ANNUAL REPORT 2020

ENABLING MOBILITY

Mekonomen Group

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Mekonomen Group's formal Annual Report comprises pages 32–87. Only the original version of the formal Annual Report has been reviewed by the company's auditors. Regarding the sustainability report, the auditors made a statement that the report had been prepared correctly, see page 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.

UN GLOBAL COMPACT
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.

MOBILITY

TODAY, TOMORROW AND IN THE FUTURE

The demand for mobility is timeless and constant over time. We focus on profitable growth and creating value for our customers as technology develops and creates new opportunities. This, together with our strong concepts and well-known brands, makes us well positioned for the future.

VISION

We enable mobility
– today, tomorrow and in the future.

BUSINESS CONCEPT

We are an international corporate Group that operates and develops business in the automotive aftermarket. We focus on growth, collaboration, creating synergies and on driving sustainable and digital development in our industry. Our business concept is timeless and is based on enabling mobility – today, tomorrow and in the future – as technology develops and vehicles are used in new ways.

We meet the need for services and products for vehicle workshops and other companies through our market-leading concepts, distribution networks and our efficient logistics chain. Our concepts are also aimed at private and commercial vehicle owners where we meet the need for the service and repair of vehicles.

WELL POSITIONED FOR THE FUTURE AFTER A CHALLENGING YEAR

I can now sum up an eventful and challenging year for the Mekonomen Group, impacted by covid-19 and a subsequent weakening of the exchange rate and a data breach within the MECA/Mekonomen business area. I am proud to say that we have a robust business model and a strong and competent organization capable of handling crises.

We report a strongly improved profitability, supported by a wide range of strong measures and structural initiatives. It is my firm belief that Mekonomen Group, as an enabler of mobility, is very well positioned for continued profitable growth.

It has been a special and challenging year for people and businesses around the world. When the spread of covid-19 gained momentum at the beginning of the year, few had any idea of the global consequences. We acted with great determination to secure our supply of goods at an early stage. In the next stage, contingency measures and efficiency enhancements were quickly initiated in our operations to mitigate the effects on earnings and cash flow and to maintain health and safety for our employees and our customers. The pandemic is not yet over and restrictions are still partially in force in our markets. How long the situation will last is still unclear and we anticipate that negative consequences due to the pandemic will impact some of our markets for some time to come.

At the end of March, the MECA/Mekonomen business area was exposed to a data breach that caused extensive disruptions to our IT systems and negative effects on operations. Through our insurance, we gained immediate access to IT expertise and the compensation paid out has largely made up for the loss in sales caused by the breach. The incident has thereby not caused any major negative financial impact for the year as a whole.

Strong measures to reduce costs and increase profitability

We have worked intensively during the year, with strong measures to mitigate the negative short-term effects of the pandemic and the introduction of structural initiatives to increase our profitability over time. We quickly initiated short-term efficiency enhancements and cost-saving measures which led to reductions of personnel and marketing expenses. We have also adjusted our prices to varying degrees to mitigate the effects of the exchange rate depreciation in several of our markets this year. About a third of these short-

"IT HAS BEEN A SPECIAL AND CHALLENGING YEAR FOR PEOPLE AND BUSINESSES WORLDWIDE"

“THE UNDERLYING DEMAND FOR OUR PRODUCTS AND SERVICES IS ROBUST”

term measures are expected to be made permanent to increase our long-term profitability. To the same end, we intensified our structural initiatives within MECA/Mekonomen by closing down a number of unprofitable branches and workshops.

Previously implemented structural initiatives to realize purchasing synergies following the acquisitions of FTZ and Inter-Team were completed during the financial year and are expected to have full effect in 2021. The integration of the companies in the Group has been successful in its entirety.

The merger of MECA’s and Mekonomen’s central warehouses, into one warehouse in Strängnäs, went according to plan and reduced our rental costs from January 2021. Reducement in stock levels had effect already in Q4 2020. The initiative will give us more efficient and sustainable logistics for the business area and is expected to reach full efficiency in 2021.

Stable demand and improved profitability

I can confirm that Mekonomen Group is strong despite uncertain times, and the underlying demand for our products and services is robust. During the year, we sharply improved profitability through successful measures and structural initiatives. Sales amounted to

THE YEAR IN BRIEF

- **Net sales** amounted to SEK 11,511 M (11,842). Net sales decreased by 3 per cent, of which the organic growth was negative by 1 per cent.
- **Adjusted EBIT** amounted to SEK 937 M (874) and adjusted EBIT margin amounted to 8 per cent (7).
- **EBIT** increased to SEK 738 M (705) and the EBIT margin amounted to 6 per cent (6). EBIT was negatively impacted by items affecting comparability of SEK 44 M (negative 11).
- **Earnings per share** before and after dilution increased to SEK 7.64 (7.34).
- **Cash flow** from operating activities amounted to SEK 1,625 M (1,142).
- **Net debt** amounted to SEK 2,673 M (3,709).
- The Board of Directors proposes no **dividend** (0,00).

"OUR STRATEGY IS BASED ON FOUR AREAS THAT WILL CONTRIBUTE TO CREATING VALUE FOR CUSTOMERS AND A PROFITABLE SUSTAINABLE GROWTH FOR THE GROUP"

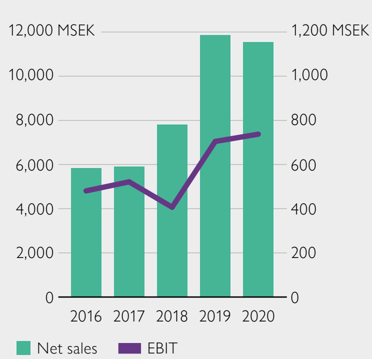
SEK 11 511 M (11,842) and the adjusted EBIT margin increased to 8 per cent (7). Adjusted EBIT include government support due to covid-19 in the form of reduced employer contributions, sick pay support, short-time working support and support for personnel-related costs totalling SEK 48 M, in the business areas Inter-Team, MECA/Mekonomen and Sørensen og Balchen. The gross margin increased to 45,1 per cent (44.8), positively affected by purchasing synergies and currency-related price increases in most of our markets.

During the year, we took measures to secure operating cash flow and to reduce our working capital, which has resulted in a strong cash flow. We have benefited from government-subsidized deferred tax payments and prioritized investments where possible. During the second quarter, we successfully completed discussions with our banking group regarding adjustments to our loan terms in order to reflect the possible negative impact of the pandemic more accurately. Overall, we have a solid financial position at the end of the financial year with improved liquidity and reduced indebtedness.

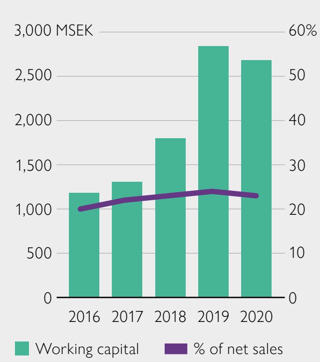
Strategy for profitable and sustainable growth
Our vision as an enabler of mobility – today, tomorrow and in the future, forms the basis of our strategy. We will be the best and most comprehensive partner for everyone who drives, repairs and maintains vehicles. Our strategy is based on four strategic areas that will contribute to creating value for customers and profitable sustainable growth for the Group. Sustainability is an integral part of everything we do.

- Within operational excellence, we work to streamline and optimize our core business in order to remain competitive, improve quality and increase profitability.
- We will continue to develop our workshop concepts to attract new customer groups, increase workshop loyalty, create profitable workshops and be a sustainable business partner.
- By digitizing and developing new customer solutions for car owners, we strengthen our offering throughout the value chain, while increasing loyalty.

NET SALES AND EBIT



WORKING CAPITAL



- We will also create new revenue streams by broadening our business, offering new services and expanding our product range to reach new customer groups and increase sales to existing customers.

Adjusted long-term financial targets

At the end of the financial year, we adjusted our long-term financial targets based on our strategy and clarified our dividend policy. The Group aims to achieve:

- Average annual sales growth of at least 5 per cent, through a combination of organic growth and smaller acquisitions.
- An adjusted EBIT margin of 10 per cent.
- A net debt/EBITDA multiple of between 2.0 and 3.0.

Our dividend policy means that Mekonomen Group aims to distribute the equivalent of at least 50 per cent of profit after tax to shareholders, but that the company's potential acquisition opportunities, financial position, investment needs and future prospects must be taken into account.

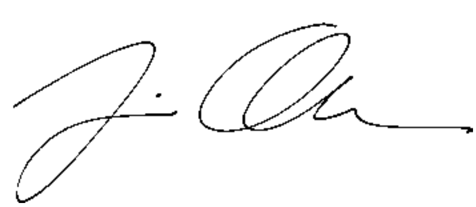
Attractive partner for new manufacturers

When the Chinese electric car manufacturer Xpeng entered the Norwegian market Mekonomen Group was chosen as its exclusive wholesale partner for spare parts and our workshops will be authorized as service partners. The new generation of electric car manufacturers is looking for efficient sales channels and cooperation with existing actors to quickly establish themselves in new markets. We have unbeatable availability and broad expertise that makes us an attractive partner with a wide network of workshops, an efficient wholesale business and with our own competency academy with electric car certification for our workshops. This cooperation is clear confirmation of our strong position and leading role in the transition to new and greener technology in the automotive aftermarket. We are well equipped and ready to drive the development, regardless of the type of vehicles driving on the roads.

Well positioned for the future market

Looking back, Mekonomen Group has enabled mobility for almost fifty years, and I am convinced that we will have an important role to play for a long time to come. Mobility is one of the cornerstones of our society, which provides a comprehensive and stable demand for workshop services and spare parts. Society will continue to develop through new and greener technology in vehicles, new consumer behaviour and an increased overall focus on sustainability. We stand behind the principles of the UN Global Compact, which we signed in 2013, and our sustainability work is based on the UN's global goals for sustainable development as well as our stakeholders' demands and expectations of us. Today, we have a leading position in our markets, which we will build upon to become an even more sustainable and stronger partner for the future. We are well prepared for new and emerging competition thanks to our leading digital position, our strong concepts and the synergies we enable between our markets.

I am proud of the energy and commitment that my employees have shown during this special year. We are also pleased that our sustainability work has been recognized by Mekonomen Group being named one of Sweden's most equal companies by the Allbright Foundation. I see this as a prerequisite and a strength for the future. Together with all committed employees, we will be the best and most complete partner for those who service and repair cars in our markets, and we will continue to deliver according to our strategy for long-term profitable growth.



Pehr Oscarson, President and CEO

FINANCIAL SUMMARY

Key figures	2020	2019	2018
Net sales, SEK M	11,511	11,842	7,779
Adjusted EBIT, SEK M	937	874	599
EBIT, SEK M	738	705	407
Profit for the year, SEK M	446	421	268
Earnings per share, SEK	7,67	7.34	6.56
Adjusted EBIT margin, %	8	7	8
EBIT margin, %	6	6	5
Cash flow per share, SEK[1)]	28,9	20.3	8.3
Dividend per share, SEK[2)]	–	–	–
Return on shareholders' equity, %	10	10	10
Equity/assets ratio, %[3)]	38	34	35
Net debt/EBITDA, multiple[4)]	2,54	3.68	6.44

1. From operating activities.
2. Proposals for 2020.
3. The equity/assets ratio has materially changed as a result of the introduction of IFRS 16.
4. Net debt/EBITDA refers to EBITDA ex IFRS 16.

DENMARK

Net sales 3,369
Number of branches 51
Number of affiliated workshops 930
Number of employees 1,126

#1 POSITION ON THE MARKET

NORWAY

Net sales 2,801
Number of branches 132
Number of affiliated workshops 961
Number of employees 941

#1 POSITION ON THE MARKET

POLAND

Net sales 1,998
Number of branches 82
Number of affiliated workshops 661
Number of employees 1,396

#4 POSITION ON THE MARKET

SWEDEN

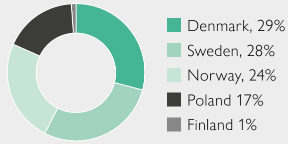
Net sales 3,225
Number of branches 194
Number of affiliated workshops 956
Number of employees 1,419

#1 POSITION ON THE MARKET

FINLAND

Net sales 91
Number of branches 16
Number of affiliated workshops 60
Number of employees 30

NET SALES BY COUNTRY



MARKET-LEADING
SPARE PARTS DISTRIBUTOR IN NORTHERN EUROPE

Well positioned for profitable growth
Mekonomen Group is a leading spare parts distributor with well-known concepts and brands in Northern Europe – number 1 in the market in Denmark, Norway and Sweden, and number 4 in the Polish market with exports to Germany, the Czech Republic and the Baltics, among others.

Efficient purchasing and logistics flows
Through optimized purchasing, stock levels and transports, we create efficient product flows. Our large purchasing volumes and our broad portfolio of our own brands provide the opportunity for competitive and differentiated offers to our customers. 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.

Cost synergies and competitive advantages through size
Our size gives us competitive advantages and positive synergy effects. In addition to this, we have the possibility of investing in, and remaining on the forefront of, the customer offerings, logistics and support systems of the future. We have customized workshop concepts and are an attractive collaborative partner for new and established actors who are seeking effective sales channels or establishment in our markets.

Strong cash flows and a stable financial position
We have a fundamentally solid business and a strong and strategic focus on profitable growth. Our business model has a low capital requirement and generates strong and stable cash flows through a high percentage of repeat business. This gives us the conditions for further expansion to new markets and service areas, both organically and through acquisitions, dividends to our shareholders and an ever lower debt/equity ratio.

A sustainable business for the future
Mekonomen Group seeks to drive sustainable development in our industry. We have taken an active role in the transformation towards a smaller fossil-fuel-dependent car fleet through service, repairs and products for electric and hybrid electric cars. Our own training academies ensure relevant expertise and train the next generation of automotive technicians. We seek to be the car owner's first choice regardless of model and fuel.

NET SALES, SEK M
11,511

OPERATING PROFIT SEK M
738

NUMBER OF AFFILIATED WORKSHOPS
3,568

NUMBER OF BRANCHES
475

MAJOR OPPORTUNITIES IN THE STEADILY GROWING AUTOMOTIVE AFTERMARKET

The primary driving forces in the aftermarket for cars and light trucks is the number of cars on the roads and their mileage. Global trends and new technology contribute to a changed need among the customers, creating new growth opportunities.

As a rule, the need for maintenance and repair does not increase until the cars reach an age of five years. At the same time, new automotive technology and other global trends are creating new needs and expectations among the customers, including when it comes to digitalization, sustainability and availability. The need for new solutions and services, regardless of the age of the cars, 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 take advantage of economies of scale through the acquisition of other actors. Partly to leverage synergy effects and partly to have a greater possibility of investing in future customer offerings. Mekonomen Group's acquisition of Sørensen og Balchen (2011), MECA (2012) and FTZ and Inter-Team (2018) are successful examples of this. Different countries have made varying progress in this consolidation. The Nordic market is more consolidated than the Polish market.

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.

MEKONOMEN GROUP'S POSITION IN THE MAIN MARKETS

Denmark

In Denmark, Mekonomen Group conducts business through the FTZ business area, with a number of market-leading concepts. Denmark is to a very high degree a consolidated market, with FTZ as the largest actor.

Competing actors: CAC Carl Christensen, Auto-G and AD Danmark, as well as brand-dependent workshops, where the latter constitute a large share of the market.

Norway

In Norway, Mekonomen Group conducts business through the business areas MECA/Mekonomen and Sørensen og Balchen, with a number of market-leading concepts. The Norwegian market is consolidated and consists of a few major actors. In addition to this, Norway has the fastest development in the world in terms of the transition to electric cars.

Competing actors: NDS, Romnes and KG Knutson, as well as brand-dependent workshops, where the latter constitute a large share of the market.

Poland

In Poland, Mekonomen Group conducts business through the Inter-Team business area, with well-developed concepts. The Polish market is fragmented and is characterized 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), as well as brand-dependent workshops, where the latter constitute a large share of the market.

Sweden

In Sweden, Mekonomen Group conducts business through the MECA/Mekonomen business area, with a number of market-leading concepts. The Swedish aftermarket is highly consolidated, with MECA/Mekonomen as the largest actor.

Competing actors: Autoexperten, AD Bildelar and BDS, as well as brand-dependent workshops, where the latter constitute a large share of the market.

GLOBAL TRENDS CREATE NEW GROWTH OPPORTUNITIES

Digitalization
Digitalization of the customer journey creates integrated solutions, transparency and simplicity for both workshops and car owners. At the same time, it creates major opportunities for more efficient logistics through the shortening of value chains and optimization of logistics flows.

Big Data and analysis
Analysis of data provides better understanding of the needs of workshops and car owners. By drawing conclusions from data, we can automate the flows and create tailor-made customer offerings.

New forms of automotive ownership
Carpools, leasing and other kinds of car ownership are creating new customer needs and new business opportunities. For example, solutions for simplifying carpooling or the distribution of how the vehicles are used and maintained.

Electric and hybrid electric cars
In order to reduce the climate impact from the transport sector, there is currently a shift from fossil-fueled vehicles to electric and hybrid cars. New technology demands new expertise in the workshops and more flexible business models to create profitability as a result of fewer spare parts.

Autonomous cars
Modern technical equipment, which among other things helps the drivers to park and navigate, requires new expertise and calibration equipment in the workshops. An important new business to compensate for traditional cars with internal combustion engines in all likelihood decreasing in number in the future.

Connected cars
Data from connected cars can be used to develop new solutions that make life easier for drivers. This includes services that simplify the planning and maintenance of the cars and, in the longer term, remote maintenance.

	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 billion)	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.

CARPOOLING WITH THE APP EZERIDE

Together with the start-up Ezeride, Mekonomen Group is developing an app for carpooling based on AI technology. The service targets companies that want to help their employees travel more sustainably. Employees with cars will be able to share their planned driving routes through the app and make it possible for others in the network to ride with them. Through the app, drivers and passengers get a full overview of the journey's cost, fuel consumption and impact on the environment.

The idea of Ezeride aims to contribute to reduced climate impact, but also solve the traffic problems that our cities are struggling with. Empty seats in our cars are unutilized resources that can be much better utilized. In many cities, a large part of the land is used for streets and parking. In the countryside, there is often a lack of adequate public transport.

MEKONOMEN GROUP XPENG

A number of new electric car manufacturers are establishing business in the Nordic region as a result of the great interest in electric and hybrid electric cars among car owners. The upstart Xpeng chose Mekonomen Group as its exclusive wholesale partner for spare parts. In addition, the Group's workshops in Norway are undergoing authorization to become service partners for Xpeng's cars. This collaboration is a confirmation of Mekonomen Group's strong position and leading role in the transition taking place towards newer and greener technology in the automotive aftermarket.

VALUE-GENERATING BUSINESS

Mekonomen 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 branches and local warehouses. In addition, we are developing and providing concepts with services and solutions to our network of modern workshops.

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 with requirements set in accordance with the car makers' specifications in order to guarantee that the parts match original part quality.

MEKONOMEN GROUP

DISTRIBUTION, CENTRAL WAREHOUSES, REGIONAL WAREHOUSES AND BRANCHES

We distribute products from our central and regional warehouses to our nationwide networks of branches and local warehouses. From here, sales take place to workshops, other companies and consumers.

MEKONOMEN GROUP

WORKSHOP CONCEPTS

We offer workshop concepts with services and solutions for 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.

WORKSHOPS & BRANCHES

AROUND 3,600 AFFILIATED WORKSHOPS AND 470 BRANCHES

Car owners meet us through our workshop and branch concepts. It is therefore important that we develop our concepts with extensive insight into end customers and ensure the customer experience the whole way. The customer group of car owners is comprised of both private and business operating car owners, where the latter group often owns more cars and has a so-called fleet agreement with the Group regarding workshop services.

BRANDS AND CONCEPTS

MECA Mekonomen SØRENSEN og BALCHEN BilXtra speedy BILVERKSTAD MekoPartner ALLTiBiL ProMeister VEHCARE

carwise lasingoo swedspot PREQAS JB MASKIN TEKNIK BCP intermeko FTZ AutoMester FORUMLINE SPAREPARTS

HELLA DinBilpartner CarPeople 100 autotjek INTER-TEAM DriveCleber O.K. SERWIS INTER data service kraft automotive

DIGITALIZATION TO MAKE THINGS EASIER FOR OUR CUSTOMERS

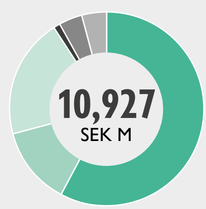
By continuing to create a seamless customer experience through digitalization and development of new services, we create relevant offers and simplicity, for our workshops, other business customers and for the car owners. During the year, demand for booking workshop services through our digital booking system doubled in Denmark, Norway and Sweden.

MEKONOMEN GROUP

MULTIDIMENSIONAL VALUE CREATION

By continuing to develop and strengthen our business, we create value for customers, employees, business partners, shareholders and society at large.

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 in the form of revenue from interest. We generate value to society by paying taxes and social security contributions.



- Suppliers, spare parts & accessories, 58%
- Suppliers, other products & services, 13%
- Employees, 20%
- Lenders, financial partners, 1%
- Society, 4%
- Kept in the operations, 4%

1. Revenue less depreciation, amortization and impairment, totalling SEK 10,927 M.

LONG-TERM SUSTAINABLE BUSINESS WITH THE RIGHT EMPLOYEES AND THE RIGHT EXPERTISE

Attracting employees and developing their expertise are critical to creating a long-term sustainable business over time. In 2020, we laid the foundation for further developing the work on workforce planning, skills development and career and trainee programmes in the Group.

SKILLS DEVELOPMENT BY WORKSHOPS

In addition to our around 5,500 employees, we provide occupation to further tens of thousands of workshop employees under our brands and concepts. As the technology in the vehicles develops, we ensure that the workshops have the right expertise through our training academies. We offer training in technologies, customer service, handling of AC systems, electric and hybrid electric cars, gas vehicles and autonomous vehicles. During the year, more than 1,000 training days were held for automotive technicians, of which 62 per cent of the participants belonged to affiliated workshops.

STRATEGY FOR A PROFITABLE AND SUSTAINABLE BUSINESS

We create a long-term profitable and sustainable business by utilising our size and strong position. We enable mobility with adapted offers based on the customers' needs, society's development and future trends. Our committed employees and differentiated concepts are our foremost assets.

Vision
Our vision guides our decisions and our strategy – independent of the financial development.

Strategic focus areas
Our four strategic focus areas provide profitable growth, organically or through acquisitions. By continuously improving the efficiency of our business, we will increase profitability.

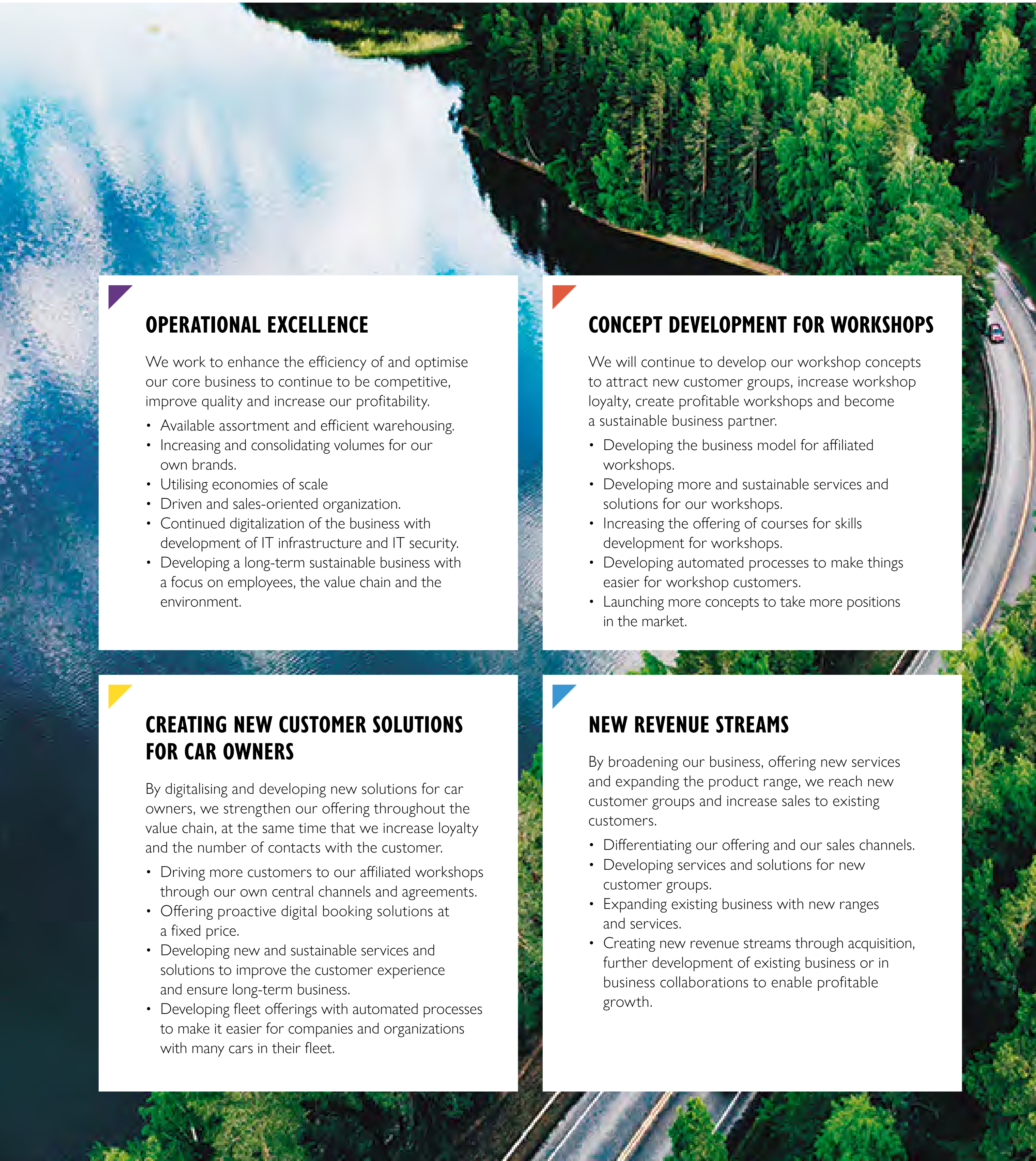
Sustainability
Sustainability is an integrated part of our business. We are a responsible company and take into account all necessary sustainability aspects in our operations. Sustainability will strengthen us in our work of achieving our financial targets.

Mekonomen Group's strategy is based on our vision *We enable mobility – today, tomorrow and in the future.* Our business is independent of the economic cycle, what technology is used in the cars and how the cars are used. We will be the best and most comprehensive partner for everyone who drives, repairs and maintains cars. We will meet the needs of workshops and car owners in the way that is easiest for them – without them having to search elsewhere.

Our strategy is based on four strategic areas that will contribute to creating value for customers and profitable sustainable growth for the Group. Sustainability is an integral part of everything we do.

On the forefront of sustainability

For us, sustainability is about People, Planet and Profit. We need to continuously develop our operations and our offering to be relevant over time. We need to keep pace with the development in the industry in terms of new technology, competition, new customer behaviours and new expectations. To ensure a long-term business and to be on the forefront of sustainability in our industry, we need the right employees and the right expertise.



OPERATIONAL EXCELLENCE

We work to enhance the efficiency of and optimise our core business to continue to be competitive, improve quality and increase our profitability.

- Available assortment and efficient warehousing.
- Increasing and consolidating volumes for our own brands.
- Utilising economies of scale
- Driven and sales-oriented organization.
- Continued digitalization of the business with development of IT infrastructure and IT security.
- Developing a long-term sustainable business with a focus on employees, the value chain and the environment.

CONCEPT DEVELOPMENT FOR WORKSHOPS

We will continue to develop our workshop concepts to attract new customer groups, increase workshop loyalty, create profitable workshops and become a sustainable business partner.

- Developing the business model for affiliated workshops.
- Developing more and sustainable services and solutions for our workshops.
- Increasing the offering of courses for skills development for workshops.
- Developing automated processes to make things easier for workshop customers.
- Launching more concepts to take more positions in the market.

CREATING NEW CUSTOMER SOLUTIONS FOR CAR OWNERS

By digitalising and developing new solutions for car owners, we strengthen our offering throughout the value chain, at the same time that we increase loyalty and the number of contacts with the customer.

- Driving more customers to our affiliated workshops through our own central channels and agreements.
- Offering proactive digital booking solutions at a fixed price.
- Developing new and sustainable services and solutions to improve the customer experience and ensure long-term business.
- Developing fleet offerings with automated processes to make it easier for companies and organizations with many cars in their fleet.

NEW REVENUE STREAMS

By broadening our business, offering new services and expanding the product range, we reach new customer groups and increase sales to existing customers.

- Differentiating our offering and our sales channels.
- Developing services and solutions for new customer groups.
- Expanding existing business with new ranges and services.
- Creating new revenue streams through acquisition, further development of existing business or in business collaborations to enable profitable growth.

GOALS AND GOAL FULFILMENT

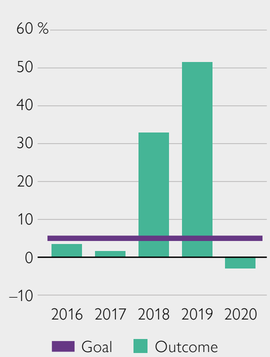
Mekonomen Group's overall goal is to develop with high profitability and thereby generate value growth for the shareholders. Our sustainability efforts are an integral part of the Group's strategy as an important component in order to achieve the overall goals and ensure a business that is relevant in the long term.

>5% SALES GROWTH

GOAL An average sales growth of at least 5 per cent, with a combination of organic and acquired growth.

OUTCOME 2020

Net sales declined by 3 per cent (52), negatively impacted by exchange rate effects of 3 per cent. Organic growth amounted to –1 per cent.

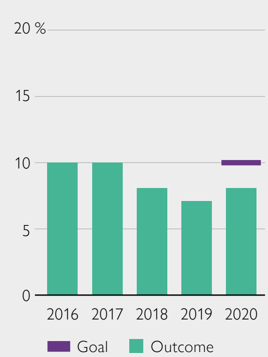


10% ADJUSTED OPERATING MARGIN

GOAL An adjusted operating margin of 10 per cent annually.

OUTCOME 2020

The adjusted operating margin increased to 8 per cent (7). The margin was negatively impacted by exchange rate effects on the balance sheet, covid-19 and a data breach in the MECA/Mekonomen business area. The impact on the margin has been positively balanced by government support and insurance compenzation as a result of loss of sales.

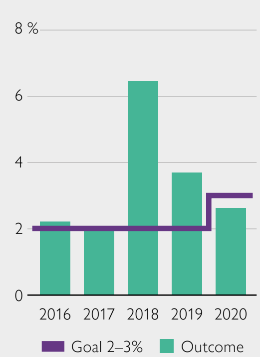


2.0–3.0 NET DEBT/EBITDA

GOAL Net debt/EBITDA will be in the range 2.0–3.0 times in the long term.

OUTCOME 2020

Net debt/EBITDA amounted to 2.54 (3.68)[1]. Net debt is SEK 2,673 M (3,709), primarily linked to the acquisition of FTZ and Inter-Team in 2018.

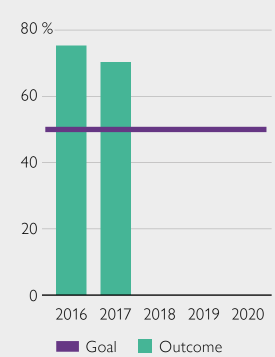


>50% DIVIDEND RATIO

GOAL Dividends corresponding to at least 50 per cent of profit after tax.[2]

OUTCOME 2020

The Board of Directors proposes no dividend for 2020 (0.00). Consideration has been taken to significant uncertainty in the Group's markets related to the future effect of covid-19 and the company's continued focus on strengthening its financial position. However, the Board of Directors stands by the company's long-term dividend policy.



1. Net debt / EBITDA excluding IFRS 16.
2. In the decision on the proposed dividend, the Board of Directors takes into consideration the company's potential acquisition opportunities, financial position, investment needs and future outlook.

STRATEGIC SUSTAINABILITY TARGETS

CODE OF CONDUCT

In 2021, all of the Group's employees will have attended training in the Group's Code of Conduct.

STATUS

Educational and information materials for the employees are being developed and will be distributed in 2021.

GENDER EQUALITY

We will strive for both genders to be represented in all teams.

STATUS

A date target will be set when the first measurement takes place in autumn 2021 in connection with the Group's employee survey.

COMMITMENT AND LEADERSHIP

We strive for a high level of commitment among all of our employees and good leadership among our managers.

STATUS

A date target will be set when the first measurement takes place in autumn 2021 in connection with the Group's employee survey.

100% RENEWABLE ELECTRICITY

By 2025, all premises with their own electricity agreements will have renewable electricity.

STATUS

Today, the share of renewable electricity is 7 per cent. The share includes both own electricity agreements and electricity that is included in premises rent.

70% FULFILMENT OF REQUIREMENTS, ELECTRIC AND HYBRID ELECTRIC[1]

By 2025, 70 per cent of affiliated workshops will fulfil our requirements for electric car workshops.

STATUS

Status is being compiled in 2021. Of the workshops, 57 per cent already fulfil the competence requirements.

≥95% REQUIREMENT-SPECIFIED PURCHASING

By 2025, ≥95 per cent of the Group's purchases of direct materials will come from suppliers who have signed the Group's Supplier Code of Conduct.

STATUS

91 per cent

1. We set requirements for tools, protective equipment, charging and competence. The competence requirements mean that local regulations for working on high-voltage vehicles in the workshop are complied with.

The UN's Global Goals for Sustainable Development: The member countries of the United Nations have adopted 17 global sustainable development goals that are to be achieved by 2030. Mekonomen Group's operations contribute to the fulfilment of several goals. We also have to ensure that our negative impact on the goals is as small as possible. Our sustainability efforts are based on an analysis of which of the global goals are most significant to us and our stakeholders. Read more about our materiality analysis on page 94.

SUSTAINABILITY
AN INTEGRATED PART OF OUR BUSINESS

We are convinced that effective sustainability work is a prerequisite for us as a company to deliver a strong financial result, that we attract and retain our employees and that we as a company are remain relevant in the future. As a market leader, we shall be at the forefront in our industry and accept great social responsibility.

Sustainability is a natural part of the Mekonomen Group's strategy and shall permeate everything we do. In 2020, the Group's strategy was updated to include a clearer focus on sustainability. We shall strengthen and develop the focus on sustainability in three areas: in our own wholesale and logistics business, for our concept workshops and in our offers to vehicle owners. Activities have been identified and goals have been set in each of these areas.

The strategy is based on our most material sustainability areas. To identify these, our business's direct and indirect impact on the UN's Sustainable Development Goals has been analysed. The review also includes an analysis of our stakeholders' requirements and expectations for us, legislation and relevant international agreements, standards and guidelines in the area. Read more about our stakeholders and our materiality analysis on page 93–94.

70 CERTIFIED ELECTRIC CAR WORKSHOPS IN NORWAY

MECA in Norway became the first nationwide workshop chain to launch an electric car certification for its workshops. In 2020, nearly 70 of the chain's more than 300 workshops chose to undergo certification that ensures the right skills, equipment and charging stations in the workshops.

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.

OUR MOST MATERIAL SUSTAINABILITY AREAS

Sustainable energy for all

- By developing our products and services for the growing proportion of vehicles that run on alternative fuels, such as biofuels and electricity, we contribute to a transformation to a climate-neutral society.
- 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 and energy efficient as possible.
- 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.

Decent work and economic growth

- Our overall goal is to develop with high profitability and thereby generate value 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.
- Our operations are developing and it is therefore of central importance that our employees also develop, so as to be able to meet the customers' needs and the expectations of those around us. We invest resources in the training of future vehicle technicians to increase the supply of trained labor.
- As employers, we have a responsibility with regard to terms of employment, health and safety, gender equality, diversity and inclusion, among other things.

Responsible consumption and production

- A properly maintained vehicle contributes to traffic safety and that the vehicle has as small an environmental impact as possible during its lifespan.
- Responsibility in the purchase, sale and use of chemicals.
- Clear procedures and responsibility for waste management.
- Our responsibility for the supply chain means defining requirements for and monitoring of our suppliers in terms of human rights, employment conditions and environmental impact in the manufacturing process (in this respect there is also a link to goal 8).

OUR FIRST UPPER-SECONDARY PUPILS HAVE GRADUATED

The demand for employable automotive technicians is high in the industry. In many parts of Europe, too few automotive technicians are being educated in the right skills, and many choose to work on something other than what they have trained for. 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 order to help increase interest in the profession, the Mekonomen Group started its own modernized upper secondary education, ProMeister Fordon, in 2017. The programme is run in collaboration with the school operator Lärande i Sverige, with a strong focus on practical learning in modern workshops. The programme is available in Stockholm, Malmö/Lund, Örebro and from autumn 2021 also in Gothenburg.

In June 2020, the first pupils in the ProMeister Fordon upper secondary programme graduated. After the three-year programme, more than 90 per cent have stayed the course and found permanent work in the industry. A successful initiative that will contribute to higher basic skills and put more automotive technicians in the workshops, as the programme is established in more locations.

WE HAVE COMMITTED AND COMPETENT EMPLOYEES

An attractive employer with committed managers and employees

Strong commitment among our managers and employees is the basis for a pleasant workplace, satisfied customers and good financial results. Good leadership and stimulating and developing tasks are factors that are clearly linked to the commitment of our employees.

Vehicle technology is rapidly evolving with increased digitalization and alternative fuels such as electric power. It is therefore important that we safeguard the development of skills among employees in the Group and in the associated workshops. Skills development is ongoing in daily work, through meetings and internal and external courses. The Group's training academies are available in all business areas and offer a wide range of courses in engineering and automotive technology. To help ensure future skills in the workshops, we run our own academies, and collaborate with upper secondary schools; read more on page 20.

The majority of the Group's business areas regularly conduct employee surveys. The surveys have a high response frequency, which shows that the Group's employees want to contribute to improving the company, their workplace and their own work situation. Each team analyses and develops action plans as needed, based on their performance.

In order to more clearly follow up on leadership and commitment issues, a joint annual employee survey for the Group will be introduced from 2021. Goals, activities and follow-up plans will be established once the joint survey has been carried out.

ALLBRIGHT NAMED THE MEKONOMEN GROUP ONE OF SWEDEN'S MOST EQUAL COMPANIES IN 2020.

A good, 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. We work systematically with occupational health and safety issues, which among other things means that we evaluate risks on an ongoing basis, we have developed procedures to manage the risks and that incidents and accidents are reported.

In our warehouses, branches and workshops, there are risks relating to the physical work environment. The greatest occupational health and safety risks in the warehouses are heaving lifting, loading and unloading and driving forklift trucks. In branches, we have risks in heavy lifting and risks linked to road safety, since many branch employees drive a delivery van. In the workshops, the risks mainly consist of heavy lifting, work environment risks linked to chemical handling, and noise.

Risks in the psychosocial work environment relate, for example, to stress and abusive treatment (bullying, 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. No cases of discrimination were reported during the year.

During the year, we have had a great focus on reducing the risks of our employees and customers becoming infected with covid-19. Based on the recommendations and rules of national authorities, adaptations have been made in all our operations in all markets. This has meant, for example, ensuring that distancing can be maintained in the workplace, more stringent cleaning procedures, minimising travel by primarily using digital meeting alternatives and having white collar workers work from home as much as possible.

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.

In 2020, the Mekonomen Group topped the Allbright Foundation's ranking for gender equality. The Foundation annually measures the distribution of men and women in management and board positions in listed companies. However, in what is traditionally a male industry, creating an even gender distribution in all parts of the company is a challenge. The proportion of women in the Group is currently about 17 per cent (17). The number of women in senior positions[1)] is 13 per cent (12). During the year, we have introduced clearer targets to steer ourselves towards further gender equality. Among other things, we will strive to have both genders represented in all teams in the Group. An initial measurement will be carried out in the implementation of the Group's employee survey in 2021.

For employee data, see sustainability notes on page 95–96.

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

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

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

The Group's operations work systematically on environmental issues and have rules and procedures to manage their environmental impact. Parts of our operations have certified environmental management systems.

The Group measures and monitors environmental work in the Group in several areas. The business areas have qualitative and quantitative goals based on the conditions prevailing in each market. During the year, Group-wide targets were set for the purpose of reducing our climate impact and energy use and increasing the proportion of renewable electricity; read more on page 17.

Climate impact and energy consumption

Our impact on the climate mainly originates from transports and energy consumption in our premises.

Our operations require transports both with our own vehicles and through subcontractors. Products and goods are transported from our large warehouses to the Group's branches and e-commerce customers. From the branches, transports are made with our own delivery vehicles and by subcontractors to our own and affiliated workshops. To reduce the environmental impact from the transports, consideration is given to fuel consumption when vehicles are purchased.

As part of reducing our fuel use, we decided in 2020 that all business areas, in the coming years, will have procedures in place to train everyone who drives a vehicle in their work in fuel-efficient driving.

Our warehouses, branches, workshops and offices require energy in the form of heating and electricity. All business areas must have implemented routines to reduce energy use in our premises no later than 2025. Also, renewable electricity must be purchased for all premises where we have signed our own electricity agreements. Today, 7 percent of electricity consumption is renewable, the proportion includes both own electricity contracts and electricity that is included in premises rent.

For environmental data, read more on page 96.

Chemicals management

The Group places a large number of chemical products on the market. This entails a responsibility to check labelling and ensure that information is correct, ensure that safety data sheets exist, ensure that certain kinds of chemicals are only sold to professionals and that storage is correct. If incorrectly labelled products should come onto 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.

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

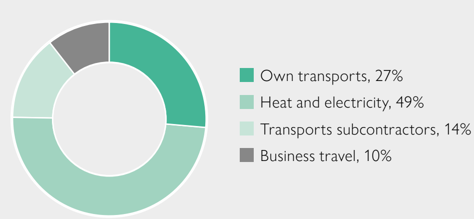
Waste management

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.

CERTIFIED MANAGEMENT SYSTEMS

MECA Sweden and MECA Norway have certified management systems in accordance with the environmental standard ISO 14001. Mekonomen Sweden's branches and many workshops have certified management systems according to the standards for the environment (ISO 14001), quality (ISO 9001) and occupational helath and safety (ISO 45001). JB in Sweden has a certified quality management system (ISO 9001). The certification of management systems involves regular internal and external evaluations.

DISTRIBUTION OF GREENHOUSE GAS EMISSIONS



OUR PRODUCTS AND SERVICES CONTRIBUTE TO THE TRANSITION TO A CLIMATE-NEUTRAL SOCIETY

The transport sector is changing from fossil fuels to biofuels and electricity. As a major player in mobility, we have a role in contributing to the transition to a climate-neutral society. Vehicle 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 technologies through our training centres and that we are increasing our range of spare parts and accessories for electric cars as demand grows. During the year, we have introduced a new Group-wide target that 70 per cent of our concept workshops shall comply with our requirements for electric vehicle workshops by 2025. We set requirements for tools, protective equipment, charging and competence. The competence requirements mean that local regulations for working on high-voltage vehicles in the workshop are complied with.

57 per cent of the workshops already meet the competence requirement.

There are also other initiatives in the Group that are linked to the transition to a climate-neutral society.

In 2019, FTZ launched the AutoMester E+ workshop chain in Denmark with 112 workshops. By setting up charging stations at the concept's workshops, we contribute to the local charging infrastructure in Denmark. Automotive technicians are trained in electrical and hybrid technology. For car owners who have conventional petrol or diesel vehicles, the workshops provide advice on how the car owner should drive as fuel efficiently as possible.

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 Code of Conduct which includes the Anti-corruption Policy. In addition to the Anticorruption Policy, there are special guidelines regarding anti-corruption with rules on gifts and representation.

The guidelines apply to all employees and are based on parts of the Swedish Code to prevent Corruption in Business that is administered by the Swedish Anti-Corruption Institute (IMM).

Today, we make purchases from some markets where corruption is a well-known problem. Through a central purchasing organization that secures all major purchasing agreements for our Group companies, we have better control over suppliers and the flow of products. Our suppliers are asked to accept our Supplier Code of Conduct, which includes specific texts on anticorruption. Read more about our work on the supply chain and supplier code on page 25.

In 2020, there were no reported cases of corruption in the Mekonomen Group.

8 DECENT WORK AND ECONOMIC GROWTH

Code of Conduct
The Group Code of Conduct has been decided by the board. The code covers everyone who works under one of the Group's brands. The Code of Conduct clarifies what is expected by the company and states how the company and our employees shall act with regard to social, environmental and economic responsibility. The code is also a basis for evaluating the potential risks of a collaborative activity, such as community involvement or sponsorship.

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, as well as Polish and English. All employees will undergo training in the Code of Conduct in 2021.

Whistle-blower system
The Group's whistle-blower system gives all interested parties the opportunity to inform the company about a suspicion of a serious impropriety. The system is important to safeguard good corporate governance, as well as the customers', the suppliers' and the public's confidence in us.

The system can be used in cases where the circumstances mean that it is not appropriate to report according to the usual reporting channels, such as to the immediate manager. The process can be used to submit information about a serious violation that is not in line with the law, the Code of Conduct or other ethical principles and that can seriously impact on our organization or human life or health.

Information processing 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 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 defined procedures and reported to the relevant authorities and when necessary according to the respective country's legislation.

In order to further reinforce our employees' awareness of information security, a so-called nano-learning process has been implemented. All Group employees receive regular short mailings with exercises in order to maintain knowledge about information security.

THE GROUP'S WHISTLE-BLOWER SYSTEM

The system is available on the company's website 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 the Mekonomen Group's policies for Gender Equality, Diversity and Inclusion, the Work Environment Policy, the Traffic Safety Policy, the Environmental Policy, the Quality Assurance Policy, the Information Security Policy and the Anticorruption Policy.

WE HAVE REQUIREMENTS AND EXPECTATIONS ON OUR SUPPLIERS

Spare parts constitute the majority of the Group's purchasing and account for a large part of the Group's sales. Purchases mainly take place from the same suppliers who supply the car manufacturers. Nearly all suppliers have their base in Europe, while the manufacture of products takes place in both Europe and the rest of the world.

Large Group-wide suppliers are handled by the Group's central purchasing organization, which is responsible for agreements and terms. Agreements with smaller suppliers are handled by the respective purchasing function at FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen. The 100 largest suppliers account for more than 80 per cent of the products supplied.

Supplier code

In 2019, the Group developed a supplier code that is published on the Group's website. The supplier code describes in more detail our expectations of suppliers and it defines requirements in the areas of human rights, working conditions, environmental and chemicals management and anti-corruption. The code is based on global agreements such as the UN Global Compact, the UN Universal Declaration of Human Rights and the ILO Core Conventions.

During 2020, there has been intensive work to implement the supplier code. The code is part of our General Supply Contract, in which the supplier is obliged to comply with the supplier code. Our goal is for more than 95 per cent of our purchases of direct materials to come from suppliers who have accepted the requirements of the supplier code by 2025. Currently, 91 per cent of purchases are made from suppliers who have accepted the requirements.

Risks in the supply chain

Suppliers of spare parts and accessories for the Group's own product range pose the greatest quality and sustainability risk. During the year, the Group conducted sales of its own product range under the brands: ProMeister, Carwise, Kraft Automotive, Sakura, Vehcare and Forumline. As a consequence of the greater risk, factory visits are carried out to all new actors who supply spare parts and accessories for our own product ranges. The checks on factories and tests of products are based on checklists that cover scrutiny of product quality, the environment and social requirements. The product range is quality audited through independent actors and in our test laboratory Inter-Meko in Poland. The test laboratory is jointly owned with the Polish car part company Inter-Cars.

Work is also underway to further develop and implement processes relating to a responsible supply chain, and this work will continue in 2021. This includes, among other things, the further development of risk assessment relating to sustainability risks at suppliers.

RISKS AND RISK MANAGEMENT

Like all business activities, the Group's operations are associated with risks that can affect the Group and our stakeholders to varying degrees. Well-balanced risk management can add value and business benefit, at the same time as risks that are not managed can effectively lead to damage and losses. We are continually mapping the Group's risks, where the Board of Directors bears the ultimate responsibility for the Group's risk management.

Risk-management process

In order to ensure a good overview and appropriate management of the risks the business is exposed to, the Group works in a structured manner to identify, analyse and manage risks according to a Group-wide process. During 2020, the process has been further developed and an updated risk policy has been established by the Board, which will further strengthen the process in 2021. The risk analysis is based on the Group's strategy and business planning work and will be a natural part of the operating activities, as well as being incorporated in major change or investment projects. Each business area in the Group must establish a risk register where its material risks, mitigation measures and the person responsible are identified. This management includes the Group's sustainability-related risks, such as risks linked to employees, the environment and climate, as well as corruption. The Group's materiality analysis and Code of Conduct form the basis for the analysis.

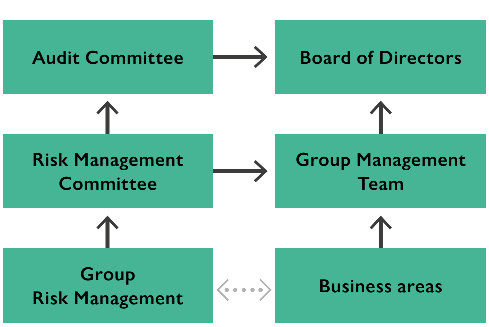
Risk Management Committee

During 2019, an overall Risk Management Committee was established for the Group. The Committee is responsible for providing guidance to the organization and for governing the process of ensuring an overview of the Group's risks, as well as following up the effectiveness of the risk management work. Risk analyses and mitigation measures are continually reported by the respective business areas 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 reviewed more thoroughly in all forums on an annual basis, see figure at the bottom of the page.

Risk function's responsibility and collaboration

Group Risk Management coordinates and monitors the Group's risk work. The Group has coordinated the risk function, the internal control officer and internal audit under one person, the Head of Risk and Internal Audit. The effectiveness of the activities conducted are thereby improved in order to increase risk awareness in identified risk areas. For more information about the work on internal control in financial reporting, refer to page 47 of the Corporate Governance Report.

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



MARKET AND EXTERNAL RISKS

Description	Operation	Analysis
Consumer behaviour		
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 steady increase in the number of cars and their mileage in our main markets. The Group's long-term success is dependent in part on the ability to adapt to our customers' behaviour and needs. Car owners are becoming more aware of the environmental and climate impact of cars, which is influencing their choice of vehicle and the way they get about. • A decrease in the number of cars and mileage could negatively impact the Group's operations • Overly slow adaptation to new customer behaviour has a negative impact on the Group's business	We maintain a high rate of innovation as regards concept development in order to strengthen our workshop concepts, contributing to an offering that remains competitive as well as loyal workshop customers. By digitising and developing new and sustainable services for car owners and workshops, we are strengthening our offering throughout the value chain. The demand for mobility is timeless. By adapting our business according to the needs of the customer, we are creating a long-term business regardless of which vehicles are being driven on the roads. We are investing in advanced analytics in order to predict and understand future trends and, on the basis of data, create our future offering. Our geographical spread means that we are less sensitive to market developments in an individual country. We are conducting selected strategic activities within each strategic focus area in cross-functional forums extending across national borders, in order to manage market and external risks in a vigorous fashion. We are developing our service and product offering for fleet customers and car pools, for example, as well as developing digital and sustainable solutions aimed at improving the customer experience and increasing loyalty.	Probability: Medium Impact: Medium Change: Unchanged risk
Car fleet		
New technologies, increased focus on sustainability and policy decisions are accelerating the transition from fossil fuels to electrification. The same driving forces are contributing to the increased sustainability of vehicles, with fewer parts that need to be replaced. The growth in the automotive aftermarket is expected to occur within software and data. Norway is experiencing the world's fastest development as regards the transition of the car fleet from fossil-fuelled to electricity. The share of pure electric cars in Norway accounted for almost 12 per cent of the total car fleet at the end of 2020. The corresponding figure for Sweden and Denmark was approximately 1 per cent, and for Poland it was below 1 per cent. • The transition to electric means that the industry needs to adapt to meet changing demand. • Climate policy decisions and controls have a significant impact on the pace of transition.	We are investing in the future of our workshop customers, and for many years have been providing training regarding electrical and hybrid technology for mechanics in our training centres in all our main markets. With the aid of our Group-wide strategic forums, we are focusing additional effort on increasing the proportion of trained mechanics. We are continually expanding our range of spare parts and accessories for electric cars and ensuring that our workshops have access to adequate equipment. We are developing our service offering and the product range for our growing number of electric car drivers, in order to remain their first choice. We have started work on electric car certification of concept workshops in both Norway and Denmark. This certification guarantees that we have the right skills, equipment and charging possibilities in the workshops. The concept is set to be applied to more brands and on more markets. We will increase from the current 250 electric car workshops to 1,500 during 2022.	Probability: High Impact: Medium Change: Increased risk
Competitive landscape		
The level of competition regarding sales of car parts to workshops is high, and has historically consisted of branded actors and independent actors such as Mekonomen Group. We are seeing increased activity from foreign e-commerce operators, who are primarily competing with a lower pricing structure. Amazon launched in Sweden during the year, and similar actors targeting workshops directly can be anticipated on our markets. Car manufacturers are trying to retain car owners for longer with the aid of service agreements and extended warranties. Suppliers that have previously only conducted B2B sales are expanding into B2C. Consolidation is also taking place among suppliers, which is reducing supply. • Significantly increased competition from one or more actors may result in reduced market shares for the Group.	The Group's operations have a strong customer focus, where we are continually revising and investing in a competitive customer offering to both workshop customers and car owners. Services that ensure loyalty from our workshops, such as our technical support, are important in order to increase our competitiveness. Flexible solutions and processes for making bookings and placing orders are also essential. The majority of the Group's sales take place digitally, which is why investments in our e-commerce offering are of major importance. We have a strong local presence, which enables us to offer an outstanding level of availability, with deliveries to our customers several times a day. Availability is important, as the majority of orders from workshops are meeting their day-to-day needs.	Probability: Medium Impact: Medium Change: Unchanged risk
Technical automotive expertise		
There is a shortage of vehicle technicians across much of the European market. The low attractiveness of service professions is one of the reasons why few people are applying for vocational training. Many traditional automotive training courses do not meet the needs of modern workshops, which are stipulating increasing demands for technical expertise. • In the long term, the shortage of vehicle technicians with relevant training and experience may be a factor limiting opportunities for continued growth in the sector. • The competition for labor may lead to increased staff costs, thereby reducing the profitability of workshops.	With strong brands and concepts, our training centres, collaborations with upper-secondary schools and other training providers on our markets, as well as our own upper-secondary school programme ProMeister Vehicles in Sweden, we are constantly working to attract people to the vehicle technician profession. In this way, we are helping to raise the level of expertise among existing and new vehicle technicians. We are also offering our affiliated workshops recruitment services and working actively with PR and information campaigns to attract people to the sector.	Probability: Low Impact: High Change: Unchanged risk

● Low ● Medium ● High ↗ Increased risk → Unchanged risk ↘ Reduced risk

contd. Market and external risks

Description	Operation	Analysis
Pandemic effects		
Covid-19 has had a negative impact on all our main markets. However, the negative impact is limited as long as societies do not shut down completely. The primary risks to the business are: • The spread of infection among employees and customers in our physical facilities. • Negative impact on employee health as a result of infection, or psychosocial aspects based on changing working conditions. • Fewer or no workshop visits as a result of the government-mandated closure of societies on our markets or greater caution among our customers. • Significant impact on our supply chain due to reduced capacity among our product suppliers or hauliers. • The effects of the pandemic may also increase the risk of being subjected to crime as a result of changed working methods and procedures.	The timeless need for mobility and the stable demand for our products and services have meant that, over time, covid-19 has had a limited impact on our main markets. Our number one priority is to maintain the health and safety of our employees and customers. In addition, we are focusing heavily on mitigating the effects on sales and profitability by means of cost control, government support and negotiations with product and service suppliers as well as property owners. We have implemented a number of measures to minimize the risk of the spread of infection for employees in branches, workshops and warehouses, including introducing restrictions on the number of people in the facilities, protective equipment and developing new services that reduce physical contact. The fact that many employees are working from home to a greater extent has created a new dimension of employer responsibility in respect of the working environment and psychosocial well-being. Activities have continually been initiated and evaluated, with the aim of creating a sustainable solution for our employees. We are closely following official legal requirements and recommendations on our markets, and are monitoring developments through crisis management work in all parts of the Group.	Probability Impact Change ↗

OPERATIONAL AND SUSTAINABILITY RISKS

Description	Operation	Analysis
Employees		
Our employees are our most important asset. A good physical and psychosocial working environment, good social conditions, development opportunities and a business that is sustainable in the long term are essential for attracting and retaining employees. • An inability to attract, retain and develop committed managers and employees would affect the Group's ability to run and develop the business. • Deficient working environment conditions entail a risk of increased sick leave and employees applying to other employers.	With different skills and experiences among our employees, we aim to reflect the diversity of our customer groups and thereby develop our customer offering. Succession plans are drawn up annually for senior positions, we also analyze employee turnover. The work of identifying, analysing and minimising work environment risks in our operations is carried out at every level of the Group. Our Code of Conduct, whistle-blower system and work environment policy, together with employee talks, employee surveys and ongoing dialogue as well as risk analyses, help to identify risk areas and any irregularities. During the year, we have focused heavily on reducing the risks of our employees becoming infected with covid-19.	Probability Impact Change →
IT environment		
The use of digital services is continuing to grow at a rapid rate in all parts of society. As more and more interactions, flows and processes are digitized and automated, there is increasing dependence on systems, which in turn is increasing the complexity within IT environments. • Disruptions or operational stoppages in the IT environment have a negative impact on the business. Ordering and invetory management systems are particularly critical, as disruptions here would adversely affect deliveries to our customers and consequently our sales.	Threats and risks are analysed regularly to identify and ensure that we are continually working with improvements, that we have redundancy in critical systems as well as established communication paths. Efforts to strengthen and develop our IT environment's resilience to disruptions and operational stoppages are ongoing. This work was intensified during the year as a result of the data breach that affected the MECA/Mekonomen business area. Reviews of frameworks, processes, roles and technical solutions are ensuring robustness over time in our environments.	Probability Impact Change →
Data security		
Like many other companies, we are subjected to cyber crime, such as attempted fraud, hacking or sabotage. • Cyber crime causes major financial damage and has a negative impact on trust in the Group.	To combat attempts at hacking or sabotage to our IT environments, external monitoring is performed within this area, as well as an ongoing assessment of whether our protection needs to be changed or expanded. We are continually developing our procedures, processes and technical solutions in this area in order to be prepared in the event we are attacked. Following the data breach in the MECA/Mekonomen business area in spring 2020, work has been intensified aimed at mapping and strengthening IT security. A major Group initiative has been started, which includes strengthening monitoring, controls, training and resources for all business areas.	Probability Impact Change ↗
Central warehouse and regional warehouses		
Mekonomen Group's efficient wholesale and logistics business is a strength and a significant part of our core business. • Any damage, such as fire or technical disruptions, in any of the Group's central or regional warehouses would entail significant negative consequences for the company's sales and potential to deliver to our customers.	Fire safety and protection against technical disruptions are a prioritized area at all of our facilities, and considerable emphasis is focused on prevention efforts. The Group has consequential-loss insurance in the event a fire were to occur or other damage were to arise that disrupts the operations at our facilities. Risks related to a changing climate, such as damage to property caused by changing weather conditions, are not currently considered to be affecting the Group directly to any great extent, although this risk is being monitored. All insurance figures were updated per facility during 2020 in connection with the procurement of a new insurance provider for the Group. There have also been investments and improvement measures based on a risk report produced by insurance companies in 2019.	Probability Impact Change →

● Low ● Medium ● High ↗ Increased risk → Unchanged risk ↘ Reduced risk

Description	Operation	Analysis
Losses and cash management		
The Group's operations include sales and stockholding of a large number of products, many of which are considered theft-prone. The Group's operations also include cash management, which entails a risk of theft, both in branches and during the transportation of cash from the branches to the bank. • Deficient processes for detecting theft and waste would have an adverse impact on the Group's financial results.	Within the Group, work is ongoing to combat losses and to define what constitutes scrapping, internal consumption and actual theft. This work is based on the attitude that it is important to focus on all types of losses, for example by reviewing ordering procedures, delivery checks and the unpacking of goods. In terms of cash management risks, we are striving to provide the same level of solutions for security services, security systems and cash management for all companies within the Group. An internal audit has been carried out in 2020 that has resulted in us partially adjusting our procedures and systems, as well as introducing clearer responsibility and controls. We have initiated the establishment of a common framework for internal control for branches and warehouses in Sweden, which will be rolled out throughout the Group in 2021.	Probability Impact Change
Environmental and climate impact		
Our negative impact on the environment and the climate mainly occurs through energy consumption in premises, transport operations, as well as waste and chemical management. • Environmental and climate policy decisions and legislation affect our operations. For example, stricter legislation regarding chemical products and waste management, as well as increased taxes and other controls, including regarding the climate, may lead to investment requirements and/or reduced profitability for the business. • Any violations of regulations would have a legal impact and damage trust in our offering and our brands.	Our operations work systematically with the environment, with parts of the business having certified environmental management systems. We adapt our development on the basis of laws and regulations, and keep ourselves up-to-date regarding environmental and climate policy decisions, in order as far as possible to prepare our business for any changes. We have procedures and processes in place to ensure compliance with laws and regulations. During the year, we have systematized the way we work by following up the systematic environmental work of our business areas. We have also set targets for reducing negative environmental and climate impact.	Probability Impact Change
Sustainable supply chain		
We have agreements with a large number of suppliers to ensure the availability of a wide range of spare parts and car accessories for our customers. • Having a large number of suppliers entails risks in relation to human rights, working conditions, the environment and corruption, for example.	To facilitate control of the supplier level and the supply chain, all major purchasing agreements are governed by the Group's joint purchasing department. Spare parts are mainly purchased from the major European suppliers, who also supply the car manufacturers. We perform meticulous quality checks of our own-brand products, as well as carrying out site visits to our suppliers. We place demands on suppliers through our supplier code in relation to human rights, working conditions, the environment and anti-corruption. During the year, the implementation of the supplier code developed in 2019 has continued, in which we are also developing processes for risk analysis and follow-up.	Probability Impact Change
Business-related corruption		
Generally speaking, purchasers and sellers are two employee groups that run a greater risk of being involved in corruption. We currently make purchases from a number of markets where corruption is a well-known problem, which requires that we actively distance ourselves from these practices (also see above under sustainable supplier chain). • Individual employees or teams of employees are at risk of being unduly affected by suppliers or other business partners, including through bribes of various kinds.	There is zero tolerance of corruption within the Group. 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 entertainment, which all employees have access to. During the year, preparations have been carried out to implement the Group's Code of Conduct through training for all employees. The Code of Conduct training shall be a part of the introduction plan for all new employees.	Probability Impact Change
Responsibility for products & services		
Under the Group's brands, a large number of products and services are offered in-house or through collaborations. Mekonomen Group has comprehensive product responsibility for products that are not working as expected or that are defective. • Insufficient quality control by our own and collaborating businesses, such as affiliated workshops and suppliers, may result in a liability to pay compensation for defective products and consequential damage. • Dissatisfied customers can result in reduced market share and a lack of trust in our offerings.	We safeguard our product responsibility through purchasing agreements and by placing demands on our suppliers. We also carry out meticulous quality checks on our own brands. This is supplemented with Group-wide insurance cover. We monitor quality and customer satisfaction through quality management systems and customer and consumer surveys, as well as conducting external and internal audits to ensure quality and customer satisfaction. We are constantly developing the Group's own workshop business system in order to help the workshops comply with rules and regulations, work efficiently and maintain a high level of service for customers. A training portal and a support portal have been developed, and will be launched in all business areas.	Probability Impact Change

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 page 47, there is a description of the internal control and risk assessment that aim to prevent misstatements in the financial statements.	

Low Medium High Increased risk Unchanged risk Reduced risk

THE SHARE

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

As per December 31, 2020, the total market value of the company was SEK 5.1 billion. The share's highest price in 2020 was quoted at SEK 101.1 on November 9,. The lowest price was quoted on April 2, at SEK 35.06. The number of shareholders on December 31, 2020 was 11,728 (12,259). Mekonomen's share capital as per December 31, 2020 amounted to SEK 141 (141) M, and comprised 56,416,622 shares (56,416,622) at a quotient value of SEK 2.50 (2.50) per share. 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

The company holds 93,250 treasury shares as per December 31, 2020. No shares have been acquired in 2020. Treasury shares do not entitle the holder to dividends or votes. For more information, see page 41.

Dividends

The board proposes no dividend for 2020. Mekonomen Group has navigated the challenges of 2020 extremely well and is positioned for future growth, but there is still significant uncertainty in some of our markets related to the future impact of covid-19. However, the Board stands by the long-term dividend policy and intends to reinstate dividends in line with the dividend policy in the future.

Analyst coverage

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

Communication to the capital market

Mekonomen Group's communication with the capital market aims to provide the market with reliable, accurate and current information regarding the company's position, operations and development. The information is intended to increase knowledge about and interest in the company. In 2020, 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 that were of particular interest to investors and analysts in 2020 were the effects of covid-19, the data breach in MECA/Mekonomen, potential synergies from the acquisition of FTZ and Inter-Team and the merger of the central warehouses in Sweden, the impact of currency effects on purchase prices and the effect of an increased share 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

Analysts who continually follow Mekonomen

Name	Bank
Mika Karppinen	Handelsbanken Capital Markets
Mats Liss	Kepler Cheuvreux
Stefan Stjernholm	Nordea Markets
Andreas Lundberg	SEB Equities

Analysts who continually follow Mekonomen are listed here. Please note that the above analysts' estimates, forecasts or other opinions do not represent Mekonomen or its company management.

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

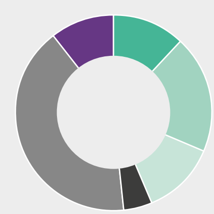
The 15 largest shareholders, 31/12/2020[1)]

Name	Number of shares	Votes and capital
LKQ Corporation	15,001,046	26.59%
Fjärde AP-fonden	4,819,293	8.54%
Didner & Gerge Fonder	3,764,970	6.67%
Swedbank Robur Fonder	1,930,000	3.42%
Eva Fraim Påhlman	1,923,176	3.41%
AFA Försäkring	1,675,678	2.97%
Dimensional Fund Advisors	1,426,613	2.53%
Avanza Pension	1,212,046	2.15%
Vanguard	1,055,273	1.87%
Ing-Marie Fraim	1,000,000	1.77%
Norges Bank	659,474	1.17%
Nordnet Pensionsförsäkring	655,294	1.16%
Kammarkollegiet (Legal, Financial and Administrative Services Agency)	564,813	1.00%
BlackRock	559,887	0.99%
Wipunen varainhallinta Oy	550,000	0.97%
Total 15 largest shareholders	**36,797,563**	**65.22%**
Other	**19,525,809**	**34.78%**

Holding per size class, 31/12/2020[1)]

Size class	Number of shares	Capital (%)	Votes (%)	Number of owners	Share of owners (%)
1–100	190,911	0.34%	0.34%	5,552	47.34%
101–200	253,860	0.45%	0.45%	1,587	13.53%
201–300	175,844	0.31%	0.31%	669	5.70%
301–400	271,633	0.48%	0.48%	758	6.46%
401–500	228,726	0.41%	0.41%	478	4.08%
501–1,000	985,874	1.75%	1.75%	1,289	10.99%
1,001–2,000	986,062	1.75%	1.75%	650	5.54%
2,001–5,000	1,491,163	2.64%	2.64%	460	3.92%
5,001–10,000	903,603	1.61%	1.61%	126	1.07%
10,001–20,000	914,377	1.62%	1.62%	64	0.55%
20,001–50,000	1,449,622	2.57%	2.57%	44	0.38%
50,001–100,000	1,293,456	2.29%	2.29%	17	0.14%
100,001–200,000	947,969	1.68%	1.68%	7	0.06%
200,001–500,000	2,641,961	4.68%	4.68%	9	0.08%
500,001–1,000,000	5,059,641	8.97%	8.97%	8	0.07%
1,000,001–2,000,000	9,222,786	16.35%	16.35%	6	0.05%
2,000,001–5,000,000	8,584,263	15.22%	15.22%	2	0.02%
5,000,001–	15,001,046	26.59%	26.59%	1	0.01%
Anonymous ownership	5,813,825	10.30%	10.30%		

Holding per ownership category[1)]



Data per share[2)]

Amounts in SEK per share unless otherwise stated	2020	2019	2018	2017	2016
Profit	7.67	7.34	6.56	10.05	9.32
Cash flow	28.9	20.3	8.3	13.8	15.1
Equity	80.4	76.4	67.9	65.8	64.4
Dividend[3)]	–	–	–	4.46	4.46
Share of profit paid, %	–	–	–	70	75
Share price at year-end	91.1	93.1	91.5	149.3	171.5
Share price, highest for the year	101.1	96.0	166.2	191.0	207.0
Share price, lowest for the year	35.06	60.8	88.4	139.8	150.5
Direct yield, %	–	–	–	4.7	4.1
P/E ratio at year-end, multiple	11.9	12.7	14.0	14.9	18.4
Average number of shares after dilution effects[4)]	56,323,372	56,338,824	39,718,604	35,901,487	35,901,487
Number of shares at end of period[5)]	56,416,622	56,416,622	56,416,622	35,901,487	35,901,487
Number of shareholders at year-end	11,728	12,259	12,310	10,707	9,484

1. Source: Modular Finance.
2. For information on financial definitions, refer to page 100.
3. The Board's proposal for 2020. The dividend for 2016–2017 is restated with the number of shares outstanding as at December 31, 2019, 56,323,372.
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 2020 financial year.

The Mekonomen Group operates in the main markets Denmark, Poland, Sweden and Norway through the business areas FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen.

The Group buys and distributes car-related products through its own central warehouses, regional warehouses and a broad network of branches and local warehouses. All of the warehouses and the majority of the branches are owned by the Group. A smaller number of branches is operated through part-ownership or franchise cooperation.

Sales are mainly B2B to affiliated workshops and other corporate customers. The Group also has attractive concepts under strong brands to attract car owners to affiliated workshops.

The Group's workshop concept is operated 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.

The parent company has its registered office in Stockholm. The address of the head office is Box 19542, SE-104 32 Stockholm, Sweden. Street address: Solnavägen 4, 11th floor. The parent company's share is listed on Nasdaq Stockholm, Mid Cap segment. The three largest owners of the parent company as per December 31, 2020, are: LKQ Corporation with 26.6 per cent, Fjärde AP-fonden with 8.5 per cent and Didner & Gerge Fonder with 6.7 per cent.

Financial year
2020 was a challenging year marked by intensive work as a result of the operations being affected by covid-19, a sharp weakening of the currencies that affect the company and a data breach in the MECA/Mekonomen business area. The main priority has been to maintain the health and safety of the company's customers and employees linked to the pandemic. There has also been a focus on mitigating the effects on the business by means of strong measures in a number of areas, as well as strengthening the company's long-term profitability and market position.

After a stable start to the financial year, the impact of the pandemic became more marked in most of our markets. Demand was significantly affected by the physical restrictions periodically imposed by local authorities since the outbreak in mid-March and the majority of our most significant currencies weakened as a result of the increased uncertainty. The underlying demand for the company's products and services has been robust, seen over time, and the company has seen a limited impact as a result of the company's markets not being fully shut down for extended periods.

At the end of March, the MECA/Mekonomen business area was the victim of a data breach. The intrusion caused extensive disruptions to the company's IT system and had negative effects on the business until the summer. The company's insurance cover limited the financial damage relating to lost income and additional costs. In the second quarter, a small part of the compensation for the data breach was paid out by the insurance company to partially cover direct costs for IT expertise. During the fourth quarter, the remainder of the compensation was paid in respect of the loss of sales suffered by the company.

The company worked intensively during the start of the year to mitigate the negative short-term effects of the pandemic, including by introducing structural initiatives to increase profitability over time. The short-term efficiency and cost-saving measures that were initiated included reductions in fixed-term employees and consultants, short-term layoffs and reductions in working hours, as well as reduced marketing activities. The company also negotiated lower property rents where possible. In order to mitigate the effect of weakening of the currencies that affect the company the most, prices in most of the company's markets were adjusted. All in all, these efforts resulted in increasing profitability during the year.

About a third of these short-term measures are expected to be made permanent, to increase the company's long-term profitability. To the same end, a number of structural initiatives at MECA/Mekonomen were intensified by closing down unprofitable branches and workshops.

The work to realize purchasing synergies of SEK 100 M, with full effect from 2021, that was initiated in connection with the acquisition of FTZ and Inter-Team, has been completed according to plan. At the end of the financial year, these have been fully realized, including volume effects.

The project to merge MECA/Mekonomen's central warehouses in Sweden has been completed according to plan.

Net sales decreased by 3 per cent to SEK 11,511 M (11,842), mainly affected by negative currency effects. Organic growth was negative at 1 per cent.

The gross margin increased somewhat to 45.1 per cent (44.8). Mainly as a result of currency-related price adjustments having compensated for a stronger EUR for most of the year and thus higher purchase prices as well as lower volume-based supplier bonuses.

Adjusted EBIT increased to SEK 937 M (874) and adjusted EBIT margin amounted to 8 per cent (7). EBIT amounted to SEK 738 M (705) and the EBIT margin amounted to 6 per cent (6). EBIT was negatively impacted by items affecting comparability and currency effects.

The total number of branches in the chains at the end of the period was 475 (469), of which 396 (397) were proprietary branches. There were a total of 3,568 affiliated workshops (3,564).

Income
Net sales decreased by 3 per cent to SEK 11,511 M (11,842). Organic growth was negative at 1 per cent. The lower net sales are mainly due to the effects of covid-19, the data breach suffered by the business area MECA/Mekonomen in spring 2020 and negative currency effects. The currency effects have negatively impacted net sales by 3 per cent or the equivalent of SEK 387 M. During the full year, there were two more working days in Denmark, Finland and Sweden and three more working days in Norway and Poland compared with the preceding year.

Other operating income consists mainly of rental income, marketing contributions, foreign exchange gains and insurance compensation related to the data breach.

Adjusted operating profit EBIT

Adjusted EBIT amounted to SEK 937 M (874) and adjusted EBIT margin amounted to 8 per cent (7). Adjusted EBIT refers to operating profit, EBIT adjusted for items affecting comparability and material acquisition related items attributable to depreciation of acquired intangible assets in respect of acquisitions FTZ, Inter-Team, MECA and Sørensen og Balchen.

Operating profit, EBIT

EBIT amounted to SEK 738 M (705) and the EBIT margin amounted to 6 per cent (6). EBIT has been negatively affected by items affecting comparability totalling SEK 44 M (–11), related to structural measures of SEK 50 M in the business area MECA/Mekonomen, as well as profit on the sale of a property at FTZ of SEK 6 M.

The structural measures include the disposal of IT systems related to the consolidation of E-commerce platforms of SEK 10 M, costs related to the closure of a warehouse in Eskilstuna of SEK 7 M and costs resulting from the closure of unprofitable branches and workshops of SEK 33 M. The latter include impairment of leases of SEK 20 M and impairment of warehouse assets, personnel costs and disposal of machinery and equipment, as well as loss on the sale of workshops.

EBIT has been positively affected as a result of government aid due to covid-19, regarding the reduction of employer's contributions, support for sick pay and lay-off support and support for personnel-related costs amounting to a total of SEK 48 M in the business areas Inter-Team, MECA/Mekonomen, and Sørensen og Balchen. Currency effects on the balance sheet negatively impacted EBIT by SEK 18 M (negative 2). EBIT includes insurance compensation totalling SEK 63 M, of which SEK 7 M was paid during the second quarter for consulting and other additional costs resulting from the data breach. The remaining SEK 56 M mainly relates to loss of sales and is recognized as other operating income in the fourth quarter.

SEK M	2020	2019
Operating profit (EBIT)	**738**	**705**
Costs attributable to restructuring at MECA/Mekonomen	–50	3
Gains from a sale of property FTZ	6	–
Costs related to integration of FTZ and Inter-Team	–	–14
Impairment of stock of DAB products[1)]	–	3
Items affecting comparability, total	**–44**	**–11**
Other items[2)]	–155	–157
Adjusted operating profit (EBIT)	**937**	**874**

1. Digital Audio Broadcasting.
2. Other items include material acquisition-related items. Current acquisition-related items are depreciation of acquired intangible assets related to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

Profit after financial items

Profit after financial items increased to SEK 596 M (555). Net interest items amounted to SEK –123 M (–139) and other financial items amounted to SEK –19 M (–11).

Profit for the year

Profit after tax amounted to SEK 446 M (421). Earnings per share before and after dilution amounted to SEK 7.67 (7.34).

Seasonal effects

The Group has no actual seasonal effects in its operations. However, the number of working days affects both sales and profit. Unusually hot or cold summer or winter weather can also affect sales.

FTZ business area

The FTZ business area primarily includes wholesale and branch operations in Denmark.

Net sales were in line with the previous year and amounted to SEK 3,369 M (3,371). Currency effects had a negative impact on net sales of SEK 27 M. Organic growth was unchanged. Sales development has been relatively stable during the year, despite periodically lower market activity associated with the increased spread of covid-19 and restrictions imposed in Denmark. Sales to affiliated workshops and larger customers have been good in a generally subdued market that has been characterized by weak demand for car parts and workshop services and continued price competition. New car sales decreased by just over 12 per cent during the year, while sales of used cars increased by almost 8 per cent.

EBIT increased to SEK 331 M (299) and the EBIT margin increased to 10 per cent (9). Cost savings related to staff and marketing activities have offset negative volume and mix effects, as well as lower supplier bonuses. Operating profit was positively impacted by items affecting comparability of SEK 6 M (negative 9) regarding sale of a property. The gross margin was stable compared to the previous year, when currency-related price adjustments largely compensated for a weaker customer mix and lower supplier bonuses. No government relief that affects EBIT has been used during the financial year.

During the year, there were two more working days in Denmark compared to the previous year.

The number of branches amounted to 51 (51), of which 51 (51) were proprietary. There were a total of 930 affiliated workshops (943).

Inter-Team business area

The Inter-Team business area primarily includes wholesaling and branch operations in Poland and export operations.

Net sales decreased by 8 per cent to SEK 1,988 M (2,155). Currency effects had a negative impact on net sales of SEK 85 M. Organic growth was –5 per cent. Sales on the domestic market were weak in the second and fourth quarters, as a direct result of an increased spread of covid-19 and the reintroduction of restrictions in Poland, which has been hit hard by the pandemic. Export activity has shown positive growth during the year, mainly as a result of continued good sales to the German market. Continued price pressure on both the Polish market and the export business was a characteristic during the year. New car sales have been weak and decreased by about 20 per cent compared to the previous year.

EBIT increased sharply to SEK 86 M (43) and the EBIT margin amounted to 4 per cent (2). The increase in profit is mainly an effect of strong savings measures mainly relating to staff costs and reduced marketing activities, as well as an increased gross margin. The gross margin increased as retroactively paid supplier bonuses together with previously implemented price adjustments compensated for a higher proportion of export sales with lower margins and negative exchange rate fluctuations. Support for personnel-related costs from the Polish government has had a positive effect on EBIT of approximately SEK 14 M during the year.

During the year, there were three more working days in Poland compared to the previous year.

The number of branches amounted to 82 (82), of which 79 (79) were proprietary. There were a total of 661 affiliated workshops (603).

MECA/Mekonomen business area

The MECA/Mekonomen business area primarily includes wholesale, branch, workshop and fleet operations in Sweden, Norway and Finland. The business area consists of the operations MECA, Mekonomen and a number of smaller operations.

Net sales decreased by about 4 per cent and amounted to SEK 5,326 M (5,527), of which sales in the Swedish operations were SEK 3,225 M (3,404), sales in the Norwegian operations were SEK 2,010 M (2,063) and sales in the Finnish operations were SEK 91 M (60). Currency effects had a negative impact on net sales of SEK 198 M. Organic growth was –2 per cent. Covid-19, together with the data breach at the end of March, has had a significant negative impact on sales for much of the year. Market development has been relatively stable during the year, despite generally lower activity associated with the increased spread of infection and restrictions. Sales growth on the Swedish market has been slightly negative during the year, partly as a result of the closure of unprofitable branches and workshops. In the Norwegian business, currency-related price adjustments together with continued good market activity have resulted in positive organic growth.

EBIT amounted to SEK 354 M (438) and the EBIT margin amounted to 6 per cent (8). Profit have been positively impacted by the strong savings measures implemented during the first part of the financial year. EBIT has been affected by items affecting comparability totalling SEK –50 M (1) during the year, which are attributable to structural initiatives in the form of the closure of unprofitable branches and workshops and the merger of the central warehouses in Sweden. The negative impact on EBIT in connection with the IT intrusion has been balanced by insurance compensation of a total of SEK 63 M, regarding compensation for lost sales. EBIT has also been positively affected by SEK 31 M through relief in the form of reductions in employer's contributions, support for sick pay and layoff support. The gross margin decreased slightly, as currency-related price adjustments not fully compensated for negative exchange rate fluctuations and lower supplier bonuses.

There were three more working days in Norway and two more working days in Sweden and Finland than the previous year.

The number of branches amounted to 277 (271), of which 229 (230) were proprietary. There were a total of 1,724 affiliated workshops (1,760).

Sørensen og Balchen business area

The Sørensen og Balchen business area primarily includes wholesale and branch 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 increased by 4 per cent to SEK 791 M (759). Currency effects had a negative impact on net sales of SEK 77 M. Organic growth amounted to 13 per cent. Sales have performed positively to both consumer and business during the year, supported by currency-related price increases at the beginning of the year. The business has benefited from a strong do it yourself market and good market activity, despite periods of increased spread of covid-19 and wide restrictions in Norway.

EBIT increased to SEK 170 M (121) and the EBIT margin amounted to 21 per cent (16). Higher sales and strict cost control have contributed positively to profit growth. The gross margin increased as currency-related price adjustments more than compensated for a weaker Norwegian krone and thereby higher purchasing costs. No (2) items affecting comparability have affected profit during the year. Support for personnel-related costs from the Norwegian government has had a positive effect on EBIT of approximately SEK 4 M during the year.

During the year, there were three more working days in Norway compared to the previous year.

The number of branches amounted to 65 (65), of which 37 (37) were proprietary. There were a total of 253 affiliated workshops (258).

Acquisitions and start-ups

During the year, the Group acquired six branches in Sweden, of which one to 75 per cent. Four of these acquired branches were previously cooperating branches. The Group has acquired 25 per cent in three previously partly owned branches and a workshop, these are now wholly owned. The Group has also acquired 35 percent in AlltiBil Västra Sverige AB, where these are now wholly owned, as well as additional shares in Mekster AB, where the total ownership is now 75 per cent. One branch has also been established in Sweden.

In Norway, the Group acquired seven workshops with the acquisition of 51 per cent of Tores Auto AS. The Group has also acquired 25 per cent in a previously partly owned branch in Norway, after which it is now wholly owned. One workshop has also been established in Norway.

The acquisitions have only a marginal effect on the Group's sales and profit

Investments

Investments in fixed assets amounted to SEK 510 M (457) during the year, including leases of SEK 358 M (326). Depreciation and impairment of tangible fixed assets amounted to SEK 606 M (611). I Company and business acquisitions amounted to SEK 52 M (73), of which SEK 5 M (8) pertained to an estimated supplementary purchase consideration. During the year, supplementary purchase considerations of SEK 2 M (8) were paid.

Acquired assets totalled SEK 33 M (40) and assumed liabilities SEK 22 M (20). Aside from goodwill, which amounted to SEK 25 M (35), intangible surplus values of SEK 47 M (17), pertaining to customer relationships, were identified. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 8 M (1).

Acquired non-controlling interests amounted to SEK 11 M (6). Divested non-controlling interests amounted to SEK – M (1). Divested business amounted to SEK 1 M (–).

Financial position and cash flow

Cash flow from operating activities amounted to SEK 1,625 M (1,142). Tax paid amounted to SEK 170 M (226). Cash and cash equivalents amounted to SEK 420 M (355). The equity/assets ratio was 38 per cent (34). Calculated without IFRS 16, the equity/assets ratio was 43 (39) per cent. Long-term interest-bearing liabilities amounted to SEK 3,911 M (4,655) including long-term lease liabilities of SEK 1,168 (1,323) M Current interest-bearing liabilities amounted to SEK 1,043 M (1,204) including current lease liabilities of SEK 432 (457) M.

During the year, cash flow was positively affected by the various countries' support regarding offsets, primarily VAT and tax payments. During the third and fourth quarters, some of the support used earlier in the year in Norway and Denmark was repaid according to plan. In total, these deferred VAT, employer contribution and tax payments amount to approximately SEK 208 M. These shifts will be repaid over the first two quarters 2021 and will then have a negative effect on cash flow and the debt/equity ratio.

Net debt amounted to SEK 2,673 M (3,709), which is a decrease of SEK 1,036 M. The reduction in net debt i were primarily impacted by operating EBIT, change in working capital, investments and currency fluctuations. In the first quarter, a planned repayment on March 31 of EUR 5 M was postponed in agreement with lenders due to the uncertainty of the impact of the covid-19 pandemic. This change was announced in a press release on 1 April. Other installments paid as planned. Mekonomen's available cash and unutilized credit facilities totaled approximately SEK 1,442 M at the end of December. The company fulfils all covenants in the loan agreements as of December 31, 2020.

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 assignments for our managers and employees are important conditions for this commitment. Skills development takes place through internal and external training and through career and development planning, with new and more complex tasks in the day-to-day work. A fundamental working method within the Group is to encourage internal recruitment and talent development.

Mekonomen Group's workplaces shall 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 varied experience and expertise, we improve the possibility of meeting the customers' needs. The Group has well-developed HRM (Human Resource Management) work that includes equal opportunities plans, action programs against discrimination in the workplace, clear goals and goal follow-up, reporting and an explicit division of responsibilities.

Employee surveys, employee interviews and managers' ongoing dialogue with employees all address issues related to well-being and working conditions, as well as what opportunities exist for the individual to influence their work situation. The results of dialogue are reviewed on an ongoing basis with the aim of implementing improvements in the operations from an overall perspective to the individual's own group/unit. In order to more clearly follow up on leadership and commitment questions throughout the Group, a joint annual employee survey for all business areas will be performed from 2021 onwards.

The number of employees at the end of the year was 5,510 (5,641) and the average number of employees during the year was 4,912 (4,953).

Remuneration to senior executives

Guidelines for remuneration to senior executives appear in Note 5. Prior to the Annual General Meeting 2021, a new share-based long-term program LTIP2021 is proposed, in addition to the existing share-based program that run in the Group, LTIP2019 and LTIP2020. No other significant changes are proposed. For more detailed information, see the corporate governance report on page 39 and the Group´s remuneration report at www.mekonomen.com.

Sensitivity analysis

The Mekonomen Group's profit 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 45 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 Car Parts AB to each country, as well as 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	52 (53)
Exchange rate fluctuations		
NOK	+10	66 (73)
EUR	+10	–165 (–196)
DKK	+10	26 (24)
USD	+10	–8 (–15)
Gross margin	+1 % point	115 (118)
Personnel costs	+1	–26 (–27)
Interest[2]	+1	–11 (–21)

1. All things being equal, profit before tax for the 2020 financial year.
2. The effect is based on the Group's net debt of SEK 2,673 M as per December 31. 2020 adjusted for the interest-rate swap of SEK 1,506 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 profit in the translation of financial assets and liabilities that existed at December 31, 2020 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 35 M (negative 64), 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 4 M (positive 3), largely as a result of gains in the translation of accounts receivable.

The above estimated effects as of December 31, 2020 vary from month to month, depending on the size of the balance-sheet items at the closing date.

Risks and uncertainties

The Mekonomen Group's operations, as well as all business activities, are exposed to a number of external, strategic, operational and financial risks. Significant identified risks are continuously monitored and risk mitigation measures are taken to limit the effects. The most relevant risks for the business and their changes are described in the Risk and Risk Management section on page 26, as well as in Note 36 Financial Risks.

During the financial year 2020, the Group's risk profile has primarily changed due to covid-19 and the data breach that affected the MECA/Mekonomen business area in spring 2020.

Parent Company, Central Functions and Other Items

The parent company's operations mainly comprise the Group Management Team and functions that support the work of the entire Group: finance and controlling, risk management and internal audit, sustainability, law, business development, communication and marketing, HR and Operations that include purchasing, product range, logistics and IT. The parent company's profit after net financial items amounted SEK 4 M (–117), excluding dividends of SEK 474 M (332) from subsidiaries. The difference in profit after net financial items compared to the previous year is largely due to exchange rate effects on long-term loans, as well as balances in bank accounts. Average number of employees in the parent company was 6 (5). During the year, Mekonomen AB sold products and services to Group companies totalling SEK 43 M (33).

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 too limited for the users of the financial statements for them to be reported as segments. EBIT for central functions amounted to SEK –49 M (–39).

Other items include acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items are depreciation of acquired intangible assets related to the acquisitions of MECA, Sørensen og Balchen, FTZ and Inter-Team in an amount of SEK –155 M (–157) 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 2020 Sustainability Report also constitutes the Group's Communication on Progress to the UN Global Compact. The Group's 2020 Sustainability Report was prepared in observance of the requirements in the Annual Reports Act. The Sustainability Report's scope is presented on page 96.

Environment

The 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.

The Mekonomen Group's largest environmental impact is in the areas of transports, energy use and chemicals and waste management. Our operations have rules and procedures to manage their environmental impact. For further information on the Group's environmental activities, refer to page 22.

Events after the end of the year

The continued spread of covid-19 in our main markets is an uncertainty factor where it is not possible to fully predict the duration or impact on the company's operations.

As a consequence of the continued uncertainty on our main markets related to the future impact of covid-19 and as a precautionary measure, the board has decided not to propose a dividend for 2020. The board stands by the company's long-term dividend policy and will reconsider the issue once the situation has stabilized in all our markets and all factors affecting the use of cash and cash equivalents have been taken into account.

Mekonomen Group held a capital markets day on February 25, 2021, for analysts, investors and media, at which the company presented the updated strategy to achieve the long-term financial targets by 2025.

On March 11, 2021, Mekonomen Group issued a senior unsecured bond of SEK 1.25 billion, within a framework amount of SEK 2 billion, maturing March 18, 2026. The bond has an interest rate of 3m Stibor +250 basis points. The issue attracted strong interest from Nordic investors and was oversubscribed. The bond proceeds will be used to refinance existing bank debt and for general corporate purposes. The bonds will be listed on Nasdaq Stockholm.

On March 17, 2021, Mekonomen Group entered into an agreement of a Revolving Credit Facility (RCF) of SEK 800 million, maturing in March 2024, with a banking group consisting of Nordea, SEB and Danske Bank. In connection with this, the RCF that was due to expire in June 2022 was terminated prematurely.

Mekonomen's Nomination Committee announced in a press release on March 24, 2021 that before the Annual General Meeting on May 7, 2021, they propose re-election of the Board members Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson and Helena Skåntorp, as well as new election of Robert Hanser and Michael Løve. Robert Hanser is proposed to be elected Chairman of the Board. The Chairman of the Board, John S. Quinn, and Board member Arja Taaveniku have informed the Nomination Committee that they are refraining from re-election at the 2021 Annual General Meeting. Read more about the purposed board members on www.mekonomen.com.

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

Future developments

The Mekonomen Group's business model is solid. The demand for mobility is timeless and a pillar of society. As vehicle technology becomes greener and customer behavior changes, new business opportunities are also created, in which the need for service not only persists, but also develops. The company has a leading position in the main markets with the ambition to drive the digital and sustainable development of the industry.

Through the synergy projects completed in 2020 – the acquisitions of FTZ and Inter-Team and the merger of MECA and Mekonomen's central warehouses in Sweden – the Mekonomen Group is well equipped to continue the company's profitable journey of growth.

As a result of covid-19, the risk of negative effects remains high. Based on developments in 2020, the Mekonomen Group assesses that the pandemic has a limited impact on operations, as long as a complete shutdown does not occur in society in our main markets or markets that affect the business, such as suppliers' markets. The Mekonomen Group's priority remains to ensure the health and safety of employees and customers. All activities in the company are also carefully evaluated from a cost and risk perspective in order to be able to quickly handle negative financial effects linked to the pandemic. The Group continues to maintain a focus on increasing profitability, reducing its debts and generating good cash flows. The Group also intends to continue its efforts to continuously develop and adapt the business with a wider product range and services to attract existing and new customer groups.

The share

Share capital and ownership structure

As per December 31, 2020, the share capital of Mekonomen AB (publ) amounted to SEK 41 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.

Mekonomen AB 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 December 31, 2020, refer to the table on page 31.

Authorization
The Annual General Meeting on May 7, 2020, resolved to authorize 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 had been issued under this authorization.

Dividend policy
It is the board's intention that Mekonomen AB shall pay dividends corresponding to not less than 50 per cent of profit after tax. Decisions on dividend proposals shall take into account the company's potential acquisition opportunities, financial position, investment needs and prospects.

Shareholder agreements
As far as the board of Mekonomen AB (publ) is aware, no shareholder agreements or other agreements between Mekonomen's shareholders for joint influence over the company exist. As far as the board of Mekonomen AB (publ) is aware, nor are there any agreements or similar that may result in a change in the control of the company.

Share dividends
The board proposes no dividend for 2020. The Mekonomen Group has navigated the challenges of 2020 extremely well and is positioned for future growth, but there is still significant uncertainty in some of our markets related to the future impact of covid-19. However, the board stands by the long-term dividend policy and intends to reinstate dividends in line with the dividend policy in the future.

The work of the board in 2020
The Annual General Meeting on May 7, 2020, 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 Chair), Helena Skåntorp (Executive Vice Chair), Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson and Arja Taaveniku.

During 2020, the board held 18 meetings (32), of which 2 were independent. 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, investments and market development.

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 of the committees and their chairs are appointed at the statutory board meeting held directly after the election of board members. For more information, refer to page 43.

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 attend the meetings of the audit committee.

At the 2020 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2021 Annual General Meeting. The chief auditor is authorized public accountant Linda Corneliusson, who has an organization comprising broad and specialized competency that is well-suited to the Mekonomen Group's operations. PwC has been auditor of the company since 2014.

Proposed appropriation of profit
Parent Company

The following profit is at the disposal of the Annual General Meeting:	SEK 000s
Profit brought forward	5,003,568
Profit for the year	522,457
Total	**5,526,025**

The board proposes that profits be appropriated as follows:	SEK 000s
To be carried forward	5,526,025
Total	**5,526,025**

For further information regarding the company's and the Group's profit 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 operating primarily in Denmark, Norway, Poland and Sweden, with a smaller operation in Finland. 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 he 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)	

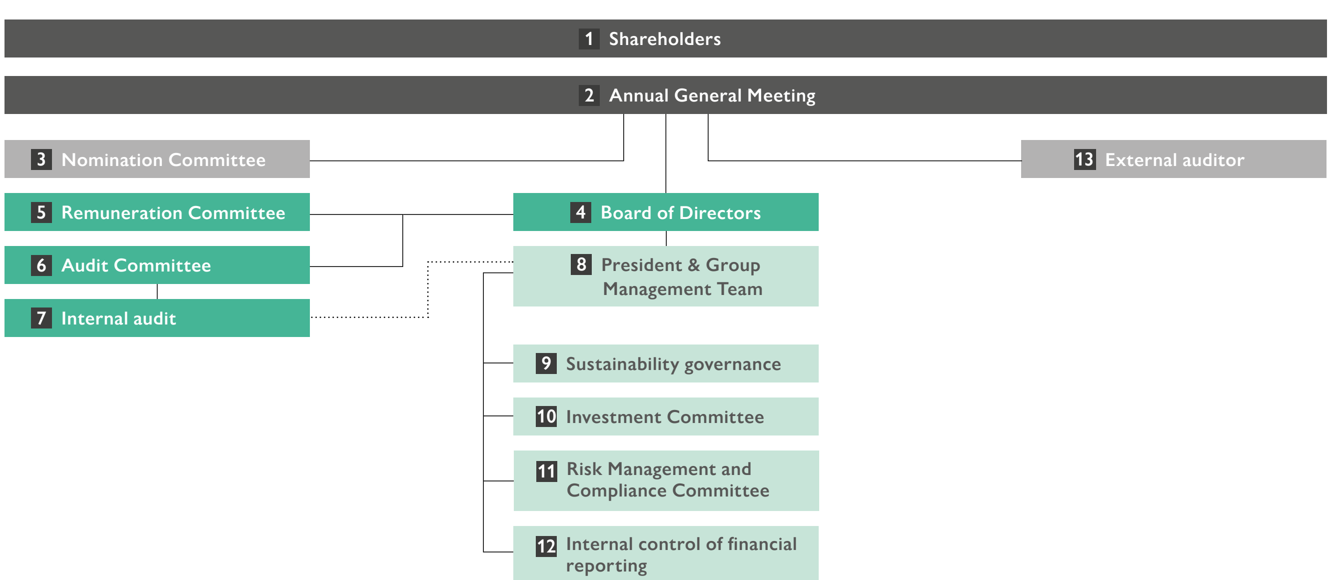
Application of the Swedish Corporate Governance Code

The Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2020:

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

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

Overall Corporate Governance Model



1 Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since May 29, 2000. Share capital amounted to SEK 141 on December 31, 2020, 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 December 31, 2020 amounted to SEK 5.1 billion, based on the closing price of SEK 91.10. All shares (excluding treasury shares) provide the same voting rights and equal rights to the company's profit and capital. The company's Articles of Association do not include any restrictions on how many votes each shareholder can cast at a General Meeting.

The number of shareholders on December 31, 2020 was 11,728 (12,259). On the same date, the ten largest shareholders controlled 60.0 per cent (63.6) of the capital and voting rights, foreign owners accounted for 41.4 per cent (42.5) 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 December 31, 2020 amounted to 26.6 per cent (26.6). For further information on Mekonomen's shares and shareholders, see page 30.

2 General Meeting

The Annual 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 Annual General Meeting as soon as the Board has made its decision, but not later than in connection with the third-quarter report. Information pertaining to the location and time is available on the company's website. Shareholders that are registered in Euroclear's shareholders register on the record date and have registered participation in adequate time are entitled to participate in the Annual General Meeting and vote according to their shareholdings. All information concerning the company's meetings, such as registration, entitlement for items to be entered in the agenda in the notification and minutes, is available on the company's website, mekonomen.com.

It is the company's aim that the Annual General Meeting be a consummate body for shareholders, in accordance with the intentions of the Swedish Companies Act, which is why the objective is normally 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 should be present at the Meeting. Regarding participation at the 2021 Annual General Meeting, the Board of Directors has decided to apply the Collegiate's special application regulations in connection with covid-19, which means that the meeting will be conducted via postal voting without physical participation.

Annual General Meeting 2020

The Annual General Meeting was held in Stockholm on May 7, 2020. The complete minutes of the Annual General Meeting are available on the company's website at mekonomen.com. Due to covid-19, the majority of participants at the 2020 AGM were not physically present and participated by postal voting. 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 from liability
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members
- to pay total Board fees of SEK 2,885,000, of which SEK 620,000 relates to fees to the Chairman of the Board and 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 includes fees to members of the Board's committees, 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
- 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, Magnus Håkansson and Arja Taaveniku
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the close of the 2021 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 2020) and in conjunction with this to authorize 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 authorization 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.

3 Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on May 7, 2020, 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 August 31, 2020 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2021 Annual General Meeting is comprised of John S. Quinn, LKQ Corporation, Arne Lööw, Fjärde AP-Fonden, Kristian Åkesson, Didner & Gerge Fonder AB and Caroline Sjösten, Swedbank Robur Fonder AB. In accordance with the guidelines, John S. Quinn has been appointed the Chairman of the Nomination Committee (deviation from the Code (rule 2:4). 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 proposes to the Annual General Meeting concerning:

- 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.

Annual General Meeting 2021
The Annual General Meeting will be held on May 7, 2021. Participation is by postal voting; read more in the notice of the Annual General Meeting on www.mekonomen.com.

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.

4 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.

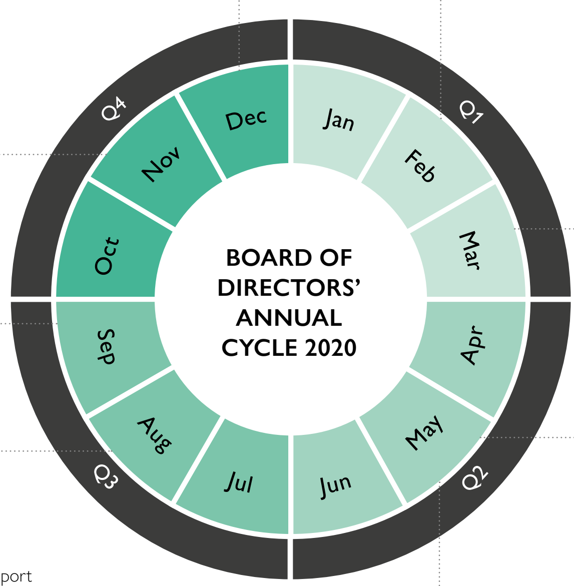
Overview of all points on the Board's agenda in 2020*

17 December
- Budget
- Updating policies
- Evaluation of the Board's work
- Internal control, risk and internal audit
- New financial goals

5 November
- Q3 2020 quarterly report
- Updating policies

29 September
- Decision on strategy

20 August
- Q2 2020 quarterly report



6 February
- Q4, year-end report
- Dividends
- External auditors' report
- Risk analysis Q4

31 March
- Approval of the annual report
- Invitation to Annual General Meeting
- Proposals to the Annual General Meeting

6 May
(Board meeting and Statutory Board meeting)
- Board's rules of procedure and instructions for the President
- Committees' rules of procedure
- Election of Vice Chairman
- Election of committee members
- Company signatories
- Financing issues
- Covid-19

28 May
- Q1 2020 quarterly report
- Buyback of own shares

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

***Extra Board meetings in 2020:** 17/3 (covid-19), 30/3 (data breach, covid-19), 7/4 (data breach, covid-19, financing issues), 15/4 (data breach, covid-19, financing issues), 28/4 (data breach, covid-19, financing issues), 15/5 (covid-19, financing issues), 20/5 (covid-19, financing issues), 9/6 (covid-19, financing issues)

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. Previous Board experience is another important competency.

Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The company has a diversity policy for the Group that includes the company's Board and management. The company's diversity policy, which was prepared in accordance with the Code's rule 4.1, aims to achieve an even distribution of people in the company in terms of age, gender, education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2021 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 organization and management and is to also make decisions pertaining to strategic issues. During 2020, the Board held 18 meetings (10), of which 2 were independent. The minutes of the meetings were recorded by the Board's secretary, who is the Group's Director of Legal Affairs and Sustainability or by the Group´s CFO. As in previous years, for matters which present a risk of a conflict of interest, independent board meetings have been held in which the Board members representing LKQ Cooperation did not participate, and classified minutes have been recorded for these specific matters.

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, investments and market development.

Duties of the Board of Directors

The Board is responsible for ensuring that the company has good internal control in order to protect the owners' investment and the company's assets. 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 Board reviews all quarterly reports and the annual report before these are published. The Audit Committee reports to the Board on matters of internal control, including matters for decision. Minutes from the Audit Committee's meetings are available to the Board members. 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 the 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 authorization 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 2020, the Chairman organized a written questionnaire for all Board members. The collective opinion based on the 2020 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.

Board remuneration and attendance

	Total remuneration, SEK	Attendance at Board meetings	Attendance at independent Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
John S. Quinn	695,000	16/16	–	4/4	5/5
Helena Skåntorp	520,000	16/16	2/2	4/4	–
Eivor Andersson	345,000	16/16	2/2	–	5/5
Kenny Bräck	300,000	13/16	2/2	–	–
Joseph M. Holsten	350,000	13/16	–	4/4	–
Magnus Håkansson	350,000	16/16	2/2	4/4	–
Arja Taaveniku	325,000	16/16	2/2	–	5/5

5 Remuneration Committee

The Remuneration Committee's tasks are documented in the rules of procedure for the Remuneration Committee, which are annually approved by the Board of Directors. The work of the Remuneration Committee is based on resolutions by the Annual General Meeting pertaining to guidelines for remuneration of senior executives.

- The Committee discuss, decide on and present recommendations on the salaries, other employment terms and incentive programmes for the company management. However, the Board in its entirety determines the remuneration and other employment terms for the President and CEO.
- An important issue for the committee during the year has been to address the new remuneration report.

In 2020, the Remuneration Committee consisted of board members Eivor Andersson (Chairman), John S. Quinn and Arja Taaveniku.

During 2020 the Remuneration Committee held five meetings. The respective member's participation is presented in the table on page 42. In addition, the company's President and CEO Pehr Oscarson has been present at five meetings and the company's CFO has been the committee's secretary during five meetings.

6 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 committee monitors the efficiency of the internal control regarding the financial reporting presented by the management with any shortcomings and improvement measures.

- 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 duties include a risk review regarding the Group's risks regarding the market and competitors, operational risks and financial risks.
- With regard to financial reporting, the Audit Committee has a special responsibility to monitor the effectiveness of the company's internal control.
- 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.

In 2020, the Audit Committee consisted of Helena Skåntorp (Chairman), Joseph M. Holsten, Magnus Håkansson and John S. Quinn. The Audit Committee held four meetings in 2020. The respective member's participation is presented in the table on page 42. 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 secretary of the committee.

7 Internal audit

Internal Audit is an independent function that provides security for the Board and management. Internal Audit examines different processes and procedures, gives the Board and management a balanced picture of the current situation and proposes improvement measures. 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. The results of audits carried out are reported to the Audit Committee, the CEO and the CFO and information is provided to management in each business area and other units where relevant.

For a number of years, Mekonomen Group has hired the auditing firm Deloitte to conduct the internal audit in the Group. In 2020 the firm also carried out an audit of the implementation of the AX business system, which has been implemented in units within Mekonomen Sweden. In 2020, the Board decided to choose EY as a new partner for the internal audit. During the autumn, EY carried out an audit of the work initiated during the year to establish a new control framework and governance model for cybersecurity. The Group´s Head of Risk and Internal Audit is responsible for Internal Audit, who reports to the Chairman of the Audit Committee in this function.

BOARD OF DIRECTORS





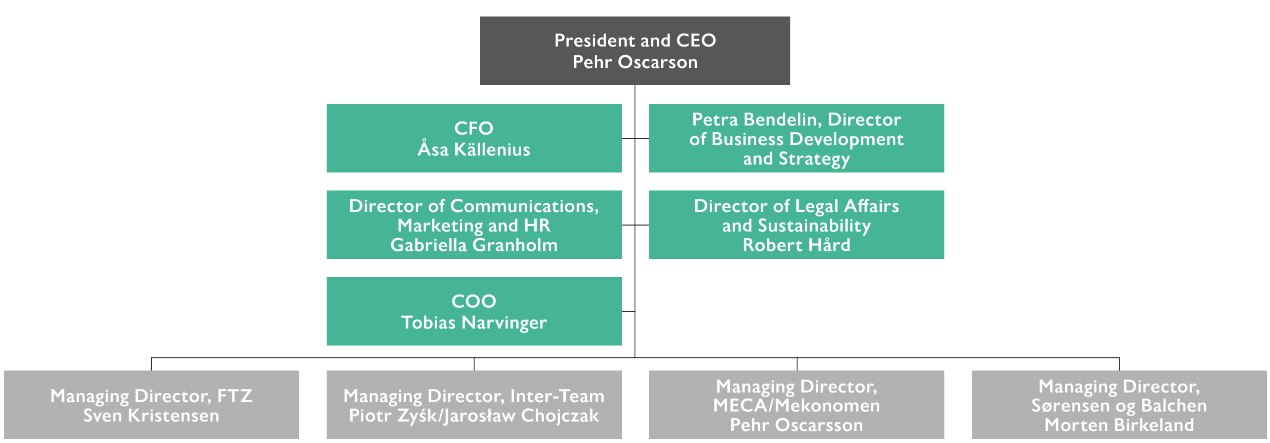


	John S. Quinn[1]	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Arja Taaveniku
	Chairman of the Board. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman. Chairman of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.	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, Chartered Professional Accountant.	Graduate in Business Administration, Stockholm University.	Marketing Economist, IHM Business School, Stockholm.	Upper secondary school education.	MBA, BA and Authorized 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, Board member of the Supervisory Board, ATR International.	Chairman of the Board in Plint Holding AB and Ljung & Sjöberg AB. Member of the Board of ByggPartner i Dalarna Holding AB and Cellink AB. Chairman of the board and co-founder of Nielstorp AB and Skåntorp & Co AB.	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Member of the Boards of AB Svenska Spel.	Test and Development Driver for McLaren Automotive. Minority owner and Board member of Motorsport Auctions Ltd.	Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	CEO of MediaMarkt Sverige AB. Chairman of the Board of Tenant & Partner Group AB, GS1 Sweden AB and Impande Foundation Sweden.	Chairman of the Board of Svenska Handelsfastigheter AB. Member of the Board of Handelsbanken and Nobia AB.
Work experience	CEO of LKQ Europe, EVP 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 several financial and operating roles at Waste Management, Inc.	President and CEO of Lernia AB. President and CEO of SBC Sveriges BostadsrättsCentrum AB, President and CEO of Jarowskij, CFO of Arla, and Authorized Public Accountant at Öhrlings/PwC.	CEO of TUI Nordic (2014–2017), President of Coop Marknad AB (2011) and President of Ving Sverige AB/ Thomas Cook Sweden (2003–2010), as well as many years of experience from Board work in Swedish companies.	Former professional racing 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 & Brands AB, CEO of Expert Sverige AB, CFO of KF Group and Consultant at McKinsey & Co. Chairman of the Board of RNB Retail and Brands AB (publ) 2010–2011.	Chief Offer and Supply Chain Officer and member of Group Management Team of Kingfisher Plc (UK), President of Ikano Group in Luxembourg and senior positions in IKEA Group internationally.
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

1. Mekonomen's Nomination Committee intends to propose Robert M. Hanser as the new Chairman of the Board of Mekonomen AB to the 2021 Annual General Meeting, which was announced on December 3, 2020. John S. Quinn, the current Chairman of the Board, has informed the Nomination Committee that he will decline re-election at the next Annual General Meeting.

GROUP MANAGEMENT TEAM

	Pehr Oscarson	Petra Bendelin[1]	Gabriella Granholm[2]	Robert Hård	Åsa Källenius	Tobias Narvinger[3]
	President and CEO	Director of Business Development and Strategy	Director of Communications, Marketing and HR	Director of Legal Affairs and Sustainability	CFO	COO
Born	1963	1978	1982	1966	1967	1974
Education	Technical upper-secondary school, supplemented with short economics and management courses.	(Master Psychology/ Behavioural Science, Luleå University of Technology)	Jurisprudence – civil law, Luleå University of Technology, PR and Communication, Berghs School of Communication.	Master of Laws, Lund University.	Graduate in Business Administration, Stockholm University.	Master of Science in Engineering Physics, Chalmers University of Technology. MBA – Master's Course in International Business Administration, Chalmers University of Technology.
Employed	2001	2010	2010	2003	2017	2011–2016, 2017–
Work experience	President of MECA Scandinavia. Before that held senior positions in MECA since 2001 and President of Swecar AB.	President of Promeister Solutions. Various positions within business development in MECA, Sigma, Tectura and as self-employed.	Director of Communications, Mekonomen Group, Information Manager, IMA Sport.	Director of Legal Affairs, HR and Environment, MECA Group. Attorney-at-law, Advokatfirman Vinge. Clerk of Helsingborg District Court.	CFO of Tele2 Sweden, CFO Inflight Service. Financial Manager Spendrups Bryggerier.	Various positions in development, sales and purchasing Scania CV AB in Södertälje.
Board appointments	Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Board member of Oscarson Invest Aktiebolag.	Board member of Swedspot, Ezeride AB, Lasingoo Sverige AB, Telge Tillväxt AB and Forthright AB.	–	–	Board member of Green landscaping AB, SinterCast AB, Deputy board member in ällenius Invest AB, KAAX Investment AB (and subsidiaries), Scylla and Charybdis AB, and ANNMAKA AB.	–
Own shareholdings and shareholdings of related parties	230,000	3,300	3,800	3,800	16,582	5,000
Share awards	2,250 (LTIP2019) 5,000 (LTIP2020)	800 (LTIP2019) 2,500 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)	1,600 (LTIP2019) 3,000 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)



1. From February 7 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team.
2. Since November 2020, Gabriella Granholm has an expanded role with responsibility also for HR.
3. Tobias Narvinger has since November 2020 a new role as COO (Director of Purchasing).

8 President and CEO and Group Management Team

President and CEO

The President is appointed and may be discharged by the Board and the 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 March 1, 2017. Prior to that, he served as the acting President and CEO of Mekonomen AB since October 6, 2016. Pehr Oscarson 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 2020, the Group Management Team consisted of the President and CEO, the CFO, the Director for Communication and Marketing, the Director of Legal Affairs and Sustainability and the Director of Purchasing. In November 2020, the title Purchasing Director was changed to COO and HR was added as responsibility for Director of Communication and Marketing). From February 7, 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team for Mekonomen AB. A more detailed presentation of the current Group Management Team is found on page 45.

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 was approved by the 2020 Annual General Meeting. It 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. The purpose of the guidelines is to enable such remuneration, but also to link the total remuneration to Mekonomen Group's strategy and long-term interests, including sustainability.

Remuneration is to comprise:
- fixed basic salary,
- short-term variable remuneration,
- long-term share-based incentive programme (LTIP), decided yearly by the Annual General Meeting,
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President. Remuneration is determined by the Board's Remuneration Committee. 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.

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 that can amount to a maximum of 60[1)] per cent of the basic annual salary. The President and CEO are included in LTIP 2020, which was approved at the 2020 Annual General Meeting, and 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 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 is 33 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 2020 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2020), in accordance with the Board's proposal. LTIP 2020 comprises a maximum of 30 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 2020 Annual General Meeting on the company's website and Note 5 of the 2020 Annual Report.

The LTIP 2019 share-based incentive program is already in effect.

Read more about remuneration of senior executives in Note 5 of the 2020 Annual Report and in the company's remuneration report on www.mekonomen.com.

9 Sustainability governance

Sustainability is an integral part of the Group's strategy and its operating activities. The strategy is based on our material sustainability areas where topics including the UN's global sustainable development goals and climate-related risks and opportunities have been analysed. Read more about the strategy on page 14 and the materiality analysis on page 19 and 93.

The Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. The Group's Code of Conduct is the Group's highest governing document in the area of sustainability; it has been approved by the Board and contains several policies. It also serves as the basis for the Group's other policies and rules.

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

The organizational 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. Sustainability risks, including climate-related risks, are managed according to the risk management process. Read more on page 26.

The Board of Directors follows up the sustainability work in the Group Management Team's reporting.

1) 72 per cent for 2020 (120 per cent of 60 per cent, in line with the compensation guidelines).

10 Investment Committee

The Investment Committee manages and prepares matters concerning the Group's investments in accordance with the investment policy. An investment means an object that is expected to have a value over a longer period, regardless of the form of financing.

Mekonomen Group has an Investment Committee where the President and CEO decide on investments above a certain limit. Furthermore, there are local committees within the Group's business areas where the business area's CEO decides on investments below the Group's regulated limit. Major investments are approved by the Board of Directors. The monitoring of outcomes in relation to the investment calculation according to the decision basis is followed up after two years in the decision forum.

11 Risk Management and Compliance Committee

The Risk Management and Compliance Committee has the overall responsibility for ensuring, through guidance and control, an overview of the Group's risks and reporting significant changes in the risk picture, including compliance with regulations. The committee includes all Group Management Team members as well as the Group's Head og Risk and Internal Audit. The President and CEO is chairman and responsible for cohesive risk management. The committee normally has 6 scheduled meetings a year, but in 2020, 14 meetings were held due to more extensive activities in the risk area, related to covid-19 and a data breach in the MECA/ Mekonomen business area.

During the year, a new ERM policy was approved by the Board, which clarifies the requirements for more formalized and thorough work throughout the Group. Read more in the risk management section on page 26. The Group's risk management function is a second-line function under the Group Management Team, with reporting responsibility to the Board and the Audit Committee.

12 Internal control of financial reporting

The Board is responsible for Mekonomen Group's internal control, the overall purpose of which is to protect the owners' investment and the company's assets. The Audit Committee has special responsibility to monitor the effectiveness of risk management and internal control regarding financial reporting. The figure below shows how the Group works with internal control and shows that it is recurring work that is continuously changing and can be improved. During 2019, a second-line function was established with responsibility for developing and following up the Group's internal control work, with reporting responsibility to the Board and the Audit Committee.

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, including COSO, 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 organization 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.

To help strengthen the internal control, the Group has prepared a financial handbook that provides an overall view of existing policies, rules and regulations and procedures within the financial area. The handbook is updated annually.

In addition, for implementation 2021, there is an overall corporate governance document that will provide new employed Managers, but also existing, with a comprehensive overview of the requirements placed on a manager. This document clarifies organization and decision pathways, goals, values and overall strategies, formal governance tools and all Group policies other than those stated in the financial handbook.

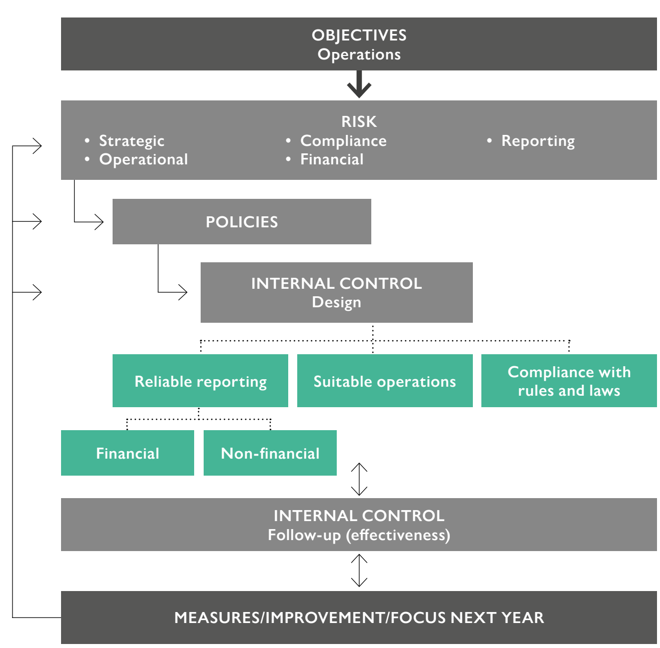
Risk assessment

Risk assessment and risk management mean that the management is aware of and has itself assessed risks and threats in the business. The Group conducts frequent mapping of the Group's risks. Among identified risks are a number of items 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.

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.



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

During the year, the work of strengthening the Group's internal control framework continued, where the framework for stock management at central warehouses was further formalized and implemented. In addition, the inventory management framework at local warehouses has been developed to be fully implemented in 2021

Furthermore, the work on a framework for general IT controls (ITGC) began during the year, where implementation will start during 2021.

Information and communications

In order for individual task to be able to be done in a satisfactory manner, the staff in an organization 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 by making the guidelines available on the intranet, but also at regular CFO meetings in which representatives from the Group finance function also participate. A review of policies is carried out annually or in the event of significant changes. External investor communication is regulated by the Group's communications policy.

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

During the year, each business area reported a self-rating of the internal control framework for central inventory management. In cases where shortcomings have been identified, the business areas have presented an action plan. The CFO, Head of Accounting and the Head of Internal Audit for the Group and the CFO for the respective business area, were included in the work.

Furthermore, work has been carried out to more thoroughly document and validate financial assessments in order to meet the external auditors' requirements based on the new audit standard ISA 540R.

A more formalized process is under development for reporting completed self-assessments of internal controls and evaluating the effectiveness of these controls.

13 External auditor

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and the President and CEO's management of the company. At the 2020 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2021 Annual General Meeting. The Auditor-in-Charge is Authorized Public Accountant Linda Corneliusson. PwC has an organization comprising broad and specialized competency that is well-suited to Mekonomen Group's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2020	2019
PwC		
Fees for audit assignments	11	10
Audit-related services other than the audit assignment	1	1
Tax consultancy	0	0
Other services	0	0
Total PwC	**12**	**11**
Other auditing firms		
Fees for audit assignments	0	0
Audit-related services other than the audit assignment	0	0
Tax consultancy	–	0
Other services	–	0
Total other	**0**	**0**
Total fees to auditors	**13**	**12**

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.

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 2011
- Information about the 2021 Annual General Meeting

FINANCIAL STATEMENTS

Consolidated income statement

SEK M	Note	2020	2019
Net sales	3	11,511	11,842
Other operating revenue		253	174
Total revenue		**11,763**	**12,017**
Operating expenses			
Goods for resale	18	–6,318	–6,535
Other external costs	4	–1,403	–1,375
Personnel costs	5	–2,469	–2,576
Operating profit before depreciation/amortization and impairment of tangible and intangible fixed assets (EBITDA)		**1,574**	**1,531**
Depreciation/amortization and impairment of tangible fixed assets and right-of-use assets	6	–606	–611
Operating profit before amortization and impairment of intangible fixed assets (EBITA)		**968**	**920**
Amortization and impairment of intangible fixed assets	6	–230	–215
Operating profit (EBIT)	9	**738**	**705**
Financial income and expenses			
Interest income		10	12
Interest expenses		–133	–151
Other financial items	9	–19	–11
Profit after financial items		**596**	**555**
Tax on profit for the year	10	–150	–134
Profit for the year		**446**	**421**
Profit for the year attributable to:			
Parent Company's shareholders		432	413
Non-controlling interests		15	8
Total profit for the year		**446**	**421**
Earnings per share attributable to Parent Company's shareholders			
Earnings per share, SEK[1]		7.67	7.34
Average number of shares, pcs[1]		56,323,372	56,338,824

1. No dilution is applicable. For further information on data per share, refer to pages 30–31.

Consolidated statement of comprehensive income

SEK M	Note	2020	2019
Profit for the year		**446**	**421**
Other comprehensive income:			
Components that will not be reclassified to profit for the year:			
– Actuarial gains and losses		5	–4
Components that may later be reclassified to profit for the year:			
– Exchange-rate differences on translation of foreign subsidiaries, net after tax[3]		–291	106
– Hedging of net investment, net after tax[1][3]		108	–27
– Cash flow hedges, net after tax[2][3]		–4	–3
Total other comprehensive income, net after tax[3]		**–182**	**71**
Comprehensive income for the year		**265**	**492**
Comprehensive income for the year attributable to			
Parent Company's shareholders		253	484
Non-controlling interests		12	8
Comprehensive income for the year		**265**	**492**

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 recognized directly against items in other comprehensive income, refer to Note 16 and Note 28.

Consolidated balance sheet

SEK M	Note	31 Dec. 2020	31 Dec. 2019
Assets			
Fixed assets			
Intangible fixed assets	12		
Goodwill		3,679	3,770
Brands		840	866
Franchise contracts		1	6
Customer relations		744	901
Capitalized expenditure for IT systems		146	155
Total intangible fixed assets		**5,410**	**5,697**
Tangible fixed assets			
Land and buildings	14	45	47
Improvement costs, third-party property	13	23	30
Equipment and transport	14	381	388
Total tangible fixed assets		**448**	**465**
Right-of-use assets	15	**1,606**	**1,818**
Financial fixed assets			
Investments accounted for using the equity method		31	23
Other financial fixed assets	11, 17	67	78
Total financial fixed assets		**98**	**101**
Deferred tax assets	16	1	–
Total fixed assets		**7,563**	**8,081**
Current assets			
Goods for resale	18	2,704	2,854
Current receivables	11, 19, 20	1,506	1,580
Cash and cash equivalents	11, 21	420	355
Total current assets		**4,630**	**4,789**
Total assets		**12,193**	**12,870**
Shareholders' equity and liabilities			
Shareholders' equity	28		
Share capital		141	141
Other capital contributions		2,993	2,993
Reserves		–416	–232
Profit brought forward including profit for the year		1,809	1,401
Total shareholders' equity attributable to Parent Company's shareholders		**4,527**	**4,303**
Non-controlling interests		68	32
Total shareholders' equity		**4,595**	**4,335**
Long-term liabilities			
Liabilities to credit institutions	11, 22	2,740	3,326
Lease liabilities	15	1,168	1,323
Deferred tax liabilities	16	388	428
Provisions	23	19	27
Total long-term liabilities		**4,315**	**5,104**
Current liabilities			
Liabilities to credit institutions	11, 22	384	748
Lease liabilities	15	432	457
Tax liabilities		107	75
Other current liabilities	11, 24, 25	2,331	2,130
Provisions	23	30	21
Total current liabilities		**3,283**	**3,431**
Total shareholders' equity and liabilities		**12,193**	**12,870**

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 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**
Opening balance on 1 January 2020	**141**	**2,993**	**–232**	**1,401**	**4,303**	**32**	**4,335**
Profit for the year				432	432	15	446
Other comprehensive income:			–184	5	–179	–3	–182
Comprehensive income for the year	**–**	**–**	**–184**	**437**	**253**	**12**	**265**
Transactions with shareholders							
Share swap				–18	–18		–18
Share-savings programme				2	2		2
Dividends				–	–	–4	–4
Shareholders' contribution from minority					–	2	2
Acquisition/divestment of non-controlling interests				–11	–11	24	13
Total transactions with shareholders	**–**	**–**	**–**	**–29**	**–29**	**24**	**–5**
Closing balance on 31 December 2020	**141**	**2,993**	**–416**	**1,809**	**4,527**	**68**	**4,595**

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

Consolidated cash-flow statement

SEK M	Note	2020	2019
Operating activities			
Profit after financial items		596	555
Adjustments for items not affecting liquidity	30	898	861
		1,494	**1,416**
Tax paid		–170	–226
Cash flow from operating activities before changes in working capital		**1,324**	**1,190**
Cash flow from changes in working capital			
Decrease (+) / increase (-) in inventories		2	6
Decrease (+) / increase (-) in receivables		15	–53
Decrease (-) / increase (+) in liabilities		284	–2
Increase (-) / decrease (+) in working capital		**301**	**–48**
Cash flow from operating activities		**1,625**	**1,142**
Investments			
Acquisition of subsidiaries and operations	31	–37	–64
Divestment of subsidiaries and operations		1	–
Acquisition of tangible fixed assets	13, 14	–103	–88
Divestment of tangible fixed assets		8	5
Acquisition of intangible fixed assets	12	–49	–43
Increase (-) / Decrease (+) of long-term receivables		–6	–9
Cash flow from investing activities		**–186**	**–199**
Financing activities	22, 30		
Acquisition of non-controlling interests	31	–11	–6
Divestment of non-controlling interests	31	–	1
Received shareholders' contributions from minority		2	7
Buyback of own shares	28	–	–2
Change in overdraft facilities		–339	129
Loans raised		42	529
Amortization of loans		–1,029	–1,445
Dividends paid		–4	–9
Cash flow from financing activities		**–1,339**	**–798**
Cash flow for the year		**100**	**146**
Cash and cash equivalents at the beginning of the year		**355**	**205**
Exchange-rate differences in cash and cash equivalents		–35	5
Cash and cash equivalents at year-end	21	**420**	**355**

Interest received amounted to SEK 10 M (12) and interest paid amounted to SEK 113 M (151).

Income statement for the Parent Company

SEK M	Note	2020	2019
Net sales	3, 32	43	34
Other operating revenue		37	36
Total revenue		**80**	**69**
Operating expenses			
Goods for resale		–1	–1
Other external costs	4	–73	–72
Personnel costs	5	–37	–28
Depreciation/amortization of tangible and intangible fixed assets	6	0	0
EBIT		**–31**	**–32**
Financial income and expenses			
Result from participations in Group companies	7	474	332
Interest income		49	58
Interest expenses		–91	–114
Other financial items	9	77	–28
Profit after financial items		**478**	**215**
Appropriations	8	59	206
Profit before tax		**537**	**421**
Tax on profit for the year	10	–15	–20
Profit for the year		**522**	**401**

Statement of comprehensive income for the Parent Company

SEK M	Note	2020	2019
Profit for the year		**522**	**401**
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		**522**	**401**

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2020	31 Dec. 2019
Assets			
Fixed assets			
Tangible fixed assets			
Equipment and transport		0	0
Total tangible fixed assets		**0**	**0**
Financial fixed assets			
Participations in Group companies	27	7,945	7,837
Receivables from Group companies		1,191	1,189
Deferred tax assets	16	13	11
Total financial fixed assets		**9,149**	**9,037**
Total fixed assets		**9,149**	**9,037**
Current assets			
Current receivables			
Accounts receivable		4	2
Receivables from Group companies		67	239
Other receivables		72	7
Prepaid expenses and accrued income	20	2	5
Total current receivables		**146**	**252**
Cash and cash equivalents	21	246	235
Total current assets		**392**	**487**
Total assets		**9,541**	**9,524**
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			
Profit brought forward		5,004	4,619
Profit for the year		522	401
Total non-restricted shareholders' equity		**5,526**	**5,020**
Total shareholders' equity		**5,670**	**5,164**
Untaxed reserves		**238**	**211**
Provisions	23	**3**	**3**
Long-term liabilities			
Liabilities to credit institutions	22	2,724	3,314
Total long-term liabilities		**2,724**	**3,314**
Current liabilities			
Overdraft facilities	22	68	407
Other liabilities to credit institutions	22	316	341
Accounts payable		3	2
Liabilities to Group companies		500	70
Other liabilities		1	1
Accrued expenses and deferred income	25	19	12
Total current liabilities		**906**	**832**
Total shareholders' equity and liabilities		**9,541**	**9,524**

Statement of changes in shareholders' equity for the Parent Company

	Restricted shareholders' equity		Non-restricted shareholders' equity		
SEK M	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total shareholders' equity
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**
Opening balance on 1 January 2020	**141**	**3**	**–**	**5,020**	**5,164**
Profit for the year				522	522
Other comprehensive income				–	–
Comprehensive income for the year				**522**	**522**
Transactions with shareholders					
Share swap				–18	–18
Share-savings programme				2	2
Total transactions with shareholders	**–**	**–**	**–**	**–16**	**–16**
Closing balance on 31 December 2020	**141**	**3**	**–**	**5,526**	**5,670**

The number of shares as at December 31, 2020 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	2020	2019
Operating activities			
Profit after financial items		478	215
Adjustments for items not affecting liquidity	30	–81	0
		397	**216**
Tax paid		–27	–29
Cash flow from operating activities before changes in working capital		**370**	**187**
Cash flow from changes in working capital			
Decrease (+) / increase (–) in receivables		251	1,419
Decrease (–) / increase (+) of liabilities		358	–213
Increase (–) / decrease (+) in working capital		**610**	**1,206**
Cash flow from operating activities		**980**	**1,393**
Investments			
Capital contributions paid	27	–82	–392
Increase (–) / decrease (+) of long-term receivables		–48	–563
Cash flow from investing activities		**–130**	**–955**
Financing activities	22		
Buyback of own shares	28	–	–2
Change in overdraft facilities		–339	129
Loans raised		41	526
Amortization of loans		–541	–934
Cash flow from financing activities		**–839**	**–281**
Cash flow for the year		**11**	**156**
Cash and cash equivalents at the beginning of the year		**235**	**79**
Cash and cash equivalents at year-end	21	**246**	**235**

Profit after financial items includes dividends received from subsidiaries of SEK 474 M (332).
Interest received amounted to SEK 42 M (44) and interest paid amounted to SEK 91 M (114).

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 January 1, 2020. 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 2020

None of the new standards and interpretations applied by Mekonomen Group as of January 1, 2020 has had any significant impact on the consolidated financial statements.

Mekonomen Group chose advance application of the change of IFRS 9 and IFRS 7 – "the reference reform" as early as 2019, which is described in the 2019 Annual Report. In addition, one decided on relief rules regarding IFRS 16 linked to the covid-19 situation.

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 January 1, 2020. None of these new standards and interpretations is expected to have a significant impact on the consolidated 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 recognized in profit or loss as they arise.

If the business combination is a step acquisition, the earlier equity shares in the acquired company are re-measured to its fair value on the date of acquisition. Any gains or losses arising are recognized 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 recognized in profit or loss. Contingent consideration classified as shareholders' equity is not re-measured and the subsequent adjustment is recognized 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 recognized 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 recognized 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 recognized in shareholders' equity. Profits or losses from divestments to non-controlling interests are also recognized 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 recognized 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 recognized in other comprehensive income are recognized as if the Group had directly divested the assets or liabilities in question. This may result in the amount previously recognized 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 recognized using the equity method. Mekonomen Group has only three associated companies 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income and accumulated in the translation reserve. The accumulated translation differences is transferred and recognized as part of capital gains or capital losses in cases where foreign operations are divested. Goodwill and adjustments to fair values attributable to acquisitions of operations using functional currencies other than SEK are treated as assets and liabilities in the acquired operations' currencies and translated at the exchange rates on the balance-sheet date.

Segment reporting

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

Revenue recognition

Revenue from external customers derives primarily from the sale of goods, representing approximately 96 per cent (97) 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 recognized 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 recognized as revenue when control of the goods is transferred, which normally occurs when the goods are delivered to the customer. Sales are recognized 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 recognized when the goods have been delivered as this is the time the compenzation 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 recognized 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 recognized 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 recognized as a provision; see Note 23.

Revenue – other

Revenue from the sale of workshop services is recognized in the period in which the service took place. Revenue is recognized 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 recognized 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 recognized 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 recognized, are measured at the present value of expected future payments, taking estimated future salary increases into account, applying a discount rate corresponding to the interest on first-class corporate bonds issued in the same currency as the pension is to be paid in, with a remaining duration that is comparable to the current commitment and with deductions for the fair value of plan assets. In countries where there are no functioning markets for corporate bonds, a discount rate corresponding to the interest rate on mortgage bonds is used. Consequently, a discount rate established by referring to the interest rate on mortgage bonds is used for the Group's defined-benefit pension plans in Norway. The most important actuarial assumptions are stated in Note 23. If a net asset arises, it is be recognized 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 recognized based on the rules of the plans and recognizes 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 recognized 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 recognized 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 recognizes 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 recognizes 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 recognized 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 recognized 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 in LTIP 2019 and a reduction of net debt/EBITDA excluding IFRS 16 and growth of adjusted EBIT in LTIP 2020) 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 recognized in certain countries for the value of the employee's benefit. The Group continuously recognizes 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.

Government grants

The government support received is recognized in the income statement and balance sheet at fair value when there is reasonable certainty that conditions for receiving the assistance are or will be met. Government grants are reported in the income statement as a reduction of personnel expenses and are allocated over the same periods as the expenses the grants are intended to cover.

NOTE 1 ACCOUNTING POLICIES, CONT.

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 recognized according to the balance-sheet method. Deferred tax liabilities are recognized in principle on all taxable temporary differences, while deferred tax assets are recognized to the extent that is probable that the amount can be utilized 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 utilized 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 recognized as revenue or expenses in profit or loss, except in cases when it pertains to transactions or events that are recognized against other comprehensive income or directly against shareholders' equity. The deferred tax is then also recognized 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 recognized directly in profit or loss. Goodwill has an indefinite useful life and is recognized at cost less any accumulated impairment. In the divestment of an operation, the portion of goodwill attributable to this operation is recognized in the calculation of gain or loss on the divestment.

Other intangible assets

Expenditure for the development and implementation of IT systems can be capitalized 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 recognized at cost less any accumulated impairment losses. Customer relations, other brands, franchise contracts and strategic IT investments have definite useful lives and are recognized at cost less accumulated amortization. Amortization 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 recognized 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 recognized 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 recognized 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 recognized net in profit or loss.

Right-of-use assets / Leasing

Mekonomen Group applies IFRS 16 Leases from January 1, 2019. According to IFRS 16, the lessee does not differentiate between operating and finance leases and essentially recognizes all leases as a right-of-use asset and a lease liability in the balance sheet. Leases are recognized in the balance sheet, the date the leased asset is available for use by the Group. Amortization of the asset is recognized in operating profit and interest on the lease liability in net financial items. The lease charge is recognized 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'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.

The lease liability is 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 loan interest rate set based on country, duration and credit rating for the respective unit.

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 amortized 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 amortized over the useful life of the underlying asset. Even if the Group revalues buildings and land, which are recognized 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.

In addition, the Group chose to not apply IFRS 16 for intangible assets as this choice exists according to the standard.

Impairment of intangible and tangible fixed assets and right-of-use assets

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. For assets that do not give rise to separate cash flows, such as right-of-use assets, the value in use is determined instead and, thereby the recoverable amount, in total for the cash-generating unit to which the asset belongs. If the estimated recoverable amount falls below the carrying amount, the asset is impaired to the recoverable amount. The impairment is recognized in profit or loss in the period it is determined.

Also refer to Note 12 for information on how impairment testing is performed for goodwill and other intangible assets with indefinite useful lives.

Previously recognized 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 recognized 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 recognized 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. All financial instruments in Mekonomen Group, except for derivatives, are classified and measured at amortized cost with application of the effective interest method. The business model for all of Mekonomen's financial assets, except for derivatives, is 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.

Impairment of financial assets according to IFRS 9 contains a model for calculating expected credit losses. Mekonomen Group applies the simplified method in the calculation of expected credit losses throughout the lifespan. 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.

Financial assets recognized 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 recognized either as an asset or liability, depending on changes in the exchange rate. A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the contractual conditions.

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 recognized. 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 realized or mature. A financial liability, or portion thereof, is eliminated as it is regulated when the commitment in the agreement has been fulfilled or has been terminated in another manner.

Calculation of fair value, financial instruments

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

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

Long-term receivables

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

For information about the change for the year and the loss reserve as per December 31, 2020, refer to Note 17.

Accounts receivable

Accounts receivable are recognized net after provisions for expected bad debts. The expected term of accounts receivable is short, which is why the amount is recognized at nominal value without discounting in accordance with the method for amortized 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 recognized 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 December 31, 2020, 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 recognized at nominal amounts.

Derivative instruments and hedge accounting

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 recognized 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 unrealized value changes that is ineffective is recognized 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 recognized in other comprehensive income and accumulated in the translation reserve. The accumulated translation differences were transferred and recognized as part of capital gains or capital losses in cases where foreign operations were divested.

Accounts payable

Accounts payable are recognized at amortized 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 recognized at amortized 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 recognized as a deduction, net after tax, from proceeds from the rights issue.

NOTE 1 ACCOUNTING POLICIES, CONT.

Provisions
Provisions differ from other liabilities since there is uncertainty regarding the date of payment or the amount for settling the provision. Provisions are recognized 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 recognized 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 recognized at present value.

Cash-flow statement
The cash-flow statement was prepared in accordance with the indirect method. The recognized 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 recognized 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 recognized 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 2020
In January 2020, 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 recognized 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 recognized separately in a legal entity. The changes in untaxed reserves are recognized 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 recognized in the balance sheet under the heading "Untaxed reserves".

Group contributions and shareholders' contributions
Shareholders' contributions paid are recognized 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 recognized according to the alternative rule, entailing that all Group contributions, both paid and received, are recognized as appropriations.

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

Leasing
The Parent Company recognizes 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 recognized 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 2020 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, utilization 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, product returns and bonuses on supplier purchases

The Group operates in several geographic markets, with sales to consumers and companies and with a wide range to many different customer groups. In order to satisfy customers' needs, a sufficiently large inventory of products must be kept and various types of warranties must be provided that the products function as they should and customers must be offered the right to return products ordered by mistake by the customer. With the type of business conducted in the Group, there is a risk of customer losses and that some of the Group's stocked products cannot be sold at their carrying amounts, and also the risk that the company has guarantee commitments or return claims that extend further than the reserves for these commitments. The right of regress for product sales usually exists towards the supplier, whereby the 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. The Group's purchases of products also entitles to bonuses received from suppliers afterwards, which are calculated and estimated at every account closing date based on agreements and purchase volumes, which has an impact on the value of inventory and cost of goods sold.

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 attributable to loss carry-forwards 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 December 31, 2020, Mekonomen Group recognised deferred tax liabilities in excess of deferred tax assets at a net amount of SEK 387 M (428). 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 of 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 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 amounts to 2.45 per cent.

The possibility of extending a lease is only included 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 or a change in circumstances occurs that affects this assessment and the change is within the lessee's control.

Lease liabilities at December 31, 2020 amounted to SEK 1,601 M. For the maturity structure for undiscounted cash flows, refer to Note 11. Further information about leasing is found in Note 15.

Covid-19

During the year, covid-19 impacted the Group's operations, which was taken into account in many of the estimates and assessments made. The assessment is that covid-19 has had some effect on demand in different markets and at different levels during the year, depending on spread of infection and society shutdowns. Covid-19 has thereby been taken into account in this year's impairment testing of goodwill as an estimated effect of continued impact by covid-19 in 2021 has been taken into account in the budget included in the impairment testing. In addition, covid-19 has been taken into account in the assessment of reserves regarding accounts receivable and inventories, which is described in the paragraph above, but it has not given rise to any increased reserves as the Group has not to-date seen any increased customer bad debts or greater risks of excess articles in inventory.

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 is presented with four business areas: FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen.

- The FTZ business area primarily includes wholesale and store operations in Denmark.
- The Inter-Team business area primarily includes wholesaling and shop operations in Poland and export operations.
- The MECA/Mekonomen business area primarily includes wholesale, store, workshop and fleet operations in Sweden, Norway and Finland. The business area consists of the operations MECA, Mekonomen and a number of smaller operations.
- The Sørensen og Balchen business area primarily includes wholesale and shop 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.

"Other items" include acquisition-related items attributable to Mekonomen AB's direct acquisitions and elimination of intra-Group revenue. Current acquisition-related items are amortization 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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue														
External net sales	3,369	3,371	1,988	2,155	5,326	5,527	791	759	37	31			11,511	11,842
Internal revenue	0	0	2	1	108	97	32	34	154	115	–296	–247	0	0
Other revenue	7	1	25	20	168	108	10	8	42	38			253	174
Total revenue	**3,376**	**3,372**	**2,014**	**2,176**	**5,602**	**5,731**	**833**	**801**	**233**	**183**	**–296**	**–247**	**11,763**	**12,017**
Operating profit (EBIT)	**331**	**299**	**86**	**43**	**354**	**438**	**170**	**121**	**–49**	**–39**	**–155**	**–157**	**738**	**705**
Financial items – net													–141	–150
Profit before tax													**596**	**555**
Investments, tangible assets[1]	14	10	13	9	68	63	6	5	1	1			103	88
Investments in intangible fixed assets[1]	11	0	5	4	24	28	0	0	9	11			49	43
Depreciation and impairment (tangible assets)	15	16	13	16	91	69	4	4	2	2			126	108
Amortization of right-of-use assets	84	85	32	34	323	340	42	44	0	0			480	503
Amortization and impairment (intangible assets)[2]	3	3	2	1	61	49	0	0	9	5	155	157	230	215
Average number of employees for the period[3]	1,126	1,148	1,396	1,438	2,064	2,031	251	265	75	72			4,912	4,953
Number of proprietary stores	51	51	79	79	229	230	37	37	–	–			396	397
Number of partner stores	–	–	3	3	48	41	28	28	–	–			79	72
Number of stores in the chain	**51**	**51**	**82**	**82**	**277**	**271**	**65**	**65**	**–**	**–**			**475**	**469**
Key figures														
EBIT margin, %[4]	10	9	4	2	6	8	21	16					6	6
Change in sales, %[4]	0	210	–8	238	–4	4	4	3					–3	52
Revenue per employee, SEK 000s	2,998	2,937	1,443	1,513	2,715	2,800	3,319	3,026					2,395	2,426
Operating profit per employee, SEK 000s	294	261	62	30	172	214	677	456					150	142

1. Investments are exclusive of company and business combinations and exclusive of leases according to IFRS 16.
2. Including amortization and impairment of acquisition-related intangible assets.
3. Change in Group-wide functions entails an adjustment in the number of employees; comparative figures have been restated.
4. 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 96 per cent (97) 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, %	2020	2019
– Affiliated workshops	31%	31%
– Other corporate customers	52%	53%
– Consumers	14%	13%
– Partner stores	3%	3%
Total net sales	**100%**	**100%**

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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
FTZ	3,369	3,371	–	–	–	–	–	–	–	–	–	–	3,369	3,371
Inter-Team	–	–	–	–	–	–	1,988	2,155	–	–	–	–	1,988	2,155
MECA/Mekonomen	–	–	91	60	2,010	2,063	–	–	3,225	3,404	–	–	5,326	5,527
Sørensen og Balchen	–	–	–	–	791	759	–	–	–	–	–	–	791	759
Central functions	–	–	–	–	–	–	–	–	–	–	37	31	37	31
Total	**3,369**	**3,371**	**91**	**60**	**2,801**	**2,822**	**1,988**	**2,155**	**3,225**	**3,404**	**37**	**31**	**11,511**	**11,842**

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 3,116 M (3,308) and the total of such fixed assets located in other countries amounted to SEK 4,348 M (4,673), of which SEK 3,011 M (3,207) in Denmark and SEK 1,120 M (1,229) in Norway.

NOTE 4 AUDITING EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
PwC				
Audit assignment	11	10	1	2
Audit-related services other than the audit assignment	1	1	–	–
Tax consultancy	0	0	–	–
Other services	0	0	–	–
Total PwC[1]	**12**	**11**	**1**	**2**
Other auditors				
Audit assignment	0	0	–	–
Audit-related services other than the audit assignment	0	0	–	–
Tax consultancy	–	0	–	–
Other services	–	0	–	–
Total other	**0**	**0**	**–**	**–**
Total fees to auditors	**13**	**12**	**1**	**2**

1. Of the total fee to PwC for the Group of SEK 12 M (11), SEK 7 M (6) relates to fees for the audit assignment and SEK 0 M (0) relates to fees for other services in addition to the audit assignment invoiced by PwC Sweden. Of the total fee to PwC for the Parent Company of SEK 1 M (2), SEK 1 M (2) relates to fees invoiced by PwC Sweden.

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

	2020		2019	
Average number of employees	No. of employees	Of whom, men %	No. of employees	Of whom, men %
Parent Company				
Sweden	6	50	5	49
Total in Parent Company	**6**	**50**	**5**	**49**
Subsidiaries				
Sweden	1,414	82	1,394	82
Denmark	1,126	88	1,148	88
Norway	941	84	931	84
Poland	1,396	83	1,438	84
Other countries	30	87	37	80
Total in subsidiaries	**4,906**	**84**	**4,948**	**84**
Group total	**4,912**	**84**	**4,953**	**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	23,474	12,616 (4,480)	17,128	10,444 (3,932)
Subsidiaries	1,935,260	457,093 (176,827)	2,031,675	484,330 (181,120)
Group total	**1,958,734**	**469,709 (181,307)**	**2,048,803**	**494,774 (185,052)**

Salaries and other remuneration distributed between the President and Board members and other employees, SEK '000s[1]	Board and CEO[2] (of which bonus, and the like)	Other employees (of which bonus, and the like)	Board and CEO[2] (of which bonus, and the like)	Other employees (of which bonus, and the like)
Parent Company				
Mekonomen AB	11,149 (2,597)	12,325 (2,882)	8,827 (85)	8,301 (121)
Total in Parent Company	**11,149 (2,597)**	**12,325 (2,882)**	**8,827 (85)**	**8,301 (121)**
Subsidiaries in Sweden	15,494 (1,467)	622,487 (2,061)	16,451 (1,309)	646,635 (5,251)
Subsidiaries abroad				
Denmark	3,136 (0)	654,942 (20,435)	3,158 (394)	680,339 (22,662)
Norway	10,747 (335)	468,840 (12,376)	13,918 (613)	478,599 (5,695)
Poland	2,429 (0)	142,269 (0)	2,365 (0)	171,892 (0)
Other countries	0 (0)	14,916 (0)	0 (0)	18,318 (0)
Total in subsidiaries	**31,806 (1,802)**	**1,903,454 (34,872)**	**35,891 (2,316)**	**1,995,784 (33,608)**
Group total	**42,955 (4,399)**	**1,915,779 (37,754)**	**44,718 (2,401)**	**2,004,085 (33,729)**

1. In 2020, the personnel expenses were positively impacted as a result of assistance due to covid-19 with regard to a reduction of employer's contributions, assistance for sick pay and lay-off assistance as well as assistance for other personnel-related expenses amounting to SEK 48 M in the MECA/Mekonomen, Inter-Team and Sørensen og Balchen business areas.
2. Remuneration to the Board and President includes the Parent Company and, where applicable, subsidiaries in each country.

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 (2,250,000) was determined in accordance with the resolution of the 2020 Annual General Meeting. Of this, SEK 620,000 (620,000) represents fees to the Chairman of the Board, SEK 400,000 (400,000) to the Executive Vice Chairman, and SEK 300,000 (300,000) to each of the remaining Board members. For members of the Board's Audit Committee, SEK 120,000 (120,000) is paid to the Chairman of the Audit Committee and SEK 50,000 (50,000) is paid to the other members of the Audit Committee. For members of the Board's Remuneration Committee, SEK 45,000 (45,000) 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 448,050 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 (72 per cent for 2020, 120 per cent of 60 per cent, in line with the compensation guidelines). The President is included in LTIP 2019 and LTIP 2020, which was approved at the 2019 and 2020 Annual General Meetings, respectively. The President 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. 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 2020 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, 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 is 33 percentage points for members

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

of the Group Management Team. Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. Pensionable salary comprises basic salary. The company applies a period of notice of no more than 12 months. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company. Upon resignation, a six-month period of notice applies. Matters pertaining to remuneration of company management are resolved by the Board's Remuneration Committee. However, remuneration of the President is determined by the Board in its entirety.

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

Share-based remuneration

The 2020 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2020), in accordance with the Board's proposal. LTIP 2019 was already in place. The primary motives for establishing LTIP 2019 and LTIP 2020 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 and LTIP 2020, the participant must make his or her own investment in shares in Mekonomen Group ("investment shares") that are allocated to the respective programme. 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.

LTIP 2019

Allocation for LTIP 2019 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 depends 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 January 1–March 31, 2022.

Any allocation of shares normally takes place within two weeks after publication of Mekonomen's interim report for the period January 1–March 31, 2022. 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 recognized 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. There is no cost for the programme in 2020 due to the positive effect in the revaluation of components included in the programme.

LTIP 2020

Allocation for LTIP 2020 of Class A depends on the total return on the company's shares (TSR), which is measured in the first quarter of 2020 against the first quarter of 2023. The allocation of Class B is also dependent on certain conditions being met for growth in Adjusted EBIT and a reduction of Net debt / EBITDA, where the measurement period ends on December 31, 2022. 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 2020 began on the allocation date, which was in September 2020 and expires in connection with publication of the interim report for the period January 1–March 31, 2023.

Any allocation of shares normally takes place within two weeks after publication of Mekonomen's interim report for the period January 1–March 31, 2023. In accordance with the terms, the Group Management Team for Mekonomen Group and certain other key individuals in the Group, 26 people in total, acquired or already head 38,000 shares. To ensure delivery of shares according to LTIP 2020, the company entered an agreement on a share swap comprising SEK 18 M. For the programme, the cost is recognized based on the fair value per share award at the allocation date, amounting to 94.90 and the estimated number of shares that will be vested. The total cost for the year amounts to SEK 2.2 M, including social security contributions.

There are no other ongoing share-based incentive programmes.

	Basic salary[1]		Bonus[2]		Board fees[3]		Other benefits		Pension premiums	
Executives/category, SEK 000s	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
John S. Quinn, Chairman of the Board					695	645				
Helena Skåntorp, Executive Vice Chairman					520	1,120				
Eivor Andersson, Board member					345	345				
Kenny Bräck, Board member					300	300				
Joseph M. Holsten, Board member					350	350				
Magnus Håkansson, Board member					350	350				
Arja Taaveniku, Board member					325	325				
Pehr Oscarson, President and CEO	5,420	5,307	2,713	85			89	91	1,613	1,541
Other senior executives, 5 (5) [4]	9,018	9,072	2,882	121			353	396	2,745	2,110
Total	**14,438**	**14,379**	**5,595**	**206**	**2,885**	**3,435**	**441**	**486**	**4,358**	**3,651**

1. Basic salary in this table includes holiday bonus.
2. Bonus for the President and CEO and other senior executives includes costs for the long-term share-based incentive programmes (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.
4. The average number of people in Group Management, except the President and CEO, amounted to 5 (5) people during 2020, including 3 (2) women. The Group Management Team consists of the President and CEO, the CFO, the COO, the Director of Communication, Marketing and HR, the Director of Legal Affairs AND Sustainability and the Director of Business Development & Strategy.

A closer presentation of the Board and Group Management and its changes during the year are presented on pages 44–45.

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

	Group		Parent Company	
	2020	2019	2020	2019
Depreciation of tangible fixed assets according to plan	–107	–108	0	0
Amortization according to plan of right-of-use assets	–480	–503	–	–
Impairment of tangible fixed assets	–	–	–	–
Impairment of right-of-use assets	–20	–	–	–
Total depreciation and impairment of tangible fixed assets	**–606**	**–611**	**0**	**0**
Amortization, brands	0	0	–	–
Amortization, customer relationships	–179	–176	–	–
Amortization, franchise contracts	–4	–4	–	–
Amortization, capitalized expenditure for IT systems	–47	–34	–	–
Total amortization and impairment of intangible fixed assets	**–230**	**–215**	**–**	**–**
Total	**–836**	**–825**	**0**	**0**

NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2020	2019
Dividends	474	332
Total	**474**	**332**

NOTE 8 APPROPRIATIONS

	Parent Company	
	2020	2019
Group contributions received	126	204
Group contributions paid	–41	–34
Changes in excess depreciation/amortization	0	–
Changes in tax allocation reserve	–27	36
Total	**59**	**206**

NOTE 9 EXCHANGE-RATE DIFFERENCES – NET

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

	Group		Parent Company	
	2020	2019	2020	2019
Exchange-rate differences in EBIT	–18	–2	–1	–1
Exchange-rate differences in net financial items	–2	6	91	–12
Total	**–19**	**3**	**90**	**–13**

NOTE 10 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2020	2019	2020	2019
Current tax				
Sweden	–12	–42	–17	–27
Other countries	–177	–144	–	–
Total current tax	**–189**	**–186**	**–17**	**–27**
Changes in deferred tax, temporary differences	39	53	2	7
Recognized tax expenses	**–150**	**–134**	**–15**	**–20**
Tax on profit for the year				
Recognized profit before tax	596	555	537	421
Tax according to applicable tax rate	–130	–122	–115	–90
Tax on standard interest on tax allocation reserves	0	–1	0	–1
Tax effects on expenses that are not tax deductible				
Other non-deductible expenses	–9	–8	–1	–1
Other non-taxable revenue	1	2	101	72
Effects on adjustments from preceding year	1	–1	–	–
Effects of non-capitalized loss carry-forwards	–10	–4	–	–
Effect of change in the Swedish tax rate[1)]	–2	–	–1	–
Recognized tax expenses	**–150**	**–134**	**–15**	**–20**

1. Corporate tax in Sweden is being reduced in two steps from 2019, which had an effect on the calculation of deferred tax in the balance sheet in 2020, which negatively affected tax by SEK 2 M.

The weighted average tax rate amounted to 21.84 per cent (21.99).

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 either 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.

Calculation of fair value

The following summarizes the 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. 2020	31 Dec. 2019
Financial assets		
Interest-rate swaps	–	2
Total	**–**	**2**
Financial liabilities		
Interest-rate swaps	12	10
Total	**12**	**10**

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

Financial assets and liabilities by measurement category, 31 Dec. 2020	Instruments measured at fair value through profit or loss	Financial assets – amortized cost	Financial liabilities – amortized cost	Total carrying amount	Fair value	Non-financial assets and liabilities	Total Balance sheet
Financial assets							
Financial fixed assets	–	67	–	67	67	31	98
Accounts receivable	–	828	–	828	828	–	828
Other current receivables	–	–	–	–	–	678	678
Cash and cash equivalents	–	420	–	420	420	–	420
Total	**–**	**1,316**	**–**	**1,316**	**1,316**	**708**	**2,024**
Financial liabilities							
Long-term liabilities, interest-bearing[1]	–	–	2,730	2,730	2,730	–	2,730
Long-term lease liabilities	–	–	1,168	1,168	–	–	1,168
Long-term liabilities, non-interest-bearing	–	–	–	–	–	10	10
Derivatives[2]	12	–	–	12	12	–	12
Supplementary purchase considerations, long-term	6	–	–	6	6	–	6
Current liabilities, interest-bearing	–	–	384	384	384	227	611
Current lease liabilities	–	–	432	432	–	–	432
Accounts payable	–	–	1,321	1,321	1,321	–	1,321
Supplementary purchase considerations, current	6	–	–	6	6		6
Other current liabilities	–	–	–	–	–	914	914
Total	**24**	**–**	**6,035**	**6,059**	**4,459**	**1,151**	**7,210**

1. This amount includes liabilities related to the SEK 18 M share swap
2. Derivative instruments used for hedging purposes.

Financial assets and liabilities by measurement category, 31 Dec. 2019	Instruments measured at fair value through profit or loss	Financial assets – amortized cost	Financial liabilities – amortized 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	–	–	3,323	3,323	3,323	–	3,323
Long-term lease liabilities	–	–	1,323	1,323	–	–	1,323
Long-term liabilities, non-interest-bearing	–	–	–	–	–	14	14
Derivatives[1]	10	–	–	10	10	–	10
Supplementary purchase considerations, long-term	6	–	–	6	6	–	6
Current liabilities, interest-bearing	–	–	748	748	748	–	748
Current lease liabilities	–	–	457	457	–	–	457
Accounts payable	–	–	1,353	1,353	1,353	–	1,353
Supplementary purchase considerations, current	5	–	–	5	5	–	5
Other current liabilities	–	–	–	–	–	869	869
Total	**21**	**–**	**7,203**	**7,224**	**5,444**	**883**	**8,107**

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. 2020					
Nominal amount	2021	2022	2023	2024	2025 and later	Total
Liabilities to credit institutions, bank borrowing	379	1,020	1,756	–	–	3,155
Liabilities to leasing companies	475	424	365	186	287	1,736
Overdraft facilities	69	–	–	–	–	69
Derivatives	7	10	8	–	–	25
Share swap	–	–	18	–	–	18
Supplementary purchase considerations	6	2	2	2	0	12
Accounts payable	1,321	–	–	–	–	1,321
Total	**2,256**	**1,456**	**2,148**	**188**	**287**	**6,335**

	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	–	3,890
Liabilities to leasing companies	499	449	336	281	360	1,925
Overdraft facilities	410	–	–	–	–	410
Derivatives	3	3	3	1	–	10
Supplementary purchase considerations	5	5	1	0	0	11
Accounts payable	1,353	–	–	–	–	1,353
Total	**2,699**	**859**	**1,629**	**2,054**	**360**	**7,599**

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

	2021 – Q1	2021 – Q2	2021 – Q3	2021 – Q4	2022	2023 and later	Total
Interest-rate swap	2	2	2	2	10	8	25
Total	**2**	**2**	**2**	**2**	**10**	**8**	**25**

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		Capitalized expenditure for IT systems		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Opening accumulated cost, 1 January	3,770	3,688	869	858	43	43	1,637	1,609	329	287	6,650	6,486
Acquisitions	–	–	–	1	–	–	–	–	49	42	49	43
Acquisitions in connection with acquired operation	25	35	–	–	–	–	47	17	0	0	72	52
Divestments/disposals	–2	0	–	–	–	–	–1	0	–13	0	–16	0
Translation difference, currency	–113	47	–25	10	–1	0	–23	11	–1	0	–163	68
Closing accumulated cost, 31 December	**3,679**	**3,770**	**844**	**869**	**42**	**43**	**1,661**	**1,637**	**364**	**329**	**6,592**	**6,650**
Opening acc. depreciation and impairment, 1 January	0	0	–3	–3	–37	–33	–736	–563	–174	–141	–953	–741
Divestments/disposals	–	–	–	–	–	–	0	0	2	0	3	0
Depreciation for the year	–	–	0	0	–4	–4	–179	–176	–47	–34	–230	–215
Impairment for the year	–	–	–	–	–	–	–	0	–	–	–	0
Translation difference, currency	–	–	–	0	0	0	–2	3	0	0	–2	4
Closing accumulated depreciation and impairment, 31 December	**–**	**–**	**–4**	**–3**	**–41**	**–37**	**–917**	**–736**	**–218**	**–174**	**–1,182**	**–953**
Closing carrying amount, 31 December	**3,679**	**3,770**	**840**	**866**	**1**	**6**	**744**	**901**	**146**	**155**	**5,410**	**5,697**

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		Capitalized expenditure for IT systems		Total Group	
Carrying amount for operating segment for	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
FTZ	1,679	1,739	491	509	–	–	566	662	12	4	2,748	2,914
Inter-Team	26	29	27	30	–	–	15	19	9	6	77	84
MECA/Mekonomen	1,574	1,560	271	271	–	–	160	204	106	126	2,111	2,161
Sørensen og Balchen	400	442	51	56	1	6	3	16	0	0	455	520
Central functions	–	–	–	–	–	–	–	–	20	19	20	19
Total	**3,679**	**3,770**	**840**	**866**	**1**	**6**	**744**	**901**	**146**	**155**	**5,410**	**5,697**

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 amortized and their carrying amount at year-end was SEK 1 M (1). A summary of goodwill and brands with indefinite useful period at operating segment level is provided in the table below.

	Goodwill 2020						Brands (indefinite useful period) 2020				
Operating segments	1 Jan. 2020	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2020	1 Jan. 2020	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2020
FTZ	1,739		–	–	–60	1,679	509	–	–	–17	491
Inter-Team	29	–	–	–	–3	26	30	–	–	–3	27
MECA/Mekonomen	1,560	24	–	–2	–8	1,574	270	–	–	–	270
Sørensen og Balchen	442	1	–	–	–43	400	56	–	–	–5	51
Total	**3,770**	**25**	**–**	**–2**	**–113**	**3,679**	**865**	**–**	**–**	**–25**	**839**

	Goodwill 2019						Brands (indefinite useful period) 2019				
Operating segments	1 Jan. 2019	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2019	1 Jan. 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**

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 2021, forecasts for the next four years, managements' long-term expectations of the operation, and historic trends. Some continued effects from covid-19 are included in the 2021 budget.

The cash-flow forecasts for years two-five 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 7.0 per cent (5.0 for years 2–3; 2.0 for 4–5). Cash flows beyond this five-year period have been extrapolated using an estimated growth rate of 2.0 per cent (2.0), except for Inter-Team using an estimated growth rate of 2.5 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 2020 and 2019, respectively, are summarized as follows:

	31 Dec. 2020		31 Dec. 2019	
	All CGU[1]	Inter-Team	All CGU[1]	Inter-Team
Discount rate (WACC) before tax	7.9–9.4%	10.6%	9.6–10.3%	10.6%
Discount rate (WACC) after tax	6.6–7.8%	8.9%	7.5–7.9%	8.5%
Growth rate beyond the forecast period	2.0%	2.5%	2.0%	2.0%
Total price and volume trend years 2–5 of the forecast period	2.0%	7.0%	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, 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. 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 December 31, 2020.

NOTE 13 IMPROVEMENT COSTS, THIRD-PARTY PROPERTY

	Group 2020	Group 2019
Opening accumulated cost, 1 January	**110**	**103**
Purchases, rebuilding and extensions	5	6
Increase through business combinations	–	–
Sales/disposals	–5	–4
Reclassification	–1	3
Translation difference, currency	–4	1
Closing accumulated cost, 31 December	**105**	**110**
Opening accumulated depreciation, 1 January	**–80**	**–70**
Sales/disposals	4	4
Depreciation for the year	–10	–12
Translation difference, currency	4	–1
Closing accumulated depreciation, 31 December	**–82**	**–80**
Closing carrying amount, 31 December	**23**	**30**

NOTE 14 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment and transport		Construction in progress		Financial leasing[1]		Total	
Group	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Opening accumulated cost, 1 January	**58**	**57**	**838**	**796**	**26**	**9**	**–**	**33**	**922**	**894**
Purchasing	6	2	76	61	17	18	–	–	98	82
Increase through business combinations	–	–	7	2	–	–	–	–	7	2
Reclassification	–	–	34	–2	–34	–1	–	–33	0	–36
Sales/disposals	–16	–4	–55	–31	–	–	–	–	–71	–35
Translation difference, currency	–6	3	–36	11	–	–	–	–	–42	14
Closing accumulated cost, 31 December	**42**	**58**	**864**	**838**	**9**	**26**	**–**	**–**	**914**	**922**
Opening acc. depreciation and impairment, 1 January	**–11**	**–2**	**–477**	**–406**	**0**	**–**	**–**	**–30**	**–487**	**–438**
Sales/disposals	16	–	50	27	–	–	–	–	66	27
Reclassification	–	–	–	–	–	–	–	30	–	30
Depreciation for the year	–7	–6	–90	–90	–	–	–	–	–97	–96
Translation difference, currency	4	–3	25	–8	–	–	–	–	30	–10
Closing accumulated depreciation and impairment, 31 December	**3**	**–11**	**–492**	**–477**	**–**	**–**	**–**	**–**	**–488**	**–487**
Closing carrying amount, 31 December	**45**	**47**	**372**	**362**	**9**	**26**	**–**	**–**	**426**	**435**

1. Tangible fixed assets also included lease assets rented under finance leases until December 31, 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, is found under the heading right-of-use assets; refer to Note 15.

NOTE 15 LEASES

Information on leases where the Group is the lessee
The following amounts related to leases are recognized in the balance sheet:

Right-of-use assets	31 Dec. 2020	31 Dec. 2019
Buildings	1,480	1,688
Vehicles	122	124
Other	4	6
Total	**1,606**	**1,818**
Lease liabilities		
Long-term	1,168	1,323
Current	432	457
Total	**1,600**	**1,779**

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

Additional right-of-use assets in 2020 amounted to SEK 358 M (326).

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

	2020	2019
Amortization of right-of-use assets	–480	–503
of which buildings	–415	–436
of which vehicles	–62	–64
of which other	–3	–3
Impairment of right-of-use assets	–20	–
of which buildings	–20	–
Interest expenses (included in financial expenses)	–39	–43
Expenses attributable to short-term leases (included in other external expenses)	–7	–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)	–27	–30
Expenses attributable to variable leasing payments that are not included in lease liabilities (included in other external expenses)	–7	–13

Total cash outflow for leases in 2020 was SEK 528 M (559).

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 realize any decrease in the residual value at the end of these leases.

Information about leasing income	2020	2019
Leasing income, operating leases	53	53

Future minimum lease charges that will be received	31 Dec. 2020	31 Dec. 2019
Within 1 year	49	51
Between 1–2 years	44	50
Between 2–3 years	43	42
Between 3–4 years	24	41
Between 4–5 years	13	18
More than 5 years	15	20

Operational lease agreements
From 1 January 2019, leases for the Group are recognized in accordance with IFRS 16 Leases. 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 recognized in the Parent Company balance sheet. The Parent Company's operating leases primarily comprise leased premises.

	Parent Company	
Information about leasing expenses, operational leasing	2020	2019
Premises rent	0	0
Leasing expenses, other	0	0
Total	**1**	**0**

	Parent Company	
Future leasing fees for irrevocable lease agreements falling due for payment:	31 Dec. 2020	31 Dec. 2019
Within one year	1	0
Later than one year but within five years	1	1
After five years	–	–
	2	**1**

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

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. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Capitalized loss carry-forwards	3	8	–	–
Temporary differences on inter-company profits	39	43	–	–
Temporary differences, inventory obsolescence	20	19	–	–
Temporary differences, other	64	58	13	11
Less netting	–125	–128	–	–
Total deferred tax assets	**1**	**0**	**13**	**11**
Untaxed reserves	–92	–86	–	–
Surplus value in intangible fixed assets (through acquisition)	–369	–406	–	–
Temporary differences, other	–53	–64	–	–
Less netting	125	128	–	–
Total deferred tax assets	**–388**	**–428**	**–**	**–**
Total (net)	**–387**	**–428**	**13**	**11**

	Group		Parent Company	
Gross change in deferred tax assets/ tax liabilities	2020	2019	2020	2019
Opening balance	–428	–474	11	4
Translation difference, currency	11	–7	–	–
Acquisition of subsidiaries	–8	–1	–	–
Recognition in income statement	39	53	2	7
Tax recognized in comprehensive income	–1	1	–	–
At year-end	**–387**	**–428**	**13**	**11**

Taxable loss carry-forwards
At the end of the financial year, tax loss carry-forwards amounted to SEK 0 M (0) in the Parent Company and SEK 828 M (761) in the Group. For deficits amounting to SEK 206 M (148), 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 3 M (8) at the balance sheet date. Deferred tax assets on the remaining deficit were not assigned a value in the balance sheet.

NOTE 17 OTHER FINANCIAL FIXED ASSETS

	Group	
	31 Dec. 2020	31 Dec. 2019
Hire-purchase contracts	62	67
Other	5	11
Total	**67**	**78**

	Group	
Hire-purchase contracts	31 Dec. 2020	31 Dec. 2019
Hire-purchase contracts	64	68
Credit loss reserve[1)]	–2	–1
Total	**62**	**67**

	Group	
Credit loss reserve, hire-purchase contracts[1)]	2020	2019
Credit loss reserve at beginning of year	–1	–2
Change in net credit loss reserve for the year	–1	0
Receivables written off during the year as non-collectable	0	1
Reclassification of renegotiated accounts receivable	0	0
Translation difference, currency	0	0
Credit loss reserve at year-end	**–2**	**–1**

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

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

NOTE 18 INVENTORIES

	Group	
	31 Dec. 2020	31 Dec. 2019
Goods for resale	2,704	2,854
Total	**2,704**	**2,854**

The cost of inventories expensed is included in the item goods for resale in the income statement and amounted to SEK 6,318 M (6,535). Provisions for obsolescence are induced in the value of inventories. In addition to the normal obsolescence reserve, inventories have been impaired by SEK 6 M (12).

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

NOTE 19 CURRENT RECEIVABLES

	Group	
	31 Dec. 2020	31 Dec. 2019
Accounts receivable	828	855
Tax assets	49	46
Other receivables	71	54
Prepaid expenses and accrued income	558	625
Total	**1,506**	**1,580**

	Group	
Accounts receivable	31 Dec. 2020	31 Dec. 2019
Accounts receivable	879	901
Credit loss reserve	–51	–46
Total	**828**	**855**

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.

	Group	
Credit loss reserve	2020	2019
Credit loss reserve at beginning of year	–46	–47
Change in net credit loss reserve for the year	–20	–13
Change in provision, net in balance sheet	15	14
Reclassification to long-term receivables	0	0
Translation difference, currency	0	0
Credit loss reserve at year-end	**–51**	**–46**

Accounts receivable on 31 December 2020	Not overdue	Overdue up to 30 days	Overdue up to 60 days	Overdue more than 60 days	Total
Carrying amounts, accounts receivable, net	630	165	6	27	**828**
Total	**630**	**165**	**6**	**27**	**828**

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**

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 2 M (3).

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Prepaid insurance	7	6	0	1
Accrued insurance compensation	56	–	0	–
Accrued supplier bonus	397	534	–	–
Other interim receivables	98	85	2	4
Total	**558**	**625**	**2**	**5**

NOTE 21 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Cash and bank balances	420	355	246	235
Total	**420**	**355**	**246**	**235**

NOTE 22 BORROWING

	Group		Parent Company	
Long-term	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Liabilities to credit institutions, bank borrowing	2,709	3,317	2,706	3,314
Lease liabilities	1,168	1,323	–	–
Derivatives, interest-rate swaps	12	10	–	–
Share swap	18	–	18	–
Total long-term liabilities	**3,908**	**4,649**	**2,724**	**3,314**

	Group		Parent Company	
Current	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Liabilities to credit institutions, bank borrowing	316	341	316	341
Overdraft facilities	68	407	68	407
Lease liabilities	432	457	–	–
Derivatives, currency and interest-rate swaps	–	–	–	–
Total current liabilities	**816**	**1,204**	**384**	**748**
Total borrowing	**4,724**	**5,853**	**3,107**	**4,061**
Overdraft facility limit	**521**	**570**	**520**	**570**
of which, unutilized portion	453	163	452	163

The Group's long-term loans consist of a Term loan in SEK, a Term loan in EUR and an RCF where the company can choose the currency with which it wants to utilize the loan, although with restrictions. The long-term Term A loan in EUR runs until 2023 and is repaid at EUR 5 M per quarter. However, during the year, a deferment of principal payments was granted during one quarter. The company also has a SEK loan that runs until 2022 and is repaid at SEK 34 M per quarter. The RCF loan runs until 2022. Mekonomen already has parts of loans under RCF in NOK. This is to hedge the currency risk in net investments in NOK. In the same way, the Group also had currency hedged net investments in DKK with loans in EUR. Currency translation of the part of the loan included in the hedging relationship is recognized in other comprehensive income.

Mekonomen holds two interest-rate swaps to reduce the risk in the Group's cash flow as a result of changed market interest rates. They consist of two swaps in EUR of EUR 60.75 M each, which run until 2022 and 2023, respectively, and a NOK Swap of NOK 300 M, which runs until 2022. 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 2.5 per cent.

Mekonomen AB's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The covenant for the debt/equity ratio was renegotiated during the year to reduce the risks during the uncertainty entailed by covid-19. The rules under IFRS 16 Leases do 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 129 M (151). 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		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Provision for pensions	3	7	–	–
Provisions for supplementary purchase considerations	12	11	–	–
Provisions for returns	23	16	–	–
Other provisions	11	13	3	3
Total	**49**	**48**	**3**	**3**

Change in 2020, Group	Provisions for returns and other	Provisions for supplementary purchase considerations
Carrying amount at the beginning of the year	29	11
– New provisions	10	5
– Reversed provisions	–4	–2
Amounts utilized during the period	0	–2
Currency effects	–1	0
Carrying amount at year-end	**34**	**12**

Provisions comprise:

	Group		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Long-term portion	19	27	3	3
Short-term portion	30	21	–	–
Total	**49**	**48**	**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 2020 financial year, the company did not have access to such information that made it possible to recognize its proportional share of the plan's obligations, plan assets and costs, which means that it was not possible to recognize this as a defined-benefit plan. ITP 2 pension plans that are secured through insurance with Alecta are therefore recognized as defined-contribution plans. The anticipated fees for the next reporting period for ITP 2 policies signed with Alecta amounts to SEK 15 M (15).

The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which are not in agreement with IAS 19. Alecta's surplus, in the form of the collective consolidation level, amounted to 148 per cent at year-end 2020 (2019: 148 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 44 (49) gainfully employed individuals and 47 (49) 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 recognized in the balance sheet have been calculated as follows:

	Group	
	31 Dec. 2020	31 Dec. 2019
Present value of funded commitments	50	61
Fair value of plan assets	–51	–54
Deficit in funded plans	**–1**	**7**
Present value in unfunded commitments	–	–
Net debt (+)/Net assets (–) on the balance sheet[1]	**–1**	**7**

1. Of which SEK 4 M (0) in net assets are recognized among other financial fixed assets on the consolidated balance sheet.

Present value of commitments	Group 2020	Group 2019
Opening balance	61	53
Gross pension cost for the year	2	2
Interest expenses	1	1
Pension payment	–2	–2
Actuarial gains and losses[1]	–6	6
Exchange-rate differences	–6	2
Closing balance	**50**	**61**

Fair value of plan assets	Group 2020	Group 2019
Opening balance	54	49
Expected return	1	1
Payments	3	4
Pension payment	–2	–2
Actuarial gains and losses[1]	0	1
Exchange-rate differences	–5	1
Closing balance	**51**	**54**
Net pension commitments	**–1**	**7**

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

Costs recognized in profit or loss	Group 2020	Group 2019
Pension vesting for the year including contributions	2	2
Administration fees	0	0
Interest expenses	0	0
Total	**2**	**2**

Composition of plan assets	Group 31 Dec. 2020	Group 31 Dec. 2019
Equities	9%	10%
Bonds	72%	70%
Property	14%	13%
Other	5%	7%
Total	**100%**	**100%**

Actuarial assumptions	Group 31 Dec. 2020	Group 31 Dec. 2019
Discount rate	1.50%	1.80%
Future salary increases	2.00%	2.23%
Future pension increases	0.00%	0.70%

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 2021 financial year are expected to amount to SEK 3 M (4).

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

	Group	
	31 Dec. 2020	31 Dec. 2019
Accounts payable	1,321	1,353
Other liabilities[1]	419	193
Accrued expenses and deferred income[1]	591	584
Total	**2,331**	**2,130**

1. The amount at December 31, 2020 included around SEK 168 M concerning the postponement of VAT and tax payments as a result of covid-19, of which SEK 156 M is interest bearing. As a result of a change in the Danish Holiday Act, this amount at December 31, 2020 also included a holiday pay liability of around SEK 71 M, which is interest bearing. The amount will be paid into a separate "Holiday Fund" in Denmark in autumn 2021.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Accrued personnel-related costs	325	373	15	8
Accrued bonuses/contract fees	103	104	–	–
Accrued interest expenses	2	2	2	2
Prepaid rental income	0	2	–	–
Other interim liabilities	161	103	2	2
Total	**591**	**584**	**19**	**12**

NOTE 26 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Parent Company	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Pledged assets	–	–	–	–
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	388	391
Other sureties	12	22	–	–
Total	**12**	**22**	**388**	**391**

NOTE 27 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2020	2019
Opening cost	8,402	7,928
Capital contributions paid	108	474
Closing accumulated cost	**8,510**	**8,402**
Opening impairment	–565	–565
Closing accumulated impairment	**–564**	**–565**
Closing residual value	**7,945**	**7,837**

Participations in Group companies	Corporate identity number	Share of equity, %	Number of stores	Book value, 31 December 2020	Book value, 31 December 2019
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	2	0	0
Name of company/registered office, Norway					
Mekonomen AS /Trollåsen	980,748,669	100	30	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. /Warsaw	5,240,301,927	100	79	240	240
Name of company/registered office, Sweden					
Bileko Car Parts AB /Stockholm	556062-4875	100		89	46
Bileko Services AB /Stockholm	556724-9254	100		35	35
Bileko Tires AB /Stockholm	556821-5981	100		28	28
MECA Scandinavia AB /Malmö	556218-3037	100		2,446	2,446
Meko Service Nordic AB /Stockholm	556179-9676	100		1	1
Mekonomen Detaljist AB /Stockholm	556157-7288	100	81	146	81
Mekonomen Services AB /Huddinge	556840-9428	100		0	0
Speedy Autoservice AB /Malmö	556575-9858	100		31	31
Participations in Group companies, total			**241**	**7,945**	**7,837**

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	–
CarPeople Danmark Aps /Odense	41 96 45 45	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			
Mekonomen Grossist Oy /Vantaa	2445185-0	100	–
Mekonomen ehf. /Gardabaer	411214-0520	100	–
Bileko Norge AS /Gjøvik	925,102,067	100	–
J&B Maskinteknikk AS /Gjøvik	915,971,865	100	–
MECA Norway AS /Gjøvik	935,682,525	100	25
MECA Service AS /Gjøvik	920,377,068	100	–
Mekonomen Services AS /Trollåsen	999,323,332	100	–
Motor Norge AS /Alta	945,481,668	51	1
Preqas AS /Gjøvik	816,479,932	100	–
Tores Auto Arna AS /Arna	997,744,470	51	–
Tores Auto AS /Fyllingdalen	924,467,711	51	–
Tores Auto Dekkservice AS /Fyllingdalen	919,387,335	51	–
Tores Auto Fyllingen AS /Fyllingdalen	979,361,432	51	–
Tores Auto Loddefjord AS /Loddefjord	977,389,909	51	–
Tores Auto Minde AS /Bergen	996,043,509	51	–
Tores Auto Spelhaugen AS /Fyllingdalen	915,680,275	51	–
Tores Auto Ågotnes AS /Ågotnes	899,515,692	51	–
Tores Auto Åsane AS /Nyborg	991,511,598	51	–
AlltiBil Västra Sverige AB /Gothenburg	556603-0747	100	–
Bilglascentralen AB /Gothenburg	556076-4598	100	–
BilXtra Sweden AB /Malmö	556509-7861	100	5
J&B Maskinteknik AB /Gothenburg	556490-2996	100	–
MECA Car Parts AB /Malmö	556169-0412	100	–
MECA Sweden AB /Malmö	556356-5612	100	55
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	–

Indirect participations in subsidiaries Company name/domicile	Corporate identity number	Share of equity, %	Number of stores
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	–
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 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 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 E-handel AB /Stockholm	556882-0947	100	–
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	91	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	100	1
Mekonomen Mjölby AB /Mjölby	556362-0565	100	–
Mekonomen Mora AB /Mora	556363-2487	100	–
Mekonomen Motala AB /Motala	556311-8750	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 Norrköping AB /Norrköping	556376-2797	100	–
Mekonomen Norrtälje AB /Stockholm	556178-9719	60	1
Mekonomen Nyköping AB /Nyköping	556244-0650	100	1
Mekonomen Nödinge AB /Ale	556530-7237	100	–
Mekonomen Osby AB /Osby	556408-8044	91	1
Mekonomen Oskarshamn AB /Oskarshamn	556631-8589	100	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	–
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	91	1
Mekonomen Örebro Birsta AB /Örebro	556389-4095	91	1
Mekonomen Örkelljunga AB /Örkelljunga	559213-8316	75	1
Mekonomen Örnsköldsvik AB /Örnsköldsvik	556465-6287	51	1
Mekonomen Östersund AB /Östersund	556296-5243	100	–
Mekster AB /Stockholm	556917-2595	75	–
Mianjo i Nödinge AB /Ale	559210-7808	100	–
Speedy Bilservice Högsbo AB /Malmö	556909-4906	100	–
Speedy Bilservice Mölndal AB /Mölndal	559004-5711	91	–
Speedy Bilservice Katrinelund AB /Malmö	556882-0954	100	–
Speedy Bilservice på Limhamn AB /Malmö	559097-7970	100	–
Speedy Bilservice Solna AB /Malmö	556953-2434	91	–
			116

Indirect participations in subsidiaries Company name/domicile	Corp. ID 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	92,5	–
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

Indirect participations in subsidiaries Company name/domicile	Corp. ID number	Share of equity, %	Number of stores
Vest Bilutstyr AS /Kokstad	980,281,450	100	2
			37
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			**396**

Including the Parent Company, Mekonomen Group comprises a total of 180 companies, 396 proprietary stores and 84 proprietary workshops. Currently, 21 wholly-owned companies run 362 stores and 29 partly-owned companies run 34 stores. Furthermore, 32 wholly-owned companies run 69 car workshops and 15 partly-owned companies run 15 workshops.

The Group has no subsidiary with minority part-owners that is of individual significance to Mekonomen Group.

NOTE 28 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 51 and 55, respectively.

Share capital and number of shares

Total number of shares	Group 2020	Group 2019
At 1 January	56,416,622	56,416,622
At 31 December	**56,416,622**	**56,416,622**

Treasury shares	Group 2020	Group 2019
At 1 January	93,250	63,250
Acquisitions for the year[1]	–	30,000
At 31 December	**93,250**	**93,250**

1. To ensure delivery of shares according to the long-term incentive programme decided by the AGM (LTIP 2019), the company bought back a total of 93,250 shares during 2018 and 2019. As the total number of shares in Mekonomen amounts to 56,416,622, this corresponds to 0.17 per cent.

Number of outstanding shares[1]	Group 31 Dec. 2020	Group 31 Dec. 2019
Total number of shares	56,416,622	56,416,622
Treasury shares	–93,250	–93,250
Total	**56,323,372**	**56,323,372**

1. There was no dilution effect from the number of shares as of December 31, 2020 and December, 2019, respectively.

Share capital, SEK	Group 2020	Group 2019
At 1 January	141,041,555	141,041,555
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 recognized as share capital.

Other capital contributions	
Opening balance on 1 January 2019	2,993
Closing balance on 31 December 2019	2,993
Opening balance on 1 January 2020	2,993
Closing balance on 31 December 2020	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 following table:

Reserves	Translation differences[1]	Hedges	Total
Opening balance on 1 January 2019	**–304**	**–3**	**–307**
Exchange-rate differences on translation of foreign subsidiaries	108	–	108
Loan reduction against net investment[1]	–33	–	–33
Cash-flow hedging[2]	–	–4	–4
Tax recognized directly against equity	4	1	5
Closing balance on 31 December 2019	**–226**	**–7**	**–232**
Opening balance on 1 January 2020	**–226**	**–7**	**–232**
Exchange-rate differences on translation of foreign subsidiaries	–299	–	–299
Loan reduction against net investment[1]	137	–	137
Cash-flow hedging[2]	–	–5	–5
Tax recognized directly against equity	–18	1	–17
Closing balance on 31 December 2020	**–406**	**–11**	**–416**

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 recognized 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 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
Share-savings programme	1
Acquisition/divestment of non-controlling interests	–6
Closing balance on 31 December 2019	**1,401**
Opening balance on 1 January 2020	**1,401**
Comprehensive income for the year:	
Profit for the year	432
Actuarial gains and losses	5
Comprehensive income for the year	**437**
Share swap	–18
Share-savings programme	2
Acquisition/divestment of non-controlling interests	–11
Closing balance on 31 December 2020	**1,809**

Dividend to Parent Company's shareholders

The Board of Directors proposes no dividend for 2020.

Proposed appropriation of profit – Parent Company

The following profit is at the disposal of the Annual General Meeting, SEK 000s:	
Profit brought forward	5,003,568
Profit for the year	522,457
Total	**5,526,025**

The Board of Directors proposes that profits be appropriated as follows:	
To be carried forward	5,526,025
Total	**5,526,025**

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 maximized 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 51 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 be between 2.0 and 3.0 over the long term. For further information on Mekonomen Group's financial targets, see page 16 and for further information on the Group's key figures, see the section of the Five-year summary on page 88–91.

NOTE 30 SUPPLEMENTAL DISCLOSURES ON THE CASH FLOW STATEMENT

Adjustments for non-cash items in operating activities	Group		Parent Company	
	2020	2019	2020	2019
Depreciation/Amortization	817	825	0	0
Impairment of right-of-use assets	19	–	–	–
Impairment of inventories	6	12	–	–
Other provisions	6	–6	0	0
Capital gain/loss from divestment/disposal of fixed assets	16	5	–	–
Exchange gains/losses	7	0	–79	19
Capitalized interest income	–	–	–7	–23
Interest expense, IFRS 16	20	21	–	–
Other items not affecting liquidity	8	4	6	5
Total	**898**	**861**	**–81**	**0**

Change in liabilities with cash flows in financing activities, Group	Opening balance, 1 January 2020	Cash flow		Non-cash items				Other non-cash changes	Closing balance, 31 December 2020
		Loans raised/repaid	Amortization leasing[1]	Increase of lease liabilities[1]	Exchange-rate effect	Period-allocated loan raising expenses	Change in fair value		
Liabilities to credit institutions	4,064	–839	–	–	–136	4	–	–	3,093
Lease liabilities	1,780	–	–487	379	–70	–	–	–	1,601
Share swap	–	–	–	–	–	–	–	18	18
Derivatives, interest-rate swaps	10	–	–	–	–	–	2	–	12
Total	**5,853**	**–839**	**–487**	**379**	**–206**	**4**	**2**	**18**	**4,724**

Change in liabilities with cash flows in financing activities, Group	Opening balance, 1 January 2019	Effect of implementation of IFRS 16[1] 1 Jan. 2019	Cash flow		Non-cash items				Closing balance, 31 December 2019
			Loans raised/repaid	Amortization leasing[1]	Increase of lease liabilities[1]	Exchange-rate effect	Period-allocated loan raising expenses	Change in fair value	
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 January 1, 2019 meant that the lease liabilities increased without entailing a cash flow. The transition effect as per January 1, 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. is not classified as cash flow, however.

NOTE 31 EFFECTS OF ACQUISITIONS IMPLEMENTED

Business combinations 2020

MECA/Mekonomen made a number of acquisitions during the year. In Sweden, five stores were acquired in Kalix, Boden, Järfälla, Linköping and Finspång and 75 per cent of a store in Örkelljunga was acquired. Four of these acquired stores were previously partner stores. In Norway, 51 per cent of Tores Auto AS was acquired, which includes 7 workshops, all of which are located in the Bergen region, and a workshop outside Oslo was acquired. Sørensen og Balchen acquired one workshop in the Oslo area in Norway.

MECA/Mekonomen acquired a further 35 per cent in Allt i Bil Västra Sverige AB, 25 per cent in Mekonomen Tønsberg AS and 25 per cent in Mekonomen Mariestad AB so that these are now wholly owned companies and further participations in Mekster AB, where the total ownership is now 75 per cent.

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 2020	Total acquisitions
Value of acquired assets and liabilities	
Tangible fixed assets	7
Inventories	8
Current receivables	5
Cash and cash equivalents	12
Current liabilities	–22
Acquired net assets	**11**
Customer relations	47
Goodwill	25
Deferred tax liabilities	–8
Acquired non-controlling interests, surplus value recognized against shareholders' equity	–13
Total identifiable net assets and goodwill	**63**
Total purchase price	–63
– of which, cash portion	–58
– of which supplementary purchase considerations entered as liabilities	–5
Cash and cash equivalents in the acquired companies	12
Plus paid supplementary purchase considerations regarding earlier years	–2
Impact on Group's cash and cash equivalents	**–48**

Acquired subsidiaries/operations 2020	Country	Acquisition date	Participating interest and share of voting rights	Object
Stores, Kalix, Boden, Järfälla, Linköping, – MECA/Mekonomen	Sweden	Quarter 1	100	Assets and liabilities
Store, Örkelljunga – MECA/Mekonomen	Sweden	Quarter 1	75	Equities
Workshop, Oslo – MECA/Mekonomen	Norway	Quarter 1	100	Assets and liabilities
Tores Auto AS, Bergen area – MECA/Mekonomen	Norway	Quarter 1	51	Equities
Store, Finnspång – MECA/Mekonomen	Sweden	Quarter 2	100	Assets and liabilities
Workshop, Oslo – Sørensen og Balchen	Norway	Quarter 3	100	Assets and liabilities

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 recognized 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

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 43 M (34). Purchases relating to goods and services from Group companies amounted to SEK 55 M (52).

NOTE 33 TRANSACTIONS WITH RELATED-PARTIES

In 2020, Mekonomen Group sold goods and services worth SEK 2 M (5) and acquired goods and services worth SEK 1 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 (0) 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

The continued spread of covid-19 in our main markets is an uncertainty factor where it is not possible to fully predict the duration or impact on the company's operations.

As a consequence of the continued uncertainty in our main markets related to the future impact of covid-19, and as a precautionary measure, the Board has decided not to propose a dividend for 2020. The Board stands by the company's long-term dividend policy and will reconsider the issue once the situation has stabilized in all our markets and all factors affecting the use of cash and cash equivalents have been taken into account.

Mekonomen Group held a capital markets day on February 25, 2021, for analysts, investors and media, at which the company presented the updated strategy to achieve the long-term financial targets by 2025.

On March 11, 2021, Mekonomen Group issued a senior unsecured bond of SEK 1.25 billion, within a framework amount of SEK 2 billion, maturing March 18, 2026. The bond has an interest rate of 3m Stibor +250 basis points. The issue attracted strong interest from Nordic investors and was oversubscribed. The bond proceeds will be used to refinance existing bank debt and for general corporate purposes. The bonds will be listed on Nasdaq Stockholm.

On March 17, 2021, Mekonomen Group entered into an agreement of a Revolving Credit Facility (RCF) of SEK 800 million, maturing in March 2024, with a banking group consisting of Nordea, SEB and Danske Bank. In connection with this, the RCF that was due to expire in June 2022 was terminated prematurely.

Mekonomen's Nomination Committee announced in a press release on March 24, 2021 that before the Annual General Meeting on May 7, 2021, they propose re-election of the Board members Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson and Helena Skåntorp, as well as new election of Robert Hanser and Michael Løve. Robert Hanser is proposed to be elected Chairman of the Board. The Chairman of the Board, John S. Quinn, and Board member Arja Taaveniku have informed the Nomination Committee that they are refraining from re-election at the 2021 Annual General Meeting. Read more about the purposed board members on www.mekonomen.com.

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 March 30, 2021. 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 May 7, 2021.

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, decentralized 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 2020, currency fluctuations had a negative impact on the Group's profit before tax totalling SEK 19 M (positively: 3). The most important currency in terms of transaction exposure is EUR, which represents 45 per cent (47) 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 recognize all or part of the financing in the acquisition currency. The Group hedge accounts net investments of foreign operations in NOK by classifying a loan in NOK as a hedging instrument. There is also 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. The translations of the loans at the closing day rate are recognized in other comprehensive income and meet the restatement of the net assets in these currencies. 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 December 31, 2020, Mekonomen's net debt is SEK 2,673 M (3,709). 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 3M), interest translation date and the loan volume is not below the interest-rate swap's nominal amount whereby there is a strong financial link between the loan and the interest-rate swap. See also the table in the Sensitivity analysis section of the Administration Report.

NOTE 36 FINANCIAL RISKS, CONT.

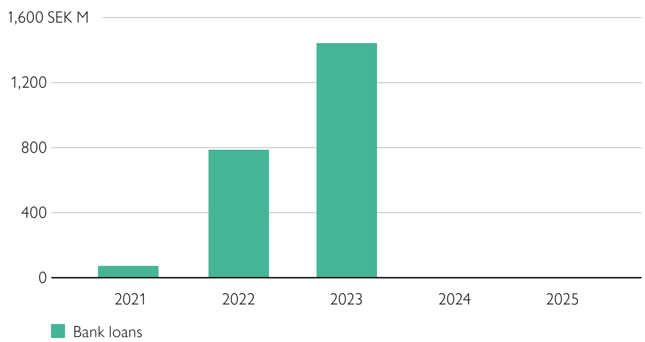
Financing and liquidity risks

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 December 31, 2020, the Group's total loan financing excluding IFRS 16 Leases amounted to SEK 3,093 M (4,064), of which the long-term portion is SEK 2,709 M (3,317). 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. A new bank agreement was signed on 30 June. In the revised bank agreement, the bank covenants for the second quarter of 2020 and on were adjusted to reflect the financial uncertainty that covid-19 entailed and may continue to entail in Mekonomen Group's markets.

See the maturity structure in addition to amortization according to plan in the graph below:

MEKONOMEN GROUP'S EXTERNAL LOANS WITHOUT BACKUP FACILITIES AS PER 31 DECEMBER 2020.



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 521 M (570). 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).

In the first quarter of 2020, a planned repayment of EUR 5 M was postponed, which was to be paid on March 31, 2020 to the end of the loan period (August 2023), in agreement with the lenders as a result of the uncertainty from the impact of the covid-19 pandemic. In the remaining quarter, repayment of Mekonomen Group's debt took place according to plan. Mekonomen's available cash and unutilized credit facilities were around SEK 1,442 M at the end of December.

Fair value

No financial assets or liabilities were recognized 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 2019 or 2020.

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

	Group	
Translation of net assets in foreign currencies	2020	2019
Carrying amount, hedging instrument, long-term liabilities to credit institutions	SEK 2,188 M	SEK 2,379 M
Nominal amount in EUR, hedging instrument	EUR 213 M	EUR 228 M
Carrying amount in foreign assets	SEK 2,188 M	SEK 2,379 M
Amounts in DKK	DKK 1,590 M	DKK 1,703 M
Hedge ratio	1:1	1:1
Changes in the loan's carrying amount due to changes in exchange rate	SEK +86 M	SEK –41 M
Changes in value of assets in foreign currency	SEK –86 M	SEK +41 M
Carrying amount, hedging instrument, long-term liabilities to credit institutions	SEK 476 M	SEK 529 M
Nominal amount in NOK, hedging instrument	NOK 500 M	NOK 500 M
Carrying amount in foreign assets	SEK 476 M	SEK 529 M
Amounts in NOK	NOK 500 M	NOK 500 M
Hedge ratio	1:1	1:1
Changes in the loan's carrying amount due to changes in exchange rate	SEK +52 M	SEK +7 M
Changes in value of assets in foreign currency	SEK –52 M	SEK –7 M

NOTE 36 FINANCIAL RISKS, CONT.

Cash flow hedges of interest-rate risk	Group 2020	Group 2019
Carrying amount, hedging instrument	SEK –12 M	SEK –8 M
Nominal amount	SEK 1,506 M (2 x EUR 60.75 M + NOK 300 M)	SEK 1,585 M (2 x EUR 60.75 M + NOK 300 M)
Due date	2022 and 2023	2022 and 2023
Hedge ratio	1:1	1:1
Value changes for outstanding derivative instruments	SEK –4 M	SEK –5 M
Value changes of the hedged item	SEK 4 M	SEK 5 M

Mekonomen's impact on the uncertainty in future cash flows is presented by the table below (SEK M):

Due date for nominal amount, 2020	Within 1 year	1–3 years	4–5 years	More than 5 years
Nominal amount[1)]		1,506		
Average hedged fixed interest		0.53%		

Due date for nominal amount, 2019	Within 1 year	1–3 years	4–5 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 121 M and NOK 300 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, March 30, 2021

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 March 30, 2021
PricewaterhouseCoopers AB

Linda Corneliusson
Authorized Public Accountant
Auditor-in-Charge

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF MEKONOMEN AB (PUBL), CORPORATE IDENTITY NUMBER 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 financial year January 1, 2020 to December 31, 2020 except for the corporate governance statement on pages 39–48. The annual accounts and consolidated accounts of the company are included on pages 32–87 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 and the Group as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 39–48. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

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

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. 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 2,704 M as of December 31, 2020. 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 are 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 of inventory, Mekonomen Group performs 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 addition, we have made inquiries with regards to management's assessment of effects from covid-19. 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 fixed assets Goodwill constitutes a significant part of Mekonomen Group's total assets and amounts to SEK 3,679 M as per December 31, 2020, which represents 30 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 839 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 uses to forecast cash flows beyond the first five-year period. In addition, we have made inquiries with regards to management's assessment of effects from covid-19. Our tests of the discount rate used for calculation purposes, included an 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.
Completeness in the accounting following the data breach	
We refer to the administration report, page 32 section financial year for detailed information and description of the area. The MECA / Mekonomen business area was subjected to a data breach in March 2020. This caused disruptions in IT systems and had negative effects on operations, mainly until mid-April 2020. Manual routines and controls were established during the period when the systems were down. The IT environment had to be recreated from backups and the companies have carried out checks to ensure that all transactions are included in the companies' accounts.	We have reviewed the companies' documentation for recreating accounting material from backups and evaluated the checks that the companies have carried out to ensure that the accounting material is complete. Our review has focused on the companies ' processes for establishing and accounting for transactions in the period during the intrusion. Furthermore, we have reviewed the companies' analysis and we have made our own analysis to assess the completeness of the accounting records. We have also taken note of the information provided in the administration report and assessed whether it gives a true and fair view of the incident.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31, 39–48, 88–96 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. The information in "Remuneration report Mekonomen 2020", which is published on the company's website at the same time as this report, is also defined as 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 financial year January 1, 2020 to December 31, 2020 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 ensuring that the corporate governance statement on pages 39–48 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 RevR 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 May 7, 2020 and has been the company's auditor since April 8, 2014.

Stockholm March 30, 2021
PricewaterhouseCoopers AB

Linda Corneliusson
Authorized Public Accountant

FIVE YEARS IN SUMMARY

The tables below present financial information in summary for the financial years 2016-2020. As of January 1, 2019, the Group applies IFRS 16 Leases. The comparative figures for 2016-2018 have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16.

Income statements, SEK M	2020	2019	2018	2017	2016
Net sales	11,511	11,842	7,779	5,850	5,786
Other revenue	253	174	172	150	151
Goods for resale	–6,318	–6,535	–3,901	–2,654	–2,686
Other operating expenses	–3,871	–3,951	–3,413	–2,635	–2,595
EBITDA	**1,574**	**1,531**	**637**	**710**	**656**
Depreciation and impairment of tangible fixed assets	–606	–611	–84	–60	–62
EBITA	**968**	**920**	**553**	**649**	**594**
Amortization and impairment of intangible fixed assets	–230	–215	–146	–127	–113
Operating profit, EBIT	**738**	**705**	**407**	**522**	**481**
Net financial items	–141	–150	70	–48	–35
Profit after financial items	**596**	**555**	**477**	**475**	**446**
Tax on profit for the year	–150	–134	–209	–107	–105
Profit for the year	**446**	**421**	**268**	**368**	**342**

Balance sheets, SEK M	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
Assets					
Intangible fixed assets	5,410	5,697	5,745	2,686	2,757
Other fixed assets	2,154	2,384	567	409	304
Inventories	2,704	2,854	2,816	1,382	1,279
Accounts receivable	828	855	868	488	485
Other current assets	678	725	662	335	336
Cash and cash equivalents	420	355	205	254	291
Total assets	**12,193**	**12,870**	**10,863**	**5,554**	**5,452**
Shareholders' equity and liabilities					
Shareholders' equity, Parent Company's shareholders	4,527	4,303	3,828	2,363	2,311
Non-controlling interests	68	32	25	16	14
Long-term liabilities	4,315	5,104	3,726	1,640	1,524
Current liabilities	3,283	3,431	3,284	1,535	1,603
Total shareholders' equity and liabilities	**12,193**	**12,870**	**10,863**	**5,554**	**5,452**

Condensed cash-flow statement, SEK M	2020	2019	2018	2017	2016
Cash flow from operating activities	1,625	1,142	331	496	544
Cash flow from investing activities	–186	–199	–4,407	–229	–94
Cash flow from financing activities	–1,339	–798	4,044	–295	–466
Cash flow for the year	**100**	**146**	**–32**	**–27**	**–16**

Data per share[1], amounts in SEK per share unless otherwise stated	2020	2019	2018	2017	2016
Profit	7.67	7.34	6.56	10.05	9.32
Cash flow	28.9	20.3	8.3	13.8	15.1
Equity	80.4	76.4	67.9	65.8	64.4
Dividends[2]	–	–	–	4.46	4.46
Share of profit paid, %	–	–	–	70	75
Share price at year-end	91.1	93.1	91.5	149.3	171.5
Share price, highest for the year	101.1	96.0	166.2	191.0	207.0
Share price, lowest for the year	35.1	60.8	88.4	139.8	150.5
Direct yield, %	–	–	–	4.7	4.1
P/E ratio at year-end, multiple	11.9	12.7	14.0	14.9	18.4
Average number of shares after dilution effects[3]	56,323,372	56,338,824	39,718,604	35,901,487	35,901,487
Number of shares at end of period[4]	56,416,622	56,416,622	56,416,622	35,901,487	35,901,487
Number of shareholders at year-end	11,728	12,259	12,310	10,707	9,484

1. For information on financial definitions, refer to page 100.
2. The Board's proposal for 2020. The dividend for 2016–2017 is restated with the number of shares outstanding as at December 31, 2020, 56,323,372. The actual dividend paid was SEK 7 per share for 35,901,487 shares for 2016–2017.
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]	2020	2019	2018	2017	2016
Sales growth, %	–3	52	33	1	3
Gross margin, %	45	45	50	55	54
EBITDA margin, %[2]	13	13	8	12	11
Adjusted EBIT margin, %	8	7	8	10	10
EBIT margin, %	6	6	5	9	8
Capital employed, SEK M	9,392	10,195	8,166	4,087	4,066
Return on capital employed, %	7	7	9	12	12
Return on shareholders' equity, %	10	10	10	16	15
Return on total capital, %	6	6	7	9	9
Equity/assets ratio, %[3]	38	34	35	43	43
Net debt, SEK M	2,673	3,709	4,098	1,444	1,437
Net debt/EBITDA, excl. IFRS 16 multiple	2.54	3.68	6.44	2.03	2.19
Net debt incl. IFRS 16/EBITDA, multiple	2.71	3.59	–	–	–
Average number of employees					
Sweden	1,419	1,399	1,438	1,365	1,413
Denmark[4]	1,126	1,148	389	–	–
Norway	941	931	883	834	808
Poland[4]	1,396	1,438	449	–	–
Other countries	30	37	22	31	66
Group	**4,912**	**4,953**	**3,181**	**2,231**	**2,287**

FIVE YEARS IN SUMMARY (CONT.)

The tables below present financial information in summary for the financial years 2016–2020.

Key figures[1]	2020	2019	2018	2017	2016
Number of stores/of which proprietary					
FTZ – Denmark	**51/51**	**51/51**	**51/51**	**–**	**–**
Inter-Team – Poland	**82/79**	**82/79**	**82/79**	**–**	**–**
MECA Sweden	72/60	66/59	61/56	62/52	61/51
MECA Norway	25/25	24/24	24/24	24/24	24/24
Mekonomen Sweden	122/111	129/112	130/112	133/113	132/112
Mekonomen Norway	42/31	42/31	42/31	42/32	45/32
Other	16/2	10/4	13/7	7/3	8/5
Total MECA/Mekonomen	**277/229**	**271/230**	**270/230**	**268/224**	**270/224**
Sørensen og Balchen – Norway	**65/37**	**65/37**	**64/36**	**68/39**	**72/37**
Group	**475/396**	**469/397**	**467/396**	**336/263**	**342/261**
Number of affiliated workshops[5]					
AutoMester – Denmark	409	421	423	–	–
Din BilPartner – Denmark	152	153	136	–	–
HELLA Service Partner – Denmark	322	331	336	–	–
CarPeople – Denmark	47	38	26	–	–
Total FTZ[6]	**930**	**943**	**921**	**–**	**–**
O.K. Serwis – Poland	211	199	175	–	–
Inter data service – Poland	450	404	290	–	–
Total Inter-Team	**661**	**603**	**465**	**–**	**–**
Mekonomen Bilverkstad					
Mekonomen Bilverkstad – Sweden	397	427	423	434	447
Mekonomen Bilverkstad – Norway	302	335	334	335	339
Mekonomen Bilverkstad – Finland	60	33	23	23	23
Total	**759**	**795**	**780**	**792**	**809**
MekoPartner					
MekoPartner – Sweden	118	126	138	141	127
MekoPartner – Norway	73	82	86	95	93
Total	**191**	**208**	**224**	**236**	**220**
Speedy					
Speedy – Sweden	42	40	39	35	26
Total	**42**	**40**	**39**	**35**	**26**
MECA Car Service					
MECA Car Service – Sweden	392	401	419	425	425
MECA Car Service – Norway	333	308	302	299	286
Total	**725**	**709**	**721**	**724**	**711**
Allt i Bil					
Allt i Bil – Sweden	7	8	8	–	–
Total	**7**	**8**	**8**	**–**	**–**
Total MECA/Mekonomen	**1,724**	**1,760**	**1,772**	**1,787**	**1,766**
BilXtra – Norway	253	258	258	258	255
Total Sørensen og Balchen	**253**	**258**	**258**	**258**	**255**
TOTAL NUMBER OF AFFILIATED WORKSHOPS IN THE GROUP	**3,568**	**3,564**	**3,416**	**2,045**	**2,021**

1. For information on financial definitions, refer to page 100.
2. The EBITDA margin has changed materially as a result of IFRS 16, which is applied as of 2019; the EBITDA margin excluding IFRS 16 amounted to 8.9 for 2020 and 8.4 for 2019.
3. The equity/assets ratio has changed materially as a result of IFRS 16, which is applied as of 2019; the equity/assets ratio excluding IFRS 16 amounted to 43.4 per cent at December 31, 2020 and 39.3 per cent at 31 December 2019.
4. The average number of employees in 2018 is calculated for the period 3 September – 31 December 2018.
5. Includes 84 (82) proprietary workshops operated under our brands.
6. No-sign was excluded from the report. These workshops have access to a white label concept with services through the Group, but do not conduct business under any of the Group's brands.

QUARTERLY OVERVIEW

SEK M	2020					2019				
	Full-year	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1
Net sales[1]										
FTZ	3,369	867	808	841	853	3,371	875	800	860	836
Inter-Team	1,988	457	524	490	516	2,155	524	532	582	517
MECA/Mekonomen	5,326	1,358	1,310	1,334	1,324	5,527	1,368	1,349	1,447	1,362
Sørensen og Balchen	791	187	210	221	172	759	176	192	207	183
Central functions[2]	37	11	10	8	8	31	11	6	5	10
Group	**11,511**	**2,879**	**2,863**	**2,894**	**2,874**	**11,842**	**2,954**	**2,879**	**3,100**	**2,909**
EBIT										
FTZ	331	76	91	80	84	299	51	69	87	93
Inter-Team	86	38	31	19	–1	43	20	9	15	–1
MECA/Mekonomen	354	160	89	100	5	438	63	128	145	103
Sørensen og Balchen	170	34	53	60	23	121	28	30	38	24
Central functions[2]	–49	–10	–18	–9	–13	–39	–19	–5	–6	–10
Other items[3]	–155	–38	–38	–39	–39	–157	–39	–39	–39	–39
Group	**738**	**260**	**208**	**211**	**59**	**705**	**104**	**191**	**240**	**170**
EBIT margin, %										
FTZ	10	9	11	10	10	9	6	9	10	11
Inter-Team	4	8	6	4	0	2	4	2	3	0
MECA/ Mekonomen	6	11	7	7	0	8	5	9	10	7
Sørensen og Balchen	21	18	25	27	13	16	16	16	18	13
Group	**6**	**9**	**7**	**7**	**2**	**6**	**3**	**7**	**8**	**6**
Investments[4]										
FTZ	25	8	8	6	3	10	3	1	5	1
Inter-Team	18	7	3	1	7	13	5	5	2	1
MECA/ Mekonomen	91	35	16	17	23	91	20	22	27	22
Sørensen og Balchen	6	1	1	1	3	5	0	0	1	4
Central functions[2]	11	5	2	2	2	12	2	6	0	4
Group	**152**	**55**	**31**	**28**	**38**	**131**	**30**	**34**	**35**	**32**
Quarterly data, Group[5]										
Total revenue	11,763	3,000	2,899	2,947	2,917	12,017	2,995	2,929	3,144	2,948
EBITDA	1,574	463	421	426	265	1,531	313	400	443	375
EBITDA excl IFRS 16[6]	1,052	340	287	289	136	1,008	180	268	315	245
Adjusted EBIT	937	287	270	281	98	874	149	231	280	214
EBIT	738	260	208	211	59	705	104	191	240	170
Net financial items	–141	–13	–41	–17	–71	–150	–27	–44	–38	–41
Earnings after financial items	596	247	167	194	–11	555	77	147	202	129
Tax	–150	–60	–40	–46	–3	–134	–22	–34	–45	–33
Profit/loss for the period	446	187	127	148	–15	421	55	113	157	96
Gross margin, %	45	46	45	45	44	45	44	45	45	46
EBITDA margin, %	13	15	15	14	9	13	10	14	14	13
Adjusted EBIT margin, %	8	10	9	10	3	7	5	8	9	7
EBIT margin, %	6	9	7	7	2	6	3	7	8	6
Earnings per share before and after dilution, SEK	7.67	3.29	2.18	2.49	–0.29	7.34	1.00	1.95	2.71	1.68
Shareholders' equity per share, SEK	80.4	80.4	79.1	77.2	76.7	76.4	76.4	76.6	74.5	71.0
Cash flow per share, SEK	28.9	6.6	9.2	11.9	1.1	20.3	3.6	7.5	6.3	2.8
Return on shareholders' equity, %	9.8	9.8	7.0	6.8	7.2	10.0	10.0	9.8	10.1	10.5
Share price at end of period	91.1	91.1	93.3	66.0	44.4	93.1	93.1	82.8	77.4	64.9

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. "Other items" include acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items are depreciation of acquired intangible assets related to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.
4. Investments are exclusive of company and business combinations and exclusive of leases according to IFRS 16.
5. For information on financial definitions, refer to page 100.
6. 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 2020 and covers Mekonomen Group's proprietary operations.

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 2020. The company's auditors have reviewed and certified that a Sustainability Report has been prepared by Mekonomen Group as per the regulations of the Annual Accounts Act. The content of the sustainability reporting and Sustainability Report has not been audited by a third party. The most recent Sustainability Report was published on April 3, 2020.

Materiality analysis and most material areas

The Group's strategy regarding sustainability issues is based on the materiality analysis begun in 2014 that has been updated and adapted since. The sustainability area is analysed and prioritized based on the impact on our business, the impact on people and the environment and how important it is to our main stakeholders. 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 Sustainable Development Goals.

Our most material areas in sustainability are illustrated on page 19.

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 2020
Customer	Affiliated and other workshops Among our most important business partners are the workshops, which offer service and repairs of vehicles to car owners that are both companies and private individuals. The Group sells spare parts and accessories to the workshops and orders are made digitally in most cases. We also offer training and other services to the workshops.	• Continuous dialogue in the customer interaction and in contact with customer service. • Customer surveys.	• 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 to affiliated workshops as well as our own workshops.	• Dialogue over the web, newsletters and in social media.	Offering, quality of services and products, affordability and competence, the possibility to be able to leave one's car to the workshop safely with regard to covid-19.
Employees	The employees' commitment and performance are crucial to obtaining satisfied customers, good financial results and a pleasant workplace. Mekonomen Group seeks to offer a safe and developing workplace.	Annual employee talks and continuous dialogue during the year, employee surveys, workplace meetings, the intranet, newsletters, and dialogue with union organizations.	Physical and psychosocial work environment including issues regarding covid-19, commitment, leadership and development, terms of employment, possibility to influence the local workplace. Diversity, gender equality and inclusion.
Owners and analysts	Mekonomen Group is listed on Nasdaq Stockholm. Mekonomen Group's overall goal is to develop with high profitability and thereby generate value growth for the shareholders.	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, as well as climate risks.
Suppliers	Mekonomen Group mainly purchases spare parts and accessories from the large European suppliers in the automotive industry. Nearly all suppliers have their base in Europe, while the production of products takes place in both Europe and the rest of the world. In addition, we have suppliers of indirect materials and services.	Continuous meetings, follow-up during the contract period and site visits.	Product quality and safety, acceptance of the requirements in Mekonomen Group's Supplier Code of Conduct.
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 labor with the right expertise, the Group has cooperation with schools and other actors.	• Dialogue with supervisory authorities regarding permits and inspections (including those in the environment, working environment, chemicals handling and fire safety). • Meetings and cooperation with industry organizations. • 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 labor market. • Training and competence.

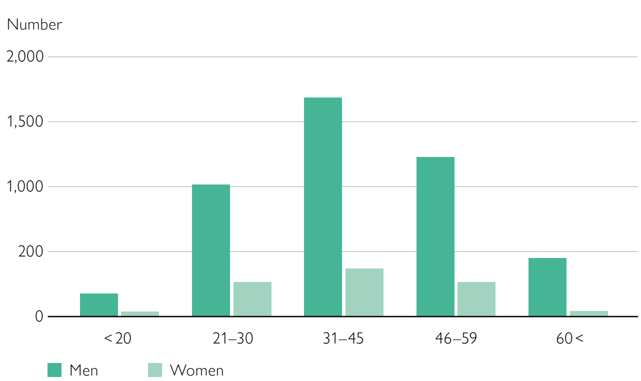
SUSTAINABILITY NOTES

EMPLOYEES

Employees per category

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
No. of employees indefinite/fixed-term												
Indefinite term employees	1,138	1,165	709	686	2,217	2,297	333	350	89	64	4,486	4,562
Of which, women	146	146	124	108	410	428	55	57	24	12	759	751
Fixed-term employees	11	13	689	749	323	316	0	0	1	0	1,024	1,078
Of which, women	3	5	135	136	70	65	0	0	0	0	208	206
Total	**1,149**	**1,178**	**1,398**	**1,435**	**2,540**	**2,613**	**333**	**350**	**90**	**64**	**5,510**	**5,640**
Number of employees, full- /part-time												
Full-time employees	1097	1118	1395	1433	2,094	2,159	213	204	87	62	4,886	4,976
Of which, women	125	126	259	244	373	391	35	34	24	12	816	807
Part-time employees	52	60	3	2	446	454	120	146	3	2	624	664
Of which, women	24	25	0	0	107	97	19	23	0	0	150	145
Total	**1,149**	**1,178**	**1,398**	**1,435**	**2,540**	**2,613**	**333**	**350**	**90**	**64**	**5,510**	**5,640**

Age structure



No. employees, of which managers

	Men	Women	Total
No. of employees	4,543	967	5,510
Of which, managers	480	71	551

Employee turnover

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Men	10.1%	13.2%	0.9%	0.9%	16.3%	8.5%	7.2%	6.8%	6.2%	7.7%	12.3%	11.9%
Women	11.0%	14.4%	0.0%	0.0%	22.7%	15.4%	5.5%	15.8%	6.2%	16.7%	15.0%	13.0%
Total	**11.1%**	**13.3%**	**0.7%**	**0.7%**	**17.5%**	**9.8%**	**6.9%**	**8.3%**	**6.8%**	**9.4%**	**12.8%**	**12.1%**

Comments: Data regarding Inter-Team is not directly comparable with other business areas.

Sickness absence

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Men	3.3%	3.2%	–	–	4.5%	3.3%	3.9%	3.4%	2.3%	2.3%	4.0%	3.7%
Women	5.1%	4.1%	–	–	6.7%	4.7%	8.5%	6.1%	1.6%	1.8%	6.2%	4.4%
Total	**3.5%**	**3.3%**	**3.8%**	**3.2%**	**4.9%**	**3.5%**	**4.6%**	**3.9%**	**2.1%**	**2.2%**	**4.2%**	**3.6%**

Comments: Data divided into men/women not available for Inter-Team.

Occupational injuries

	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Central functions		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total	7	13	5	9	64	39	0	0	0	3	76	64

Comments: Improved measurement methods mean that data is not directly comparable between the years. During the year, no work-related deaths occurred.

Measurement and calculation methods: Employees refer to the number of employees at the end of the period (heads). 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.

Employee turnover is calculated as the number of departures as a percentage of the number of permanent employees regardless of the reason for leaving.

Sickness absence is calculated in relation to ordinary contracted working hours. 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.

Collective agreements

All employees in the Group have the right to joint associations, organizations and to organize union clubs and to conduct collective negotiations.

FTZ, MECA & Mekonomen, Sørensen og Balchen, as well as central functions have collective bargaining agreements. Interteam complies with ordinances and regulations on compensation according to Polish labor law. Around 50 per cent of the employees are covered by collective bargaining agreements.

CLIMATE–IMPACTING EMISSIONS AND ENERGY CONSUMPTION

Emissions (tonnes CO_2-eq.)	2020	2019
Direct emissions (Scope1)		
Own transports	8,199	8,512
Direct heating	1,503	1,887
Indirect emissions (Scope 2)		
Electricity	11,209	9,258
Heating	2,385	2,772
Other indirect emissions (Scope 3)		
Subcontractors, transports	4,445	9,082
Business travel	3,196	3,287
Total emissions	**30,938**	**34,796**

Energy use	2020	2019
Electricity and heating (MWh)	66,189	70,199
Fuel, own transports (MWh)	26,221	27,909
Fuel, business travel by road (MWh)	9,904	8,856
Total energy consumption	**102,315**	**106,764**

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. Previously reported data has been adjusted due to improved measurement methods.

Transports

Own transports with delivery vans 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, calculation was based on expenses, resulting in a greater uncertainty in data.

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 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 46
- Risk management, pages 26–29
- Climate-related risks and opportunities, pages 26–29
- Responsible purchasing, page 25
- Human rights, pages 18–19, 24–25 and 29
- Environment, pages 22–23, 29, 36 and 96
- Social conditions, pages 20–21, 28 and 95–96
- Personnel, pages 28–29, 35 and 95–96
- Business ethics and anti-corruption, page 24

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 2020, 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 RevU 12 Auditor's statement on the Sustainability Report. This means that our statutory examination of the Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides us adequate grounds for our opinions.

Opinions
A sustainability report has been prepared.

Stockholm, March 30, 2021
PricewaterhouseCoopers AB

Linda Corneliusson
Authorized Public Accountant

GRI INDEX

GENERAL DISCLOSURES

GRI	Type		Description	Page	Comments	UN Global Compact	SDG
GRI 102: GENERAL INFORMATION 2016							
Organization profile							
GRI 102	General disclosures	102-1	Name of the organization		Mekonomen AB (publ)		
GRI 102	General disclosures	102-2	Activities, brands, products and services	1, 6–9, 12–13			
GRI 102	General disclosures	102-3	Location of the headquarters	32			
GRI 102	General disclosures	102-4	Location of operations	6, 8			
GRI 102	General disclosures	102-5	Ownership and legal form	39–48			
GRI 102	General disclosures	102-6	Markets served	6–8			
GRI 102	General disclosures	102-7	Scale of the organization	6–7, 64, 95			
GRI 102	General disclosures	102-8	Information on employees and other workers	6, 64, 95–96			
GRI 102	General disclosures	102-9	Supply chain	12–13, 25			
GRI 102	General disclosures	102-10	Significant changes to the organization and its supply chain		No significant changes have occurred during the year		
GRI 102	General disclosures	102-11	Precautionary Principle or approach	36			
GRI 102	General disclosures	102-12	External initiatives	18, 46			
GRI 102	General disclosures	102-13	Membership of organizations		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 decision-maker	2–5			
GRI 103	General disclosures	102-15	Key impacts, risks and opportunities	14–19, 26–29, 94			
Ethics and Integrity							
GRI 102	General disclosures	102-16	Values, principles, standards and norms of behaviour	24		10	
Governance							
GRI 102	General disclosures	102-18	Governance structure	39–48			
Stakeholder dialogue							
GRI 102	General disclosures	102-40	List of stakeholder groups	94			
GRI 102	General disclosures	102-41	Collective bargaining agreements	96		3	
GRI 102	General disclosures	102-42	Identifying and selecting stakeholders	94			
GRI 102	General disclosures	102-43	Approach to stakeholder engagement	94			
GRI 102	General disclosures	102-44	Key topics and concerns raised	94			
Reporting practice							
GRI 102	General disclosures	102-45	Entities included in the consolidated financial statements	32–38			
GRI 102	General disclosures	102-46	Defining report content and topic Boundaries	18–19			
GRI 102	General disclosures	102-47	List over material topics	19			
GRI 102	General disclosures	102-48	Restatement of information		No significant changes		
GRI 102	General disclosures	102-49	Changes in reporting		No significant changes		
GRI 102	General disclosures	102-50	Reporting period	32, 93			
GRI 102	General disclosures	102-51	Date of most recent report	93			
GRI 102	General disclosures	102-52	Reporting cycle	32, 93			
GRI 102	General disclosures	102-53	Contact point for questions regarding the report		susanna.fink@mekonomengroup.com		
GRI 102	General disclosures	102-54	Claims of reporting in accordance with the GRI Standards	93			
GRI 102	General disclosures	102-55	GRI content index	98–99			
GRI 102	General disclosures	102-56	External assurance	93			

SPECIFIC DISCLOSURES

GRI	Type		Description	Page		UNGC principle	SDG
Economic impact							
		103-1/2/3	Sustainability governance	18–19, 39–48		10	
GRI 201	Economic development 2016	201-1	Direct economic value genereted and distributed	13			8
GRI 205	Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	24		10	8
GRI 205	Anti-corruption 2016	205-3	Confirmed incidents of corruption and action taken	24		10	8
Environmental impact							
		103-1/2/3	Sustainability governance	18–19, 22, 46		7–9	
GRI 302	Energy 2016	302-1	Energy consumption within the organization	96		7, 8	7
GRI 305	Emissions 2016	305-1	Direct (Scope 1) GHG emissions	96		7, 8	13
GRI 305	Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	96		7, 8	13
GRI 305	Emissions 2016	305-3	Other indirect (Scope 3) GHG emissions	96		7, 8	13
GRI 307	Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations		The Group did not incur significant fines or sanctions in 2020	8	12
GRI 308	Supplier environmental assessment 2016	308-1	New suppliers that were screended using environmental criteria			8	12
Own	Fulfilment of require-ments, electric and hybrid electric	MEKO1	Requirements for tools, protective equipment, charging and competence. The competence requirements mean that local regulations for working on high-voltage vehicles in the work-shop are complied with	17, 23		9	7
Social impact							
		103-1/2/3	Sustainability governance	18–19, 21, 46		1–6	
GRI 401	Employment 2016	401-1	New employee hires and employee turnover	95		6	8
GRI 405	Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	21, 44–45, 95		6	5, 8
GRI 406	Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		No cases of discrimination were reported in 2020	6	7
GRI 414	Supplier Social Assessment 2016	414-1	New suppliers that were screended using social criteria	17, 12		2, 4, 5, 6	12
Own	Education	MEKO2	Number of training days for automotive technicians	13			8, 12

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/amortization as a percentage of total revenue.

EBITA
EBITA after depreciation according to plan but before amortization and impairment of intangible fixed assets.

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

EBITDA excl IFRS 16
Operating profit before depreciation/amortization and impairment of tangible and intangible fixed assets excluding 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 (see definition under company-specific definitions) and material acquisition-related items. Current acquisition-related items are amortization of acquired intangible assets related to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

Adjusted EBIT margin
Adjusted EBITDA 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 recognized 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
Current and long-term interest-bearing liabilities for borrowing and long- and short-term lease liabilities according to IFRS 16, meaning 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 weekdays, 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 and provisions including postponed tax liability.

COMPANY-SPECIFIC DEFINITIONS

Business area
Reportable segments

Affiliated workshops
Workshops that are not proprietary, 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 the Affiliated workshops customer group
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 customer group Other workshops
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.

Mobility
The possibility of moving from A to B is a fundamental freedom and a driving force in society. The demand is timeless, and independent of what kind of vehicle is used.

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.

Currency effects on the balance sheet
The impact of currency regarding realized and unrealized 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 2020 Annual Report on our website: www.mekonomen.com/sv/alternativa-nyckeltal

1. The European Securities and Markets Authority.

SHAREHOLDER INFORMATION

Annual General Meeting
Mekonomen Aktiebolag's (publ) Annual General Meeting will be held on Friday, May 7, 2021. Due to COVID-19, the Meeting is being carried out through postal voting without physical participation.

Registration
Shareholders wishing to participate the Annual General Meeting must:
- be registered in the shareholders' register maintained by Euroclear Sweden AB on April 29, 2021, and
- register by casting a postal vote at such a time that the postal vote is received by Euroclear Sweden AB no later than Thursday, May 6, 2021.

Completed and signed postal voting form must be sent by post to Mekonomen AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm or by e-mail to GeneralMeetingService@euroclear.com no later than May 6, 2021. Shareholders who are physical persons can also cast a postal vote electronically by verifying with BankID via Euroclear Sweden AB's website https://anmalan.vpc.se/EuroclearProxy/. Such electronic votes must be cast no later than May 6, 2021. Read more in the notice convening the Annual General Meeting at mekonomen.com.

Nominee-registered shares
Shareholders who have nominee-registered shares must, in addition to register participation in the Meeting, temporarily re-register the shares in their own name in the shareholders' register in order to be entitled to participate in the Annual General Meeting. Such re-registration must be carried out by Thursday April 29, 2021 and should be requested at the bank or trustee well in advance of this date.

Proxies
If shareholders vote by post by proxy, a written and dated power of attorney signed by the shareholder must be attached to the postal voting form, as well as any authorization documents. A power of attorney form is available at www.mekonomen.com.

Dividends
The Board of Directors proposes no dividend for 2020 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 2021

Information	Period	Date
Interim report	January–March 2021	May 7, 2021
Interim report	January–June 2021	Aug. 20, 2021
Interim report	January–September 2021	Oct. 29, 2021
Year-end report	January–December 2021	Feb. 11, 2022

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