedge's effectiveness, but these effects are deemed to not be material.

For hedges of net investments of foreign operations in Norway (NOK) and Denmark (DKK), 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 relationships is if the hedged items, net investment in DKK and NOK, were to suddenly decrease since it would lead to the part of the loan classified as a hedging instrument exceeding the equity in DKK and NOK. The hedge ratio in the relationship is 1:1, which means that net investments in DKK and NOK, respectively, and loans in EUR and NOK, respectively, 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 2018 or 2019.

Hedge accounting's impact on the Group's financial position and performance

	Group	
Translation of net assets in foreign currencies	2019	2018
Carrying amount, hedging instrument, long-term liabilities to credit institutions (DKK/EUR)	SEK 2,379 M	SEK 2,497 M
Nominal amount in EUR, hedging instrument	EUR 228 M	EUR 243 M
Carrying amount in foreign assets	SEK 2,379 M	SEK 2,497 M
Amounts in DKK	DKK 1,703 M	DKK 1,815 M
Hedge ratio	1:1	1:1
Changes in the loan's carrying amount due to changes in exchange rate	SEK –41 M	SEK –5 M
Changes in value of assets in foreign currency	SEK +41 M	SEK +8 M
Carrying amount, hedging instrument, long-term liabilities to credit institutions (NOK)	SEK 529 M	–
Nominal amount in NOK, hedging instrument	NOK 500 M	–
Carrying amount in foreign assets	SEK 529 M	–
Amounts in NOK	NOK 500 M	–
Hedge ratio	1:1	–
Changes in the loan's carrying amount due to changes in exchange rate	SEK +7 M	–
Changes in value of assets in foreign currency	SEK –7 M	–

	Group	
Cash flow hedges of interest-rate risk	2019	2018
Carrying amount, hedging instrument	SEK -8 M	SEK -3 M
Nominal amount	SEK 1,585 M (2 x EUR 60.75 M + NOK 300 M)	SEK 1,248 M (2 x EUR 60.75 M)
Due date	2022 and 2023	2022 and 2023
Hedge ratio	1:1	1:1
Value changes for outstanding derivative instruments	SEK -5 M	SEK -3 M
Value changes of the hedged item	SEK 5 M	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)]	–	951	634	–
Average hedged fixed interest	–	0.60%	0.375%	–

1. Nominal amounts per currency: 1–3 years consist of EUR 60.75 M and NOK 300 M. 3–5 years consist of EUR 60.75 M. The entire amount may be affected by IBOR reforms.

For impact on comprehensive income and reserves in equity, see Note 28 Equity.

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, 31 March 2020

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

Arja Taaveniku
Board member

Pehr Oscarsson
President and CEO

Our Auditors' Report was submitted on 31 March 2020
PricewaterhouseCoopers AB

Linda Corneliusson
Authorised Public Accountant

AUDITOR'S REPORT

TO THE GENERAL MEETING 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 2019 except for the corporate governance statement on pages 42–50. The annual accounts and consolidated accounts of the company are included on pages 36–86 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 2019 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 42–50. 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 for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit 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 as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit matter
Existence and valuation of inventory	
We refer to Note 1 Accounting policies, Note 2 Significant estimates and assessments and Note 18 Inventory. In Mekonomen Group, inventory, which consists of spare parts and car accessories, constitutes a significant part of the Group's assets. Inventory amounts to SEK 2,854 M as at 31 December 2019. With the aim of offering rapid deliveries and being close to the customers, there is a large number of local store warehouses represented in Mekonomen Group's four business areas. In addition, there is a number of central and regional warehouses in Sweden, Denmark, Norway, Poland and Finland. Inventory is measured according to the lower of cost and net realisable value. To ensure the existence in inventory, Mekonomen Group performs perpetual inventory counts at the various inventory locations during the year. The value of the inventory is affected by such factors as purchase prices and obsolescence. Purchase prices are in turn affected by agreements with various suppliers with regard to discounts and purchase bonuses, which are based on achieved purchase volumes. Inventory is a key audit matter in our audit as it is associated with estimates and judgments mainly related to obsolescence and volume bonuses. In addition, inventory is a significant area as it relates to a transaction intensive process where there is an inherent risk for errors in both inbound and outbound deliveries.	In the inventory process, there are controls that the business performs to ensure correct reporting. We have mapped the routines for inventory transactions and accounting. Furthermore, we have evaluated and tested the effectiveness of key controls. We have also tested relevant IT systems. In addition to test of controls in the purchase processes and test of controls of IT systems, detailed testing was done of a selection of products in inventory for goods for resale to check the purchase price against invoice. Furthermore, we have conducted an analysis of the company's assessment of the net realisable value. For some of the Group's central warehouses, data analyses are also being done, meaning that all inventory transactions are sorted and analysed in accordance with predetermined parameters. We also assessed the Group's model for obsolescence calculation and reviewed its application. In order to ensure the inventory's existence and its condition, we also participate in a selection of stock takes that Mekonomen Group performs. We also conduct our own stock takes in some warehousing locations. In addition, we assessed the adequacy of the disclosures provided in the annual report and consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit matter
Valuation of goodwill and intangible assets with indefinite useful life	
We refer to Note 1 Accounting policies, Note 2 Significant estimates and assessments and Note 12 Intangible assets. Goodwill constitutes a significant part of Mekonomen Group's total assets and amounts to SEK 3,770 M as per 31 December 2019, which represents 29 per cent of the total assets. Acquired brands attributable to the acquisitions of Sørensen og Balchen, MECA, FTZ and Inter-Team have been assessed to have an indefinite useful life and amount to SEK 865 M as of the same point in time. Impairment testing of goodwill and other intangible assets with indefinite useful lives 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. Calculated value in use is sensitive to changes in assumptions for the sales growth rate, EBITDA margin and the relevant discount rate (WACC, Weighted Average Cost of Capital), which is used to discount future cash flows. As goodwill and assets with indefinite useful lives are subject to the management's assessments and judgment and as the items are significant, we assessed the risk for impairment requirements as a key audit matter.	We have verified that the forecasted cash flows included in the impairment test for the next year are based on the recurring budgets and forecasts prepared by management. We have reconciled that the assumptions used for the first years of the forecast are consistent with management's strategic plans and intentions. And we have evaluated the long term margin and growth rate that the company use to forecast cash flows beyond the first five-year period. Our tests of the discount rate used for calculation purposes, included and assessment of whether the discount rate reflects the specific and general risks related to the cash generating unit. We have been able to reconcile the data in the calculation to independent external sources and validated that the composition of the discount rate is consistent with established theory and working practices. We have also evaluated the company's analysis of the sensitivity in the valuation of changes in significant parameters that could lead to impairment. In addition, we assessed the adequacy of the disclosures provided in the annual report and consolidated financial statements.

Emphasis of Matter

We draw attention to Note 34 of the financial statements, which describes the potential effects of COVID-19 and the related potential effects of the bank covenants. Our opinion is not modified in respect of this matter.

Other Information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and can be found on pages 1–35, 90–96 and 98–101. Other Information consists of information about 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.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Mekonomen AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for the corporate governance statement on pages 42–50 and 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 2019 and has been the company's auditor since the 8th of April 2014.

31 March 2020
PricewaterhouseCoopers AB

Linda Corneliusson
Authorised Public Accountant

FIVE YEARS IN SUMMARY

The tables below present financial information in summary for the financial years 2015–2019.

Income statements, SEK M	2019[1)]	2018	2017	2016	2015
Net sales	11,842	7,779	5,850	5,786	5,624
Other revenue	174	172	150	151	137
Goods for resale	–6,535	–3,901	–2,654	–2,686	–2,529
Other operating expenses	–3,951	–3,413	–2,635	–2,595	–2,449
EBITDA	**1,531**	**637**	**710**	**656**	**784**
Depreciation and impairment of tangible fixed assets	–611	–84	–60	–62	–57
EBITA	**920**	**553**	**649**	**594**	**726**
Amortisation and impairment of intangible fixed assets	–215	–146	–127	–113	–110
Operating profit, EBIT	**705**	**407**	**522**	**481**	**616**
Net financial items	–150	70	–48	–35	–22
Profit after financial items	**555**	**477**	**475**	**446**	**594**
Tax on profit for the year	–134	–209	–107	–105	–164
Profit for the year	**421**	**268**	**368**	**342**	**430**

1. As a result of the implementation of IFRS 16 Leases, EBIT was positively impacted by SEK 20 M and the profit after tax was negatively impacted by SEK 18 M in 2019. The comparative figures have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16. For further information on the implementation of IFRS 16, see Note 1.

Balance sheets, SEK M	31 Dec. 2019[1)]	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Assets					
Intangible fixed assets	5,697	5,745	2,686	2,757	2,734
Other fixed assets	2,384	567	409	304	288
Inventories	2,854	2,816	1,382	1,279	1,226
Accounts receivable	855	868	488	485	453
Other current assets	725	662	335	336	365
Cash and cash equivalents	355	205	254	291	295
Total assets	**12,870**	**10,863**	**5,554**	**5,452**	**5,361**
Shareholders' equity and liabilities					
Shareholders' equity, Parent Company's shareholders	4,303	3,828	2,363	2,311	2,143
Non-controlling interests	32	25	16	14	12
Long-term liabilities	5,104	3,726	1,640	1,524	1,645
Current liabilities	3,431	3,284	1,535	1,603	1,560
Total shareholders' equity and liabilities	**12,870**	**10,863**	**5,554**	**5,452**	**5,361**

1. As an effect of the introduction of IFRS 16 Leases from 1 January 2019, the consolidated balance sheet for 2019 was impacted compared with the previous year.. The comparative figures have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16. For further information on effects of implementation of IFRS 16, see Note 1.

Condensed cash-flow statement, SEK M	2019[1)]	2018	2017	2016	2015
Cash flow from operating activities	1,142	331	496	544	439
Cash flow from investing activities	–199	–4,407	–229	–94	–146
Cash flow from financing activities	–798	4,044	–295	–466	–245
Cash flow for the year	**146**	**–32**	**–27**	**–16**	**48**

1. For 2019, cash flow from operating activities increased by SEK 507 M and cash flow from financing activities decreased by SEK 507 M as a result of IFRS 16. The comparative figures have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16. For further information, refer to Note 1 and Note 30.

Data per share[1], amounts in SEK per share unless otherwise stated	2019	2018	2017	2016	2015
Profit	7.34	6.56	10.05	9.32	11.77
Cash flow	20.3	8.3	13.8	15.1	12.2
Shareholders' equity	76.4	67.9	65.8	64.4	59.7
Dividends[2]	–	–	4.46	4.46	4.46
Share of profit paid, %	–	–	70	75	59
Share price at year-end	93.1	91.5	149.3	171.5	173.0
Share price, highest for the year	96.0	166.2	191.0	207.0	234.5
Share price, lowest for the year	60.8	88.4	139.8	150.5	170.0
Direct yield, %	–	–	4.7	4.1	4.0
P/E ratio at year-end, multiple	12.7	14.0	14.9	18.4	14.7
Average number of shares after dilution effects[3]	56,338,824	39,718,604	35,901,487	35,901,487	35,901,487
Number of shares at end of period[4]	56,416,622	56,416,622	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	12,259	12,310	10,707	9,484	9,373

1. For information on financial definitions, refer to page 100.
2. The Board's proposal for 2019. The dividend for 2015–2017 is restated with the number of shares outstanding as at 31 December 2019, 56,323,372. The actual dividend paid was SEK 7 per 35,901,487 shares for 2015–2017.
3. No dilution is applicable.
4. The total number of shares amounts to 56,416,622, of which 93,250 are treasury shares at the end of the financial year.

Key figures[1]	2019	2018	2017	2016	2015
Sales growth, %	52	33	1	3	7
Gross margin, %	45	50	55	54	55
EBITDA margin, %[2]	13	8	12	11	14
Adjusted EBIT margin, %	7	8	10	10	12
EBIT margin, %	6	5	9	8	11
Capital employed, SEK M	10,195	8,166	4,087	4,066	4,086
Return on capital employed, %	7	9	12	12	15
Return on shareholders' equity, %	10	10	16	15	20
Return on total capital, %	6	7	9	9	12
Equity/assets ratio, %[3]	34	35	43	43	40
Net debt, SEK M	3,709	4,098	1,444	1,437	1,626
Net debt/EBITDA, excl. IFRS 16 multiple[4]	3.68	6.44	2.03	2.19	2.07
Net debt incl. IFRS 16/EBITDA, multiple	3.59	–	–	–	–
Average number of employees					
Sweden	1,399	1,438	1,365	1,413	1,438
Denmark[5]	1,148	389	–	–	–
Norway	931	883	834	808	794
Poland[5]	1,438	449	–	–	–
Other countries	37	22	31	66	58
Group	**4,953**	**3,181**	**2,231**	**2,287**	**2,290**

FIVE YEARS IN SUMMARY (CONT.)

The tables below present financial information in summary for the financial years 2015–2019.

Key figures[1]	2019	2018	2017	2016	2015
Number of stores/of which proprietary					
FTZ – Denmark	**51/51**	**51/51**	**–**	**–**	**–**
Inter-Team – Poland	**82/79**	**82/79**	**–**	**–**	**–**
MECA Sweden	66/59	61/56	62/52	61/51	61/48
MECA Norway	24/24	24/24	24/24	24/24	24/24
Mekonomen Sweden	129/112	130/112	133/113	132/112	134/113
Mekonomen Norway	42/31	42/31	42/32	45/32	45/32
Other	10/4	13/7	7/3	8/5	8/5
Total MECA/Mekonomen	**271/230**	**270/230**	**268/224**	**270/224**	**272/222**
Sørensen og Balchen – Norway	**65/37**	**64/36**	**68/39**	**72/37**	**70/35**
Group	**469/397**	**467/396**	**336/263**	**342/261**	**342/257**
Number of affiliated workshops[6]					
AutoMester – Denmark	421	423	–	–	–
Din BilPartner – Denmark	153	136	–	–	–
HELLA Service Partner – Denmark	331	336	–	–	–
CarPeople – Denmark	38	26	–	–	–
Nosign – Denmark	39	–	–	–	–
Total FTZ	**982**	**921**	**–**	**–**	**–**
O.K. Serwis – Poland	199	175	–	–	–
Inter data service – Poland	404	290	–	–	–
Total Inter-Team	**603**	**465**	**–**	**–**	**–**
Mekonomen Bilverkstad					
Mekonomen Bilverkstad – Sweden	427	423	434	447	457
Mekonomen Bilverkstad – Norway	335	334	335	339	345
Mekonomen Bilverkstad – Denmark	–	–	–	–	102
Mekonomen Bilverkstad – Finland	33	23	23	23	19
Total	**795**	**780**	**792**	**809**	**923**
MekoPartner					
MekoPartner – Sweden	126	138	141	127	125
MekoPartner – Norway	82	86	95	93	97
MekoPartner – Denmark	–	–	–	–	39
Total	**208**	**224**	**236**	**220**	**261**
Speedy					
Speedy – Sweden	40	39	35	26	20
Total	**40**	**39**	**35**	**26**	**20**
MECA Car Service					
MECA Car Service – Sweden	401	419	425	425	404
MECA Car Service – Norway	308	302	299	286	272
Total	**709**	**721**	**724**	**711**	**676**
Allt i Bil					
Allt i Bil – Sweden	8	8	–	–	–
Total	**8**	**8**	**–**	**–**	**–**
Total MECA/Mekonomen	**1,760**	**1,772**	**1,787**	**1,766**	**1,880**
BilXtra – Norway	258	258	258	255	246
Total Sørensen og Balchen	**258**	**258**	**258**	**255**	**246**
TOTAL NUMBER OF AFFILIATED WORKSHOPS IN THE GROUP	**3,603**	**3,416**	**2,045**	**2,021**	**2,126**

1. For information on financial definitions, refer to page 100.
2. EBITDA margin has changed materially as a result of IFRS 16, EBITDA margin excl. IFRS 16 amounts to 8.39 for 2019.
3. Equity/assets ratio has changed materially as a result of IFRS 16, Equity/assets ratio excl. IFRS 16 amounts to 39.3 per cent for 2019.
4. Net debt/EBITDA excl. IFRS 16 is reported to banks and is below the maximum level as agreed by a margin.
5. The average number of employees in 2018 is calculated for the period 3 September–31 December 2018.
6. Includes 82 (75) proprietary workshops operated under our brands.

QUARTERLY OVERVIEW

SEK M	2019					2018				
	Full-year	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1
Net sales[1)]										
FTZ	3,371	875	800	860	836	1,088	836	252	–	–
Inter-Team	2,155	524	532	582	517	638	490	147	–	–
MECA/Mekonomen	5,527	1,368	1,349	1,447	1,362	5,301	1,363	1,267	1,422	1,249
Sørensen og Balchen	759	176	192	207	183	739	168	180	209	182
Central functions[2)]	31	11	6	5	10	14	6	4	2	2
Group	**11,842**	**2,954**	**2,879**	**3,100**	**2,909**	**7,779**	**2,864**	**1,850**	**1,633**	**1,432**
EBIT										
FTZ	299	51	69	87	93	49	36	13	–	–
Inter-Team	43	20	9	15	–1	–1	0	0	–	–
MECA/Mekonomen[3)]	438	63	128	145	103	428	54	116	186	73
Sørensen og Balchen	121	28	30	38	24	106	24	29	39	14
Central functions[2) 3)]	–39	–19	–5	–6	–10	–73	–19	–14	–33	–8
Other items[4)]	–157	–39	–39	–39	–39	–103	–39	–26	–19	–19
Group	**705**	**104**	**191**	**240**	**170**	**407**	**57**	**118**	**173**	**60**
Investments[5)]										
FTZ	10	3	1	5	1	10	10	0	–	–
Inter-Team	13	5	5	2	1	3	2	1	–	–
MECA/ Mekonomen	91	20	22	27	22	191	36	21	72	61
Sørensen og Balchen	5	0	0	1	4	6	0	1	3	2
Central functions[2)]	12	2	6	0	4	12	4	2	3	3
Group	**131**	**30**	**34**	**35**	**32**	**221**	**52**	**25**	**78**	**66**
EBIT margin, %										
FTZ	9	6	9	10	11	5	4	5	–	–
Inter-Team	2	4	2	3	0	0	0	0	–	–
MECA/ Mekonomen[3)]	8	5	9	10	7	8	4	9	13	6
Sørensen og Balchen	16	16	16	18	13	14	15	16	18	8
Group	**6**	**3**	**7**	**8**	**6**	**5**	**2**	**6**	**10**	**4**
Quarterly data, Group[6)]										
Total revenue	12,017	2,995	2,929	3,144	2,948	7,951	2,922	1,887	1,673	1,469
EBITDA	1,531	313	400	443	375	637	134	177	219	106
EBITDA excl IFRS 16[7)]	1,008	180	268	315	245					
Adjusted EBIT	874	149	231	280	214	599	148	148	217	99
EBIT	705	104	191	240	170	407	57	118	173	60
Net financial items	–150	–27	–44	–38	–41	70	–39	114	–3	–2
Profit after financial items	555	77	147	202	129	477	17	233	170	58
Tax	–134	–22	–34	–45	–33	–209	–9	–147	–38	–15
Profit/loss for the period	421	55	113	157	96	268	8	85	131	43
Gross margin, %	45	44	45	45	46	50	44	51	56	53
EBITDA margin, %	13	10	14	14	13	8	5	9	13	7
Adjusted EBIT margin, %	7	5	8	9	7	8	5	8	13	7
EBIT margin, %	6	3	7	8	6	5	2	6	10	4
Earnings per share, SEK	7.34	1.00	1.95	2.71	1.68	6.56	0.18	2.30	3.53	1.15
Shareholders' equity per share, SEK	76.4	76.4	76.6	74.5	71.0	67.9	67.9	64.4	66.3	68.8
Cash flow per share, SEK	20.3	3.6	7.5	6.3	2.8	8.3	0.9	1.2	6.5	0.2
Return on shareholders' equity, %	10.0	10.0	9.8	10.1	10.5	9.7	9.7	13.7	14.0	13.6
Share price	93.1	93.1	82.8	77.4	64.9	91.5	91.5	126.4	123.8	142.6

1. Net sales for each segment are from external customers.
2. "Central functions" include Group-wide functions, as well as Mekonomen AB and the operations in ProMeister Solutions.
3. Acquisition expenses belonging to Q2 2018 of SEK 19 M and belonging to Q3 2018 of SEK 4 M have been moved from MECA/Mekonomen to central functions.
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 FTZ, Inter-Team, MECA and Sørensen og Balchen.
5. Investments are exclusive of company and business combinations and exclusive of leases according to IFRS 16.
6. For information on financial definitions, refer to page 100.
7. EBITDA excl IFRS 16, see alternative performance measures on page 101.

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 has been prepared using 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 2019 and covers Mekonomen Group's proprietary operations in the Nordic region.

The Sustainability Report covers the entire Group unless otherwise stated. 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 2019. The company's auditors have reviewed and certified that a Sustainability Report has been prepared by Mekonomen Group as per the regulations of he 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 3 April 2019.

Materiality analysis

An analysis of significant areas was begun in 2014 and is updated in pace with the stakeholders' requirements and expectations. 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

Main area	Material area	Materiality External	Materiality Internal	Why material to the stakeholders	Why material to Mekonomen Group
Customer in focus	Customer satisfaction	✓	✓	We are developing our offering in pace with society's development and customer demand to create recurring and loyal customers.	Creating value for companies and car owners is important for the Group's profitability and growth.
	Product and workshop quality	✓	✓	Workshops and store 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
Committed and competent employees	Skills development	✓	✓	The technical development of the vehicle manufacturers is taking place at a rapid pace. Employees at our workshops need continuous skills 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.
	Working conditions and work environment		✓	Being a good employer is fundamental to attracting and retaining competent personnel.	A good working climate, market-based working conditions and a good work environment, as well as a possibility of participation and development are prioritised issues to attract and retain skilled personnel.
	Managers and employees		✓	Strong commitment and the right expertise among our managers and employees are necessary to obtain satisfied customers.	Committed managers and employees are key to the Group's success and good financial results.
	Gender equality, diversity and inclusion		✓	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 stores 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	✓	✓	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 marking, storage and control of chemicals reduces environmental and work environment risks. Correctly managed waste reduces costs and contributes to reduced environmental impact.

SUSTAINABILITY NOTES

EMPLOYEES

Employees per category

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
No. of employees												
Men	1,027	1,034	1,191	1,165	2,121	2,116	293	286	52	45	4,684	4,646
Women	151	158	244	196	494	495	57	61	12	13	958	923
Total	**1,178**	**1,192**	**1,435**	**1,361**	**2,614**	**2,611**	**350**	**347**	**64**	**55**	**5,641**	**5,569**
Permanent/ Temporary employees												
Men	1,019/8	1,028/6	578/613	501/664	1,869/252	1,883/234	293/0	286/0	52/0	45/0	3,811/873	3,743/903
Women	146/5	154/4	108/136	91/105	428/65	445/50	57/0	61/0	12/0	12/1	751/206	763/160
Total	**1,165/13**	**1,182/10**	**686/749**	**592/769**	**2,297/318**	**2,328/283**	**350/0**	**347/0**	**64/0**	**54/1**	**4,562/1,080**	**4,506/1,063**
Full-time/ Part-time												
Men	992/35	1,007/27	1,189/2	1,087/78	1,768/357	1,759/337	170/123	163/123	50/2	43/2	4,169/519	4,059/567
Women	126/25	124/34	244/0	190/6	391/97	392/103	34/23	34/27	12/0	13/0	807/145	753/170
Total	**1,118/60**	**1,131/61**	**1,433/2**	**1,277/84**	**2,159/454**	**2,106/440**	**204/146**	**197/150**	**62/2**	**53/2**	**4,976/664**	**4,812/737**

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.

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 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		Central functions		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	13.2%	11.1%	0.9%	1.8%	8.5%	15.0%	6.8%	–	7.7%	11.1%	11.9%	10.6%
Women	14.4%	7.8%	0.0%	0.0%	15.4%	15.3%	15.8%	–	16.7%	16.7%	13.0%	10.7%
Total	**13.3%**	**10.7%**	**0.7%**	**1.5%**	**9.8%**	**15.1%**	**8.3%**	**–**	**9.4%**	**13.0%**	**12.1%**	**10.6%**

Measurement and calculation method: The number of 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 business areas. Data regarding Sørensen og Balchen is unavailable for 2018.

Sick leave

	FTZ		Inter-Team[1]		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Men	3.2%	3.9%	–	–	3.3%	3.6%	3.4%	3.5%	2.3%	0.7%	3.2%	3.7%
Women	4.1%	3.5%	–	–	4.7%	4.6%	6.1%	6.7%	1.8%	1.0%	4.6%	4.4%
Total	**3.3%**	**3.9%**	**3.2%**	**3.3%**	**3.5%**	**3.7%**	**3.9%**	**4.0%**	**2.2%**	**0.8%**	**3.4%**	**3.6%**

Measurement and calculation method: Sickness absence 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		Central functions		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total	13	18	9	5	39	68	0	0	3	0	64	91

Comments: Improved measurement methods mean that data is not directly comparable between the years.

Employee survey

Measurement and calculation method: In the Group, the business areas MECA/Mekonomen and Sørensen og Balchen and central functions conduct an employee survey every two years. FTZ conducts annual employee surveys. The surveys are done in cooperation with an external party.

Employee commitment (EI) and leadership index (LSI)

Employee commitment (EI): 78 (78)
Leadership index (LSI): 75 (77)
Measurement and calculation method: Employee commitment (EI) measures commitment in the form of clarity regarding the operations' goals and motivation in the work. Leadership index (LSI) measures the fundamental leadership of the employees' immediate managers. EI and LSI are currently measured in MECA/Mekonomen, Sørensen og Balchen and central functions.

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 joint associations, organisations and to organise union clubs. Within the Group, the workforce in the Nordic operations is covered by collective agreements that are signed in the respective companies. In Poland, the employees are covered by current labour legislation and regulations on compensation according to Polish labour law.

CLIMATE-IMPACTING EMISSIONS

Emissions (tonnes CO_2-eq.)	2019
Direct emissions (Scope1)	
Own transports	8,512
Direct heating (gas and oil)	1,657
Indirect emissions (Scope 2)	
Electricity	9,562
Heating	2,884
Other indirect emissions (Scope 3)	
Subcontractors, transports	9,082
Business travel	3,541
Total emissions	**35,237**

Measurement and calculation method: The calculations are based on the Greenhouse Gas Protocol. Emission factors pertain to the entire life cycle as far as possible.

Transports

Own transports with delivery vehicles have primarily been calculated based on purchased amounts of fuel. Secondarily, estimates have been made based on e.g. costs or mileage. For information regarding purchased transport services with subcontractors, information has primarily been obtained from the hauliers. In some cases, calculations have been made based on costs.
Emission factor sources: NTM Network for Transport Measures, Swedish transport Administration and Danish Energy Agency, etc.

Premises

Emissions originating from electricity and heating have primarily been estimated based on the purchased amount of energy. Secondarily, estimates were done based on premises area.
Emission factor sources: Swedish Energy Markets Inspectorate (EI), Swedish Environmental Protection Agency, HOFOR, Vattenfall, Fortum and JRC, etc.

Business travel

Emissions from business travel by air have primarily been obtained from travel agencies. Secondarily, estimates were done based on the number of employees. Emissions from business travel by car have primarily been estimated based on purchased fuel amounts. Secondarily, estimates have been made based on e.g. costs or mileage (references current emissions factors, see under the heading Transports, above).

SUSTAINABILITY REPORT

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 following points and covers reporting requirements in the areas environment, social conditions, personnel, respect for human rights and anti-corruption:

- Business model, pages 12–13
- Governance of the sustainability work, page 50
- Risk management, pages 18–21
- Responsible purchasing, page 33
- Human rights, pages 21, 24–26 and pages 32–33
- Environment, pages 30–31, 40 and 96
- Social conditions, pages 28–29 and pages 95–96
- Personnel, pages 28–29, 38 and 95–96
- Business ethics and anti-corruption, page 32

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 2019, as stated under the heading Sustainability Report above (page 96), 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 RevR 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, 31 March 2020
PricewaterhouseCoopers AB

Linda Corneliusson
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, 12–13, 22–23		
GRI 102	General disclosures	102-3	Location of the organisation's headquarters	36		
GRI 102	General disclosures	102-4	Countries where the organisation has operations	3, 11		
GRI 102	General disclosures	102-5	Ownership structure and organisation form	42–50		
GRI 102	General disclosures	102-6	Markets the organisation is active in	2–3, 11		
GRI 102	General disclosures	102-7	Organisation's size	2–3, 66, 95		
GRI 102	General disclosures	102-8	Information on employees and others who work for the organisation	3, 66, 95		
GRI 102	General disclosures	102-9	Supply chain	12–13, 33		
GRI 102	General disclosures	102-10	Significant changes regarding organisation and supply chain		No significant changes have occurred during the year	
GRI 102	General disclosures	102-11	Precautionary approach	40		7
GRI 102	General disclosures	102-12	External initiatives regarding sustainability that the organisation supports/is covered by	7, 24, 50		
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	6–8		
GRI 103	General disclosures	102-15	Significant impact, risk and opportunities	10–11, 18–21		
Ethics and Integrity						
GRI 102	General disclosures	102-16	Values, principles and ethical guidelines	15, 32		10
Governance						
GRI 102	General disclosures	102-18	Governance structure	41–50		
Stakeholder dialogue						
GRI 102	General disclosures	102-40	List over stakeholder groups	27		
GRI 102	General disclosures	102-41	Collective agreements	96		3
GRI 102	General disclosures	102-42	Identification and selection of stakeholders	27		
GRI 102	General disclosures	102-43	Methods for stakeholder dialogue	27		
GRI 102	General disclosures	102-44	Important issues addressed	27		
Reporting practice						
GRI 102	General disclosures	102-45	Units included in the financial reporting	36–40		
GRI 102	General disclosures	102-46	Definition of reporting content and the issues' delimitation	24–25, 94		
GRI 102	General disclosures	102-47	List over significant issues	94		
GRI 102	General disclosures	102-48	Changes to information		No significant 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	36, 94		
GRI 102	General disclosures	102-51	Date for publication of the latest report	94		
GRI 102	General disclosures	102-52	Reporting cycle	36, 94		
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	94		
GRI 102	General disclosures	102-55	GRI index	98–99		
GRI 102	General disclosures	102-56	External review	94		

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	24–26, 94		1, 2, 6, 7, 8, 10
GRI 103	Sustainability governance	103-2	Sustainability governance and its components	24–33, 50		1, 2, 6, 7, 8, 10
GRI 103	Sustainability governance	103-3	Evaluation of sustainability governance	24–33		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	32		10
GRI 205	Corruption	205-3	Confirmed corruption incidents and steps taken	32		10
Environmental impact						
GRI 305	Emissions	305-1	Direct emissions of greenhouse gases (Scope 1)	30, 96		7, 8
GRI 305	Emissions	305-2	Indirect emissions of greenhouse gases (Scope 2)	30, 96		7, 8
GRI 305	Emissions	305-3	Other indirect emissions of greenhouse gases (Scope 3)	30, 96		7, 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	17, 33		8
Social impact						
GRI 401	Employment	401-1	New employees and personnel turnover	95		6
GRI 403	Work environment – health and safety	403-2	Scope of injuries and sickness absence	95		
GRI 404	Training and education	404-1	Number of hours of training per year and employee	29	Information is not available at present (U).	6
GRI 405	Equality and diversity	405-1	Diversity within the Board, management and among employees	29, 38, 44, 66–67, 95		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	17, 33		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 AND DEFINITIONS

FINANCIAL DEFINITIONS

Return on shareholders' equity
Profit for the period, excluding minority share, 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 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 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.

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.

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.

EBITDA
Operating profit before depreciation/amortisation and impairment of tangible and intangible fixed assets.

EBITDA excl. IFRS 16
EBIT before depreciation/amortisation and impairment of tangible and intangible fixed assets excl. effects of IFRS 16.

EBITDA margin
EBITDA as a percentage of total revenue.

Shareholders' equity per share
Shareholders' equity excluding non-controlling interests, in relation to the number of shares at the end of the period.

Adjusted EBIT
EBIT adjusted for items affecting comparability and material acquisition-related items. Current acquisition-related items are amortisation of acquired intangible assets relating to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

Adjusted EBIT margin
Adjusted EBIT as a percentage of total revenue.

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.

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.

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 incl. IFRS 16
Short-term and long-term interest-bearing liabilities for borrowing, and long and short-term lease liabilities according to IFRS 16, i.e. excluding pensions, derivatives and similar obligations, less cash and cash equivalents.

Sales growth
Increase in the total revenue as a percentage of the total revenue of the previous year.

Organic growth
Change in net sales adjusted for the number of workdays, acquisitions/divestments and currency effects

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.

Equity/assets ratio
Shareholders' equity including non-controlling interest as a percentage of total assets. Equity/assets ratio for the Parent Company includes an equity component of untaxed reserves.

Capital employed
Total assets less non-interest-bearing liabilities and provisions including deferred tax liabilities.

COMPANY-SPECIFIC DEFINITIONS

Business area
Reportable segment

Affiliated workshops
Workshops that are not proprietary owned, but conduct business under the Group's brands

B2B
Sales of goods and services between companies (business-to-business).

B2C
Sales of goods and services between companies and consumers (business-to-consumer).

DAB products
Accessories for the car adapted to digital solutions for radio broadcasting. DAB is an abbreviation for Digital Audio Broadcasting.

Proprietary stores
Stores 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.

OBP
Own brand products, such as ProMeister and Carwise.

Fleet operations
Mekonomen Group's offering to companies.

Sales to customer group Affiliated workshops
Sales to affiliated workshops and sales to proprietary workshops.

Sales to customer group Consumers
Cash sales from proprietary stores to customer groups other than affiliated workshops and Other B2B customers, as well as the Group's e-commerce sales to consumers.

Sales to customer group Partner stores
Sales to partner stores.

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.

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.

ProMeister
Mekonomen Group's proprietary brand for high quality spare parts with five-year warranties. Under the ProMeister brand, the Group also offers services to affiliated workshops.

Spare parts for cars
Parts that are necessary for a car to function.

Partner stores
Stores that are not proprietary, but conduct business under the Group's brands.

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.

Underlying net sales
Sales adjusted for the number of comparable working days and currency effects.

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 Grossist AB and from MECA CarParts AB to each country.

Currency-translation effects
Currency impact in the translation of the earnings of foreign subsidiaries to SEK.

Other operating revenue
Mainly comprises rental income, marketing subsidies and exchange-rate gains within Mekonomen Group.

ALTERNATIVE PERFORMANCE MEASURES

As of the January–June 2016 interim report, Mekonomen applies the new guidelines for alternative performance figures issued by ESMA[1]. 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 2019 Annual Report on our website http://www.mekonomen.com/sv/alternativa-nyckeltal/.

1. The European Securities and Markets Authority.

SHAREHOLDER INFORMATION

Annual General Meeting
The shareholders of Mekonomen Aktiebolag (publ), corporate identity number 556392-1971, are hereby invited to attend the Annual General Meeting on Thursday, 7 May 2020, at 11:00 a.m. at Norra Latin, Pelarsalen, Barnhusgatan 7B, Stockholm, Sweden. Registration for the Annual General Meeting will open at 10.30 a.m.

Registration
Shareholders wishing to participate the Annual General Meeting must:
- be registered in the shareholders' register maintained by Euroclear Sweden AB not later than 30 April 2020, and
- notify the company of their intention to attend the meeting no later than 30 April 2020.

Notification may be made in writing to Mekonomen Aktiebolag, "Årsstämman", c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden or by phone +46 8 402 90 47 on weekdays between 9:00 a.m. and 4:00 p.m. 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 30 April 2020 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 2019 to the Annual General Meeting.

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

Financial calendar 2020

Information	Period	Date
Interim report	January–March 2020	7 May 2020
Interim report	January–June 2020	21 August 2020
Interim report	January–September 2020	6 November 2020
Year-end report	January–December 2020	12 February 2021

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