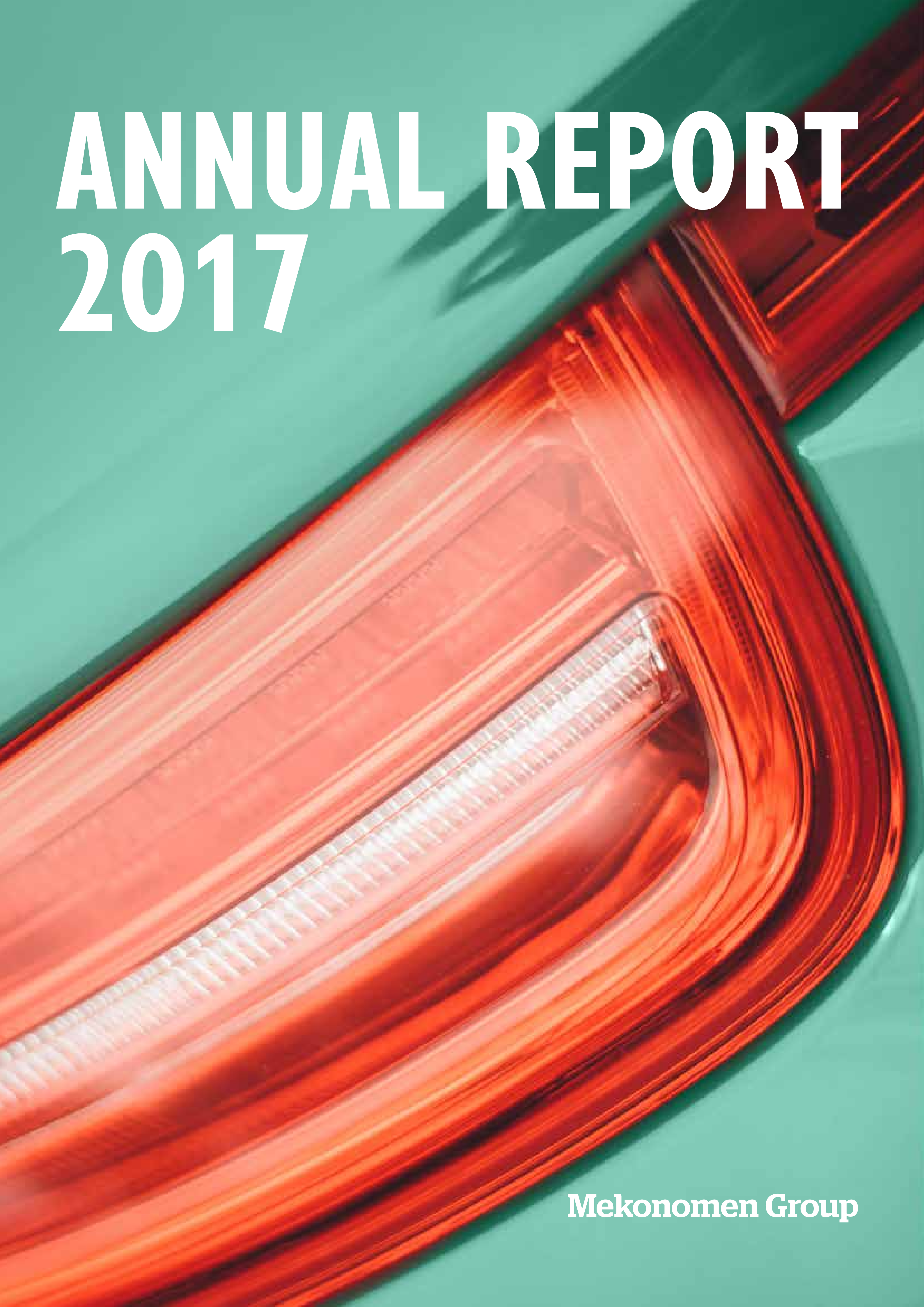
ANNUAL REPORT 2017



Mekonomen Group

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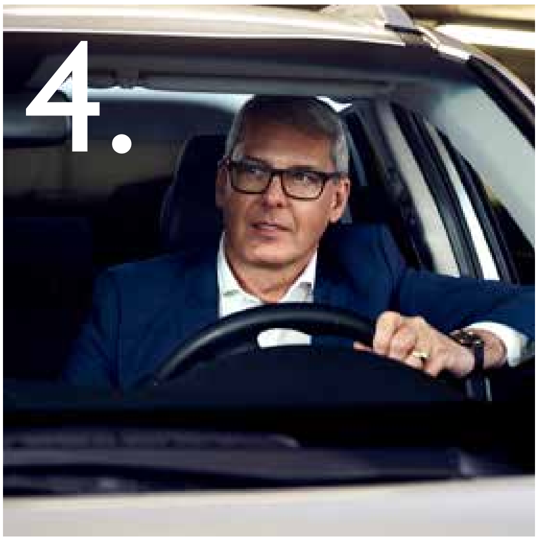
Mekonomen's share is listed on Nasdaq Stockholm, in the Mid Cap segment and is traded under the MEKO ticker.



Pehr Oscarson, President and CEO, Mekonomen Group.

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Mekonomen Group's formal Annual Report comprises pages 35–85. 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 29. 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.

THE WHOLESALE BUSINESS BILEKO WAS ESTABLISHED IN 1973 BY MEKONOMEN'S FOUNDERS.

2017 IN BRIEF

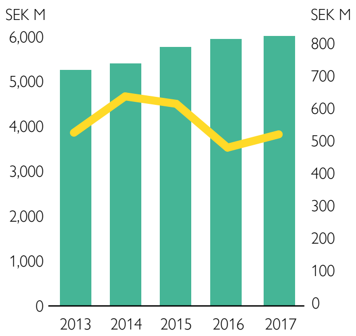
- Revenue rose 1 per cent to SEK 6,000 M (5,937). Adjusted for currency effects and counted on a comparable number of weekdays, revenue rose 1 per cent. Sales in comparable units rose by 1 per cent in local currency.
- EBITA increased to SEK 649 M (594) and the EBITA margin increased to 11 per cent (10).
- EBIT increased to SEK 522 M (481) and the EBIT margin increased to 9 per cent (8). EBIT was positively impacted by items affecting comparability of net SEK 0 M net (negative: 58).
- Gross margin increased to 54.6 per cent (53.6).
- Earnings per share before and after dilution increased to SEK 10.05 (9.32).
- Cash flow from operating activities amounted to SEK 496 M (544).
- Net debt amounted to SEK 1,444 M (1,437).
- The Board proposes a dividend of SEK 7.00 (7.00).

FINANCIAL SUMMARY

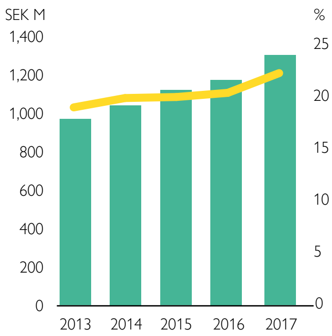
Key figures[1]	2017	2016	2015
Revenue, SEK M	6,000	5,937	5,761
EBITA, SEK M	649	594	726
EBIT, SEK M	522	481	616
Profit for the year, SEK M	368	342	430
Earnings per share, SEK	10.05	9.32	11.77
EBITA margin, %	11	10	13
EBIT margin, %	9	8	11
Cash flow per share, SEK[2]	13.8	15.1	12.2
Dividend per share, SEK[3]	7.00	7.00	7.00
Return on shareholders' equity, %	16	15	20
Equity/assets ratio, %	43	43	40
Net debt/EBITDA, multiple	2.03	2.19	2.07

[1] All amounts and key figures refer to the continuing operations except cash flow, equity/assets ratio and net debt/EBITDA.
[2] From operating activities.
[3] The Board's proposal for 2017.

Revenue and operating profit[1]



Working capital[1]



[1] For all years presented, discontinued store operations in Denmark have been excluded.

SIGNIFICANT EVENTS DURING THE YEAR

Jan: Milestone – more than 1 million loyalty customers.

Mar: Pehr Oscarson appointed President and CEO of Mekonomen Group.

Apr: Services to our own workshop customers were expanded with recruitment support to contribute to covering the direct need for 100 new automotive technicians within the Group.

May: A flexible new payment solution for Mekonomen's customers – text message with information, invoicing and more when the car is ready.

Jun: Central warehouse – the foundation for the new building was poured.

Aug: Åsa Källenius new CFO for Mekonomen Group.

Sep: Mekonomen – for the fourth consecutive year named Sweden's strongest brand in the Car parts and workshops category, according to Evimetrix.

Oct: Speedy Bilservice Vällingby was named Sweden's best workshop by Lasingoo's customers for the second consecutive year.

Oct: Central warehouse – the shell of the new building was completed.

Nov: New Group Management appointed for Mekonomen Group. The change applies as of 1 January 2018.

Nov: Central warehouse – deployment of the new Warehouse Management System (WMS).

THIS IS MEKONOMEN GROUP

Mekonomen Group consists of the leading car service chains in the Nordic region with a proprietary wholesale operation, more than 330 stores and over 2,000 affiliated workshops operating under the Group's brands. We have one thing in common: we make car life simpler and more affordable for our customers. We do so through a broad and accessible range of affordable and innovative solutions and products for consumers and companies.

VISION

Our vision is to be the car owner's first choice and strive for a simpler and more affordable car life.

BUSINESS CONCEPT

Mekonomen Group's business concept is to offer consumers and companies solutions for a simpler and more affordable car life by using clear and innovative concepts, high quality and an efficient logistics chain.

MEKONOMEN AS AN INVESTMENT

- Market leader in our main markets of Sweden and Norway.
- Entrepreneurship and high level of expertise among our employees.
- Strong brands and well-known concepts.
- Broad customer offering to consumers and companies.
- Size advantage/purchasing power.
- High direct return.
- ProMeister and the ProMeister Academy.
- Ambition to lead the development of the industry.

OUR CUSTOMER GROUPS

Net sales by customer groups

Affiliated workshops: 37%

Other B2B customers: 38%

Consumers: 19%

Partner stores: 6%

Revenue 2017, SEK M

6,000

Number of employees in the Group, 31 December 2017

2,286

Number of affiliated workshops

2,045

Market share[1] Sweden

15%

Number of stores

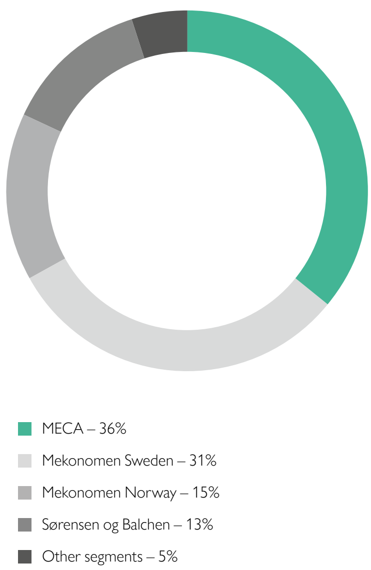
336

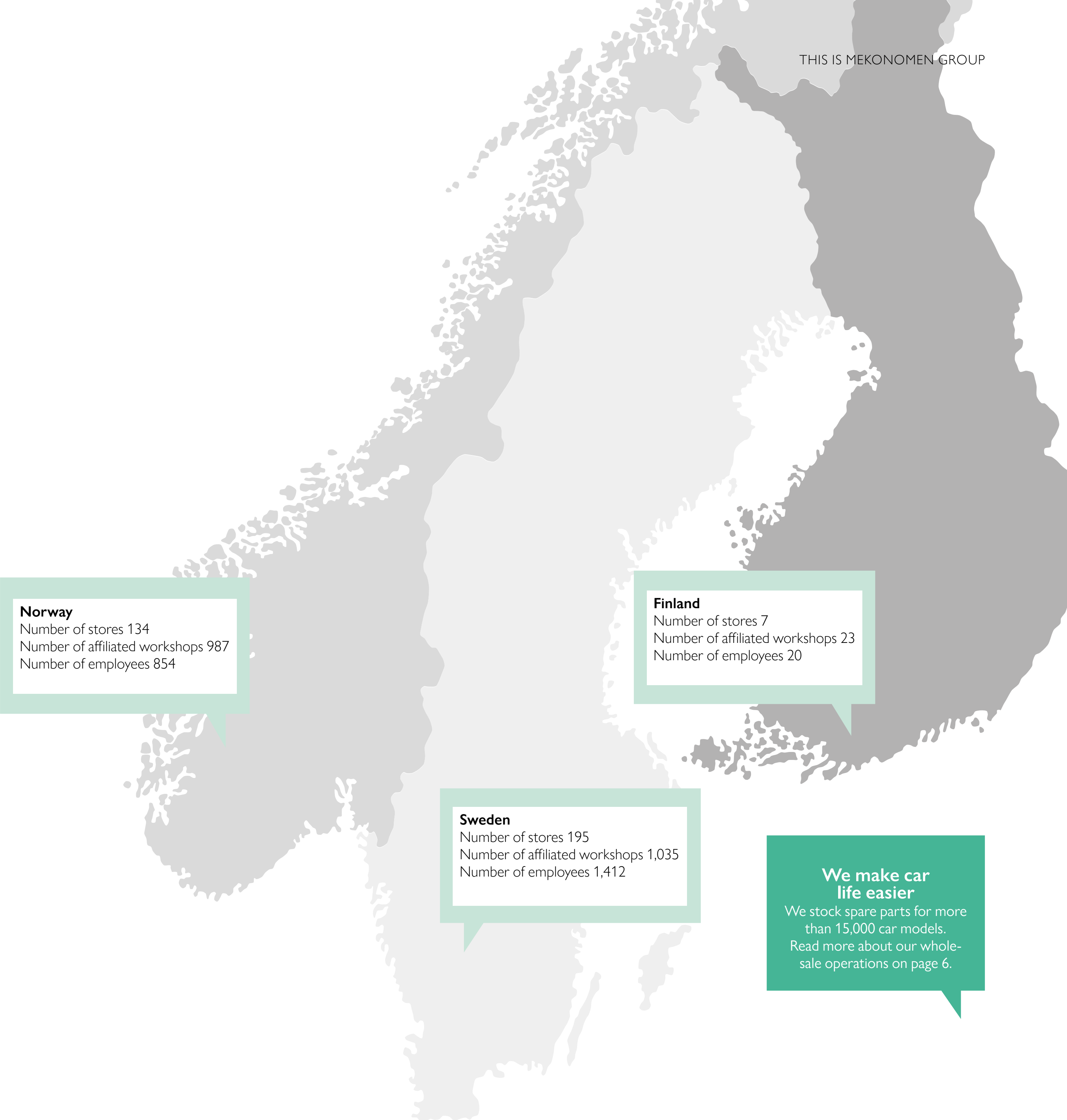
Market share[1] Norway

25%

1) Proportion of spare part sales to workshops.

Net sales divided by segment





We make car life easier
We stock spare parts for more than 15,000 car models. Read more about our wholesale operations on page 6.

OUR TEN STRATEGIC BRANDS

Mekonomen, PREQAS, carwise, MECA, speedy bilservice, BCP, BILVERKSTAD MekoPartner, BilXtra, ProMeister, intermeko EUROPE

SUSTAINABLE BUSINESS

All new supplier agreements for spare parts include a clause on compliance to the UN Global Compact's principles. Today, suppliers that account for more than 92 per cent of our purchases have signed our clause or presented their own corresponding policy. Read more about our sustainability work on pages 20-31.

MAKING CAR LIFE EASIER

When the surrounding world changes at a rapid pace and with it the conditions of doing business, we have to be able to listen and act quickly to keep our leading position. This is why we created an organisation during the year with more efficient decision making.

"TO CONTINUE CREATING WORLD-CLASS CUSTOMER VALUE AND LIVING UP TO OUR MOTTO - MAKING CAR LIFE EASIER - IT IS IMPORTANT THAT WE ARE IN THE FOREFRONT."

I formally became the President and CEO of Mekonomen Group in the first quarter of 2017. One of the things I have worked on from day one is creating an organisation and Group Management that is adapted to the changing world we live in. The result is that today we have a new, broader Group Management team that includes the managers of all of our market companies. They are the ones who really have their ears to the ground and understand the customers' needs and how customer behaviour can be developed. The new organisation provides conditions for more decisions to be made closer to the customers and our business.

To continue creating customer value and living up to our motto, "making car life easier", it is important that we as industry leaders are in the forefront with innovation and development.

A changing market

The market we act in is undergoing several major changes. The way we use, own and view our car and our car ownership is different today than just a few years ago. The technology in the cars is undergoing major changes, where online functions in the car and various types of electric motors are a few examples of this.

In 2017, the market was neither strong nor weak. Sales varied between the quarters, where the first and third quarters were somewhat worse while the second and fourth quarters were stronger. Sales being somewhat lower at the beginning of the year is due in part to the mild winter.

The trend in Norway was somewhat more challenging than in Sweden with higher competition and weaker consumer business.

Prior experience: Senior positions in MECA since 2001 and before that the President of Swecar AB
Number of shares: 18,500.

A year of transformation in Mekonomen Sweden with a stable closing

In Mekonomen Sweden, 2017 was a year of transformation where focus was on reintroducing a more decentralised organisation and creating calm to work for the employees. In the second quarter, we saw signs of a stabilisation in the organisation and that we had formed the right conditions to turn the weak development. I am proud that we were able to see a stabilisation in the fourth quarter in sales and profitability as well. The work of winning back market shares remains a challenge, but I am certain that we have the right people and tools to succeed.

Innovation in products, services and working methods

To constantly be able to offer the best customer value, innovative strength needs to exist throughout the Group. It is a matter of developing new services that we can offer our affiliated workshops and end customers, but also smart ways of improving our internal systems and approaches with new technology. In 2017, we acquired 20 per cent of the technology company Swedspot that develops the digital driver experience in new and older cars. As a market leader, we see the acquisition as a strategically important piece of the puzzle to develop the modern workshop with valuable services for car owners.

One of the largest changes in our market is of course the transition towards a fossil-free vehicle fleet that entails growing numbers of electric powered and rechargeable vehicles on our roads. In extension, this entails a change in what kind of service our workshops will carry out and how often. As early as 2016, we opened the first pure electric car workshop in Norway and in 2017, several workshops in Sweden and Norway were adapted to

Pehr Oscarson took office as the President and CEO on 1 March 2017 after having been the acting President and CEO since October 2016.

be able to service electric and hybrid cars. Our industry-leading workshop chains should be the obvious choice for owners of electric and hybrid cars as well.

Our successful work with ProMeister continued in the past year. The rate at which we launch new categories has been somewhat lower, however, which is because the categories we are developing now that we plan to launch in the future are more complex. The more complex they are, the more time is needed for testing and quality assurance. With the market's longest warranty periods, ProMeister has established itself as a high-quality brand and we make no compromises on quality when new categories are to be launched.

At the end of 2017, Mekonomen Norway began the implementation of our new digital spare parts catalogue, which has been a long and important project. The roll-out is continuing in 2018 to our companies in Sweden and other companies in Norway. In parallel with this, the work on our new central warehouse in Strängnäs was intensive. Both of these projects are good examples of how we constantly develop our processes and our working methods, which in turn increases the value of our offering.

More automotive technicians are needed

There is a major shortage of automotive technicians throughout the Nordic region. This is because the interest in the profession is low among young people, but also because the quality of the vehicle mechanic upper-secondary programme is not good enough. Of those who attend the programme, the percentage of those who are employable is too low. To resolve this, Mekonomen Group began upper-secondary programmes in Lund and Stockholm in 2017. Already from the beginning, the students are out and practising in the workshops and I am convinced that this is absolutely crucial for them to learn the latest technology and be ready for a real job after graduation.

It feels really good that we, as a leading actor, can contribute to the positive development of our entire industry. And there is plenty of work for skilled automotive technicians, as we know that there is a great need for new employees in our own chains. It is also a profession that has undergone major changes and is today characterised by high-tech rather than dirty workshop floors.

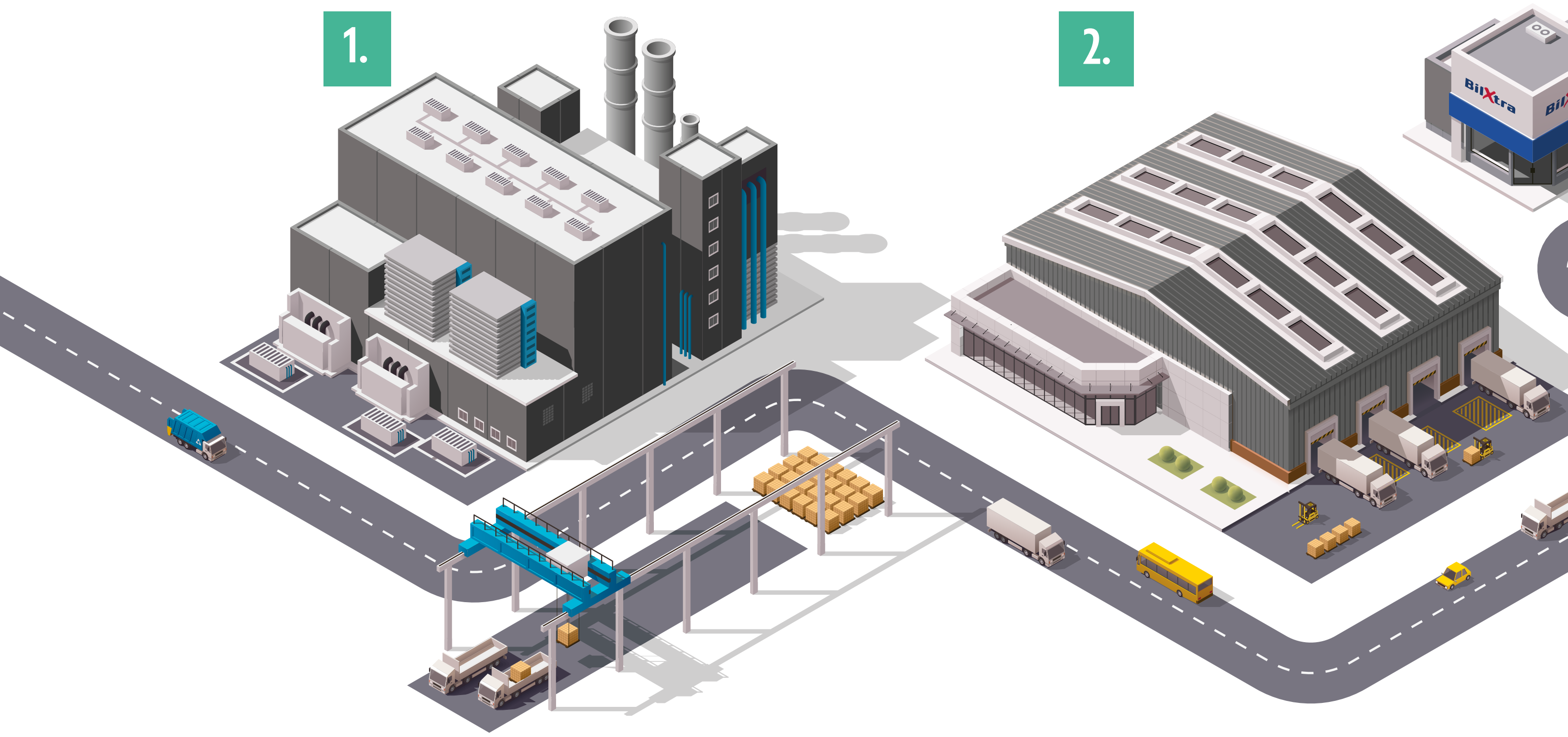
Backed by hard work – every day

Although 2017 was a year of major changes both in and around Mekonomen Group, our employees have worked extremely hard every day. I would like to take this opportunity to thank everyone for 2017 and I am looking forward to continuing to work with you with great commitment.

For the upcoming year, our most important priorities will be to create growth by developing the customer offering, increasing the number of affiliated workshops, continuing to streamline our processes and systems and actively seeking acquisition opportunities.

This is a challenging to-do list, but given our position in the market, our strong brands, clear concepts and our skilled employees, I am very much looking forward to making our plans a reality.

Pehr Oscarson, President and CEO



OUR BUSINESS MODEL

Mekonomen Group works in the aftermarket for cars and light trucks. Our business model comprises the whole chain from purchasing and stock-keeping of spare parts and accessories to B2B and B2C sales. We create value for our customers and owners by offering affordable services and products with high quality. Our competitiveness is based on that we buy quality spare parts and accessories in large volumes, combined with an efficient wholesale operation. We also offer a wide network of workshops and stores with well-trained employees.

1. Suppliers

Purchases of spare parts take place from the same suppliers that supply the car manufacturers. About 80 per cent of the product supply is obtained through purchases from 160 suppliers.

All new suppliers sign an agreement clause on the UN Global Compact. Today, 92 per cent of all suppliers have signed our agreement clause or presented their own corresponding policy.

We conduct internal audits based on quality, the environment and social requirements on all suppliers of our own brand ProMeister.

The product range is quality audited through independent actors and in our test laboratory Intermeko in Poland (jointly owned with the Polish car part company Inter Cars).

2. Wholesale business

Purchases for our three central warehouses and two regional warehouses in the Nordic region take place through a common purchasing function in the Group.

In the central warehouses, 60,000-70,000 articles for more than 15,000 car models are kept in stock. Wholesale sales of spare parts and accessories are made to the Group's stores and departments.

The ongoing central warehouse project where MECA and Mekonomen in Sweden are getting a joint central warehouse in Strängnäs, outside of Stockholm, aims to streamline and optimise the product flow in the Group. Among other things through a new automated warehouse solution. The transition to a common central warehouse will take place continuously until 2020.

3. Stores/departments

MECA owns a broad network of departments in Sweden and Norway. The departments provide sales of spare parts, tools and consumables to affiliated MECA Car Service workshops, other workshops and other B2B customers.

All facilities in MECA are environmentally certified according to ISO 1400.

The majority of Mekonomen's stores in Sweden, Norway and Finland are wholly owned by Mekonomen. Stores in the chain are also operated by business partners through partnership models or franchise agreements together with Mekonomen. The stores sell spare parts, tools and consumables to affiliated Mekonomen Service Centres, MekoPartner workshops, Speedy workshops, other workshops and other B2B customers. Through the stores and e-commerce, Mekonomen also sells spare parts and accessories to consumers. Mekonomen's stores in Sweden are ISO-certified according to ISO 1400, OHSAS 18001 and ISO 9001 (environment, work environment and quality).

BilXtra operates wholly owned, partly owned and franchise stores in Norway. Sales of spare parts, tools and a range of consumables are made to affiliated BilXtra workshops and other workshops. Through stores and e-commerce, BilXtra also sells spare parts and accessories to consumers.

4. Workshops

Our affiliated workshops and other workshop customers offer workshop services, such as service and repairs of cars and light trucks, to consumers and companies.

The workshops service and repair most car brands and models in the Nordic market. The automotive technicians are offered continuous skills development through the Group's own training centre ProMeister Academy, to get knowledge of new technology in pace with the car manufacturers' development.

5. Car owners

With our three store concepts and five workshop concepts, we target all car owners in the Nordic market. The car owners are offered workshop services, such as service and repair, and products for the car, such as spare parts and accessories. In order to simplify the car life for our customers we offer car wash, car glass services, vehicle inspections and other services related to the car life, in many of our facilities. We do this under our own management or through partners.

We shall deliver a clear customer value to our customers. They should perceive us as affordable an innovative with a high quality and high degree of customer service.

Generated value from customers [1)]

- Affiliated workshops 37%
- Other B2B customers 38%
- Consumers 19%
- Partner stores 6%

Distribution of financial value [2)]

- Suppliers, spare parts & accessories 46%
- Suppliers, other products & services 21%
- Employees 19%
- Society 7%
- Shareholders 4%
- Lenders, financial partners 1%
- Kept in the operations 2%

Revenues - generated value from customers

Mekonomen Group's revenues mainly come from the sale of spare parts, tools and consumables to our affiliated chain workshops and sales to other B2B customers. The third largest source of income is the sale of spare parts, accessories and services directly to the consumer.

Distribution of financial value to our stakeholders

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's intention is that corresponding to not less than 50 per cent of Mekonomen Group's profit after tax will be distributed to the shareowners in form of a paid dividend. Our lenders get financial value mainly in the form of interest. We generate value to society by paying taxes and social security contributions.

1) The percentages are based on net sales of SEK 5,850 M, i.e. revenue less other operating income of SEK 150 M.
2) Revenue less depreciation, amortisation and impairment, totalling SEK 5,812 M.

GOALS AND GOAL FULFILLMENT

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

Sales growth

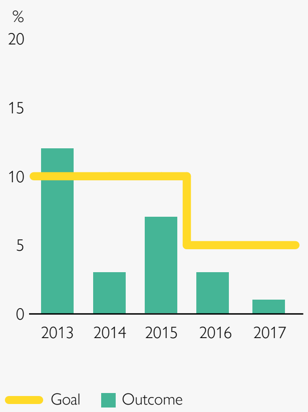
The target is to achieve an annual sales growth of at least 5 per cent, as a combination of organic and acquired growth.

>5%

Outcome

In 2017, the Group's sales increased 1 per cent (3). Growth was negatively affected by the weak sales trend in Mekonomen Sweden during the year. MECA, Mekonomen Norway and Sørensen og Balchen had a good sales growth.

Sales growth[1)]



EBIT margin

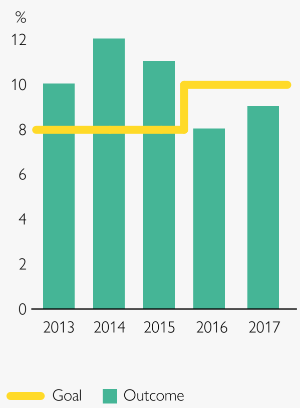
The target is to annually achieve an EBIT margin in excess of 10 per cent.

>10%

Outcome

The EBIT margin increased to 9 per cent (8) for 2017. The margin was positively impacted by higher profitability in Mekonomen Sweden and the full effect from the implemented cost savings programme, as well as the positive effect from items affecting comparability compared with 2016. At the same time, the margin was negatively impacted by higher sales of accessories in Norway, and increased costs in Mekonomen Norway.

EBIT margin[1]



Equity/assets ratio

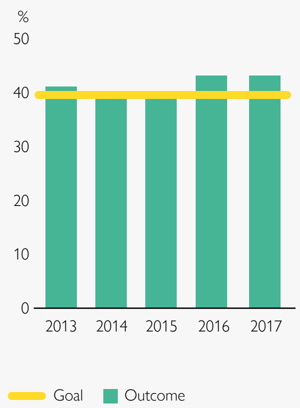
The target is that the equity/assets ratio shall not in the long term be less than 40 per cent.

>40%

Outcome

The equity/assets ratio amounted to 43 per cent at 31 December 2017 compared with 43 per cent at 31 December 2016.

Equity/assets ratio



[1)] Adjusted goal as of 2016.

Net debt/EBITDA

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

<2.0

Outcome

Net debt/EBITDA was 2.03 (2.19) for 2017. The decrease is due to an improved EBITDA result at the same time as the net debt was in line with 2016. EBITDA was affected positively mainly by the stabilised development in Mekonomen Sweden and the implemented cost savings programme.

Net debt/EBITDA[1)]

Dividend ratio

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

>50%

Outcome

The Board proposes a dividend of SEK 7.00 (7.00) per share for 2017. The proposal corresponds to 70 per cent of the profit for the year.

Dividend ratio

Responsible purchasing

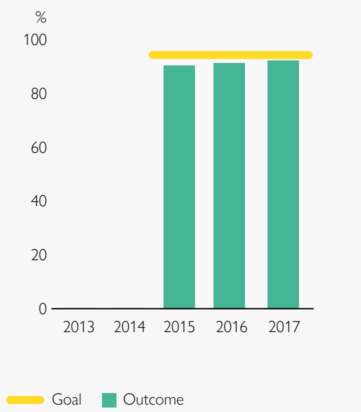
The goal is that main suppliers of products that account for 95 per cent of the Group's purchasing volumes have signed the agreement clause on compliance with the UN Global Compact by 2020.

>95%

Outcome

Main suppliers of products that account for more than 92 (91) per cent of our purchases have signed our agreement clause or presented their own corresponding.

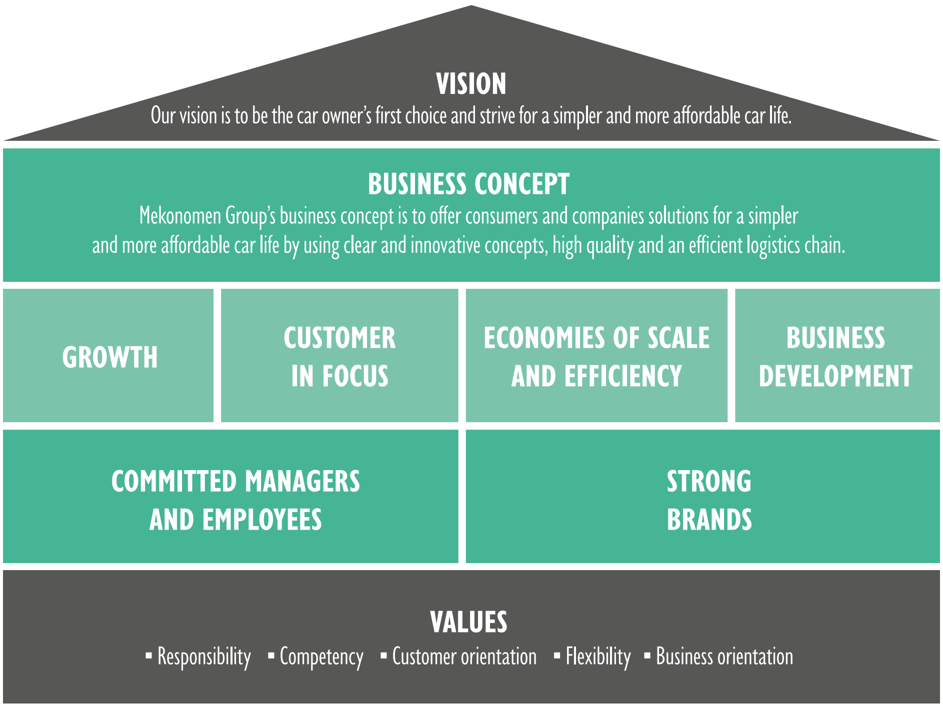
Responsible purchasing [2)]



[1)] New goal as of 2016.
[2)] This goal was introduced in 2015.

PROFITABLE GROWTH

Mekonomen Group's strategy is to grow with good profitability. We generate this by having a strong customer focus, utilising our economies of scale and continuously developing our business to offer both consumers and companies solutions for a simpler and more affordable car life.



It is basically our core values - Responsibility, Competency, Customer orientation, Flexibility and Professionalism - that permeate our actions and reflect what Mekonomen Group stands for. Our foremost assets are our committed managers and employees and our strong and differentiated brands. The strategy is an action plan that will lead us to our long-term goals and create value growth for our shareholders.

Growth

The largest focus for Mekonomen Group is to generate sales growth in all of our Group companies. By using our differentiated brands in the various companies, we have a greater opportunity to meet the customers' various needs. To create growth, it is important that we assure quality the customer experience, both at our stores and affiliated workshops, and lead the industry's development of future product and service offerings.

Customer focus

The customer in focus is about us creating value for our customers and partners and thereby becoming successful ourselves. With our various concepts, we want to attract car owners to our stores and workshops, both proprietary and affiliated. Listening to our customers and being a good partner to our affiliated workshops is crucial to Mekonomen Group's success. One of our most important focus areas is therefore to support our affiliated workshops to jointly offer our existing and new customers added value, availability, affordability and provide solutions for the needs of the car owners.

Economies of scale and efficiency

We are streamlining the operations by utilising our economies of scale and creating a common platform in the areas where we see that we can obtain synergy effects. Through our size, we gain purchasing advantages that enable competitive offers, give us the possibility to invest in the customer offers of the future, logistics and support systems. In 2017, we worked intensively on the construction and preparations of a future Group-wide central warehouse in Sweden and developing a new and common e-commerce platform for the whole Group.

Business development

Business development and innovation symbolises the entrepreneurship that has historically been one of Mekonomen Group's main characteristics. In the world changing at an even faster pace that we are active in, it is important that we continue to constantly develop our business to be successful in the future as well. Innovation permeates everything we do, not just innovation close to the market, but also innovation in business structures and business flows, for example.

MARKET AND TRENDS

The aftermarket for car parts and workshop services in the Nordic region is a mature market with a growth of 1–2 per cent per year. The main drivers are the number of cars on our roads and how far these cars are driven.

In recent years, both the growth of the car fleet and how far the cars are driven have had a good development in our main markets of Sweden and Norway. A strong driver behind the growing car fleet is strongly increased new car sales. Since 2014, the number of newly registered cars has increased and in 2017, 392,728 new cars were registered in Sweden and 158,650 cars in Norway, according to SCB and OFV. The aftermarket for car parts and workshop services is not affected directly by more new cars sold. The cars have a larger effect on the aftermarket only after four to five years when the car parts begin to wear out and need to be repaired or replaced. In 2017, we did not see any notable effect of the recent years' new registrations, but as these cars age, we see a potential for a growing aftermarket for car parts and workshop services. This presupposes that scrapping or export of cars does not increase from today's level.

In 2017, the Godkänd Bilverkstad (Approved Workshop) was developed as a common Swedish quality standard for all of the workshops to relate to.

Data on markets and the competition situation is Mekonomen Group's own assessments unless a specific source is indicated. These assessments are based on the best and most recent factual documentation from published sources of macrostatistics and sources in our industry.

The market for car accessories is generally more sensitive to economic fluctuations than the market for spare car parts and the trend largely follows household consumption. In 2017, household consumption increased by 2.4 per cent in both Sweden and Norway according to SCB and SSB..

Consolidation in Europe is continuing

In Europe, a consolidation of the market for spare car parts is taking place where the actors are becoming fewer but larger. Through acquisitions, positions in new and existing markets are being strengthened and synergy effects are being created through larger purchasing volumes and more efficient logistics solutions.

The market for workshops is also undergoing change, where the larger workshops and chain workshops are growing in number. Small and medium-sized independent workshops are having a harder time to assert themselves in the competition as the technology in the cars is becoming more advanced. Major chains can offer adapted concepts, customised professional development, smart logistics solutions with an adapted product range and technical support, and it is therefore increasingly attractive for workshops to belong to a chain. The car owner is benefited since this contributes to more adapted and affordable services and products.

Decreasing difference between brand dependent and independent actors

The difference between brand dependent and independent actors is decreasing over time. We are active in the same market, but with different offerings and prices. The customer chooses the spare part distributor or workshop that they have confidence in and feel is most affordable.

Quality assured workshops

In 2017, the Godkänd Bilverkstad (Approved Workshop) was developed as a common Swedish quality standard for all of the workshops in the country to relate to. The quality standard not only ensures that an Godkänd Bilverkstad does the work professionally, but also that the workshop follows laws, rules and industry recommendations and has the right expertise and technology to do the work. In 2018, the implementation of the Godkänd Bilverkstad will begin in the Group's workshops in Sweden. In Norway, there were already requirements on certification and audit to be able to start a workshop.

Increase in Nordic market for car parts and workshop services, annually

1–2%

Increase in number of cars in traffic in Sweden 2017[1)]

1.6%

Increase in number of cars in traffic in Norway 2017[2)]

2.1%

[1)] Source: Trafikanalys.
[2)] Source: SSB.

TRENDS IN THE MARKET

Even if the market for car parts and car services is mature and relatively stable, it is affected by strong trends in society. A new generation of car owners is emerging with demands for digitalisation, environmental awareness and availability, among other things. It is important to have a well-supported understanding of how the market and our customers' needs are changing and how we are affected by it. By making use of these driving forces, we can create long-term and sustainable growth.

Trend 1. TALK WITH YOUR CAR EVERY DAY

Interior and engine heaters that are started with a mobile phone or getting a call from the workshop upon an engine fault before you are stuck on the roadside are examples of functions that are possible in connected cars. The entrance of digitalisation in the car simplifies daily life for car owners and increases safety on the road. New cars are equipped with the technology and an adapter is installed on older cars to be able to read off the information. By 2020, one quarter of a billion cars around the world are estimated to be connected according to the analyst firm Gartner and the market for digital services in cars is growing strongly.

The connected car simplifies matters for those who want to use a car, but not own it by the mobile phone becoming a digital car key to a network of cars. Digitalisation also supports the development of self-driving cars. Mekonomen Group sees new business opportunities with digitalisation and wants to be on the forefront of future development. In October 2017, we bought 20 per cent of the shares in the technology company Swedspot, an award-winning Swedish company that develops both new technology in new cars and the possibility for connecting older cars.

Trend 2. BUYING SPARE PARTS AND BOOKING SERVICE ONLINE

The digital development is fast and affect how workshops and car owners buy car parts and order workshop services. The demand for simplicity, transparency and availability has led to more purchases taking place online. The main part of Mekonomen Group's business customers already buy online since our spare parts catalogue out to the workshops is Internet based. Today, the online trade of accessories and spare parts to do-it-yourselfers and consumers constitutes a small part of our total sales, but is in an increasing trend.

At the end of 2017, small scale tests of our new spare parts catalogue were begun. It builds on the next generation e-commerce platform and will offer new opportunities of greater customer loyalty and other value in both B2B and B2C. The new solution will thereafter also replace our current e-commerce solutions to consumers.

Percentage of customers who buy online

>80%

Trend 3. PERCENTAGE OF ELECTRIC CARS IS GROWING, BUT FROM LOW LEVELS

In 2017, the strong growth of chargeable cars in the Nordic region continued. In Sweden, the increase was over 40 per cent and in the world-leading Norwegian market, more than one out of two new cars is rechargeable. In the short-term, we see no significant impact on the aftermarket of spare parts and workshop services as the growth of electric cars is taking place from a low level, but if the share of electric cars continues to increase, it will gradually impact the market. A large share of purely electric cars would mean that the need for certain components and services would decrease as these cars do not have a fuel system or gear box. This is weighed up to some extent by a higher demand for new components such as batteries and battery packs. At the same time, we see that an electric car demands about as much service and repairs as a car with a combustion engine. Electric hybrid cars, which are more common in Sweden than purely electric cars and are also increasing in popularity in Norway, consist of the same components as a car with a combustion engine as well as the components that an electric car requires.

Mekonomen Group wants to be involved in influencing the environment in a positive direction and sees major potential in being a leading actor in the aftermarket for green cars. Since the end of 2016, we have run our first purely electric car workshop outside Oslo where the electric car density is high. Through our own training centre ProMeister Academy, we train automotive technicians to handle electric cars and in 2017, 150 automotive technicians from our affiliated workshops attended the training. Besides rechargeable cars, cars run on ethanol, biogas or other renewable fuels and fuel-efficient petrol and diesel cars are also classed as green cars. Mekonomen Group already has capacity to service and repair these cars.

Percentage of rechargeable cars of new car sales in Norway, the world's fastest growing market for rechargeable cars

52%

Trend 4. NEED FOR MORE TALENTS

The cars on our roads are increasing in number and the technology content in them is becoming more advanced, which has resulted in a shortage of automotive technicians with relevant training. The shortage of automotive technicians, or vehicle technicians as we call them, with the right expertise is one of the greatest threats to the industry's growth. Most of the existing upper-secondary automotive programmes do not provide the knowledge the students need when they come out to the workshops. In a near future, Mekonomen Group will need 500 new employees for our workshops. The total need in the industry is 5,800 vehicle technicians. To support the affiliated workshops, we offer help from a central level to recruit new vehicle technicians, and continuing training and development of those who are already employees. We want to be proactive and create the vehicle technicians of the future. In 2017, we therefore began the automotive programme ProMeister Education together with Realgymnasiet in Stockholm and Lund, where the students are trained with adequate knowledge in modern vehicle technology.

Industry's total need for new vehicle technicians in the next few years

5,800

RISKS AND UNCERTAINTIES

Mekonomen Group's operations are, like all business operations, associated with risks that can negatively affect the Group and our stakeholders to varying degrees. Properly managed risks can instead add value and business benefit.

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

Market and competitors

Reduced overall market

Description: The market that Mekonomen Group is active in, 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, we have had a stable increase of both the number of cars and the mileages in our main markets of Sweden and Norway and we are counting on a market growth of 1-2 per cent in the next few years. A negative trend in the number of cars and mileage could negatively impact the Mekonomen Group's operations. The fact that the spare parts' quality and useful life increase over time is compensated by the parts becoming more expensive and the useful life of the cars increasing.

Handling: Mekonomen Group works continuously to ensure the strength of the concepts and maintain a high rate of innovation to keep or increase our sales even in a declining market.

Larger percentage of electric cars

Description: Electric cars have no combustion engine and a large percentage of electric cars in the market would lead to reduced demand in the industry's existing assortment and service. With a car fleet of more than 8 million cars in Sweden and Norway, a significant increase in the number of electric cars from today's level requires to have a substantial effect in the market in the next few years.

Handling: In 2016, we opened our first workshop solely focused on rechargeable cars. To future-proof all of our affiliated workshops so that they can service and repair rechargeable cars, we offer training in electric and hybrid vehicles through our own training centre ProMeister Academy. We are also increasing our assortment with spare parts and accessories for electric vehicles in pace with the growing demand.

Competition

Description: The competition regarding car part sales to workshops is extensive. The five largest players in the brand-independent trade, including MECA, Mekonomen and BilXtra, have an assortment that cover most car makes. In addition, a number of smaller actors, including digital actors and the brand-dependent actors, compete in the aftermarket for car parts. In terms of accessories, Mekonomen Group competes with a large number of players from various industries, including: petrol stations, the convenience-goods trade, electronic chains and stores for children's accessories. A significantly increased competition from one or more actors in the market may entail a risk of reduced market shares for Mekonomen Group.

Handling: Mekonomen Group focuses on the customer and continuously reviews and ensures that our customer offer is competitive both in terms of workshop customers and car owners. As over 80 per cent of Mekonomen Group's sales take place digitally, investments in our e-commerce offer are of major importance. To future-proof our digital customer offering, a strategic project is under way to modernise the digital spare parts catalogue. In 2017, a pilot of the new Group-wide catalogue was launched in Mekonomen Norway. The catalogue will be offered to both companies and consumers in all of the Group's business area..

Shortage of automotive technicians

Description: There is a shortage of automotive technicians in the market, which affects Mekonomen Group's affiliated and proprietary workshops. A shortage of automotive technicians with relevant training and experience can in the short- term reduce the possibilities of continued growth in the workshop business.

Handling: With strong brands and concepts, our training centre ProMeister Academy and our own upper-secondary school programme ProMeister Education, we are working continuously to attract people to the automotive technician profession. At the same time, we contribute to increasing the level of expertise among existing and new automotive technicians. To future-proof our affiliated and proprietary workshops, we expanded our customer offering to the workshops with staffing and recruitment services in 2017.

Operational risks

Employees

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

Handling: We believe that committed employees and managers create efficiency and increased sales. An important prerequisite for commitment is a clear direction for the Group and clear assignments for our managers and employees. In 2017, we introduced a number of activities and improvements to clarify the Group's direction. The work of identifying, analysing and minimising work environment risks in the operations is done at every level of the Group. Our work environment policy, together with employee talks, employee surveys and continuous dialogue, identifies irregularities, improprieties and other risk areas. Mekonomen Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. In 2017, Mekonomen Group had no reported cases of corruption, bad social conditions or human rights violations.

IT

Description: The company is highly aware that a coordinated IT structure provides the Group major benefits. This also entails major risks in the form of operational stops in common functions pertaining to the Group's systems for order and inventory management. There is also a risk of an external attack on the IT structure through viruses, hacking, digital trespassing and information theft.

Handling: An outage in the systems for order and stock management would negatively impact the deliveries to our customers. To ensure operations and prevent outages in data communication, doubled connections, among other measures, are used. To minimise the risk of external attacks on the IT structure, Mekonomen Group is protected by fire walls and works continuously to update antivirus protection and analyse threats and risks. In 2017, an action plan was begun to minimise the risk further. Mekonomen Group is connected to the credit management institutes's rules regarding Payment card industry data system security.

Fire

Description: A possible fire at any of the Group's central warehouses would entail significant negative consequences for the company's sales and delivery possibilities to our customers.

Handling: Fire safety is a prioritised area at all of our facilities, including our central warehouse, and extensive emphasis is assigned to prevention efforts. The Group has consequential-loss insurance if a fire were to occur.

Losses and value handling risks

Description: The Group's operations include sales and storage of a large number of products. Since a large portion of these products are theft-prone, there is always a risk of shrinkage. The Group's operations also include cash management, which entails a risk of theft, with respect to stores and transportation of cash to the bank.

Handling: At Mekonomen Group, work is continuously in progress around losses to define scrapping, internal consumption and actual theft. The work to combat shrinkage is based on the idea that it is important to focus on all types of shrinkage, for example, by reviewing order procedures, delivery checks and unpacking of goods. This will improve knowledge of procedures to manage shrinkage, while providing a basis for which goods are particularly theft-prone. In terms of value handling risks, Mekonomen Group strives to provide the same level of solutions for security services, security systems and cash management for all companies within the Group.

Merger of central warehouses

Description: We see major strategic gains in merging our two central warehouses in Sweden. The project of expanding the central warehouse in Strängnäs with a fully automated section, and thereafter also including MECA's central warehouse in the same building progressed according to plan in 2017. The project is business critical and associated with risks. For example, problems that arise during on-going construction and implementation that lead to operating outages or that the project does not result in the expected positive effects.

Handling: We evaluate the risks continuously throughout the course of the project. To minimise risks and delays in construction, we have established a project organisation and governance that enables rapid actions upon possible problems. Through expanded work on master data and product harmonisation, we ensure that we have the right assortment in the new warehouse. Risks upon implementation are minimised through an action plan for various scenarios that may arise upon unforeseen events.

Environmental risks within our own operations.

Description: Mekonomen Group's environmental impact in the Nordic region, through stores and workshops, mainly takes place in the areas of energy, transportation and the handling of chemicals. If our stakeholders do not have confidence in our environmental efforts, our operations can be negatively impacted. Possible violations of rules would have a legal impact and harm our brands.

Handling: Our proprietary operations in MECA Sweden, MECA Norway and Mekonomen Sweden have come the furthest in the environmental efforts. Among other things, all of these facilities are ISO certified according to ISO 14001. Certifications of the operations have entailed better control with clear processes to discover and manage deviations. Mekonomen Group's environmental efforts also include environmental policies, environmental handbooks, environmental management systems, training and product controls and we are signatories to the UN Global Compact since 2013. A more detailed description of our environmental efforts is in the chapter Environmental impact and energy consumption on page 27.

Sustainability risks among suppliers

Description: A large number of products and suppliers at a company is usually associated with a higher sustainability risk. Mekonomen Group holds more than 600,000 articles in our assortment that are purchased from a larger number of suppliers. This makes control and follow-up of quality of spare parts and product content as well as checks of suppliers in relation to corruption or human rights violations an extensive effort for us.

Handling: To simplify control of the supplier level and the supply chain, all major purchasing agreements are controlled by Mekonomen Group's joint purchasing organisation. Purchasing takes place mainly from European suppliers, which also deliver to the car makers. By being a customer of major and recognised suppliers, we benefit from the strict environmental requirements, health and safety requirements and anti-corruption work. Suppliers that account for more than 92 per cent of our purchases have signed our clause on compliance to the UN Global Compact or presented their own corresponding policy. Our employees sign and must follow the Group's Code of Conduct where information on corruption is included. They are encouraged to report improprieties, where our whistle-blower function is an important tool. In 2017, Mekonomen Group had no reported cases of corruption or human rights violations. A more detailed description of our environmental efforts on the supplier level is in the chapter Supplier level, quality and the environment on page 26.

Financial risks

Description: Mekonomen Groups financial risks mainly comprise of currency, credit, interest-rate and liquidity risks. See Note 37 for a description of the financial risks. In the Corporate Governance Report on pages 41-49, there is a description of the internal control and risk assessment that aim to prevent misstatements in the financial statements.

OUR BRANDS

We are convinced that the combination of differentiated concepts and brands towards selected target groups and a strong common purchasing function generates growth.

”FIVE WORKSHOP CHAINS WITH DIFFERENTIATED CONCEPTS AND BRANDS”

Our core business is selling car-related services and products to workshops and consumers.

Within Mekonomen Group, there are three workshop and store chains: MECA, Mekonomen and BilXtra (which operates under the wholesale company Sørensen og Balchen), and two workshop chains: MekoPartner and Speedy. The chains are largely active in the same geographic markets, but with different concepts, offers and solutions to meet the needs of car owners in the Nordic market.

In addition to the workshop concept, we have brands for proprietary products, services and stores that strengthen the Group's core business.

Bileko Car Parts – purchasing and supply chain

Bileko Car Parts is the brand name for our upcoming common central warehouse and purchasing and supply chain organisation in the Group. The Bileko brand name was the name of the wholesale operation that later became Mekonomen and hence the foundation of the Group as it looks today. Read more about Bileko on page 18.

ProMeister and Carwise – own product range and workshop services

Under our own brand, ProMeister, we offer more than 10,000 spare parts, consumables and tools. The spare parts match original part quality at a better price and come with the industry's longest product guarantee – 5 years.

Under the brand ProMeister Solutions, we offer workshop services to affiliated, proprietary and other workshops, such as technical support, skills development, recruitment of automotive technicians, and business systems and profitability development.

In Asia, we established a purchasing office ProMeister Global with the aim of developing a close cooperation with suppliers and to more easily be able to do internal audits.

Carwise is the Group's own affordable range of car accessories.

Intermeko – quality laboratory

Together with the Polish car part company Inter Cars, we own a test laboratory in Poland. Here, function and quality tests are done on the Group's product range with particular focus on comparative tests between products in our own brands and other ranges in the market.

Lasingoo and Swedspot – investing in operations that strengthen the core business

We are part owners in Lasingoo (16.7 per cent ownership), a digital search engine for comparing workshop services, and Swedspot (20 per cent ownership), which develops digital technology in new and older cars. The investments have been made to effectively benefit from innovation and business development that complements our core business.

Preqas and JB Maskinteknik – equipment and tools for professional workshops

In the subsidiaries Preqas and JB Maskinteknik, we offer workshop equipment, tools and services to Mekonomen Group's concept workshops, as well as other workshops in the industry. The operations supplement the Group's core business and entails a complete offering to our affiliated concept workshops.

We service more than 2 million cars in the Group's workshops every year.

MECA as a brand is strong among B2B customers, including professional workshops.

MECA

MECA's vision is to be the most sought-after and successful partner to professional workshops. Sales are primarily made to B2B customers. This includes the own workshop concept MECA Car Service, the cooperating workshop chain Bosch Car Service, and the store and petrol chain OKQ8. MECA also sells directly to companies and organisations, so-called fleet customers. The company is successful when it comes to taking market shares in the public sector.

MEKONOMEN

Mekonomen's vision is to be the car owner's first choice and strive for a simpler and more affordable car life. The business model comprises sales to both B2B and B2C. Sales taken place through physical stores and online. The large customer groups include the proprietary workshop concepts Mekonomen, MekoPartner and Speedy. The company also has large corporate customers in the fleet business and sales to other B2B customers. In 2017, for the fourth consecutive year, Mekonomen won the award for the strongest brand in the industry "Car parts and workshops" (Swedish Brand Award).

Mekonomen has the strongest brand in the industry among car owners.

BilXtra is a well-known brand in Norway, mainly as a leading actor for car accessories.

BILXTRA

BilXtra's vision is to supply spare parts, car accessories and knowledge to car owners and professional workshops in all of Norway, with efficiency and profitability. The store and workshop chain BilXtra is operated under the wholesale company Sørensen og Balchen. Sales are made to B2B and B2C through stores and online.

BilXtra is especially successful and a leading actor when it comes to the accessory range. Within the Mekonomen Group, BilXtra is the company with the highest sales of the proprietary accessory range Carwise.

BILEKO – HISTORIC BRAND

The Group's new central warehouse will be operated under the brand Bileko Car Parts. Bileko, the name of the company that founded Mekonomen Group, is now becoming the brand of one of Europe's leading and most cost-effective product flows in the industry.

Central warehouse project

The new modern central warehouse, together with the purchasing and supply chain organisation in the Group, will be operated under the brand Bileko Car Parts. The central warehouse project was initiated in 2016 to streamline the wholesale structure through the merging of MECA's and Mekonomen's existing central warehouses in Sweden. The project is calculated to provide savings of SEK 50 M per year beginning in 2020 when the new structure is fully implemented.

Bileko – the company that founded Mekonomen Group

The wholesale operations Bileko was founded in 1973 by the two entrepreneurs Ingemar Fraim and Leif Möller. At the beginning, focus was on selling exhaust systems since they wore out the fastest in the cars. With a small facility as a base, they drove around in Stockholm in an old Mercedes and could deliver spare parts within two hours from the repair stations calling and ordering. The concept of fast deliveries proved to be very successful and soon, the product range was expanded with brakes, front ends, wheel bearings and other spare parts. The founders decided in the mid-1980s to expand and therefore bought the store chain Mekonomen in 1987 then with 17 stores. Through this acquisition, access was obtained to the flow between manufacturers and retailers and the possibility of cultivating the market all the way to the end customers.

In 1996, the name of the wholesale operation was changed from Bileko to Mekonomen Grossist. Soon thereafter, the business had outgrown the old warehouse and operations were then moved to a 20,000 square metre facility in Strängnäs.

On 29 May 2000, Mekonomen was listed on the Stockholm Stock Exchange's O list. In connection with the listing, the well-known spare parts catalogue was digitalised, which means that car owners today easily can enter their registration number and directly find out what spare parts are available for their particular car.

By 2020, nearly 50 financial years since the company was founded, Bileko will be the name of one of Europe's leading and most cost-efficient product flows in the industry.

The wholesale business Bileko was established in 1973 by Mekonomen's founders.

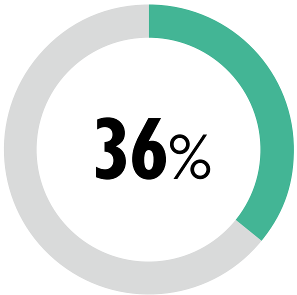
MECA Scandinavia – key figures 2017 and 2016

	2017	2016
Net sales (external), SEK M	2,108	2,039
EBITA, SEK M[1)]	257	217
EBIT, SEK M[1)]	242	205
EBITA margin, %[1)]	12	10
Operating margin (EBIT margin), %[1)]	11	10
Number of stores/of which proprietary	86/76	85/75
Number of MECA Car Service workshops	722	711
Average number of employees	725	751

1) Including negative non-recurring items of SEK 0 M (25).

MECA Scandinavia is a market leader in spare car parts in Sweden and Norway.

Share of the Group's net sales

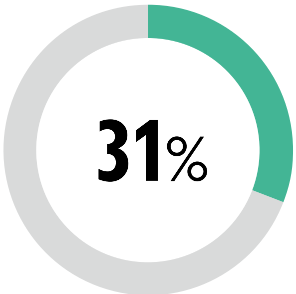


Mekonomen Sweden – key figures 2017 and 2016

	2017	2016
Net sales (external), SEK M	1,816	1,891
EBITA, SEK M	209	190
EBIT, SEK M	196	187
EBITA margin, %	11	10
EBIT margin, %	10	10
Number of stores/of which proprietary	133/113	132/112
Number of Mekonomen Service Centres	411	427
Number of MekoPartner Workshops	141	127
Average number of employees	680	706

Mekonomen is the leading car service chain in the Nordic region, with operations in Sweden, Norway and Finland.

Share of the Group's net sales

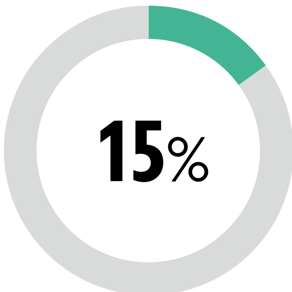


Mekonomen Norway – key figures 2017 and 2016

	2017	2016
Net sales (external), SEK M	867	836
EBITA, SEK M	117	132
EBIT, SEK M	117	132
EBITA margin, %	13	15
EBIT margin, %	13	15
Number of stores/of which proprietary	42/32	45/32
Number of Mekonomen Service Centres	335	339
Number of MekoPartner Workshops	95	93
Average number of employees	275	263

Mekonomen is the leading car service chain in the Nordic region, with operations in Sweden, Norway and Finland.

Share of the Group's net sales

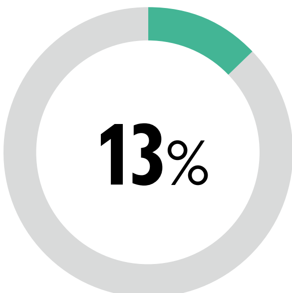


Sørensen og Balchen – key figures 2017 and 2016

	2017	2016
Net sales (external), SEK M	778	725
EBITA, SEK M	120	117
EBIT, SEK M	120	117
EBITA margin, %	15	16
EBIT margin, %	15	16
Number of stores/of which proprietary	68/39	72/37
Number of BilXtra workshops	258	255
Average number of employees	253	257

Sørensen og Balchen conducts wholesale, store and workshop operations.

Share of the Group's net sales



OUR WORK ON SUSTAINABLE DEVELOPMENT

As an industry leader, our decisions and priorities have a direct impact on our employees and customers, the industry as a whole and our surrounding world. Consequently, we have to take responsibility and be on the forefront with regard to sustainability in our industry. Sustainability should be an integrated part of the business operations where the work to achieve set targets contributes to creating value for the company and our stakeholders.

The Sustainability Report is prepared based on the significant areas prioritised based on internal and external stakeholders' view of which sustainability issues are the most important for Mekonomen Group. The work of analysing significant areas began in 2014 and was then supplemented with an analysis of the Group's work in relation to the UN Global Compact to which Mekonomen Group has been a signatory since 2013. In 2017, an analysis was done of the Group's work in relation to the Annual Accounts Act and new requirements under GRI standards.

The materiality analysis was also put into a broader perspective with consideration of Mekonomen Group's business strategy and competitiveness, as well as national and international trends, standards, expectations, guidelines and laws that are relevant to a responsible and sustainable business.

Mekonomen Group commits, in all levels of its business, to comply with the UN Global Compact's principles on human rights, working conditions, the environment and anti-corruption. A clause regarding fulfilment of the UN Global Compact is included in all new and renewed supplier agreements. The principles are also a apart of the Group's Code of Conduct. The 2017 Sustainability Report also constitutes our Communication on Progress Report to the UN Global Compact.

Significant areas

Our most important sustainability issues have been prioritised into seven focus areas: Customer Satisfaction, Product and Workshop Quality, Training, Managers and Employees, Diversity, Responsible Purchasing, and Transports and Energy Consumption. The areas that primarily concern our external stakeholders are Customer Satisfaction, Product and Workshop Quality, Responsible Purchasing and Transports and Energy Consumption. An important customer group comprises our affiliated workshops, which means that the area of Training is also a focus area from an external perspective. All areas concern our internal stakeholders and have an impact and are managed in the Group.

Our sustainability efforts should contribute to business value:

- Higher sales and growth.
- Reduced business risks.
- Greater expertise and quality in our workshops.
- Securing the future supply of automotive technicians.
- Strong, well-developed leadership and committed employees who are our ambassadors.

Vision until 2020:

- Enable recruitment of 500 automotive technicians.
- Employee Satisfaction Index (ESI): 95.
- 35 per cent women in senior positions.
- 95 per cent of the Group's automotive technicians annually participate in ProMeister Academy courses.
- All employees have undergone training in the Group's Code of Conduct, the whistle-blowing function and corruption policy.
- Main suppliers of products that account for 95 per cent of the Group's purchasing volumes have signed the UN Global Compact.

Organisation and governance

The sustainability work within Mekonomen Group is an integrated part of the operations as a part of the on-going business activities. The responsibility for the strategic sustainability work, as well as targets and follow-up rests with Group Management. The Board of Directors follows up the work in the Group Management's reporting. The operational work is

Mekonomen Group has been a signatory to the UN Global Compact since 2013.

driven by the manager or president of the respective business areas in collaboration with the managers for the environment and quality in the respective Group companies. The work on our focus areas takes place at different levels and scopes in the Group's companies. We began work to coordinate the sustainability work in the Group with strategies and targets for a common minimum level until 2020.

Sustainability deviations between our geographic markets

The countries in the Nordic market where the companies of Mekonomen Group are active (Sweden, Norway and Finland) have similar legislation in terms of our kinds of products and services. For some products, including chemical products, the legislation differs between the countries. If a product is not permitted in a country, the article is blocked for sale in that country's product catalogue. A characteristic for permitted products is that they always have a data safety sheet and product note in that country's language.

The services that we offer are not prohibited in any of our markets. However, the markets have to some extent different rules to be able to operate an auto workshop. The regulations on what type of services that a single actor may offer are also different. In Norway, special authority requirements are set in order for a business to be able to operate a workshop. In Finland, there are no such authority requirements beyond the rules that apply for all companies regardless of operations. In Sweden, the industry agreed in 2017 on the certification as an Godkänd Bilverkstad (Approved Workshop). The Swedish certification is currently not compulsory to be able to operate an workshop. However, the implementation will make it clearer to car owners if a workshop has undergone independent inspections or not. All workshops within Mekonomen Group in Sweden will implement the new industry certification.

In addition to this, as a single actor in Sweden and Finland it is prohibited to offer workshop services, such as service and repair, combined with vehicle inspection services. A Norwegian actor may, however, offer both types of services after a special certification.

Significant sustainability areas, governance and follow-up 2017.

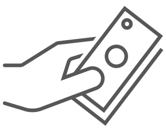
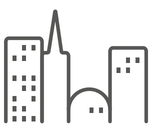
Area	Description	Governance	Follow-up
Customer satisfaction	Creating value for our B2B and B2C customers is important for the Group's profitability and growth. We need to develop our offering in pace with society's development and customer demand to create recurring and loyal customers.	Code of Conduct.	Stakeholder dialogue.
Product and workshop quality	Many of our products and services are directly linked to the car's safety. It is therefore critical that we offer a high quality and continuously quality assure products and workshop services.	Setting requirements in accordance with the carmakers' instructions. Supplier agreements.	Own and independent quality tests.
Education	The technical development of the vehicle manufacturers is taking place at a rapid pace. Our workshops need continuous skills development to take care of the customers' car in a secure and professional manner.	Proprietary training centre for workshops – ProMeister Academy.	Educational statistics. Setting requirements according to the upcoming quality standard Godkänd Bilverkstad (Approved Workshop).
Managers and employees	Committed managers and employees are key to the Group's success and growth. Satisfaction at the workplace, a good work environment and possibility for development are prioritised issues.	Work environment policy. Work environment training for managers. Skills development.	Employee survey. Employee talks.
Diversity	Our workplaces should reflect the diversity among our customer groups and society at large. By having employees and managers with varying experience and expertise, we improve the possibility of meeting the customers' needs.	Equality and Diversity Plan.	Employee statistics.
Responsible purchasing	We have a responsibility for ensuring compliance to product quality and significant sustainability aspects in accordance with the UN Global Compact's principles on human rights, the work environment, environment and anti-corruption, in the entire purchasing level.	Code of Conduct. Supplier agreements.	Internal audits.
Transports	Purchases from suppliers and deliveries to our stores and workshops entail a large number of transports daily. Efficiency and planning of transports contributes both to improved environment and reduced transport costs.	Environmental policy.	Transport statistics.

Stakeholder dialogue

Mekonomen Group conducts continuous dialogues with customers, employees, owners and investors, suppliers and society. Dialogues and collaboration with societal actors take place with, for example, authorities (Public Employment Service and the Swedish National Agency for Education), organisations that work for diversity and integration (Mitt Liv, Stiftelsen En Frisk Generation and Telge Tillväxt) and trade associations (SFVF - Swedish Association of Auto Repair Shops and MRF - Swedish Association for Motor Retail Trades and Repairs). They are our key stakeholders who directly or to a large extent are affected by the decisions and prioritisations we make as a company.

In-depth dialogue with employees in 2017

During autumn 2017, we carried out an employee survey with the aim of finding out how the employee sees the company's development, managers in the Group and commitment and ambassadorship. The result in relation to earlier studies shows a general improvement and is in line with or above the benchmark for similar companies. In connection with the employee survey, an extensive follow-up effort was initiated based on the respective departments' strengths and challenges.
Our managers attended a workshop together with their teams, which resulted in documented activities and a timetable for implementation. Commitment and ambassadorship are a special focus area for the Group and the departments that have challenges in these areas have been given special support in the follow-up work.

Stakeholders	Dialogue format	Important issues
Customers 	• Continuous dialogue, customer service. • Consumer surveys. • Customer satisfaction surveys (NPS). • Newsletters, information on websites. • Social media.	• Customer service. • Workshop quality. • Affordability. • Availability.
Employees 	• Annual employee talks with continuous follow-up during the year. • Employee survey every two years. • Skills development. • Conferences.	• Work environment, health and safety. • Commitment and ambassadorship. • Leadership and development. • Terms of employment. • Possibility to influence the local workplace.
Owners and analysts 	• Annual Report. • Interim reports. • Capital market days. • Roadshows and individual meetings.	• Supplier inspections. • Transparency. • Governance.
Suppliers 	• Continuous meetings during the purchasing process. • Internal audits in factories that supply products in OBP – ProMeister spare parts. • Centrally procured purchasing agreements with a requirement of signatures and compliance with the UN Global Compact's principles.	• Signatures and compliance with the UN Global Compact's principles. • Product quality and safety.
Society 	• Presentations at seminars and other meetings. • Collaboration with NGOs and authorities.	• Diversity. • Skills and training. • Greater knowledge about our operations. • Accountability.

COMMITTED EMPLOYEES FOCUSED ON THE CUSTOMER

Mekonomen Group works to offer a workplace with the possibility of skills development and career paths to attract and retain skilled managers and employees. In the Group, there is a distinct business culture where commitment and responsibility in our duties and the interaction with our customers form the basis of a successful development.

Committed managers and employees are a prerequisite for successful growth and development of our operations. We believe that a clear direction for the Group and clear missions for our managers and employees are important conditions for this commitment. In 2017, we introduced and improved a number of activities, mainly in Sweden, to increase knowledge about the Group and clarify the direction. In 2018, managers in the Group will be a special focus based on initiated activities as we believe that it is a key to reaching employees in the next step as well.

Activities 2017

- In-depth stakeholder dialogue with employees through the employee survey.
- A two-day introduction education for new employees of Mekonomen and Mekonomen Group were initiated. The implementation of the introductory training in other companies in the Group is under development.
- Teacher-led training for managers in Sweden in work environment and psychosocial health. A supplemental e-learning course was developed to provide managers access to the course continuously and so that new managers will be able to rapidly acquire the knowledge.
- The Group's diversity and gender equality plan at the end of 2017 is updated based on new legal requirements and conditions in the Group. The plan includes a salary map to ensure equal and fair salaries for equal work.
- Uniform management profiles have been defined for the Group based on the motto "how we work as managers in Mekonomen Group".
- The work of developing a management training course was begun during the year; the course will be implemented in 2018.
- A procurement of a Group-wide master data system was begun with the aim of reducing manual handling and administration. The system will also be a tool for ensuring compliance with the EU's General Data Protection Regulation (GDPR) regarding the processing of personal data.
- A project group was appointed prior to the implementation of the EU's new GDPR in 2017. An e-learning course on GDPR was developed and will be taken by all managers, employees and affiliated workshops in 2018.

Committed employees are the key to satisfied customers and a successful business.

Automotive technicians of the Year

Within the Group, we annually name the Automotive Technicians of the Year among all workshops. This year's winner, Bilal Mouhib, came to Sweden only two years ago from Italy. Through his perseverance and hard work, he has left a big imression in a short time. He especially distinguishes himself through his pronounced focus on the end customer. This is what Bilal has to say after winning: "I am very happy, it really feels great. For me, the most important is that the customers are happy and satisfied."

Diversity contributes to greater business value

Mekonomen Group works to offer a workplace with the possibility of skills development and career paths to attract and retain skilled managers and employees. In the Group, there is a distinct business culture where commitment and responsibility in our duties and the interaction with our customers form the basis of a successful development.

Automotive engineers – a profession of the future

Besides our employees, our long-term core business is dependent on us supporting our affiliated workshops in the recruitment of more automotive technicians with a high level of technical expertise. Modern car workshops need more automotive technicians who are more likely to be called automotive engineers rather than traditional automotive technicians. The workshops expanding their operations with more automotive technicians is also important for the workshop's profitability in an industry with small margins.

To improve the recruitment process, we developed a validation test that can quickly assess the existing expertise of a automotive technician. The tests were also used by our partner workshop managers to ensure that the right expertise already exists or identify needs for skills development.

For existing automotive technicians, we offer through ProMeister Academy skills development in, among others, technology, customer service and new areas such as electric and hybrid cars.

In Swedish upper-secondary schools, too few automotive technicians are graduating with enough expertise in relation to the actual needs among modern workshops. This is mainly due to a lack of interest in the profession combined with the fact that traditional automotive programmes do not maintain an adequate level of quality in the training.

In August 2017, ProMeister Education began – our own upper-secondary school programme to train more skilled automotive technicians. The initiative began with two classes in Lund and Stockholm, with a total of 30 students. The programme is being conducted in cooperation with the school actor Lärande i Sverige.

Core values

Internally, Mekonomen reports on the view of business ethics in employment contracts and in the Group's Code of Conduct. The Code of Conduct was approved by the Board and has been translated to every Nordic language as well as English. The Code of Conduct is reviewed annually. Upon updates, it is sent out to all employees by e-mail and posted on intranet platforms and on the external website mekonomen.com. The Code of Conduct also provides information on the Group's whistle-blower function that was introduced in 2011. To further root business ethics and the company's operations, the Code of Conduct is a part of our introductory training for new employees in Sweden. The introductory training has as yet been held for employees in Mekonomen and Mekonomen Group in Sweden. The implementation of the introductory training in other companies and countries is under development.

In 2017, work began on a Group-wide e-learning course in the Group's Code of Conduct, including anti-corruption. Implementation of the course will take place in 2018.

5,800 automotive technicians are needed immediately in the industry.

Anti-corruption

Although the risk is considered higher in certain markets and certain industries, corruption is not geographically limited. Mekonomen Group applies zero tolerance to corruption. Today, we make purchases from some markets where corruption is a well-known problem, which requires that we actively distance ourselves from these practices. Through a common purchasing organisation that secures all major purchasing agreements for our Group companies, we have better control over suppliers and the flow of products. Our supplier agreements contain clauses that include anti-corruption by referring to the United Nations Global Compact.

Through the introductory package, all new employees in Mekonomen Sweden must review and sign the understanding for the Code of Conduct, among other things, where information on anti-corruption is included. The Group's anti-corruption policy is available to all employees on the Group's intranet. Implementation of a compulsory e-learning course will be done in 2018.

In 2017, Mekonomen Group had no reported cases of corruption.

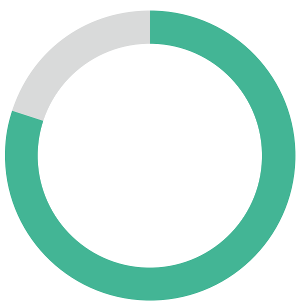
KPIS, EMPLOYEES AND CUSTOMERS

Employee statistics, absenteeism due to sickness and accidents 2017

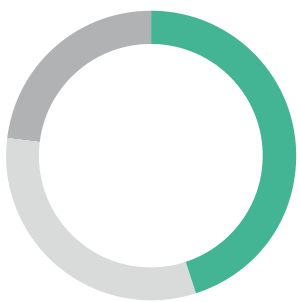
The majority or the work in Mekonomen Group is done by employees who are employed in the Group. In our wholesaler operations, staff is hired in based on continuous needs from the staffing company. Other exceptions from employment mainly concern project managers or IT personnel in the event of temporary needs during a project or business development. The number of employees in the Group is even over the year. During the summer months, a higher share of temporary workers is hired as substitutes during our ordinary employee's holiday leaves.

The presentation of employee statistics is gathered from the respective company's own system over employee management. The information and method are ensured by the coordinating HR function. To streamline the handling of employee information, the procurement of a Group-wide master data system is under way.

Gender distribution



Age distribution employees



Customer rating, Net Promoter Score

The figures provide an average of the Net Promoter Score (NPS)[1] that car owners submitted after visits to a workshop chain MECA Car Service and Mekonomen Workshops in Sweden and Norway 2017.

56.12

Mekonomen Bilverkstad (2016: 54.47)

61.08

MECA Car Service (2016: 57.00)

Employee KPIs

	Sweden	Norway	Finland	Group
Number of employees (heads)[2]				
Men	1,324	929	20	2,273
Women	344	216	2	562
Total	**1,668**	**1,145**	**22**	**2,835**
Of which				
Permanent / Temporary employees				
Men	1,224 / 100	772 / 156	20 / 0	2,016 / 256
Women	299 / 45	186 / 30	2 / 0	487 / 75
Total	**1,523 / 145**	**958 / 186**	**22 / 0**	**2,503 / 331**
Full-time / Part-time				
Men	1,186 / 138	643 / 285	20 / 0	1,849 / 423
Women	284 / 60	153 / 63	2 / 0	439 / 123
Total	**1,470 / 198**	**796 / 348**	**22 / 0**	**2,288 / 546**

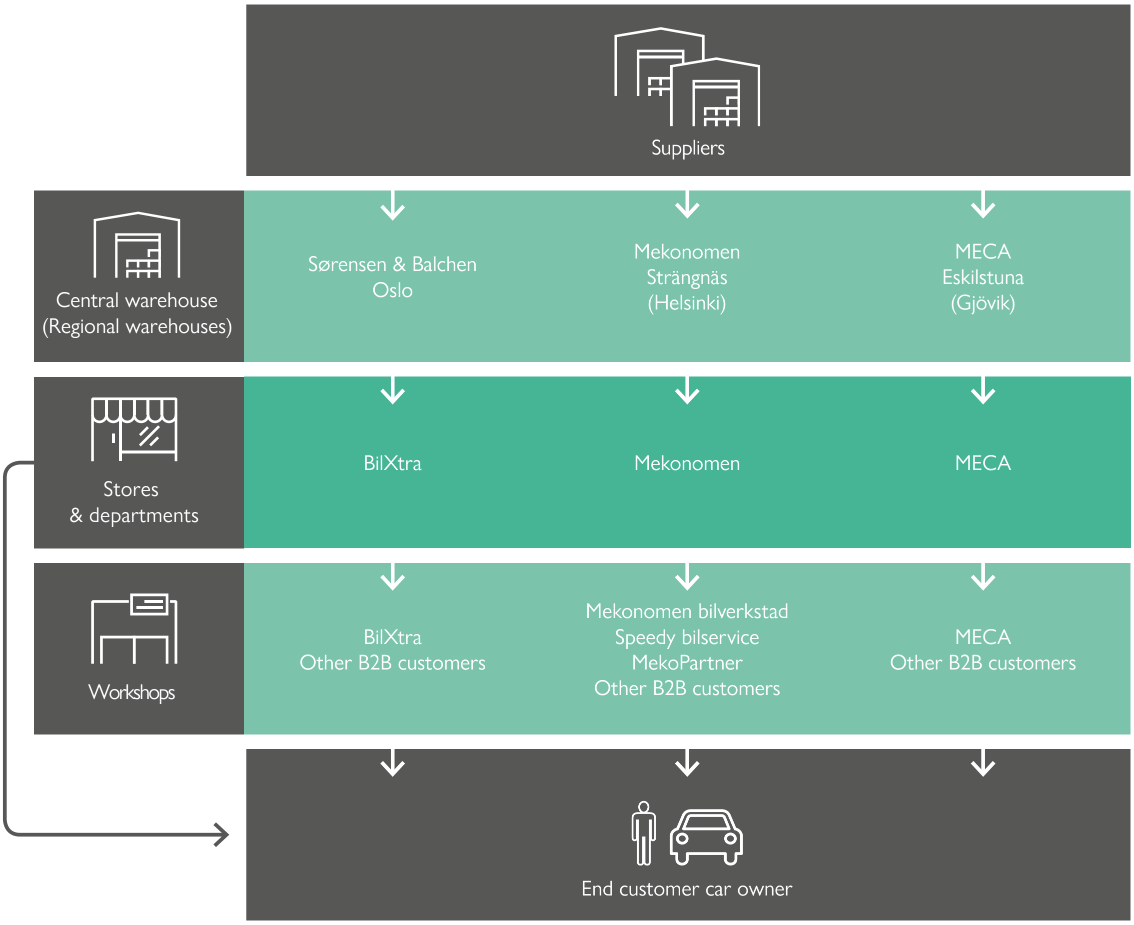
	Sweden	Norway	Finland	Total
Sickness absence				
Men	2.93%	4.19%	0.00%	3.36%
Women	3.42%	7.48%	0.00%	4.66%
Total	**3.03%**	**4.74%**	**0.00%**	**3.59%**
Work-related injuries				
Total	**40**	**3**	**0**	**43**
Insourced personnel				
Men	182 (13.75%)	102 (13.21%)	2 (10%)	286 (14.19%)
Women	63 (18.31%)	32 (17.20%)	1 (50%)	96 (19.71%)
Total	**245 (14.69%)**	**134 (13.98%)**	**3 (13.64%)**	**382 (15.26%)**
Employee turnover %				
Men	14.87%	11.92%	10.00%	14.19%
Women	20.74%	11.83%	50.00%	17.45%
Total	**16.09%**	**11.90%**	**13.64%**	**15.26%**
FTE				
Total	**1,411**	**800**	**20**	**2,231**

1) NPS, Net Promoter Score, is a measure of customer loyalty and consists of the question; How likely is it that you would recommend this company to a friend or colleague on a scale from 0 to 10? To obtain the NPS score, the percentage of the ones rating 0-6 is deducted from the percentage of the ones rating 9-10. NPS rating scale goes from -100 to +100.

2) Number of employees (heads) is the total number of employees who were employed during the calendar year in 2017; it is not an average value for the year.

SUPPLIER LEVEL, QUALITY AND ENVIRONMENT

Mekonomen Group mainly purchases spare parts and accessories from the large European suppliers in the automotive industry. By being a customer of major and recognised suppliers, we benefit from the strict environmental, health and safety and quality requirements already exercised by these players.



Overview of the supplier level.

The Group purchases around 80 per cent of the products from 160 suppliers.

Suppliers

Purchases of spare parts mainly take place from the same suppliers that supply the car makers. Nearly all suppliers have their base in Europe, while the production of products takes place in both Europe and Asia. Around 20 per cent of our articles are purchased through direct imports[1)] from Asia.

Spare parts constitute the majority of the Group's purchases and sales and account for a large part of the Group's sales. The products are made by machine, which means that the manufacturing in our industry does not require staffing to the same extent as in handmade products.

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

By being a customer of major and recognised suppliers, we benefit from the strict environmental requirements, health and safety requirements and anti-corruption work. Suppliers for our own brand products (OBP), ProMeister and Carwise, are the largest quality and sustainability risk, in our assessment. The Group conducts internal audits of all new ProMeister suppliers.

The audits take place through factory visits and tests of products based on checklists that encompass the review of product quality, environmental requirements and social requirements. Documentation of suppliers and audits takes place in the Group's product and purchasing system. All new supplier agreements include a clause on compliance to the UN Global Compact's principles. Today, main suppliers of products that account for more than 92 per cent of our purchases have signed our clause or presented their own corresponding policy.

Central warehouse and regional warehouses

Purchases for the Group's central warehouse take place through the Group's central purchasing function. A common purchase flow streamlines quality and sustainability checks and generates large purchase volumes that enable better purchase prices.

In Sweden, the Group's wholesale structure is undergoing a centralisation, which means that the two warehouses in Strängnäs and Eskilstuna will be merged with a placement in Strängnäs. An extension of the existing warehouse is under way and will be completed in 2020. Read more on page 18.

To maintain an effective logistics and rapid deliveries of all of the Group's companies, regional warehouses have been placed in Helsinki (Finland) and Gjövik (Norway).

The regional supply chain takes place mainly through deliveries from the Group's central warehouse. In Gjövik, some of the purchases take place directly from the suppliers, which provides a more efficient import process due to applicable customs rules between Sweden and Norway.

Common purchase flows in the Group generate large purchase volumes that enable better prices.

Stores/departments

The Group has three store chains, MECA in Sweden and Norway, Mekonomen in Sweden, Norway and Finland, and BilXtra in Norway, which is run by the car part wholesaler Sørensen og Balchen. The stores buy products from the Group's wholesale companies and sell them on to companies and consumers. MECA's departments sell mainly to corporate customers, including the proprietary workshop chain MECA Car Service and other workshop customers.
Mekonomen's stores sell both to businesses and consumers, including the proprietary workshop chains Mekonomen Bilverkstad, MekoPartner, Speedy and other workshops. BilXtra sells to both businesses and consumers, including the proprietary workshop chain BilXtra and other workshops.

Workshops

Our three workshop chains: MECA in Sweden and Norway, Mekonomen in Sweden, Norway and Finland, BilXtra in Norway, MekoPartner in Sweden and Norway, and Speedy in Sweden, consist of partner workshops and workshops owned by the Group. The workshops' customers are businesses and consumers. Corporate customers are so-called fleet customers – company cars that have agreements with the workshop or workshop chain.

Environmental impact and energy consumption

The Group's environmental impact in the Nordic region, through stores and affiliated workshops, mainly takes place in the areas of energy, transportation and the handling of chemicals. Our proprietary operations in MECA Sweden, MECA Norway and Mekonomen Sweden have come the farthest in the environmental efforts. Among other things, all of these facilities are ISO 14001 certified. In Mekonomen Sweden, all stores and a large number of workshops are also certified for occupational health and safety (OHSAS 18001) and quality management (ISO 9001). Certifications of the operations have entailed better control with clear processes to discover and manage deviations.

Since 2016, Mekonomen Group's Swedish companies are covered by the Act on Energy Audits in Large Companies. The purpose of the mapping is to identify measures to reduce energy consumption in the Group. The regulation is based on an EU directive for the Member States and means that an audit is to be conducted at least once every four years.

In 2016, Mekonomen Sweden initiated work to lower the energy consumption in proprietary operations through the introduction of eco-labelled electricity, measurement and follow-up. These measures resulted in energy consumption per store decreasing. MECA Sweden has used eco-labelled electricity since 2015, which reduced the carbon dioxide emissions.

The development of products and services shall within the Group take place in observation of the precautionary approach in terms of safeguarding the environment. A sustainable alternative that entails similar quality shall be benefits over less environmentally friendly alternatives. Sustainable alternatives are also most often more cost-effective. Shipping of products from Asia is an example where the Group contributes to lower environmental impact by choosing shipping instead of air cargo.

Another example is the commenced centralisation of the warehouse structure, which will entail more efficient logistics for deliveries of spare parts and accessories throughout the Nordic region.

The Group's environmental efforts comprise the mapping of the operations' most significant environmental impact and include:

- Environmental policies.
- Certified environmental management systems.
- Environmental manuals that describe procedures, follow-up and responsibilities.
- Environmental management systems undergo external audits every year, and environmental goals and monitoring procedures are determined for each financial year.
- Courses in the environmental area, such as the handling and transportation of hazardous goods (ADR) and national legislation related to chemicals and CE marking.
- Products are checked at several stages regarding, for example, their compliance with national requirements and registration.
- Specification of contents, labelling and safety data sheets.
- Supplier agreements comprise documents that concern environmental rules, such as compliance to the REACH chemical rules (in the EU).

Follow-up and reporting of deficiencies

For the 2015 financial year, the Group reported quality deficiencies in the lamp category. The range was replaced in 2016 and follow-up independent testing in 2017 resulted in the range receiving high marks.

The Group's acquisition of the subsidiary Opus Equipment (which changed name in 2017 to Preqas) in 2015 was accompanied by a factory building. Deficiencies in the work environment and working conditions were resolved in 2016. In 2017, the factory operations were sold as a result of part of Preqas' operations being discontinued. Mekonomen Group thereby owns no factory operations.

Energy auditing was done in Sweden with the aim of reducing energy consumption in the Group.

GRI INDEX

Since 2010, Mekonomen Group has reported the sustainability work and corporate social responsibility as a part of the annual report. This year's Sustainability Report was prepared in observance of the requirements in the Swedish Annual Accounts Act and refers to the Global Reporting Initiative's (GRI) Standards Core.

The Sustainability Report is presented as a part of Mekonomen Group's Annual Report 2017 and covers all of Mekonomen Group's proprietary operations in the Nordic region. In the cases that any part of the report only covers part of the Group, this is continuously indicated in the report. Affiliated workshops are not owned by the Group and are not covered in the report's information or presented key figures.

Our GRI index presents the indicators chosen based on our significant issues that we provide information on for 2017. We have also included a cross reference to the principles in the UN Global Compact (UNGC). The GRI index refers to the Sustainability Report and information in the annual report for 2017.

The company's auditors have reviewed and certified that a Sustainability Report has been prepared by Mekonomen Group as per the regulations of the Swedish Annual Accounts Act. The content of the Sustainability Report has not been audited by a third party. The most recent Sustainability Report was published on 28 March 2017.

AUDITOR'S STATEMENT REGARDING THE SUSTAINABILITY REPORT

To the General Meeting of Mekonomen AB,
corp. ID no. 556392-1971

Mission and activities

It is the Board of Directors who is responsible for the Sustainability Report for 2017 on pages 20-31 and that it has been prepared in accordance with the Swedish 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, 27 March 2018
Lennart Danielsson, Authorised Public Accountant

GENERAL DISCLOSURES

GRI	Type		Description	Page	Comment/Reservation	UNGC principle
Organisation profile						
GRI 102	General disclosures	102-1	Name of the organisation		Mekonomen AB (publ).	
GRI 102	General disclosures	102-2	Activities, brands, products, and services	16-19, 21		
GRI 102	General disclosures	102-3	Location of headquarters	90		
GRI 102	General disclosures	102-4	Location of operations	3		
GRI 102	General disclosures	102-5	Ownership and legal form	41-49		
GRI 102	General disclosures	102-6	Markets served	2-3		
GRI 102	General disclosures	102-7	Scale of the organization	1-3		
GRI 102	General disclosures	102-8	Information on employees and other workers	2, 25, 64-65, 48-49		
GRI 102	General disclosures	102-9	Supply chain	26-27		
GRI 102	General disclosures	102-10	Significant changes to the organization and its supply chain	35-40		
GRI 102	General disclosures	102-11	Precautionary Principle or approach	28		7
GRI 102	General disclosures	102-12	External initiatives	20		
GRI 102	General disclosures	102-13	Membership of associations		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	4-5		
GRI 103	General disclosures	102-15	Key impacts, risks, and opportunities	14-15, 21		
Ethics and Integrity						
GRI 102	General disclosures	102-16	Values, principles, standards, and norms of behavior	20-23		10
Governance						
GRI 102	General disclosures	102-18	Governance structure	20, 41-49		
Stakeholder engagement						
GRI 102	General disclosures	102-40	List of stakeholder groups	22		
GRI 102	General disclosures	102-41	Collective bargaining agreements		Over 97% of all group companies are affiliated with collective agreements.	3
GRI 102	General disclosures	102-42	Identifying and selecting stakeholders	22		
GRI 102	General disclosures	102-43	Approach to stakeholder engagement	22		
GRI 102	General disclosures	102-44	Key topics and concerns raised	20-21		
Reporting practice						
GRI 102	General disclosures	102-45	Entities included in the consolidated financial statements	35-40		
GRI 102	General disclosures	102-46	Defining report content and topic Boundaries	20-21		
GRI 102	General disclosures	102-47	List of material topics	20-21		
GRI 102	General disclosures	102-48	Restatements of information		Changes to information have been made based on new guidelines in GRI Standards and the Swedish law (Swedish Annual Accounts Act).	
GRI 102	General disclosures	102-49	Changes in reporting		Changes in reporting have occurred in order to minimize information that is not reported quantitatively.	
GRI 102	General disclosures	102-50	Reporting period	29		
GRI 102	General disclosures	102-51	Date of most recent report	29		
GRI 102	General disclosures	102-52	Reporting cycle	29		
GRI 102	General disclosures	102-53	Contact point for questions regarding the report		gabriella.granholm@mekonomengroup.com	
GRI 102	General disclosures	102-54	Claims of reporting in accordance with the GRI Standards	29		
GRI 102	General disclosures	102-55	GRI content index	30-31		
GRI 102	General disclosures	102-56	External assurance	29		

MANAGEMENT APPROACH

GRI	Type		Description	Page	Comment/Reservation	UNGC principle
Management Approach						
GRI 103	Management Approach	103-1	Explanation of the material topic and its Boundary	20-21		1, 2, 6, 7, 8, 10
GRI 103	Management Approach	103-2	The management approach and its components	20-21		1, 2, 6, 7, 8, 10
GRI 103	Management Approach	103-3	Evaluation of the management approach	20-21		1, 2, 6, 7, 8, 10

GENERAL STANDARD DISCLOSURES

GRI	Type		Description	Page	Comment/Reservation	UNGC principle
Economic impact						
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	24		10
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	24		10
Environmental impact						
GRI 302	Energy	302-1	Energy consumption within the organization	27-28	The information is unavailable (U).	7, 8
GRI 307	Environmental Compliance	307-1	Significant fines and sanctions resulting from violations of environmental legislation		The Group has not been subjected to significant fines or sanctions in 2017.	8
GRI 308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	26-27		8
Social impact						
GRI 401	Employment	401-1	New employee hires and employee turnover	25		6
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	25		
GRI 404	Training and Education	404-1	Average hours of training per year per employee		The information is unavailable (U).	6
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	25, 48-49		6
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken		No cases of discrimination have been reported in 2017.	6
GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	26-27		2, 4, 5, 6
GRI 416	Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		The information is unavailable (U).	

THE SHARE

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

The Mekonomen share

At 31 December 2017, the total market value of the company was SEK 5.4 billion. The share's highest price in 2017 was quoted at SEK 191.00 on 24 January. The lowest price was quoted on 21 November and 24 November at SEK 139.80. At 31 December 2017, there were 10,707 shareholders (9,484). As per 31 December 2017, Mekonomen's share capital amounted to SEK 90 M (90) and comprised 35,901,487 shares (35,901,487) at a quotient value of SEK 2.50 per share (2.50). Each share carries one vote at the Annual General Meeting and all shares carry equal entitlement to a share in the company's profits and assets.

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

Dividends

The Board of Directors proposes a dividend of SEK 7.00 per share, which corresponds to around 70 per cent of the period's profit after tax. The Group's policy is that dividends shall correspond to at least 50 per cent of the year's profit after tax. Based on the price of Mekonomen's share at year-end, the dividend corresponds to a direct return for 2017 of 4.7 per cent.

Communication to the capital market during the year

Mekonomen's communication to the capital market aims to provide the market reliable, accurate and current information regarding the company's position, operations and development. The information should increase the knowledge about and interest in the company. We continuously conduct a dialogue with existing and potential investors and with the analysts who follow us. In 2017, we had individual meetings with some 60 managers and analysts, both Swedish and international.

Holding per ownership category

Swedish owners of which:
- Swedish fund managers 14.1%
- Swedish private individuals 21.8%
- Swedish pension and insurance companies 12.4%
- Other Swedish owners 6.9%

Foreign owners, 44.7%

Source: Modular Finance

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 1:10	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

Source: Modular Finance

The 15 largest shareholders, 31/12/2017

Name	Number of shares	Votes and capital, %
LKQ Corporation	9,518,875	26.5
Fjärde AP-fonden	2,875,929	8.0
Eva Fraim Påhlman	2,009,176	5.6
Didner & Gerge Fonder	1,638,000	4.6
Swedbank Robur Fonder	1,589,481	4.4
Burgundy Asset Management	1,567,719	4.4
Svolder	1,029,301	2.9
Ing-Marie Fraim	1,000,000	2.8
Catella Fonder	819,644	2.3
Kempen Capital Management	653,312	1.8
Vanguard	590,325	1.6
Försäkringsbolaget PRI	579,503	1.6
AFA Försäkring	534,150	1.5
Dimensional Fund Advisors	486,977	1.4
Leif Möller	319,700	0.9
Total 15 largest shareholders	**24,892,392**	**69.4**
Other	**11,009,095**	**30.6**

Source: Modular Finance

Holding per size class, 31/12/2017

Size class	Number of known share-holders	Owner (%)	Number of shares	Votes and capital, %
1 – 100	5,583	52.1	201,917	0.6
101 – 200	1,346	12.6	231,470	0.6
201 – 300	1,837	17.2	695,599	1.9
301 – 400	916	8.6	766,687	2.1
401 – 500	511	4.8	816,394	2.3
501 – 1,000	305	2.8	1,001,305	2.8
1,001 – 2,000	94	0.9	680,857	1.9
2,001 – 5,000	41	0.4	617,144	1.7
5,001 – 10,000	32	0.3	1,059,581	3.0
10,001 – 20,000	14	0.1	996,449	2.8
20,001 – 50,000	9	0.1	1,323,110	3.7
50,001 – 100,000	6	0.1	1,838,901	5.1
100,001 – 10,000,000	13	0.1	24,405,415	68.0
Anonymous ownership			1,266,658	3.5
Total	**10,707**	**100.0**	**35,901,487**	**100.0**

Source: Modular Finance

Data per share

Amounts in SEK per share unless otherwise stated	2017	2016	2015	2014	2013
Earnings, continuing operations	10.05	9.32	11.77	12.80	9.81
Earnings, discontinued operations	0.00	0.00	0.00	-9.46	-1.25
Earnings	10.05	9.32	11.77	3.34	8.56
Cash flow	13.8	15.1	12.2	11.5	15.5
Shareholders' equity	65.8	64.4	59.7	57.5	62.1
Dividend[1]	7.00	7.00	7.00	7.00	7.00
Share of profit paid, %	70	75	59	210	82
Share price at year-end	149.3	171.5	173.0	204.0	198.0
Share price, highest for the year	191.0	207.0	234.5	207.0	233.0
Share price, lowest for the year	139.8	150.5	170.0	139.0	189.0
Direct yield, %	4.7	4.1	4.0	3.4	3.5
P/E ratio at year-end, multiple	14.9	18.4	14.7	61.1	23.1
Average number of shares after dilution effects[2]	35,901,487	35,901,487	35,901,487	35,901,487	35,901,487
Number of shares at end of period	35,901,487	35,901,487	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	10,707	9,484	9,373	9,664	8,355

[1] The Board's proposal for 2017.
[2] No dilution is applicable.

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The shareholders of Mekonomen Aktiebolag (publ), corporate identity number 556392-1971, are hereby invited to attend the Annual General Meeting at 3:00 p.m. on Wednesday, 9 May 2018 at Nalen, Regeringsgatan 74, Stockholm, Sweden. Registration for the Annual General Meeting will open at 2:00 p.m.

Registration

Shareholders wishing to participate the Annual General Meeting must:

- be registered in the shareholders' register maintained by Euroclear Sweden AB not later than Thursday 3 May 2018, and
- notify the company of their intention to attend the meeting no later than Thursday, 3 May 2018.

Notification may be given via the company's website, www.mekonomen.com. Notification may also be made in writing to Årsstämma i Mekonomen Aktiebolag, c/o Euroclear Sweden AB, PO Box 7842, SE-103 98 Stockholm, Sweden or by phone +46 8 402 90 47 between 9:00 a.m. and 4:00 p.m. on weekdays. Notification must include the shareholder's name and personal identity number or company name and corporate identity number, address, telephone number and the number of any assistants accompanying the shareholder to the Meeting (maximum of two).

Nominee-registered shares

In addition to notifying their attendance, shareholders who have nominee-registered shares through a bank or other nominee must temporarily re-register the shares in their own name in the shareholders' register by Thursday 3 May 2018 in order to be entitled to participate in the Annual General Meeting. Shareholders should notify their nominees of this well in advance of this date.

Proxies

Shareholders who are represented by proxy must issue a written and dated power of attorney for their proxy. If the power of attorney is issued by a legal entity, copies of authorization documents (certificate of registration or similar) must be enclosed. To facilitate registration at the Annual General Meeting, the power of attorney, in original, and any authorization documents should be sent by post well in advance of the Annual General Meeting to the following address: Årsstämma i Mekonomen Aktiebolag, c/o Euroclear Sweden AB, PO Box 7842, SE-103 98 Stockholm, Sweden. Proxy forms are available for download from company's website: www.mekonomen.com.

Dividends

The Board proposes a dividend of SEK 7.00 (7.00) per share to the Annual General Meeting. The Board proposes Monday, 14 May 2018, as the record day for the dividend. If the Annual General Meeting adopts the proposal, the dividend is expected to be paid on Thursday, 17 May 2018. The final day for trading the company's shares including the right to dividends is Wednesday, 9 May 2018.

Printed Annual Report

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

Financial calendar 2017-2018

Information	Period	Date
Interim report	January–March 2018	09/05/2018
Interim report	January–June 2018	27/07/2018
Interim report	January–September 2018	08/11/2018
Year-end report	January–December 2018	14/02/2019

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Analysts

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

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

ADMINISTRATION REPORT

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 2017 financial year.

General

Mekonomen Group consists of the leading car service chains in the Nordic region with a proprietary wholesale operation, more than 330 stores and over 2,000 affiliated workshops operating under the Group's brands. We offer a broad and accessible range of affordable and innovative solutions and products for consumers and companies.

The retail operations in Mekonomen Group are operated through the four Group companies MECA, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen. The Group companies largely work in the same geographic markets (Sweden, Norway and Finland), but have a clear differentiation with various concepts, offers and target groups. Our growth potential lies in a combination of strong common purchasing functions and differentiated concepts and brands in the eyes of our customers. Our Group companies have their own business model with unique concepts and solutions to meet their customers' needs. At the same time, we make use of our size advantage through consolidated organisations in such areas as purchasing, logistics, IT and supply chain.

The Group's three store chains are operated under the brands MECA, Mekonomen and BilXtra. The store chains largely consist of proprietary stores, a smaller number are operated through partnerships or franchise cooperation. Our five workshop chains are operated under the brands BilXtra, MECA Car Service, Mekonomen Bilverkstad, MekoPartner and Speedy. The majority of the workshops are operated through franchise cooperation. Mekonomen Group itself owns a small number of workshops under our brands and a small number of workshops are operated through partnerships.

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

The Parent Company has its registered office in Stockholm. The address of the head office is Box 19542, SE-104 32 Stockholm, Sweden. Visiting address: Solnavägen 4, 10th floor. The Parent Company's share is listed on Nasdaq Stockholm Mid Cap segment. The three largest owners in the Parent Company as per 31 December 2017 are LKQ Corporation, with 26.5 per cent, Fjärde AP-Fonden, with 8.0 per cent and Eva Fraim Påhlman, with 5.6 per cent.

Financial year

When we sum up 2017, we look back on a challenging year for Mekonomen Group where we devoted a great deal of time to regaining momentum in all of our Group companies and preparing for future growth. The market was neither strong nor weak. Sales varied between the quarters, where the first and third quarters were somewhat worse while the second and fourth quarters were stronger.

In 2017, Mekonomen Group's revenue increased by 1 per cent to SEK 6,000 M (5,937) and operating profit (EBIT) increased to SEK 522 M (481).

The sales increase in the Group as a whole is mainly attributable to higher sales to affiliated workshops. A temporarily increased sale of DAB products as a result of Norway's on-going transition to a digital radio network affected net sales positively in the Group's Norwegian operations, although with a negative effect on the gross margin.

The Group-wide proprietary brand ProMeister showed continued stable sales during the year and sales of ProMeister spare parts amounted to nearly SEK 600 M in 2017. Sales to affiliated workshops demonstrated good growth during the year.

An increased share of sales to large customers, higher sales of DAB products and more price pressure in Norway negatively impacted the gross margin. At the same time, the gross margin was positively impacted by an improved gross margin in Mekonomen Sweden compared with the previous year and that the export operations to Denmark in the previous year negatively impacted the gross margin. For full-year 2017, the gross margin for the Group amounted to 54.6 per cent (53.6).

In 2017, we worked to regain sales growth and increased profitability in Mekonomen Sweden. In the fourth quarter, we saw indications that our work began to have an effect. A great deal of work has yet to be done, but we see that we have the conditions required to gradually improve sales and profitability.

In the last quarter, steps were begun to reduce the costs in Mekonomen Norway and resulted in an overhaul of the store network where the steps initially entailed higher costs.

The central warehouse project in Strängnäs proceeded according to plan with previously communicated full EBIT effect in cost savings of SEK 50 M beginning in 2020. The shell for the new building was completed in the autumn together with new picking and unpacking stations and the work on installing the automation solution began. System tests of the automation solution are planned for the second quarter of 2018.

The work with our new digital spare parts catalogue continued according to plan and, at the end of 2017, tests began in Mekonomen Norway.

In August 2017, we began our long-term initiative on our own upper-secondary school programme, ProMeister Education, to train more skilled automotive technicians. The initiative began with two classes in Lund and Stockholm, with a total of 30 students. Services to our own workshop customers were expanded with recruitment support to contribute to covering the direct need for 100 new automotive technicians within the Group.

For the fourth consecutive year, Mekonomen has been named the strongest brand in the industry for "Car parts and auto workshops". The award was based on a survey among Swedish consumers regarding customer satisfaction and brand awareness. At the same time, Speedy

Bilservice Vällingby was named Sweden's Best Workshop by Lasingoo's customer for the second consecutive year.

A flexible new payment solution was launched for Mekonomen's customers where the car owner receives a text message by mobile phone with information, invoicing documentation and more directly when the car is ready at the workshop.

During the autumn, 20 per cent of the shares in the technology company Swedspot were acquired. Swedspot is focused on the development of the digitalisation of cars.

The total number of stores in the chains at the end of the year was 336 (342), of which 263 (261) were proprietary stores. There were a total of 2,045 affiliated workshops (2,021), of which 45 (33) were own work shops.

Revenue

Revenue rose 1 per cent to SEK 6,000 M (5,937). Adjusted for positive currency effects of SEK 35 M, revenue was largely unchanged. There were two fewer weekdays than the previous year in Sweden, Norway and Finland. Calculated on comparable workdays and adjusted for currency effects, revenue increased 1 per cent. Sales in comparable units rose 1 per cent. Other operating revenue mainly comprises rental income, marketing subsidies and exchange-rate gains.

Operating profit before amortisation and impairment of intangible assets, EBITA

EBITA increased to SEK 649 M (594) and the EBITA margin increased to 11 per cent (10). Profit was positively impacted by items affecting comparability of SEK 9 M (negatively: 58). In the comparison year of 2016, the earnings were negatively impacted by the actual operating loss in MECA's export business to Denmark by SEK 27 M in addition to the items affecting comparability. Currency effects on the balance sheet negatively impacted EBITA by SEK 1 M (positive: 3).

Operating profit, EBIT

EBIT increased to SEK 522 M (481) and the EBIT margin increased to 9 per cent (8). Profit was positively impacted by items affecting comparability of SEK 0 M net (negatively: 58). In the comparison year of 2016, the earnings were negatively impacted by the actual operating loss in MECA's export business to Denmark by SEK 27 M in addition to the items affecting comparability. Currency effects on the balance sheet negatively impacted EBIT by SEK 1 M (positive: 3).

Profit after financial items

Profit after financial items increased to SEK 475 M (446). Net interest expense amounted to SEK 25 M (23) and other financial items to SEK -23 M (-12). Other financial items were negatively impacted by effects affecting comparability of SEK 4 M (negative: 1).

Profit for the year

Profit after tax increased to SEK 368 M (342). Corporate tax in Norway was lowered from 25 per cent to 24 per cent as of 2017, which had a positive impact on the tax expense of SEK 3 M. Tax deductions regarding Denmark are estimated at a total of SEK 93 M (76), of which SEK 17 M (positive 10) positively affected the year's tax expense. Earnings per share before and after dilution increased to SEK 10.05 (9.32).

Seasonal effects

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

MECA

The MECA segment mainly includes wholesale and store operations in Sweden and Norway, and fleet operations in Sweden. Under MECA, the business areas of heavy vehicles, ProMeister Solutions and Preqas (changed name from Opus Equipments on 1 July 2017) are also operated, which work for the whole Mekonomen Group.

Net sales (external) increased to SEK 2,108 M (2,039). The currency effect in net sales against the NOK was a positive SEK 13 M. The underlying net sales increased 4 per cent.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) increased to SEK 257 M (217) and the EBITA margin increased to 12 per cent (10). MECA's operating profit, increased to SEK 242 M (205) and the EBIT margin increased to 11 per cent (10).

The sales increase in MECA was mainly attributable to higher sales to MECA Car Service workshops, higher sales of DAB products in the Norwegian market and good sales growth in Preqas.

In the comparison year 2016, EBIT was negatively impacted by items affecting comparability of SEK 25 M regarding the divestment of the Danish operations. Of which the gross profit was negatively impacted by SEK 28 M, other costs positively by SEK 5 M and impairment losses on tangible fixed assets negatively by SEK 2 M. EBIT in the comparison year was also negatively impacted by operating losses of SEK 27 M for the full year for MECA's export business to Denmark up to the divestment.

The number of stores amounted to 86 (85), of which 76 (75) were proprietary.

Mekonomen Sweden

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

Net sales (external) amounted to SEK 1,816 M (1,891). The underlying net sales decreased 3 per cent.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) increased to SEK 209 M (190) and the EBITA margin increased to 11 per cent (10). Operating profit (EBIT) increased to SEK 196 M (187) and the EBIT margin amounted to 10 per cent (10).

Operating profit was negatively impacted by items affecting comparability of SEK 4 M (negatively: 19). The items affecting comparability mainly relate to SEK 9 M in negative effects from the impairment of goodwill attributable to Marinshopen and SEK 5 M of positive effects from costs lower than reserved for recalls of Volvo cars where defective drive belts were installed.

Considerable focus within Mekonomen Sweden during the year was on regaining growth and higher profitability. During the first quarter, the work of reintroducing a more decentralised sales organisation was completed. The cost and efficiency programme implemented during the year proceeded according to plan and contributed positively to profitability. Even if a great deal of work remains to gradually improve sales and profitability, we saw indications in the fourth quarter that our work in Mekonomen Sweden began to have an effect with sales on a par with the fourth quarter of 2016 together with higher profitability.

The number of stores amounted to 133 (132), of which 113 (112) were proprietary.

Mekonomen Norway

The Mekonomen Norway segment primarily includes store and fleet operations in Norway.

Net sales (external) increased to SEK 867 M (836). The underlying net sales increased 3 per cent. The currency effect in net sales against the NOK was a positive SEK 12 M.

Operating profit before amortisation and impairment of intangible assets (EBITA) amounted to SEK 117 M (132) and the EBITA margin amounted to 13 per cent (15). Operating profit (EBIT) amounted to SEK 117 M (132) and the EBIT margin amounted to 13 per cent (15).

EBIT was positively impacted by items affecting comparability of SEK 1 M (negatively: 1) for the full year. The positive effects relate to lower costs than reserved for recalls of Volvo cars where defective drive belts were installed.

In Mekonomen Norway, the largest growth driver was sales in DAB products, together with higher sales to affiliated workshops. An increased share of sales to large customers, higher sales of DAB products and more price pressure negatively impacted the gross margin. In the last quarter, steps were begun to reduce the costs in the segment and resulted in an overhaul of the store network where the steps initially entailed higher costs.

The number of stores amounted to 42 (45), of which 32 (32) were proprietary.

Sørensen og Balchen

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

Net sales (external) increased to SEK 778 M (725). The underlying net sales increased 7 per cent. The currency effect in net sales against the NOK was a positive SEK 10 M.

Operating profit before amortisation and impairment of intangible fixed assets (EBITA) increased to SEK 120 M (117) and the EBITA margin amounted to 15 per cent (16). Operating profit (EBIT) increased to SEK 120 M (117) and the EBIT margin amounted to 15 per cent (16).

Net sales in Sørensen og Balchen were positively impacted during the year by higher sales of DAB products, which however in combination with higher competition had a negative effect on the gross margin. Net sales have been negatively impacted by a somewhat sluggish demand for car service and accessories in the consumer market during the second half-year. Sørensen og Balchen has maintained good cost control.

The number of stores amounted to 68 (72), of which 39 (37) were proprietary.

Acquisitions and start-ups

MECA acquired three stores during the year in Sweden, one each in Västervik, Visby and Trelleborg, and four workshops in Norway, one each in Lillehammer, Brumunddal, Gjøvik and Hamar. MECA also acquired operations for heavy workshop equipment in eastern Norway. ProMeister Solutions acquired 20 per cent of the shares in Swedspot AB, an associated company that is a leader in connected cars and digitalisation.

Mekonomen Sweden acquired non-controlling interests in four stores, all for a minor value. Mekonomen Sweden also acquired a store in Kungshamn, established a store in Karlstad, and transferred three stores in Gothenburg to a partly owned company in the Group.

Mekonomen Norway acquired non-controlling interests in one stores and one workshop in Norway, both for a minor value. Mekonomen Norway also acquired two partner stores in Mosjön and Mo i Rana and one workshop in Halden, Norway.

Sørensen og Balchen acquired non-controlling interests in one workshop in Norway at minor value. Sørensen og Balchen also established two stores in Norway, one in Bø and one in Råholt.

Meko Service Nordic also acquired non-controlling interests in one workshop in for a minor value. Meko Service Nordic also acquired six workshops in Sweden, two in Malmö, one in Älmhult, Växjö, Ljungby and Västerås.

In Mekonomen Iceland, non-controlling interests were also acquired for a minor value through dilution in a new share issue.

Investments

Investments in fixed assets for the year amounted to SEK 164 M (111). Depreciation and impairment of tangible fixed assets amounted to SEK 60 M (62). Investment in construction in progress for the central warehouse in Strängnäs was made in an amount of SEK 77 M (11).

Company and business combinations amounted to SEK 68 M (31), of which SEK 13 M (14) relates to the estimated supplementary purchase considerations. During the year, supplementary purchase considerations were also paid in an amount of SEK 4 M (0). Acquired assets totalled SEK 25 M (5) and assumed liabilities SEK 10 M (0). In addition to goodwill, which amounted to SEK 22 M (5), surplus values on intangible fixed assets of SEK 34 M (21) were identified with regard to customer relations. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 3 M (0). Acquired non-controlling interests amounted to SEK 8 M (14). Divested non-controlling interests amounted to SEK 0 M (0). Divested operations amounted to SEK 10 M (29). Divestments mainly related to Preqas' development and production part of proprietary articles.

Financial position and cash flow

Cash flow from operating activities amounted to SEK 496 M (544). Tax paid amounted to SEK 66 M (153). Inventories have increased since 2016, mainly due to DAB products. Cash and cash equivalents amounted to SEK 254 M (291). The equity/assets ratio was 43 per cent (43). Long-term interest-bearing liabilities amounted to SEK 1,453 M (1,338). Current interest-bearing liabilities amounted to SEK 255 M (404). The loan facility was increased by SEK 258 M since year-end.

Net debt amounted to SEK 1,444 M (1,437), which is an increase of SEK 8 M since year-end. What affected an increase in the net debt is mainly a dividend of SEK 258 M, of which a dividend to the shareholders of the Parent Company of SEK 251 M was paid out in the second quarter, as well as loan repayments, investments and acquisitions. It is primarily a positive cash flow from operating activities that reduced net debt during the year. SEK 138 M in loans were repaid during the year. The loans were renegotiated in the second quarter with a loan of SEK 600 M with a duration of 4.4 years and a loan of SEK 1,050 M with a duration of five years.

Employees

The number of employees at the end of the year was 2,286 (2,290) and the average number of employees during the year was 2,231 (2,287).

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

Managers and employees

Committed managers and employees are a prerequisite for successful growth and development of our operations. We believe that a clear direction for the Group and clear missions for our managers and employees are important conditions for this commitment. In 2017, we introduced and improved a number of activities, mainly in Sweden, to increase knowledge about the Group and clarify the direction. In 2018, managers in the Group will be a special focus based on initiated activities as we believe that it is a key to reaching employees in the next step as well.

Diversity and gender equality

Mekonomen Group has participated in several external projects relating to issues in such areas as diversity and the labour market for a number of years. The intention is for Mekonomen Group's workplaces to reflect the diversity of our customer groups and society in general. By having employees and managers with varying experience and expertise, we improve the possibility of meeting the customers' needs. The Group's diversity and gender equality plan at the end of 2017 is updated based on new legal requirements and conditions in the Group. The plan includes a salary map to ensure equal and fair salaries for equal work.

Employee surveys

The Group's employee surveys include questions about job satisfaction and working conditions, and whether individual employees are able to influence their work situation. Since the employee survey captures the views of all employees, the results can be used at several levels to introduce operational improvements, from an overall level down to individual group/unit level.

Training – ProMeister Academy

Mekonomen Group's skills and development initiatives are intended not only to meet today's needs but also to anticipate the future challenges of tomorrow's society: a fossil-free car fleet, a service society, urbanisation and a shared economy. This way, Mekonomen Group can ensure future competitiveness for the Group and the skills of individual employees in proprietary and affiliated workshops. A fundamental approach at Mekonomen Group is to capitalise on the skills available in the Group and develop them through further training and opportunities for new challenges within the Group. Internal recruitment within and between Group companies is highly successful.

ProMeister Academy is the Group's own training centre that secures the quality and skills of our automotive technicians in all of the Group's workshop chains. Skills development is offered in new technologies, customer service and professionalism.

Remuneration of senior executives

Remuneration of senior executives is presented in Note 5. The Board of Directors will propose the following guidelines for remuneration of senior executives to the 2018 Annual General Meeting.

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

The guidelines encompass Group Management, which currently comprises 12 individuals including the President.

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

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

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

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

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

Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. For the President, pension provisions according to the employment agreement are paid in an amount corresponding to 30 per cent of basic salary. Pensionable salary comprises basic salary. The period of notice for the President is 12 months if employment is terminated by the company, and six months if terminated by the President. The period of notice for other members of Group Management is a maximum of 12 months if employment is terminated by the company, and six months if terminated by the employee. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company.

In addition to this, there is a long-term variable remuneration programme approved by the AGM and directed at Group Management and a number of selected business-critical senior executives. The long-term variable remuneration is to be calculated on the Group's profit for the 2016-2018 financial years. The criteria for determining the variable remuneration portion for each individual is decided by the Board's Remuneration Committee, and for the President by the Board in its entirety. The company's total cost for the long-term programme may amount to a maximum of SEK 32 M for the entire period. Furthermore, an additional requirement to the above is that the average price paid for the Mekonomen share on Nasdaq Stockholm on the last trading day in December 2018 is to exceed the Nasdaq Stockholm PI index for the programme period. The bonus may be realised in whole, in part or not at all depending on the consolidated profit during the duration of the long-term remuneration programme.

The right to variable remuneration presupposes that the executive is still employed at the 2019 Annual General Meeting.

Sensitivity analysis

Mekonomen Group's earnings are affected by a number of factors, such as sales volume, currency fluctuations on imported goods and sales to foreign subsidiaries, margins on purchased products, salary changes, etc. Imports mainly take place from Europe where the currencies are generally EUR, SEK and NOK. Purchases in EUR comprised approximately 46 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 Mekonomen Grossist AB and from MECA Car Parts AB to each country and profit for the year in Norway. Refer to Note 37 for more detailed information on how the Group manages currency risk.

Impact of factors on profit before tax

	Change, %	Impact, SEK M[1)]
Sales volumes	+1	32 (31)
Exchange-rate fluctuations		
- NOK	+10	80 (90)
- EUR	+10	-118 (-96)
Gross margin	plus a percentage point	58 (58)
Personnel costs	+1	-15 (-15)
Interest rate[2)]	+1	-10 (-10)

1) All things being equal, profit before tax for the 2017 financial year. Amounts in parentheses refer to the comparison year 2016.
2) The effect is based on the Group's net debt of SEK 1,444 M as per 31 December 2017 adjusted for the interest-rate swap of SEK 450 M.

The Group's currency exposure in the translation of assets and liabilities in foreign currencies was mainly against NOK and EUR as of the closing date. The effects on earnings in the translation of financial assets and liabilities that existed at 31 December 2017 are presented below:
- If EUR had strengthened by 10 per cent in relation to SEK, keeping all other variables constant, profit before tax would have been negatively impacted by SEK 8 M (negative: 15), largely as a result of losses in the translation of accounts payable.
- If NOK had strengthened by 10 per cent in relation to SEK, keeping all other variables constant, profit before tax would have been positively impacted by SEK 7 M (positive: 4), largely as a result of gains in the translation of accounts receivable.

The above estimated effect as of 31 December 2017 vary from month to month, depending on the size of the balance-sheet items at the closing date.

Risks and uncertainties

Mekonomen Group's operations are, like all business operations, associated with risks that can negatively affect the Group and our stakeholders to varying degrees. Properly managed risks can instead contribute value and business benefit. Mekonomen Group continuously maps the Group's risks where the Board of Directors bears the utmost responsibility for the Group's risk management. Continuously identifying and evaluating risks is a natural and integrated part of the operations to thereby be able to control, limit and handle prioritised risks in a proactive manner.

For a more detailed description of the Group's prioritised risks and risk management, see page 14-15 and Note 37 Financial risks in the 2017 Annual Report.

Parent Company and "Other"

The Parent Company's operations comprise mainly Group Management and finance management. The Parent Company's loss after net financial items amounted SEK 49 M (loss: 57), excluding impairment of participations in subsidiaries of SEK 0 M (28) and excluding dividends of SEK 315 M (47) from subsidiaries. The average number of employees was 5 (7). Mekonomen AB sold products and services to Group companies totalling SEK 34 M (35).

"Other segments" include business activities and operating segments for which information is not provided separately. This includes Mekonomen's wholesale and store operations in Finland, Mekonomen's store operations in Iceland (dormant since the third quarter of 2017), Meko Service Nordic with the service centre operations BilLivet and Speedy, the Car Share operations (which were discontinued in the fourth quarter of 2017), Mekonomen car leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norge and Group-wide functions also including Mekonomen AB (publ). As of 1 January 2017, Marinshopen is included in the segment Mekonomen Sweden instead of "Other segments", the comparative figures are not restated. The associated company Automotive Web Solutions AB was divested during the second quarter. The units reported in "Other segments" do not achieve quantitative limits to be reported separately and the benefit is deemed to be limited for the users of the financial statements for them to be reported as independent segments. EBIT for "Other segments" amounted to a loss of SEK 76 M (loss: 84). EBIT was positively impacted by items affecting comparability of SEK 3 M (negative 13) regarding lower personnel-related costs than allocated for persons who were previously members of Group Management, mainly the former CEO.

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

Sustainability Report

The Group's 2017 Sustainability Report was prepared in observance of the requirements in the Swedish Annual Accounts Act and refers to the Global Reporting Initiative's (GRI) Standards core. The Sustainability Report was prepared based on the significant areas prioritised based on internal and external stakeholders' view of which sustainability issues are the most important to Mekonomen Group.

The 2017 Sustainability Report also constitutes our Communication on Progress Report to the UN Global Compact.

Mekonomen Group's Sustainability Report is available on pages 20-31 and more on the sustainability work is available at mekonomen.com.

Environment

The Group does not conduct any operations that require permits according to the Swedish Environmental Code. The Group's environmental impact in the Nordic region, through stores and affiliated workshops, mainly takes place in the areas of energy, transportation and the handling of chemicals. Our proprietary operations in MECA Sweden, MECA Norway and Mekonomen Sweden have come the farthest in the environmental efforts.

Among other things, all of these facilities are ISO 14001 certified. In Mekonomen Sweden, all stores and a large number of workshops are also certified for occupational health and safety (OHSAS 18001) and quality management (ISO 9001). Certifications of the operations have entailed better control with clear processes to discover and manage deviations.

Environmental work comprises surveys of the most significant environmental impact of the operations, and includes environmental policies, certified environmental management systems and environmental manuals describing procedures, monitoring and responsibilities. Environmental management systems undergo external audits every year, and environmental goals and monitoring procedures are determined for each financial year. For further information on the Group's environmental efforts, refer to pages 26-28.

Events after the end of the year

Mekonomen Group's management structure was changed as of 1 January 2018 to be better adapted to the business.

As of 1 January 2018, Group management comprises the following individuals:

- Pehr Oscarson, president and CEO
- Åsa Källenius, CFO and IT director
- Morten Birkeland, managing director of Sørensen og Balchen
- Katarina Zetterqvist, HR director
- Carl-Johan Åström, managing director of MECA Sweden
- Torhild Barlaup, managing director of MECA Norway
- Stig Tornell, managing director of Mekonomen Sweden
- Frank Bekken, managing director of Mekonomen Norway
- Tobias Narvinger, Purchasing & Supply
- Gabriella Granholm, Communications & Marketing
- Robert Hård, Legal & Sustainability
- Magnus Rylander, head of the business area Ventures

The organisational change also affects the segment reporting. As of the first quarter of 2018, Mekonomen Group will be presented with three segments, Mekonomen, MECA and Sørensen og Balchen. The Mekonomen segment will consist of Mekonomen Sweden and Mekonomen Norway. The MECA segment will consist of MECA Sweden and MECA Norway. Sørensen og Balchen is unchanged. The other operations that were previously a part of MECA will be included in Other segments, like Marinshopen, which was previously part of Mekonomen Sweden. The comparative figures will be restated.

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

Future development

Figures for 2017 show that the registration of new cars continued to increase in our main markets of Sweden and Norway, where the share of newly registered electric cars continued to grow. The increase in the percentage of electric cars is from a low level and we see no significant impact on us in the next few years. It is important that we monitor how the aftermarket changes, and the increase in the share of electric cars together with the higher degree of digitalisation in the industry are two areas we are monitoring extra carefully.

Due to the growing car fleet in recent years, we see potential for a growing overall market in the future, given that the scrapping of cars does not increase from current levels. However, we expect no major change in the market in the near future as the growing car fleet reaches the aftermarket only when the cars get older.

The work with our two major strategic projects – a Group-wide central warehouse in Strängnäs and our new digital spare parts catalogue – are proceeding according to plan.

Focus in 2018 is still on driving profitable sales growth in all of our Group companies. This is to take place by further strengthening and adapting our customer offering, but also by actively seeking acquisition opportunities in our core business and within nearby areas.

The share

Share capital and ownership structure

As per 31 December 2017, the share capital of Mekonomen AB (publ) amounted to SEK 90 M (90) and comprised 35,901,487 shares (35,901,487) at a quotient value of SEK 2.50 per share (2.50). Each share carries one vote at the Annual General Meeting and all shares carry equal entitlement to a share in the company's profits and assets. Each shareholder is entitled to vote for all their shares with no restrictions and the shares are not included in any transfer restrictions.

LKQ Corporation represents 26.5 per cent of the number of votes. For information about the 15 largest shareholders as per 31 December 2017, refer to the table on page 33.

Authorisation

The Annual General Meeting resolved in April 2017 to authorise the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 3,590,149 shares. At the end of the financial year, no new shares were issued under this authorisation.

Dividend policy

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

Shareholder agreements

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

Share dividends

The Board proposes a dividend of SEK 7.00 (7.00). The Board proposes 14 May 2018 as the record day for the dividend. If the Annual General Meeting resolves to approve the proposal, the dividend will be paid on 17 May 2018. The final day for trading the company's shares including the right to dividends is 09 May 2018.

Board of Directors' work 2017

The Annual General Meeting on 25 April 2017 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 elected as the new Chairman), Kenny Bräck, Joseph M. Holsten, Malin Persson, Helena Skåntorp and Christer Åberg (Executive Vice Chairman) to the Board and to elect Magnus Håkansson as a new Board member.

During 2017, the Board held 14 (15) meetings, of which one was a statutory meeting. The Board meetings during the year addressed the fixed items of each meeting agenda, such as business situation, financial reporting and investments. Other issues discussed in the Board during the year were strategies, market development, Mekonomen's Swedish operations, risk analysis, formal work plans, policies, new financing and the recruitment of a new President and CFO, respectively. In addition, selected Board meetings discussed issues relating to annual accounts, interim reports and budget.

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

At the 2017 Annual General Meeting, PricewaterhouseCoopers AB (PwC), with Authorised Public Accountant Lennart Danielsson as Auditor in Charge, was appointed as the auditing firm until the 2018 Annual General Meeting.

Proposed appropriation of profit

Parent Company

The following profit is at the disposal of the Annual General Meeting,	SEK 000s:
- Profit brought forward	2,297,268
- Profit for the year	426,800
TOTAL	**2,724,068**

The Board of Directors and President propose that profits be appropriated as follows,	SEK 000s:
- Dividend to shareholders (SEK 7.00 per share)	251,310
- To be carried forward	2,472,758
TOTAL	**2,724,068**

The Board's statement concerning the proposed dividend

Following the proposed dividend, the Parent Company's equity/assets ratio will amount to 59 per cent and the Group's equity/assets ratio to 40 per cent calculated on the balance-sheet date of 31 December 2017. The equity/assets ratio is satisfactory considering that the company's and the Group's operations are continuing to operate profitably, which means that the equity/assets ratio following dividend payment in May 2018 will exceed the above-stated levels. It is estimated that cash and cash equivalents in the company and the Group will remain at a satisfactory level.

The Board is of the opinion that the proposed dividends do not prohibit the Parent Company or other Group companies from fulfilling their obligations in the short or long term. Neither do the dividends influence the Group's ability to implement required investments. Taking into account the above and other circumstances known to the Board, the Board believes that a comprehensive assessment of the company's and Group's financial position entails that this dividend is justified taking into consideration the demands imposed by the nature, scope and risks of the operations on the amount of equity in the company and the Group, and the other consolidation requirements, liquidity and position of the company and the Group operations.

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

CORPORATE GOVERNANCE REPORT

Mekonomen Group comprises approximately 170 companies that conduct business operations primarily in Sweden, Norway and Finland. The Parent Company of the Group is the Swedish public limited liability company Mekonomen AB, whose shares are listed on the Nasdaq Stockholm.

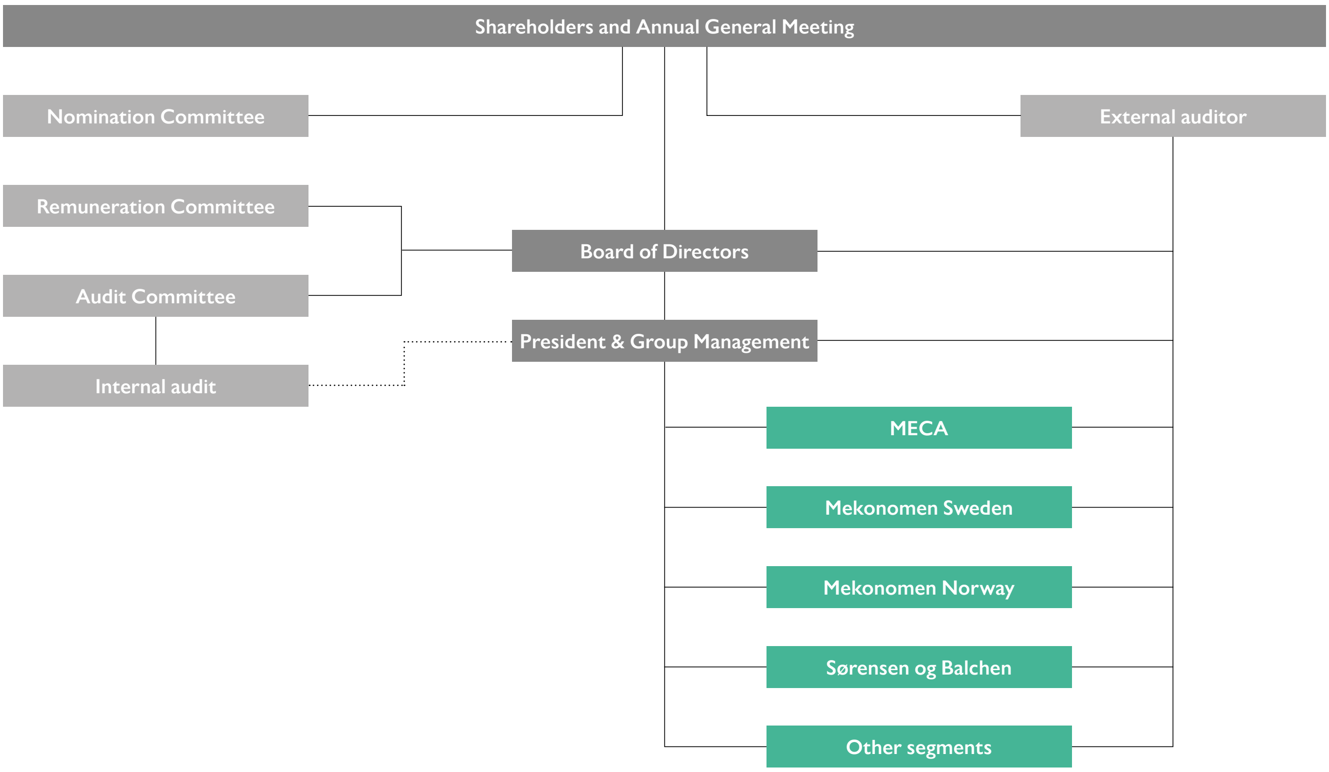
Principles for corporate governance

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

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

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

Overall Corporate Governance Model



Application of the Swedish Corporate Governance Code

Mekonomen Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2017:

Deviation from the Code (rule 2:4):

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

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

Sustainability governance in Mekonomen Group

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

The responsibility for the strategic sustainability work, as well as targets and follow-up rests with the Director of Sustainability who is a member of Group Management. The Board of Directors follows up the work in the Group Management's reporting. The head or president of the respective company is responsible for operational work.

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

Mekonomen Group's Sustainability Report is available on pages 20-31 in the 2017 Annual Report and more on the sustainability work is available at mekonomen.com.

Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. Share capital amounted to SEK 89,753,718 on 31 December 2017, represented by 35,901,487 shares. The total market value for the company on 31 December 2017 amounted to SEK 5.4 billion, based on the closing price of SEK 149.25. All 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 31 December 2017 was 10,707 (9,484). On the same date, the ten largest shareholders controlled 63.2 per cent (63.9) of the capital and voting rights and the participation of foreign owners accounted for 44.7 per cent (43.1) of the capital and voting rights.

Shareholders which directly or indirectly represent at least one-tenth of the voting rights for all shares in Mekonomen are LKQ Corporation and subsidiaries, whose shareholding on 31 December 2017 amounted to 26.5 per cent (26.5). For further information on Mekonomen's share and shareholders, see pages 32–33.

General Meeting

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

Information from the Extraordinary General Meeting on 10 January 2017

The Extraordinary General Meeting was held on 10 January 2017 and the Meeting resolved in brief:

- In accordance with a proposal by LKQ Corporation, Joseph M. Holsten and John S. Quinn were elected as Board members for the period until the next Annual General Meeting.
- The Board fees approved by the 2016 Annual General Meeting shall be distributed between the withdrawing Board members and the new Board members pro rata for their respective periods of service for the time from the 2016 AGM until the end of the 2017 AGM.

Annual General Meeting 2017

The Annual General Meeting was held in Stockholm on 25 April 2017. The complete minutes of the Annual General Meeting are available on the Mekonomen website at mekonomen.com. In brief, the Annual General Meeting resolved:

- to adopt the income statement and balance sheet, the consolidated income statement and the consolidated balance sheet
- to pay a dividend of SEK 7.0 per share to shareholders
- to discharge the members of the Board and the presidents from liability
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members
- to pay total Board fees of SEK 2,210,000, of which SEK 550,000 relates to fees to the Chairman of the Board and SEK 310,000 relates to the Executive Vice Chairman, and also SEK 270,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Furthermore, fees for Committee work are to be paid as follows: SEK 60,000 to the Chairman of the Audit Committee, SEK 35,000 to each of the other members of the Audit Committee, SEK 35,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee
- to elect John S. Quinn as the new Chairman of the Board
- to re-elect Board members John S. Quinn, Kenny Bräck, Joseph M. Holsten, Malin Persson, Helena Skåntorp and Christer Åberg and to elect Magnus Håkansson as a new Board member
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the close of the 2018 Annual

General Meeting
- to adopt proposals for guidelines regarding the composition of the Nomination Committee
- to adopt the Board's proposals for guidelines regarding remuneration of senior executives
- to adopt the Board's proposals concerning employees' acquisition of shares in subsidiaries
- to adopt authorisation for the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 3,590,149 shares

Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 25 April 2017, Mekonomen Group has established a Nomination Committee. The company is to have a Nomination Committee comprising four members. The largest shareholders of the company were contacted by the company's Board based on the list of registered shareholders on 31 August 2017 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2018 Annual General Meeting is comprised of John S. Quinn, LKQ Corporation, Evert Carlsson, Swedbank Robur Fonder, Arne Lööw, Fourth Swedish National Pension Fund and Carl Gustafsson, Didner & Gerge Småbolagsfond. In accordance with the guidelines, John S. Quinn has been appointed the Chairman of the Nomination Committee. Mekonomen's Board member, Helena Skåntorp, was co-opted to the Nomination Committee. Fees are not paid to members of the Nomination Committee.

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

The Nomination Committee's task is to present proposes to the Annual General Meeting concerning:
- election of Chairman of the Meeting
- number of Board members and deputy Board members,
- the election of the Chairman of the Board and other members of the company's Board of Directors,
- Board fees and any remuneration for committee work,
- the election and remuneration of auditors, and
- guidelines on the composition of the Nomination Committee, etc.

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

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

Annual General Meeting 2018

The Annual General Meeting will be held on 9 April 2018 at 3:00 p.m. at Nalen, Regeringsgatan 74, SE-111 39 Stockholm, Sweden.

Specific information about the Board's work

Size and composition

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

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

The Annual General Meeting on 25 April 2017 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 elected as the new Chairman), Kenny Bräck, Joseph M. Holsten, Malin Persson, Helena Skåntorp and Christer Åberg (Executive Vice Chairman) to the Board and to elect Magnus Håkansson as a new Board member.

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

Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The Nomination Committee has particularly observed the requirement of diversity and breadth in the Board and the requirement of striving for an even gender distribution. According to the Nomination Committee, the composition is suitable to be able to meet such needs in the company's operations. The Nomination Committee has chosen to use the Code's rule 4.1 as the diversity policy.

Chairman

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

The Board's working procedures

The Board is responsible for the company's organisation and management and is to also make decisions pertaining to strategic issues. During 2017, the Board held 14 meetings, of which one was a statutory meeting. The minutes of the meetings were recorded by the Board's secretary, who is the Group's CFO.

Relevant meeting documentation was sent to all members prior to each meeting, which were then held in accordance with the approved agenda. On occasions, other senior executives participated in Board Meetings in a reporting capacity, as necessary. No dissenting opinions to be recorded in the minutes were expressed at any of the meetings during the year. The Board meetings during the year addressed the fixed items of each meeting agenda, such as business situation, financial reporting and investments. Other issues discussed in the Board during the year were strategies, market development, Mekonomen's Swedish operations, risk analysis, formal work plans, policies, new financing and the recruitment of a new President and CFO, respectively. In addition, selected Board meetings discussed issues relating to annual accounts, interim reports and budget.

Assignments

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

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

The Board evaluates its work every year and it is the duty of the Chairman of the Board to ensure that evaluation is performed. In 2017, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2017 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

The Annual General Meeting resolved, in accordance with the proposal from the Nomination Committee, to allocate Board fees amounting to SEK 2,210,000, of which SEK 550,000 to the Chairman of the Board and SEK 310,000 to the Executive Vice Chairman, and SEK 270,000 to each of the other Board members. Furthermore, fees for Committee work are to be paid as follows: SEK 60,000 to the Chairman of the Audit Committee, SEK 35,000 to each of the other members of the Audit Committee, SEK 35,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee.

Board Committees

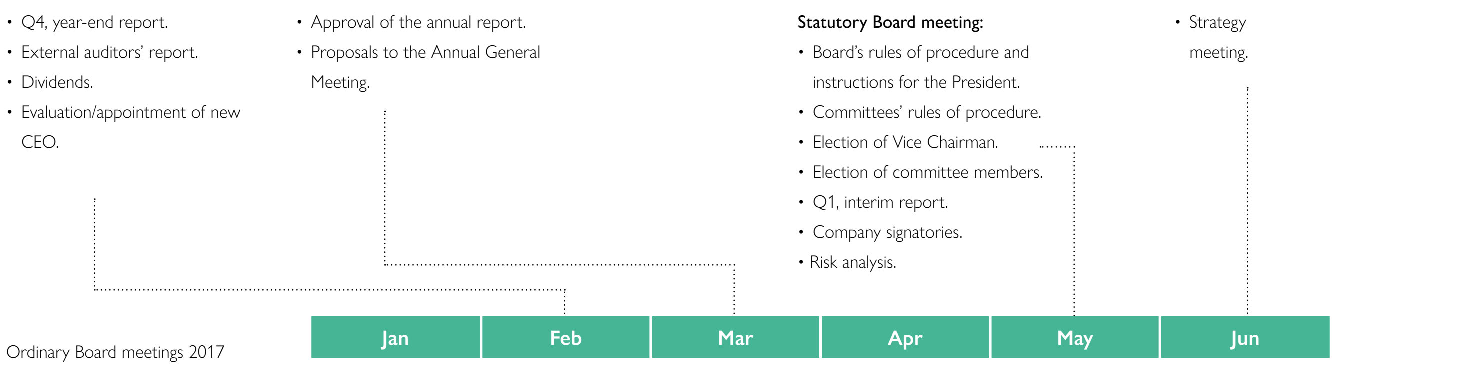
The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the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

Audit Committee

The Audit Committee's duties comprise:

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

Overview of all points on the Board's agenda in 2017



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

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

As of 9 May 2017, the Audit Committee consists of Board members Helena Skåntorp (Chair), John S. Quinn, Magnus Håkansson and Christer Åberg. In 2017, the Audit Committee held five meetings. The respective member's participation is presented in the table on page 48. The Group's external auditors, the Group's CFO and Head of Accounting also participated at the meetings.

Remuneration Committee

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

Until the end of the 2017 Annual General Meeting, the Remuneration Committee consisted of Kenneth Bengtsson, Chair, Malin Persson and, from 10 January 2017, Joseph M. Holsten, who replaced Mia Brunell Livfors who withdrew as a member of the Remuneration Committee on that date.

As of 9 May 2017, the Remuneration Committee consists of Board members Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Christer Åberg.

The Remuneration Committee held six meetings in 2017, of which two were before 25 April and four after 25 April. The respective member's participation is presented in the table on page 48. The company's president, Pehr Oscarson, was also present at five of these meetings. The Group's CFO was the Committee's secretary.

Group Management

President

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

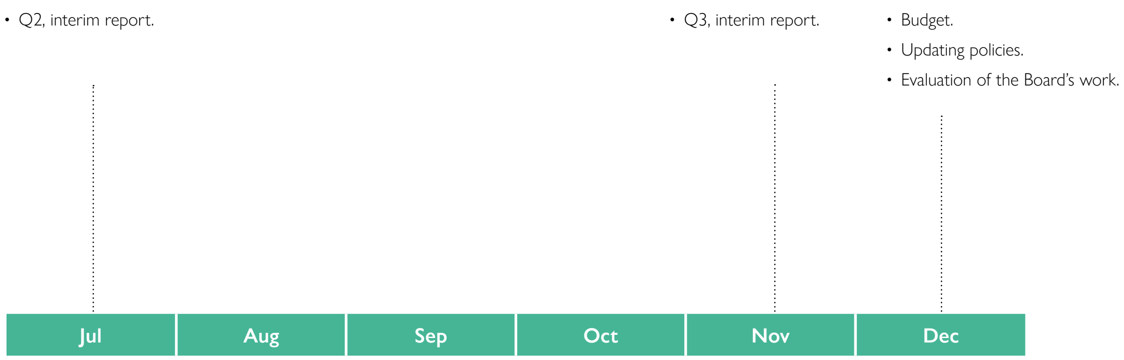
Pehr Oscarson has been the President and CEO of Mekonomen Group since 1 March 2017. Prior to that, he served as the acting President and CEO of Mekonomen Group since 6 October 2016. In addition to his assignment for Mekonomen Group, Pehr is the Vice Chairman of SBF (Sveriges Bilgrossisters Förening -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

Group Management

At 31 December 2017, Group Management consisted of the President and CEO, the CFO, the President of Sørensen og Balchen and the Corporate HR Director.

Group Management was supplemented by another eight functions as of 1 January 2018: the President of MECA Sweden, the President of MECA Norway, the President of Mekonomen Sweden, the President of Mekonomen Norway and the Corporate Directors for Purchasing & Product Supply, Marketing & Communication, Legal Affairs & Sustainability and the Head of business area Ventures.

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



Remuneration of senior executives

It is considered very important to ensure that there is a clear link between remuneration and the Group's distinct values and financial goals in both the short and the long term. The guidelines for remuneration of senior executives approved by the 2017 Annual General Meeting entail that the company is to offer market-based remuneration that allows the Group to recruit and retain the right executives, and entail that the criteria for determining remuneration is to be based on the significance of work duties and employees' competencies, experience and performance.

Remuneration is to comprise:

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

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

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

The distribution between basic salary and variable remuneration is to be proportionate to the senior executive's responsibilities and authorities. The short-term variable remuneration for other senior executives is based on the Group's earnings and on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and varies between 33 and 60 percentage points for members of Group Management. 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.

At the 2016 Annual General Meeting, it was also resolved that Group Management and a number of selected, business-critical senior executives may receive long-term variable remuneration from the company.

The criteria for determining the variable remuneration portion for each individual is decided by the Board's Remuneration Committee, and for the President by the Board in its entirety. The long-term variable remuneration is to be profit-based and calculated on the Group's earnings for the 2016-2018 financial years. The entire bonus programme, as an expense for the company, is to amount to a maximum of SEK 32 M for the period. Furthermore, an additional requirement to the above is that the average price paid for the Mekonomen share on Nasdaq Stockholm on the last trading day in December 2018 is to exceed the Nasdaq Stockholm PI index for the programme period. The bonus may be realised in whole, in part or not at all depending on the consolidated profit during the duration of the long-term remuneration programme. The right to variable remuneration presupposes that the executive is still employed at the 2019 Annual General Meeting. No bonus was reserved as per 31 December 2017 pertaining to this bonus programme.

Auditors

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and President's management of the company. At the 2017 Annual General Meeting, PricewaterhouseCoopers AB (PwC), with Authorised Public Accountant Lennart Danielsson as Auditor in Charge, was appointed as the auditing firm until the 2018 Annual General Meeting. PwC has an organisation comprising broad and specialised competency that is well-suited to Mekonomen Group's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2017	2016
PwC		
Fees for audit assignments	6	7
Audit-related services other than the audit assignment	0	0
Tax consultancy	0	0
Other services	0	0
Total fees to PwC	**7**	**7**

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

The Board report on internal control regarding financial reporting

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

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

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

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

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

Control environment

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

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

Risk assessment

Mekonomen Group conducts surveys of the Group's risks. In these surveys, a number of items are identified in the financial statements and administrative flows and processes where there is an elevated risk of error. The company works to reduce these risks by strengthening controls. Furthermore, risks are addressed in a special forum, including questions related to start-ups and acquisitions. For a more detailed description of risks, refer to Risks and uncertainties in the Administration Report and in Note 37 Financial risks in the 2017 Annual Report.

More information is available on mekonomen.com

- Articles of association
- Code of Conduct
- Information from previous General Meetings, from 2006
- Information about the Nomination Committee
- Information about principles of remuneration of senior executives
- The Board's evaluation of guidelines for remuneration of programmes for variable remuneration
- Corporate Governance Reports from 2006
- Information about the 2018 Annual General Meeting

Control activities

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

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

Internal audit

In 2017, Mekonomen Group hired the auditing firm Deloitte to conduct the internal audit in the Group. The internal audit functions as an independent and objective assurance and advisory function, which creates value and increases certainty in internal control. This is done by evaluating and proposing improvement in such areas as risk management, compliance with policies and efficiency in the internal control over the financial reporting. The function works throughout the Group. Reporting is done to the Audit Committee, the President and the CFO and information is provided to management in each business area and other units on the results of the audits performed.

Information and communications

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

Follow-up

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

MEKONOMEN ANNUAL REPORT 2017 – MEMBERS OF THE BOARD







	John S. Quinn	Christer Åberg	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Malin Persson	Helena Skåntorp
Board position	Chairman of the Board. Member of Mekonomen's Audit Committee. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman. Member of Mekonomen's Audit Committee. Member of Mekonomen's Remuneration Committee.	Board member.	Board member Member of Mekonomen's Remuneration Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.	Board member. Chairman of Mekonomen's Audit Committee.
Education	M.B.A, Bachelor of Business Administration and certified public accountant.	IHM Business School Stockholm and training courses at Unilever.	Upper secondary school education.	M.B.A, Bachelor of Arts and certified public accountant.	Graduate in Business Administration, Stockholm School of Economics, and holds a Master of Science in Management, MIT Sloan School.	MSc in Engineering, Chalmers University of Technology.	Graduate in Business Administration, Stockholm University.
Elected in	2017	2014	2007	2017	2017	2015	2004
Born	1958	1966	1966	1952	1963	1968	1960
Position and Board assignments	CEO and Managing Director of LKQ Europe.	CEO, Food Folk AS/McDonalds Nordic Member of the Board of Axfood AB (publ), Chairman of the Board of Apoex AB.	Self-employed. Minority owner and Board member of Motorsport Auctions Ltd. Test and Development Driver for McLaren Automotive.	Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	CEO of RNB Retail and Brands AB (publ), Chairman of the Boards of Tenant & Partner Group AB and GS1 Sweden AB, Chairman of the Board of RNB Retail and Brands AB (publ) 2010-2011.	Member of the Boards of Getinge AB (publ), HEXPOL AB (publ), Peab AB and Konecranes Plc.	Self-employed. Board member of ByggPartner i Dalarna Holding AB (publ). Chairman of the Board and President of Skåntorp & Co AB. Board member of Storyfire AB.
Work experience	Executive Vice President and CFO of LKQ Corporation for six years. Senior Vice President, CFO and Treasurer of Casella Waste Systems, Inc., Senior Vice President of Finance at Allied Waste Industries, Inc. and held several financial and operating roles at Waste Management, Inc.	CEO, Hilding Anders Group. President of Orkla Confectionary & Snacks, President of Arla Foods AB, President of Atria Scandinavia AB, senior positions at Unilever.	Former professional racing driver.	President and CEO of LKQ Corporation for 13 years. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as Executive Vice President and COO. Prior to that auditor at a public accounting firm.	CEO of Expert Sverige AB, CFO of KF Group and Consultant at McKinsey & Co.	President of Volvo Technology AB and the Chalmers University of Technology Foundation. Many years of experience from large Swedish industrial companies, including SKF, ASG and the Volvo Group.	President of Lernia AB. President and CEO of SBC Sveriges BostadsrättsCentrum AB. President and CEO of Jarowskij, CFO of Arla, Authorised Public Accountant at Öhrlings/PwC.
Total remuneration, SEK	610,000	370,000	270,000	295,000	305,000	305,000	330,000
Attendance at Board meetings	14/14	14/14	12/14	14/14	9/9	14/14	14/14
Attendance at Audit Committee meetings	4/4	5/5	–	–	7 7	–	5/5
Attendance at Remuneration Committee meetings	4/4	4/4	–	6/6	–	6/6	–
Own shareholdings and shareholdings of related parties	None.	2,500	1,000	None.	None.	1,000	2,000
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.	No, dependent in relation to major shareholders of the company.	Yes.	Yes.	Yes.

Changes in the Board
At the Extraordinary General Meeting on 10 January 2017, Jospeh M. Holsten and John S. Quinn were elected as new Board members. At the 2017 Annual General Meeting, Magnus Håkansson was elected as a new Board member.

Kenneth Bengtsson withdrew from the Board in connection with the 2017 AGM. Kenneth Bengtsson participated in five out of five Board meetings before the 2017 AGM. He was also a member of the Remuneration Committee until the 2017 AGM and participated in two of two meetings. He was a member of the Remuneration Committee and participated in one of one meetings until the 2017 AGM.

Remuneration and compensation set by the AGM are expensed every calendar year. Remuneration for Board and committee work during 2017 to Kenneth Bengtsson was therefore reported under 2016.

Changes in Group Management
At 31 December 2017, Group Management consisted of the President and CEO, the CFO, the President of Sørensen og Balchen and the Corporate HR Director. Group Management was supplemented by another eight functions as of 1 January 2018: the President of MECA Sweden, the President of MECA Norway, the President of Mekonomen Sweden, the President of Mekonomen Norway and the Corporate Directors for Purchasing & Product Supply, Marketing & Communication, Legal Affairs & Sustainability and the Head of business area Ventures.

On 14 June 2017, Per Hedblom left the post of CFO at his own request for a new assignment. Marcus Larsson left the post of Executive Vice President at his own request in the third quarter of 2017. Örjan Grandin left the post of Corporate Supply Chain Director at his own request in the fourth quarter of 2017.

GROUP MANAGEMENT FROM 1 JANUARY 2018

	Pehr Oscarsson	Torhild Barlaup	Frank Bekken	Morten Birkeland	Gabriella Granholm	Robert Hård
Role	President and CEO.	President, MECA Norway.	President, Mekonomen Norway.	President, Sørensen og Balchen.	Director of Marketing & Communication.	Director of Legal Affairs & Sustainability.
Born	1963	1968	1959	1964	1982	1966
Education	Technical upper secondary school, supplemented with short economics and management courses.	Graduate in Business Administration, Norwegian School of Economics (NHH), Master of Management programme, BI Norwegian Business School, further studies in board work (BI).	Graduate in Business Administration, Oslo Business School.	Degree in Economics, Oslo Business School.	Jurisprudence - civil law, Luleå University of Technology, PR and Communication, Berghs School of Communication.	Master of Laws, Lund University.
Employed	2001	2012	2000	2008	2010	2003
Work experience	President of MECA Scandinavia and before that held senior positions in MECA since 2001, President of Swecar AB.	CEO of Snap Drive AS, Bertel O Steen (BOS), Purchasing Manager and Marketing Manager BOS Deler og Logistikk, Logistics Manager Mercedes-Benz, Researcher – Institute of Transport Economics.	IT Consultant Data Design AS, President Christoffersen & Bekken AS, President Mekonomen Norway.	Head of Marketing Nordic at Stabburet, Marketing Director and Operations Director at Intersport, Sales Director at Tine, Division Director at NetCom Commercial and Private markets.	Director of Communications, Mekonomen Group, Information Manager, IMA Sport.	Clerk of Helsingborg District Court. Attorney-at-law, Advokatfirman Vinge. Director of Legal Affairs, HR and Environment, MECA Group.
Board appointments	Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Fresks Holding AB and Oscarson Invest Aktiebolag.	Board member of Dekk1 AS.	Chairman of the Board of Figo AS, Member of the Board of Svelviken AS.	–	–	–
Own shareholdings and shareholdings of related parties	18,500	None.	None.	None.	None.	None.

	Åsa Källenius	Tobias Narvinger	Magnus Rylander	Stig Tornell	Katarina Zetterqvist	Carl-Johan Åström
Role	CFO.	Director for Purchasing & Product Supply.	Head of business area Ventures.	President, Mekonomen Sweden.	HR Director.	President, MECA Sweden.
Born	1967	1974	1964	1967	1964	1980
Education	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	Graduate in Business Administration, Stockholm University.	Graduate in Business Administration, Karlstad University.	Bachelor of Science, Organization Sociology, Stockholm University.	MBA, Master of Business Administration. School of Economics and Management, Lund University.
Employed	2017	2011-2016, 2017-	2014	2017	2015	2017
Work experience	CFO of Tele2 Sweden, CFO Inflight Service, Financial Manager Spendrups Bryggerier.	Various positions in development, sales and purchasing Scania CV AB in Södertälje.	CFO of the MECA Group, CFO of Indiska Magasinet, CFO Adidas Nordics, Financial Director Scribona Denmark and multiple roles in finance in Alfa Laval.	President, Kronans Apotek, Assortment & Marketing Director Kronans Apotek, Purchasing Director Reitan Servicehandel, Cluster Manager Convenience Retail UK, Irl & Nordics Shell International.	HR Director Imtech Nordic, HR Manager Coop Sverige, HR Manager Strängbetong. Roles in HR, DHK, FRA and Spånga Tensta City District Administration.	President of Villeroy & Boch Nordic Tableware, Sales and Marketing Director Odd Molly USA. Manager International Sales BRIO AB.
Board appointments	Green Landscaping, Källenius Invest AB, KAAX Investment AB, KAAX Fastigheter AB.	–	–	Board member Apoteksgruppen.	–	–
Own shareholdings and shareholdings of related parties	5,000	1,000	150	None.	None.	80

FINANCIAL STATEMENTS

Consolidated income statement

SEK M	Note	2017	2016
Net sales	3	5,850	5,786
Other operating revenue		150	151
Total revenue		**6,000**	**5,937**
Operating expenses			
Goods for resale	17	-2,654	-2,686
Other external costs	4	-1,249	-1,229
Personnel costs	5	-1,386	-1,366
Operating profit before depreciation/amortisation and impairment of tangible and intangible fixed assets (EBITDA)		**710**	**656**
Depreciation and impairment of tangible fixed assets	6	-60	-62
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)		**649**	**594**
Amortisation and impairment of intangible fixed assets	6	-127	-113
Operating profit (EBIT)	9	**522**	**481**
Financial income and expenses			
Interest income		4	5
Interest expenses		-29	-28
Other financial items	9	-23	-12
Profit after financial items		**475**	**446**
Tax on profit for the year	10	-107	-105
Profit for the year		**368**	**342**
Profit for the year attributable to:			
Parent Company's shareholders		361	335
Non-controlling interests		7	7
Total profit for the year		**368**	**342**
Earnings per share attributable to Parent Company's shareholders			
Earnings per share, SEK[1]		10.05	9.32
Average number of shares[1]		35,901,487	35,901,487

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

Consolidated statement of comprehensive income

SEK M	Note	2017	2016
Profit for the year		**368**	**342**
Other comprehensive income:			
Components that will not be reclassified to profit for the year:			
- Actuarial gains and losses		0	-1
Components that may later be reclassified to profit for the year:			
- Exchange-rate differences on translation of foreign subsidiaries		-51	105
- Cash-flow hedging[1]		3	-4
Total other comprehensive income, net after tax[2]		**-48**	**100**
Comprehensive income for the year		**320**	**442**
Comprehensive income for the year attributable to			
Parent Company's shareholders		313	434
Non-controlling interests		7	8
Comprehensive income for the year		**320**	**442**

[1] Holding of financial interest rate derivatives for hedging purposes, valued according to level 2 defined in IFRS 13.
[2] For information about tax recognised directly against items in other comprehensive income, refer to Note 15.

Consolidated balance sheet

SEK M	Note	31 Dec. 2017	31 Dec. 2016
Assets			
Fixed assets			
Intangible fixed assets	12		
Goodwill		1,872	1,883
Brands		324	327
Franchise contracts		14	19
Customer relations		360	415
Capitalised expenditure for IT systems		116	113
Total intangible fixed assets		**2,686**	**2,757**
Tangible fixed assets			
Improvement costs, third-party property	13	23	27
Equipment and transport	14	231	154
Total tangible fixed assets		**254**	**181**
Financial fixed assets			
Investments accounted for using the equity method	27	22	2
Other financial fixed assets	11, 16	39	44
Total financial fixed assets		**62**	**46**
Deferred tax assets	15	93	77
Total fixed assets		**3,095**	**3,061**
Current assets			
Goods for resale	17	1,382	1,279
Current receivables	11, 18, 19	823	821
Cash and cash equivalents	11, 20	254	291
Total current assets		**2,459**	**2,391**
Total assets		**5,554**	**5,452**
Shareholders' equity and liabilities			
Shareholders' equity	28		
Share capital		90	90
Other capital contributions		1,456	1,456
Reserves		-182	-134
Profit brought forward including profit for the year		1,000	900
Total shareholders' equity attributable to Parent Company's shareholders		**2,363**	**2,311**
Non-controlling interests		16	14
Total shareholders' equity		**2,379**	**2,324**
Long-term liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	1,451	1,334
Deferred tax liabilities	15	168	163
Provisions	22	21	27
Total long-term liabilities		**1,640**	**1,524**
Current liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	255	404
Tax liabilities		84	94
Other current liabilities, non-interest-bearing	11, 23, 24	1,182	1,105
Provisions	22	14	0
Total current liabilities		**1,535**	**1,603**
Total shareholders' equity and liabilities		**5,554**	**5,452**

Consolidated statement of changes in equity

SEK M	Share capital	Other capital contributions	Reserves	Profit brought forward	Total attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' Capital
Opening balance on 1 January 2016	**90**	**1,456**	**-234**	**831**	**2,143**	**12**	**2,155**
Profit for the year				335	335	7	342
Other comprehensive income:			100	-1	99	1	100
Comprehensive income for the year	–	–	100	334	434	8	442
Transactions with shareholders							
Dividends				-251	-251	-8	-259
Acquisition/divestment of non-controlling interests				-14	-14	1	-14
Total transactions with shareholders:	–	–	–	-265	-265	-7	-273
Closing balance on 31 December 2016	**90**	**1,456**	**-134**	**900**	**2,311**	**14**	**2,324**
Opening balance on 1 January 2017	**90**	**1,456**	**-134**	**900**	**2,311**	**14**	**2,324**
Profit for the year				361	361	7	368
Other comprehensive income:			-48	0	-48	0	-48
Comprehensive income for the year	–	–	-48	361	313	7	320
Transactions with shareholders							
Dividends				-251	-251	-7	-258
Acquisition/divestment of non-controlling interests				-9	-9	2	-7
Total transactions with shareholders:	–	–	–	-261	-261	-5	-265
Closing balance on 31 December 2017	**90**	**1,456**	**-182**	**1,000**	**2,363**	**16**	**2,379**

Consolidated cash-flow statement

SEK M	Note	2017	2016
Operating activities			
Profit after financial items		475	446
Adjustments for items not affecting liquidity	30	200	196
		675	**642**
Tax paid		-66	-153
Cash flow from operating activities before changes in working capital		**609**	**489**
Cash flow from changes in working capital			
Decrease (+) / increase (-) in inventories		-127	-40
Decrease (+) / increase (-) in receivables		-74	33
Decrease (-) / increase (+) in liabilities		88	61
Increase (-) / decrease (+) in working capital		**-113**	**54**
Cash flow from operating activities		**496**	**544**
Investments			
Acquisition of subsidiaries and operations	31	-59	-17
Divestment of subsidiaries and operations		9	29
Acquisition of tangible fixed assets	13.14	-130	-58
Divestment of tangible fixed assets		2	0
Acquisition of intangible fixed assets	12	-34	-53
Acquisition/sale of participations in associated companies and joint ventures	27	-20	0
Purchase of financial fixed assets		-1	-3
Increase (-) / decrease (+) of long-term receivables		4	8
Cash flow from investing activities		**-229**	**-94**
Financing activities	30		
Acquisition of non-controlling interests	31	-8	-14
Divestment of non-controlling interests	31	0	0
Change in overdraft facilities		-148	-58
Loans raised	21	258	–
Amortisation of loans		-139	-136
Dividends paid		-258	-259
Cash flow from financing activities		**-295**	**-466**
Cash flow for the year		**-27**	**-16**
Cash and cash equivalents at the beginning of the year		**291**	**295**
Exchange-rate differences in cash and cash equivalents		-9	12
Cash and cash equivalents at year-end	20	**254**	**291**

In the comparison period, cash flow from discontinued operations is included regarding the Danish store operations in an amount of SEK -12 M, of which SEK -17 M was from operating activities and SEK 5 M was from investing activities. For additional information regarding discontinued operations, refer to Note 34.

Interest received amounted to SEK 4 M (5) and interest paid amounted to SEK 29 M (28).

Income statement for the Parent Company

SEK M	Note	2017	2016
Net sales	3, 32	34	34
Other operating revenue		47	50
Total revenue		**81**	**84**
Operating expenses			
Goods for resale		-1	-4
Other external costs	4	-86	-73
Personnel costs	5	-25	-44
Depreciation/amortisation of tangible and intangible fixed assets	6	0	0
EBIT		**-31**	**-38**
Financial income and expenses			
Result from participations in Group companies	7	315	19
Interest income		26	24
Interest expenses		-31	-27
Other financial items	9	-13	-17
Profit after financial items		**267**	**-38**
Appropriations	8	171	156
Profit before tax		**438**	**118**
Tax on profit for the year	10	-11	0
Profit for the year		**427**	**118**

Statement of comprehensive income for the Parent Company

SEK M	Note	2017	2016
Profit for the year		427	118
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		**427**	**118**

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2017	31 Dec. 2016
Assets			
Fixed assets			
Tangible fixed assets			
Improvement costs, third-party property	13	0	0
Equipment and transport		0	0
Total tangible fixed assets		**0**	**0**
Financial fixed assets			
Participations in Group companies	26	3,030	3,012
Receivables from Group companies		121	99
Deferred tax assets	15	96	79
Total financial fixed assets		**3,248**	**3,190**
Total fixed assets		**3,248**	**3,190**
Current assets			
Current receivables			
Accounts receivable		9	8
Receivables from Group companies		1,502	1,242
Tax assets		–	56
Other receivables		11	7
Prepaid expenses and accrued income	19	9	7
Total current receivables		**1,531**	**1,319**
Cash and cash equivalents	20	152	163
Total current assets		**1,683**	**1,482**
Total assets		**4,931**	**4,673**
Shareholders' equity and liabilities			
Shareholders' equity	28		
Restricted shareholders' equity			
Share capital		90	90
Statutory reserve		3	3
Total restricted shareholders' equity		**93**	**93**
Non-restricted shareholders' equity			
Profit brought forward		2,297	2,431
Profit for the year		427	118
Total non-restricted shareholders' equity		**2,724**	**2,549**
Total shareholders' equity		**2,817**	**2,642**
Untaxed reserves		**252**	**210**
Provisions	22	**3**	**2**
Long-term liabilities			
Liabilities to credit institutions	21	1,446	1,324
Total long-term liabilities		**1,446**	**1,324**
Current liabilities			
Overdraft facilities	21	117	265
Other liabilities to credit institutions	21	136	136
Accounts payable		1	2
Liabilities to Group companies		145	69
Current tax liabilities		4	–
Other liabilities		1	1
Accrued expenses and deferred income	24	11	22
Total current liabilities		**414**	**495**
Total shareholders' equity and liabilities		**4,931**	**4,673**

Statement of changes in shareholders' equity for the Parent Company

	Restricted shareholders' equity		Non-restricted shareholders' equity	
SEK M	Share capital	Statutory reserve	Profit brought forward	Total shareholders' equity
Opening balance on 1 January 2016	**90**	**3**	**2,682**	**2,775**
Profit for the year			118	118
Other comprehensive income				–
Comprehensive income for the year			**118**	**118**
Transactions with shareholders				
Dividends			-251	-251
Total transactions with shareholders			**-251**	**-251**
Closing balance on 31 December 2016	**90**	**3**	**2,549**	**2,642**
Opening balance on 1 January 2017	**90**	**3**	**2,549**	**2,642**
Profit for the year			427	427
Other comprehensive income			–	–
Comprehensive income for the year			**427**	**427**
Transactions with shareholders				
Dividends			-251	-251
Total transactions with shareholders			**-251**	**-251**
Closing balance on 31 December 2017	**90**	**3**	**2,724**	**2,817**

The number of shares as at 31 December 2017 amounted to 35,901,487 (35,901,487) with a quotient value of SEK 2.50 (2.50) per share.

Cash-flow statement for the Parent Company

SEK M	Note	2017	2016
Operating activities			
Profit after financial items		267	-38
Adjustments for items not affecting liquidity	30	-6	21
		261	**-17**
Tax paid		31	-42
Cash flow from operating activities before changes in working capital		**292**	**-59**
Cash flow from changes in working capital			
Decrease (+) / increase (-) in receivables		18	599
Decrease (-) / increase (+) in liabilities		-9	-99
Increase (-) / decrease (+) in working capital		**9**	**500**
Cash flow from operating activities		**301**	**441**
Investments			
Divestment of subsidiaries and operations		2	–
Capital contributions paid	26	-20	-35
Acquisition of tangible fixed assets	13	–	0
Increase (-) / decrease (+) in long-term receivables		-16	-8
Cash flow from investing activities		**-34**	**-43**
Financing activities			
Change in overdraft facilities		-148	-58
Loans raised	21	258	0
Amortisation of loans		-136	-136
Dividends paid		-251	-251
Cash flow from financing activities		**-278**	**-445**
Cash flow for the year		**-11**	**-47**
Cash and cash equivalents at the beginning of the year		**163**	**210**
Cash and cash equivalents at year-end	20	**152**	**163**

Profit after financial items includes dividends received from subsidiaries of SEK 315 M (47).
Interest received amounted to SEK 26 M (24) and interest paid amounted to SEK 31 M (27).

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 01 January 2017. 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 2017
The Group applies a number of new standards and interpretations as of 01 January 2017. None of the new standards and interpretations applied by Mekonomen Group as of 01 January 2017 has had any significant impact on the consolidated financial statements.

Amended accounting policies 2018 and later
A number of new standards and amendments of interpretations and existing standards come into effect for financial years beginning on 1 January 2017 and were not applied in the preparation of the consolidated financial statements. The most important amendments for Mekonomen Group are:

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

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, and associated SICs and IFRICs. IFRS 15 will come into effect on 1 January 2018. As a transition method, companies can choose between "full retroactivity" or prospective application with additional disclosures.

Mapping of the Group's revenue flows and evaluation of the effects of implementation were done in 2017. IFRS 15 will not have a significant impact on Mekonomen Group's financial statements besides expanded disclosure requirements. IFRS 15 essentially does not affect revenue recognition in the income statement for the Group. In the balance sheet, total assets will in the future increase by around SEK 5-8 M due to gross recognition of provisions for product returns. The Group's inventory of goods for resale and provisions will increase by these amounts. The Group has chosen to use the modified retrospective approach which is why the comparative figures will not be restated.

IFRS 9 Financial Instruments
The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that addressed the classification and measurement of financial instruments and introduces a new impairment model. The new standard requires more disclosures on expected credit losses from financial instruments and risk management in hedge accounting. The standard is to be applied to financial years beginning on or after 1 January 2018.

Evaluation of the effects of the implementation on IFRS 9 was done in 2017. The standard will not have a significant impact on Mekonomen Group's financial statements besides expanded disclosure requirements. The introduction of IFRS 9 will not affect the income statement or total assets for the Group in material amounts. The way of calculating impairment losses on accounts receivable and loan receivables will change and take place according to the simplified model in IFRS 9. The Group has chosen to used the modified retrospective approach which is why the comparative figures will not be restated.

IFRS 16 Leases
In January 2016, IASB published a new leasing standard that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard was adopted by the EU in November 2017. IFRS 16 requires assets and liabilities attributable to all leases to be recognised in the balance sheet with some exceptions, such as the leasing period being 12 months or shorter or the underlying asset having a low value. This recognition is based on the view that the lessee has a right to use an asset during a specific time period and at the same time an obligation to pay for this right. The recognition for the lessor will essentially remain unchanged. The standard is to be applied to financial years beginning on or after 1 January 2019. Early adoption is permitted.

The Group has not yet completed the evaluation of the effects of IFRS 16, but assesses that it will have a material impact on total assets, increased fixed assets and liabilities, and on EBITDA and interest expenses in the income statement.

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

Consolidated financial statements
Subsidiaries
The consolidated financial statements include the Parent Company and all companies (including structured companies) over which the Parent Company has a controlling influence. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over a company. Subsidiaries are included in the consolidated financial statements from the point in time at which controlling influence is achieved and excluded from the consolidated financial statements from the point in time at which the controlling influence ceases.

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

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

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

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

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

Where necessary, subsidiaries' accounting is adjusted to comply with the same policies applied by the other Group companies. All internal transactions between Group companies and Group intermediaries are eliminated when preparing the consolidated financial statements.

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

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

Associated companies
Associated companies are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associated companies are recognised

using the equity method. Mekonomen Group has only one associated company with a marginal impact on the Group.

Joint arrangements

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

Translation of transactions in foreign currencies

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

Translation of foreign subsidiaries

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

Segment reporting

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

Revenue recognition

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

Sales of goods are recognised at delivery/handover of products to the customer, in accordance with conditions of sale. Sales are recognised net after deduction of discounts, returns and value-added tax.

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

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

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

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

Leasing

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

Operating leases primarily comprise leased premises.

Group as lessee

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

Remuneration of employees

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

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

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

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

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

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

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

Tax

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

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

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

Goodwill

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

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

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

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

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

Tangible fixed assets
Tangible fixed assets are recognised as assets in the balance sheet if it is probable that future financial benefits will be accrued to the company and the cost of the asset can be calculated in a reliable manner. Tangible fixed assets, primarily comprising equipment, computers, transport and construction in progress, are recognised at cost less accumulated depreciation and any impairment. Depreciation of tangible fixed assets is recognised as an expense so that the asset's value is depreciated according to the straight-line method over its estimated useful life.

The following percentages were applied for depreciation:

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

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

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

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

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

Impairment
Assets with an indefinite useful life, for example, goodwill and intangible assets that are not ready for use are not impaired but tested annually for any impairment requirements. The brands that were added through the acquisitions of Sørensen og Balchen and MECA have been deemed to have indefinite useful lives, which is why these are also tested at least annually for any impairment requirements.

Assets impaired are measured in terms of value decline whenever events or changes in conditions indicate that the carrying amount may not be recoverable. If this occurs, a calculation of the asset's recoverable amount is performed.

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

Refer also to Note 12 for information on how impairment testing is performed. Previously recognised impairment is reversed only if there has been a change to the assumptions that served as the basis for determining the recoverable amount in connection with the impairment. If this is the case, a reversal will be conducted to increase the carrying amount of the impaired asset to its recoverable amount. A reversal of an earlier impairment takes place in an amount that does not allow the new carrying amount to exceed what would have been the carrying amount (after impairment) if the impairment had not taken place. Impairment of goodwill is never reversed.

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

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

Financial instruments
Financial assets recognised as assets in the balance sheet include loan receivables, accounts receivable and cash and cash equivalents. Liabilities in the balance sheet include long-term and short-term loans and accounts payable. A currency derivative is recognised either as an asset or liability, depending on changes in the exchange rate. A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contractual conditions. Accounts receivable are recognised when an invoice is sent and accounts payable are recognised when an invoice has been received. With the exception of cash and cash equivalents, only an insignificant portion of the financial assets is interest-bearing, which is why interest exposure is not recognised. The maximum credit risk corresponds to the carrying amount of the financial assets. The terms for long-term and short-term loans are stated in separate note disclosures; other financial liabilities are non-interest-bearing. A financial asset, or portion thereof, is eliminated when the rights contained in the contract are realised or mature. A financial liability, or portion thereof, is eliminated as it is regulated when the commitment in the agreement has been fulfilled or has been terminated in another manner.

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

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

Long-term receivables
Long-term receivables comprise primarily deposits and lease-purchase agreements. These are recognised at the amortised cost. A provision for probable losses on accounts receivable is made when there are objective indications to assume that the Group will not receive all the amounts that are due for payment in accordance with the receivables' original conditions. The size of the provision amounts to the difference between the asset's carrying amount and the present value of expected future cash flows. The reserved amount is recognised in profit or loss.

Accounts receivable
Accounts receivable are recognised net after provisions for probable bad debts. The expected term of accounts receivable is short, which is why the amount is recognised at nominal value without discounting in accordance with the method for amortised cost. A provision for probable bad debts on accounts receivable is made when there are objective indications to assume that the Group will not be able to receive all the amounts that are due for payment in accordance with the receivables' original conditions. The size of the provision amounts to the difference between the asset's carrying amount and the value of expected future cash flows. The reserved amount is recognised in profit or loss.

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

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

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

Accounts payable
The expected term for accounts payable is short, which is why the debt is recognised at nominal amount without discounting according to the method for amortised cost.

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

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

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

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

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

Financial instruments exist to a limited extent and are recognised in the Parent Company based on cost in accordance with the Annual Accounts Act.

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

Amended accounting policies 2017
In January 2017, the Swedish Financial Reporting Board issued a new version of the RFR 2 Accounting for Legal Entities. Implemented amendments to RFR 2 did not have any material impact on the Parent Company's financial statements.

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

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

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

Tax
The amounts reserved as untaxed reserves consist of taxable temporary differences. Due to the link between accounting and taxation, the deferred tax liabilities that are attributable to the untaxed reserves are not recognised separately in a legal entity. The changes in untaxed reserves are recognised in accordance with Swedish practice in profit or loss for individual companies under the heading "Appropriations." The accumulated value of provisions are recognised in the balance sheet under the heading "Untaxed reserves," of which 22 per cent is regarded as deferred tax liabilities and 78 per cent as restricted shareholders' equity.

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

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

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

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

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

NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS

The preparation of the annual accounts and application of various accounting standards are based to a certain extent on management's assessments or assumptions and estimates that are considered reasonable under the circumstances. These assumptions and estimates are frequently based on historic experience, as well as other factors, including expectations of future events. The results could differ if other assumptions and estimates were used and the actual outcome will, in terms of definition, rarely agree with the estimated outcome. The assumptions and appreciations made by Mekonomen Group in the 2017 annual accounts, and which had the greatest impact on earnings and assets and liabilities, are discussed below.

Goodwill and other acquisition-related intangible fixed assets

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

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

Company acquisitions

In conjunction with acquisitions, analyses are prepared in which all identifiable assets and liabilities, including intangible assets, are identified and measured at fair value on the date of acquisition. In accordance with IFRS 3, acquired identifiable intangible assets, for example, customers, franchise contracts, brands and customer relations, are to be separated from goodwill. This applies if these fulfil the criteria as assets, meaning that it is possible to separate them or they are based on contractual or other formal rights, and that their fair values can be established in a reliable manner. An examination is conducted at each acquisition. The remaining surplus value is allocated to goodwill. Measuring identifiable assets and liabilities in acquisition assessments is subject to important estimates and assessments. Information about company acquisitions and acquisition analyses is found in Note 31.

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

The Group operates in several geographic markets, with sales to 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. Further information about reserves for customer losses is found in Note 18.

Deferred tax

When preparing the financial statements, Mekonomen Group calculates the income tax for each tax jurisdiction in which the Group operates and the deferred taxes attributable to temporary differences. Deferred tax assets that are primarily attributable to loss carryforwards and temporary differences are recognised if tax assets can be expected to be recovered based on future taxable income. Changes in assumptions regarding forecast future taxable earnings, and changes in tax rates, may result in significant differences in the measurement of deferred taxes. At 31 December 2017, Mekonomen Group recognised deferred tax liabilities in excess of deferred tax assets at a net amount of SEK 75 M (86). Further information about deferred taxes is found in Note 15.

NOTE 3 SEGMENT INFORMATION

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

The Group is governed and reported in four segments: MECA, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen.

The MECA segment mainly includes wholesale and store operations in Sweden and Norway, and fleet operations in Sweden. Under MECA, the business areas of heavy vehicles, ProMeister Solutions and Preqas (changed name from Opus Equipments on 1 July 2017) are also operated, which work for the whole Mekonomen Group. The Danish export operations, which were divested on 28 December 2016, were also included in the MECA segment until the time of divestment. In the comparison period of 2016, MECA's export business to Denmark negatively impacted EBIT by SEK 52 M of which SEK 25 M was regarding the divestment and SEK 27 M was regarding operating losses until the divestment.

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

The Mekonomen Norway segment primarily includes store and fleet operations in Norway.

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

"Other segments" include business activities and operating segments for which information is not provided separately. This includes Mekonomen's wholesale and store operations in Finland, Mekonomen's store operations in Iceland (dormant since the third quarter of 2017), Meko Service Nordic with the service centre operations BilLivet and Speedy, the Car Share operations (which were discontinued in the fourth quarter of 2017), Mekonomen car leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norge and Group-wide functions also including Mekonomen AB (publ). As of 1 January 2017, Marinshopen is included in the segment Mekonomen Sweden instead of "Other segments", the comparative figures are not restated. The associated company Automotive Web Solutions AB was divested during the second quarter of 2017. The units reported in "Other segments" do not achieve quantitative limits to be reported separately and the benefit is deemed to be limited for the users of the financial statements for them to be reported as independent segments.

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

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.

Segment reporting will change in 2018, see Note 35 "Events after the end of the year".

NOTE 3 CONTINUED

SEK M	MECA 2017	MECA 2016	Mekonomen Sweden 2017	Mekonomen Sweden 2016	Mekonomen Norway 2017	Mekonomen Norway 2016	Sørensen og Balchen 2017	Sørensen og Balchen 2016	Other segments 2017	Other segments 2016	Other items 2017	Other items 2016	Group 2017	Group 2016
Revenue														
External net sales	2,108	2,039	1,816	1,891	867	836	778	725	281	295			5,850	5,786
Internal revenue	82	86	576	580	20	25	47	33	283	274	-1,008	-998	0	0
Other revenue	14	15	60	59	12	12	10	10	54	55			150	151
Total revenue	**2,204**	**2,140**	**2,452**	**2,530**	**899**	**873**	**835**	**768**	**618**	**624**	**-1,008**	**-998**	**6,000**	**5,937**
Operating profit/loss before amortisation and impairment of intangible fixed assets (EBITA)	**257**	**217**	**209**	**190**	**117**	**132**	**120**	**117**	**-53**	**-63**			**649**	**594**
Operating profit/loss (EBIT)	**242**	**205**	**196**	**187**	**117**	**132**	**120**	**117**	**-76**	**-84**	**-77**	**-77**	**522**	**481**
Financial items – net													-48	-35
Profit before tax													**475**	**446**
Investments, tangible assets[1]	22	15	94	29	2	3	3	5	10	7			130	58
Investments, IT systems[1]	3	1	0	1	0	0	0	0	30	51			34	53
Depreciation and impairment (tangible assets)	15	15	26	28	7	6	3	3	8	9			60	62
Amortisation and impairment (intangible assets)[2]	15	12	13	3	0	0	0	0	22	21	77	77	127	113
Average number of employees for the period	725	751	680	706	275	263	253	257	297	310			2,231	2,287
Number of proprietary stores	76	75	113	112	32	32	39	37	3	5			263	261
Number of partner stores	10	10	20	20	10	13	29	35	4	3			73	81
Number of stores in the chain	**86**	**85**	**133**	**132**	**42**	**45**	**68**	**72**	**7**	**8**			**336**	**342**
Key figures														
EBITA margin, %[3]	12	10	11	10	13	15	15	16					11	10
EBIT margin, %[3]	11	10	10	10	13	15	15	16					9	8
Change in sales, %[3]	3	9	-4	-2	4	3	7	0					1	3
Revenue per employee, SEK 000s	3,040	2,850	3,605	3,584	3,269	3,319	3,300	2,988					2,689	2,596
Operating profit per employee, SEK 000s	334	273	288	265	425	502	474	455					234	210

[1] Investments do not include company and business combinations
[2] Including amortisation and impairment of acquisition-related intangible assets.
[3] Internal sales were excluded from the calculation of the 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 Group Management is measured in the same manner as in the income statement.

Net sales from external customers derived primarily from the sale of goods, representing approximately 96 per cent (96) of net sales. The remaining net sales derived from workshop services, as well as annual and license fees to affiliated 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, %:	2017	2016
- Affiliated workshops[1]	37%	36%
- Other B2B-customers	38%	39%
- Consumer	19%	19%
- Partner stores	6%	6%
Total net sales	**100%**	**100%**

[1] Sales in proprietary workshops are included in sales to affiliated workshops.

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

Net sales	2017	2016
Sweden	3,136	3,164
Norway	2,652	2,484
Other	62	138
Total	**5,850**	**5,786**

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

All fixed assets, other than financial instruments and deferred tax assets (there are no assets in connection with benefits after terminated employment or rights according to insurance agreements), located in Sweden amounted to SEK 2,284 M (2,255) and the total of such fixed assets located in other countries amounted to SEK 655 M (684), of which SEK 653 M (681) in Norway.

NOTE 4 AUDITING EXPENSES

	Group		Parent Company	
	2017	2016	2017	2016
PwC				
Audit assignment	6	7	1	1
Audit-related services other than the audit assignment	0	0	0	0
Tax consultancy	0	0	0	0
Other services	0	0	0	0
Total	**7**	**7**	**1**	**1**

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

	2017		2016	
Average number of employees	No. of employees	Of whom, men %	No. of employees	Of whom, men %
Parent Company				
Sweden	5	80	7	71
Total in Parent Company	**5**	**80**	**7**	**71**
Subsidiaries				
Sweden	1,360	82	1,406	82
Norway	834	83	808	84
Other countries	31	71	66	73
Total in subsidiaries	**2,226**	**82**	**2,280**	**83**
Group total	**2,231**	**82**	**2,287**	**83**

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	14,835	9,389	27,640	15,169
		(4,147)		(5,280)
Subsidiaries	1,006,878	329,512	979,730	315,102
		(66,788)		(61,810)
Group total	**1,021,713**	**338,901**	**1,007,370**	**330,271**
		(70,935)		**(67,090)**

Salaries and other remuneration distributed between the President and Board members and other employees, SEK 000s	Board and President[1)] (of which bonus, and the like)	Other employees	Board and President[1)] (of which bonus, and the like)	Other employees
Parent Company				
Mekonomen AB	7,381	7,454	14,343	13,297
	(0)	(340)	(70)	(797)
Total in Parent Company	**7,381**	**7,454**	**14,343**	**13,297**
	(0)	**(340)**	**(70)**	**(797)**
Subsidiaries in Sweden	21,415	568,575	22,715	553,727
	(2,305)	(3,406)	(1,579)	(3,569)
Subsidiaries abroad				
Norway	11,239	395,754	9,781	368,841
	(1,139)	(4,314)	(932)	(6,444)
Other countries	0	9,895	0	24,666
	(0)	(0)	(0)	(0)
Total in subsidiaries	**32,654**	**974,224**	**32,496**	**947,234**
	(3,444)	**(7,720)**	**(2,511)**	**(10,013)**
Group total	**40,035**	**981,678**	**46,839**	**960,531**
	(3,444)	**(8,060)**	**(2,581)**	**(10,810)**

1) 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 2,210,000 (2,210,000) was determined in accordance with the resolution of the 2017 Annual General Meeting. Of this, SEK 550,000 (550,000) represents fees to the Chairman of the Board, SEK 310,000 (310,000) to the Executive Vice Chairman, and SEK 270,000 (270,000) to each of the remaining Board members. For members of the Board's Audit Committee, SEK 60,000 (60,000) is paid to the Chairman of the Audit Committee and SEK 35,000 (35,000) is paid to the other members of the Audit Committee. For members of the Board's Remuneration Committee, SEK 35,000 (35,000) is paid to the Chairman of the Remuneration Committee and SEK 25,000 (25,000) is paid to the other members of the Remuneration Committee.

No fees are paid to the Boards of other subsidiaries.

The President, Pehr Oscarson, has a basic salary of SEK 420,000 per month and a variable salary portion, which is based on the company's earnings and can amount to a maximum of 60 per cent of the basic annual salary. The President receives a pension benefit amounting to a maximum of 30 percentage points of the base salary.

Other benefits consist of a company car. The period of notice is 12 months if employment is terminated by the company, and six months if terminated by the President.

For other senior executives, remuneration follows the policies adopted at the 2017 Annual General Meeting. This means that the company is to strive to offer its senior executives market-based remuneration, that the criteria for this is to be based on the significance of work duties, skills requirements, experience and performance and that remuneration is to comprise the following parts:

– fixed basic salary
– variable remuneration
– pension benefits and
– other benefits and severance pay

The variable remuneration for senior executives, excluding the President, is based partly on the Group's earnings and partly on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and varies between 33 and 60 percentage points for members of Group Management. 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.

At the 2016 Annual General Meeting, it was also resolved that Group Management and a number of selected, business-critical senior executives may receive long-term variable remuneration from the company. The criteria for determining the variable remuneration portion for each individual is decided by the Board's Remuneration Committee, and for the President by the Board in its entirety. The long-term variable remuneration is to be profit-based and calculated on the Group's earnings for the 2016-2018 financial years. The entire bonus programme, as an expense for the company, is to amount to a maximum of SEK 32 M for the period. Furthermore, an additional requirement to the above is that the average price paid for the Mekonomen share on Nasdaq Stockholm on the last trading day in December 2018 is to exceed the Nasdaq Stockholm PI index for the programme period. The bonus may be realised in whole, in part or not at all depending on the consolidated profit during the duration of the long-term remuneration programme. The right to variable remuneration presupposes that the executive is still employed at the 2019 Annual General Meeting. No bonus was reserved as per 31 December 2017 pertaining to this bonus programme.

	Basic salary[1]		Bonus		Board fees[2]		Other benefits		Pension premiums	
Executives/category, SEK 000s	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
John S. Quinn, Chairman of the Board					610	86				
Christer Åberg, Executive Vice Chairman					370	305				
Kenny Bräck, Board member					270	270				
Joseph M. Holsten, Board member					295	82				
Magnus Håkansson, Board member					305	–				
Malin Persson, Board member					305	295				
Helena Skåntorp, Board member					330	330				
Former Board members										
Kenneth Bengtsson					–	620				
Mia Brunell Livfors					–	242				
Caroline Berg					–	195				
President Pehr Oscarson from 6 October 2016	4,896	868	–	70			78	–	449	65
former President, Magnus Johansson [3]	–	10,980	–	–			–	64	–	1,807
former Executive Vice President Marcus Larsson until 6 November 2017	3,118	3,672	–	238			99	112	654	941
Other senior executives, 4 (5) [4]	8,203	11,704	942	1,405			407	534	2,189	2,223
Total	**16,217**	**27,224**	**942**	**1,713**	**2,485**	**2,425**	**584**	**710**	**3,292**	**5,035**

1) Basic salary in this table includes holiday bonus.

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

3) For 2016, remuneration of former President Magnus Johansson includes reserved costs, excluding social security costs, for salary including pension during the period of notice and for severance pay totalling SEK 8,053,000

4) Group Management's composition changed during the year. As of 31 December 2017, Group Management consists of the President as well as three other people, of whom 2 (1) are women. The average number of people in Group Management, except the President, amounted to 5 (6) people during 2017. For 2016, remuneration of other senior executives includes reserved costs, excluding social security costs, for salary including pension during the period of notice and for severance pay totalling SEK 2,091,000.

5) Operating profit for the Group in 2017 was positively impacted by items affecting comparability in an amount of SEK 3 M regarding lower personnel-related costs than was allocated in 2016 for people who were previously members of Group Management, mainly the former CEO. The comparative figures have not been adjusted based on actual outcome and have also not affected carrying amounts in 2017 in the table above.

One member of Group Management is covered by a defined-benefit pension plan. The net obligation at 31 December 2017 amounted to SEK 0 M (1).

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

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

	Group		Parent Company	
	2017	2016	2017	2016
Depreciation of tangible fixed assets according to plan	-60	-60	0	0
Impairment of tangible fixed assets	0	-2	–	–
Total depreciation and impairment of tangible fixed assets	**-60**	**-62**	**0**	**0**
Amortisation, brands	0	0	–	–
Amortisation, customer relationships	-86	-80	–	–
Amortisation, franchise contracts	-4	-4	–	–
Amortisation, capitalised expenditure for IT systems	-28	-28	–	–
Impairment, goodwill	-9	–	–	–
Total amortisation and impairment of intangible fixed assets	**-127**	**-113**	**–**	**–**
Total	**-187**	**-175**	**0**	**0**

NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2017	2016
Dividends	315	47
Gains from divestment of participations	–	0
Impairment	–	-28
Total	**315**	**19**

NOTE 8 APPROPRIATIONS

	Parent Company	
	2017	2016
Group contributions received	285	247
Group contributions paid	-72	-56
Changes in tax allocation reserve	-42	-34
Total	**171**	**156**

NOTE 9 EXCHANGE-RATE DIFFERENCES – NET

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

	Group		Parent Company	
	2017	2016	2017	2016
Exchange-rate differences in EBIT	-1	3	0	0
Exchange-rate differences in net financial items	-13	-8	-3	-13
Total	**-14**	**-5**	**-3**	**-13**

NOTE 10 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2017	2016	2017	2016
Current tax				
Sweden	-37	-43	-28	-23
Other countries	-84	-90	–	–
Total current tax	**-121**	**-133**	**-28**	**-23**
Changes in deferred tax, temporary differences	14	28	17	22
Recognised tax expenses	**-107**	**-105**	**-11**	**0**
Tax on profit for the year				
Recognised profit before tax	475	446	438	118
Tax according to applicable tax rate	-111	-110	-96	-26
Tax on standard interest on tax allocation reserves	0	0	0	0
Tax effects on expenses that are not tax deductible				
Other non-deductible expenses	-7	-4	-1	-7
Other non-taxable revenue	0	0	69	10
Effects on adjustments from preceding year	-1	1	–	–
Effects of non-capitalised loss carryforwards	-4	-3	–	–
Effect of change in the Norwegian tax rate	0	0	–	–
Effects of capitalised loss carryforwards[1]	17	10	17	22
Recognised tax expenses	**-107**	**-105**	**-11**	**0**

[1] Capitalised loss carryforwards in 2017 and 2016 in the Parent Company pertain in their entirety to loss carryforwards attributable to the Danish operations and correspond to the portion of loss carryforwards in Denmark that is deemed to be able to be utilised based on future Group deductions in Sweden.

The weighted average tax rate amounted to 23.5 per cent (24.6). The decrease is mainly attributable to a lower tax rate in Norway from 25 per cent in 2016 24 per cent in 2017.

NOTE 11 SUPPLEMENTAL DISCLOSURES FINANCIAL RISK MANAGEMENT

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

The financial instruments that were measured at fair value in the balance sheet are showed below. Measurement is divided into three levels:
Level 1: Fair value is determined according to listed prices in an active market for the same instrument.
Level 2: Fair value is determined based on wither direct (prices) or indirect (derived from prices) observable market data not included in Level 1.
Level 3: Fair value is determined base on inputs not observable in the market.

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

Calculation of fair value

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

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

For currency contracts, fair value is determined on the basis of listed prices. Fair value for interest-rate swaps is based on discounting estimated future cash flows in accordance with the contract terms and due dates, and on the basis of the market interest rate for similar instruments on the balance-sheet date. If discounted cash flows have been used, future cash flows are calculated on company management's best assessment. The discount rate applied is a market-based interest rate on similar instruments on the balance-sheet date.

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

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

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

Group's derivative instruments measured at fair value in balance sheet	31 Dec. 2017	31 Dec. 2016
Financial liabilities		
Interest-rate swaps	4	7
Total	**4**	**7**

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

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

Financial assets and liabilities by measurement category, 31 Dec. 2016	Derivative instruments	Loans and receivables	Other financial liabilities	Total carrying amount	*Fair value*	Non-financial assets and liabilities	Total Balance sheet
Financial assets							
Financial fixed assets	–	44	–	44	44	2	46
Accounts receivable	–	485	–	485	485	–	485
Other current receivables	–	–	–	–	–	336	336
Cash and cash equivalents	–	291	–	291	291	–	291
Total	**–**	**820**	**–**	**820**	***820***	**338**	**1,158**
Financial liabilities							
Long-term liabilities, interest-bearing	7	–	1,331	1,338	1,338	–	1,338
Long-term liabilities, non-interest-bearing			13	13	13	10	23
Current liabilities, interest-bearing	–	–	404	404	404	–	404
Accounts payable	–	–	612	612	612	–	612
Other current liabilities	–	–	–	–	–	588	588
Total	**7**	**–**	**2,359**	**2,366**	***2,366***	**598**	**2,964**

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

	31 Dec. 2017					
Nominal amount	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Liabilities to credit institutions, bank borrowing	157	155	153	139	1,065	1,670
Liabilities to leasing companies	2	1	0	0	0	3
Overdraft facilities	118	0	0	0	0	118
Derivatives	0	4	0	0	0	4
Supplementary purchase considerations	8	13	1	0	0	23
Accounts payable	636	0	0	0	0	636
Total	**921**	**173**	**154**	**139**	**1,065**	**2,454**

NOTE 11 CONTINUED

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

	31 Dec. 2016					
Nominal amount	2017	2018	2019	2020	2021	Total
Liabilities to credit institutions, bank borrowing	152	846	458	0	0	1,457
Liabilities to leasing companies	2	1	0	0	0	3
Overdraft facilities	268	0	0	0	0	268
Derivatives	0	0	7	0	0	7
Supplementary purchase considerations	0	5	7	0	0	13
Accounts payable	612	0	0	0	0	612
Total	**1,034**	**852**	**472**	**0**	**0**	**2,360**

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

	2018 - Q1	2018 - Q2	2018 - Q3	2018 - Q4	2019	2020 and later	Total
Interest-rate swap	1	1	1	1	1	0	4
Total	**1**	**1**	**1**	**1**	**1**	**0**	**4**

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		IT investments		Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Opening accumulated cost, 1 January	1,883	1,835	330	325	44	41	776	742	280	229	3,314	3,173
Acquisitions	–	–	–	–	–	–	–	–	34	53	34	53
Acquisitions in connection with acquired operation	22	5	–	–	–	–	34	22	–	–	56	27
Divestments/disposals	-2	-2	–	–	–	–	–	–	-55	-2	-57	-4
Translation difference, currency	-23	45	-3	5	-2	3	-8	12	0	0	-36	65
Closing accumulated cost, 31 December	1,880	1,883	327	330	42	44	803	776	259	280	3,312	3,314
Opening acc. depreciation and impairment, 1 January	–	–	-3	-2	-25	-20	-362	-276	-167	-141	-558	-440
Divestments/disposals	–	–	–	–	–	–	0	–	52	2	52	2
Depreciation for the year	–	–	0	0	-4	-4	-86	-80	-28	-28	-118	-113
Impairment for the year[1)]	-9	–	–	–	–	–	0	–	–	–	-9	–
Translation difference, currency	–	–	0	0	1	-1	4	-6	0	0	5	-7
Closing accumulated amortisation and impairment, 31 December	-9	–	-3	-3	-28	-25	-443	-362	-143	-167	-627	-558
Closing carrying amount, 31 December	**1,872**	**1,883**	**324**	**327**	**14**	**19**	**360**	**415**	**116**	**113**	**2,686**	**2,757**

[1)] Impairment of goodwill of SEK 9 M related to goodwill attributable to Marinshopen within the Mekonomen Sweden segment.

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

	Goodwill		Brands		Franchise contracts		Customer relations		IT investments		Total Group	
Carrying amount for operating segment at	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
MECA	1,116	1,105	270	270	–	–	307	351	6	9	1,699	1,735
Mekonomen Sweden	225	230	–	–	–	–	11	8	1	2	237	240
Mekonomen Norway	56	57	–	–	–	–	–	–	0	0	56	57
Sørensen og Balchen	402	423	53	56	14	19	39	54	1	1	509	553
Other	74	68	1	1	–	–	3	2	108	100	186	171
	1,872	**1,883**	**324**	**327**	**14**	**19**	**360**	**415**	**116**	**113**	**2,686**	**2,757**

Testing of impairment requirement for goodwill and other intangible assets with indefinite useful period
Goodwill is distributed 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 essentially pertain to the acquisition of MECA in 2012 and the acquisition of Sørensen og Balchen in 2011, with the associated BilXtra brand. Other brands are amortised 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 2017						Brands (indefinite useful period) 2017				
Operating segments	Test level CGU	01 Jan. 2017	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2017	01 Jan. 2017	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2017
MECA	Operating segments	1,105	10	–	–	0	1,116	270	–	–	–	270
Mekonomen Sweden	Operating segments	230	4	-9	–	–	225	–	–	–	–	–
Mekonomen Norway	Operating segments	57	2	–	–	-3	56	–	–	–	–	–
Sørensen og Balchen	Operating segments	423	–	–	–	-20	402	56	–	–	-3	53
Other	Operating segments	68	7	–	-2	–	74	–	–	–	–	–
		1,883	**22**	**-9**	**-2**	**-23**	**1,872**	**326**	**–**	**–**	**-3**	**323**

		Goodwill 2016						Brands (indefinite useful period) 2016				
Operating segments	Test level CGU	1 Jan. 2016	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2016	1 Jan. 2016	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2016
MECA	Operating segments	1,104	2	–	–	0	1,105	270	–	–	–	270
Mekonomen Sweden	Operating segments	230	2	–	-2	–	230	–	–	–	–	–
Mekonomen Norway	Operating segments	52	–	–	–	5	57	–	–	–	–	–
Sørensen og Balchen	Operating segments	383	–	–	–	40	423	51	–	–	5	56
Other	Operating segments	66	2	–	–	–	68	–	–	–	–	–
		1,835	**5**	**–**	**-2**	**45**	**1,883**	**321**	**–**	**–**	**5**	**326**

NOTE 12 CONTINUED

Testing impairment requirements for goodwill and other intangible assets with indefinite useful period takes place in the fourth quarter annually or more frequently if there are indications of value depreciation. The recoverable amount for a cash-generating unit is established based on calculations of the value in use. The value in use is the present value of the estimated future cash flows.

Cash-flow forecasts are based on an assessment of the anticipated growth rate and the trend of the EBITDA margin, based on the budget that was adopted in December for the next year, forecasts for the next three years, managements' long-term expectations of the operation, and historic trends. The cash-flow forecasts for the second to fourth years are based on an annual growth rate of 2 per cent (2). Cash flows beyond this four-year period were extrapolated using an estimated growth rate of 2.0 per cent (2.0).

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 significant assumptions used to calculate the value in use for 2017 and 2016, respectively, are summarised as follows:

	31 Dec. 2017	31 Dec. 2016
Discount rate (WACC) before tax	9.2%	9.2%
Discount rate (WACC) after tax	7.6%	7.6%
Growth rate beyond the forecast period	2.0%	2.0%
Total price and volume trend years 2-4 of forecast period	2.0%	2.0%

Discount rate (WACC)
The present value of the forecast cash flows was calculated by applying a discount rate of 7.6 per cent (7.6) after tax, corresponding to a discount rate before tax of approximately 9.2 per cent (9.2).

The conditions that apply for the various markets in which Mekonomen operates do not deviate significantly from each other, which is why the same rate is used for all units.

Growth rate
The growth rate does not exceed the long-term growth rate for the market segments in which each cash-generating unit operates.

Total price and volume trend
In the event of a change, assumptions about future price and volume trends have a major impact on the cash flow. In plans that are used as the basis for the cash flows, management assumes that the average price and volume trend over the period until 2021 will not exceed 2.0 per cent per year.

Margin trend
The gross margin is assumed to be in line with current and historic levels throughout the forecast period. It is assumed that the operations' other expenses will follow the same rate of growth as revenue.

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

Besides the aforementioned impairment of Marinshopen, impairment tests performed did not reveal any additional impairment requirement for goodwill or other intangible assets with indefinite useful lives as per 31 December 2017.

NOTE 13 IMPROVEMENT COSTS, THIRD-PARTY PROPERTY

	Group		Parent Company	
	2017	2016	2017	2016
Opening accumulated cost, 1 January	**83**	**80**	**0**	**1**
Purchases, rebuilding and extensions	5	3	–	–
Sales/disposals	-2	-1	–	-1
Translation difference, currency	0	0	–	–
Closing accumulated cost, 31 December	**86**	**83**	**0**	**0**
Opening accumulated depreciation, 1 January	**-56**	**-47**	**0**	**-1**
Sales/disposals	1	1	–	1
Depreciation for the year	-8	-10	0	0
Translation difference, currency	0	0	–	–
Closing accumulated depreciation, 31 December	**-63**	**-56**	**0**	**0**
Closing carrying amount, 31 December	**23**	**27**	**0**	**0**

NOTE 14 TANGIBLE FIXED ASSETS

Group	Equipment and transport 2017	Equipment and transport 2016	Construction in progress[1] 2017	Construction in progress[1] 2016	Financial leasing 2017	Financial leasing 2016	Total 2017	Total 2016
Opening accumulated cost, 1 January	**519**	**473**	**–**	**–**	**30**	**24**	**549**	**497**
Purchasing	42	50	77	–	7	6	126	56
Purchase in connection with acquired operation	9	2	–	–	–	–	9	2
Reclassification	-11	–	11	–	–	–	0	–
Sales/disposals	-56	-19	–	–	-7	0	-63	-19
Translation difference, currency	-9	13	–	–	–	–	-9	13
Closing accumulated cost, 31 December	**494**	**519**	**89**	**–**	**30**	**30**	**612**	**549**
Opening acc. depreciation and impairment, 1 January	**-369**	**-329**	**–**	**–**	**-27**	**-21**	**-396**	**-350**
Sales/disposals	54	15	–	–	7	0	61	15
Depreciation for the year	-45	-43	–	–	-7	-6	-52	-49
Impairment for the year	0	-2	–	–	–	–	0	-2
Translation difference, currency	6	-10	–	–	–	–	6	-10
Closing accumulated depreciation and impairment, 31 December	**-354**	**-369**	**–**	**–**	**-27**	**-27**	**-381**	**-396**
Closing carrying amount, 31 December	**140**	**151**	**89**	**–**	**3**	**3**	**231**	**154**

[1] As a part of streamlining the logistics structure, Mekonomen Group will centralise the central warehouse structure in Sweden. In July 2016, Mekonomen Group signed an agreement with TGW Logistics Group for the expansion of the existing central warehouse in Strängnäs with a new fully automated section. The estimated investment for the central warehouse system is SEK 190 M during the period 2016-2018.

Operational lease agreements

Operating leases primarily comprise leased premises.

Information about leasing expenses, operating leases	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Premises rent	311	314	0	1
Leasing expenses, other	43	41	0	0
Total	**354**	**355**	**0**	**1**

Future leasing fees for irrevocable lease agreements falling due for payment:	Group 31 Dec. 2017	Group 31 Dec. 2016	Parent Company 31 Dec. 2017	Parent Company 31 Dec. 2016
Within one year	344	337	1	1
Later than one year but within five years	679	712	–	1
After five years	298	300	–	–
	1,321	**1,349**	**1**	**2**

Of the future lease fees, rent for premises represented SEK 1,251 M (1,265) for the Group and SEK 1 M (2) for the Parent Company.

NOTE 15 DEFERRED TAX

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

	Group		Parent Company	
Deferred tax assets (+)/tax liabilities (-)	**31 Dec. 2017**	**31 Dec. 2016**	**31 Dec. 2017**	**31 Dec. 2016**
Capitalised loss carryforwards[1]	94	81	93	76
Temporary differences on inter-company profits	52	48	–	–
Temporary differences, inventory obsolescence	12	16	–	–
Temporary differences on pension commitments	1	1	–	–
Temporary differences, other	16	18	3	3
Less netting	-82	-87	–	–
Total deferred tax assets	**93**	**77**	**96**	**79**
Untaxed reserves	-75	-59	–	–
Surplus value in intangible fixed assets (through acquisition)	-149	-166	–	–
Temporary differences on reversed net asset goodwill	-26	-25	–	–
Less netting	82	87	–	–
Total deferred tax liabilities	**-168**	**-163**	**–**	**–**
Total (net)	**-75**	**-86**	**96**	**79**

	Group		Parent Company	
Gross change in deferred tax assets/tax liabilities	**2017**	**2016**	**2017**	**2016**
Opening balance	-86	-114	79	57
Translation difference, currency	1	-2	–	–
Acquisition of subsidiaries	-3	–	–	–
Recognition in income statement	14	28	17	22
Tax recognised in comprehensive income	0	1	–	–
At year-end	**-75**	**-86**	**96**	**79**

[1] Capitalised loss carryforwards in the Parent Company pertain in their entirety to loss carryforwards attributable to the Danish operations and correspond to the portion of loss carryforwards in Denmark that is deemed to be able to be utilised based on future Group deductions in Sweden.

Taxable loss carryforwards
At the end of the financial year, tax loss carryforwards amounted to SEK 0 M (0) in the Parent Company and SEK 649 M (633) in the Group. For deficits amounting to SEK 96 M (79), there is a time limit of up to 10 years. None of these deficits were assigned a value in the balance sheet. All other deficits run without limit in time. Deferred tax assets pertaining to tax loss carryforwards in the Group amounted to SEK 94 M (81) on the balance-sheet date, of which SEK 93 M (76) was attributable to the Danish operations. Deferred tax assets on the remaining deficit was not assigned a value in the balance sheet.

NOTE 16 OTHER FINANCIAL FIXED ASSETS

	Group	
	31 Dec. 2017	**31 Dec. 2016**
Rental deposits paid	1	1
Hire-purchase contracts	32	37
Other	7	7
Total	**39**	**44**

	Group	
Hire-purchase contracts	**31 Dec. 2017**	**31 Dec. 2016**
Hire-purchase contracts	38	43
Provisions for doubtful hire-purchase contracts	-6	-6
Total	**32**	**37**

	Group	
Provisions for doubtful hire-purchase contracts	**2017**	**2016**
Provision for bad debts at the beginning of the year	-6	-17
Impairment for the year	0	-1
Receivables written off during the year as non-collectable	2	8
Reclassification of renegotiated accounts receivable	-2	0
Recovered prior impairment	0	4
Translation difference, currency	0	-1
Provision for bad debts at the end of the year	**-6**	**-6**

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

NOTE 17 INVENTORIES

	Group	
	31 Dec. 2017	**31 Dec. 2016**
Goods for resale	1,382	1,279
Total	**1,382**	**1,279**

The cost of inventories expensed is included in the item goods for resale in the income statement and amounted to SEK 2,654 M (2,686). Provisions for obsolescence are induced in the value of inventories. No material obsolescence change and no material impairments were made during the current or previous financial year. Only an insignificant part of the inventory is measured at net realisable value.

NOTE 18 CURRENT RECEIVABLES

	Group	
	31 Dec. 2017	31 Dec. 2016
Accounts receivable	488	485
Tax assets	15	77
Other receivables	67	33
Prepaid expenses and accrued income	253	226
Total	**823**	**821**

	Group	
Accounts receivable	31 Dec. 2017	31 Dec. 2016
Accounts receivable	522	539
Provisions for bad debts	-34	-54
Total	**488**	**485**

	Group	
Provisions for bad debts	2017	2016
Provision for bad debts at the beginning of the year	-54	-49
Change in net impairment for the year	-6	-15
Change in provision, net in balance sheet	23	12
Reclassification to long-term receivables	2	0
Translation difference, currency	1	-2
Total	**-34**	**-54**

	Group	
Receivables that are past due but not impaired	31 Dec. 2017	31 Dec. 2016
Accounts receivable		
Receivables due between 0–30 days	62	45
Receivables due between 31-60 days	6	11
Receivables due longer than 60 days	3	2
Total	**71**	**58**

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

Interest income on accounts receivable during the year was SEK 3 M (4).

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Prepaid rents	44	41	–	–
Prepaid lease fees	2	2	–	0
Prepaid insurance	2	3	1	1
Accrued supplier bonus	138	130	–	–
Other interim receivables	67	50	8	6
Total	**253**	**226**	**9**	**7**

NOTE 20 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Cash and bank balances	254	291	152	163
Total	**254**	**291**	**152**	**163**

NOTE 21 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
Long-term	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Liabilities to credit institutions, bank borrowing	1,446	1,327	1,446	1,324
Liabilities to leasing companies	1	1	–	–
Derivatives, interest-rate swaps	4	7	–	–
Total long-term liabilities, interest-bearing	**1,451**	**1,334**	**1,446**	**1,324**

	Group		Parent Company	
Current	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Liabilities to credit institutions, bank borrowing	136	136	136	136
Overdraft facilities	117	265	117	265
Liabilities to leasing companies	2	2	–	–
Total current liabilities, interest-bearing	**255**	**404**	**253**	**401**
Total borrowing	1,706	1,738	1,699	1,725
Overdraft facility limit	435	609	435	609
- of which, unutilised portion	318	344	318	344

All interest rates, excluding interest-rate swaps, are variable or have a maximum fixed period of three months. During the financial year, the interest level varied up to just below 2 per cent (2). Interest-rate swaps entered into in 2015 in an amount of SEK 450 M to hedge the cash flows in the loans Mekonomen AB has falling due in 2019 remain.

Long-term interest-bearing liabilities increased during the year, mainly as a result of expanded credit facilities in an amount of SEK 258 M in connection with refinancing. The loans were renegotiated in the second quarter with a loan of SEK 600 M with a duration of 4.4 years and a loan of SEK 1,050 M with a duration of five years. In 2017, loans were repaid in an amount of SEK 138 M (136), of which SEK 136 M (136) in Mekonomen AB. The Group's maturity structure is specified in Note 11.

Mekonomen AB's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The conditions include an owner change clause that becomes current upon an owner change in excess of 50 per cent or upon a delisting. The Group's long-term borrowing occurs mainly under credit 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 28 M (28). Refer also to the sensitivity analysis pertaining to interest-rate risks in the sensitivity analysis section in the Administration Report and in Note 37. Existing overdraft facilities are in SEK, NOK, EUR and DKK. Other loans are in SEK.

NOTE 22 PROVISIONS

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Provision for pensions	3	4	–	–
Provisions for supplementary purchase considerations	23	13	–	–
Other provisions	9	10	3	2
Total	**34**	**27**	**3**	**2**

	Other provisions	Supplementary purchase considerations
Carrying amount at the beginning of the year	10	13
- New provisions	0	13
- Reversed provisions	-1	0
Amounts utilised during the period	0	-4
Currency effects	0	0
Carrying amount at year-end	**9**	**23**

Provisions comprise:

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Long-term portion	21	27	3	2
Short-term portion	14	–	–	–
Total	**34**	**27**	**3**	**2**

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 2017 financial year, the company did not have access to such information that made it possible to recognise its proportional share of the plan's obligations, plan assets and costs, which means that it was not possible to recognise this as a defined-benefit plan. ITP 2 pension plans that are secured through insurance with Alecta are therefore recognised as defined-contribution plans. The anticipated fees for the next reporting period for ITP 2 policies signed with Alecta amounts to SEK 15 M (14).

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 154 per cent at year-end 2017 (2016: 149 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 55 (57) gainfully employed individuals and 50 (50) pensioners. Pension benefits are largely dependent on the number of years of service, salary level at retirement and the amount of the benefit. This obligation is covered via insurance companies. Employer contributions are included in the net pension obligation. The amounts recognised in the balance sheet have been calculated as follows:

	Group	
	31 Dec. 2017	31 Dec. 2016
Present value of funded commitments	51	54
Fair value of plan assets	-48	-50
Deficit in funded plans	**3**	**4**
Present value in unfunded commitments	–	–
Net debt in the balance sheet	**3**	**4**

Present value of commitments	Group 2017	Group 2016
Opening balance	54	46
Gross pension cost for the year	2	3
Interest expenses	1	0
Pension payment	-2	-2
Actuarial gains and losses[1]	-1	2
Exchange-rate differences	-3	5
Closing balance	**51**	**54**

Fair value of plan assets	Group 2017	Group 2016
Opening balance	50	42
Expected return	0	1
Payments	4	3
Pension payment	-2	-2
Actuarial gains and losses[1]	-1	1
Exchange-rate differences	-3	5
Closing balance	**48**	**50**
Net pension commitments	**3**	**4**

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

Costs recognised in profit or loss	Group 2017	Group 2016
Pension vesting for the year including contributions	2	2
Administration fees	0	0
Interest expenses	1	0
	3	**2**

Composition of plan assets	Group 31 Dec. 2017	Group 31 Dec. 2016
Equities	9%	10%
Bonds	72%	71%
Property	11%	13%
Other	8%	6%
Total	**100%**	**100%**

Actuarial assumptions	Group 31 Dec. 2017	Group 31 Dec. 2016
Discount rate	2.30%	2.10%
Future salary increases	2.50%	2.25%
Future pension increases	0.40%	0.00%

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 2018 financial year are expected to amount to SEK 4 M.

A sensitivity analysis and weighted average term for the pension commitments and term analysis for undiscounted payments have not been provided since they are deemed to be insignificant.

NOTE 23 OTHER CURRENT LIABILITIES, NON-INTEREST-BEARING

	Group	
	31 Dec. 2017	31 Dec. 2016
Accounts payable	636	612
Other liabilities	177	120
Accrued expenses and deferred income	369	373
Total	**1,182**	**1,105**

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Accrued personnel-related costs	205	213	8	19
Accrued bonuses/contract fees	82	79	–	–
Accrued interest expenses	1	1	1	1
Prepaid rental income	4	6	–	–
Other interim liabilities	77	74	1	2
Total	**369**	**373**	**11**	**22**

NOTE 25 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Pledged assets	–	–	–	–
Contingent liabilities				
Guarantee commitments, divested properties	–	22	–	22
Other guarantee commitments[1]	94	171	–	–
Guarantees on behalf of subsidiaries[1]	–	–	446	519
Other sureties	16	19	–	–
Total	**110**	**211**	**446**	**541**

[1] The decrease during the year mainly originates from a guarantee amount regarding the new central warehouse system decreasing as investments are made; also see information in Note 14.

For information on commitments regarding future lease charges and investment commitments, refer to Note 14.

NOTE 26 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2017	2016
Opening cost	3,586	3,551
Capital contributions paid	20	35
Sale of subsidiaries	-2	–
Closing accumulated cost	**3,604**	**3,586**
Opening impairment	-574	-546
Impairment[1]	–	-28
Closing accumulated impairment	**-574**	**-574**
Closing residual value	**3,030**	**3,012**

[1] In the comparison period, impairments pertain to Acem A/S in Denmark corresponding to SEK -28 M.

NOTE 26 CONTINUED

Name of company/registered office, Sweden	Corp. ID number	Share of equity, %	Number of stores	Book value 31/12/2017	Book value 31 Dec. 2016
MECA Scandinavia AB/Malmö	556218-3037	100		2,053	2,033
Mekonomen Group AB/Stockholm	556724-9254	100		35	35
Mekonomen Grossist AB/Stockholm	556062-4875	100		40	40
Mekonomen Detaljist AB/Stockholm	556157-7288	100	31	5	5
Meko Service Nordic AB/Stockholm	556179-9676	100		1	1
Mekonomen Fleet AB/Stockholm	556720-6031	–		–	2
Speedy Autoservice AB/Malmö	556575-9858	100		31	31
Mekonomen Nya Affärer AB/Stockholm	556821-5981	100		0	0
Mekonomen Services AB/Huddinge	556840-9428	100		0	0
Name of company/registered office, Finland					
Mekonomen Oy/Helsinki	2259452-4	100		0	0
Name of company/registered office, Denmark					
Acem A/S/Copenhagen	30 07 81 28	100		0	0
Name of company/registered office, Norway					
Mekonomen AS/Oppegård	980 748 669	100	29	24	24
Sørensen og Balchen AS/Oslo	916 591 144	100	–	840	840
Participations in Group companies, total			**60**	**3,030**	**3,012**

During the year, Mekonomen AB transferred the shares in Mekonomen Fleet AB internally to the subsidiary Mekonomen Detaljist AB and within MECA, the operations in Asia have been divested.

In Denmark, Mekonomen Grossist Danmark A/S was liquidated during the year.

Indirect participations in subsidiaries Company name/domicile	Corp. ID number	Share of equity, %	Number of stores
MECA			
MECA Car Parts AB/Malmö	556169-0412	100	–
MECA Sweden AB/Malmö	556356-5612	100	52
MECA Bilservice i Köping AB/Malmö	559012-2478	100	–
MECA Norway AS/Gjøvik, Norway	935 682 525	100	24
Fyksen Servicecenter Brumunddal AS/ Ringsaker, Norway	913 915 658	100	–
Fyksen Servicecenter Gjøvik AS/Gjøvik, Norway	913 915 631	100	–
Fyksen Servicecenter Hamar AS/Hamar, Norway	913 915 615	100	–
Fyksen Servicecenter Lillehammer AS/ Lillehammer, Norway	913 915 623	100	–
MECA Tunga Fordon AB/Malmö	559009-7837	100	–
Preqas AB/Göteborg	556884-6504	100	–
Preqas AS/Gjøvik, Norway	816 479 932	100	–
J&B Maskinteknik AB/Gothenburg	556490-2996	100	–
J&B Maskinteknikk AS/Gjøvik, Norway	915 971 865	100	–
ProMeister Solutions AB/Malmö	559034-6929	100	–
ProMeister Solutions AS/Gjøvik, Norway	917 100 462	100	–
ProMeister Sweden AB/Malmö	556509-7861	100	–
			76
Mekonomen Finland[1)]			
Mekonomen Viiki Oy/Helsinki	2359722-5	100	–
Mekonomen Tammisto Oy/Vantaa	2359731-3	100	1
Mekonomen Renkomäki Oy/Lahti	2429678-2	100	1
Mekonomen Levänen Oy/Kuopio	2462875-9	100	1
Mekonomen Grossist Oy/Vantaa	2445185-0	100	–
			3
Mekonomen Iceland			
Mekonomen ehf./Gardabaer	411214-0520	100	–
Mekonomen Gardabae ehf./Gardabaer	411214-0790	99.71	–
			1
Mekonomen Sweden			
Mekonomen Alingsås AB/Alingsås	556596-3690	95	1
Mekonomen Arvika AB/Arvika	556528-3750	100	5
Mekonomen B2C AB/Stockholm	556767-7405	100	–
Mekonomen Backaplan AB/Gothenburg	556226-1338	100	–
Mekonomen Bilverkstad AB/Stockholm	556607-1493	100	–
Mekonomen Blekinge AB/Sölvesborg	556649-9017	100	4
Mekonomen Bollnäs AB/Bollnäs	556827-3675	91	1
Mekonomen Butikerna AB/ Halmstad	556261-4676	100	1
Mekonomen Båstad AB/Båstad	556594-1951	100	1
Mekonomen Eklanda AB/Gothenburg	556887-1999	51	1
Mekonomen Enköping AB/Enköping	556264-2636	91	1
Mekonomen Eskilstuna AB/Eskilstuna	556613-5637	100	1
Mekonomen Falkenberg AB/Falkenberg	556213-1622	91	1
Mekonomen Falköping AB/Falköping	556272-1497	100	–
Mekonomen Falun AB/Falun	556559-3927	100	2
Mekonomen FKV AB/Stockholm	556775-9831	100	–
Mekonomen Flen AB/Flen	556769-8542	100	2
Mekonomen Gärdet AB/Stockholm	556821-6104	100	–
Mekonomen Gärdet Café AB/Stockholm	556840-9436	100	–
Mekonomen Gävle AB/Gävle	556353-6803	100	1
Mekonomen Göteborg AB/Gothenburg	556887-2294	51	3
Mekonomen Hallsberg AB/Hallsberg	556530-7237	100	–
Mekonomen Hedemora AB/Hedemora	556308-8011	91	1
Mekonomen Härnösand AB/Härnösand	556217-2261	100	1
Mekonomen Hässleholm AB/Hässleholm	556678-0622	91	1
Mekonomen Järfälla AB/Järfälla	556580-2351	100	–
Mekonomen Jönköping AB/Jönköping	556237-5500	91	1
Mekonomen Kalmar AB/Kalmar	556236-8349	100	1
Mekonomen Karlskoga AB/Uppsala	556821-6062	100	–
Mekonomen Karlstad AB/Karlstad	556786-9457	100	–
Mekonomen Kramfors AB/Kramfors	556496-1810	91	1
Mekonomen Kristianstad AB/Kristianstad	556171-9203	100	1
Mekonomen Kungsbacka AB/Kungsbacka	556887-2336	51	1
Mekonomen Kungshamn AB/Sotenäs	559101-6257	80	1
Mekonomen Lidköping AB/Lidköping	556761-3012	75	1

1) All companies in Finland have their registered offices in Helsinki; the place of business is stated above.

Mekonomen Linköping AB/Linköping	556202-9545	100	2
Mekonomen Ljusdal AB/Ljusdal	556786-1066	100	2
Mekonomen Ludvika AB/Ludvika	556470-4210	91	1
Mekonomen Luleå AB/Luleå	556338-4071	100	2
Mekonomen Lund AB/Lund	556531-0108	91	1
Mekonomen Lycksele AB/Lycksele	556687-8095	100	1
Mekonomen Mariestad AB/Mariestad	556261-0179	75	1
Mekonomen Mjölby AB/Mjölby	556362-0565	95.5	1
Mekonomen Mora AB/Mora	556363-2487	100	1
Mekonomen Motala AB/Motala	556311-8750	95.5	1
Mekonomen Norrköping AB/Norrköping	556376-2797	100	2
Mekonomen Norrtälje AB/Stockholm	556178-9719	60	1
Mekonomen Nyköping AB/Nyköping	556244-0650	75	1
Mekonomen Nässjö AB/Nässjö	556187-8637	100	1
Mekonomen Osby AB/Osby	556408-8044	91	1
Mekonomen Oskarshamn AB/Oskarshamn	556631-8589	75	1
Mekonomen Piteå AB/Piteå	556659-8966	100	1
Mekonomen Sala AB/Sala	556882-0905	100	1
Mekonomen Sandviken AB/Sandviken	556201-1295	100	1
Mekonomen Skellefteå AB/Skellefteå	556389-4095	100	1
Mekonomen Sollefteå AB/Sollefteå	556216-9424	100	1
Mekonomen Strömstad AB/Strömstad	556775-9849	100	1
Mekonomen Sundsvall Birsta AB/Sundsvall	556201-1675	100	1
Mekonomen Sundsvall Nacksta AB/Sundsvall	556777-4863	100	–
Mekonomen Södertälje AB/Södertälje	556405-5498	100	1
Mekonomen Sölvesborg AB/Sölvesborg	556216-4250	100	–
Mekonomen Torslanda AB/Gothenburg	556583-3893	100	–
Mekonomen Tranås AB/Tranås	556770-0041	100	1
Mekonomen Trollhättan AB/Trollhättan	556515-0298	100	2
Mekonomen Umeå AB/Umeå	556483-3084	81.8	1
Mekonomen Valdemarsvik AB/Valdemarsvik	556963-4966	100	1
Mekonomen Varberg AB/Varberg	556261-0161	75	1
Mekonomen Verkstadscenter Älvsjö AB/Huddinge	556192-0314	91	1
Mekonomen Vetlanda AB/Vetlanda	556653-4219	91	1
Mekonomen Vimmerby AB/Vimmerby	556232-5877	100	1
Mekonomen Vänersborg AB/Vänersborg	556770-0058	91	1
Mekonomen Värnamo Norra AB/Värnamo	556530-9266	100	–
Mekonomen Västerås AB/Västerås	556344-5492	100	2
Mekonomen Växjö AB/Växjö	556192-0439	100	3
Mekonomen Örnsköldsvik AB/Örnsköldsvik	556465-6287	51	1
Mekonomen Östersund AB/Östersund	556296-5243	100	2
Mekonomen Fleet AB/Stockholm	556720-6031	100	–
Marinshopen RM AB/Stockholm	556829-5066	100	1
			82
Mekonomen Norway			
Mekonomen Bilservice Rasta AS/Kongsvinger	817 970 532	100	–
Mekonomen Kongsberg AS/Kongsberg	937 161 786	100	1
Mekonomen Services AS/Oppegård	999 323 332	100	–
Mekonomen Tønsberg AS/Tønsberg	934 256 867	75	1
Motor Norge AS/Alta	945 481 668	51	1
Lasingoo Norge AS/ Oppegård	914 835 585	100	–
			3
Norway – Sørensen og Balchen			
Askim Bilrekvisita AS/Askim	885 049 702	100	2
Autoproducts AS/Trondheim	995 080 125	50	1
Bilutstyr Arendal AS/Arendal	961 171 067	100	1
Bilvarehusene Nor AS/Oslo	880 553 852	100	9
Bilvarehusene Sør AS/Oslo	887 813 752	100	6
BilXtra AS/Oslo	983 032 133	100	8
BilXtra Autogården Kongsberg AS/Kongsberg	914 746 345	91.9	–
BilXtra Kristiansund AS/Kristiansund	999 255 876	91	1
BilXtra Skøyen AS/Ringebu	916 795 521	100	–
DINDEL NORWAY AS/Oslo	913 284 607	100	–
Høistad Bildeler AS/Lillehammer	981 015 142	100	1
Jahre Motor Hamar AS/Hamar	935 614 031	91	1
Rogaland Rekvisita AS/Stavanger	936 043 119	100	2
Rønneberg Auto Industri AS/Ålesund	981 015 150	100	5
Vest Bilutstyr AS/Bergen	980 281 450	100	2
			39
Sweden – Meko Service Nordic			
Mekonomen BilLivet AB/Stockholm	556845-2196	100	–
Meca Bilverkstad Karlskoga AB/Stockholm	559123-7416	100	–
Meca Bilverkstad Tunby AB/Stockholm	559101-9681	100	–
Meko Service Auto Mek i Karlskrona AB/Stockholm	556882-0772	100	–
Meko Service Hemmesta AB/Upplands-Väsby	556428-1102	100	–
Meko Service Råå AB/Upplands-Väsby	559086-6744	80	–
Meko Service Småland AB/Stockholm	559115-9479	100	–
Meko Service Susannes Bilverkstad i Härlöv AB/Upplands-Väsby	556964-0641	60	–
Meko Service Södra AB/Upplands-Väsby	559086-6645	80	–
Meko Service Tio AB/Stockholm	559116-8694	100	–
Meko Service Elva AB/Stockholm	559118-0590	100	–
Meko Service Tolv AB/Stockholm	559118-0608	100	–
Meko Service Tretton AB/Stockholm	559118-0616	100	–
Meko Service 14 AB/Stockholm	559123-7432	100	–
Meko Service 15 AB/Stockholm	559123-7424	100	–
Meko Service 17 AB/Stockholm	559123-7705	100	–
Meko Service 18 AB/Stockholm	559123-7408	100	–
Meko Service 19 AB/Stockholm	559124-5070	100	–
Meko Service 20 AB/Stockholm	559123-7382	100	–
Mekonomen BilLivet Backaplan AB/Gothenburg	556756-1146	91	–
Mekonomen BilLivet Bromma AB/Stockholm	556864-3455	100	–
Mekonomen Billivet Eklanda AB/Upplands-Väsby	556863-9909	91	–
Mekonomen Billivet Fosie AB/Stockholm	559098-0537	100	–
Mekonomen BilLivet Gärdet AB/Upplands-Väsby	556821-6047	100	–
Mekonomen BilLivet Gävle AB/Stockholm	556864-3448	100	–
Mekonomen BilLivet Infra City AB/Stockholm	556864-3471	100	–
Mekonomen BilLivet Johanneshov AB/Stockholm	556882-0780	91	–
Mekonomen BilLivet Katrinelund AB/Stockholm	556882-0954	91	–
Mekonomen BilLivet Krokslätt AB/Gothenburg	559055-8549	100	–
Mekonomen Billivet Ljungby AB/Stockholm	559118-0582	100	–
Mekonomen BilLivet Södertälje AB/Stockholm	556882-0939	100	–
Mekonomen BilLivet Täby AB/Stockholm	556882-0962	91	–
Mekonomen BilLivet Vårby AB/Stockholm	556882-0947	91	–
Mekonomen Billivet Växjö AB/Stockholm	559118-0574	100	–
Mekonomen Billivet Älmhult AB/Stockholm	559115-9461	100	–
Promotor Åkersberga AB/Stockholm	556819-5019	100	–
Speedy Bilservice Högsbo AB/Malmö	556909-4906	100	–
Speedy Bilservice Mölndal AB/Mölndal	559004-5711	91	–
Speedy Bilservice på Limhamn AB/Malmö	559097-7970	100	–
Speedy Bilservice Östermalm AB/Malmö	556953-2434	91	–
			0
Hong Kong			
ProMeister Global Limited/Hong kong	1988735	100	–
			0
Total number of stores			**263**

Including the Parent Company, Mekonomen Group comprises a total of 176 companies, 263 proprietary stores and 45 proprietary workshops. Currently, 51 wholly-owned companies run 228 stores and 33 partly-owned companies run 35 stores. Furthermore, 25 wholly-owned companies run 31 car workshops and 12 partly-owned companies run 14 workshops.

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

NOTE 27 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet comprise the following:

	Group	
	31 Dec. 2017	31 Dec. 2016
Associated companies[1]	20	0
Joint ventures	2	2
Total	**22**	**2**

[1] In the fourth quarter of 2017, the Group acquired 20 per cent of the shares in Swedspot AB, an associated company that is a leader in connected cars and digitalisation. The associated company Automotive Web Solutions AB was divested during the second quarter of 2017.

The amounts recognised in profit or loss comprise the following:

	Group	
	2017	2016
Associated companies	0	0
Joint ventures	0	0
Total	**0**	**0**

Holdings in joint ventures and associated companies are recognised in accordance with the equity method. The Group has one associated company and one joint venture. This information is limited as the amounts are of minor value.

NOTE 28 SHAREHOLDERS' EQUITY

A specification of changes to shareholders' equity can be found in the statement of changes in consolidated and Parent Company's shareholders' equity (see pages 52 and 56, respectively).

Share capital
At the end of the financial year, share capital amounted to SEK 89,754 (89,754) thousand and comprised 35,901,487 shares (35,901,487) at a quotient value of SEK 2.50 per share (2.50). There were no outstanding shareholders' equity instruments that could result in a dilution of the share capital as per 31 December 2017 and 31 December 2016.

Other capital contributions
Other capital contributions included contributions the company received from shareholders and which are not recognised as share capital.

Other capital contributions	
Opening balance on 1 January 2016	1,456
Closing balance on 31 December 2016	1,456
Opening balance on 1 January 2017	1,456
Closing balance on 31 December 2017	**1,456**

Reserves
The item consists of translation differences attributable to the translation of foreign subsidiaries in accordance with IAS 21 and cash-flow hedges as shown in the table below:

Reserves	Translation differences[1]	Hedges	Total
Opening balance on 1 January 2016	-232	-2	-234
Exchange-rate differences on translation of foreign subsidiaries	104	–	104
Cash-flow hedges	–	-4	-4
Closing balance on 31 December 2016	**-128**	**-6**	**-134**
Opening balance on 1 January 2017	**-128**	**-6**	**-134**
Exchange-rate differences on translation of foreign subsidiaries	-50	–	-50
Cash-flow hedges	–	3	3
Closing balance on 31 December 2017	**-178**	**-3**	**-182**

[1] At 31 December 2017, the accumulated translation reserve regarding Denmark amounted to SEK -13 M (-14). The translation reserve for Denmark will be reclassified within shareholders' equity through profit and loss to the amount current at the time when the Danish company is liquidated, which is planned to take place in 2018. For additional information regarding discontinued operations, refer to Note 34.

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 2016	**831**
Comprehensive income for the year:	
- Profit for the year	335
- Actuarial gains and losses	-1
Comprehensive income for the year	**334**
Dividends	-251
Acquisition/divestment of non-controlling interests	-14
Closing balance on 31 December 2016	**900**
Opening balance on 1 January 2017	**900**
Comprehensive income for the year:	
- Profit for the year	361
- Actuarial gains and losses	0
Comprehensive income for the year	**361**
Dividends	-251
Acquisition/divestment of non-controlling interests	-9
Closing balance on 31 December 2017	**1,000**

Dividend to Parent Company's shareholders
The Board of Directors proposes a dividend of SEK 7.00 per share (7.00), leading to a total dividend of SEK 251,310,409 (251,310,409).

Proposed appropriation of profit - Parent Company

The following profit is at the disposal of the Annual General Meeting, SEK 000s:	
Profit brought forward	2,297,268
Profit for the year	426,800
Total	**2,724,068**

The Board of Directors and President propose that profits be appropriated as follows:	
Dividend to shareholders (SEK 7.00 per share)	251,310
To be carried forward	2,472,758
Total	**2,724,068**

NOTE 29 CAPITAL

Mekonomen Group manages its capital to ensure that the units in the Group are able to continue operating, while dividends to shareholders are maximised through a sound balance between liabilities and shareholders' equity. The Group's capital comprises shareholders' equity, as well as short and long-term borrowing. The proportions of shareholders' equity and changes during the year are described in the changes in consolidated shareholders' equity on page 52 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 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 Group Management and the Board. Mekonomen Group's financial targets include that net debt/EBITDA shall not exceed 2.0 over the long term. In addition, the long-term equity/assets ratio shall not be less than 40 per cent.

NOTE 30 SUPPLEMENTAL DISCLOSURES ON THE CASH FLOW STATEMENT

	Group		Parent Company	
Adjustments for non-cash items in operating activities	**2017**	**2016**	**2017**	**2016**
Depreciation/Amortisation	178	173	0	0
Impairment of intangible fixed assets	9	–	–	–
Impairment of tangible fixed assets	0	2	–	–
Impairment of financial fixed assets	-1	1	–	28
Other provisions	-1	0	0	0
Capital gain/loss from divestment of fixed assets	1	1	0	–
Capital gain/loss from divestment of operations	2	23	–	–
Other items not affecting liquidity	11	-4	-6	-6
	200	**196**	**-6**	**21**

			Non-cash items		
Change in liabilities with cash flows in financing activities, Group	**Opening balance 1 January 2017**	**Cash flows**	**Currency effect**	**Change in fair value**	**Closing balance 31 Dec 2017**
Liability to credit institutions, long term	1,328	119	0	–	1,447
Liability to credit institutions, short term	403	-148	–	–	255
Derivative interest-rate swap, long term	7	–	–	-3	4
Total	**1,738**	**-29**	**0**	**-3**	**1,706**

NOTE 31 EFFECTS OF ACQUISITIONS IMPLEMENTED

Business combinations 2017

MECA acquired three stores during the year in Sweden, one each in Västervik, Visby and Trelleborg, and four workshops in Norway, one each in Lillehammer, Brumunddal, Gjøvik and Hamar. MECA also acquired operations for heavy workshop equipment in eastern Norway.

Mekonomen Sweden acquired non-controlling interests in four stores, all for a minor value. Mekonomen Sweden also acquired a store in Kungshamn, established a store in Karlstad, and transferred three stores in Gothenburg to partly owned companies in the Group.

Mekonomen Norway acquired non-controlling interests in one store and one workshop in Norway, both for a minor value. Mekonomen Norway also acquired two partner stores in Mosjön and Mo i Rana and one workshop in Halden, Norway.

Sørensen og Balchen acquired non-controlling interests in one workshop in Norway at minor value. Sørensen og Balchen also established two stores in Norway, one in Bø and one in Råholt.

Meko Service Nordic also acquired non-controlling interests in one workshop for a minor value. Meko Service Nordic also acquired six workshops in Sweden, two in Malmö, one in Älmhult, Växjö, Ljungby and Västerås, respectively.

Acquisitions of non-controlling interests also occurred through dilution in a new share issue at a minor value in Mekonomen Iceland.

The impact of all acquisitions on consolidated sales and earnings was marginal.

Information on corporate acquisitions is provided in aggregate form since each individual acquisition is not deemed to be of such a size as to warrant separate recognition. All acquisitions were paid in cash.

Acquisitions in 2017	Total acquisitions
Value of acquired assets and liabilities	
Tangible fixed assets	9
Inventories	11
Current receivables	4
Current liabilities	-10
Acquired net assets	**14**
Customer relations	34
Goodwill	22
Deferred tax liabilities	-3
Acquired non-controlling interests, surplus value recognised against shareholders' equity	8
Total identifiable net assets and goodwill	**75**
Total purchase price	-75
- of which, cash portion	-63
- of which supplementary purchase considerations entered as liabilities	-13
Cash and cash equivalents in the acquired companies	0
Plus paid supplementary purchase considerations regarding earlier years	-4
Impact on Group's cash and cash equivalents	**-66**

Three store managers entered as part-owners in five store companies during the year and one workshop manager entered as a partner in a workshop company.

Acquired subsidiaries/ operations 2017	Country	Acquisition date	% equity and % votes	Object
Stores, Västervik and Visby - MECA	Sweden	Quarter 1	100	Assets and liabilities
Workshop equipment, eastern Norway - MECA	Norway	Quarter 1	100	Assets and liabilities
Partner stores, Mosjön, Mo i Rana - Mekonomen Norway	Norway	Quarter 1	100	Assets and liabilities
Workshop, Halden - Mekonomen Norway	Norway	Quarter 1	100	Assets and liabilities
Workshop, Malmö - Meko Service Nordic	Sweden	Quarter 1	100	Equities
Workshop, Malmö - Meko Service Nordic	Sweden	Quarter 1	100	Assets and liabilities
Store, Trelleborg - MECA	Sweden	Quarter 2	100	Assets and liabilities
Store, Kungshamn - Mekonomen Sweden	Sweden	Quarter 3	80	Equities
Workshops, Älmhult, Växjö, Ljungby, Västerås - Meko Service Nordic	Sweden	Quarter 3	100	Assets and liabilities
Workshops, Lillehammer, Brumunddal, Gjøvik, Hamar - MECA	Norway	Quarter 4	100	Equities

NOTE 31 CONTINUED

Business combinations 2016
MECA acquired one store in Höör, Sweden and two partner stores in Tomelilla and Charlottenberg, Sweden, established Opus Equipment in Norway and acquired a customer portfolio for oil sales to industrial customers in Norway.

Mekonomen Sweden acquired non-controlling interests in 11 stores, all for a minor value. Mekonomen Sweden also acquired a partner store in Halmstad and established a store in Älmhult.

Mekonomen Norway acquired a workshop in Drammen, Norway.

Sørensen og Balchen established two stores in Norway, one in Stord and one in Trysil.

Meko Service Nordic acquired three workshops in Sweden, one in Mölndal and two in Helsingborg. Meko Service Nordic also acquired non-controlling interests in three workshops in Sweden, all for a minor value.

Relative to the comparative period, Opus Equipment AB, which was acquired on 1 July 2015, impacted the Group's net sales by SEK 54 M, and EBIT negatively by SEK 4 M. The impact of other 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 2016	Total acquisitions
Value of acquired assets and liabilities	
Tangible fixed assets	2
Inventories	3
Current receivables	0
Current liabilities	0
Acquired net assets	**5**
Customer relations	21
Goodwill	5
Deferred tax liabilities	0
Acquired non-controlling interests, surplus value recognised against shareholders' equity	14
Total identifiable net assets and goodwill	**45**
Total purchase price	-45
- of which, cash portion	-31
- of which supplementary purchase considerations	-14
Cash and cash equivalents in the acquired companies	0
Impact on Group's cash and cash equivalents	**-31**

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

Acquired subsidiaries/ operations 2016	Country	Acquisition date	% equity and % votes	Object
Partner store, Halmstad - Mekonomen Sweden	Sweden	Quarter 1	100	Assets and liabilities
Store, Höör - MECA	Sweden	Quarter 1	100	Assets and liabilities
Partner store, Tomelilla - MECA	Sweden	Quarter 2	100	Assets and liabilities
Partner store, Charlottenberg - MECA	Sweden	Quarter 2	100	Assets and liabilities
Customer portfolio for oil sales to industrial customers, MECA	Norway	Quarter 2	100	Assets and liabilities
Workshop, Mölndal - Meko Service Nordic	Sweden	Quarter 2	100	Assets and liabilities
Workshop, Drammen - Mekonomen Norway	Norway	Quarter 3	100	Assets and liabilities
Workshop, Helsingborg - Meko Service Nordic	Sweden	Quarter 4	100	Assets and liabilities
Workshop, Helsingborg/Råå - Meko Service Nordic	Sweden	Quarter 4	100	Assets and liabilities

NOTE 32 INFORMATION CONCERNING REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

During the year, the Parent Company Mekonomen AB sold products and services to Group companies totalling SEK 34 M (35). Purchases relating to goods and services from Group companies amounted to SEK 72 M (56).

NOTE 33 TRANSACTIONS WITH RELATED-PARTIES

In 2017, Mekonomen Group acquired goods and services at a value of SEK 5 M (5) from companies where Mekonomen Group has significant influence or joint controlling influence. Agreements on goods and services with related parties are made on market-based terms. There were no receivables from or liabilities to related parties as at the balance-sheet date.

Mekonomen Group has entered an agreement with a major shareholder in the company, LKQ Corporation, with the aim of finding joint purchasing agreements with key suppliers. The agreement has been approved by the Board's independent members.

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

NOTE 34 DISCONTINUED OPERATIONS

A decision on comprehensive structural changes and repositioning of the Group's Danish operations was made in December 2014. All of the stores, which were also local warehouses, and the Danish head office have been closed. The franchise workshops were retained and these then received their deliveries of spare parts directly from the regional and central warehouses, achieving efficient logistics without intermediaries in the distribution chain. In March 2015, the last two stores in Denmark were closed, which is why the Danish store operations was discontinued as of this point in time. The Danish store operations were previously a part of the MECA segment. For further information, see the Group's annual reports for 2015 and 2016, Note 34 Discontinued operations.

As of the 2017 financial year, no discontinued operations are reported in the consolidated income statement.

At 31 December 2017, the accumulated translation reserve regarding Denmark amounted to SEK -13 M (-14). The translation reserve for Denmark will be reclassified within shareholders' equity through profit and loss to the amount current at the time when the Danish company is liquidated, which is planned to take place in 2018.

NOTE 35 EVENTS AFTER THE END OF THE YEAR

Mekonomen Group's management structure was changed as of 1 January 2018 to be better adapted to the business.

As of 1 January 2018, Group management comprises the following individuals:
– Pehr Oscarson, president and CE
– Åsa Källenius, CFO and IT director
– Morten Birkeland, managing director of Sørensen og Balchen
– Katarina Zetterqvist, HR director
– Carl-Johan Åström, managing director of MECA Sweden
– Torhild Barlaup, managing director of MECA Norway
– Stig Tornell, managing director of Mekonomen Sweden
– Frank Bekken, managing director of Mekonomen Norway
– Tobias Narvinger, Purchasing & Supply
– Gabriella Granholm, Communications & Marketing
– Robert Hård, Legal & Sustainability
– Magnus Rylander, head of the business area Ventures

The organisational change also affects the segment reporting. As of the first quarter of 2018, Mekonomen Group will be presented with three segments, Mekonomen, MECA and Sørensen og Balchen. The Mekonomen segment will consist of Mekonomen Sweden and Mekonomen Norway. The MECA segment will consist of MECA Sweden and MECA Norway. Sørensen og Balchen is unchanged. The other operations that were previously a part of MECA will be included in Other segments, like Marinshopen, which was previously part of Mekonomen Sweden. The comparative figures will be restated.

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

NOTE 36 APPROVAL OF ANNUAL REPORT

The Annual Report and consolidated financial statements were approved for issue by the Board on 27 March 2018. 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 09 May 2018.

NOTE 37 FINANCIAL RISKS

Through its operations, Mekonomen Group is exposed to currency, credit, interest-rate, financing and liquidity risks. The management of these risks is regulated in the finance policy adopted by the Board. Credit risk relating to customer commitments is managed, according to central frameworks, decentralised locally. Other risks are mainly managed centrally by the Group's Treasury unit.

Currency risk

Currency risks occur when currency fluctuations have a negative impact on the Group's earnings and shareholders' equity. Currency exposure arises in connection with cash flows in foreign currencies (transaction exposure), as well as in translation of loans/receivables in foreign currencies and in the translation of foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

In 2017, currency fluctuations had a negative impact on the Group's profit before tax totalling SEK -14 M (-5). The most important currency in terms of transaction exposure is EUR, which represents 46 per cent (37) 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 is the most important currency with regard to translation exposure. The management of currency risks is regulated in the finance policy with a hedging period of between 0 and 3 months.

With regard to foreign shareholders' equity, the principal rule is that Mekonomen Group does not hedge this exposure. However, if major foreign investments are made that require separate financing, a decision may be made to recognise all or part of the financing in the acquisition currency. For more detailed 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 impairment of accounts receivable for the year and long-term hire-purchase contracts are found in Notes 16 and 18.

Interest-rate risk

Interest-rate risks refer to the risk that changes in market interest rates will have a negative impact on the Group's net interest expense. The rate at which interest rate changes affect the net interest expense depends on the period of fixed interest for the loan. According to the finance policy, the fixed-interest period is normally to be 12 months, with an exception mandate of +6/-9 months.

As per 31 December 2017, Mekonomen's net debt is SEK 1,444 M (1,437). A fixed-interest period is available with a term of less than one year. In addition to this, there is an interest-rate swap of SEK 450 M to hedge the cash flows in the loans Mekonomen AB has falling due in 2019. See also the table in the Sensitivity analysis section of the Administration Report.

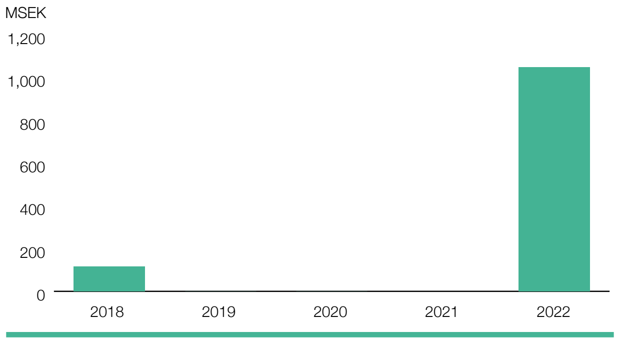
Financing and liquidity risks

Financing risk is seen as the risk of the cost being higher and financing opportunities limited when loans are renewed and payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing financing. According to the finance policy, refinancing risks are to be managed by signing long-term and flexible credit agreements.

As per 31 December 2017, the Group's total loan financing amounted to SEK 1,699 M (1,728), of which the long-term portion is SEK 1,446 M (1,327). The Group's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets. The conditions include an owner change clause that becomes current upon an owner change in excess of 50 per cent or upon a delisting.

See the maturity structure excluding amortisation in the graph below.

Mekonomen Group's external loans without backup facilities as per 31/12/2017.



Total amortisation of the loans is SEK 136 M per year. In addition, the Group has overdraft facilities totalling SEK 435 M (609). The Group's cash and cash equivalents are invested short term and any excess liquidity is to primarily be used for amortising loans. According to the finance policy, investments may be made in SEK, NOK and EUR. Investments may be made with or in securities issued by the Swedish Government or Swedish and foreign banks with at least an A rating, according to the definition of Standard & Poor's (S&P).

Fair value

No financial assets or liabilities were recognised at a value that significantly deviated from fair value.

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, 27 March 2018

John S. Quinn
Chairman of the Board

Christer Åberg
Executive Vice Chairman

Kenny Bräck
Board member

Joseph M. Holsten
Board member

Malin Persson
Board member

Helena Skåntorp
Board member

Magnus Håkansson
Board member

Pehr Oscarsson
President and CEO

Our Auditor's Report was submitted on 27 March 2018
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF MEKONOMEN AB (PUBL), ORG.NR 556392-1971

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Mekonomen AB (publ) for the year 2017 except for the corporate governance statement on pages 41-49. The annual accounts and consolidated accounts of the company are included on pages 35-82 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 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 41-49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The group audit has included all segments, where Meca and Mekonomen Sweden represent the largest portion of the group's net sales and results. Mekonomen Sweden's operations are undertaken through a large number of subsidiaries with a common financial management function. In our audit of these entities we executed uniform audit activities of routines and processes for, amongst other things, revenue recognition and inventory accounting. In addition to the audit of the parent company and of the consolidation, a large number of Swedish companies are also audited by the group team, with the group's auditor-in-charge as the signing auditor. For Meca, Sørensen og Balchen and Mekonomen Norway group team provide instructions for the audit to the respective entities. Furthermore, reporting has been obtained from our local audit teams concerning, amongst other things, the audit of internal control, a review of the third quarter and an audit of year end.

Mekonomen's interim report for the third quarter has been the subject of a review. This quarterly review helps us to identify and understand the changes in circumstances impacting the financial reporting.

Based on the executed audit activities mentioned above, we deem that we have obtained sufficient audit evidence to provide an opinion on the consolidated financial statements as a whole.

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Cut-off, completeness and existence of revenues *We refer to note 3 and to the accounting principles* Mekonomen's group revenues are comprised of a large number of sales transactions generated in approximately 300 stores and workshops all over Scandinavia, primarily in Sweden and Norway. The customers are comprised of both private individuals and companies. The majority of the transactions refer to sales against invoices, while a small portion is comprised of traditional cash sales. Rebates, returns and complaints take place frequently and, as a result, have a major impact on reported revenue. The operations are, in their nature, very transaction intensive and this places major demands on the reliability of the systems and processes. The revenue process is, naturally, dependent on effective and appropriate IT solutions.	We have mapped the sales processes and, in this manner, obtained an understanding of how revenues are generated and how they are reflected in the accounts and in financial reports. Furthermore, the relevant IT systems have been tested as regards, amongst other things, change management, crisis management, authorisations and access rights. Within the different sales processes there are controls which are undertaken by the operations in order to ensure a correct accounting. We have evaluated the design and tested the effectivity of those controls significant to the audit. In addition to the evaluation and testing of controls, we have performed substantive procedures on revenues via so-called detailed testing, which implies that we execute a random sample testing of a selection of revenue transactions. We have also studied and evaluated the information provided in Notes 1 and 3 in the annual report. On the basis of our audit, we have made no significant observations regarding revenue recognition.

Key audit matter	How our audit addressed the Key audit matter
Existence and valuation of inventory *We refer to Note 17 and the accounting principles* The inventory comprises a significant portion of the group's assets and consists of finished goods inventory. The inventory is comprised of both Mekonomen's two central inventories and of approximately 260 store inventories. The group's inventory is, consequently, spread out over a large number of geographical locations in the countries in which Mekonomen has operations. In order to ensure the existence of the inventories, Mekonomen executes ongoing stock-taking at the various inventory sites during the year. The value of the inventory is impacted by factors such as purchase prices and obsolescence. Purchase prices are, in their turn, impacted by a high degree of contractual agreements with various suppliers as regards rebates and purchase bonuses which are based on achieved purchase volumes. The existence of obsolescence requires that estimations and judgments are undertaken in valuing the inventory. The operations are, in their nature, very transaction intensive and place major requirements on the reliability of the systems and processes. The inventory process is naturally dependent on effective and appropriate IT solutions.	We have obtained an understanding of the inventory accounting through mapping the routines for inventory transactions and for the reporting of these transactions. We have formed an opinion as to the manner in which the financial reporting is impacted by the group's inventory. Furthermore, the relevant IT systems have been tested with regard to, amongst other things, change management, crisis management, authorisations and access rights. Within the inventory process, there are controls executed by the operations to ensure correct accounting. We have evaluated the design and tested the effectivity of those controls significant to the audit. In order to ensure the existence of the inventory and its condition, we also participated in a selection of all of the stock-taking exercises executed by Mekonomen. Furthermore, we have assessed the obsolescence provision in accordance with the obsolescence schedule applied within the Mekonomen group. For the group's two central inventories, an additional activity was executed. A so-called data analysis was made implying that all inventory transactions were sorted and analysed according to pre-determined, established parameters. We have also studied and evaluated the information provided in Notes 1 and 17 of the annual report. On the basis of our audit, we have made no significant observations regarding the accounting of the inventory.

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 1-34 och 86-90. Other information consist of information of Mekonomen group and information about the board of directors, group management and key ratios definitions. The Board of Directors and the Managing Director are responsible for this other information.

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 Directors 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 intends 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 Directors and the Managing Director of Mekonomen AB (publ) for the year 2017 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 Directors 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 Directors 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's equity, consolidation requirements, liquidity and position in general.

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

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

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

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

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

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

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 41-49 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, Stockholm was appointed auditor of Mekonomen AB (publ) by the general meeting of the shareholders on the 25 April 2017 and has been the company's auditor since the 8 April 2014.

Stockholm, 27 March 2018
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

FIVE YEARS IN SUMMARY

The tables below present financial information in summary for the financial years 2013-2017.

Income statements, SEK M	2017	2016	2015	2014	2013
Continuing operations:					
Net sales	5,850	5,786	5,624	5,262	5,129
Other revenue	150	151	137	128	122
Goods for resale	-2,654	-2,686	-2,529	-2,337	-2,275
Other operating expenses	-2,635	-2,595	-2,449	-2,229	-2,226
EBITDA	**710**	**656**	**784**	**824**	**750**
Depreciation and impairment of tangible fixed assets	-60	-62	-57	-61	-67
EBITA	**649**	**594**	**726**	**763**	**683**
Amortisation and impairment of intangible fixed assets	-127	-113	-110	-124	-156
Operating profit, EBIT	**522**	**481**	**616**	**639**	**527**
Net financial items	-48	-35	-22	-19	-39
Profit after financial items	**475**	**446**	**594**	**620**	**489**
Tax on profit for the year	-107	-105	-164	-153	-129
Profit for the year from continuing operations	**368**	**342**	**430**	**466**	**360**
Discontinued operations:					
Profit for the year from discontinued operations[1]	–	0	0	-340	-44
Profit for the year	**368**	**342**	**430**	**127**	**315**

Balance sheets, SEK M	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Assets					
Intangible fixed assets	2,686	2,757	2,734	2,813	2,881
Other fixed assets	409	304	288	321	347
Inventories	1,382	1,279	1,226	1,223	1,213
Accounts receivable	488	485	453	450	439
Other current assets	335	336	365	319	285
Cash and cash equivalents	254	291	295	258	279
Total assets	**5,554**	**5,452**	**5,361**	**5,384**	**5,444**
Shareholders' equity and liabilities					
Shareholders' equity, Parent Company's shareholders	2,363	2,311	2,143	2,066	2,228
Non-controlling interests	16	14	12	14	12
Long-term liabilities	1,640	1,524	1,645	1,575	1,872
Current liabilities	1,535	1,603	1,560	1,728	1,332
Total shareholders' equity and liabilities	**5,554**	**5,452**	**5,361**	**5,384**	**5,444**

Condensed cash-flow statement, SEK M	2017	2016	2015	2014	2013
Cash flow from operating activities	496	544	439	413	557
Cash flow from investing activities	-229	-94	-146	-121	-54
Cash flow from financing activities	-295	-466	-245	-309	-442
Cash flow for the year	**-27**	**-16**	**48**	**-17**	**61**

Data per share[2], amounts in SEK per share unless otherwise stated	2017	2016	2015	2014	2013
Earnings, continuing operations	10.05	9.32	11.77	12.80	9.81
Earnings, discontinued operations	–	0.00	0.00	-9.46	-1.25
Earnings	10.05	9.32	11.77	3.34	8.56
Cash flow	13.8	15.1	12.2	11.5	15.5
Shareholders' equity	65.8	64.4	59.7	57.5	62.1
Dividend[3]	7.00	7.00	7.00	7.00	7.00
Share of profit paid, %	70	75	59	210	82
Share price at year-end	149.3	171.5	173.0	204.0	198.0
Share price, highest for the year	191.0	207.0	234.5	207.0	233.0
Share price, lowest for the year	139.8	150.5	170.0	139.0	189.0
Direct yield, %	4.7	4.1	4.0	3.4	3.5
P/E ratio at year-end, multiple	14.9	18.4	14.7	61.1	23.1
Average number of shares after dilution effects[4]	35,901,487	35,901,487	35,901,487	35,901,487	35,901,487
Number of shares at end of period	35,901,487	35,901,487	35,901,487	35,901,487	35,901,487
Number of shareholders at year-end	10,707	9,484	9,373	9,664	8,355

[1] The discontinued store operations in Denmark are presented as discontinued operations as of 1 January 2015. For additional information regarding discontinued operations, refer to Note 34.
[2] For information on financial definitions, refer to page 89.
[3] The Board's proposal for 2017.
[4] No dilution is applicable.

Key figures[1)2)]	2017	2016	2015	2014	2013
Sales growth, %	1	3	7	3	12
Gross margin, %	55	54	55	56	56
EBITDA margin, %	12	11	14	15	14
EBITA margin, %	11	10	13	14	13
EBIT margin, %	9	8	11	12	10
Capital employed, SEK M	4,087	4,066	4,086	3,980	4,176
Return on capital employed, %	12	12	15	16	13
Return on shareholders' equity, %	16	15	20	21	16
Return on total capital, %	9	9	12	12	10
Equity/assets ratio, %	43	43	40	39	41
Net debt/equity ratio, multiple	0.6	0.6	0.8	0.8	0.7
Interest-coverage ratio, multiple	17	17	19	16	11
Net debt, SEK M	1,444	1,437	1,626	1,629	1,642
Net debt/EBITDA, multiple[3)]	2.03	2.19	2.07	3.09	2.32
Average number of employees[4)]					
Sweden	1,365	1,413	1,438	1,335	1,342
Norway	834	808	794	772	775
Other countries	31	66	58	24	21
Group	**2,231**	**2,287**	**2,290**	**2,131**	**2,138**
Number of stores/of which proprietary[4)]					
Mekonomen Sweden[5)]	**133/113**	**132/112**	**134/113**	**137/113**	**137/109**
Mekonomen Norway	**42/32**	**45/32**	**45/32**	**46/33**	**47/32**
Sørensen og Balchen – Norway	**68/39**	**72/37**	**70/35**	**71/34**	**74/34**
MECA Sweden	62/52	61/51	61/48	63/48	61/44
MECA Norway	24/24	24/24	24/24	24/24	25/24
Total MECA	**86/76**	**85/75**	**85/72**	**87/72**	**86/68**
Other[5)]	7/3	8/5	8/5	10/6	10/6
Group	**336/263**	**342/261**	**342/257**	**351/258**	**354/249**
Number of Mekonomen Service Centres					
Sweden[6)]	434	447	457	485	489
Norway	335	339	345	378	384
Denmark[7)]	0	0	102	195	212
Finland	23	23	19	17	12
Group	**792**	**809**	**923**	**1,075**	**1,097**
Number of MekoPartner workshops					
Sweden	141	127	125	129	116
Norway	95	93	97	73	72
Denmark[7)]	0	0	39	153	190
Group	**236**	**220**	**261**	**355**	**378**
Number of BilXtra workshops					
Norway	258	255	246	232	243
Group	**258**	**255**	**246**	**232**	**243**
Number of Speedy workshops					
Sweden	35	26	20	14	12
Group	**35**	**26**	**20**	**14**	**12**
Number of Meca Car Service workshops					
Sweden	425	425	404	377	344
Norway	299	286	272	251	226
Group	**724**	**711**	**676**	**628**	**570**
Total number of affiliated workshops in the Group	**2,045**	**2,021**	**2,126**	**2,304**	**2,300**

1) The key figures refer to continuing operations. For additional information regarding discontinued operations, refer to Note 34.
2) For information on financial definitions, refer to page 89.
3) In the calculation of the key figure Net debt/EBITDA, discontinued operations were included for applicable years.
4) The number of employees and numbers of stores are reported, for applicable years, excluding the discontinued store operations in Denmark.
5) As of 1 January 2017, Marinshopen is included in Mekonomen Sweden instead of "Other segments", the comparative figures are not restated.
6) Includes 23 (20) proprietary workshops in Meko Service Nordic.
7) As of 28 December 2016, the workshops in Denmark are not included in the MECA segment as the Danish export operations were divested as of this date.

QUARTERLY OVERVIEW

	2017					2016				
SEK M	**Full-year**	**Q4**	**Q3**	**Q2**	**Q1**	**Full-year**	**Q4**	**Q3**	**Q2**	**Q1**
Net sales[1)]										
MECA	2,108	534	481	543	551	2,039	528	477	534	500
Mekonomen Sweden[2)]	1,816	468	439	475	434	1,891	470	456	503	462
Mekonomen Norway	867	211	210	228	217	836	210	209	223	194
Sørensen og Balchen	778	176	178	211	213	725	182	179	192	172
Other segments[3)]	281	78	64	71	67	295	76	71	85	63
Group	**5,850**	**1,467**	**1,372**	**1,529**	**1,482**	**5,786**	**1,466**	**1,392**	**1,537**	**1,391**
EBITA										
MECA	257	36	55	90	76	217	16	53	85	62
Mekonomen Sweden[2)]	209	61	57	50	40	190	42	56	40	53
Mekonomen Norway	117	28	23	39	27	132	28	35	42	27
Sørensen og Balchen	120	27	27	39	28	117	29	29	36	24
Other segments[3)]	-53	-17	-4	-16	-17	-63	-11	-20	-15	-17
Group	**649**	**134**	**560**	**203**	**155**	**594**	**103**	**154**	**189**	**149**
EBIT										
MECA	242	32	51	87	73	205	13	50	82	60
Mekonomen Sweden[2)]	196	51	56	50	39	187	40	55	39	52
Mekonomen Norway	117	28	23	39	27	132	28	35	42	27
Sørensen og Balchen	120	27	27	39	28	117	29	29	36	24
Other segments[3)]	-76	-22	-10	-22	-22	-84	-16	-25	-19	-23
Other items[4)]	-77	-19	-19	-19	-19	-77	-19	-19	-19	-19
Group	**522**	**96**	**127**	**174**	**126**	**481**	**74**	**125**	**161**	**121**
Investments[5)]										
MECA	25	8	5	6	6	16	6	3	4	3
Mekonomen Sweden	94	11	69	8	6	30	14	5	5	6
Mekonomen Norway	2	1	0	0	1	3	1	0	1	1
Sørensen og Balchen	3	0	0	1	1	5	2	1	1	1
Other segments[3)]	39	10	5	13	12	57	21	11	18	8
Group	**164**	**30**	**79**	**28**	**27**	**111**	**43**	**20**	**28**	**20**
EBITA margin, %										
MECA	12	7	11	17	14	10	3	11	16	12
Mekonomen Sweden[2)]	11	13	12	10	9	10	8	12	8	11
Mekonomen Norway	13	13	10	17	12	15	13	16	18	14
Sørensen og Balchen	15	15	15	18	13	16	16	16	18	14
Group	**11**	**9**	**11**	**13**	**10**	**10**	**7**	**11**	**12**	**10**
EBIT margin, %										
MECA	11	6	10	16	13	10	2	10	15	12
Mekonomen Sweden[2)]	10	10	12	10	9	10	8	12	8	11
Mekonomen Norway	13	13	10	17	12	15	13	16	18	14
Sørensen og Balchen	15	15	15	18	13	16	16	16	18	13
Group	**9**	**6**	**9**	**11**	**8**	**8**	**5**	**9**	**10**	**9**
Quarterly data, Group[6)]										
Total revenue	6,000	1,507	1,414	1,560	1,518	5,937	1,508	1,432	1,573	1,424
EBITDA	710	150	172	218	170	656	121	168	203	163
EBITA	649	134	157	203	155	594	103	154	189	149
EBIT	522	96	127	174	126	481	74	125	161	121
Net financial items	-47	-9	-8	-18	-13	-35	-2	-13	-9	-11
Profit after financial items	475	87	119	156	113	446	72	112	152	110
Tax	-107	-12	-30	-38	-27	-105	-6	-31	-40	-27
Profit/loss for the period	368	75	89	118	86	342	66	82	112	83
Gross margin, %	55	55	54	54	54	54	52	54	54	54
EBITDA margin, %	12	10	12	14	11	11	8	12	13	11
EBITA margin, %	11	9	11	13	10	10	7	11	12	10
EBIT margin, %	9	6	9	11	8	8	5	9	10	9
Earnings per share, SEK	10.05	2.07	2.43	3.22	2.33	9.32	1.83	2.20	3.02	2.28
Shareholders' equity per share, SEK	65.8	65.8	64.3	61.6	66.3	64.4	64.4	63.0	59.3	62.5
Cash flow per share, SEK	13.8	6.8	2.2	3.7	1.0	15.1	5.8	2.2	6.4	0.8
Return on shareholders' equity, %	15.6	15.6	15.3	15.2	14.9	15.1	15.1	15.9	17.6	18.7
Share price	149.3	149.3	184.5	167.0	176.5	171.5	171.5	167.0	182.0	201.0

1) Net sales for each segment are from external customers.

2) As of 1 January 2017, Marinshopen is included in the segment Mekonomen Sweden instead of "Other segments", the comparative figures are not restated. Marinshopen's net sales amounted to SEK 29 M for full-year 2016 and EBIT was SEK -1 M.

3) "Other segments" include Mekonomen's wholesale and store operations in Finland, Mekonomen's store operations in Iceland (dormant since the third quarter of 2017), Meko Service Nordic with the service centre operations BilLivet and Speedy, the Car Share operations (which were discontinued in the fourth quarter of 2017), Mekonomen car leasing, the joint venture in Poland (InterMeko Europa), Lasingoo Norge and Group-wide functions also including Mekonomen AB (publ). As of 1 January 2017, Marinshopen is included in the segment Mekonomen Sweden instead of "Other segments", the comparative figures are not restated. The associated company Automotive Web Solutions AB was divested during the second quarter of 2017.

4) "Other items" include acquisition-related items attributable to MekonomenAB's direct acquisitions. Current acquisition-related items are amortisation of acquired intangible assets related to the acquisitions of MECA and Sørensen og Balchen.

5) Investments do not include company and business combinations.

6) For information on financial definitions, refer to page 89.

GLOSSARY, DEFINITIONS AND ALTERNATIVE PERFORMANCE MEASURES

Financial definitions

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

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.

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.

Earnings per share
Profit for the period excluding non-controlling interests, in relation to the average number of shares. Average number of shares is calculated as the number of shares at period-end multiplied by the number of days this number existed during the period and added to any other number of shares during the period multiplied by the number of days these numbers existed during the period, divided by the number of days during the period.

EBIT margin
EBIT after depreciation/amortisation as a percentage of total revenue.

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

EBITA margin
EBITA as a percentage of total revenue.

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

EBITDA margin
EBITDA as a percentage of total revenue.

Equity/assets ratio
Shareholders' equity including non-controlling interest as a percentage of total assets. Parent company's equity/assets ratio includes 78 per cent of untaxed reserves.

Interest-coverage ratio
Profit after net financial items plus interest expenses divided by interest expenses.

Net debt
Current and long-term interest-bearing liabilities for borrowing, meaning excluding pensions, leasing, derivatives and similar obligations, less cash and cash equivalents.

Net debt/equity ratio
Net debt divided by shareholders' equity including non-controlling interest.

Operating costs
Operating costs consist of other external costs, personnel costs and depreciation/amortisation and impairment of tangible and intangible fixed assets.

Return on capital employed
Profit after net financial items plus interest expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the end of the period added to the four immediately preceding quarters' capital employed at the end of the period divided by five.

Return on shareholders' equity
Profit for the period, excluding non-controlling interests, as a percentage of average shareholders' equity attributable to Parent Company's shareholders. Average shareholders' equity attributable to the Parent Company's shareholders is calculated as shareholders' equity attributable to the Parent Company's shareholders at the end of the period added to the four immediately preceding quarters' shareholders' equity attributable to the Parent Company's shareholders at the end of the period divided by five.

Return on total capital
Profit after net financial items plus interest expenses as a percentage of the average total assets. Average total assets are calculated as total assets at the end of the period added to the four immediately preceding quarters' total assets at the end of the period divided by five.

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

Sales per employee
Sales relative to the average number of employees.

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

Company-specific definitions

Accessories for cars
Products that are not necessary for a car to function, but enhance the experience or extend use of the car, for example, car-care products, roof boxes, car child seats, etc.

Affiliated workshops
Workshops that are not proprietary owned, but conduct business under the Group's brands/workshop concept (Mekonomen Service Centre, MekoPartner, MECA Car Service, BilXtra and Speedy).

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

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

Comparable units
Stores, majority-owned workshops and Internet sales that have been in operation for the past 12 month period and throughout the entire preceding comparative period.

Concept workshops
Affiliated workshops.

Currency effects on the balance sheet
The impact of currency regarding realised and unrealised revaluations of foreign short-term non-interest-bearing receivables and liabilities.

Currency-transaction effects
Currency impact on internal sales from Mekonomen 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.

DAB products
Car accessories with solutions for receiving digital radio broadcasts. DAB is an abbreviation for Digital Audio Broadcasting.

Fleet operations
Mekonomen Group's offering to business customers comprising service and repairs of cars, sales of spare parts and accessories and tyre storage.

Group companies
The MECA, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen segments.

Lasingoo
The car portal that Mekonomen Group owns together with industry players that simplifies the workshop selection and booking processes for car owners.

Mekonomen Yehlove
Mekonomen's cutting-edge concept that meets the customers' growing demands for quality, availability and comfort, with an extended range of services and complete solutions.

OBP
Own brand products, such as Mekonomen Group's own brand products ProMeister and Carwise.

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

ProMeister
Mekonomen Group's proprietary brand for high quality spare parts with five-year warranties.

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.

Sales in comparable units
Sales in comparable units comprise external sales (in local currency) in majority-owned stores, wholesale sales to partner stores, external sales in majority-owned workshops and Internet sales.

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

Sales to customer group Consumers
Cash sales from proprietary 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 Other B2B-customers
Sales to business customers that are not affiliated to any of Mekonomen Group's concepts, including sales in the fleet operations.

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

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

Alternative performance measures
As of the January-June 2016 interim report, Mekonomen applies the guidelines for alternative performance figures issued by 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 2017 Annual Report on our website http://www.mekonomen.com/sv/alternativa-nyckeltal/.

[1] The European Securities and Markets Authority.

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