

ANNUAL REPORT 2016



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

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Mekonomen Group's formal Annual Report comprises pages 33–85. Only the original version of the formal Annual Report has been reviewed by the company's auditors. The Annual Report is published in Swedish and English. The Swedish version represents the original version, and has been translated into English.

Feel free to visit our website at www.mekonomen.com.

“MEKONOMEN GROUP CONSISTS OF THE LEADING CAR SERVICE CHAINS IN THE NORDIC REGION. WE WORK FOR A SIMPLER AND MORE AFFORDABLE CAR LIFE.”

2016 IN BRIEF

- Revenue rose 3 per cent to SEK 5,937 M (5,761). Adjusted for currency effects and counted on the comparable number of weekdays, revenue rose 4 per cent. Sales in comparable units rose 4 per cent.
- EBITA amounted to SEK 594 M (726) and the EBITA margin amounted to 10 per cent (13).
- EBIT amounted to SEK 481 M (616) and the EBIT margin amounted to 8 per cent (11). EBIT was negatively impacted by non-recurring items of SEK 58 M (negative: 22).
- Earnings per share before and after dilution amounted to SEK 9.32 (11.77).
- The cash flow from operating activities increased to SEK 544 M (439), of which discontinued operations accounted for SEK -17 M (-134).
- Net debt amounted to SEK 1,437 M (1,626).
- The Board proposes a dividend of SEK 7.00 (7.00).

FINANCIAL SUMMARY

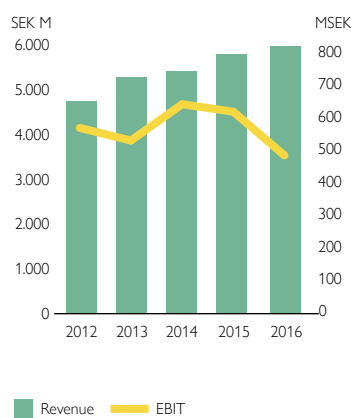
Key figures ¹⁾	2016	2015	2014
Revenue, SEK M	5,937	5,761	5,390
EBITA, SEK M	594	726	763
EBIT, SEK M	481	616	639
Profit for the year, SEK M	342	430	466
Earnings per share, SEK	9.32	11.77	12.80
EBITA margin, %	10	13	14
EBIT margin, %	8	11	12
Cash flow per share, SEK ²⁾	15.1	12.2	11.5
Dividend per share, SEK ³⁾	7.00	7.00	7.00
Return on shareholders' equity, %	15	20	21
Equity/assets ratio, %	43	40	39
Net debt/EBITDA, multiple	2.19	2.07	3.09

¹⁾ All amounts and key figures refer to the continuing operations except cash flow, equity/assets ratio and net debt/EBITDA.

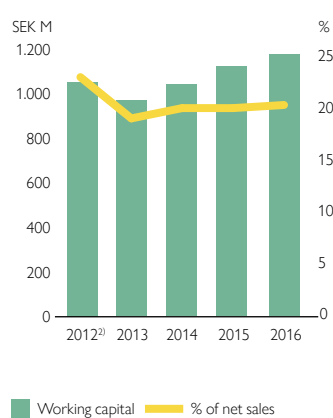
²⁾ From operating activities.

³⁾ The Board's proposal for 2016.

Revenue and operating profit¹⁾



Working capital¹⁾



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

²⁾ Net sales for MECA 2012 have been recalculated for 12 months.

SIGNIFICANT EVENTS DURING THE YEAR

First quarter

- Established upper-secondary educational programme for auto mechanics. The first programme is planned to begin in autumn 2017.
- Started the initiative in the new heavy vehicle business area.

Second quarter

- Signed fleet agreement with LKAB on delivery of spare parts.
- Acquired a customer portfolio for oil sales to industrial customers in Norway.
- Sales to affiliated workshops increased by 16 per cent in local currency.

Third quarter

- Signed agreement with supplier for expansion of an automatic common central warehouse for Mekonomen and MECA in Strängnäs.
- Launched Mekonomen Yehlove – a cutting-edge concept with a focus on complete solutions and maximum customer service.
- Mekonomen defended its title as Sweden's strongest brand among car workshops at the Swedish Brand Awards 2016.
- Sales of spare parts under the proprietary brand ProMeister increased to 15 per cent of the Group's spare parts sales.

Fourth quarter

- Pehr Oscarson was appointed the acting CEO of Mekonomen Group after former CEO Magnus Johansson resigned.
- The Danish operations were divested.
- Opened the first workshop fully focused on electric cars located outside Oslo.
- Launched the price direct service – direct digital booking of workshop services at a fixed price.





THIS IS MEKONOMEN GROUP

Mekonomen Group makes 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. We are the leading car service chain in the Nordic region with a proprietary wholesale operation, more than 340 stores and over 2,000 affiliated workshops operating under the Group's brands.

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.

SUCCESS FACTORS

- Strong brands and well-known concepts.
- Broad customer offering to B2B and B2C.
- Size advantage/purchasing power.
- ProMeister and the ProMeister Academy.
- Entrepreneurship and high level of expertise among our employees.

OUR CUSTOMER GROUPS

Net sales by customer group



Affiliated workshops – 38%

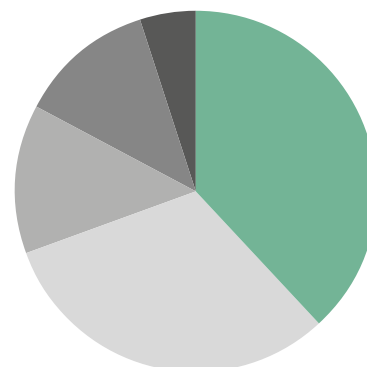


Other workshops – 42%



Consumers – 20%

Net sales divided by segment



Revenue 2016, SEK M

5,937

Number of employees in the Group

2,290

Number of affiliated workshops

2,021

Market share¹⁾ Sweden

15%

Number of stores

342

Market share¹⁾ Norway

25%

¹⁾ Proportion of spare part sales to workshops.



Iceland

Number of stores 1
 Number of affiliated workshops 0
 Number of employees 4

Norway

Number of stores 141
 Number of affiliated workshops 973
 Number of employees 810

Finland

Number of stores 6
 Number of affiliated workshops 23
 Number of employees 24

Sweden

Number of stores 194
 Number of affiliated workshops 1,025
 Number of employees 1,439

We make car life simpler
 We stock spare parts for more than 15,000 car models. Read more about our wholesale operations on page 7.

At year-end, there were a total of 2,290 employees, of whom 13 were employed outside the Nordic region.

OUR TEN BRANDS



SUSTAINABLE BUSINESS

All new supplier agreements of spare parts include a clause on compliance to the UN Global Compact's principles. Today, suppliers that account for more than 91 per cent of our purchases have signed our clause or presented their own corresponding policy. Read more about our sustainability work on pages 20–29.



SIMPLER DAY-TO-DAY FOR THE WORKSHOPS

I can confirm that 2016 was one of the most challenging years ever for Mekonomen Group. For 2017, I am confident of the possibilities of strengthening our position and regaining market shares in all of our markets.

Tough year in Sweden – exit from Denmark

In 2016, Mekonomen Group was affected by the negative development in Mekonomen Sweden, which was largely due to the implementation of a new retail store system and the reorganisation introduced at the end of 2015. The initial problems with the store data system have been managed and the system will contribute positively to profitability in the future. In the autumn, we initiated a cost-saving programme and reintroduced a more decentralised organisation focused on business acumen to break the trend in Mekonomen Sweden.

Our Danish operations, which were unprofitable for us for many years, were divested at the end of the year and as of 2017, we will no longer be burdened by losses from these operations.

Innovation is a part of our DNA.

I'm struck every day by how strong the innovativeness is in our Group. This innovative capacity is one of our absolutely most valuable assets. We are active in a market undergoing rapid change, with continuous new products, new business models and extremely tough competition. This is why the ability to think in new ways is absolutely crucial to success and to defending and strengthening our market position. For example, during the year, we launched private leasing, the Yehlove workshop concept and the price direct booking concept and continued to develop the Lasingoo comparison service launched in 2014.

It is also pleasing that, with the Mekonomen brand, we are defending the position as the strongest brand name in the industry at the Swedish Brand Awards 2016, which analyses the customers' ratings in combination with brand awareness.

In 2016, we also took several important steps in the work of building the new automated central warehouse in Strängnäs, which is estimated to provide savings of SEK 50 M per year beginning in 2020 and will be common to Mekonomen and MECA.

Prior experience:

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

Number of shares: 2,000.

“I’M STRUCK EVERY DAY BY HOW STRONG THE INNOVATIVENESS IS IN OUR GROUP. THIS INNOVATIVE CAPACITY IS ONE OF OUR ABSOLUTELY MOST VALUABLE ASSETS.”

Sustainability linked to business benefit

As a leading player in the industry, we have a responsibility for ensuring that our business is sustainable. The largest challenge for our industry is the shortage of skilled mechanics. In 2016, we worked to create an upper-secondary educational programme for mechanics. We have now achieved the goal and the first students will begin in autumn 2017. The shortage of skilled mechanics is also one of the driving forces for why we launched services in 2016 for both recruitment and staffing, which make the day-to-day easier for our workshops.

One of our largest strengths is our ability to adapt our business model to new trends in the market. One example is the workshop we opened in Norway in 2016, which is fully focused on electric cars. A growing electric car fleet has been portrayed by some industry analysts as a threat to our industry since electric cars use fewer wearing parts than cars with combustion engines. However, of course, electric cars also need service and it is therefore natural for us to become a major player in the market in this area as well. More electric cars are also good for the environment. Mekonomen strives to run the business in a sustainable manner and we will of course continue to comply with the UN Global Compact's principles.

Simplifying it even more for the workshops

Further improving our offer to the workshops is at the top of my to-do list. We will do everything we can to enable them to work efficiently and provide a high level



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

of quality to the end customers through, for example, easier administration and flows so that they can devote more of their time to the customers. As a part of this, the price direct service was launched in 2016. It saves a significant amount of time for the workshops, time that they can instead devote to their core business – servicing cars.

In 2017, our new catalogue, or e-commerce solution, will also be launched. It will be a more user friendly solution and will enhance the efficiency of the work both in the Group and for our workshop customers. It is another example of how we focus on making the day-to-day easier for the workshops.

Innovation, professionalism and quiet to work

For me as CEO, it is important to develop the leadership in the entire Mekonomen Group. This does not mean that we should have more managers, rather the contrary. We have shortened the distance between workshops and Group Management, which I believe is important. We have also begun the work of strengthening the professionalism in our whole organisation.

I began by confirming that 2016 was a turbulent year and it has placed great demands on our employees. I am very proud and impressed when I see how people throughout every part of the Group roll up their sleeves and work extra hard even when conditions are tough. My ambition and conviction is that the upcoming year will be characterised by more stability, profitability and even clearer results of the hard work being done every day.

Pehr Oscarson, President and CEO

OUR BUSINESS MODEL

Mekonomen Group works on the aftermarket for cars, light trucks and heavy vehicles. 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 through meticulous purchases in large volumes combined with an efficient wholesale operation, well-known stores and workshops with well-trained personnel.



We set requirements on our suppliers in accordance with the car manufacturers' instructions and specifications.

We place demands on documentation from the suppliers that ensure that the product matches original part quality.

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.

All new supplier agreements include a clause on compliance to the UN Global Compact's principles. Today, suppliers that account for more than 91 per cent of our purchases have signed our clause or presented their own corresponding policy.

In the development of our own brands, ProMeister for spare parts and Carwise for auto accessories, we ourselves assume a greater responsibility for the quality assurance of the products.

We conduct our own and independent tests of materials, function, durability and health and safety. Our own tests take place in our quality laboratory, Intermeko, in Poland, which we own together with the Polish car part company Intercars.

Through Intermeko, we have access to technicians and engineers who are full-time employees.

Quality assurance also takes place through the follow-up of complaints, warranty claims and measurement of frequently returned items.

Purchasing takes place mainly from the large suppliers in Europe, which also deliver to the car manufacturers. Around 20 per cent of our articles are purchased through direct imports from Asia.

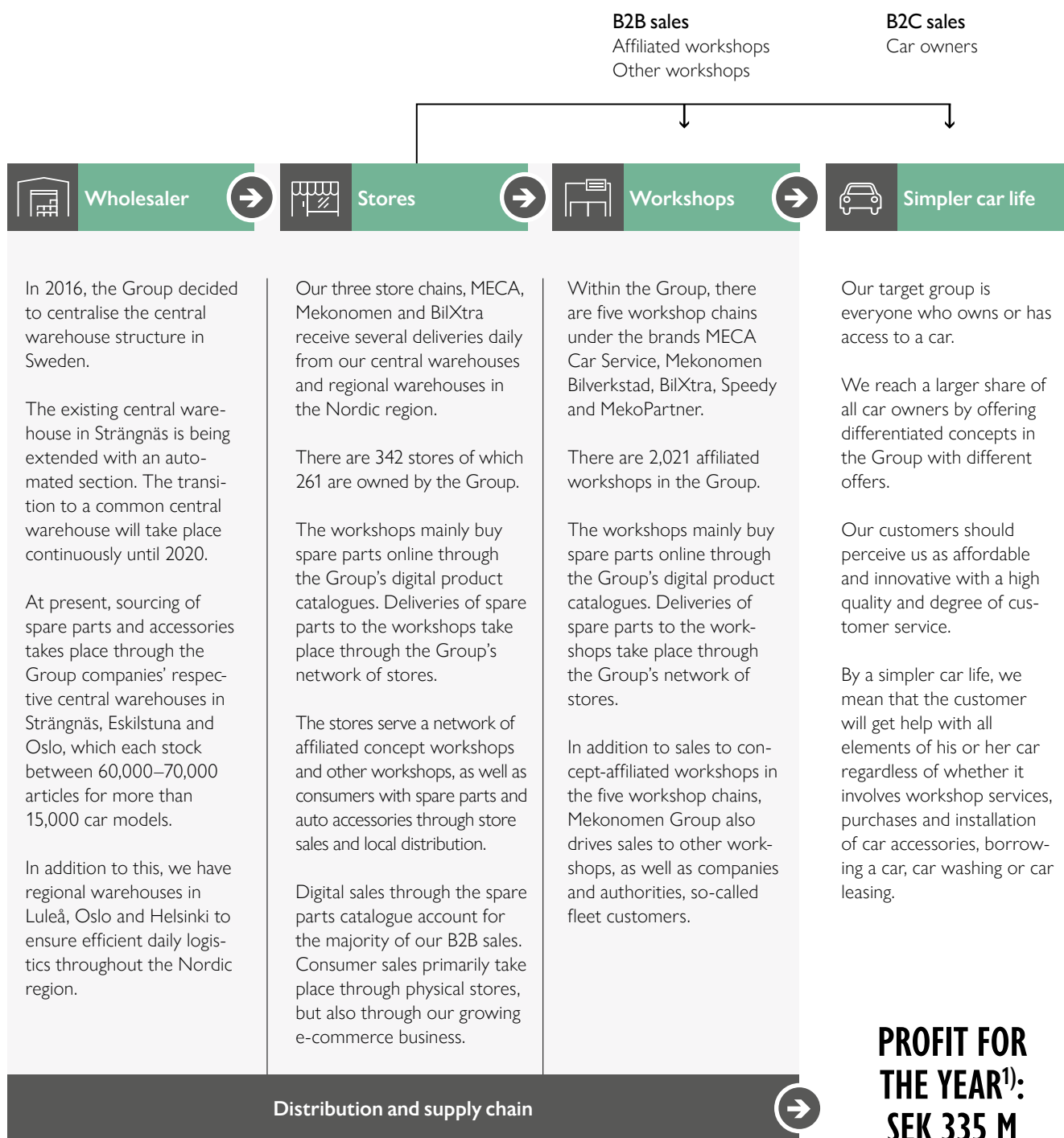
The Group purchases around 75 per cent of the supply of products from 160 suppliers.

ProMeister stands for premium quality, which means that we choose suppliers with the highest level of quality that matches original part quality, in other words the parts that are in the car when it is new.

The ProMeister range includes more than 7,000 articles with an industry-unique five-year warranty.

REINVESTED IN THE COMPANY: SEK 84 M DIVIDEND TO THE SHAREHOLDERS¹⁾: SEK 251 M

¹⁾ The Board's proposal.



¹⁾ Profit for the year attributable to the Parent Company's shareholders.

OUR GOALS AND STRATEGIES

Mekonomen Group’s overall goal is to develop with high profitability and thereby generate value growth for the shareholders. For 2016, the Board of Directors decided on new financial targets for sales growth and operating margin, supplemented with a net debt/EBITDA target.

Sales growth

To achieve annual sales growth of at least 5 per cent, as a combination of organic and acquired growth.

>5%

Outcome
 In 2016, sales growth for the whole Group was 3 per cent (7). Growth was negatively impacted by the sales trend in Mekonomen Sweden during the year and by the weaker NOK mainly in the first half of the year. MECA, Mekonomen Norway and Sørensen og Balchen had good sales growth in local currency.

Sales growth¹⁾

Year	Goal (%)	Outcome (%)
2012	10	36
2013	10	12
2014	10	3
2015	10	7
2016	5	3

EBIT margin

To annually achieve an operating margin in excess of 10 per cent.

>10%

Outcome
 Operating margin for full-year 2016 was 8 per cent (11). The margin was negatively affected by the weak development in Mekonomen Sweden during the year, the losses in the Danish operations and non-recurring costs.

Operating margin¹⁾

Year	Goal (%)	Outcome (%)
2012	8	12
2013	8	10
2014	8	12
2015	8	11
2016	10	8

Equity/assets ratio

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

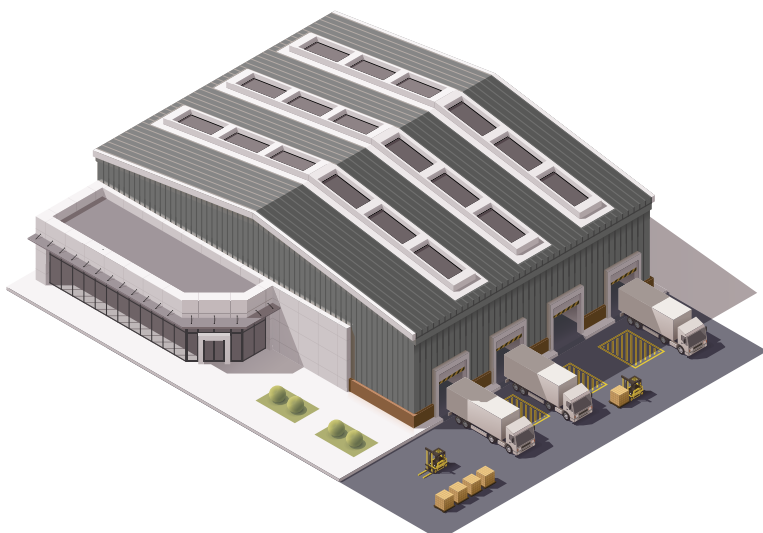
>40%

Outcome
 The equity/assets ratio amounted to 43 per cent at 31 December 2016 compared with 40 per cent at 31 December 2015.

Equity/assets ratio

Year	Goal (%)	Outcome (%)
2012	40	40
2013	40	40
2014	40	39
2015	40	40
2016	40	43

¹⁾ Adjusted goal as of 2016.



EFFICIENCY

In 2016, the decision was made to streamline our central warehouse structure by expanding our existing central warehouse in Strängnäs to a common automated central warehouse for MECA and Mekonomen in Sweden. The aim is to create a shared, flexible and cost-effective supply chain platform in the Group. Through this investment, our ambition is to create the industry's most efficient supply chain with an infrastructure that is optimal for our business.

Net debt/EBITDA

Net debt/ EBITDA shall not in the long term exceed 2.0.

< 2.0

Outcome
 Net debt/EBITDA for full-year 2016 was 2.19 (2.07). EBITDA was negatively affected by the development in Mekonomen Sweden, the losses in the Danish operations and non-recurring costs. At the same time, net debt decreased during the year, mainly due to a positive cash flow from the operating activities.

Net debt/EBITDA¹⁾

Year	Outcome	Goal
2012	~2.8	2.0
2013	~2.3	2.0
2014	~3.1	2.0
2015	~2.1	2.0
2016	2.19	2.0

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. The proposal corresponds to 75 per cent of the profit for the year.

Dividend ratio

Year	Outcome (%)	Goal (%)
2012	~65	50
2013	~85	50
2014	~210	50
2015	~60	50
2016	75	50

Strategies

Mekonomen Group's strategy is to simplify car life, quality assure the customer experience and utilise our economies of scale.

- By simplifying car life with our concepts, we attract car owners to our stores and workshops, both proprietary and affiliated.
- Focus on quality is the basis of our success and spans the entire value chain from purchasing of quality products, to first-class logistics, the workshop system and catalogue that are on the forefront of the development, training of mechanics and strong brands.
- 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.

Our most important focus area is to support our affiliated concept workshops to jointly offer our existing and new customers added value, availability, affordability and provide solutions for the needs of the car owners.

¹⁾ New goal as of 2016.

MARKET AND TRENDS

The development of the Nordic aftermarket for car parts and workshop services is growing at a stable rate of 1–2 per cent per year. At the same time, the traditional structures and approaches are being challenged by on-going changes in society in form of new technology in the cars, increased environmental awareness and new trends linked to how people want access to a car.

The aftermarket for car parts and workshop services in the Nordic region is growing slightly, but stable over time, even if short-term fluctuations occur. The primary drivers in the market for spare parts and workshop services is the number of cars driven out on the roads and the number of miles driven. Both the number of cars in traffic and the total number of miles driven have had a slightly increasing trend in recent years in Sweden and Norway. The fact that new car sales have been on a high level in recent years has not appreciably affected the aftermarket since the cars come in to the workshops in a small extent in the first years. It is when the cars become three or four years old that the need for service and repairs increases. In the future, we see a potential for a growing overall market in our main markets of Sweden and Norway in light of the high new car sales and a growing fleet of cars.

Another factor that affects the market is the improved sustainability of cars and spare parts. It extends the time between service intervals, but has thus far been counteracted by the cars being driven for more years and the price level of spare parts increasing in pace with their extended sustainability.

The market for car accessories is more sensitive to economic fluctuations and affected by the consumption willingness of private individuals. In 2016, household consumption increased by 2.5 per cent in Sweden according to SCB and by 1.6 per cent in Norway according to SSB.

The European market

The European market for spare car parts is growing by 1–2 per cent annually and in recent years, has been under consolidation. This is a trend that we expect to continue. The number of players is decreasing, at the same time that those who remain are larger and stronger. Players are being bought up or merging in order to gain synergy effects in the form of large purchasing volumes in combination with more efficient logistics solutions.

The consolidation in the industry leads to fewer, but larger players. The main objective is to achieve synergies in the form of purchasing volumes and more efficient logistics solutions.

The workshop market is undergoing change and it is becoming increasingly important for small and medium-sized workshops to belong to a chain. The requirements are increasing on the workshops to be able to adapt to the need for higher technical expertise and new equipment required by today's cars. Larger players and chains have greater opportunities to invest in relevant continued training and advanced equipment needed.

The differences between branded and independent players that previously existed are decreasing in significance. We are active on the same market, but with different pricing and marketing of our products and services. Customers choose the workshop they trust, with a price level they consider affordable. This development contributes to more affordable services and products, which in turn benefit the car owner.





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

1–2%

Increase in number of cars in traffic in Sweden 2016¹⁾

2.1%

Increase in number of cars in traffic in Norway 2016²⁾

1.8%

TRENDS THAT DRIVE THE DEVELOPMENT IN THE INDUSTRY FORWARD

Even if the Nordic market for car parts and car service is more mature than many other markets, our business is affected by trends in our surroundings. Having a well-founded understanding of these changes is important for us. Our ability to adapt to new opportunities and challenges is crucial to how competitive we will be when it comes to meeting new needs and behaviors among our customers in the future.

Trend 1. THE NEED TO OWN A CAR

A growing number of people are choosing to not own a car, but instead using private leasing, joining a carpool or otherwise owning the car jointly to meet their transport needs. They want to have access to a car, but do not need to own it. Today so-called “car sharing” exists, although on a small scale, in major cities where there are less need and possibility of owning a car.

Opportunities for Mekonomen Group

For Mekonomen Group, this trend creates new business opportunities. In 2016, we introduced the services Mekonomen car share and Mekonomen car leasing to simplify car life even for customers who do not own a car. These initiatives have been launched on a small scale to be developed in pace with the customers' needs and demands.

¹⁾ Source: Trafikanalys.

²⁾ Source: OFV.

Trend 2. DIGITISATION – THE INTELLIGENT CAR

Online services play an increasingly important role for consumers, companies and society, even in the car industry. The market for the connected car is increasing rapidly and, by 2020, a quarter of a billion cars worldwide will be connected to the internet according to analyst firm Gartner. Older cars can be connected by installing a hardware that enables communication with the car. Wireless telematics simplify the car owner's day-to-day by enabling everything from turning on the heat in the car by mobile to getting information on the traffic situation. The workshop can read off the car's condition and update vehicle settings remotely or inform the car owner if something is in the midst of breaking down and suggest a visit instead of the car owner be standing at the roadside with a broken car. There are extensive benefits for society in the form of greater traffic safety.

Large investments are needed by traditional car manufacturers, as well as software companies to develop self-driving cars or autonomous vehicles as they are also known. The growth is taking place gradually and we have already become accustomed to various kinds of driver assistance and automated systems, such as cruise control, assisted parking and automatic stopping. Increasingly intelligent systems for driver assistance are under development, but a lot of work remains to be done before fully self-driving vehicles become a part of our daily lives. Among other things, the automatic tech-



nology must be further refined, infrastructure adapted and regulatory frameworks developed.

There is great potential in digitisation for those who are innovative and adapt to new needs and behaviours among customers. The EU has an important role to play in ensuring free competition in the digital area so that the major car manufacturers do not lock in new technology in their own brands and make it unavailable to other players in the aftermarket. That would not only inhibit free competition, but also technical development.

Opportunities for Mekonomen Group

As the leading independent player in the Nordic market for car service, the ambition for Mekonomen Group is to lead the development in the industry. In spring 2017, together with the telecom company Telenor and partners in the Nordic Car Connect Forum, we will develop a mobile app and launch a solution for connected cars.

250 million

cars worldwide will be connected in 2020

Trend 3. HIGHER SALES OF ELECTRIC CARS AND ELECTRIC HYBRIDS



Greater environmental awareness, more stringent emission requirements and government subsidies to those who drive environmentally friendly cars contribute to increased demand for electric cars, hybrids and cars driven on alternative fuels. Even if the number of newly registered electric cars broke records in 2016, the percentage of electric cars of the total car fleet is still small. In Sweden, the number of fully electric powered cars increased by 58 per cent to around 7,500 in 2016, according to Statistics Sweden, which corresponds to 0.2 per cent of the total number of registered cars. In Sweden, electric/plug-in hybrids are more common than pure electric cars. Norway is the country in the world with the highest percentage of electric cars, which is largely due to generous subsidies for electric car buyers. For example, they avoid paying VAT and import fees, are offered free parking and car tolls and may drive the car in the bus lanes. In Norway, the number of registered cars powered entirely by electricity surpassed 100,000 at the end of

2016, which corresponds to just below 4 per cent of the whole car fleet. The electric and hybrid cars are not alone in the market for cars run on alternative fuels. Cars run on biogas already exist today and the hydrogen car is being tested on a small scale is another environmentally friendly alternative that can gain ground in the future.

A larger percentage of electric cars means that the need for some components and services will decrease, such as the need for fuel systems and gear boxes, and the replacement of spark plugs and cam belts. The reduced need for a number of components will be compensated to some extent by greater demand for new components that are in an electric car, such as batteries and battery packs. Hybrid cars consist of the same components as a car with a combustion engine and the additional components that an electric car requires.

Opportunities for Mekonomen Group

Although electric cars and hybrid cars still account for a small part of the total car fleet, we in Mekonomen Group are preparing for the greater need for their service and repair. In autumn 2016, we opened our first electric car workshop located outside Oslo, Norway, an area where the percentage of electric cars is high. Through our own training at ProMeister Academy, we are also preparing mechanics in a number of our affiliated workshops with relevant training.

The number of electric cars in Norway, the world's most electric-car-dense country

>100,000

Trend 4. ONLINE BOOKINGS AND GROWING E-COMMERCE



E-commerce is developing strongly and has become a given when consumers in the Nordic region want to buy products or order services. However, until now, the possibility for car owners to compare prices, times and order workshop appointments online has not been as simple and obvious. B2C sales of spare parts currently account for a small part of the overall market and mainly attract "do-it-yourselfers" among consumers. B2B sales

to workshops and other corporate customers have long taken place mainly by e-commerce. In the future, e-commerce will become more important for the industry and more advanced platforms will be necessary to meet the customers' needs and wishes.

Opportunities for Mekonomen Group

For Mekonomen Group, it is important to be involved and lead the development. In 2014, together with the large independent workshop chains in Sweden, we introduced Lasingoo.se, a digital comparison portal for workshop and car inspection services online. The service has since also been introduced in Norway. In autumn 2016, we launched the service price direct in Sweden under the Mekonomen brand. There, customers can get access to available times and book workshop services online. Both of the solutions contribute to greater transparency and an easier booking procedure for the car owners. In our B2B operations, we are already a leading e-commerce player in spare parts and accessories, where the majority of the spare parts orders are made through our internet-based catalogues. In 2017, we will launch the next generation e-commerce platform and spare parts catalogue that offers new opportunities of greater customer loyalty and values in both B2B and B2C. The solution will thereby also replace our current e-commerce solutions to consumers.

The service price direct was launched by Mekonomen

2016

Trend 5. SHORTAGE OF THE MECHANICS OF TOMORROW



As the auto industry grows, vehicles are becoming more technically advanced and many mechanics are approaching retirement age, there is a need to hire upwards of 5,000 new mechanics in the industry. At the same time, interest in the upper-secondary automotive programme has decreased and further education of the students is required in electronics after graduation so they will be able to get relevant knowledge that matches today's needs among the workshops. There is an extensive need to modernise vocational training for mechanics to meet the skills requirements in today's workshops.

Opportunities for Mekonomen Group

For Mekonomen Group, we see a need to recruit 500 new mechanics in the next few years. The need for mechanics with relevant expertise is a focus area for us and we have taken a number of initiatives to increase the supply. Our training centre, ProMeister Academy, continuously ensures quality and expertise among our mechanics. In the autumn, we are beginning an upper-secondary school programme together with the educational player Lärande i Sverige to improve the quality of the mechanic programme; see more information on pages 16 and 23. To utilise the expertise among the newly arrived with a mechanic background, we cooperate with the Public Employment Service. In 2016, a staffing operation was established with the aim of covering temporary needs for mechanics in our workshops.

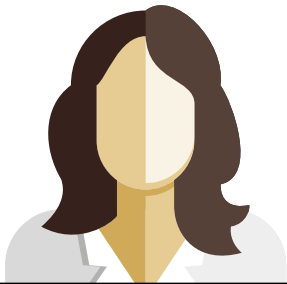
The number of mechanics Mekonomen Group needs to recruit

500

CUSTOMER IN FOCUS

— WITH DIFFERENTIATED BRANDS

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



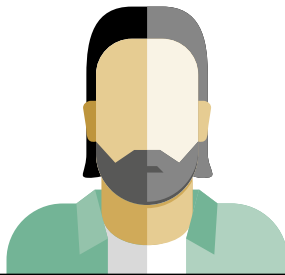
“I’D RATHER SPEND MY TIME ON THINGS OTHER THAN THE CAR AND APPRECIATE SIMPLICITY, AFFORDABILITY AND ALL OF THE SOLUTIONS BEING IN ONE PLACE.”

Mekonomen customer

Stores and workshops

Mekonomen Group has three workshop and store chains: MECA, Mekonomen and Sørensen og Balchen (operated under the brand name BilXtra), 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 different target groups.

In 2016, the Group focused on further positioning the respective brands to the right main target group and offering security in the service transaction through skills development via the Group’s training centre ProMeister Academy. Major focus has also been on following up and improving the customer experience throughout the value chain.



“I LIKE TO FIDDLE WITH MY CAR AND ENJOY DISCUSSING THE SOLUTION FOR FIXING MY CAR.”

MECA customer

Proprietary product range and quality

To be even more affordable and competitive in relation to our competitors, we have developed our own product range – ProMeister for spare parts and Carwise for accessories.

Before an OBP product is brought into the assortment, stringent quality tests are done based on the parameters materials, durability and function. Among other things, the products are tested in our own test lab in Poland – Intermeko – where we have full-time engineers and technicians who continuously ensure that our spare parts match original part quality. Read more about our quality assurance work under the sustainability section on page 24.



“DROP-IN TIMES AND FAST HELP ARE IMPORTANT TO ME.”

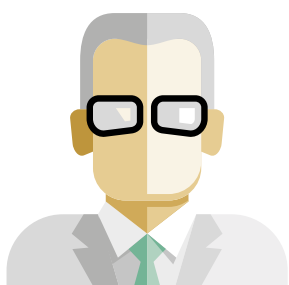
Speedy customer

The ProMeister range comprises more than 7,000 parts and accounts for 14 per cent of Mekonomen Group’s total spare parts sales. The price of the spare parts is on average 15 per cent below the price of the corresponding brand-name product in the Group’s assortment and substantially lower than at the brand-dependent workshops. ProMeister is available in all workshop and store chains in Mekonomen Group and it is the only spare parts brand on the market that offers a five-year warranty.

Opus Equipment

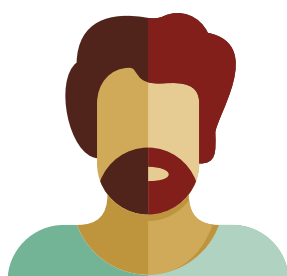
The subsidiary Opus Equipment sells workshop equipment and tools and offers services to Mekonomen Group’s concept workshops, as well as other workshops in the industry.

We make car life simpler
Mekonomen won the award
for the strongest brand at
the Swedish Brand Awards
2016 for the third
consecutive year.



**“MY LOCAL MECHANIC
IS GOOD AND
RELIABLE.”**

MekoPartner customer



**“THE CAR IS OUR INTEREST. IF WE NEED TO SERVE
THE CAR OR STYLE THE CAR WITH ACCESSORIES,
EVERYTHING IS UNDER ONE ROOF.”**

Two BilXtra customers

The operations supplement the Group's core business and entails a complete offering to our affiliated concept workshops. Opus Equipment's operations were acquired in 2015 with operations in Sweden and in 2016 also began operations in Norway.

Availability on the customer's terms

Lasingoo.se is a digital portal for workshop and car inspection services where car owners can compare prices, provide and read ratings, and book at a fixed price and time directly on the screen. The cooperation around Lasingoo.se was initiated in 2014 together with the large independent workshop chains in Sweden. At the end of 2015, Lasingoo was also launched in Norway. Today, car owners can search among more than 2,000 workshops in Swe-

den and 1,000 workshops in Norway. In autumn 2016, Mekonomen Group launched the service price direct under the Mekonomen brand name in Sweden. With price direct, Mekonomen's customers can book workshop services online over mekonomen.se with a price and overview of available times directly.

Both of the solutions contribute to greater transparency and an easier booking procedure for the car owners. Mekonomen's workshop services will also continue to be able to be booked over Lasingoo.se for those who want to compare Mekonomen with the other players in the industry. The workshop services can also be booked over Mekonomen.se for car owners who are Mekonomen customers and want to be able to easily book their workshop services.

Our brands

Mekonomen

OPUS
EQUIPMENT AB

carwise

intermeko
EUROPE

BilXtra

BILVERKSTAD
MekoPartner

lasingoo.se

speedy
bilservice
medan du väntar

M=CA

ProMeister

PROMEISTER SOLUTIONS

In ProMeister Solutions, Mekonomen Group has gathered all services to our affiliated workshops, such as business systems, technical support, skills development, staffing and recruitment of mechanics.

ProMeister Solutions is a part of Mekonomen Group as the company in which we have gathered all of the workshop offerings in our B2B operations. By developing the workshop offering in one place in the Group, we are developing one solution instead of three and making use of all expertise and the internal best practices in an efficient manner.

Technical support

Every month, the team in technical support receives 4,500 cases from Mekonomen Group's workshops. The technical solutions are made available and searchable to all workshops in the Group.

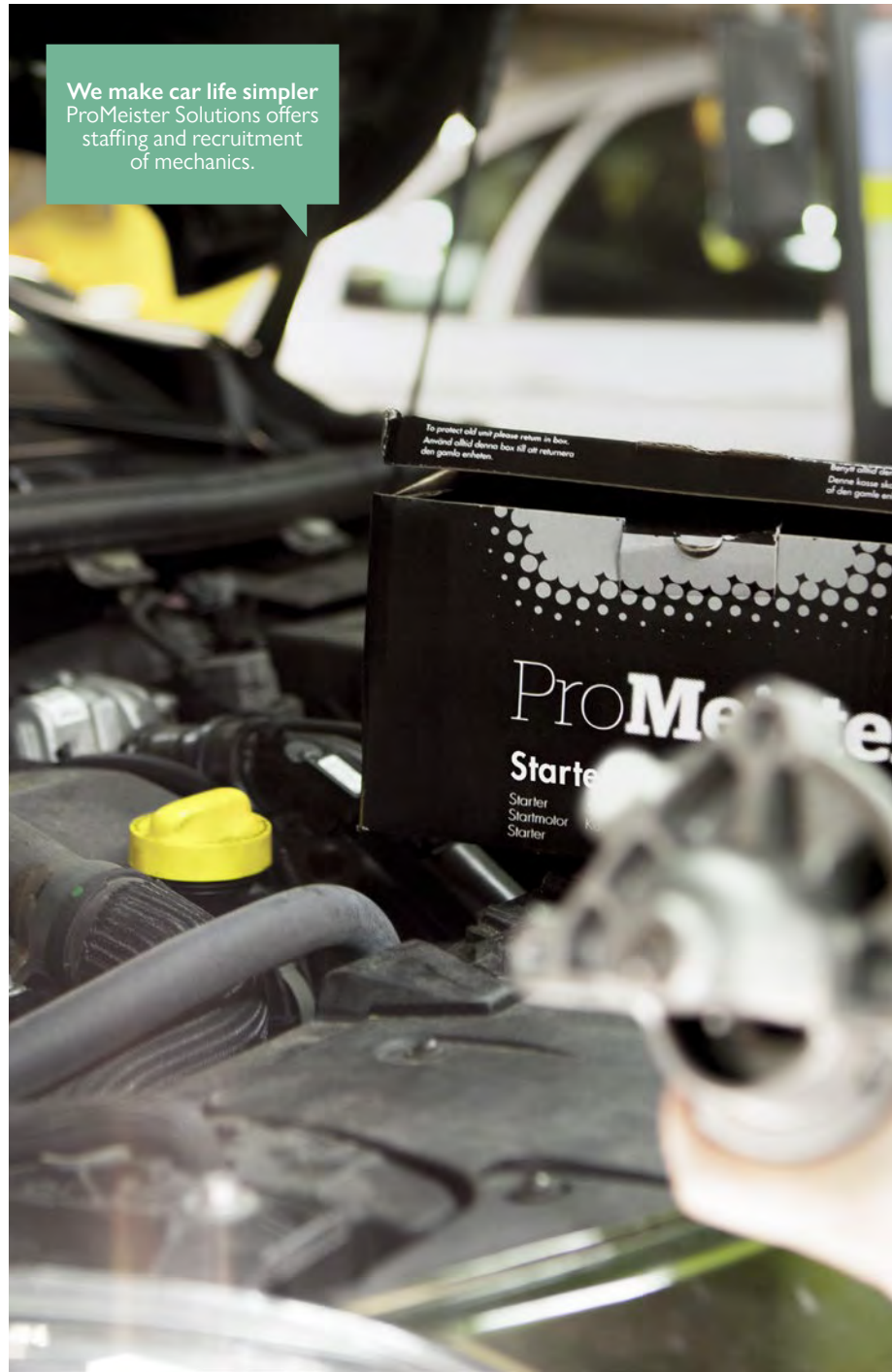
Skills development

ProMeister Academy is the Group's own training centre that secures the quality and skills of our mechanics in all of the Group's workshop chains. Skills development is offered in new technologies, customer service and professionalism. In 2016, the interest in hybrid car training grew strongly. Since the end of 2016, we also offer electric car training to meet the trend of more electric powered cars in the Nordic region in the future. Since ProMeister Academy was founded in 2013, the number of training days for mechanics have increased by 15 per cent.

Need for mechanics in the industry

The number of mechanics graduating from Swedish upper-secondary schools is too low in relation to the industry's needs. In Mekonomen Group, we see a need for 500 technically knowledgeable mechanics. Only one of five students graduating from traditional mechanic programmes has the knowledge required to learn the profession and work in a modern auto workshop. In autumn 2017, Mekonomen Group will be starting an upper-secondary school programme together with the educational player Lärande i Sverige to improve the quality of education and contribute to making the mechanic profession attractive to young people facing a career choice.

To find mechanics for our workshops on the short term, we have improved our validation tests to quickly identify existing skills in a mechanic. We offer support in the recruitment process and collaborate with the Public Employment Service to recruit recently arrived residents of Sweden with a mechanic background. In 2016, a staffing and recruitment operation was established with the aim of covering temporary and long-term needs for mechanics in our workshops.



In Mekonomen Group, we currently see a need for 500 technically knowledgeable mechanics. The whole industry needs 5,000 mechanics.

Mekonomen Group's need for mechanics

500

Number of cases to technical support per month

4,500

Rising proportion of courses in ProMeister Academy

15%

Number of mechanics in our affiliated workshops

8,000



THREE QUICK QUESTIONS TO PETRA BENDELIN

We ask Petra Bendelin, President of ProMeister Solutions, three quick questions on the challenges faced by the workshops.

Petra Bendelin has been the President of ProMeister Solutions Since 2015.

How does a workshop secure expertise among its mechanics?

Through our training centre ProMeister Academy, we offer physical and digital courses in the areas where mechanics need to update their knowledge. We have also developed validation tests that show how a mechanic stacks up in the areas of Petrol, Diesel, Gas cars, Tyres/Wheels, Hybrid/Electric, Vehicle electronics, Brakes, Climate systems and Drive trains. Based on the results, it becomes easier for the workshop manager to know which courses are suitable for the respective mechanic.

How is profitability created in a workshop?

Our services will create better profitability and efficiency for our workshops. We have developed services that provide the workshop administrative relief so that the workshop can focus on the customers and increase capacity and margins from day one. ProMeister's business system supports the customer recipient and handles bookings, orders and accounting. ProMeister Academy provides further training to auto mechanics in the latest technology and offers technical support. We offer recruitment and staffing support for the right expertise in the workshop and offer a service car that fills all of the consumables stock, everything so the workshop can better serve its customers and their cars!

Besides taking care of the car, how important to the workshop's profitability are customer service and the actual service to the car owner?

Returning customers are important to create a long-term sustainable business for the workshop. A satisfied customer also recommends the workshop to others, which makes the customer a valuable marketing channel. Customer loyalty is also created through the whole offering besides traditional workshop services, such as car insurance, car washing and car glass – a simpler car life.



OUR GROUP COMPANIES

Mekonomen Group comprises the Group companies MECA Scandinavia, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen. The companies cooperate in purchasing and logistics. There is full competition in the market, however. Our strong brands have differentiated concepts, target groups and individual development focus.

MECA Scandinavia

MECA Scandinavia's operations are based on an efficient distribution network through 85 divisions to professional auto workshops. Logistics are controlled from the central warehouse in Eskilstuna where more than 60,000 articles are stocked. Under MECA, the business areas of heavy vehicles, ProMeister Solutions and Opus Equipment are operated, which work for the whole Mekonomen Group.

Target group

MECA has a clear B2B focus and caters mainly to the auto workshops as a business partner. Among the workshop customers, sales are made especially to the own workshop concept MECA Car Service and the partner workshop chain Bosch Car Service. The company also sells directly to companies and organisations, so-called fleet customers, and has been successful in terms of taking market shares in the public sector. In addition to this, there is a broad base of other B2B customers, including sales to petrol stations and convenience stores. The target group among car owners is mainly people interested in cars and knowledge around cars.

Significant events during the year

During the year, MECA established the heavy vehicles business area for Mekonomen Group. In addition to spare parts for cars and light trucks, the Group now also offers spare parts for vehicles over 3 tonnes. This effort began with a framework agreement with Nobina regarding deliveries of batteries to the public transport operator's vehicle fleet and depots in Sweden, Norway, Denmark and Finland.

The remaining Danish operations were divested in December 2016 to the Danish company T. Hansen Gruppen/AD Danmark. Besides stock, staff and rental agree-

ments, the divestment also included T. Hansen Gruppen/AD Danmark being given the right to use the Mekonomen brand in Denmark and operate the workshop chains Mekonomen Autoteknik and MekoPartner.

Mekonomen

The main operations in Mekonomen are conducted within the Group companies Mekonomen Sweden and Mekonomen Norway. Through nationwide store and workshop networks, Mekonomen has the best availability in the industry with a total of 184 stores and 1,029 affiliated workshops under the brands Mekonomen Bilverkstad and MekoPartner. The central warehouse in Strängnäs is responsible for logistics and stocks more than 70,000 items.

Target group

Mekonomen caters to both B2B and B2C customers. The largest B2B customers are Mekonomen Bilverkstad, MekoPartner and other workshops. Sales to consumers (B2C) take place through Mekonomen's stores and online. Mekonomen is a strong brand both among consumers and corporate customers, so-called fleet customers. The target group among car owners comprises families and those seeking simple solutions.

Significant events during the year

In 2016, it was decided to centralise the warehouse structure in Mekonomen Group through a renovation of Mekonomen's central warehouse in Strängnäs. The central warehouse will become largely automated and is estimated to provide savings effects of SEK 50 M per year beginning in 2020.

The lower earnings mainly in Mekonomen Sweden resulted in an action programme with savings of SEK 25 M annually beginning in 2017. The program was then extended

by further 20 million to cover a total of SEK 45 million with effect throughout the group.

In Mekonomen Sweden, a fleet agreement was signed with LKAB concerning delivery of spare parts to the mining company's operations.

For the third consecutive year, Mekonomen was named Sweden's strongest brand in our industry at the Swedish Brand Awards. The award is based on a survey of customer satisfaction and brand awareness.

Sørensen og Balchen

Sørensen og Balchen conducts wholesale, store and workshop operations in Norway. The company is a leading distributor of spare car parts specialised in sales of car accessories in the industry. Sørensen og Balchen runs 72 stores and 255 affiliated workshops under the BilXtra brand in Norway. Logistics are managed in cooperation with the central purchasing department of Mekonomen Group, from the central warehouse in Oslo, which stocks more than 60,000 articles.

Target group

Sørensen og Balchen caters to both B2B and B2C customers. A large part of the sales are B2B, mainly to BilXtra workshops. Other sales are comprised of car accessories to consumers through the stores. The target group is mainly young men between 20–30 years old who like to personalise their cars using car accessories.

Significant events during the year

Sørensen og Balchen experienced strong sales growth to affiliated BilXtra workshops and also had strong sales growth in accessories, such as through the proprietary brand Carwise.

MECA Scandinavia – key figures 2016 and 2015

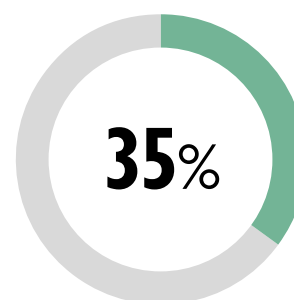
	2016	2015 ¹⁾
Net sales (external), SEK M	2,039	1,871
EBITA, SEK M ²⁾	217	258
Operating profit (EBIT), SEK M ³⁾	205	245
EBITA margin, % ³⁾	10	14
Operating margin (EBIT margin), % ³⁾	10	13
Number of stores/of which proprietary	85/75	85/72
Number of MECA Car Service workshops	711	676
Number of Mekonomen Bilverkstad workshops ²⁾	–	102
Number of MekoPartner workshops ²⁾	–	39
Average number of employees	751	699

¹⁾ Excluding discontinued store operations in Denmark.

²⁾ 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.

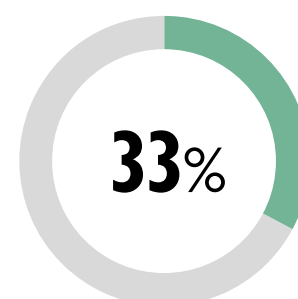
³⁾ Including negative non-recurring items of SEK 25 M (3).

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 2016 and 2015**

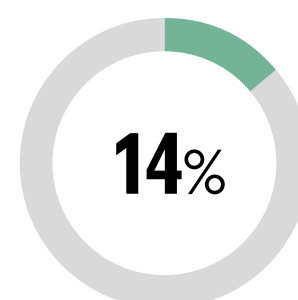
	2016	2015
Net sales (external), SEK M	1,891	1,925
EBITA, SEK M	190	289
EBIT, SEK M	187	287
EBITA margin, %	10	14
EBIT margin, %	10	14
Number of stores/of which proprietary	132/112	134/113
Number of Mekonomen Service Centres	427	439
Number of MekoPartner Workshops	127	125
Average number of employees	706	771

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

Share of the Group's net sales**Mekonomen Norway – key figures 2016 and 2015**

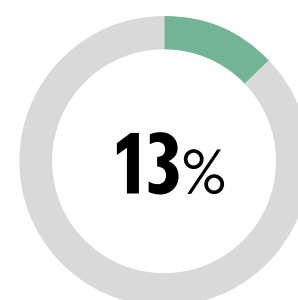
	2016	2015
Net sales (external), SEK M	836	814
EBITA, SEK M	132	151
EBIT, SEK M	132	151
EBITA margin, %	15	18
EBIT margin, %	15	18
Number of stores/of which proprietary	45/32	45/32
Number of Mekonomen Service Centres	339	345
Number of MekoPartner Workshops	93	97
Average number of employees	263	261

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

Share of the Group's net sales**Sørensen og Balchen – key figures 2016 and 2015**

	2016	2015
Net sales (external), SEK M	725	729
EBITA, SEK M	117	117
EBIT, SEK M	117	116
EBITA margin, %	16	16
EBIT margin, %	16	16
Number of stores/of which proprietary	72/37	70/35
Number of BilXtra workshops	255	246
Average number of employees	257	273

Sørensen og Balchen conducts wholesale, store and workshop operations.

Share of the Group's net sales

OUR SUSTAINABILITY WORK

In 2015, a new sustainability strategy was developed that governs the Group's sustainability efforts until 2020. The focus areas have been prioritised based on the core values, code of conduct, business benefit and dialogue with the company's stakeholders.

Mekonomen Group's sustainability strategy is based on our materiality analysis where we have mapped internal and external stakeholders' views of what sustainability factors are the most important for Mekonomen Group. The work of analysing significant areas was begun in 2014 when Group Management, managers and employees in Mekonomen Group participated in an internal workshop. It was subsequently supplemented with an analysis, which shows the Group's work in relation to the United Nations Global Compact, of which the Mekonomen Group has been a participant with since 2013. This means that the Group commits to the UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption. The materiality analysis was also put into a wider perspective, in which consideration was given to 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. In 2017, the materiality analysis will be developed with a gap analysis to review our Sustainability Report in relation to the new legislation that entered into effect on 31 December 2016 that covers all large companies.

Our most important sustainability issues and priorities have been divided 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. In that we have affiliated workshops, the area of Training also concerns external stakeholders. All areas concern our internal stakeholders and have an impact and are managed in the Group.

Organisation and governance

The sustainability work within Mekonomen Group is an integrated part of the operations as a part of the business benefit. 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 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.

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

The work on our focus areas takes place at different levels and scopes in the Group's companies. We have begun to coordinate the work in the sustainability area with strategies and targets for a common minimum level until 2020.

Sustainability shall contribute to business value

As an industry leader, our decisions and priorities have a direct impact on our employees and customers, but also on our industry as a whole and our surrounding world. Consequently, we have to take responsibility and be at 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.

Our sustainability efforts should contribute to:

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

About the Sustainability Report

The Sustainability Report comprises all of Mekonomen Group's self-owned operations in the Nordic region and pertains to the 2016 financial year. The Sustainability Report was prepared according to the Global Reporting Initiative's (GRI) guidelines for sustainability reporting, with the G4 Core reporting alternative.

Mekonomen Group is a signatory to the UN Global Compact and the Sustainability Report 2016 also constitutes our Communication of Progress report to the UN Global Compact.






Vision until 2020

- Enable recruitment of 500 mechanics.
- Employee Satisfaction Index (ESI): 95.
- 35 per cent women in senior positions.
- 95 per cent of the Group's mechanics 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.
- Suppliers that account for 95 per cent of the Group's purchasing volumes have signed the UN Global Compact.

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, Mine, Stiftelsen En Frisk Generation, Glada Hudik-Teatern, Telge Tillväxt and Diversity Charter Sweden) 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.



Stakeholders	Dialogue format	Important issues
<p>Customers</p> 	<ul style="list-style-type: none"> • Continuous dialogue, customer service. • Consumer surveys. • Customer satisfaction surveys (NPS). • Newsletters, information on websites. • Social media. 	<ul style="list-style-type: none"> • High level of customer service. • Workshop quality. • Affordability. • Availability.
<p>Employees</p> 	<ul style="list-style-type: none"> • Annual employee talks with continuous follow-up during the year. • Employee survey every two years. • Courses. • Conferences. 	<ul style="list-style-type: none"> • Work environment, health and safety. • Leadership and development. • Terms of employment. • Impact and commitment.
<p>Owners and analysts</p> 	<ul style="list-style-type: none"> • Annual Report. • Interim reports. • Capital market days. • Roadshows and individual meetings. 	<ul style="list-style-type: none"> • Supplier inspections. • Transparency. • Governance.
<p>Suppliers</p> 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Signatures and compliance with the UN Global Compact's principles. • Product quality and safety.
<p>Society</p> 	<ul style="list-style-type: none"> • Presentations at seminars and other meetings. • Collaboration with NGOs and authorities. 	<ul style="list-style-type: none"> • Diversity. • Skills and training. • Greater knowledge about our operations.

COMMITTED EMPLOYEES WITH THE CUSTOMER IN FOCUS

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.

Diversity contributes to greater business value

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. Diversity is also important in order to create renewal and change in our traditional industry. For us, diversity is about the value of differences among our employees when it comes to gender, ethnic background, age, education and experience. Mekonomen Group has an age distribution in which around 45 per cent of the employees are under the age of 35, about 32 per cent of the employees are between 35 and 50, and around 23 per cent of the employees are over 50. Creating an even gender distribution in our traditionally male industry is a major challenge for us. The proportion of women in Mekonomen Group is currently about 17 per cent. In order to get a more even distribution, we are working to introduce clearer processes in recruitment. Among other things, we strive to identify both male and female final candidates when filling positions. It is important to set an example at every level in the company, not least in the management groups. Our vision for 2020 is to have at least 35 per cent women in management positions.

Conscientious employees

We believe that conscientious and committed employees, who work in a sustainable work environment, create a high level of health attendance and good results. Sickness absence in the Group is 4 per cent in total.

Understanding of the company's values and strategy, and clear leadership creates a common direction and culture. In Mekonomen Group, we annually gather the company's management groups to go through strategy, discuss current challenges and collaborate over the Group's company boundaries. In conjunction with the management conference, the Mekonomen Group

The Antonia Ax:son Johnson prize for the Mechanic of the Year was awarded to Jörgen Oien, Meca Tech's AS in Norway in 2016.

Awards are held where we name the store, workshop, mechanic, employee and company of the year to support our culture. During the year, we also held training for our managers in the work environment to ensure that they can accept delegation of their work environment duties and work for a sound psychosocial and safe work environment.

Mechanic of the Year

The Antonia Ax:son Johnson prize for the Mechanic of the Year was awarded to Jörgen Oien, Meca Tech's AS in Norway in 2016.



Impact on the workplace

Professionalism in the local operations is important to the Group's success. Our employees should be able to influence their work at the local workplace and create a balance between working life and leisure time. In addition to an annual employee talk, managers in Mekonomen Group are responsible for continuously conducting the dialogue in issues concerning the work environment, the work situation, skills development and career paths.

Through our training programmes, we want to ensure that our employees have the opportunity to continuous development in their current role or through new challenges in the Group. Internal recruitment is common both within and between companies in Mekonomen Group. Clear goals and feedback on results, both from the Group and our local managers, are important to ensure the employees are motivated. Long-term follow-up of the employees' views of us as a company is done every two years through an employee survey. The next survey will be done in autumn 2017.

Core values

Internally, business ethics are handled 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 externally on the website mekonomen.com. The Code of Conduct also provides information on the Group's whistle-blower function that was introduced in 2011. To further anchor business ethics and the company's operations among our employees, work was begun in 2016 to develop introduction training directed at new employees in the Group. Content that concerns the Code of Conduct, whistle-blowing and anti-corruption will also be compulsory for employees who already work in the Group.

Automotive engineers – a profession of the future!

Besides our employees, our long-term core business is dependent on us supporting our business partners, the workshops, in the recruitment of more mechanics with a high level of technical expertise. Modern car workshops need more mechanics who are more likely to be called automotive engineers rather than traditional auto mechanics. In Swedish upper-secondary schools, too few mechanics are graduating with enough expertise in relation to the actual needs in the industry. The shortage of expertise is due to a shortage of interest in the profession combined with the fact that traditional automotive programmes do not maintain an adequate level of quality in the training.

To find the 500 mechanics needed in Mekonomen Group, we have improved validation tests to quickly assess the existing skills of a mechanic. In the subsidiary ProMeister Solutions, we have begun the development of staffing and recruitment services to thereby support our workshops in their continued development. Through our training centre ProMeister Academy, we offer skills development in all areas of a modern auto workshop. We also cooperate with the Public Employment Service to recruit newly arrived residents of Sweden with technical or mechanical backgrounds.

OUR VALUES

Responsibility

We assume responsibility for our operating environment, shared resources and have confidence in the knowledge and ability of our employees. Our customers associate us with high quality.

Competency

We have a high level of expert knowledge within the areas in which we operate and this means that our customers perceive us as reliable and knowledgeable.

Customer orientation

We place the customer first and satisfy our customers' expectations, which means that our customers understand that we have a comprehensive view.

Flexibility

We seek new ideas and continuously evolve to meet the needs of our existing and prospective customers. This means that our customers perceive us as innovative.

Business orientation

We generate strong financial results, with a balance between short and long-term earnings. We are perceived as affordable by the customer.

Number of employees

2290

Number of employees under the age of 35

45%

Vision for the number of women in senior positions

35%

Sickness absence in the Group

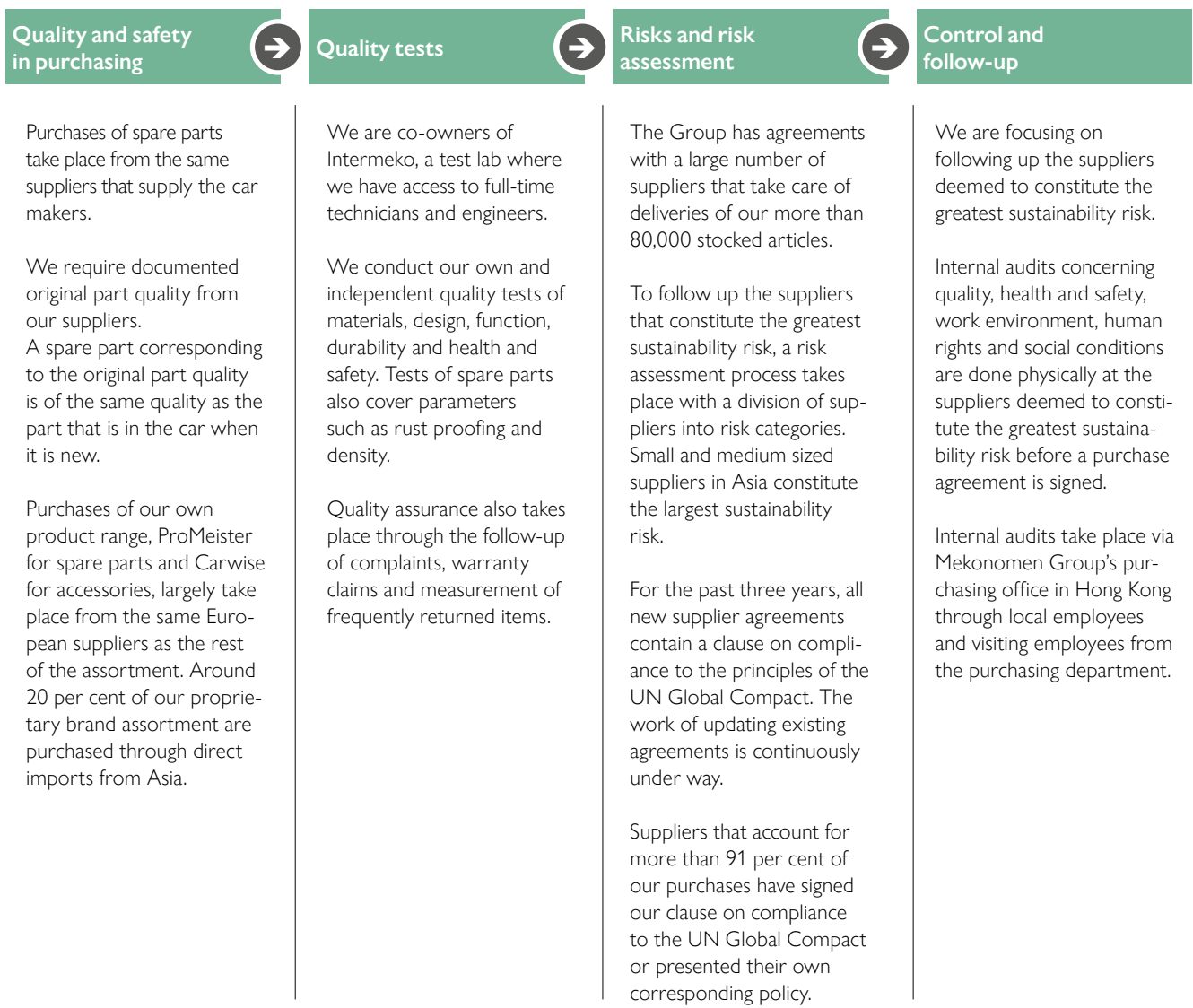
4%

As a part of improving the attractiveness of the profession and improving the quality of the training, we will begin our own upper-secondary school programme for automotive engineers in the autumn semester of 2017 – the ProMeister programme. In 2016, together with the educational player Lärande i Sverige, which operates the Realgymnasiet upper-secondary school at several locations in Sweden, we developed the programme syllabus and began recruitment of future students in Stockholm and Lund. There is great interest in the ProMeister programme in both cities.

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 Mekonomen Group’s quality and safety work in the purchasing process



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 central purchasing organisation that secures all major purchasing agreements for our Group companies, we have better control over suppliers and the flow of products. Our supplier agreements contain clauses that include anti-corruption by referring to the United Nations Global Compact. In 2016, Mekonomen Group had no reported cases of corruption.

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 certified according to ISO 14001. 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. We have begun an audit of the operations according to a process from the Swedish Energy Agency with the aim of identifying steps to reduce energy consumption in the Group. This work mainly concerns Sweden, but will in the future be implemented in part or in whole in our Norwegian operations. 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.

Measurement and follow-up of the Group's CO₂ emissions have been initiated in the areas of business travel and company cars. In coming years, the impact from delivery transports from the central warehouse in Strängnäs and between our store and workshop network will be compiled for the entire Group.

The commenced centralisation of the warehouse structure will entail more efficient logistics for deliveries of spare parts and accessories throughout the Nordic region.



Introduction of eco-labelled energy is under way in the Group.

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 2015/2016 financial years

- For the 2015 financial year, the Group reported quality deficiencies in the lamp category. Replacement products were brought in during the procurement of a new supplier and the launch of a new quality assured assortment took place in autumn 2016.
- The Group's acquisition of the subsidiary Opus Equipment in 2015 was accompanied by a factory building. Deficiencies in the work environment and labour law conditions were resolved by the ten employees being moved to a facility the better suited to the operations. All deficiencies have thereby been resolved.
- In 2016, the Group recalled a specific model of Volvo cars for the replacement of drive belts as a result of product faults. A recall also took place of a Carwise jack due to deficient quality and a Carwise mobile charger due to deficient information on the product and supplier.

SIMPLER CAR LIFE

— CUSTOMER IN FOCUS

Our customer promises are based on our values. We put the customer first and focus on always meeting and exceeding our customers' expectations. The customers should associate us with high quality, affordability and innovation.

Customers as our ambassadors

We want our customers to be our ambassadors and recommend us to others. In 2016, the customer evaluation tool, Net Promoter Score (NPS), was introduced for the workshop chains Mekonomen Bilverkstad and MECA Car Service. The method shows what percentage of the customers are ambassadors based on a scale that extends from minus 100 to plus 100.

Result for Mekonomen Bilverkstad: NPS value 53.47. Result for MECA Car Service: NPS value 57.00.

700 new customer recipients for workshop services

The most important dialogue with customers takes place in our stores and workshops. With the launch of the price direct service, the customers can themselves or via an employee at Mekonomen Sweden, directly book workshop services at a fixed price regardless of whether the customer is in a store, workshop, on the phone or at the computer.

Customer promise

We sell quality spare parts from the same suppliers that supply parts to the car makers. The parts match original part quality, which means that same spare part quality as what is in the car when it is new. We also offer an extensive network of stores with knowledgeable employees who can give you advice and help in your car life.

When you use one of our workshops, we guarantee the quality of the work done. The mechanics who work in our workshops continuously undergo skills development to be able to take care of your car. We are also affordable. You get the same high quality and stamp in your service book and retain the new car warranty, at a lower price than at a brand-dependent player.



**“WE PUT THE CUSTOMER FIRST
AND FOCUS ON ALWAYS MEETING
AND EXCEEDING OUR CUSTOMERS’
EXPECTATIONS.”**



We make car life simpler
Mekonomen Group has more than 1 million loyalty customers tied to the Group's customer clubs in the Nordic region.

GRI REPORT

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 comprises the 2016 financial year and has been prepared according to the Global Reporting Initiative's G4 Core (GRI) guidelines for reporting sustainability information.

The Sustainability Report is presented as a part of Mekonomen Group's Annual Report 2016 and covers all of Mekonomen Group's proprietary operations in the Nordic region, including the Group companies MECA, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen. 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 presented key figures unless specifically stated in connection with the presented key figure.

Our GRI index presents the indicators chosen based on our significant issues and that we provide information on for 2016, and a cross reference to the principles in the UN Global Compact (UNGC). The GRI index also refers to information in the annual report for 2016. The sustainability information has not been audited by a third party. The most recent Sustainability Report was published on 21 March 2016.

Result for Mekonomen
Silverkstad. NPS value:

54.47

Result for MECA Car
Service. NPS value:

57.00

STANDARD DISCLOSURES

Description	Page	Comment/Reservation	UNGC principle
Strategy and analysis			
G4-1	Comment by the CEO	4	
Organisation profile			
G4-3	Organisation name	Mekonomen AB (publ)	
G4-4	Primary brands, products and services	14–15	
G4-5	Location of the organisation's headquarters	90	
G4-6	Countries where the Group operates	3	
G4-7	Ownership structure and corporate form	39–47	
G4-8	Markets served	2–3	
G4-9	Scale of the reporting organisation	1–3	
G4-10	Total number of employees	2, 23	
G4-11	Percentage of workforce covered by collective agreements	Over 97 per cent.	3
G4-12	Company's supply chain	24	
G4-13	Significant changes during the reporting period	33–38	No major changes have occurred
G4-14	Precautionary principle	24, 25	7
G4-15	External charters, principles and initiatives	20	
G4-16	Membership 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.	
Identified material aspects and boundaries			
G4-17	Units included or excluded	30–37	
G4-18	Process to define the reports contents	20–21	
G4-19	Identified material aspects	20–21	
G4-20	Descriptions of material aspect boundaries within the organisation	20–21	
G4-21	Descriptions of material aspect boundaries outside the organisation	20–21	
G4-22	Effect of any restatements of information provided in previous reports	No restatements have been made.	
G4-23	Significant changes in scope, delimitation or measurement methods compared to previous years' reports	No changes have occurred.	
Stakeholder engagement			
G4-24	Stakeholder groups	21	
G4-25	Identification and selection of stakeholders	21	
G4-26	Approach to stakeholder engagement	21	
G4-27	Key topics raised during stakeholder engagements	21	
Report profile			
G4-28	Reporting period	27	
G4-29	Latest report	27	
G4-30	Reporting cycle	27	
G4-31	Contact person for the report	gabriella.granholm@mekonomengroup.com	
G4-32	"In accordance" option, GRI Index and report assurance	27	
G4-33	Policy and current practice regarding report assurance	27	
Governance			
G4-34	Governance structure	20, 39–47	
Ethics and integrity			
G4-56	Values, principles, standards, code of conduct and ethical policy	20–23	10

SPECIFIC STANDARD DISCLOSURES

Material aspects	DMA and indicators	Description	Page	Comment/Reservation	Focus areas in Mekonomen's materiality analysis	UNGC principle
Environmental						
Energy	G4-DMA	Management approach of material aspects	20, 25			7, 8
	G4-EN3	Direct and indirect energy consumption per primary energy source	25		Transports and energy consumption	7, 8
Transportation	G4-DMA	Management approach of material aspects	20, 25			8
	G4-EN30	Environmental impact from transports and travel	25		Transports and energy consumption	8
Supplier environmental assessment	G4-DMA	Management approach of material aspects	20, 24			8
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	24		Responsible purchasing	8
Social						
Employment	G4-DMA	Management approach of material aspects	20			6
	G4-LA1	Total number of employees and personnel turnover, by age group, gender and region	22–23	The Group lacks complete data.	Managers and employees Diversity	6
Work environment, health and safety	G4-DMA	Management approach of material aspects	20, 22–23			
	G4-LA6	Rates of injury, occupational disease, lost days, absenteeism, and work-related fatalities per region	22	The Group lacks complete data.	Managers and employees	
Training and education	G4-DMA	Management approach of material aspects	16, 20, 22–23			6
	G4-LA9	Average number of training and education hours per employee and year, divided by personnel categories	16	The Group lacks complete data.	Managers and employees Training	6
Equality and diversity	G4-DMA	Management approach of material aspects	20, 22–23			6
	G4-LA12	Composition of the board, management and employees broken down by indicators of diversity	22, 46–47	The Group lacks complete data.	Managers and employees Diversity	6
Supplier assessment for labor practices	G4-DMA	Management approach of material aspects	20, 24			
	G4 LA14	Percentage of new suppliers that were screened using labor practices criteria	24		Responsible purchasing	
Human rights						
Non-discrimination	G4-DMA	Management approach of material aspects	20, 22–33			6
	G4-HR3	Total number of incidents of discrimination and corrective actions taken		No cases of discrimination were reported in 2016	Diversity	6
Supplier human rights assessment	G4-DMA	Management approach of material aspects	20, 24			2
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	24		Responsible purchasing	2
Society						
Anti-corruption	G4-DMA	Management approach of material aspects	20, 25			10
	G4-S04	Percentage of employees who have undergone training in the organisation's policies and procedures regarding anti-corruption	24	The Group intends to report this indicator in greater detail in the 2017 sustainability report.	Responsible purchasing	10
	G4-S05	Actions taken due to corruption incidents	25		Responsible purchasing	10
Product responsibility						
Product and workshop quality	G4-DMA	Management approach of material aspects	20, 24			
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	24–25		Product and workshop quality	
Labelling of products and services	G4-DMA	Management approach of material aspects	24–25			
	G4 PR5	Procedures for customer satisfaction, including results from customer surveys	26–27		Customer satisfaction	

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 2016, the total market value of the company was SEK 6.2 billion. The share's highest closing price in 2016 was quoted at SEK 205.0 on 3, 4 and 10 May. The lowest closing price was quoted on 24 November at SEK 152.5. At 31 December 2016, there were 9,484 shareholders.

As per 31 December 2016, 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 75 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 2016 of 4.1 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 2016, we had individual meetings with some 60 managers and analysts, both Swedish and international.

Besides presentations in connection with interim reports and the Annual General Meeting, in March 2016, we held a capital

market day where we presented Mekonomen Group's operations and strategy for the future to investors, analysts, media and other stakeholders. In 2016, we also participated in a number of large investor seminars and share meetings of the Swedish Shareholders' Association.

Holding per ownership category



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 December 2016

Name	Number of shares	Votes and capital, %
LKQ Corporation	9,516,235	26.5
Fjärde AP-Fonden	2,898,195	8.1
Lannebo Fonder	2,053,445	5.7
Eva Fraim Pählman	2,009,176	5.6
Handelsbanken Fonder	1,873,400	5.2
Swedbank Robur Fonder	1,173,631	3.3
Didner & Gerge Fonder	1,071,991	3.0
Ing-Marie Fraim Sefastsson	1,000,000	2.8
Catella Fonder	689,307	1.9
Fidelity	662,790	1.8
Swolder	621,367	1.7
Kempen Capital Management	554,959	1.5
Försäkringsbolaget PRI	429,323	1.2
Dimensional Fund Advisors	327,578	0.9
Leif Möller	319,700	0.9
Total 15 largest shareholders	24,881,397	69.3
Other	11,020,090	30.7

Source: Modular Finance

Holding per size class, 31 December 2016

Size class	Number of shareholders	Number of shares	Votes and capital, %
1 – 100	4,588	182,155	0.5
101 – 200	1,311	225,858	0.6
201 – 300	541	149,627	0.4
301 – 400	880	345,706	1.0
401 – 500	377	184,517	0.5
501 – 1,000	864	720,708	2.0
1,001 – 2,000	428	683,381	1.9
2,001 – 5,000	264	880,870	2.5
5,001 – 10,000	87	647,750	1.8
10,001 – 20,000	46	671,298	1.9
20,001 – 50,000	44	1,492,992	4.2
50,001 – 100,000	18	1,236,995	3.4
100,001 – 10,000,000	36	28,479,630	79.3
Total	9,484	35,901,487	100.0

Source: Modular Finance

Data per share

Amounts in SEK per share unless otherwise stated	2016	2015	2014	2013	2012
Profit, continuing operations	9.32	11.77	12.80	9.81	11.57
Profit, discontinued operations	0.00	0.00	-9.46	-1.25	-0.76
Profit	9.32	11.77	3.34	8.56	10.80
Cash flow	15.1	12.2	11.5	15.5	14.9
Shareholders' equity	64.4	59.7	57.5	62.1	64.2
Dividend ¹⁾	7.00	7.00	7.00	7.00	7.00
Share of profit paid, %	75	59	210	82	65
Share price at year-end	171.5	173.0	204.0	198.0	206.5
Share price, highest for the year	207.0	234.5	207.0	233.0	246.0
Share price, lowest for the year	150.5	170.0	139.0	189.0	180.0
Direct yield, %	4.1	4.0	3.4	3.5	3.4
P/E ratio at year-end, multiple	18.4	14.7	61.1	23.1	19.1
Average number of shares after dilution effects ²⁾	35,901,487	35,901,487	35,901,487	35,901,487	34,695,410
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	9,484	9,373	9,664	8,355	8,138

¹⁾ The Board's proposal for 2016.²⁾ 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 25 April 2017 at SF Skandia, Drottninggatan 82, 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 19 April 2017, and
- notify the company of their intention to attend the meeting no later than 19 April 2017. 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 19 April 2017 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 27 April 2017 as the record day for the dividend. If the Annual General Meeting adopts the proposal, the dividend is expected to be paid on Wednesday, 3 May 2017. The final day for trading the company's shares including the right to dividends is 25 April 2017.

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 2017	10 May 2017
Interim report	January–June 2017	28 July 2017
Interim report	January–September 2017	7 November 2017
Year-end report	January–December 2017	9 February 2018

Investor relations contacts

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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	–
Nordea	Stellan Hellström
Pareto Securities	Erik Paulsson
SEB	Nicklas Fhärm
Swedbank	Mats Liss

ADMINISTRATION REPORT

The Board of Directors and President of Mekonomen AB (publ.) corporate identity number 556392-1971, hereby submit the Annual Report and consolidated financial statements for the 2016 financial year.

General

Mekonomen Group consists of the leading car service chains in the Nordic region with a proprietary wholesale operation, more than 340 stores and over 2,000 affiliated workshops operating under the Group's brands.

Mekonomen Group comprises the Group companies MECA Scandinavia, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen. The companies mainly cooperate in purchasing and logistics. There is full competition in the market, however. Our strong brands have differentiated concepts, target groups and individual development focus.

We offer a broad and easily accessible range of affordable and innovative solutions and products for consumers and companies. Mekonomen Group's three brands MECA, Mekonomen and BilXtra are responsible for their own wholesale operations. The approximately 340 stores deliver to more than 2,000 affiliated workshops and to other workshops and consumers. In the Group, there are also around 30 proprietary workshops.

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 2016 are LKQ Corporation, with 26.5 per cent, Fjärde AP-Fonden, with 8.1 per cent and Lannebo Fonder, with 5.7 per cent.

Financial year

The 2016 financial year has been an eventful year for Mekonomen Group, where important decisions were made and several efforts were done to strengthen the Group for the future. However, the year was also largely affected by the weak development in Mekonomen Sweden.

In 2016, Mekonomen Group's revenue for the continuing operations increased 3 per cent to SEK 5,937 M (5,761) and operating profit (EBIT) amounted to SEK 481 M (616).

A strong sales increase to MECA Car Service workshops was an important factor behind MECA's sales growth during the year.

In 2016, Sørensen og Balchen generated its best earnings to-date, with a good sales trend to affiliated BilXtra workshops and a good development in accessory sales and cost control.

The lower earnings mainly in Mekonomen Sweden resulted in an action programme with savings of SEK 25 M annually, with full effect from 2017. In connection with the action programme, there was also a break in the roll-out of the new store data system in Sweden.

After the end of the period, the action programme was expanded to SEK 45 M, where the increase covers the whole Mekonomen Group, with full effect as of the third quarter of 2017.

During the year, we have seen a gross margin pressure, mainly in Norway, which is primarily due to the growth of the proportion of our sales to affiliated workshops and large customers, and to price competition in Norway. We believe that this trend will continue in the future.

The Group-wide proprietary brand ProMeister continues to develop and sales of ProMeister spare parts amounted to nearly SEK 600 M in 2016. Sales to affiliated workshops also demonstrated good growth during the year.

During the year, MECA established the heavy vehicles business area for Mekonomen Group. In addition to spare parts for cars and light trucks, the Group now also offers spare parts for vehicles over 3 tonnes. This effort began with a framework agreement with Nobina regarding deliveries of batteries to the public transport operator's vehicle fleet and depots in Sweden, Norway, Denmark and Finland.

The remaining Danish operations were divested in December 2016 to the Danish company T. Hansen Gruppen/AD Danmark. Besides stock, staff and rental agreements, the divestment also included T. Hansen Gruppen/AD Danmark being given the right to use the Mekonomen brand in Denmark and operate the workshop chains Mekonomen Autoteknik and MekoPartner. In connection with the divestment, a delivery agreement was established between MECA and T. Hansen Gruppen/AD Danmark as a part of the transaction.

As a part of streamlining the logistics structure, the decision was made in 2016 to centralise the stock structure in Mekonomen Group through the renovation of Mekonomen's central warehouse in Strängnäs with a new fully automated section. The project will be under way in the next few years and positive EBIT is estimated as of 2020.

In Mekonomen Sweden, a fleet agreement was signed with LKAB on the delivery of spare parts to the mining company's operations in Kiruna, Svappavaara, Malmberget and Luleå. LKAB's vehicle fleet consists of approximately 900 vehicles (cars and light trucks), which are largely used in mining.

For the third consecutive year, Mekonomen has been named the strongest brand in the industry for "Car parts and auto workshops". The prize was awarded during the Swedish Brand Awards 2016 and is based on a survey of Sweden's consumers regarding customer satisfaction and brand awareness.

MECA acquired a customer portfolio for oil sales to industrial customers in Norway.

In 2016, Mekonomen Group established an upper-secondary education programme for mechanics. The first programme is planned to begin in autumn 2017.

In October, Pehr Oscarson was appointed the acting CEO of Mekonomen Group after former CEO Magnus Johansson resigned. After the end of the financial year, the Board appointed Pehr Oscarson as the President and CEO, effective as of 1 March 2017.

The total number of stores in the chains at the end of the year was 342 (342), of which 261 (257) were proprietary stores. There were a total of 2,021 affiliated workshops (2,126).

Revenue

Revenue for the continuing operations rose 3 per cent to SEK 5,937 M (5,761). Excluding the acquisition of Opus Equipment for the period January to June 2016, revenue rose by 2 per cent. Adjusted for negative currency effects of SEK 69 M, revenue increased 4 per cent. There were two more workdays in Sweden, Norway and Finland and three more days in Denmark compared with the previous year. Calculated on comparable workdays and adjusted for currency effects, revenue increased 4 per cent. Sales in comparable units rose 4 per cent. Other operating revenue mainly comprises of rental income, marketing subsidies and exchange-rate gains.

Operating profit before amortisation and impairment of intangible assets, EBITA

EBITA for the continuing operations amounted to SEK 594 M (726) and the EBITA margin amounted to 10 per cent (13). Earnings were negatively impacted by non-recurring effects of SEK 58 M (negative: 22), of which SEK 25 M (0) related to the divestment of the Danish export operations and SEK 13 M (0) pertained to personnel-related non-recurring costs for people who were a part of Group Management, primarily SEK 11 M (0) for the former CEO, and SEK 6 M (0) related to the recall of Volvo cars where defective driving belts were installed. Excluding the divestment, MECA's export business to Denmark negatively impacted EBITA by SEK 27 M (negative 31). Currency effects on the balance sheet positively impacted EBITA by SEK 3 M (0).

Operating profit, EBIT

EBIT for the continuing operations amounted to SEK 481 M (616) and the EBIT margin amounted to 8 per cent (11). Earnings were negatively impacted by non-recurring effects of SEK 58 M (negative: 22), of which SEK 25 M (0) related to the divestment of the Danish export operations and SEK 13 M (0) pertained to personnel-related non-recurring costs for people who were a part of Group Management, primarily SEK 11 M (0) for the former CEO, and SEK 6 M (0) related to the recall of Volvo cars where defective driving belts were installed. Excluding the divestment, MECA's export business to Denmark negatively impacted EBIT by SEK 27 M (negative 31). Currency effects on the balance sheet positively impacted EBIT by SEK 3 M (0).

Specification of impact of non-recurring effects on EBIT, SEK M

	2016	2015
Gross profit	-42	-11
Operating costs (excluding depreciation and impairment)	-13	-11
Impairment of tangible fixed assets	-3	-
EBIT	-58	-22

Profit after financial items

Profit after financial items for the continuing operations amounted to SEK 446 M (594). Net interest expense amounted to SEK 23 M (27) and other financial items to an expense of SEK 12 M (income: 5). Other financial items were negatively impacted by non-recurring effects of SEK 1 M (positive: 7).

Profit for the year

Profit after tax amounted to SEK 342 M (430) for the continuing operations, SEK 0 M (0) for discontinued operations and SEK 342 M (430) in total. Corporate tax in Norway was lowered from 27 per cent to 25 per cent as of 2016, which had a positive impact on the tax expense of

SEK 7 M. Tax deductions regarding Denmark are estimated at a total of SEK 76 M (54), of which SEK 10 M (negative 6) positively affected the year's tax expense. Earnings per share, before and after dilution, amounted to SEK 9.32 (11.77) for the continuing operations, SEK 0.00 (0.00) for discontinued operations and SEK 9.32 (11.77) in total.

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 primarily includes wholesale and store operations in Sweden and Norway, the export business to Denmark to the end of 28 December 2016, and delivery and service of workshop equipment in Opus Equipment. As of 1 January 2015, store operations in Denmark are presented as discontinued operations and therefore are not included in the MECA segment.

Net sales (external) amounted to SEK 2,039 M (1,871). The currency effect in net sales against the NOK was a negative SEK 26 M. The underlying net sales increased 10 per cent.

EBITA amounted to SEK 217 M (258) and the EBITA margin amounted to 10 per cent (14). MECA's operating profit amounted to SEK 205 M (245) and the EBIT margin was 10 per cent (13).

A strong sales increase to MECA Car Service workshops was an important factor behind MECA's sales growth during the year.

The Danish export operations, which were divested to T. Hansen Gruppen on 28 December, negatively impacted MECA's EBIT by SEK 52 M (negative 31), of which SEK 25 M is a non-recurring effect related to the divestment. Net sales for the export business to Denmark amounted to SEK 67 M (54) during the year.

Relative to the comparative period, Opus Equipment AB, which was acquired on 1 July 2015, impacted MECA's net sales by SEK 54 M, and EBIT negatively by SEK 4 M. Opus Equipment had a negative development during the year. Actions have been taken to strengthen profitability in Opus Equipment.

During the year, MECA had a negative effect on the gross margin from a higher proportion of sales to large customers. In Norway, oil sales to industrial customers were developed during the year.

The number of stores amounted to 85 (85), of which 75 (72) were proprietary.

Mekonomen Sweden

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

Net sales (external) amounted to SEK 1,891 M (1,925). The underlying net sales decreased 3 per cent.

Operating profit before amortisation and impairment of intangible assets (EBITA) amounted to SEK 190 M (289) and the EBITA margin amounted to 10 per cent (14). Operating profit (EBIT) amounted to SEK 187 M (287) and the EBIT margin amounted to 10 per cent (14).

EBIT was negatively impacted by non-recurring costs of SEK 19 M (16).

Since the organisational change that was implemented at the end of 2015 entailed a negative effect on sales and increased personnel costs, a more decentralised sales organisation was reintroduced in Mekonomen Sweden in the fourth quarter.

The new store data system, which negatively impacted sales and earnings during the year, was gradually adapted and improved and the assessment is that the system did not negatively impact sales as of the end of the year in the 30 stores in which it was installed. Continued implementation in 2017 will only take place if we over a longer period have at least the same growth and profitability in these 30 stores as in the other stores in Mekonomen Sweden.

The number of stores amounted to 132 (134), of which 112 (113) were proprietary.

Mekonomen Norway

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

Net sales (external) amounted to SEK 836 M (814). The underlying net sales increased 5 per cent. The currency effect in net sales against the NOK was a negative SEK 23 M.

Operating profit before amortisation and impairment of intangible assets (EBITA) amounted to SEK 132 M (151) and the EBITA margin amounted to 15 per cent (18). Operating profit (EBIT) amounted to SEK 132 M (151) and the EBIT margin amounted to 15 per cent (18).

Operating profit was negatively impacted by non-recurring costs of SEK 1 M regarding the recall of Volvo cars where defective driving belts had been installed. During the comparative period, Mekonomen Norway was negatively impacted by non-recurring effects of SEK 1 M.

In Mekonomen Norway, the most important driver of growth during the year was sales to Mekonomen Service Centres, which however combined with greater competition had a negative effect on the gross margin. During the fourth quarter, growth was more evenly distributed between other workshops and Mekonomen Service Centres.

The number of stores amounted to 45 (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) amounted to SEK 725 M (729). The underlying net sales increased 1 per cent. The currency effect in net sales against the NOK was a negative SEK 20 M.

Operating profit before amortisation and impairment of intangible assets (EBITA) amounted to SEK 117 M (117) and the EBITA margin amounted to 16 per cent (16). Operating profit (EBIT) increased to SEK 117 M (116) and the EBIT margin amounted to 16 per cent (16).

Sørensen og Balchen had a good sales trend to affiliated BilXtra workshops, as well as a strong development of accessory sales, such as those through its own brand Carwise, which in combination with greater competition had a negative effect on the gross margin, however. Sørensen og Balchen has maintained good cost control.

The number of stores amounted to 72 (70), of which 37 (35) were proprietary.

Acquisitions and start-ups

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

Investments

Investments in fixed assets for the year amounted to SEK 111 M (103). Depreciation and impairment of tangible fixed assets amounted to SEK 62 M (57).

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 expansion will take place with

the aim of creating a shared, flexible and cost-effective supply chain platform in the Group. The estimated investment is SEK 190 M during the period 2016-2018 with full EBIT effect from savings of SEK 50 M per year beginning in 2020. Capital tied-up is estimated to decrease by SEK 80 M with full effect beginning in 2020.

Company and business combinations amounted to SEK 31 M (68), of which SEK 14 M (0) relates to the estimated supplementary purchase considerations. Acquired assets totalled SEK 5 M (79) and assumed liabilities SEK 0 M (38). In addition to goodwill, which amounted to SEK 5 M (16), surplus values on intangible fixed assets of SEK 21 M (12) were identified with regard to customer relations. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 0 M (1). Acquired non-controlling interests amounted to SEK 14 M (17) and divested minority shares to SEK 0 M (9). Divested operations amounted to SEK 29 M (9).

Financial position and cash flow

Mainly as a result of less working capital tied up, the cash flow from operating activities increased to SEK 544 M (439), of which discontinued operations accounted for SEK -17 M (-134). Tax paid amounted to SEK 153 M (189). Cash and cash equivalents amounted to SEK 291 M (295) at year-end. The equity/assets ratio was 43 per cent (40). Long-term interest-bearing liabilities amounted to SEK 1,338 M (1,469). Current interest-bearing liabilities amounted to SEK 404 M (461).

Net debt amounted to SEK 1,437 M (1,626), which is a decrease of SEK 190 M since year-end. It is primarily a positive cash flow from operating activities that reduced net debt during the year. The items that increased net debt are mainly share dividends of SEK 259 M, of which SEK 251 M was a dividend to the Parent Company's shareholders, as well as investments and acquisitions. SEK 136 M in loans were repaid during the year.

Employees

The number of employees in continuing operations at the end of the year was 2,290 (2,348) and the average number of employees during the year was 2,287 (2,290).

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.

Diversity

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 aim is for Mekonomen Group's work sites to reflect our customer target groups and the society in which we live, and thus create business value in a credible manner.

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 opportuni-

ties 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 mechanics in all of the Group's workshop chains. Skills development is offered in new technologies, customer service and professionalism. In 2016, interest in hybrid car training grew strongly. Since the end of 2016, we also offer electric car training to meet the trend of more electric powered cars in the Nordic region in the future. Since ProMeister Academy was founded in 2013, the number of training days for mechanics increased by 15 per cent.

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 2017 Annual General Meeting.

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

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

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

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'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'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 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.

Furthermore, a long-term variable remuneration programme was adopted by the 2016 Annual General Meeting. The long-term variable remuneration is to be calculated on the Group's profit for the 2016-2018 financial years. A number of selected, business-critical senior executives will be offered the opportunity to participate in this long-term

programme, in addition to the six members of Group Management.

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 37 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	31
Exchange-rate fluctuations		
- NOK	+10	90
- EUR	+10	-96
Gross margin	plus a percentage point	58
Personnel costs	+1	-15
Interest, adjusted for interest-rate swap ²⁾	+1	-10

¹⁾ With all else equal, profit before tax for the 2016 financial year.

²⁾ The effect is based on the Group's net debt of SEK 1,437 M, as at 31 December 2016 adjusted for an 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 2016 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 15 M, 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 4 M, largely as a result of gains in the translation of accounts receivable.

The above estimated effect as of 31 December 2016 vary from month to month, depending on the size of the balance-sheet items at the closing date.

Risks and uncertainties

Competition

Mekonomen Group's primary competitors are players in the so-called brand-dependent segment, which traditionally had a high market share in the aftermarket for passenger cars.

Competition in spare-parts sales to workshops is considerable from both brand-dependent and brand-independent players. In the brand-independent trade in Sweden, there are more than 400 stores,

where the five largest players, including Mekonomen Sweden and MECA, and all have a range that covers most vehicle brands. The situation is similar in Norway with a few large players offering a comprehensive range but with competition from a number of smaller players, including online players. Brand-dependent players also compete with Mekonomen Group in the market for car part sales. In this market, availability is very important, which means that the rate of delivery is a key competitive factor.

In terms of accessories, Mekonomen Group competes with a large number of players from various industries, such as petrol stations, the convenience-goods trade, stores for products for children, stores for accessories for pets, electronic chains, etc.

Operational risks

The company is highly aware that the increasingly centralised IT structure could provide the Group with major advantages and improved opportunities. This also entails major risks in the form of operational stops in central 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.

Major emphasis is placed on the Group's fire prevention work since a fire at any of the Group's central warehouses would have a major impact on the service to the Group's customers.

Access to skilled mechanics in Mekonomen Group's affiliated workshops and in Mekonomen Group's proprietary workshops is important to the growth of Mekonomen Group. A shortage of mechanics inhibits the possibility to grow.

Cash management risk

Since the Group's operations include cash management, this entails a risk of theft, with respect to stores and transportation of cash to the bank. Mekonomen Group strives to provide the same level of solutions for security services, security systems and cash management for all companies within the Group.

Shrinkage

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. At Mekonomen Group, work is continuously in progress 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 higher vigilance on goods that are particularly theft-prone.

Financial risks

Through its operations, Mekonomen Group is exposed to currency, credit, interest-rate and liquidity risks. Refer to Note 37 for a description of the financial risks identified and managed by Mekonomen Group.

Parent Company and "Other"

The Parent Company's operations comprise mainly Group Management and finance management. As of 1 April 2016, all employees except Group Management were moved from the Parent Company to a central company that handles Group-wide functions for Mekonomen Group. The Parent Company's loss after net financial items amounted SEK 57 M (loss: 53), excluding impairment of participations in subsidiaries of SEK 28 M (35) and excluding dividends of SEK 47 M (489) from subsidiaries. The average number of employees was 7 (15). Mekonomen AB sold products and services to Group companies totalling SEK 35 M (37).

As of 1 January 2016, what was previously reported as "Other" has been divided up into "Other segments" and "Other items" and more units were added to "Other segments" from the now discontinued

Mekonomen Nordic segment. Comparative figures are recalculated. For further information, refer to Note 3 Segment information.

"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, Marinshopen, Meko Service Nordic with the service centre operations Billivet and Speedy, the Car Share operations, Mekonomen car leasing, the joint venture in Poland (InterMeko Europa), the associated company Automotive Web Solutions AB, Lasingoo Norge and Group-wide functions including Mekonomen AB (publ). EBIT for "Other segments" amounted to a loss of SEK 84 M (loss: 106). EBIT was negatively impacted by non-recurring effects of SEK 13 M (1). The 2016 effects related to personnel-related non-recurring costs for individuals who were members of Group Management, mainly the former CEO in an amount of SEK 11 M.

"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 in an amount of SEK -77 M (-77).

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 mainly takes place in the areas of energy, transportation and the handling of chemicals. Our wholesale facilities, proprietary stores and workshops in MECA Sweden and Norway and Mekonomen Sweden have achieved the most with their environmental work, for example, all of these facilities hold ISO 14001 certification. Mekonomen's proprietary operations in Sweden have come one step further by also holding occupational health and safety (OHSAS 18001) and quality management (ISO 9001) certifications. 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 24–25.

Events after the end of the year

Board members Caroline Berg and Mia Brunell Livfors made their positions available and at the Extraordinary General Meeting on 10 January 2017, in accordance with the proposal by LKQ, Joseph M. Holsten and John S. Quinn were elected as members of the company's Board of Directors. John S. Quinn was elected to be the Executive Vice Chairman.

The Board of Mekonomen AB appointed Pehr Oscarson the President and CEO of Mekonomen Group, effective as of 1 March 2017.

As stated in a press release on 6 March 2017, Per Hedblom is leaving the post of CFO at his own request for a new assignment with a different employer. The process of finding a new CFO for Mekonomen Group will begin immediately. Per Hedblom ends his position as CFO no later than September 2017.

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

Future development

Market growth was stable in 2016. On condition that scrapping or exports of cars do not increase, we see potential for a growing overall market in 2017, mainly due to strong new car sales in recent years and a growing fleet of cars in Sweden and Norway.

Our focus in 2017 is to drive growth in all of our Group companies, where the highest priority is breaking the trend in Mekonomen

Sweden. During the year, we will strengthen our customer offering, partly through launch of new categories in ProMeister and the launch of the next generation spare parts catalogue and e-commerce platform. We are also continuing to focus on the development of the offering to our affiliated workshops. The project to establish a new Swedish automated central warehouse is proceeding according to plan.

Even if the greatest focus is increasing sales, it is important that this takes place with good cost control. Consequently, we will increase our previously communicated cost and efficiency programme from SEK 25 M to SEK 45 M on an annual basis, with full effect as of the third quarter of 2017. We will also have greater focus on streamlining and optimising our warehouses in the stores to further strengthen cash flow.

The share

Share capital and ownership structure

As per 31 December 2016, 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 2016, refer to the table on page 31.

Authorisation

The Annual General Meeting resolved in April 2016 to authorise the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 3,590,149 shares.

At the end of the financial year, no new shares were issued under this authorisation.

Dividend policy

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

Shareholder agreements

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

Share dividends

The Board of Directors proposes a dividend of SEK 7.00 (7.00) per share. The Board proposes 27 April 2017 as the record day for the dividend. If the Annual General Meeting resolves to approve the proposal, the dividend will be paid on 3 May 2017. The final day for trading the company's shares including the right to dividends is 25 April 2017.

Board of Directors' work 2016

The Annual General Meeting on 12 April 2016 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's suggestion, the Annual General Meeting resolved to re-elect Kenneth Bengtsson (Chairman), Caroline Berg, Kenny Bräck, Malin Persson, Helena Skåntorp and Christer Åberg and to elect Mia Brunell Livfors as a new Board member (Executive Vice Chairman).

During 2016, the Board held 15 (12) 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, the Danish operations and recruitment of a new President. 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 41.

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 2016 Annual General Meeting, PricewaterhouseCoopers AB (PwC), with Authorised Public Accountant Lennart Danielsson as Auditor in Charge, was appointed as the auditing firm until the 2017 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	2,430,987
- Profit for the year	117,591
TOTAL	2,548,578
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	2,297,268
TOTAL	2,548,578

The Board's statement concerning the proposed dividend

Following the proposed dividend, the Parent Company's equity/assets ratio will amount to 58 per cent and the Group's equity/assets ratio to 40 per cent calculated on the balance-sheet date of 31 December 2016. 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 2017 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 160 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.

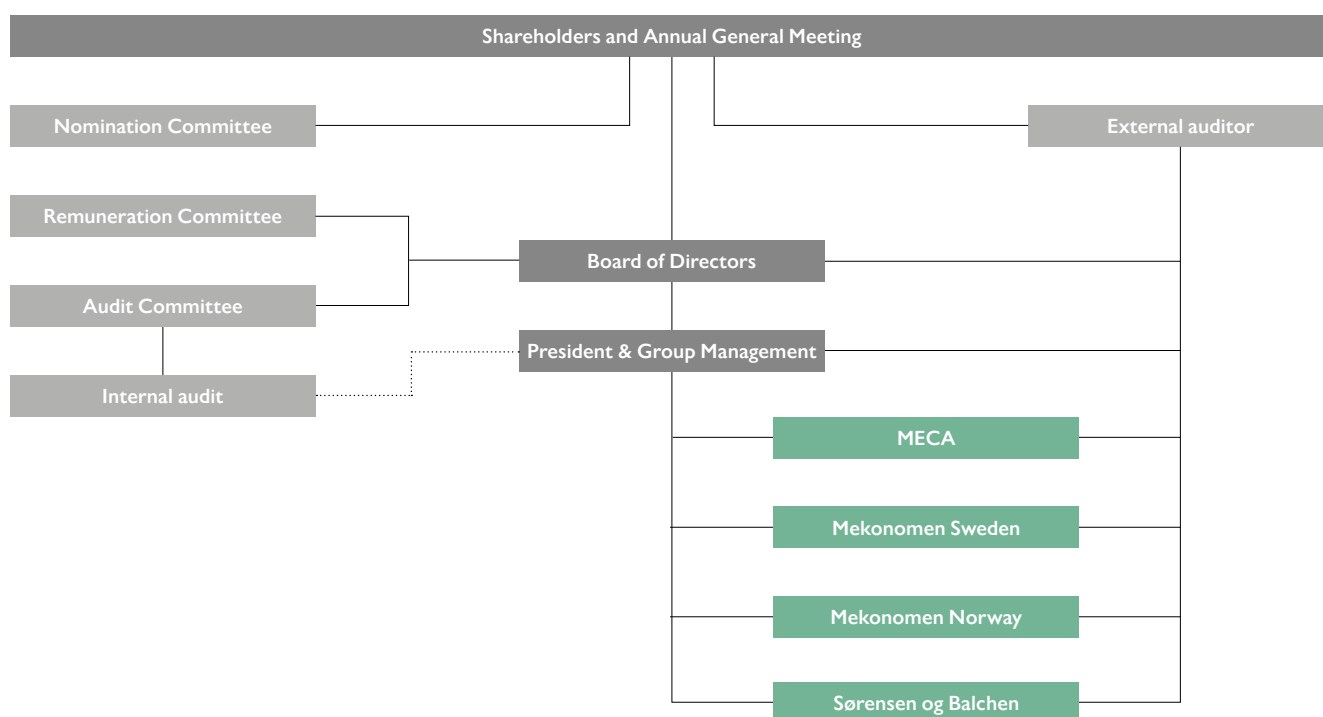
Principles for corporate governance

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 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

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 2016:

Deviation from the Code (rule 2:4):

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

Explanation:

The Board member Caroline Berg was also the Chairman of the Nominating Committee until 16 December 2016, which deviates from the Code provision that a Board member shall not be the Chairman of the Nomination Committee. The Nomination Committee appointed Caroline Berg as the Nomination Committee Chairman as it was a natural choice considering the ownership structure of Mekonomen at the time.

On December 16, 2016 John S. Quinn was appointed to the Chairman of the Nomination Committee. On January 10, 2017 John S. Quinn was also elected as a Board member of Mekonomen. However, John S. Quinn remain as Chairman of the Nomination Committee when it is a natural choice considering the ownership structure of Mekonomen.

Sustainability governance in Mekonomen Group

Mekonomen Group's sustainability work is an integrated part of the company's business model and governance. 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. Reporting takes place according to the guidelines for the Global Reporting Initiative (GRI), G4 core.

Mekonomen Group is a participant to the UN Global Compact and the Sustainability Report 2016 also constitutes Mekonomen Group's Communication of Progress report to the UN Global Compact.

The sustainability work within Mekonomen Group is an integrated part of the operations as a part of the business benefit. 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 driven by the head of the respective business areas in collaboration with the managers for the environment and quality in the respective Group companies. The Sustainability Report comprises all of Mekonomen Group's self-owned operations in the Nordic region and pertains to the 2016 financial year.

Read more about Mekonomen Group's sustainability work and the Sustainability Report 2016 in the annual report or 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 2016, represented by 35,901,487 shares. The total market value for the company on 31 December 2016 amounted to SEK 6.2 billion, based on the closing price of SEK 171.50. 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 2016 was 9,484 (9,373). On the same date, the ten largest shareholders controlled 63.9 per cent (65.7) of the capital and voting rights and the participation of foreign owners accounted for 43.1 (19.7) per cent 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

2016 amounted to 26.5 per cent (0). For further information on Mekonomen's shares and shareholders, see pages 30–31.

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.

Annual General Meeting 2016

The Annual General Meeting was held in Stockholm on 12 April 2016. 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 President from liability
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members
- to pay total Board fees of SEK 2,210,000, 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 re-elect Kenneth Bengtsson as Chairman of the Board
- to re-elect Board members Kenneth Bengtsson, Caroline Berg, Kenny Bräck, Malin Persson, Helena Skåntorp and Christer Åberg and to elect Mia Brunell Livfors as a new Board member
- to re-elect the auditing firm of Pricewaterhouse-Coopers AB as the company's auditor for the period until the close of the 2017 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

Information from the Extraordinary General Meeting on 10 January 2017

On 27 November 2016, Axel Johnson Aktiebolag sold all of its shares in Mekonomen, corresponding to approximately 26.5 per cent of the total number of shares and votes in Mekonomen, to LKQ Corporation. Caroline Berg and Mia Brunell Livfors (Axel Johnson) thereby made their Board seats in Mekonomen available. LKQ Corporation requested at the same time that the Board of Mekonomen convene an Extraordinary General Meeting to appoint new Board members. The Extraordinary General Meeting was held on 10 January 2017 and the Meeting resolved in brief:

- In accordance with a proposal by LKQ, the General Meeting elected Joseph M. Holsten and John S. Quinn 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 Annual General Meeting until the end of the 2017 Annual General Meeting.

Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 12 April 2016, Mekonomen Group has established a Nomination Committee. The company is to have a Nomination Committee comprising four members. The four largest shareholders of the company were contacted by the company's Board based on the list of registered shareholders on 31 August 2016 as provided by Euroclear Sweden AB.

On 27 November 2016, LKQ Corporation acquired 26.5 per cent of the total number of shares and votes in Mekonomen from Axel Johnson Aktiebolag. LKQ Corporation is thereafter the largest shareholder in Mekonomen and as a result of this, John S. Quinn, LKQ Corporation, was appointed a member of the Nomination Committee on 16 December 2016.

In connection with this, Caroline Berg, Axel Johnson AB Group, left her post in the Nomination Committee where she had also been the Chairman. Otherwise, the change in ownership gave rise to no changes in the composition of the Nomination Committee.

The Nomination Committee for the 2017 Annual General Meeting is thereby comprised of John S. Quinn, LKQ Corporation, Jonathan Schönbäck, Handelsbanken Fonder, Mats Gustafsson, Lannebo Fonder and Arne Lööv, Fourth Swedish National Pension Fund. In accordance with the guidelines, John S. Quinn has been appointed the Chairman of the Nomination Committee. Mekonomen's Chairman, Kenneth Bengtsson, was co-opted to the Nomination Committee. Fees are not paid to members of the Nomination Committee.

In accordance with the Swedish Corporate Governance Code, the Nomination Committee is to have at least three members, one of whom is to be appointed Chairman. The majority of these members are to be independent in relation to the company and company management and at least one of the Nomination Committee members is to be independent in relation to the company's

largest shareholders in terms of the number of votes. Mekonomen Group's Nomination Committee comprises four members, all of whom are deemed to be independent in relation to the company and company management. Mekonomen Group's Nomination Committee also meets other independence requirements.

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

- election of Chairman of the Annual General 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.

2017 Annual General Meeting

The Annual General Meeting will be held on 25 April 2017 at 3:00 p.m. at SF Skandia, Drottninggatan 82, 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 12 April 2016 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's suggestion, the Annual General Meeting resolved to re-elect Kenneth Bengtsson (Chairman), Caroline Berg, Kenny Bräck, Malin Persson, Helena Skåntorp and Christer Åberg and to elect Mia Brunell Livfors as a new Board member (Executive Vice Chairman).

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 46.

Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The 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.

Chairman

The Chairman of the Board, Kenneth Bengtsson, 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 Kenneth Bengtsson 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. The Board held 15 meetings in 2016, 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, the Danish operations and recruitment of a new President. 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 2016, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2016 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

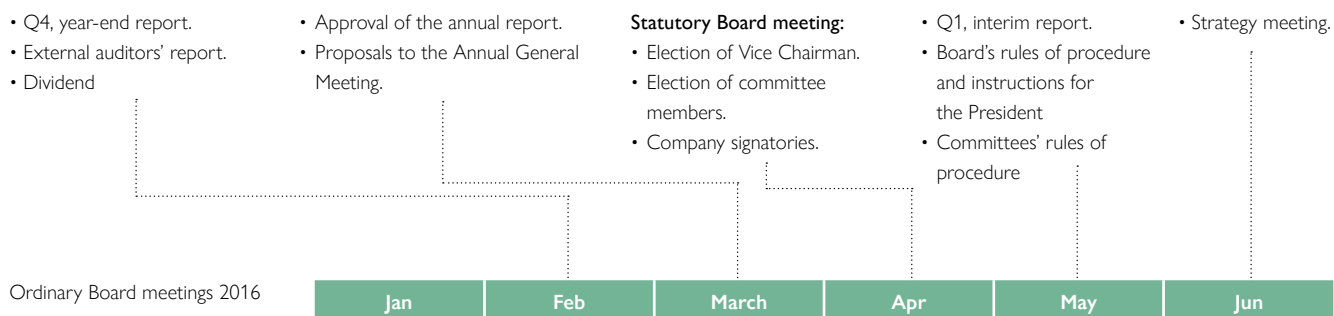
The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the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

Overview of the different points on the Board's agenda in 2016



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

- 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 Supervisory Board of Public Accountant's 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
 - 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

The Audit Committee comprises three Board members: Helena Skåntorp (Chairman), Kenneth Bengtsson and Christer Åberg. In 2016, the Audit Committee held four meetings. The respective member's participation is presented in the table on page 47. The Group's external auditors, the Group's CFO and Head of Accounting also participated at the meetings. Since 10 January 2017, John S. Quinn is also a member of the Audit Committee.

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 12 April 2016, the Remuneration Committee comprised Kenneth Bengtsson, Chairman, Caroline Berg and Malin Persson. From 12 April 2016, the Remuneration Committee comprised Kenneth Bengtsson (Chairman), Malin Persson and Mia Brunell Livfors. The Remuneration Committee held four meetings in 2016, of which two were before 12 April and two after 12 April. The respective member's participation is presented in the table on page 47. The company's president at the time, Magnus Johansson, was also present at two of these meetings. The Group's CFO was the Committee's secretary. Since 10 January 2017, Joseph M. Holsten is a member of the Remuneration Committee. Mia Brunell Livfors withdrew as a member of the Remuneration Committee on 10 January 2017.

Group Management

President

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

Magnus Johansson resigned as the President and CEO of Mekonomen Group on 6 October 2016.

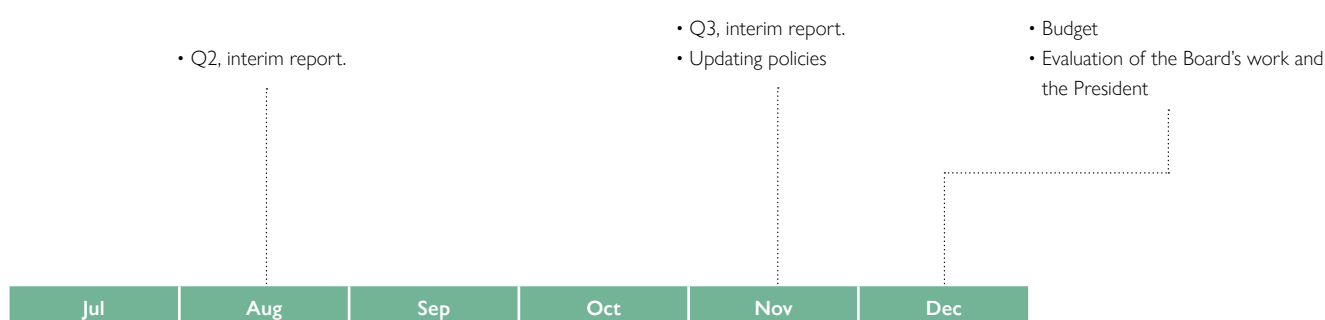
Pehr Oscarson is President and CEO of Mekonomen Group since 1 March 2017. Previously, acting President and CEO of Mekonomen Group from 6 October 2016. In addition to his assignment for Mekonomen Group, Pehr is the Vice Chairman of SBF (Sveriges Bilgrossisters Förening - Swedish Automotive Wholesalers'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

Group Management

At 31 December 2016, Group Management consisted of the President and CEO, the Executive Vice President, the CFO, the President of Sørensen og Balchen, the Corporate Supply Chain Director and the Corporate HR Director. A more detailed presentation of Group Management is found on page 47.

Remuneration of senior executives

It is considered very important to ensure that there is a clear link between remuneration and the Group's values and financial goals in both the short and the long term. The guidelines for remuneration of senior



executives approved by the 2016 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 33 per cent of the basic annual salary. Pension premiums are payable in an amount that is based on the ITP plan. 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. For information on remuneration of the former President Magnus Johansson, see Note 5 on page 65.

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 period of notice is 12 months if employment is terminated by the company, and six months if terminated by the employee. Severance pay for termination on the part of the company may amount to a maximum of one annual salary.

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 2016 pertaining to this bonus programme.

In connection with the approval of the remuneration programme by the Annual General Meeting, the earlier programme that ran during the financial years 2014–2016 ceased to apply. No

Fees to auditors, SEK M

	2016	2015
PwC		
Fees for audit assignments	7	7
Audit-related services other than the audit assignment	0	1
Tax consultancy	0	0
Other services	0	0
Total fees to PwC¹⁾	7	8

¹⁾ Including discontinued operations SEK 0 M (1).

payments regarding this programme have been made.

Other than the above, the Board has not decided on any other share or share-price based incentive programs for Group Management.

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 2016 Annual General Meeting, PricewaterhouseCoopers AB (PwC), with Authorised Public Accountant Lennart Danielsson as Auditor in Charge, was appointed as the auditing firm until the 2017 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.

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 with 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 exami-

ning 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 monthly basis, through appropriate report packages containing income statements, balance sheets, analyses of important key figures, comments pertaining to the business status of each operation and also quarterly forecasts for future periods. 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 continuously 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 continuous surveys of the Group's risks. In these surveys, a number of items are identified in the financial statements and administrative flows and processes where there is an elevated risk of error. The company works continuously on 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.

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 are e.g. analytical follow-up, spot checks, account reconciliation, inventory checks in stock and stores and engagement reviews.

Internal audit

In 2016, 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 continuously updated at Mekonomen Group. Such updates mainly take place in each Group function for the various operations through e-mails, but also at regular CFO meetings in which representatives from the Group finance function participate. For communication with internal and external parties, a communications policy is in place that states guidelines for conducting communication. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

Follow-up

The Board continuously 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.

More information is available on mekonomen.com

- Articles of Association
- Code of Conduct
- Information from previous Annual 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 from the Extraordinary General Meeting on 10 January 2017
- Information about the 2017 Annual General Meeting

BOARD OF DIRECTORS



Kenneth Bengtsson	John S. Quinn ¹⁾	Kenny Bräck	Joseph M. Holsten ¹⁾	Malin Persson	Helena Skåntorp	Christer Åberg
Board position						
Chairman of the Board. Chairman of Mekonomen's Remuneration Committee. Member of Mekonomen's Audit Committee.	Executive Vice Chairman. Member of Mekonomen's Audit Committee.	Board member.	Board member. Member of Mekonomen's Remuneration Committee.	Board member. Member of Mekonomen's Remuneration Committee.	Board member. Chairman of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Audit Committee.
Education						
Upper secondary school education and training in the ICA system.	M.B.A, Bachelor of Commerce and certified public accountant.	Upper secondary school education.	M.B.A, Bachelor of Arts and certified public accountant.	MSc in Engineering, Chalmers University of Technology.	Graduate in Business Administration, Stockholm University.	IHM Business School Stockholm and training courses at Unilever.
Elected in						
2013	2017	2007	2017	2015	2004	2014
Born						
1961	1958	1966	1952	1968	1960	1966
Position and Board assignments						
Chairman of the Board of Ahlsell AB (publ), Clas Ohlson AB (publ), Ersta diakoni, Eurocommerce, Systembolaget, Junior Achievement Sweden and World Childhood Foundation. Member of the Boards of Synsam and Herenco.	CEO and Managing Director of LKQ Europe.	Self-employed. Minority owner and Board member of Motorsport Auctions Ltd. Test and Development Driver for McLaren Automotive.	Executive Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	Member of the Boards of inter alia Getinge AB (publ), HEXPOL AB (publ), Peab AB and Konecranes Plc.	President of Lernia AB. Member of the Board of ByggPartner i Dalarna Holding AB (publ). Chairman of the Board of a number of Lernia AB subsidiaries, and Chairman of the Board and President of Skåntorp & Co AB.	Self-employed. Member of the Board of Axfood AB (publ).
Work experience						
Employed at ICA for more than 30 years, 11 of which as CEO.	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.	Former professional racing driver.	President and Chief Executive Officer 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.	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.	Former President and CEO of SBC Sveriges BostadsrättsCentrum AB. President and CEO of Jarowski, CFO of Arla, Authorised Public Accountant at Öhrlings/PwC.	CEO of Hilding Anders Group. President of Orkla Confectionery & Snacks, President of Arla Foods AB, President of Atria Scandinavia AB, senior positions at Unilever.
Total remuneration, SEK						
620,000	86,111	270,000	81,944	295,000	330,000	305,000
Attendance at Board meetings						
15/15	Newly elected in January 2017.	13/15	Newly elected in January 2017.	15/15	15/15	13/15
Attendance at Audit Committee meetings						
4/4	Newly elected in January 2017.	–	–	–	4/4	4/4
Attendance at Remuneration Committee meetings						
4/4	–	–	Newly elected in January 2017.	4/4	–	–
Own shareholdings and shareholdings of related parties						
2,000	None.	1,000	None.	1,000	2,000	2,500
Independent of the company/company management						
Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
Independent of major shareholders						
Yes.	No, dependent in relation to major shareholders of the company.	Yes.	No, dependent in relation to major shareholders of the company.	Yes.	Yes.	Yes.

¹⁾ On 27 November 2016, Axel Johnson Aktieföretag sold all of its shares in Mekonomen, corresponding to approximately 26.5 per cent of the total number of shares and votes in Mekonomen, to LKQ Corporation. Caroline Berg and Mia Brunell Livfors (Axel Johnson) thereby made their Board seats in Mekonomen available. LKQ Corporation requested at the same time that the Board of Mekonomen convene an Extraordinary General Meeting to appoint new Board members. An Extraordinary General Meeting was held on 10 January 2017, where Joseph M. Holsten and John S. Quinn were elected to the Board, replacing Caroline Berg and Mia Brunell Livfors.

Mia Brunell Livfors, who was elected to the Board at the Annual General Meeting on 12 April 2016 participated in ten of the eleven Board meetings in 2016 and two of two meetings of the Remuneration Committee

after the Annual General Meeting. Remuneration for Board and committee work totalled SEK 241,944.

Caroline Berg participated in fourteen out of fifteen Board meetings in 2016. Caroline Berg was also a member of the Remuneration Committee until the 2016 AGM and participated in two of two meetings until the 2016 AGM. Remuneration for Board and committee work totalled SEK 195,000.

Remuneration and compensation set by the AGM are expensed every calendar year. Remuneration of the new Board members with regard to the period 10 January to 25 April 2017 is accordingly expensed as of 31 December 2016 and therefore presented in the table above.

GROUP MANAGEMENT

					
Pehr Oscarson	Per Hedblom	Marcus Larsson	Morten Birkeland	Örjan Grandin	Katarina Zetterqvist
Role					
President and CEO.	CFO.	Executive Vice President.	President Sørensen og Balchen.	Supply Chain Director.	HR Director.
Born					
1963	1967	1970	1964	1968	1964
Education					
Technical upper secondary school, supplemented with short economics and management courses.	MSc in Industrial Engineering and Management, Chalmers University of Technology. MBA INSEAD.	Master of Economics, School of Economics and Management, Lund University, FEM programme, IFL Sigtuna.	Degree in Economics, Oslo Business School.	MSc in Mechanical Engineering, KTH Royal Institute of Technology.	Bachelor of Science, Organization Sociology, Stockholm University.
Employed					
2001	2007	2003	2008	2016	2015
Work experience					
President of MECA Scandinavia and before that held senior positions in MECA since 2001, President of Swecar AB.	Partner of Centigo, Associate Director of Arkwright, Consultant at Accenture, Invest in Sweden Agency.	Self-employed consultant, Head of Purchasing, Head of Business Development at Volkswagen Group.	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, Group Director of Sales and Marketing ISS.	Business Area Director Coop Logistik, Partner Minerva Sverige, Vice President Scandiflash, Vice President Supply Chain Q-Med, and other positions in Swedish enterprise, including at Ericsson.	HR Director Imtech Nordic, HR Manager Coop Sverige, HR Manager Strängbetong. Roles in HR, DHK, FRA and Spånga Tensta City District Administration.
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.		Chairman of the Boards of Lasingoo Sverige AB and Automotive Web Solutions AB. Board member of Intermeko Europe.			
Own shareholdings and shareholdings of related parties					
2,000	1,000	3,000	0	0	0

Changes in Group Management

The Board of Mekonomen Group appointed Pehr Oscarson the acting President and CEO in connection with Magnus Johansson leaving as the President and CEO on 6 October 2016. After the end of the financial year, the Board appointed Pehr Oscarson as the President and CEO, effective as of 1 March 2017. Örjan Grandin joined Group Management as of 1 March 2016 and Katarina Zetterqvist joined Group Management as of 11 May 2016. David Larsson, COO, resigned his position in Mekonomen Group in the third quarter of 2016.

Financial statements

Consolidated income statement

SEK M	Note	2016	2015
Continuing operations:			
Net sales	3	5,786	5,624
Other operating revenue		151	137
Total revenue		5,937	5,761
Operating expenses			
Goods for resale	17	-2,686	-2,529
Other external costs	4	-1,229	-1,167
Personnel costs	5	-1,366	-1,282
EBITDA		656	784
Depreciation and impairment of tangible fixed assets	6	-62	-57
EBITA		594	726
Amortisation and impairment of intangible fixed assets	6	-113	-110
Operating profit (EBIT)	9	481	616
Financial income and expenses			
Interest income		5	6
Interest expenses		-28	-33
Other financial items	9	-12	5
Profit after financial items		446	594
Tax on profit for the year	10	-105	-164
Profit for the year from continuing operations		342	430
Discontinued operations:			
Profit for the year from discontinued operations	34	0	0
Profit for the year		342	430
Profit for the year attributable to:			
Parent Company's shareholders		335	423
Non-controlling interests		7	8
Total profit for the year		342	430
Earnings per share attributable to Parent Company's shareholders			
- Profit from continuing operations, SEK		9.32	11.77
- Profit from discontinued operations, SEK		0.00	0.00
Earnings per share, SEK ¹⁾		9.32	11.77
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 30-31.

Consolidated statement of comprehensive income

SEK M	Note	2016	2015
Profit for the year		342	430
Other comprehensive income:			
<i>Components that will not be reclassified to profit for the year:</i>			
- Actuarial gains and losses		-1	2
<i>Components that may later be reclassified to profit for the year:</i>			
- Exchange-rate differences on translation of foreign subsidiaries		105	-88
- Cash-flow hedging ¹⁾		-4	-1
Total other comprehensive income, net after tax²⁾		100	-87
Comprehensive income for the year		442	343
Comprehensive income for the year attributable to			
Parent Company's shareholders		434	336
Non-controlling interests		8	7
Comprehensive income for the year		442	343
Total comprehensive income attributable to Parent Company shareholders has arisen from			
- Continuing operations		431	337
- Discontinued operations		3	-1
		434	336

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. 2016	31 Dec. 2015
ASSETS			
Fixed assets			
Intangible fixed assets			
Goodwill	12	1,883	1,835
Brands		327	322
Franchise contracts		19	21
Customer relations		415	467
Capitalised expenditure for IT systems		113	88
Total intangible fixed assets		2,757	2,734
Tangible fixed assets			
Improvement costs, third-party property	13	27	33
Equipment and transport	14	154	148
Total tangible fixed assets		181	182
Financial fixed assets			
Deferred tax assets	15	77	55
Investments accounted for using the equity method	27	2	2
Other financial fixed assets	11, 16	44	49
Total financial fixed assets		123	106
Total fixed assets		3,061	3,022
Current assets			
Goods for resale	17	1,279	1,226
Current receivables	11, 18, 19	821	818
Cash and cash equivalents	11, 20	291	295
Total current assets		2,391	2,339
TOTAL ASSETS		5,452	5,361

Consolidated balance sheet

SEK M	Note	31 Dec. 2016	31 Dec. 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	28		
Share capital		90	90
Other capital contributions		1,456	1,456
Reserves		-134	-234
Profit brought forward including profit for the year		900	831
Total shareholders' equity attributable to Parent Company's shareholders		2,311	2,143
Non-controlling interests		14	12
Total shareholders' equity		2,324	2,155
Long-term liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	1,334	1,466
Deferred tax liabilities	15	163	169
Provisions	22	27	10
Total long-term liabilities		1,524	1,645
Current liabilities			
Liabilities to credit institutions, interest-bearing	11, 21	404	461
Tax liabilities		94	95
Other current liabilities, non-interest-bearing	11, 23, 24	1,105	990
Provisions	22	0	14
Total current liabilities		1,603	1,560
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,452	5,361

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 interest	Total shareholders' equity
OPENING BALANCE ON 1 JANUARY 2015	90	1,456	-145	665	2,066	14	2,080
<i>Comprehensive income for the year:</i>							
Profit for the year				423	423	8	430
Other comprehensive income:							
<i>Components that will not be reclassified to profit for the year:</i>							
- Actuarial gains and losses				2	2		2
<i>Components that may later be reclassified to profit for the year:</i>							
- Exchange-rate differences on translation of foreign subsidiaries			-88		-88	0	-88
- Cash-flow hedging ¹⁾			-1		-1		-1
Total other comprehensive income, net after tax²⁾			-89	2	-87	0	-87
Comprehensive income for the year			-89	424	335	7	343
Dividends				-251	-251	-9	-261
Acquisition/divestment of non-controlling interests				-7	-7	0	-7
CLOSING BALANCE ON 31 DECEMBER 2015	90	1,456	-234	831	2,143	12	2,155
OPENING BALANCE ON 1 JANUARY 2016	90	1,456	-234	831	2,143	12	2,155
<i>Comprehensive income for the year:</i>							
Profit for the year				335	335	7	342
Other comprehensive income:							
<i>Components that will not be reclassified to profit for the year:</i>							
- Actuarial gains and losses				-1	-1		-1
<i>Components that may later be reclassified to profit for the year:</i>							
- Exchange-rate differences on translation of foreign subsidiaries			104		104	1	105
- Cash-flow hedging ¹⁾			-4		-4		-4
Total other comprehensive income, net after tax²⁾			100	-1	99	1	100
Comprehensive income for the year			100	334	434	8	442
Dividends				-251	-251	-8	-259
Acquisition/divestment of non-controlling interests				-14	-14	1	-14
CLOSING BALANCE ON 31 DECEMBER 2016	90	1,456	-134	900	2,311	14	2,324

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 cash-flow statement

SEK M	Note	2016	2015
Operating activities			
Profit after financial items		446	594
Adjustments for items not affecting liquidity	30	196	188
		642	782
Tax paid		-153	-189
Cash flow from operating activities before changes in working capital		489	594
Cash flow from changes in working capital			
Decrease (+) / increase (-) in inventories		-40	-19
Decrease (+) / increase (-) in receivables		33	-11
Decrease (-) / increase (+) in liabilities		61	-124
Increase (-) / decrease (+) in working capital		54	-154
Cash flow from operating activities		544	439
Investments			
Acquisition of subsidiaries and operations	31	-17	-67
Divestment of subsidiaries and operations		29	9
Acquisition of tangible fixed assets	13.14	-58	-48
Divestment of tangible fixed assets		0	8
Acquisition of intangible fixed assets	12	-53	-55
Acquisition/sale of participations in associated companies and joint ventures	27	0	2
Purchase of financial fixed assets		-3	0
Increase (-) / decrease (+) of long-term receivables		8	5
Cash flow from investing activities		-94	-146
Financing activities			
Acquisition of non-controlling interests	31	-14	-17
Divestment of non-controlling interests	31	0	9
Change in overdraft facilities		-58	-32
Loans raised	21	-	202
Amortisation of loans		-136	-148
Dividends paid		-259	-261
Cash flow from financing activities		-466	-245
Cash flow for the year		-16	48
Cash and cash equivalents at the beginning of the year			
		295	258
Exchange-rate differences in cash and cash equivalents		12	-11
Cash and cash equivalents at year-end	20	291	295

Cash flow pertains to total operations, i.e. both continuing and discontinued operations.
Interest received amounted to SEK 5 M (6) and interest paid amounted to SEK 28 M (33).

Income statement for the Parent Company

SEK M	Note	2016	2015
Net sales	3, 32	34	34
Other operating revenue		50	44
Total revenue		84	78
Operating expenses			
Goods for resale		-4	-4
Other external costs	4	-73	-80
Personnel costs	5	-44	-46
Depreciation/amortisation of tangible and intangible fixed assets	6	0	0
EBIT		-38	-52
Financial income and expenses			
Result from participations in Group companies	7	19	454
Interest income		24	28
Interest expenses		-27	-35
Other financial items ¹⁾	9	-17	6
Profit after financial items		-38	401
Appropriations	8	156	226
Profit before tax		118	627
Tax on profit for the year	10	0	-37
Profit for the year		118	589

Statement of comprehensive income for the Parent Company

SEK M	Note	2016	2015
Profit for the year		118	589
Other comprehensive income, net after tax ¹⁾		-	-
Comprehensive income for the year		118	589

¹⁾ Exchange-rate differences regarding net investments in foreign operations of SEK 4 M (-3) are recognised in the income statement instead of comprehensive income in accordance with the amendment to RFR 2 as of 1 January 2016; comparative figures are recalculated.

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2016	31 Dec. 2015
ASSETS			
Fixed assets			
Tangible fixed assets			
Improvement costs, third-party property	13	0	0
Equipment and transport		0	0
Total tangible fixed assets		0	1
Financial fixed assets			
Participations in Group companies	26	3,012	3,004
Receivables from Group companies		99	85
Deferred tax assets	15	79	57
Total financial fixed assets		3,190	3,146
Total fixed assets		3,190	3,147
Current assets			
Current receivables			
Accounts receivable		8	10
Receivables from Group companies		1,242	1,583
Tax assets		56	36
Other receivables		7	12
Prepaid expenses and accrued income	19	7	10
Total current receivables		1,319	1,650
Cash and cash equivalents	20	163	210
Total current assets		1,482	1,860
TOTAL ASSETS		4,673	5,007

Balance sheet for the Parent Company

SEK M	Note	31 Dec. 2016	31 Dec. 2015
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		2,431	2,090
Profit for the year		118	592
Total non-restricted shareholders' equity		2,549	2,682
Total shareholders' equity		2,642	2,775
Untaxed reserves		210	175
Provisions	22	2	2
Long-term liabilities			
Liabilities to credit institutions	21	1,324	1,460
Total long-term liabilities		1,324	1,460
Current liabilities			
Overdraft facilities	21	265	323
Other liabilities to credit institutions	21	136	136
Accounts payable		2	4
Liabilities to Group companies		69	117
Other liabilities		1	1
Accrued expenses and deferred income	24	22	15
Total current liabilities		495	596
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,673	5,007

Statement of changes in shareholders' equity for the Parent Company

SEK M	Restricted shareholders' equity		Non-restricted shareholders' equity	Total shareholders' equity
	Share capital	Statutory reserve	Profit brought forward	
OPENING BALANCE ON 1 JANUARY 2015	90	3	2,344	2,437
Profit for the year			589	589
Other comprehensive income ¹⁾				–
Comprehensive income for the year			589	589
Transactions with shareholders				
Dividends			-251	-251
Total transactions with shareholders			-251	-251
CLOSING BALANCE ON 31 DECEMBER 2015	90	3	2,682	2,775
OPENING BALANCE ON 1 JANUARY 2016	90	3	2,682	2,775
Profit for the year			118	118
Other comprehensive income ¹⁾				–
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

The number of shares as at 31 December 2016 amounted to 35,901,487 (35,901,487) with a quotient value of SEK 2.50 (2.50) per share.

¹⁾ Exchange-rate differences regarding net investments in foreign operations of SEK 4 M (-3) are recognised in the income statement instead of comprehensive income in accordance with the amendment to RFR 2 as of 1 January 2016; comparative figures are recalculated.

Cash-flow statement for the Parent Company

SEK M	Note	2016	2015
Operating activities			
Profit after financial items		-38	401
Adjustments for items not affecting liquidity	30	21	37
		-17	438
Tax paid		-42	-81
Cash flow from operating activities before changes in working capital		-59	357
Cash flow from changes in working capital			
Decrease (+) / increase (-) in receivables		599	-49
Decrease (-) / increase (+) in liabilities		-99	-2
Increase (-) / decrease (+) in working capital		500	-51
Cash flow from operating activities		441	306
Investments			
Capital contributions paid	26	-35	-9
Acquisition of tangible fixed assets	13	0	0
Increase (-) / decrease (+) in long-term receivables		-8	-30
Cash flow from investing activities		-43	-39
Financing activities			
Change in overdraft facilities		-58	-32
Loans raised	21	0	200
Amortisation of loans		-136	-136
Dividends paid		-251	-251
Cash flow from financing activities		-445	-219
Cash flow for the year		-47	48
Cash and cash equivalents at the beginning of the year		210	162
Cash and cash equivalents at year-end	20	163	210

Profit after financial items includes dividends received from subsidiaries of SEK 47 M (489).
Interest received amounted to SEK 24 M (28) and interest paid amounted to SEK 27 M (35).

Notes

NOTE 1 Accounting policies

Accounting and measurement policies

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

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) as approved by the EU and interpretations issued by the IFRS Interpretations Committee that apply for financial years beginning on 1 January 2016. 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 2016

The Group applies a number of new standards and interpretations as of 1 January 2016. None of the new standards and interpretations applied by Mekonomen Group as of 1 January 2016 has had any significant impact on the consolidated financial statements.

Amended accounting policies 2017 and later

A number of new standards and amendments of interpretations and existing standards come into effect for financial years beginning on 1 January 2016 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.

During the year, the Group's revenue flows were mapped and the evaluation of the effects began. The initial assessment is that the application is not expected to entail any material impact on the recognition of the Group's revenue. The evaluation of the effects is expected to be completed in 2017. The Group has not yet decided on the method in the transition to the new standard.

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.

Even if the Group has not yet done a detailed evaluation of the effects of the new standard, the introduction of IFRS 9 is not expected to have any material impact on the classification and measurement of the Group's financial assets and liabilities.

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 requires that assets and liabilities attributable to all leases, with a few exceptions, are recognised in the balance sheet. 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 evaluated the effects of IFRS 16,

but assesses that it can be expected to have a material impact on total assets.

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

Consolidated financial statements

Subsidiaries

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

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

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

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

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

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

Where necessary, subsidiaries' accounting is adjusted to comply with the same policies applied by the other Group companies. 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 small 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 small 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)

ties) 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 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.

Discontinued operations

A discontinued operation is a part of a company that has either been divested, is no longer used or is classified as being held for sale and that the operation represents an independent operating segment or a significant operation within a geographic area or is a subsidiary acquired solely for the purpose of being sold on. Classification as a discontinued operation takes place upon divestment or at an earlier point in time when the operation meets the criteria to be classified as being held for sale. Profit after tax from discontinued operations is recognised on a separate line in the income statement. When an operation is classified as a discontinued operation, the format of the comparison year's income statement is changed so that it is presented as if the discontinued operation had been discontinued at the opening of the comparison year. The format of the statement of financial position for the current and previous years is not changed correspondingly. The discontinued operation's cash flows are included in the consolidated cash flow statement. All notes to the income statement refer to continuing operations unless otherwise stated. For further description and separate financial information on discontinued operations, refer to Note 34.

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 and transport, 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.

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 and 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.

Restructuring reserves are recognised when the Group has both decided on a detailed restructuring plan and implementation has begun or the main features have been announced to the parties concerned.

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 2016

During 2016, the Swedish Financial Reporting Board issued a new version of the RFR 2 Accounting for Legal Entities. Amendments made to RFR 2 have meant that exchange-rate differences regarding net investments in foreign operations are recognised in the income statement instead of comprehensive income in accordance with the amendments to RFR 2 as of 1 January 2016; comparative figures are recalculated.

The other 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 2016 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 and guarantee commitments

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, there must be a sufficiently large inventory of products and also various types of guarantees that the products function as they should. With this type of operation that is conducted within the Group, there is a risk of customer loss 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 that extend further than the reserves for these commitments. The Group has established policies for reserves for accounts receivable, obsolescence provisions and provisions for guarantee commitments. 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 and guarantee commitments. 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 2016, Mekonomen Group recognised deferred tax liabilities in excess of deferred tax assets at a net amount of SEK 86 M (114). 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.

With the aim of streamlining Mekonomen Group's structure, Mekonomen Sweden and Mekonomen Norway report directly to the President and CEO as of 2016. This means that on organisational level, Mekonomen Nordic, has been removed. As of the first quarter of 2016, the Group is governed and reported in four segments: MECA, Mekonomen Sweden, Mekonomen Norway and Sørensen og Balchen. Reporting according to the new segment division took place in 2016 for the first time; comparative figures have been recalculated.

The MECA segment is unchanged and primarily includes wholesale and store operations in Sweden and Norway, the export business to Denmark to the end of 28 December 2016, and delivery and service of workshop equipment in Opus Equipment. As of 1 January 2015, store operations in Denmark are presented as discontinued operations and therefore are not included in the MECA segment. For additional information regarding discontinued operations, refer to Note 34.

The Mekonomen Sweden segment primarily includes wholesale, store and fleet operations in Sweden. In connection with the changed segment division, a reallocation of items has been made to Mekonomen Sweden, which corresponds to a higher net sales of SEK 51 M, and a positive EBIT effect of SEK 28 M for 2015, compared with what was previously presented for Mekonomen Sweden under the Mekonomen Nordic segment.

The Mekonomen Norway segment primarily includes store and fleet operations in Norway. In connection with the changed segment division, a reallocation of items has been made to Mekonomen Norway, which corresponds to a higher net sales of SEK 11 M, and a negative EBIT effect of SEK 1 M for 2015, compared with what was previously presented for Mekonomen Norway under the Mekonomen Nordic segment.

The Sørensen og Balchen segment is unchanged and 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, Marinshopen, Meko Service Nordic with the service centre operations Billivet and Speedy, the Car Share operations, Mekonomen car leasing service, the joint venture in Poland (InterMeko Europa), the associated company Automotive Web Solutions AB, Lasingoo Norge and Group-wide functions including Mekonomen AB (publ). 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 separate segments. Operations in Mekonomen AB (publ) mainly comprise Group Management and finance management functions.

"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.

What was previously reported as "Other" has been divided up into "Other segments" and "Other items" and Mekonomen Finland, Mekonomen Iceland, Marinshopen and central administrative functions from the former segment Mekonomen Nordic were added to "Other segments" as of 1 January 2016; comparative figures have been recalculated.

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.

NOTE 3 continued

SEK M	MECA		Mekonomen Sweden		Mekonomen Norway		Sørensen og Balchen		Other segments		Other items		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue														
External net sales	2,039	1,871	1,891	1,925	836	814	725	729	295	285			5,786	5,624
Internal revenue	86	40	580	576	25	20	33	27	274	242	-998	-905	0	0
Other revenue	15	10	59	67	12	13	10	9	55	38			151	137
Total revenue	2,140	1,921	2,530	2,568	873	847	768	765	624	565	-998	-905	5,937	5,761
Operating profit/loss before amortisation and impairment of intangible fixed assets (EBITA)	217	258	190	289	132	151	117	117	-63	-87			594	726
Operating profit/loss (EBIT)	205	245	187	287	132	151	117	116	-84	-106	-77	-77	481	616
Financial items – net													-35	-22
Profit before tax													446	594
Investments, tangible assets ¹⁾	15	10	29	27	3	4	5	2	7	5			58	48
Investments, IT systems ¹⁾	1	8	1	2	0	0	0	0	51	45			53	55
Depreciation and impairment (tangible assets)	15	12	28	28	6	6	3	4	9	8			62	57
Amortisation and impairment (intangible assets) ²⁾	12	13	3	1	0	0	0	0	21	19	77	77	113	110
Average number of employees for the period	751	699	706	771	263	261	257	273	310	286			2,287	2,290
Number of proprietary stores	75	72	112	113	32	32	37	35	5	5			261	257
Number of partner stores	10	13	20	21	13	13	35	35	3	3			81	85
Number of stores in the chain	85	85	132	134	45	45	72	70	8	8			342	342
Key figures														
EBITA margin, % ³⁾	10	14	10	14	15	18	16	16					10	13
EBIT margin, % ³⁾	10	13	10	14	15	18	16	16					8	11
Change in sales, % ³⁾	9	11	-2	7	3	2	0	2					3	7
Revenue per employee, SEK 000s	2,850	2,748	3,584	3,331	3,319	3,245	2,988	2,802					2,596	2,516
Operating profit per employee, SEK 000s	273	351	265	372	502	579	455	425					210	269

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, %:	2016	2015
- Affiliated workshops ¹⁾	36%	34%
- Other workshops	39%	40%
- Consumer	19%	20%
- Partner stores	6%	7%
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	2016	2015
Sweden	3,164	3,137
Norway	2,484	2,381
Other	138	106
Total	5,786	5,624

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 2,255 M (2,287) and the total of such fixed assets located in other countries amounted to SEK 684 M (629), of which SEK 681 M (622) in Norway.

NOTE 4 Auditing expenses

	Group		Parent Company	
	2016	2015	2016	2015
PwC				
Audit assignment	7	6	1	1
Audit-related services other than the audit assignment	0	1	0	0
Tax consultancy	0	0	0	0
Other services	0	0	0	0
Total¹⁾	7	7	1	1

¹⁾In addition to this, PwC received SEK 0 M (1) for the audit of discontinued operations in Denmark for the Group.

NOTE 5 Average number of employees, salaries, other remuneration and social security contributions

Average number of employees	2016		2015	
	No. of employees	Of whom, men %	No. of employees	Of whom, men %
Parent Company				
Sweden	7	71	15	53
Total in Parent Company	7	71	15	53
Subsidiaries				
Sweden	1,406	82	1,423	82
Norway	808	84	794	83
Other countries	66	73	58	72
Total in subsidiaries	2,280	83	2,275	82
Group total	2,287	83	2,290	82

Salaries, remuneration, etc. SEK 000s	2016		2015	
	Salaries and other remuneration	Soc. security expenses (of which pension costs)	Salaries and other remuneration	Soc. security expenses (of which pension costs)
Parent Company	27,640	15,169	26,892	20,812
		(5,280)		(8,368)
Subsidiaries	979,730	315,102	934,824	279,842
		(61,810)		(51,111)
Group total	1,007,370	330,271	961,716	300,654
		(67,090)		(59,479)

Salaries and other remuneration distributed between the President and Board members and other employees, SEK 000s	2016		2015	
	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	14,343	13,297	10,181	16,711
	(70)	(797)	(1,065)	(1,375)
Total in Parent Company	14,343	13,297	10,181	16,711
	(70)	(797)	(1,065)	(1,375)
Subsidiaries in Sweden	22,715	553,727	32,880	514,185
	(1,579)	(3,569)	(1,935)	(3,606)
Subsidiaries abroad	9,781	368,841	23,939	343,117
Norway	(932)	(6,444)	(1,500)	(5,969)
Other countries	0	24,666	1,248	19,455
	(0)	(0)	(143)	(0)
Total in subsidiaries	32,496	947,234	58,067	876,757
	(2,511)	(10,013)	(3,578)	(9,575)
Group total	46,839	960,531	68,248	893,468
	(2,581)	(10,810)	(4,643)	(10,950)

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 (2,010,000) was determined in accordance with the resolution of the 2016 Annual General Meeting. Of this, SEK 550,000 (400,000) represents fees to the Chairman of the Board, SEK 310,000 (310,000) to the Executive Vice Chairman, and SEK 270,000 (260,000) 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 300,000 per month and a variable salary portion, which is based on the company's earnings and can amount to a maximum of 33 per cent of the basic annual salary. Pension premiums are payable in an amount that is based on the ITP plan.

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 2016 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. Severance pay for termination on the part of the company can total a maximum of one annual salary. 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 2016 pertaining to this bonus programme. In connection with the approval of the remuneration programme by the AGM, the earlier programme that ran during the financial years 2014-2016 ceased to apply. No payments regarding this programme have yet been made.

Other than the above, the Board has not decided on any other share or share-price based incentive programs for company management.

Executives/category, SEK 000s	Basic salary ¹⁾		Bonus		Board fees ²⁾		Other benefits		Pension premiums	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Kenneth Bengtsson, Chairman of the Board					620	470				
Mia Brunell Livfors, Executive Vice Chairman of the Board					242	–				
Caroline Berg, Board member					195	335				
Kenny Bräck, Board member					270	260				
Malin Persson, Board member					295	285				
Helena Skántorp, Board member					330	320				
Christer Åberg, Board member					305	295				
John S. Quinn, Executive Vice Chairman of the Board from 10 January 2017 ³⁾					86	–				
Joseph M. Holsten, Board member from 10 January 2017 ³⁾					82	–				
President Pehr Oscarson from 6 October 2016	868	–	70	–			–	–	65	–
former President, Magnus Johansson until 6 October 2016 ⁴⁾	10,980	2,599	–	772			64	41	1,807	770
former President, Håkan Lundstedt until 15 June 2015	–	4,552	–	293			–	65	–	1,145
Other senior executives, 6 (5) ⁵⁾	15,376	11,588	1,643	2,043			646	529	3,164	2,353
Total	27,224	18,739	1,713	3,108	2,425	1,965	710	635	5,035	4,268

¹⁾ Basic salary in this table includes holiday bonus.

²⁾ Board fees include fees to members of the Board's Committees.

³⁾ Remuneration and compensation set by the AGM are expensed every calendar year. Remuneration of the new Board members with regard to the period 10 January to 25 April 2017 is accordingly expensed as of 31 December 2016 and therefore presented in the table above.

⁴⁾ 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.

⁵⁾ Group Management's composition changed during the year. As of 31 December 2016, Group Management consists of the President as well as five other people, of whom 1 (0) is a woman. The average number of people in Group Management, except the President, amounted to 6 (5) people during 2016. 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.

One member of Group Management is covered by a defined-benefit pension plan. The net obligation at 31 December 2016 amounted to SEK 1 M (1).

There are six senior executives, who also constitute Group Management. They are the President and CEO, the Executive Vice President, the CFO, the President of Sørensen og Balchen, the Corporate Supply Chain Director and the Corporate HR Director. A more detailed presentation of Group Management is found on page 47.

NOTE 6 Depreciation/amortisation and impairment of tangible and intangible fixed assets

	Group		Parent Company	
	2016	2015	2016	2015
Depreciation of tangible fixed assets according to plan	-60	-57	0	0
Impairment of tangible fixed assets	-2	-	-	-
Total depreciation and impairment of tangible fixed assets	-62	-57	0	0
Amortisation, brands	0	0	-	-
Amortisation, customer relationships	-80	-77	-	-
Amortisation, franchise contracts	-4	-4	-	-
Amortisation, capitalised expenditure for IT systems	-28	-29	-	-
Total amortisation and impairment of intangible fixed assets	-113	-110	-	-
Total	-175	-167	0	0

NOTE 7 Result from participations in Group companies

	Parent Company	
	2016	2015
Dividends	47	489
Gains from divestment of participations	0	0
Impairment	-28	-35
Total	19	454

NOTE 8 Appropriations

	Parent Company	
	2016	2015
Group contributions received	247	331
Group contributions paid	-56	-44
Changes in tax allocation reserve	-34	-61
Total	156	226

NOTE 9 Exchange-rate differences – net

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

	Group		Parent Company	
	2016	2015	2016	2015
Exchange-rate differences in EBIT	3	0	0	0
Exchange-rate differences in net financial items ¹⁾	-8	8	-13	9
Total	-5	8	-13	9

¹⁾ Exchange-rate differences regarding Parent Company's net investments in foreign operations of SEK 4 M (-3) are recognised in the income statement instead of comprehensive income in accordance with the amendment to RFR 2 as of 1 January 2016; comparative figures are recalculated.

NOTE 10 Tax on profit for the year

	Group		Parent Company	
	2016	2015	2016	2015
Current tax				
Sweden	-43	-59	-23	-40
Other countries	-90	-103	-	-
Total current tax	-133	-162	-23	-40
Changes in deferred tax, temporary differences	28	-2	22	3
Recognised tax expenses	-105	-164	0	-37
Tax on profit for the year				
Recognised profit before tax	446	594	118	627
Tax according to applicable tax rate	-110	-149	-26	-138
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	-4	-5	-7	-8
Other non-taxable revenue	0	0	10	108
Effects on adjustments from preceding year	1	1	-	-
Effects of non-capitalised loss carryforwards	-3	-11	-	-
Effect of change in the Norwegian tax rate	0	0	-	-
Effects of capitalised loss carryforwards ¹⁾	10	-	22	1
Recognised tax expenses	-105	-164	0	-37

¹⁾ For the Group, pertains to the effect of capitalisation of historical uncapped loss carryforwards. Capitalised loss carryforwards in 2016 and 2015 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 24.6 per cent (25.1). The decline is mainly due to the reduction in the tax rate in Norway to 25 per cent (27). However, the total decrease of the weighted average tax rate is counteracted by a higher proportion of tax in Norway with a higher tax rate than Sweden.

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 shown below. Measurement is divided into three levels:

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

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

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

All of Mekonomen's financial instruments are included in Level 2.

Calculation of fair value

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

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

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

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	2016	2015
Financial liabilities		
Derivatives: Currency swaps	–	–
Interest-rate swaps	7	3
Total	7	3

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

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							
Other long-term receivables	–	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
Current liabilities, interest-bearing	–	–	404	404	404	–	404
Accounts payable	–	–	612	612	612	–	612
Other current liabilities	–	–	–	–	–	588	588
Total	7	–	2,346	2,353	2,353	588	2,941

Financial assets and liabilities by measurement category, 31 Dec. 2015	Derivative instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total Balance sheet
Financial assets							
Other long-term receivables	–	49	–	49	49	2	51
Accounts receivable	–	453	–	453	453	–	453
Other current receivables	–	–	–	–	–	365	365
Cash and cash equivalents	–	295	–	295	295	–	295
Total	–	798	–	798	798	367	1,164
Financial liabilities							
Long-term liabilities, interest-bearing	3	–	1,466	1,469	1,469	–	1,469
Current liabilities, interest-bearing	–	–	461	461	461	–	461
Accounts payable	–	–	540	540	540	–	540
Other current liabilities	–	–	–	–	–	559	559
Total	3	–	2,467	2,470	2,470	559	3,029

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

Nominal amount	31 Dec. 2016					
	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
Accounts payable	612	0	0	0	0	612
Total	1,034	847	465	0	0	2,347

NOTE 11 continued

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

	31 Dec. 2015					
Nominal amount	2016	2017	2018	2019	2020	Total
Liabilities to credit institutions, bank borrowing	154	152	844	490	0	1,641
Liabilities to leasing companies	2	1	0	0	0	3
Overdraft facilities	327	0	0	0	0	327
Derivatives	0	0	0	3	0	3
Accounts payable	540	0	0	0	0	540
Total	1,023	153	844	493	0	2,514

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

	2017 - Q1	2017 - Q2	2017 - Q3	2017 - Q4	2018	2019 and later	Total
Currency swap	0	0	0	0	0	0	0
Interest-rate swap	1	1	1	1	3	1	7
Total	1	1	1	1	3	1	7

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Opening accumulated cost, 1 January	1,835	1,891	325	331	41	45	742	741	229	182	3,173	3,190
Acquisitions	-	-	-	-	-	-	-	-	53	55	53	55
Acquisitions in connection with acquired operation	5	16	-	-	-	-	22	12	-	5	27	33
Divestments/disposals	-2	-28	-	-	-	-	-	-	-2	-13	-4	-41
Translation difference, currency	45	-44	5	-5	3	-4	12	-11	-	-	65	-64
Closing accumulated cost, 31 December	1,883	1,835	330	325	44	41	776	742	280	229	3,314	3,173
Opening acc. depreciation and impairment, 1 January	-	-28	-2	-2	-20	-18	-276	-204	-141	-125	-440	-378
Divestments/disposals	-	28	-	-	-	-	-	-	2	13	2	41
Depreciation for the year	-	-	0	0	-4	-4	-80	-77	-28	-29	-113	-110
Translation difference, currency	-	-	0	0	-1	2	-6	5	-	-	-7	7
Closing accumulated amortisation and impairment, 31 December	-	-	-3	-2	-25	-20	-362	-276	-167	-141	-558	-440
Closing carrying amount, 31 December	1,883	1,835	327	322	19	21	415	467	113	88	2,757	2,734

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

Carrying amount for operating segment at	Goodwill		Brands		Franchise contracts		Customer relations		IT investments		Total Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
MECA	1,105	1,104	270	270	–	–	351	396	9	15	1,735	1,786
Mekonomen Sweden	230	230	–	–	–	–	8	8	2	3	240	241
Mekonomen Norway	57	52	–	–	–	–	–	–	0	0	57	52
Sørensen og Balchen	423	383	56	51	19	21	54	61	1	1	553	517
Other	68	66	1	1	–	–	2	2	100	69	171	138
	1,883	1,835	327	322	19	21	415	467	113	88	2,757	2,734

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 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

Goodwill 2015								Brands (indefinite useful period) 2015				
Operating segments	Test level CGU	1 Jan. 2015	Acquisitions	Impairment	Divestments	Translation difference, currency	31 Dec. 2015	1 Jan. 2015	Acquisitions	Impairment	Translation difference, currency	31 Dec. 2015
MECA	Operating segments	1,097	8	–	–	0	1,104	270	–	–	–	270
Mekonomen Sweden	Operating segments	223	7	–	–	–	230	–	–	–	–	–
Mekonomen Norway	Operating segments	57	–	–	–	-5	52	–	–	–	–	–
Sørensen og Balchen	Operating segments	422	–	–	–	-39	383	56	–	–	-5	51
Other	Operating segments	64	2	–	–	–	66	–	–	–	–	–
		1,862	16	–	–	-44	1,835	326	–	–	-5	321

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 (2.5).

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 2016 and 2015, respectively, are summarised as follows:

	31 Dec. 2016	31 Dec. 2015
Discount rate (WACC) before tax	9.2%	9.1%
Discount rate (WACC) after tax	7.6%	7.5%
Growth rate beyond the forecast period	2.0%	2.5%
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 (7.5) after tax, corresponding to a discount rate before tax of approximately 9.2 per cent (9.1).

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 2020 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.

According to implemented impairment testing, there is no impairment requirement for goodwill or other intangible assets with indefinite periods of use as per 31 December 2016.

NOTE 13 Improvement costs, third-party property

	Group		Parent Company	
	2016	2015	2016	2015
Opening accumulated cost, 1 January	80	75	1	1
Purchases, rebuilding and extensions	3	5	–	0
Sales/disposals	-1	0	-1	–
Translation difference, currency	0	0	–	–
Closing accumulated cost, 31 December	83	80	0	1
Opening accumulated depreciation, 1 January	-47	-37	-1	0
Sales/disposals	1	0	1	–
Depreciation for the year	-10	-10	0	0
Translation difference, currency	0	0	–	–
Closing accumulated depreciation, 31 December	-56	-47	0	-1
Closing carrying amount, 31 December	27	33	0	0

NOTE 14 Tangible fixed assets

	Equipment and transport Group		Financial leasing Group		Total Group	
	2016	2015	2016	2015	2016	2015
Opening accumulated cost, 1 January	473	580	24	27	497	607
Purchasing	50	39	6	5	56	44
Purchase in connection with acquired operation	2	5	–	–	2	5
Sales/disposals	-19	-136	0	-8	-19	-144
Translation difference, currency	13	-15	–	–	13	-15
Closing accumulated cost, 31 December	519	473	30	24	549	497
Opening acc. depreciation and impairment, 1 January	-329	-420	-21	-24	-350	-444
Sales/disposals	15	122	0	8	15	130
Depreciation for the year	-43	-42	-6	-5	-49	-47
Impairment for the year	-2	–	–	–	-2	–
Translation difference, currency	-10	11	–	–	-10	11
Closing accumulated depreciation and impairment, 31 December	-369	-329	-27	-21	-396	-350
Closing carrying amount, 31 December	151	145	3	3	154	148

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. Accumulated investments as of the balance sheet date amount to a minor value.

Operational lease agreements

Operating leases primarily comprise leased premises.

Information about leasing expenses, operating leases	Group		Parent Company	
	2016	2015	2016	2015
Premises rent	314	311	1	1
Leasing expenses, other	41	39	0	1
Total	355	350	1	2

Future leasing fees for irrevocable lease agreements falling due for payment:	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Within one year	337	311	1	2
Later than one year but within five years	712	683	1	3
After five years	300	139	–	–
	1,349	1,133	2	5

Of the future lease fees, rent for premises represented SEK 1,265 M (1,075) for the Group and SEK 2 M (4) 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, without consideration to offsets done in the same tax law jurisdiction.

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Deferred tax assets (+)/tax liabilities (-)				
Capitalised loss carryforwards ¹⁾	81	57	76	54
Temporary differences on inter-company profits	48	53	-	-
Temporary differences, inventory obsolescence	16	15	-	-
Temporary differences on pension commitments	1	1	-	-
Temporary differences, other	18	14	3	3
Total deferred tax assets	164	140	79	57
Untaxed reserves	-59	-49	-	-
Surplus value in intangible fixed assets (through acquisition)	-166	-183	-	-
Temporary differences on reversed net asset goodwill	-25	-22	-	-
Total deferred tax liabilities	-250	-254	-	-
Total (net)	-86	-114	79	57

	Group		Parent Company	
	2016	2015	2016	2015
Gross change in deferred tax assets/tax liabilities				
Opening balance	-114	-113	57	53
Translation difference, currency	-2	2	-	-
Acquisition of subsidiaries	-	1	-	-
Recognition in income statement	28	-2	22	4
Tax recognised in comprehensive income	1	-2	-	-
At year-end	-86	-114	79	57

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 633 M (501) in the Group. For deficits amounting to SEK 79 M (66), there is a time limit of 10 years. All other deficits run without limit in time. Deferred tax assets pertaining to tax loss carryforwards in the Group amounted to SEK 81 M (57) on the balance-sheet date, of which SEK 76 M (54) 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. 2016	31 Dec. 2015
Rental deposits paid	1	4
Hire-purchase contracts	37	42
Other	7	3
Total	44	49

	Group	
	31 Dec. 2016	31 Dec. 2015
Hire-purchase contracts		
Hire-purchase contracts	43	59
Provisions for doubtful hire-purchase contracts	-6	-17
Total	37	42

	Group	
	2016	2015
Provisions for doubtful hire-purchase contracts		
Provision for bad debts at the beginning of the year	-17	-28
Impairment for the year	-1	-2
Receivables written off during the year as non-collectable	8	9
Recovered prior impairment	4	3
Translation difference, currency	-1	1
Total	-6	-17

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

NOTE 17 Inventories

	Group	
	31 Dec. 2016	31 Dec. 2015
Goods for resale	1,279	1,226
Total	1,279	1,226

The cost of inventories expensed is included in the item goods for resale in the income statement for continuing operations and amounted to SEK 2,686 M (2,529). Provisions for obsolescence are induced in the value of inventories.

NOTE 18 Current receivables

	Group	
	31 Dec. 2016	31 Dec. 2015
Accounts receivable	485	453
Tax assets	77	66
Other receivables	33	68
Prepaid expenses and accrued income	226	231
Total	821	818

	Group	
	31 Dec. 2016	31 Dec. 2015
Accounts receivable		
Accounts receivable	539	502
Provisions for bad debts	-54	-49
Total	485	453

	Group	
	2016	2015
Provisions for bad debts		
Provision for bad debts at the beginning of the year	-49	-63
Change in net impairment for the year	-15	0
Change in provision, net in balance sheet	12	12
Translation difference, currency	-2	2
Total	-54	-49

	Group	
	31 Dec. 2016	31 Dec. 2015
Receivables that are past due but not impaired		
Accounts receivable		
Receivables due between 0–30 days	45	58
Receivables due between 31–60 days	11	8
Receivables due longer than 60 days	2	1
Total	58	67

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 4 M (4).

NOTE 19 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Prepaid rents	41	46	–	0
Prepaid lease fees	2	2	0	–
Prepaid insurance	3	3	1	1
Accrued supplier bonus	130	130	–	–
Other interim receivables	50	50	6	9
Total	226	231	7	10

NOTE 20 Cash and cash equivalents

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Cash and bank balances	291	295	163	210
Total	291	295	163	210

NOTE 21 Liabilities to credit institutions

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Long-term				
Liabilities to credit institutions, bank borrowing	1,327	1,462	1,324	1,460
Liabilities to leasing companies	1	1	–	–
Derivatives, interest-rate swaps	7	3	–	–
Total long-term liabilities, interest-bearing	1,334	1,466	1,324	1,460

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Current				
Liabilities to credit institutions, bank borrowing	136	136	136	136
Overdraft facilities	265	323	265	323
Liabilities to leasing companies	2	2	–	–
Total current liabilities, interest-bearing	404	461	401	459
Total borrowing	1,738	1,927	1,725	1,919
Overdraft facility limit	609	627	609	627
- of which, unutilised portion	344	304	344	304

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. Interest-rate swaps have been entered into in an amount of SEK 450 M to hedge the cash flows in the loans Mekonomen AB has falling due in 2019.

Long-term interest-bearing liabilities decreased during the year, mainly as a result of repayments according to plan. SEK 136 M in loans were repaid during 2016. 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 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 payments pertaining to borrowing amounted to SEK 28 M (33). 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 essentially in SEK.

NOTE 22 Provisions

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Provision for restructuring	–	14	–	–
Provision for pensions	4	4	–	–
Provisions for supplementary purchase considerations	13	–	–	–
Other provisions	10	6	2	2
Total	27	24	2	2

	Res-structuring	Other provisions
Carrying amount at the beginning of the year	14	6
Recognised in the income statement:		
- New provisions	0	4
- Reversed provisions	0	0
Amounts utilised during the period	-14	0
Currency effects	0	0
Carrying amount at year-end	0	10

Provisions comprise:

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Long-term portion	27	10	2	2
Short-term portion	–	14	0	0
Total	27	24	2	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 2016 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 14 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 149 per cent (153) at year-end 2016.

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 57 (63) gainfully employed individuals and 50 (47) 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. 2016	31 Dec. 2015
Present value of funded commitments	54	46
Fair value of plan assets	-50	-42
Deficit in funded plans	4	4
Present value in unfunded commitments	–	–
Net debt in the balance sheet	4	4

	Group	
	2016	2015
Present value of commitments		
Opening balance	46	52
Gross pension cost for the year	3	3
Interest expenses	0	0
Pension payment	-2	-2
Actuarial gains and losses ¹⁾	2	-2
Exchange-rate differences	5	-5
Closing balance	54	46

	Group	
	2016	2015
Fair value of plan assets		
Opening balance	42	44
Expected return	1	1
Payments	3	3
Pension payment	-2	-2
Actuarial gains and losses ¹⁾	1	0
Exchange-rate differences	5	-4
Closing balance	50	42
Net pension commitments	4	4

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

	Group	
	2016	2015
Costs recognised in profit or loss		
Pension vesting for the year including contributions	2	3
Administration fees	0	0
Interest expenses	0	0
	2	3

	Group	
	31 Dec. 2016	31 Dec. 2015
Composition of plan assets		
Equities	10%	9%
Bonds	71%	74%
Property	13%	14%
Other	6%	3%
Total	100%	100%

	Group	
	31 Dec. 2016	31 Dec. 2015
Actuarial assumptions		
Discount rate	2.10%	2.50%
Future salary increases	2.25%	2.50%
Future pension increases	0.00%	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 2017 financial year are expected to amount to SEK 3 M.

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

NOTE 23 Other current liabilities, non-interest-bearing

	Group	
	31 Dec. 2016	31 Dec. 2015
Accounts payable	612	540
Other liabilities	120	137
Accrued expenses and deferred income	373	313
Total	1,105	990

NOTE 24 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Accrued personnel-related costs	213	198	19	12
Accrued bonuses/contract fees	79	67	–	–
Accrued interest expenses	1	2	1	2
Prepaid rental income	6	7	–	–
Other interim liabilities	74	39	2	1
Total	373	313	22	15

NOTE 25 Pledged assets, contingent liabilities and commitments

	Group		Parent Company	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Pledged assets				
Other pledged assets	–	–	–	–
Total	–	–	–	–
Contingent liabilities				
Guarantee commitments, divested properties	22	22	22	22
Other guarantee commitments ¹⁾	171	11	–	–
Guarantees on behalf of subsidiaries ²⁾	–	–	519	73
Other sureties	19	9	–	–
Total	211	41	541	95

¹⁾ The increase for the Group primarily pertains to a guarantee provided for investment in a new central warehouse system.

²⁾ The increase for the Parent Company is primarily related to a guarantee provided on behalf of subsidiaries regarding investment in a new central warehouse system and for future premises rents.

For information on commitments regarding future lease charges and investment commitments, refer to Note I4.

NOTE 26 Participations in Group companies

	Parent Company	
	2016	2015
Opening cost	3,551	3,542
Capital contributions paid	35	9
Closing accumulated cost	3,586	3,551
Opening impairment	-546	-511
Impairment ¹⁾	-28	-35
Closing accumulated impairment	-574	-546
Closing residual value	3,012	3,004

¹⁾ Impairment mainly pertains to Acem A/S i Danmark (formerly Mekonomen A/S) corresponding to SEK -28 M (-26).

NOTE 26 continued

Name of company/registered office, Sweden	Corp. ID number	Share of equity, %	Number of stores	Book value 31 Dec. 2016	Book value 31 Dec. 2015
MECA Scandinavia AB/Malmö	556218-3037	100		2,033	2,033
Mekonomen Group AB/Stockholm	556724-9254	100		35	0
Mekonomen Grossist AB/Stockholm	556062-4875	100		40	40
Mekonomen Detaljist AB/Stockholm	556157-7288	100	30	5	5
Meko Service Nordic AB/Stockholm	556179-9676	100		1	1
Mekonomen Fleet AB/Stockholm	556720-6031	100		2	2
Speedy Autoservice AB/Malmö	556575-9858	100		31	31
Mekonomen Nya Affärer AB/Stockholm	556821-5981	100		0	0
Mekonomen Services AB/Stockholm	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	28
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			59	3,012	3,004

In Mekonomen Sweden, 35 wholly owned store companies were merged into the parent company Mekonomen Detaljist AB and in Mekonomen Norway, 29 wholly owned store companies were merged into the parent company Mekonomen AS. During the year, five wholly owned store companies in Sørensen og Balchen were merged into Bilvarehusene Sør AS. In Denmark, liquidation of Mekonomen Grossist Danmark A/S was begun.

Indirect participations in subsidiaries	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	51
MECA Bilservice i Köping AB/Malmö	559012-2478	100	–
MECA Norway AS/Gjøvik, Norway	935 682 525	100	24
MECA Tunga Fordon AB/Malmö	559009-7837	100	–
Opus Equipment AB/Gothenburg	556884-6504	100	–
ProMeister Equipment 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	–
Opus Instrument (Foshan) Co. Ltd/Foshan, China	44 060 040 000 987	100	–
Opus Asia Ltd/Hong Kong	1 077 601	100	–
ProMeister Solutions AB/Malmö	559034-6929	100	–
ProMeister Solutions AS/Gjøvik, Norway	917 100 462	100	–
ProMeister Sweden AB/Malmö	556509-7861	100	–
			75
Denmark			
Mekonomen Grossist Danmark A/S/Odense	33 38 01 27	100	–
			0
Mekonomen Finland¹⁾			
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	71	1
			1

Mekonomen Sweden¹⁾			
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	1
Mekonomen Bilverkstad AB/Stockholm	556607-1493	100	–
Mekonomen Blekinge AB/Sölvesborg	556649-9017	91	4
Mekonomen Bollnäs AB/Bollnäs	556827-3675	91	1
Mekonomen Båstad AB/Båstad	556594-1951	100	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	1
Mekonomen Falun AB/Falun	556559-3927	100	2
Mekonomen FKV AB/Stockholm	556775-9831	100	–
Mekonomen Flen AB/Flen	556769-8542	100	2
Mekonomen Butikerna AB/Halmstad	556261-4676	100	1
Mekonomen Gränby AB/Uppsala	556821-6062	100	–
Mekonomen Gärdet AB/Stockholm	556821-6104	100	–
Mekonomen Gärdet Café AB/Stockholm	556840-9436	100	–
Mekonomen Gävle AB/Gävle	556353-6803	100	1
Mekonomen Hedemora AB/Hedemora	556308-8011	100	1
Mekonomen Härmösand AB/Härmösand	556217-2261	80	1
Mekonomen Hässleholm AB/Hässleholm	556678-0622	91	1
Mekonomen Högsbo AB/Gothenburg	556887-1999	51	1
Mekonomen Jönköping AB/Jönköping	556237-5500	100	1
Mekonomen Kalmar AB/Kalmar	556236-8349	100	1
Mekonomen Karlstad AB/Karlstad	556786-9457	100	–
Mekonomen Katrinelund AB/Malmö	556530-7237	100	–
Mekonomen Kramfors AB/Kramfors	556496-1810	91	1

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

Mekonomen Kristianstad AB/Kristianstad	556171-9203	100	1	Norway – Sørensen og Balchen			
Mekonomen Kungsbacka AB/Kungsbacka	556887-2336	51	1	Rønneberg Auto Industri AS/Ålesund	981 015 150	100	5
Mekonomen Lidköping AB/Lidköping	556761-3012	75	1	BilXtra Kristiansund AS/Kristiansund	999 255 876	91	1
Mekonomen Linköping AB/Linköping	556202-9545	100	2	Bilvarehusene Nor AS/Oslo	880 553 852	100	9
Mekonomen Ljusdal AB/Ljusdal	556786-1066	100	2	BilXtra AS/Oslo	983 032 133	100	6
Mekonomen Ludvika AB/Ludvika	556470-4210	100	1	Bilutstyr Arendal AS/Arendal	961 171 067	100	1
Mekonomen Luleå AB/Luleå	556338-4071	100	2	Rogaland Rekvista AS/Stavanger	936 043 119	100	2
Mekonomen Lund AB/Lund	556531-0108	91	1	Jahre Motor Hamar AS/Hamar	935 614 031	91	1
Mekonomen Lycksele AB/Lycksele	556687-8095	75	1	Askim Bilrekvisita AS/Askim	885 049 702	100	2
Mekonomen Mariestad AB/Mariestad	556261-0179	75	1	Bilvarehusene Sør AS/Oslo	887 813 752	100	6
Mekonomen Mjölby AB/Mjölby	556362-0565	100	1	Høistad Bildeler AS/Lillehammer	981 015 142	100	1
Mekonomen Mora AB/Mora	556363-2487	100	1	Vest Bilutstyr AS/Bergen	980 281 450	100	2
Mekonomen Motala AB/Motala	556311-8750	100	1	Autoproducts AS/Trondheim	995 080 125	50	1
Mekonomen Mölndal AB/Mölndal	556887-2294	51	–	DINDEL NORWAY AS/Oslo	913 284 607	100	–
Mekonomen Norrköping AB/Norrköping	556376-2797	100	2	BilXtra Autogården Kongsberg AS/Kongsberg	914 746 345	80	–
Mekonomen Norrtälje AB/Stockholm	556178-9719	60	1	BilXtra Fåvang AS/Ringebu	916 795 521	100	–
Mekonomen Nyköping AB/Nyköping	556244-0650	75	1				37
Mekonomen Nässjö AB/Nässjö	556187-8637	100	1	Sweden – Meko Service Nordic			
Mekonomen Osby AB/Osby	556408-8044	91	1	Mekonomen Billivet AB/Stockholm	556845-2196	100	–
Mekonomen Oskarshamn AB/Oskarshamn	556631-8589	75	1	Meko Service Auto Mek i Karlskrona AB/Stockholm	556882-0772	100	–
Mekonomen Piteå AB/Piteå	556659-8966	100	1	Mekonomen Billivet Bromma AB/Stockholm	556864-3455	100	–
Mekonomen Sala AB/Sala	556882-0905	100	1	Mekonomen Billivet Gävle AB/Stockholm	556864-3448	100	–
Mekonomen Sandviken AB/Sandviken	556201-1295	100	1	Mekonomen Billivet Haninge AB/Stockholm	556882-0947	91	–
Mekonomen Segeltorp AB/Huddinge	556580-2351	100	–	Mekonomen Billivet Infra City AB/Stockholm	556864-3471	100	–
Mekonomen Skellefteå AB/Skellefteå	556389-4095	100	1	Mekonomen Billivet Johanneshov AB/Stockholm	556882-0780	100	–
Mekonomen Sollefteå AB/Sollefteå	556216-9424	80	1	Mekonomen Billivet Katrinelund AB/Stockholm	556882-0954	91	–
Mekonomen Strömstad AB/Strömstad	556775-9849	100	1	Mekonomen Billivet Sisjön AB/Upplands-Väsby	556863-9909	91	–
Mekonomen Sundsvall Birsta AB/Sundsvall	556201-1675	100	1	Mekonomen Billivet Högsbo AB/Upplands-Väsby	556909-4906	100	–
Mekonomen Sundsvall Nacksta AB/Sundsvall	556777-4863	100	1	Mekonomen Billivet Södertälje AB/Stockholm	556882-0939	100	–
Mekonomen Södertälje AB/Södertälje	556405-5498	100	1	Mekonomen Billivet Täby AB/Stockholm	556882-0962	91	–
Mekonomen Sölvesborg AB/Sölvesborg	556216-4250	100	–	Mekonomen Billivet Backaplan AB/Gothenburg	556756-1146	91	–
Mekonomen Torslanda AB/Gothenburg	556583-3893	100	1	Mekonomen Billivet Gärdet AB/Upplands-Väsby	556821-6047	100	–
Mekonomen Tranås AB/Tranås	556770-0041	100	1	Promotor Åkersberga AB/Stockholm	556819-5019	100	–
Mekonomen Trollhättan AB/Trollhättan	556515-0298	100	2	Speedy Bilservice Östermalm AB/Malmö	556953-2434	91	–
Mekonomen Umeå AB/Umeå	556483-3084	81.8	1	Speedy Bilservice Mölndal AB/Mölndal	559004-5711	51	–
Mekonomen Valdemarsvik AB/Valdemarsvik	556963-4966	100	1	Meko Service Hemmesta AB/Upplands-Väsby	556428-1102	100	–
Mekonomen Varberg AB/Varberg	556261-0161	75	1	Meko Service Susannes Bilverkstad i Härlöv AB/Upplands-Väsby	556964-0641	60	–
Mekonomen Verkstadscenter Älvsjö AB/Huddinge	556192-0314	91	1	Meko Service Tyresö AB/Stockholm	556961-2319	100	–
Mekonomen Vetlanda AB/Vetlanda	556653-4219	91	1	Mekonomen Billivet Krokslätt AB/Gothenburg	559055-8549	100	–
Mekonomen Vimmerby AB/Vimmerby	556232-5877	100	1	Meko Service Södra AB/Upplands-Väsby	559086-6645	80	–
Mekonomen Vänersborg AB/Vänersborg	556770-0058	91	1	Meko Service Råå AB/Upplands-Väsby	559086-6744	80	–
Mekonomen Värnamo Norra AB/Värnamo	556530-9266	100	1				0
Mekonomen Västerås AB/Västerås	556344-5492	100	2	Hong Kong			
Mekonomen Växjö AB/Växjö	556192-0439	100	3	ProMeister Global Limited/Hong Kong	1988735	100	–
Mekonomen Örnsköldsvik AB/Örnsköldsvik	556465-6287	51	1				0
Mekonomen Östersund AB/Östersund	556296-5243	100	2				
Marinshopen RM AB/Stockholm	556829-5066	100	1				
			83				
¹⁾ Includes the Marinshopen store							
Mekonomen Norway							
Motor Norge AS/Alta	945 481 668	51	1				
Mekonomen Kongsberg AS/Kongsberg	937 161 786	75	1				
Mekonomen Tønsberg AS/Tønsberg	934 256 867	75	1				
Mekonomen Services AS/Oppegård	999 323 332	100	–				
Mekonomen Bilservice AS/Oppegård	917 606 285	100	–				
Mekonomen Bilservice Rasta AS/Oppegård	817 970 532	51	–				
Lasingoo Norge AS/Oppegård	914 835 585	100	–				
			3				
				Total number of stores			261
Including the Parent Company, Mekonomen Group comprises a total of 158 companies, 261 proprietary stores and 33 proprietary workshops. Currently, 56 wholly-owned companies run 226 stores and 32 partly-owned companies run 35 stores. Furthermore, 15 wholly-owned companies and 12 partly-owned companies run 33 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. 2016	31 Dec. 2015
Associated companies	0	0
Joint ventures	2	2
Total	2	2

The amounts recognised in profit or loss comprise the following:

	Group	
	2016	2015
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 only one small associated company and a small joint venture with an immaterial impact on the Group.

NOTE 28 Shareholders' equity

A specification of changes to shareholders' equity can be found in the statement of changes in consolidated and Parent Company's shareholders' equity (see pages 51 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 2016 and 31 December 2015.

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 2015	1,456
Closing balance on 31 December 2015	1,456
Opening balance on 1 January 2016	1,456
Closing balance on 31 December 2016	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 2015	-144	-1	-145
Exchange-rate differences on translation of foreign subsidiaries	-88	-	-88
Cash-flow hedges	-	-1	-1
Closing balance on 31 December 2015	-232	-2	-234
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

¹⁾ At 31 December 2016, the accumulated translation reserve regarding Denmark amounted to SEK -14 M (-17). 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. 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 2015	665
Comprehensive income for the year:	
- Profit for the year	423
- Actuarial gains and losses	2
Comprehensive income for the year	424
Dividends	-251
Acquisition/divestment of non-controlling interests	-7
Closing balance on 31 December 2015	831
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

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	2,430,987
Profit for the year	117,591
TOTAL	2,548,578

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	2,297,268
TOTAL	2,548,578

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 51 and Note 28 Shareholders' equity.

At least once per year, the Board reviews the capital structure and takes this into account when making decisions on, for example, dividends or raising new loans. The key figure company management 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. As of 2016, 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 Adjustments for non-cash items

	Group		Parent Company	
	2016	2015	2016	2015
Depreciation/Amortisation	173	167	0	0
Impairment of tangible fixed assets	2	-	-	-
Impairment of financial fixed assets	1	2	28	35
Other provisions	0	5	0	2
Capital gain/loss from divestment of fixed assets	1	2	-	-
Capital gain/loss from divestment of operations	23	0	-	-
Other items not affecting liquidity	-4	12	-6	0
	196	188	21	37

Cash flow pertains to total operations, i.e. both continuing and discontinued operations.

NOTE 31 Effects of acquisitions implemented

Acquisitions in 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	Participating interest and share of voting rights	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

Acquisitions in 2015

MECA acquired Opus Equipment AB, a comprehensive supplier of workshop equipment for workshops and car inspection stations. Delivery of workshop equipment is a new business in Mekonomen Group that offers equipment with installation and maintenance service to new and existing customers on the automotive aftermarket. The purchase price for the shares amounted to SEK 41 M and the assumed net debt was SEK 10 M. Consolidation of the company took place as of 1 July 2015 in Mekonomen Group. MECA also acquired a partner store and workshop in Köping, Sweden.

Mekonomen Nordic acquired non-controlling interests in 21 stores, 18 in Sweden and 3 in Norway, for a minor value. In Sweden, three partner stores in Kiruna, Linköping and Karlskrona were acquired, and three workshops in Härnösand, Ljusdal and Lidingö in Stockholm. Mekonomen Nordic also acquired a partner store in Iceland.

Sørensen og Balchen acquired all non-controlling interests in DinDel Norway and established a store in Mysen, Norway.

Meko Service Nordic acquired a workshop in Karlskrona and non-controlling interests in a workshop in Sweden.

The company acquired, Opus Equipment AB, impacted consolidated net sales in an amount of SEK 66 M, and EBITA in an amount of SEK 4 M and EBIT in an amount of SEK 3 M, excluding acquisition costs. 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.

NOTE 31 continued

	Total acquisitions
Acquisitions in 2015	
Value of acquired assets and liabilities	
Intangible fixed assets	5
Tangible fixed assets	5
Deferred tax assets	2
Inventories	44
Current receivables	21
Cash and cash equivalents	1
Long-term liabilities	-1
Current liabilities	-37
Acquired net assets	40
Customer relations	12
Goodwill	16
Deferred tax liabilities	-1
Acquired non-controlling interests, surplus value recognised against shareholders' equity	17
Total identifiable net assets and goodwill	84
Total purchase price	-84
- of which, cash portion	-84
Cash and cash equivalents in the acquired companies	1
Impact on Group's cash and cash equivalents	83

No store or workshop managers entered as part-owners in the respective store or workshop companies during the year.

Acquired subsidiaries/ operations 2015	Country	Acquisition date	Participating interest and share of voting rights	Object
Partner store, Kiruna - Mekonomen Nordic	Sweden	Quarter 1	100	Assets and liabilities
Partner store, Linköping - Mekonomen Nordic	Sweden	Quarter 1	100	Assets and liabilities
Partner store, Iceland - Mekonomen Nordic	Iceland	Quarter 1	100	Assets and liabilities
Workshop, Lidingö - Mekonomen Nordic	Sweden	Quarter 1	100	Assets and liabilities
Workshop, Härmösand - Mekonomen Nordic	Sweden	Quarter 2	100	Assets and liabilities
Workshop, Ljusdal - Mekonomen Nordic	Sweden	Quarter 2	100	Assets and liabilities
Partner store, Köping - MECA	Sweden	Quarter 2	100	Assets and liabilities
Workshop, Köping - MECA	Sweden	Quarter 2	100	Assets and liabilities
OPUS Equipment AB, Gothenburg - MECA	Sweden	Quarter 3	100	Company
Partner store, Karlskrona - Mekonomen Nordic	Sweden	Quarter 4	51	Assets and liabilities
Workshop, Karlskrona - 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 35 M (37). Purchases relating to goods and services from Group companies amounted to SEK 56 M (63).

NOTE 33 Transactions with related-parties

In 2016, Mekonomen Group acquired goods and services at a value of SEK 5 M (2) 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. 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. In view of the fact that the Danish store operations constituted a significant operating segment in a geographic area, it has been recognised and presented as a discontinued operation according to the rules in IFRS 5 as of the first quarter interim report of 2015. All comparable periods have been recalculated. The Danish store operations were previously a part of the MECA segment.

The consolidated income statement includes the discontinued store operations' profit taken up as an item under "Discontinued operations". This means that the discontinued operations have been excluded from all profit items in the consolidated income statement and that only the net profit from the discontinued operation has been stated on the line for profit from discontinued operations. The discontinued operation's cash flows are included in the consolidated cash flow statement and reported separately below. The consolidated balance sheet has not been recalculated.

At 31 December 2016, the accumulated translation reserve regarding Denmark amounted to SEK -14 M. 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.

Separate financial information is presented below with regard to the discontinued store operations in Denmark.

Profit/loss and other comprehensive income from discontinued operations	2016	2015
Revenue	0	36
Expenses	0	-36
Profit/loss from discontinued operations – before tax	0	0
Tax	0	0
Profit/loss from discontinued operations – after tax	0	0
Other comprehensive income:		
Exchange-rate differences on translation of foreign subsidiaries	3	-1
Comprehensive income/loss from discontinued operations	3	-1

Cash flow from discontinued operations in summary	2016	2015
Cash flow from operating activities	-17	-134
Cash flow from investing activities	5	29
Cash flow from financing activities	0	0
Cash flow from discontinued operations	-12	-105

NOTE 35 Events after the end of the year

Board members Caroline Berg and Mia Brunell Livfors made their positions available and at the Extraordinary General Meeting on 10 January 2017, in accordance with the proposal by LKQ, Joseph M. Holsten and John S. Quinn were elected as members of the company's Board of Directors. John S. Quinn was elected to be the Executive Vice Chairman.

The Board of Mekonomen AB appointed Pehr Oscarson the President and CEO of Mekonomen Group, effective as of 1 March 2017.

As stated in a press release on 6 March 2017, Per Hedblom is leaving the post of CFO at his own request for a new assignment with a different employer. The process of finding a new CFO for Mekonomen Group will begin immediately. Per Hedblom ends his position as CFO no later than September 2017.

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 24 March 2017. 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 25 April 2017.

NOTE 37 Financial risks

Through its operations, Mekonomen Group is exposed to currency, credit, interest-rate and 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 2016, currency fluctuations had a positive impact on the Group's profit before tax totalling SEK -5 M (+8). The most important currency in terms of transaction exposure is EUR, which represents 37 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 2016, Mekonomen's net debt is SEK 1,437 M (1,626). 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.

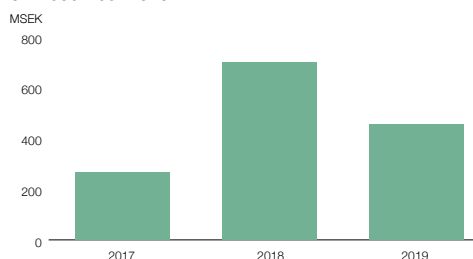
Financing and liquidity risks

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 2016, the Group's total loan financing amounted to SEK 1,728 M (1,921), of which the long-term portion is SEK 1,327 M (1,462). The Group's borrowing from banks is subject to certain conditions, known as covenants, all of which Mekonomen AB meets.

See the maturity structure excluding amortisation in the graph below.

Mekonomen Group's external loans without backup facilities as per 31 December 2016.



Maturity structure excluding amortisation.

Total amortisation of the loans is SEK 136 M per year. In addition, the Group has overdraft facilities totalling SEK 609 M (627). 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, EUR and DKK. 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 President hereby certify that the Annual 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 President 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, 24 March 2017

Kenneth Bengtsson
Chairman of the Board

John S. Quinn
Executive Vice Chairman

Kenny Bräck
Board member

Joseph M. Holsten
Board member

Malin Persson
Board member

Helena Skåntorp
Board member

Christer Åberg
Board member

Pehr Oscarson
President and CEO

Our Auditor's Report was submitted on 27 March 2017
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Mekonomen AB (publ),
corporate identity number 556392-1971

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Mekonomen AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 33-82 in this document except for the corporate governance statement on pages 39-47.

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 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 39-47. 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.

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.

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. 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

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.

How our audit addressed the Key audit matter

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
<p>Existence and valuation of inventory</p> <p><i>We refer to Note 17 and the accounting principles.</i></p> <p>The inventory comprises a significant portion of the group's assets and consists of finished goods inventory. The inventory is comprised of both 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.</p> <p>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.</p> <p>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.</p> <p>The existence of obsolescence requires that estimations and judgments are undertaken in valuing the inventory.</p> <p>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.</p>	<p>We have obtained an understanding of the inventory accounting through mapping the routines for inventory transactions and for the reporting of these transactions. We have formed an opinion as to the manner in which the financial reporting is impacted by the group's inventory.</p> <p>Furthermore, the relevant IT systems have been tested with regard to, amongst other things, change management, crisis management, authorisations and access rights.</p> <p>Within the inventory process, there are controls executed by the operations to ensure correct accounting. We have evaluated the design and tested the effectivity of those controls significant to the audit.</p> <p>In order to ensure the existence of the inventory and its condition, we also participated in a selection of all of the stock-taking exercises executed by Mekonomen.</p> <p>Furthermore, we have assessed the obsolescence provision in accordance with the obsolescence schedule applied within the Mekonomen group.</p> <p>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.</p> <p>We have also studied and evaluated the information provided in Notes I and 17 of the annual report.</p> <p>On the basis of our audit, we have made no significant observations regarding the accounting of the inventory.</p>

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 1-32 and 86-91. 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. 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 2016 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 fulfil 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/show-document/documents/rev_dok/revisors_ansvar.pdf. 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 39-47 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.

Stockholm, 27 March 2017
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

Five years in summary

The tables below present financial information in summary for the financial years 2012-2016. For all years presented, the income statement and certain key indicators were recalculated considering the discontinuation of the store operations in Denmark. Balance sheets and cash flows have not been recalculated.

Income statements, SEK M	2016	2015	2014	2013	2012
Continuing operations:					
Net sales	5,786	5,624	5,262	5,129	4,591
Other revenue	151	137	128	122	133
Goods for resale	-2,686	-2,529	-2,337	-2,275	-2,015
Other operating expenses	-2,595	-2,449	-2,229	-2,226	-2,010
EBITDA	656	784	824	750	699
Depreciation and impairment of tangible fixed assets	-62	-57	-61	-67	-60
EBITA	594	726	763	683	639
Amortisation and impairment of intangible fixed assets	-113	-110	-124	-156	-73
Operating profit, EBIT	481	616	639	527	566
Net financial items	-35	-22	-19	-39	-55
Profit after financial items	446	594	620	489	511
Tax on profit for the year	-105	-164	-153	-129	-101
Profit for the year from continuing operations	342	430	466	360	410
Discontinued operations:					
Profit for the year from discontinued operations ¹⁾	0	0	-340	-44	-28
Profit for the year	342	430	127	315	382

Balance sheets, SEK M	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Assets					
Intangible fixed assets	2,757	2,734	2,813	2,881	3,086
Other fixed assets	304	288	321	347	381
Inventories	1,279	1,226	1,223	1,213	1,203
Accounts receivable	485	453	450	439	495
Other current assets	336	365	319	285	302
Cash and cash equivalents	291	295	258	279	241
Total assets	5,452	5,361	5,384	5,444	5,708
Shareholders' equity and liabilities					
Shareholders' equity, Parent Company's shareholders	2,311	2,143	2,066	2,228	2,303
Non-controlling interests	14	12	14	12	13
Long-term liabilities	1,524	1,645	1,575	1,872	2,059
Current liabilities	1,603	1,560	1,728	1,332	1,333
Total shareholders' equity and liabilities	5,452	5,361	5,384	5,444	5,708

Condensed cash-flow statement, SEK M	2016	2015	2014	2013	2012
Cash flow from operating activities	544	439	413	557	518
Cash flow from investing activities	-94	-146	-121	-54	-1,510
Cash flow from financing activities	-466	-245	-309	-442	1,165
Cash flow for the year	-16	48	-17	61	173

Data per share ²⁾ , amounts in SEK per share unless otherwise stated	2016	2015	2014	2013	2012
Earnings, continuing operations	9.32	11.77	12.80	9.81	11.57
Earnings, discontinued operations	0.00	0.00	-9.46	-1.25	-0.76
Earnings	9.32	11.77	3.34	8.56	10.80
Cash flow	15.1	12.2	11.5	15.5	14.9
Shareholders' equity	64.4	59.7	57.5	62.1	64.2
Dividend ³⁾	7.00	7.00	7.00	7.00	7.00
Share of profit paid, %	75	59	210	82	65
Share price at year-end	171.5	173.0	204.0	198.0	206.5
Share price, highest for the year	207.0	234.5	207.0	233.0	246.0
Share price, lowest for the year	150.5	170.0	139.0	189.0	180.0
Direct yield, %	4.1	4.0	3.4	3.5	3.4
P/E ratio at year-end, multiple	18.4	14.7	61.1	23.1	19.1
Average number of shares after dilution effects ⁴⁾	35,901,487	35,901,487	35,901,487	35,901,487	34,695,410
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	9,484	9,373	9,664	8,355	8,138

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 2016.

⁴⁾ No dilution is applicable.

Key figures ¹⁾²⁾	2016	2015	2014	2013	2012
Sales growth, %	3	7	3	12	36
Gross margin, %	54	55	56	56	56
EBITDA margin, %	11	14	15	14	15
EBITA margin, %	10	13	14	13	14
EBIT margin, %	8	11	12	10	12
Capital employed, SEK M	4,066	4,086	3,980	4,176	4,432
Return on capital employed, %	12	15	16	13	16
Return on shareholders' equity, %	15	20	21	16	21
Return on total capital, %	9	12	12	10	12
Equity/assets ratio, %	43	40	39	41	41
Net debt/equity ratio, multiple	0.6	0.8	0.8	0.7	0.8
Interest-coverage ratio, multiple	17	19	16	11	12
Net debt, SEK M	1,437	1,626	1,629	1,642	1,849
Net debt/EBITDA, multiple ³⁾	2.19	2.07	3.09	2.32	2.74
Average number of employees⁴⁾					
Sweden	1,413	1,438	1,335	1,342	1,287
Norway	808	794	772	775	690
Other countries	66	58	24	21	24
Group	2,287	2,290	2,131	2,138	2,001
Number of stores/of which proprietary⁴⁾					
Mekonomen Sweden	132/112	134/113	137/113	137/109	143/115
Mekonomen Norway	45/32	45/32	46/33	47/32	51/35
Sørensen og Balchen – Norway	72/37	70/35	71/34	74/34	78/36
MECA Sweden	61/51	61/48	63/48	61/44	64/43
MECA Norway	24/24	24/24	24/24	25/24	25/24
Total MECA	85/75	85/72	87/72	86/68	89/67
Other	8/5	8/5	10/6	10/6	11/7
Group	342/261	342/257	351/258	354/249	372/260
Number of Mekonomen Service Centres					
Sweden ⁵⁾	447	457	485	489	484
Norway	339	345	378	384	387
Denmark ⁶⁾	0	102	195	212	219
Finland	23	19	17	12	4
Group	809	923	1,075	1,097	1,094
Number of MekoPartner workshops					
Sweden	127	125	129	116	137
Norway	93	97	73	72	73
Denmark ⁶⁾	0	39	153	190	216
Group	220	261	355	378	426
Number of BilXtra workshops					
Norway	255	246	232	243	225
Group	255	246	232	243	225
Number of Speedy workshops					
Sweden	26	20	14	12	11
Group	26	20	14	12	11
Number of Meca Car Service workshops					
Sweden	425	404	377	344	334
Norway	286	272	251	226	212
Group	711	676	628	570	546
Total number of affiliated workshops in the Group	2,021	2,126	2,304	2,300	2,302

¹⁾ The key figures refer to continuing operations. Comparative figures have been recalculated. The balance sheet has not been recalculated for discontinued 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.

⁴⁾ The number of employees and numbers of stores are reported excluding the discontinued store operations in Denmark.

⁵⁾ Includes 20 (18) proprietary workshops in Meko Service Nordic.

⁶⁾ 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

Continuing operations, SEK M	2016					2015				
	Full-year	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1
Net sales¹⁾										
MECA ²⁾	2,039	528	477	534	500	1,871	489	466	473	444
Mekonomen Sweden ³⁾	1,891	470	456	503	462	1,925	493	468	515	449
Mekonomen Norway ⁴⁾	836	210	209	223	194	814	191	195	224	204
Sørensen og Balchen	725	182	179	192	172	729	159	179	201	191
Other segments ⁵⁾	295	76	71	85	63	285	83	66	77	60
Group	5,786	1,466	1,392	1,537	1,391	5,624	1,415	1,374	1,489	1,346
EBITA										
MECA ²⁾	217	16	53	85	62	258	52	54	80	71
Mekonomen Sweden ³⁾	190	42	56	40	53	289	53	78	92	65
Mekonomen Norway ⁴⁾	132	28	35	42	27	151	25	39	51	36
Sørensen og Balchen	117	29	29	36	24	117	26	30	35	25
Other segments ⁵⁾	-63	-11	-20	-15	-17	-87	-20	-5	-35	-28
Group	594	103	154	189	149	726	138	196	224	169
EBIT										
MECA ²⁾	205	13	50	82	60	245	49	51	77	68
Mekonomen Sweden ³⁾	187	40	55	39	52	287	53	77	92	65
Mekonomen Norway ⁴⁾	132	28	35	42	27	151	25	39	51	35
Sørensen og Balchen	117	29	29	36	24	116	26	30	35	25
Other segments ⁵⁾	-84	-16	-25	-19	-23	-106	-26	-9	-39	-32
Other items ⁶⁾	-77	-19	-19	-19	-19	-77	-19	-19	-19	-19
Group	481	74	125	161	121	616	109	168	197	142
Investments⁷⁾										
MECA ²⁾	16	6	3	4	3	17	5	2	2	8
Mekonomen Sweden ³⁾	30	14	5	5	6	29	12	2	6	9
Mekonomen Norway ⁴⁾	3	1	0	1	1	4	1	1	1	1
Sørensen og Balchen	5	2	1	1	1	3	1	0	1	1
Other segments ⁵⁾	57	21	11	18	8	50	14	14	14	8
Group	111	43	20	28	20	103	33	19	24	28
EBITA margin, %										
MECA ²⁾	10	3	11	16	12	14	11	12	17	16
Mekonomen Sweden ³⁾	10	8	12	8	11	14	10	16	17	14
Mekonomen Norway ⁴⁾	15	13	16	18	14	18	13	19	22	17
Sørensen og Balchen	16	16	16	18	14	16	16	16	17	13
Group	10	7	11	12	10	13	10	14	15	12
EBIT margin, %										
MECA ²⁾	10	2	10	15	12	13	10	11	16	15
Mekonomen Sweden ³⁾	10	8	12	8	11	14	10	16	17	14
Mekonomen Norway ⁴⁾	15	13	16	18	14	18	13	19	22	17
Sørensen og Balchen	16	16	16	18	13	16	16	16	17	13
Group	8	5	9	10	9	11	8	12	13	10
Quarterly data, Group⁸⁾										
Total revenue	5,937	1,508	1,432	1,573	1,424	5,761	1,447	1,405	1,527	1,382
EBITA	594	103	154	189	149	726	138	196	224	169
EBIT	481	74	125	161	121	616	109	168	197	142
Net financial items	-35	-2	-13	-9	-11	-22	0	-15	-9	2
Profit after financial items	446	72	112	152	110	594	109	154	188	144
Tax	-105	-6	-31	-40	-27	-164	-32	-42	-50	-39
Profit/loss for the period	342	66	82	112	83	430	76	111	138	105
Gross margin, %	54	52	54	54	54	55	54	56	55	55
EBITA margin, %	10	7	11	12	10	13	10	14	15	12
EBIT margin, %	8	5	9	10	9	11	8	12	13	10
Earnings per share, continuing operations, SEK	9.32	1.83	2.20	3.02	2.28	11.77	2.14	3.01	3.74	2.88
Earnings per share, discontinued operations, SEK	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	-0.02	-0.01
Earnings per share, SEK	9.32	1.83	2.20	3.02	2.28	11.77	2.17	3.01	3.72	2.87
Shareholders' equity per share, SEK	64.4	64.4	63.0	59.3	62.5	59.7	59.7	58.4	56.9	61.0
Cash flow per share, SEK	15.1	5.8	2.2	6.4	0.8	12.2	5.4	4.3	3.8	-1.3
Return on shareholders' equity, %	15.1	15.1	15.9	17.6	18.7	20.0	20.0	20.9	21.9	21.3

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

²⁾ As of 1 January 2015, store operations in Denmark are presented as discontinued operations and therefore are not included in the MECA segment. For additional information regarding discontinued operations, refer to Note 34.

³⁾ The Mekonomen Sweden segment primarily includes wholesale, store and fleet operations in Sweden. Mekonomen Sweden was previously included in the Mekonomen Nordic segment. For additional information regarding the new segment breakdown, refer to Note 3 Segment information.

⁴⁾ The Mekonomen Norway segment primarily includes store and fleet operations in Norway. Mekonomen Norway was previously included in the Mekonomen Nordic segment. For additional information regarding the new segment breakdown, refer to Note 3 Segment information.

⁵⁾ "Other segments" include business activities and operating segments for which information is not provided separately. "Other segments" also include units that were previously included in Mekonomen Nordic, but are not included in Mekonomen Sweden or Mekonomen Norway; the comparative figures have been recalculated. For additional information regarding the new segment breakdown, refer to Note 3 Segment information.

⁶⁾ "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.

⁷⁾ Investments do not include company and business combinations.

⁸⁾ All amounts and key figures refer to the continuing operations except cash flow. 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 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 number of days during the period.

Earnings per share

Profit for the period excluding non-controlling interests, in relation to the average number of shares. Average number of shares is calculated as the 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 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

EBIT 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.

Gross margin

Net sales less costs for goods for resale, as a percentage of net sales.

Gross profit

Revenue less costs for goods for resale.

Interest-coverage ratio

Profit after net financial items plus interest expenses divided by interest expenses.

Net debt

Current and long-term interest-bearing liabilities for borrowing, meaning excluding pensions, leasing, derivatives and similar obligations, less cash and cash equivalents.

Net debt/equity ratio

Net debt divided by shareholders' equity including non-controlling interest.

Operating costs

Operating costs consists of other external costs, personnel expenses and depreciation/amortisation and impairment of tangible and intangible fixed assets.

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 the Parent Company's shareholders at the end of the period divided by five.

Return on capital employed

Profit after net financial items plus interest expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the end of the period plus the capital employed for the four immediately preceding quarters divided by five.

Return on total capital

Profit after net 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 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 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).

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

Impact of currency with respect to realised and unrealised revaluation of foreign current non-interest-bearing receivables and liabilities.

Currency-transaction effects

Impact of currency with respect to internal sales from Mekonomen Grossist AB, as well as from MECA Car Parts AB to each country.

Currency-translation effects

Impact of currency from translation of earnings from foreign subsidiaries to SEK.

Fleet operations

Mekonomen Group's offering to business customers comprising service and repairs of cars, sales of spare parts, tyres 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 workshops, as well as the Group's e-commerce sales to consumers.

Sales to customer group Other workshops

Sales to customer 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 new guidelines for alternative performance figures issued by ESMA¹⁾. An alternative performance measure is a financial measure over historical or future earnings trends, financial position or cash flow that are not defined or specified in IFRS. Mekonomen believes that these measures provide valuable supplemental information to the company's management, investors and other stakeholders to evaluate the company's performance. The alternative performance measures are not always comparable with measures used by other companies since not all companies calculate these measures in the same way. They shall thereby be seen as a complement to measures defined according to IFRS. For relevant reconciliations of the alternative performance measures that cannot be directly read or derived from the financial statements, refer to mekonomen.com.

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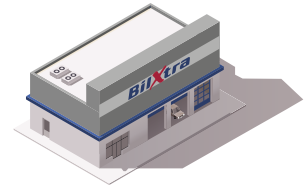
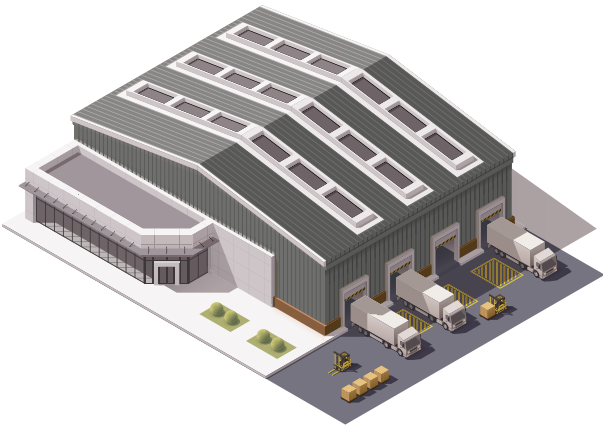
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