

Mekonomen Group

Interim report January - June 2018

27 July 2018

Favorable sales growth and improved earnings

1 April - 30 June 2018

- Revenue amounted to SEK 1,673 M (1,560). Adjusted for currency effects and calculated on the comparable number of workdays, revenue rose 3 per cent. Sales in comparable units rose 2 per cent in local currency.
- EBITA amounted to SEK 202 M (203) and the EBITA margin was 12 per cent (13).
- EBIT totalled SEK 173 M (174) and the EBIT margin was 10 per cent (11). EBIT was negatively affected by items affecting comparability totalling SEK 25 M (0), of which SEK 19 M was attributable to costs for ongoing acquisition process and SEK 6 M to the divestment of Marinshopen.
- EBIT adjusted for items affecting comparability was SEK 198 M (174).
- The gross margin was 55.7 per cent (55.3).
- Earnings per share, before and after dilution, amounted to SEK 3.53 (3.22).
- Cash flow from operating activities amounted to SEK 234 M (134).
- Net debt was SEK 1,652 M (1,615) at the end of the period, compared with SEK 1,444 M at year-end.
- On 6 July, Mekonomen entered into an agreement to acquire FTZ in Denmark and Inter-Team in Poland for a purchase price of EUR 395 M.

SUMMARY OF THE GROUP'S EARNINGS TREND SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
Revenue	1 673	1 560	7	3 142	3 078	2	6 063	6 000
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)	202	203	-1	292	358	-19	583	649
EBIT	173	174	0	233	299	-22	456	522
Profit after financial items	170	156	9	227	269	-16	433	475
Profit after tax	131	118	11	175	204	-14	339	368
Earnings per share, SEK	3,53	3,22	10	4,69	5,55	-16	9,18	10,05
EBITA margin, %	12	13		9	12		10	11
EBIT margin, %	10	11		7	10		8	9

EBIT ADJUSTED FOR ITEMS AFFECTING COMPARABILITY, SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
EBIT, excluding items affecting comparability	198	174	14	277	299	-7	501	522
Items affecting comparability	-25	-	n/a	-45	0	n/a	-45	0
EBIT	173	174	0	233	299	-22	456	522

CEO comments

Favorable sales growth and improved earnings, and towards doubling the sales through acquisition

Mekonomen Group reported favorable sales growth in the second quarter of 2018, positively impacted by a late spring - which, for example, affected timing for changing winter tyres to summer tyres - a higher number of workdays and a strengthened NOK. The Group's total revenue rose 7 per cent compared with the second quarter of 2017. Adjusted for the number of workdays and currency effects, revenue rose 3 per cent.

MECA and Mekonomen reported favorable growth while Sørensen og Balchen's sales did not reach the level recorded last year.

Sales to the strategically important customer group affiliated workshops increased 20 per cent in the second quarter and sales of spare parts under our proprietary brand ProMeister had a favorable development.

The sales decline of DAB products compared to 2017 affected sales negatively in the second quarter by approximately SEK 50 M, mainly in Sørensen og Balchen. As of the third quarter, our assessment is that compared to 2017, the DAB sales will have a limited impact.

Increased EBIT in the core business

EBIT for the Group amounted to SEK 173 M (174) in the second quarter, adversely impacted by items affecting comparability of SEK 25 M (0), which mainly included costs for ongoing acquisition process. EBIT adjusted for items affecting comparability rose to SEK 198 M (174). The weakening of the SEK against the EUR, which led to elevated purchasing prices at the beginning of the year, slowed down in the second quarter. The increased purchasing costs have now been compensated by higher selling prices, which helped to stabilise margins in the second quarter.

Our core business reported slightly rising growth in the second quarter, with favorable currency and calendar effects making a further positive contribution to sales and earnings. This is in contrast with the first quarter, when these factors had a corresponding negative effect. Consequently, the Group's development over the first six months of the year provides a comparable view of its performance. For the first six months revenue rose 2 per cent and EBIT excluding items affecting comparability was SEK 277 M (299), burdened by lower sales of DAB products with an estimated effect on EBIT totalling approximately SEK 20 M in the first half of the year (approximately SEK 11 M in the second quarter).

Market development

During the second quarter, we experienced a temporary high period of activity in the market due mainly to a late and thus compressed spring season. Our impression of the market for the first six months of the year as a whole is that it was stable.

Central warehouse and new digital spare parts catalogue projects proceeding as planned

Work related to the joint central warehouse for MECA and Mekonomen in Sweden is progressing according to plan and is expected to generate cost savings of SEK 50 M as of 2020. During the summer, Mekonomen Group formally took over the automation from the technology supplier and we are currently testing the equipment. Our new digital spare parts catalogue project is also proceeding as planned. The catalogue is rolled out in Mekonomen stores and a large number of Mekonomen workshops in the Norwegian market and in the Swedish market the testing has started within Mekonomen.

Towards a doubling of our sales

On 6 July, Mekonomen Group entered into an agreement to acquire FTZ in Denmark and Inter-Team in Poland, which is aligned with our growth strategy to actively play a part in the ongoing consolidation in Europe. Through the acquisitions, Mekonomen Group's sales will nearly double and we will strengthen our position as a leading automotive spare parts distributor in the Nordic region in parallel with taking a first step into continental Europe. FTZ and Inter-Team are two prosperous companies and our strategy for them is to continue growing within the scope of their existing corporate structures and brands as independent companies in the Group.

The acquisition is preliminarily expected to be completed during the third quarter 2018 and the intention is to partially finance the acquisition through a rights issue to Mekonomen's shareholders. We expect the acquisitions to generate synergies of SEK 100 M annually, mainly within purchasing, with full effect from 2021.

After my first year as President and CEO, I am very confident with the management and organisation we have built during this time. All the positive energy and dedication that our employees show has paid off and given stability to our core business in the last quarters. This gives us a solid base for taking the next step in the Group's development. I am convinced that we are well prepared to execute on our strategy – profitable growth – both in our existing business and our pending acquisition of FTZ and Inter-Team.

Pehr Oscarson
President and CEO

THIS IS MEKONOMEN GROUP

Mekonomen Group consists of the leading car service chains in the Nordic region with proprietary wholesale operations, more than 330 stores and over 2,000 affiliated workshops operating under the Group's brands. We all 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.

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.

Business flow

Approximately 160 suppliers account for 80 per cent of the supply of goods. Mekonomen Group's three brands MECA, Mekonomen and BilXtra are responsible for their own wholesale operations. Through our stores, Mekonomen Group sell and deliver spare parts and accessories to our affiliated workshops as well as other B2B customers, partner stores and consumers.



GROUP REVENUE

TOTAL REVENUE DISTRIBUTION, SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
segment								
MECA	543	495	10	1 033	989	4	1 952	1 907
Mekonomen	726	703	3	1 358	1 354	0	2 686	2 683
Sørensen og Balchen	209	211	-1	390	425	-8	744	778
Other segments	154	119	30	284	243	17	522	482
Total net sales, Group	1 633	1 529	7	3 065	3 011	2	5 904	5850
Other operating revenue	40	31	28	77	68	13	159	150
GROUP REVENUE	1 673	1 560	7	3 142	3 078	2	6 063	6000

Revenue distribution per country and segment is presented in the table on page 15.

GROWTH PER CENT	MECA		Mekonomen		Sørensen og Balchen		Group	
2018	Q2	Jan - Jun	Q2	Jan - Jun	Q2	Jan - Jun	Q2	Jan - Jun
Underlying increase	4,3	4,3	0,6	0,2	-9,0	-8,4	2,6	1,9
Currency effects	2,6	0,6	1,5	0,4	4,4	1,0	2,1	0,5
Effect, workdays	2,8	-0,4	1,1	-0,3	3,3	-0,8	2,5	-0,4
Nominal increase	9,7	4,5	3,3	0,3	-1,3	-8,1	7,2	2,1

SALES IN COMPARABLE UNITS	Group	
PER CENT	Apr - Jun 2018	Jan - Jun 2018
Sales growth in comparable units	1,8	-1,0

1 April - 30 June 2018

Revenue amounted to SEK 1,673 M (1,560). Adjusted for positive currency effects of SEK 33 M, revenue rose 5 per cent. The number of workdays was one more in Sweden and two workdays more in Norway during the quarter compared with the year-earlier period. Calculated on comparable workdays and adjusted for currency effects, revenue increased 3 per cent. Sales in comparable units rose 2 per cent. The decline in sales of DAB products negatively affected the revenue by approximately SEK 50 M.

1 January - 30 June 2018

Revenue amounted to SEK 3,142 M (3,078). Adjusted for positive currency effects of SEK 16 M revenue increased 2 per cent. The number of workdays was unchanged in Sweden and one workday fewer in Norway during the six-month period compared with the year-earlier period. Calculated on comparable workdays and adjusted for currency effects, revenue increased 2 per cent. Sales in comparable units declined 1 per cent. The decline in sales of DAB products negatively affected the revenue by SEK 100 M.

GROUP PERFORMANCE

1 April - 30 June 2018

EBIT before amortisation and impairment of intangible fixed assets, EBITA

EBITA amounted to SEK 202 M (203) and the EBITA margin was 12 per cent (13). EBITA was negatively impacted by items affecting comparability totalling SEK 25 M (0), of which SEK 19 M was attributable to costs for ongoing acquisition process and SEK 6 M to the divestment of Marinshopen. During the quarter, currency effects in the balance sheet had a positive impact on EBITA of SEK 3 M (neg: 5).

Operating profit, EBIT

EBIT amounted to SEK 173 M (174) and the EBIT margin was 10 per cent (11). EBIT was negatively affected by items affecting comparability totalling SEK 25 M (0), of which SEK 19 M was attributable to costs for ongoing acquisition process and SEK 6 M to the divestment of Marinshopen. During the quarter, currency effects in the balance sheet had a positive impact on EBIT of SEK 3 M (neg: 5).

Other earnings

Profit after financial items amounted to SEK 170 M (156). Net interest expense was SEK 7 M (expense: 6) and other financial items amounted to income of SEK 3 M (expense: 12). Profit after tax amounted to SEK 131 M (118). The corporate tax rate in Sweden will be reduced in two steps from 2019, which will have an effect on the calculation of deferred tax in the balance sheet, and this had a positive impact on the tax expense of SEK 7 M. Earnings per share, before and after dilution amounted to SEK 3.53 (3.22).

1 January - 30 June 2018

EBIT before amortisation and impairment of intangible fixed assets, EBITA

EBITA amounted to SEK 292 M (358) and the EBITA margin was 9 per cent (12). EBITA was negatively impacted by items affecting comparability of SEK 45 M (0), of which SEK 20 M was attributable to impairment of DAB product stocks for the Norwegian market, SEK 19 M to costs for ongoing acquisition process and SEK 6 M to the divestment of Marinshopen. Currency effects in the balance sheet negatively affected EBITA by SEK 3 M (neg: 2).

Operating profit, EBIT

EBIT amounted to SEK 233 M (299) and the EBIT margin was 7 per cent (10). EBIT was negatively affected by items affecting comparability of SEK 45 M (0), of which SEK 20 M was attributable to impairment of DAB product stocks for the Norwegian market, SEK 19 M to costs for ongoing acquisition process and SEK 6 M to the divestment of Marinshopen. Currency effects in the balance sheet had a negative impact of SEK 3 M (neg: 2) on EBIT.

Other earnings

Profit after financial items amounted to SEK 227 M (269). Net interest expense was SEK 13 M (expense: 12) and other financial items amounted to income of SEK 8 M (expense: 19). Profit after tax amounted to SEK 175 M (204). The corporate tax rate in Sweden will be reduced in two steps from 2019, which will have an effect on the calculation of deferred tax in the balance sheet, and this had a positive impact on the tax expense of SEK 7 M. Earnings per share, before and after dilution amounted to SEK 4.69 (5.55).

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities amounted to SEK 234 M (134) for the second quarter and to SEK 241 M (172) for the six-month period. Tax paid amounted to a negative SEK 65 M (neg: 74) for the second quarter and to a negative SEK 127 M (neg: 153) for the six-month period. Cash and cash equivalents amounted to SEK 213 M (268) compared with SEK 254 M at year-end. The equity/assets ratio was 41 per cent (41). Long-term interest-bearing liabilities were SEK 1,381 M (1,526) compared with SEK 1,453 M at year-end. Current interest-bearing liabilities amounted to SEK 492 M (369) compared with SEK 255 M at year-end.

Net debt amounted to SEK 1,652 M (1,615) compared with SEK 1,444 M at year-end, representing an increase of SEK 208 M since year-end. The increase in net debt is largely attributable to a dividend of SEK 259 M, and an effect of repayments, investments and acquisitions, and a positive operating cash flow. During the quarter, loan repayments totalled SEK 34 M.

INVESTMENTS

During the second quarter, investments in fixed assets amounted to SEK 79 M (28) and to SEK 144 M (55) in the six-month period. Depreciation and impairment of tangible fixed assets amounted to SEK 17 M (15) for the second quarter and to SEK 33 M (30) for the six-month period. Investments in the ongoing establishment of and fixed inventories for the central warehouse in Strängnäs totalled SEK 50 M (4) in the second quarter, and SEK 96 M (6) for the six-month period. Investments now amount to SEK 185 M in total.

Company and business combinations amounted to SEK 29 M (8) in the second quarter and to SEK 53 M (43) for the six-month period, of which SEK 1 M (2) pertained to an estimated supplementary purchase consideration for the second quarter and SEK 3 M (12) for the six-month period. In addition, supplementary purchase considerations of SEK 1 M (0) were paid in the quarter and of SEK 5 M (3) in the six-month period. Acquired assets totalled SEK 21 M (11) and assumed liabilities SEK 19 M (0) for the six-month period. Aside from goodwill, which amounted to SEK 27 M (13), intangible surplus values of SEK 21 M (20) were identified pertaining to customer relations. Deferred tax liabilities attributable to acquired intangible fixed assets totalled SEK 4 M (0). Acquired non-controlling interests amounted to SEK 0 M (3) for the second quarter and to SEK 0 M (6) for the six-month period. Divested non-controlling interests amounted to SEK 0 M (0) in the first six months of the year. Divested operations amounted to SEK 7 M (0) in the second quarter and SEK 6 (0) for the first six months of the year.

ACQUISITIONS AND START-UPS

Second quarter

In the second quarter, we acquired five workshops in Trollhättan, Strömstad, Borås, Gävle and Nynäshamn, and acquired a 65 per cent stake in Allt i Bil AB, with seven workshops in the west of Sweden. We also established a workshop in Kiruna and one in Karlshamn. Furthermore, non-controlling interests were acquired in one store and one workshop for a minor value. The impact of these acquisitions on consolidated sales and earnings was only limited.

Earlier in the year

We acquired five workshops in Värnamo, Gislaved and Hedemora in Sweden and Sandefjord and Skøyen in Norway and established three workshops in Karlskoga, Karlshamn and Skellefteå. Four stores were also acquired in Sweden in Hedemora, Vårby, Kristinehamn and Söderhamn. The impact of these acquisitions on consolidated sales and earnings was only limited.

Number of stores and workshops

At the end of the period, the total number of stores in the chains was 333 (344), of which 264 (265) were proprietary stores. The number of affiliated workshops totalled 2,026 (2,018). See the distribution in the table on page 16.

EMPLOYEES

During the period, the average number of employees was 2,257 (2,252). See the distribution in the table on page 16.

PERFORMANCE BY SEGMENT

To adapt segment reporting to the changed internal organisation and governance, a new segment division has been implemented. As of the first quarter of 2018, the Group will be reported in three segments – MECA, Mekonomen and Sørensen og Balchen. Reporting according to the new segment division occurred for the first time in the first quarter of 2018. The comparative figures have been restated. For further information, refer to “Accounting policies.”

MECA SEGMENT

MECA SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
Net sales, external	543	495	10	1 033	989	4	1 952	1 907
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)	104	93	12	166	170	-3	269	273
EBIT	102	91	11	160	166	-4	259	265
EBITA margin, %	19	19		16	17		14	14
EBIT margin, %	18	18		15	17		13	14
Number of stores/of which proprietary				85 / 77	86 / 76			86 / 76
Number of Mekonomen Service Centres				-	-			-
Number of MekoPartner				-	-			-
Number of MECA Car Service				708	703			722

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

MECA performed positively during the quarter with continued favorable sales growth to MECA Car Service workshops and other larger customers. Net sales in MECA’s Norwegian operations were positively affected by sales from acquired workshops and negatively affected by the lower demand for DAB products compared to last year.

Net sales totalled SEK 543 M (495) for the quarter, of which net sales in the Swedish operations amounted to SEK 254 M (240) and in the Norwegian operations to SEK 289 M (255). For the six-month period, net sales totalled SEK 1,033 M (989), of which net sales in the Swedish operations amounted to SEK 493 M (484) and in the Norwegian operations to SEK 540 M (504). The currency effect on net sales against the NOK was a positive SEK 13 M during the quarter and a positive SEK 6 M for the six-month period. The number of workdays was one more in Sweden and two more in Norway compared with the year-earlier period and unchanged for the six-month period for Sweden but one workday fewer in Norway. Underlying net sales rose 4 per cent during the quarter and 4 per cent for the six-month period. MECA’s EBIT totalled SEK 102 M (91) for the second quarter and the EBIT margin was 18 per cent (18).

MEKONOMEN SEGMENT

MEKONOMEN ¹⁾ SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
Net sales, external	726	703	3	1 358	1 354	0	2 686	2 683
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)	108	90	20	153	157	-3	321	325
EBIT	107	89	20	150	155	-4	307	313
EBITA margin, %	14	12		11	11		12	12
EBIT margin, %	14	12		11	11		11	11
Number of stores/of which proprietary				174 / 146	178 / 147			175 / 145
Number of Mekonomen Service Centres				727	750			746
Number of MekoPartner				233	228			236

¹⁾ As of 1 January 2018, Marinhopen has been included in “Other segments” instead of the Mekonomen segment, the comparative figures have not been restated. Marinhopen’s net sales amounted to SEK 10 M for the second quarter of 2017, to SEK 14 M for the six-month period 2017 and to SEK 26 M for the full-year 2017. EBIT totalled SEK 1 M in the second quarter of 2017, a negative SEK 1 M for the six-month period 2017 and a negative SEK 12 M, including goodwill impairment of SEK -9 M for the full-year 2017.

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

In the second quarter, Mekonomen’s Swedish operations continued to report a stable performance, where net sales adjusted for the number of workdays were in line with the second quarter of 2017 combined with good cost control. Lower sales of DAB products compared with last year had a minor negative impact on net sales in Mekonomen’s Norwegian operations. In the second quarter, EBIT in the Norwegian operations was negatively impacted by increased non-recurring costs for closure and merger of stores as well as costs related to new workshops.

Net sales totalled SEK 726 M (703) for the quarter, of which net sales in the Swedish operations amounted to SEK 482 M (475) and in the Norwegian operations to SEK 244 M (228). For the six-month period, net sales totalled SEK 1,358 M (1,354), of which net sales in the Swedish operations amounted to SEK 910 M (908) and in the Norwegian operations to SEK 448 M (446). The currency effect on net sales against the NOK was a positive SEK 11 M during the quarter and a positive SEK 5 M for the six-month period. The number of workdays was one more in Sweden and two more in Norway compared with the year-earlier period and unchanged for the six-month period for Sweden but one workday day fewer in Norway. Underlying net sales rose 1 per cent during the quarter and were largely unchanged for the six-month period. Mekonomen's EBIT totalled SEK 107 M (89) for the second quarter and the EBIT margin was 14 per cent (12).

SØRENSEN OG BALCHEN SEGMENT

SØRENSEN OG BALCHEN SEK M	Apr - Jun 2018	Apr - Jun 2017	Change, %	Jan - Jun 2018	Jan - Jun 2017	Change, %	12 months July - June	Full-year 2017
Net sales, external	209	211	-1	390	425	-8	744	778
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)	39	39	2	54	67	-20	107	120
EBIT	39	39	2	53	67	-20	106	120
EBITA margin, %	18	18		13	15		14	15
EBIT margin, %	18	18		13	15		14	15
Number of stores/of which proprietary				66 / 38	73 / 38			68 / 39
Number of BilXtra				263	261			258

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

During the second quarter, Sørensen og Balchen's net sales were adversely impacted by a significant decline in demand for DAB products. Excluding the sales of DAB products, the segment reported stable sales and efficient cost control during the quarter.

Net sales amounted to SEK 209 M (211) for the quarter and to SEK 390 M (425) for the six-month period. The currency effect on net sales against the NOK was a positive SEK 9 M for the second quarter and a positive SEK 4 M for the six-month period. The number of workdays was two more in Norway compared with the year-earlier period, but one day fewer for the six-month period. The underlying net sales declined 9 per cent during the second quarter and 8 per cent for the six-month period. Sørensen og Balchen's EBIT totalled SEK 39 M (39) for the second quarter and the EBIT margin was 18 per cent (18).

SALES GROWTH PER CUSTOMER GROUP

GROWTH PER CUSTOMER GROUP – growth compared with the same period of previous year	April - June 2018				January - June 2018			
	Affiliated workshops	Consumers	Other B2B customers	Partner stores ¹⁾	Affiliated workshops	Consumers	Other B2B customers	Partner stores ¹⁾
PER CENT								
Nominal growth	19,8	-0,9	-0,5	3,2	12,5	-1,8	-5,4	-3,1
Currency adj. growth	17,5	-2,6	-2,9	0,6	11,9	-2,3	-5,9	-3,8

¹⁾ Change in growth for partner stores can become large percentages, as for instance in cases of stockbuilding and acquisitions, but are minor amounts for the Group.

NUMBER OF WORKDAYS PER QUARTER AND COUNTRY

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

WORKDAYS BY COUNTRY	Q1			Q2			Q3			Q4			Full-year		
	2018	2017	2016	2018	2017	2016	2 018	2017	2016	2018	2017	2016	2018	2017	2016
Sweden	63	64	61	60	59	62	65	65	66	62	63	64	250	251	253
Norway	62	65	61	60	58	62	65	65	66	62	63	64	249	251	253

SIGNIFICANT RISKS AND UNCERTAINTIES

The company conducted a review and assessment of operating and financial risks and uncertainties in accordance with the 2017 Annual Report and found that no significant risks have occurred since then. For the effect of exchange-rate fluctuations on profit before tax, refer to page 38 of the 2017 Annual Report. For a full presentation of the risks affecting the Group, refer to the 2017 Annual Report.

PARENT COMPANY, “OTHER SEGMENTS” AND “OTHER ITEMS”

The Parent Company’s operations mainly comprise Group Management and finance management. The Parent Company’s earnings after net financial items amounted to an expense of SEK 10 M (expense: 18) for the second quarter and an expense of SEK 14 M (expense: 27) for the six-month period excluding share dividends of SEK 340 M (315) from subsidiaries for the six-month period. The average number of employees was 5 (5). Mekonomen AB sold goods and services to Group companies for a total of SEK 6 M (11) during the quarter and for SEK 11 M (22) in the six-month period.

“Other segments” includes business operations and operating segments that are not reported separately. These include Mekonomen’s wholesale and store operations in Finland, Meko Service Nordic with the workshop operation BilLivet, the Speedy workshop operations, the Allt i Bil workshop operations, the Tunga Fordon, ProMeister Solutions, Preqas, the Mekonomen car leasing services, the joint venture in Poland (InterMeko Europa), Lasingoo Norge and Group-wide functions that also include Mekonomen AB (publ). Mekonomen’s store operations in Iceland were divested during the first quarter and Marinshopen was divested in the second quarter.

The Tunga Fordon, ProMeister Solutions, Preqas and MECA Scandinavia AB operations were previously reported under MECA but have been part of “Other segments” since the first quarter of 2018. Comparative figures have been restated.

The units reported in “Other Segments” do not reach the quantitative thresholds for separate reporting and the benefits of reporting them as separate segments are considered limited for users of the financial statements. EBIT for “Other segments” amounted to a negative SEK 55 M (neg: 22) in the second quarter and negative SEK 92 M (neg: 44) for the six-month period.

“Other items” includes acquisition-related items attributable to Mekonomen AB’s direct acquisitions. Current acquisition-related items are amortisations of acquired intangible assets pertaining to the acquisitions of MECA and Sørensen og Balchen totalling an expense of SEK 19 M (expense: 19) for the second quarter and an expense of SEK 39 M (expense: 38) for the six-month period.

EVENTS AFTER THE END OF THE PERIOD

After the close of the period, Mekonomen entered into an agreement to acquire automotive spare parts distributors FTZ in Denmark and Inter-Team in Poland for a purchase price of EUR 395 M on a cash and debt-free basis. The acquisition is preliminarily expected to be completed in the third quarter of 2018.

FTZ and Inter-Team had combined sales of approximately EUR 508 M and EBITDA of approximately EUR 40 M during the period June 2017 - May 2018. The acquisition of Inter-Team in Poland subject to approval by the relevant competition authorities. Costs of approximately SEK 60 M are estimated to arise in connection with achieving the purchasing synergies and transaction costs for the acquisition and the rights issue are estimated at SEK 75 M. The deferred tax assets of SEK 93 M in Mekonomen Group’s balance sheet will be impaired in the third quarter of 2018, due to the acquisition, but will not affect cash flow.

The acquisition is financed through a EUR 158 M loan facility with a 5-year maturity, a bridge facility of EUR 79 M with a 12-month maturity intended to be repaid by capital market debt and/or bank loans, as well as a bridge facility of EUR 158 M with a 12-month maturity intended to be repaid by a rights issue¹⁾.

Following the closing of the acquisition and assuming the Board of Directors resolves on a rights issue¹⁾, an extraordinary general meeting will be held during the second half of 2018 to approve the Board of Directors’ decision. The agreement also provides that Mekonomen may, prior to year-end, in a separate transaction, acquire the company Nordic Forum Holding. Nordic Forum is a holding company of the FTZ and Inter-Team businesses and, if acquired, will be immaterial to the overall transaction.

¹⁾ Any rights and shares that could be offered under the potential rights issue have not and will not be registered under the US Securities Act and may not be offered or sold in the United States absent registration or any applicable exemption from registration requirements.

ACCOUNTING POLICIES

Mekonomen Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report was prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting. The same accounting policies and measurement methods were applied as in the most recent Annual Report with the exception of IFRS 15 and IFRS 9, which are described below. This interim report consists of pages 1-21 and should be read in its entirety.

New standards or interpretations that became effective on or after 1 January 2018 have not had any material effect on Mekonomen Group's financial statements for the interim period.

As of 1 January 2018, Mekonomen Group applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. Neither IFRS 15 nor IFRS 9 have had any material effect on Mekonomen Group's financial statements, except for expanded disclosure requirements. The adoption of IFRS 15 has not had any material effect on revenue recognition in the consolidated income statement. Total assets in the balance sheet rose SEK 8 M in the second quarter of 2018 due to gross recognition of provisions for returned goods. The Group has chosen to use the modified retrospective application, which is why comparative figures have not been restated. Nor has the introduction of IFRS 9 affected the consolidated income statement or total assets in any material amounts. Impairment of accounts receivable and loan receivables will follow the simple model in IFRS 9. The Group has chosen to use the modified retrospective application, which is why comparative figures have not been restated.

IFRS 16 Leasing is a new accounting policy that will become effective as of 1 January 2019. The Group has not yet completed its assessment of the effects of IFRS 16, but does expect the standard to have a material impact on total assets, increased fixed assets and liabilities, as well as on EBITDA and interest expenses in the income statement.

The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act and RFR 2 and applies the same accounting policies and measurement methods as in the most recent Annual Report.

SEGMENT REPORTING

As of 1 January 2018, Mekonomen Group has implemented a new organisation that is better adapted to the business. The organisational change and related changes to internal control have also affected the segment reporting. As of the first quarter of 2018, Mekonomen Group will present three segments: MECA, Mekonomen and Sørensen og Balchen.

The MECA segment comprises MECA Sweden and MECA Norway. The Mekonomen segment comprises Mekonomen Sweden and Mekonomen Norway. The Sørensen og Balchen segment is unchanged. The Tunga Fordon, ProMeister Solutions, Preqas and MECA Scandinavia AB operations that were previously reported under MECA, are now included in "Other segments." Comparative figures have been restated. Marinshopen, which was previously included in Mekonomen Sweden, was also reported until its divestment in May 2018 in "Other segments." Comparative figures have not been restated.

MECA Sweden and MECA Norway, like Mekonomen Sweden and Mekonomen Norway, have been merged into the MECA and Mekonomen segments, respectively, since the operations in Sweden and Norway work under the same brand, sell similar products through their stores to the same type of customer categories, and operate their businesses under similar conditions.

FORTHCOMING FINANCIAL REPORTING DATES

Information	Period	Date
Interim report	January-September 2018	2018-11-08
Year-end report	January-December 2018	2019-02-14

BOARD OF DIRECTORS' ASSURANCE

The Board of Directors and CEO affirm that this interim report presents a true and fair view of the Parent Company's and the Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 27 juli 2018

Mekonomen AB (publ), Corp. Reg. No. 556392-1971

John S. Quinn
Chairman

Helena Skåntorp
Executive Vice Chairman

Eivor Andersson
Board member

Kenny Bräck
Board member

Joseph M. Holsten
Board member

Magnus Håkansson
Board member

Malin Persson
Board member

Pehr Oscarson
President and CEO

This interim report has not been reviewed by the company's auditors.

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This information is such information that Mekonomen AB (publ) is obliged to publish in accordance with the EU Market Abuse Regulation and the Securities Market Act.

The information was submitted for publication, through the agency of the contactperson set out above, at 07:30 a.m CET on 27 July 2018.

The interim report is published in Swedish and English. The Swedish version is the original version and has been translated into English.

CONSOLIDATED FINANCIAL REPORTS

CONDENSED CONSOLIDATED INCOME STATEMENT, SEK M	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	12 months July - June	Full-year 2017
Net sales	1 633	1 529	3 065	3 011	5 904	5 850
Other operating revenue	40	31	77	68	159	150
Total revenue	1 673	1 560	3 142	3 078	6 063	6 000
Goods for resale	-724	-683	-1 397	-1 371	-2 680	-2 654
Other external costs	-356	-314	-685	-626	-1 308	-1 249
Personnel expenses	-373	-345	-735	-693	-1 428	-1 386
Operating profit before depreciation/ amortisation and impairment of tangible and intangible fixed assets (EBITDA)	219	218	325	388	647	710
Depreciation and impairment of tangible fixed assets	-17	-15	-33	-30	-64	-60
Operating profit before amortisation and nedskrivningar av immateriella fixed assets (EBITA)	202	203	292	358	583	649
Amortisation and impairment of intangible fixed assets	-29	-30	-59	-59	-127	-127
EBIT	173	174	233	299	456	522
Interest income	1	1	2	2	4	4
Interest expenses	-8	-7	-15	-14	-30	-29
Other financial items	3	-12	8	-19	4	-23
Profit after financial items	170	156	227	269	433	475
Tax	-38	-38	-53	-65	-95	-107
PROFIT FOR THE PERIOD	131	118	175	204	339	368
Profit for the period attributable to:						
Parent Company's shareholders	127	116	168	199	330	361
Non-controlling interests	5	3	6	5	9	7
PROFIT FOR THE PERIOD	131	118	175	204	339	368
Earnings per share before and after dilution, SEK	3,53	3,22	4,69	5,55	9,18	10,05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SEK M	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	12 months July - June	Full-year 2017
Profit for the period	131	118	175	204	339	368
Other comprehensive income:						
<i>Components that will not be reclassified to profit/loss for the year:</i>						
- Actuarial gains and losses	-	-	-	-	0	0
<i>Components that may later be reclassified to profit/loss for the year:</i>						
- Exchange-rate differences from translation of foreign subsidiaries ¹⁾	-37	-32	102	-41	92	-51
- Cash flow hedges ²⁾	1	1	1	1	3	3
Other comprehensive income, net after tax	-36	-31	103	-40	95	-48
COMPREHENSIVE INCOME FOR THE PERIOD	95	87	278	164	434	320
Comprehensive income for the period attributable to:						
Parent Company's shareholders	90	85	271	160	424	313
Non-controlling interests	5	2	7	5	10	7
COMPREHENSIVE INCOME FOR THE PERIOD	95	87	278	164	434	320

¹⁾ At 30 June 2018, accumulated translation reserve pertaining to Denmark amounted to a negative SEK 14 M. The translation reserve pertaining to Denmark will be reclassified in shareholders' equity via the income statement in the amount applicable at that time if the Danish company is liquidated, which will be investigated in Q3 2018. The exchange-rate differences from the translation of Danish subsidiaries amounted to a negative SEK 0 M (0) in other comprehensive income for the quarter and negative SEK 1 M (0) for the six-month period.

²⁾ Holding of financial interest-rate derivatives for hedging purposes, according to Level 2 measurements defined in IFRS 13.

CONDENSED CONSOLIDATED BALANCE SHEET SEK M	30 June 2018	30 June 2017	31 December 2017
ASSETS ¹⁾			
Intangible fixed assets	2 749	2 725	2 686
Tangible fixed assets	359	186	254
Financial fixed assets	69	42	62
Deferred tax assets	93	77	93
Goods for resale	1 375	1 263	1 382
Current receivables	941	905	823
Cash and cash equivalents	213	268	254
TOTAL ASSETS	5 798	5 465	5 554
SHAREHOLDERS' EQUITY AND LIABILITIES ¹⁾			
Shareholders' equity	2 398	2 224	2 379
Long-term liabilities, interest-bearing	1 381	1 526	1 453
Deferred tax liabilities	147	149	168
Long-term liabilities, non-interest-bearing	11	35	18
Current liabilities, interest-bearing	492	369	255
Current liabilities, non-interest-bearing	1 370	1 162	1 280
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5 798	5 465	5 554

¹⁾ The carrying amounts of financial assets and liabilities are measured at either fair value or a reasonable approximation of fair value.

CONDENSED CONSOLIDATED CHANGES IN EQUITY, SEK M	30 June 2018	30 June 2017	31 December 2017
Shareholders' equity at the beginning of the year	2 379	2 324	2 324
Comprehensive income for the period	278	164	320
Acquisition/divestment of non-controlling interests	0	-6	-7
Dividend to shareholders	-259	-258	-258
SHAREHOLDERS' EQUITY AT THE END OF THE PERIOD	2 398	2 224	2 379
Of which non-controlling interests	18	12	16

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	12 months July - June	Full-year 2017
Operating activities						
<i>Cash flow from operating activities before changes in working capital, excluding tax paid</i>	217	204	354	366	662	675
Tax paid	-65	-74	-127	-153	-39	-66
Cash flow from operating activities before changes in working capital	152	130	227	213	623	609
Cash flow from changes in working capital:						
Changes in inventory	19	-23	39	-1	-87	-127
Changes in receivables	-67	16	-89	-62	-101	-74
Changes in liabilities	130	12	63	21	130	88
<i>Increase (-)/Decrease (+) working capital</i>	83	5	14	-41	-58	-113
Cash flow from operating activities	234	134	241	172	565	496
Cash flow from investing activities	-102	-31	-191	-84	-336	-229
Cash flow from financing activities	-106	-129	-94	-109	-279	-295
CASH FLOW FOR THE PERIOD	27	-26	-44	-22	-50	-27
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	183	296	254	291	268	291
Exchange-rate difference in cash and cash equivalents	3	-2	3	-1	-5	-9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	213	268	213	268	213	254

INFORMATION ABOUT FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE IN THE BALANCE SHEET

The financial instruments measured at fair value in the balance sheet are shown below. This was carried out by dividing the measurements into three levels, which is described in the 2017 Annual Report, Note 11. All of Mekonomen's financial instruments are included in Level 2, excluding supplementary purchase considerations, which are included in Level 3. However, current supplementary purchase considerations do not represent material amounts.

The main methods and assumptions used to determine the fair value of the financial instruments shown in the table below are described in the 2017 Annual Report, Note 11. The financial instruments contained in the interim report are the same as those in the 2017 annual accounts.

CONSOLIDATED DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET, SEK M	30 June 2018 2018	30 June 2017 2017
FINANCIAL ASSETS		
Derivatives: Currency swaps	-	-
Interest-rate swaps	-	-
TOTAL	-	-
FINANCIAL LIABILITIES		
Derivatives: Currency swaps	-	-
Interest-rate swaps	2	6
TOTAL	2	6

GROUP'S FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY 30 JUNE 2018							Total
SEK M	Derivative instruments	Loan and accounts receivables	Other financial liabilities	Total carrying amount	Fair value	Non-monetary assets & liabilities	Balance sheet summary
FINANCIAL ASSETS							
Financial fixed assets	-	47	-	47	47	22	69
Accounts receivable	-	642	-	642	642	-	642
Other current receivables	-	-	-	-	-	298	298
Cash and cash equivalents	-	213	-	213	213	-	213
TOTAL	-	902	-	902	902	320	1 222
FINANCIAL LIABILITIES							
Long-term liabilities, interest-bearing	-	-	1 381	1 381	1 381	-	1 381
Long-term liabilities, non-interest-bearing	-	-	7	7	7	4	11
Current liabilities, interest-bearing	2	-	489	492	492	-	492
Accounts payable	-	-	667	667	667	-	667
Other current liabilities	-	-	15	15	15	689	703
TOTAL	2	-	2 558	2 561	2 561	693	3 253

QUARTERLY DATA, SEGMENTS	2018				2017				2016			
	Q2	Q1	FY	Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2	Q1
NET SALES, SEK M ¹⁾												
MECA	543	490	1 907	477	442	495	493	1 842	470	433	487	452
Mekonomen ^{2) 3)}	726	631	2 683	679	650	703	651	2 727	680	665	727	656
Sørensen og Balchen	209	182	778	176	178	211	213	725	182	179	192	172
Other segments ⁴⁾	154	130	482	135	103	119	125	492	134	115	132	111
GROUP	1 633	1 432	5 850	1 467	1 372	1 529	1 482	5 786	1 466	1 392	1 537	1 391
EBITA, SEK M												
MECA	104	61	273	45	58	93	77	283	62	60	92	68
Mekonomen ²⁾	108	45	325	89	80	90	67	323	69	92	82	80
Sørensen og Balchen	39	14	120	27	27	39	28	117	29	29	36	24
Other segments ⁴⁾	-50	-31	-70	-26	-8	-19	-17	-129	-57	-26	-22	-23
GROUP	202	89	649	134	157	203	155	594	103	154	189	149
EBIT, SEK M												
MECA	102	59	265	42	56	91	75	278	61	58	91	68
Mekonomen ²⁾	107	43	313	79	79	89	66	320	68	91	82	79
Sørensen og Balchen	39	14	120	27	27	39	28	117	29	29	36	24
Other segments ⁴⁾	-55	-37	-98	-32	-15	-26	-24	-156	-64	-33	-28	-30
Other items ⁵⁾	-19	-19	-77	-19	-19	-19	-19	-77	-19	-19	-19	-19
GROUP	173	60	522	96	127	174	126	481	74	125	161	121
INVESTMENTS, SEK M ⁶⁾												
MECA	4	4	15	4	2	4	5	11	4	2	3	3
Mekonomen	55	50	96	11	69	8	8	33	15	5	6	7
Sørensen og Balchen	3	2	3	0	0	1	1	5	2	1	1	1
Other segments ⁴⁾	16	10	49	14	7	15	13	62	22	12	18	9
GROUP	78	66	164	30	79	28	27	111	43	20	28	20
EBITA MARGIN, %												
MECA	19	12	14	9	13	19	15	15	13	14	19	15
Mekonomen ^{2) 3)}	14	7	12	13	12	12	10	11	10	13	11	12
Sørensen og Balchen	18	8	15	15	15	18	13	16	16	16	18	14
GROUP	12	6	11	9	11	13	10	10	7	11	12	10
EBIT MARGIN, %												
MECA	18	12	14	9	13	18	15	15	13	13	19	15
Mekonomen ^{2) 3)}	14	7	11	11	12	12	10	11	10	13	11	12
Sørensen og Balchen	18	8	15	15	15	18	13	16	16	16	18	13
GROUP	10	4	9	6	9	11	8	8	5	9	10	9

¹⁾ Net sales for each segment are from external customers.

²⁾ As of 1 January 2018, Marinhopen has been included in "Other segments" instead of the Mekonomen segment. The comparative figures have not been restated. Marinhopen's net sales amounted to SEK 10 M for the second quarter of 2017 and EBIT to SEK 1 M. For the six-month period 2017, net sales amounted to SEK 14 M and EBIT to a negative SEK -1 M. For full-year 2017, net sales amounted to SEK 26 M and EBIT to a negative SEK -12 M, including goodwill impairment of SEK -9 M. Marinhopen was divested externally during the second quarter of 2018.

³⁾ Revenue for Mekonomen for the second quarter of 2017 has been restated for adjusted sales of SEK 24 M from external sales to internal sales. No impact on EBIT. For further information, refer to the press release on 23 August 2017.

⁴⁾ "Other segments" include Mekonomen's wholesale and store operations in Finland, Meko Service Nordic with the BilLivet workshop operations, Speedy workshop operations, Allt i Bil workshop operations, The Tunga Fordon, ProMeister Solutions, Preqas, the Mekonomen car leasing services, the joint venture in Poland (InterMeko Europe), Lasingoo Norge and Group-wide functions that also include Mekonomen AB (publ). Mekonomen's store operations in Iceland were divested during the first quarter and Marinhopen was divested during the second quarter of 2018.

⁵⁾ "Other items" includes acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items pertain to amortisations of acquired intangible assets pertaining to the acquisitions of MECA and Sørensen og Balchen.

⁶⁾ Investments do not include company and business combinations.

REVENUE DISTRIBUTION PER COUNTRY SEK M	Apr - Jun 2018			Apr - Jun 2017			Jan - Jun 2018			Jan - Jun 2017		
REVENUE DISTRIBUTION PER COUNTRY	Sweden	Norway	Total	Sweden	Norway	Total	Sweden	Norway	Total	Sweden	Norway	Total
MECA	254	289	543	240	255	495	493	540	1 033	484	504	989
Mekonomen	482	244	726	475	228	703	910	448	1 358	908	446	1 354
Sørensen og Balchen		209	209		211	211		390	390		425	425
Other segments			154			119			284			243
Total net sales, Group			1 633			1 529			3 065			3 011
Other revenue			40			31			77			68
GROUP REVENUE			1 673			1 560			3 142			3 078

Distribution of revenue per country based on the country that generates revenue for each segment.

QUARTERLY DATA, SEK M	2 018			2017				2016					
	Q2	Q1	FY	Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2	Q1	
Revenue ¹⁾	1 673	1 469	6 000	1 507	1 414	1 560	1 518	5 937	1 508	1 432	1 573	1 424	
EBITDA	219	106	710	150	172	218	170	656	121	168	203	163	
EBITA	202	89	649	134	157	203	155	594	103	154	189	149	
EBIT	173	60	522	96	127	174	126	481	74	125	161	121	
Net financial items	-3	-2	-47	-9	-8	-18	-13	-35	-2	-13	-9	-11	
Profit after financial items	170	58	475	87	119	156	113	446	72	112	152	110	
Tax	-38	-15	-107	-12	-30	-38	-27	-105	-6	-31	-40	-27	
Profit for the period	131	43	368	75	89	118	86	342	66	82	112	83	
EBITDA margin, %	13	7	12	10	12	14	11	11	8	12	13	11	
EBITA margin, %	12	6	11	9	11	13	10	10	7	11	12	10	
EBIT margin, %	10	4	9	6	9	11	8	8	5	9	10	9	
Earnings per share, SEK	3,53	1,15	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	66,30	68,8	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	6,53	0,2	13,8	6,8	2,2	3,7	1,0	15,1	5,8	2,2	6,4	0,8	
Return on shareholders' equity, % ²⁾	14,0	13,6	15,6	15,6	15,3	15,2	14,9	15,1	15,1	15,9	17,6	18,7	
Share price at the end of the period	123,8	142,6	149,25	149,25	184,5	167,0	176,5	171,5	171,5	167,0	182,0	201,0	

¹⁾ Revenue for the second quarter of 2017 has been restated for adjusted sales of SEK 24 M from external sales to internal sales. No impact on EBIT.

For further information, refer to the press release on 23 August 2017.

2) The key figures for return on shareholders' equity are calculated on a rolling 12-month basis for each quarter.

KEY FIGURES	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	2018	2017	July - June	2017
Return on shareholders' equity, %	-	-	14,0	15,2	14,0	15,6
Return on total capital, %	-	-	8,3	8,8	8,3	9,1
Return on capital employed, %	-	-	11,1	11,7	11,1	12,2
Equity/assets ratio, %	41,4	40,7	41,4	40,7	41,4	42,8
Net debt, SEK M	1 652	1 615	1 652	1 615	1 652	1 444
Net debt/EBITDA, multiple	-	-	2,56	2,38	2,56	2,03
Gross margin, %	55,7	55,3	54,4	54,5	54,6	54,6
EBITDA margin, %	13,1	14,0	10,3	12,6	10,7	11,8
EBITA margin, %	12,1	13,0	9,3	11,6	9,6	10,8
EBIT margin, %	10,3	11,1	7,4	9,7	7,5	8,7
Earnings per share, SEK	3,53	3,22	4,69	5,55	9,18	10,05
Shareholders' equity per share, SEK	-	-	66,3	61,6	66,3	65,8
Cash flow per share, SEK	6,5	3,7	6,7	4,8	15,7	13,8
Number of shares at the end of the period	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487
Average number of shares during the period	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487

¹⁾ Key figures for return on shareholders' equity/total capital/capital employed and net debt/EBITDA are calculated on a rolling 12-month basis for the January-June period.

NUMBER OF STORES AND WORKSHOPS	MECA		Mekonomen ¹⁾		Sørensen og Balchen		Other segments ¹⁾		Group	
	30 June		30 June		30 June		30 June		30 June	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Number of stores										
Proprietary stores	77	76	146	147	38	38	3	4	264	265
Partner stores	8	10	28	31	28	35	5	3	69	79
Total	85	86	174	178	66	73	8	7	333	344
Number of workshops										
Mekonomen Service Centres	-	-	727	750	-	-	52	43	779	793
MekoPartner	-	-	233	228	-	-	-	-	233	228
Speedy	-	-	-	-	-	-	39	33	39	33
BilXtra	-	-	-	-	263	261	-	-	263	261
MECA Car Service	708	703	-	-	-	-	4	-	712	703
Total	708	703	960	978	263	261	95	76	2 026	2 018

¹⁾ From 1 January 2018 until its divestment in May 2018, Marinshopen has been included in "Other segments" instead of the Mekonomen segment. The comparative figures have not been restated due to immateriality.

AVERAGE NUMBER OF EMPLOYEES	Jan - Jun	Jan - Jun
	2018	2017
MECA	600	576
Mekonomen ¹⁾	947	972
Sørensen og Balchen	252	253
Other segments ¹⁾	457	452
Total	2 257	2 252

¹⁾ "Other segments" include Mekonomen's wholesale and store operations in Finland, Meko Service Nordic with the BilLivet workshop operations, Speedy workshop operations, Allt i Bil workshop operations, The Tunga Fordon, ProMeister Solutions, Preqas, the Mekonomen car leasing services, the joint venture in Poland (InterMeko Europe, Lasingo Norway and Group-wide functions that also include Mekonomen AB (publ)). Mekonomen's store operations in Iceland were divested in the first quarter and Marinshopen during the second quarter of 2018.

FINANCIAL REPORTS, PARENT COMPANY

CONDENSED INCOME STATEMENT FOR THE PARENT COMPANY, SEK M	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	12 months July - June	Full-year 2017
Operating revenue	19	22	35	45	71	81
Operating expenses	-29	-32	-51	-58	-105	-112
EBIT	-11	-10	-16	-13	-34	-31
Net financial items ¹⁾	0	-8	342	301	339	298
Profit after financial items	-10	-18	326	288	305	267
Appropriations	-	-	-	-	171	171
Tax	2	4	3	5	-13	-11
PROFIT FOR THE PERIOD	-8	-14	329	293	463	427

¹⁾ Net financial items include dividends on participations in subsidiaries totalling SEK 340 M (315) for the first six months and SEK 315 M for the full-year 2017.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY, SEK M	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	12 months July - June	Full-year 2017
Profit for the period	-8	-14	329	293	463	427
COMPREHENSIVE INCOME FOR THE PERIOD	-8	-14	329	293	463	427

CONDENSED BALANCE SHEET FOR THE PARENT COMPANY, SEK M	30 June 2018	30 June 2017	31 December 2017
ASSETS			
Fixed assets	3 257	3 191	3 248
Current receivables in Group companies	1 630	1 365	1 502
Other current receivables	42	125	29
Cash and cash equivalents	131	144	152
TOTAL ASSETS	5 059	4 825	4 931
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	2 895	2 684	2 817
Untaxed reserves	252	210	252
Provisions	3	2	3
Long-term liabilities	1 378	1 514	1 446
Current liabilities in Group companies	7	5	145
Other current liabilities	524	411	269
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5 059	4 825	4 931

SUMMARY OF CHANGES IN EQUITY FOR THE PARENT COMPANY, SEK M	30 June 2018	30 June 2017	31 December 2017
Shareholders' equity at the beginning of the year	2 817	2 642	2 642
Comprehensive income for the period	329	293	427
Dividend to shareholders	-251	-251	-251
SHAREHOLDERS' EQUITY AT THE END OF THE PERIOD	2 895	2 684	2 817

ALTERNATIVE PERFORMANCE MEASURES

From the January-June 2016 interim report, Mekonomen has applied the Guidelines on Alternative Performance Measures issued by the ESMA*. An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows that are not defined or specified in IFRS.

Mekonomen believes that these measures provide valuable supplementary information to company management, investors and other stakeholders when evaluating 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. These should therefore be seen as a supplement to the measures defined according to IFRS. For definitions of key figures, refer to page 20. For relevant reconciliations of the alternative performance measures that cannot be directly read in or derived from the financial statements, refer to the tables below. For historical reconciliations of alternative performance measures, refer also to supplements to the 2016 and 2017 Annual Report on our website:

<http://www.mekonomen.com/en/alternative-performance-measures/>.

*The European Securities and Markets Authority.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

RETURN ON SHAREHOLDERS' EQUITY SEK M	Jan - Jun ¹⁾ 2018	Jan - Jun ¹⁾ 2017	12 months July - June	Full-year 2017
Profit for the period (rolling 12-month basis)	339	352	339	368
- Less non-controlling interest of profit for the period (rolling 12 months)	-9	-8	-9	-7
Profit for the period excluding non-controlling interest (rolling 12 months)	330	344	330	361
- Divided by SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, average over the past five quarters ²⁾	2 347	2 259	2 347	2 315
RETURN ON SHAREHOLDERS' EQUITY, %	14,0	15,2	14,0	15,6

²⁾ SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, SEK M	2018		2017				2016			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Shareholders' equity	2 398	2 487	2 379	2 323	2 224	2 396	2 324	2 276	2 139	2 257
- Less non-controlling interest of shareholders' equity	-18	-17	-16	-15	-12	-15	-14	-13	-10	-13
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	2 380	2 469	2 363	2 308	2 212	2 381	2 311	2 263	2 129	2 244
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, average over the past five quarters	2 347	2 347	2 315	2 295	2 259	2 266	2 218	2 175	2 132	2 144

RETURN ON TOTAL CAPITAL SEK M	Jan - Jun ¹⁾ 2018	Jan - Jun ¹⁾ 2017	12 months July - June	Full-year 2017
Profit after financial items (rolling 12 months)	433	453	433	475
- Plus interest expenses (rolling 12 months)	30	27	30	29
Profit after financial items plus interest expenses (rolling 12 months)	463	481	463	504
- Divided by TOTAL ASSETS, average over the past five quarters ³⁾	5 603	5 479	5 603	5 518
RETURN ON TOTAL CAPITAL, %	8,3	8,8	8,3	9,1

³⁾ TOTAL ASSETS SEK M	2018		2017				2016			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets	5 798	5 608	5 554	5 590	5 465	5 528	5 452	5 466	5 481	5 387
TOTAL ASSETS, average over the past five quarters	5 603	5 549	5 518	5 500	5 479	5 463	5 430	5 424	5 410	5 439

RETURN ON CAPITAL EMPLOYED SEK M	Jan - Jun ¹⁾ 2018	Jan - Jun ¹⁾ 2017	12 months July - June	Full-year 2017
Profit after financial items (rolling 12 months)	433	453	433	475
- Plus interest expenses (rolling 12 months)	30	27	30	29
Profit after financial items plus interest expenses	463	481	463	504
- Divided by CAPITAL EMPLOYED, average over the past five quarters ⁴⁾	4 167	4 119	4 167	4 117
RETURN ON CAPITAL EMPLOYED, %	11,1	11,7	11,1	12,2

¹⁾ The key figures for return on shareholders' equity/total capital/capital employed are calculated on a rolling 12-month basis for the January-June period.

4) CAPITAL EMPLOYED SEK M	2018		2017				2016			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets	5 798	5 608	5 554	5 590	5 465	5 528	5 452	5 466	5 481	5 387
- Less deferred tax liabilities	-147	-157	-168	-142	-149	-155	-163	-142	-148	-158
- Less long-term liabilities, non-interest-bearing	-11	-16	-18	-35	-35	-32	-24	-25	-25	-9
- Less current liabilities, non-interest-bearing	-1 370	-1 228	-1 280	-1 259	-1 162	-1 178	-1 199	-1 205	-1 154	-1 087
CAPITAL EMPLOYED	4 271	4 207	4 087	4 153	4 119	4 162	4 066	4 094	4 155	4 133
CAPITAL EMPLOYED, average over the past five quarters	4 167	4 146	4 117	4 119	4 119	4 122	4 107	4 122	4 136	4 165

GROSS MARGIN SEK M	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	2018	2017	July - June	2017
Net sales	1 633	1 529	3 065	3 011	5 904	5 850
- Less goods for resale	-724	-683	-1 397	-1 371	-2 680	-2 654
Total	909	846	1 668	1 640	3 224	3 196
- Divided by net sales	1 633	1 529	3 065	3 011	5 904	5 850
GROSS MARGIN, %	55,7	55,3	54,4	54,5	54,6	54,6

EARNINGS PER SHARE SEK M	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	2018	2017	July - June	2017
Profit for the period	131	118	175	204	339	368
- Less non-controlling interests' share	-5	-3	-6	-5	-9	-7
Profit for the period attributable to Parent Company's shareholders	127	116	168	199	330	361
- Divided by average number of shares ⁵⁾	35 901 487	35 901 487	35 901 487,0	35 901 487	35 901 487	35 901 487
EARNINGS PER SHARE, SEK	3,53	3,22	4,69	5,55	9,18	10,05

SHAREHOLDERS' EQUITY PER SHARE SEK M	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	July - June	2017
Shareholders' equity	2 398	2 224	2 398	2 379
- Less non-controlling interest of shareholders' equity	-18	-12	-18	-16
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	2 380	2 212	2 380	2 363
- Divided by number of shares at the end of the period ⁵⁾	35 901 487	35 901 487	35 901 487	35 901 487
SHAREHOLDERS' EQUITY PER SHARE, SEK	66,3	61,6	66,3	65,8

CASH FLOW PER SHARE SEK M	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	2018	2017	July - June	2017
Cash flow from operating activities	234	134	241	172	565	496
- Divided by average number of shares ⁵⁾	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487
CASH FLOW PER SHARE, SEK	6,5	3,7	6,7	4,8	15,7	13,8

5) AVERAGE NUMBER OF SHARES	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	12 months	Full-year
	2018	2017	2018	2017	July - June	2017
Number of shares at the end of the period	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487
- Multiplied by the number of days that the number of shares at the end of the period has remained unchanged during the period	91	91	181	181	365	365
Number of shares on another date during the period	0	0	0	0	0	0
- Multiplied by the number of days that the number of shares on another date has existed during the period	0	0	0	0	0	0
- Total divided by the number of days during the period	91	91	181	181	365	365
AVERAGE NUMBER OF SHARES	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487	35 901 487

NET DEBT SEK M	30 June 2018	30 June 2017	31 december 2017
Long-term liabilities, interest-bearing	1 381	1 526	1 453
- Less interest-bearing long-term liabilities and provisions for pensions, leasing, derivatives and similar obligations	-3	-10	-7
Current liabilities, interest-bearing	492	369	255
- Less interest-bearing current liabilities and provisions for pensions, leasing, derivatives and similar obligations	-5	-2	-2
- Less Cash and cash equivalents	-213	-268	-254
NET DEBT	1 652	1 615	1 444

FINANCIAL DEFINITIONS	
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 Parent Company's shareholders is calculated as shareholders' equity attributable to Parent Company's shareholders at the end of the period plus the shareholders' equity for the four immediately preceding quarters attributable to Parent Company's shareholders at the end of the periods divided by five.
Return on capital employed	Profit after 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 plus the capital employed for the four immediately preceding quarters divided by five.
Return on total capital	Profit after financial items plus interest expenses as a percentage of average total assets. Average total assets is calculated as total assets at the end of the period plus the total assets for the four immediately preceding quarters at the end of the periods divided by five.
Gross margin	Net sales less costs for goods for resale, as a percentage of net sales.
Gross profit	Revenue less cost for goods for resale.
EBIT margin	Operating profit after depreciation/amortisation as a percentage of total revenue.
EBITA	Operating profit 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.
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests, in relation to the number of shares at the end of the period.
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 average number of shares at the end of the period multiplied by the number of days that this number existed during the period, plus any other number of shares during the period multiplied by the number of days that this or these numbers existed during the period, with the total divided by the number of days during the period.
Cash and cash equivalents	Cash and cash equivalents comprise cash funds held at financial institutions and current liquid investments with a term from the date of acquisition of less than three months, which are exposed to only an insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at nominal amounts.
Net debt	Long and short-term interest-bearing liabilities for borrowing, meaning excluding pensions, leasing, derivatives and similar obligations, less cash and cash equivalents.
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 average number of shares at the end of the period multiplied by the number of days that this number existed during the period, plus any other number of shares during the period multiplied by the number of days that this or these numbers existed during the period, with the total divided by the number of days during the period.
Equity/assets ratio	Shareholders' equity including non-controlling interests as a percentage of total assets.
Capital employed	Total assets less non-interest-bearing liabilities and provisions, including deferred tax liabilities.

COMPANY-SPECIFIC TERMS AND DEFINITIONS

Affiliated workshops	Workshops that are not proprietary, but conduct business under the Group's brands/workshop concepts (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).
DAB products	Car accessories with solutions for receiving digital radio broadcasts. DAB is an abbreviation for Digital Audio Broadcasting.
Proprietary stores	Stores with operations in subsidiaries, directly or indirectly majority owned by Mekonomen AB.
Proprietary workshops	Workshops with operations in subsidiaries, directly or indirectly majority owned by Mekonomen AB.
OBP	Proprietary products, such as Mekonomen Group's proprietary products ProMeister and Carwise.
Fleet operations	Mekonomen Group's offering to business customers comprising service and repairs of cars, sales of spare parts and accessories, and tyre storage.
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 Consumer	Cash sales from proprietary stores to customer groups other than Affiliated Workshops and Other B2B Customers, as well as the Group's e-commerce sales to consumers.
Sales to Customer Group Partner stores	Sales to partner stores.
Sales to Customer Group Other B2B Customers	Sales to business customers that are not affiliated with any of Mekonomen Group's concepts, including sales in Fleet operations.
Comparable units	Stores, majority-owned workshops and Internet sales that have been in operation over the past 12-month period and throughout the entire preceding comparative period.
Items affecting comparability	Events or transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current the period with previous periods, including restructuring programmes, costs related to major legal disputes, impairments, and gains and losses from the acquisition or divestments of businesses, subsidiaries, associated companies and joint ventures or items of a similar nature.
Concept workshops	Affiliated workshops.
Lasingoo	The car portal that Mekonomen Group owns together with industry players that simplifies the workshop selection and booking processes for car owners.
ProMeister	Mekonomen Group's proprietary brand for high-quality spare parts with five-year guarantees.
ProMeister sales	Sales of Mekonomen Group's proprietary brand ProMeister, mainly consists of spare parts, but also accessories.
Spare parts for cars	Parts that are necessary for a car to function.
Partner stores	Stores that are not proprietary, but conduct business under the Group's brands/store concepts.
Accessories for cars	Products that are not necessary for a car to function, but enhance the experience or extend use of the car, such as car-care products, roof boxes, car child seats, etc.
Underlying net sales	Sales adjusted for the number of comparable workdays and currency effects.
Currency effects in the balance sheet	Impact of currency with respect to realised and unrealised revaluations of foreign short-term non-interest-bearing receivables and liabilities.
Currency transaction effects	Impact of currency with respect to internal sales from Bileko Car Parts AB, and from MECA CarParts AB to each country.
Currency translation effects	Impact of currency from translation of earnings from foreign subsidiaries to SEK.
Other operating revenue	Mainly comprises rental income, marketing subsidies and exchange-rate gains in Mekonomen Group.

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