

Mekonomen Group

Year-end report January - December 2019

7 February 2020

Stable performance in the fourth quarter

1 October–31 December 2019

- Net sales amounted to SEK 2,954 M (2,864). Net sales rose 3 per cent, of which 1 percentage point in organic growth.
- Adjusted EBIT amounted to SEK 149 M (148) and the adjusted EBIT margin was 5 per cent (5).
- EBIT totalled SEK 104 M (57) and the EBIT margin was 3 per cent (2). EBIT was negatively impacted in the quarter by items affecting comparability of SEK 6 M (neg: 53).
- Positive impact of IFRS 16 of SEK 6 M on EBIT and adjusted EBIT.
- Earnings per share, before and after dilution, amounted to SEK 1.00 (0.18).
- Cash flow from operating activities amounted to SEK 202 M (46), which was positively affected by SEK 128 M as a result of IFRS 16. The total cash flow for the period was not affected by IFRS 16.
- Net debt was SEK 3,709 M (4,098) at the end of the period, compared with SEK 3,814 M at 30 September 2019.

1 January–31 December 2019

- Net sales amounted to SEK 11,842 M (7,779). Net sales rose 52 per cent, of which 2 percentage points in organic growth.
- Adjusted EBIT amounted to SEK 874 M (599) and the adjusted EBIT margin was 7 per cent (8).
- EBIT totalled SEK 705 M (407) and the EBIT margin was 6 per cent (5). EBIT was negatively impacted by items affecting comparability of SEK 11 M (neg: 89).
- Positive impact of IFRS 16 of SEK 20 M on EBIT and adjusted EBIT.
- Earnings per share, before and after dilution, amounted to SEK 7.34 (6.56).
- Cash flow from operating activities amounted to SEK 1,142 M (331), which was positively affected by SEK 507 M as a result of IFRS 16. The total cash flow for the period was not affected by IFRS 16.
- As of 2019, leases are reported in accordance with the new standard IFRS 16, the comparative figures have not been recalculated. See page 9 for further information.
- The Board of Directors proposes a dividend of SEK 0,50 (0.00) per share.

SUMMARY OF THE GROUP'S EARNINGS TREND						
SEK M	Oct–Dec 2019	Oct–Dec 2018	Change, %	Jan–Dec 2019	Jan–Dec 2018	Change, %
Net sales	2 954	2 864	3	11 842	7 779	52
Adjusted EBIT	149	148	1	874	599	46
EBIT	104	57	84	705	407	73
Profit after financial items	77	17	350	555	477	16
Profit after tax	55	8	564	421	268	57
Earnings per share, SEK	1,00	0,18	465	7,34	6,56	12
Adjusted EBIT margin, %	5	5		7	8	
EBIT margin, %	3	2		6	5	

ADJUSTED EBIT						
SEK M	Oct–Dec 2019	Oct–Dec 2018	Change, %	Jan–Dec 2019	Jan–Dec 2018	Change, %
EBIT	104	57	84	705	407	73
Costs related to the integration of FTZ and Inter-Team	-9	-25		-14	-25	
Impairment of inventory DAB products ¹⁾	3			3	-20	
Divestment Marinshopen					-6	
Acquisition costs FTZ and Inter-Team					-23	
Handling of refurbished spare parts		-28			-15	
Items affecting comparability, total	-6	-53		-11	-89	
"Other items", material acquisition-related items ²⁾	-39	-39		-157	-103	
Adjusted EBIT	149	148	1	874	599	46

¹⁾ Digital Audio Broadcasting.

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

CEO comments

Stable performance in the fourth quarter

We end a year in transition with modest net sales growth in the fourth quarter, as a result of the weak market caused by the unusually mild winter conditions. Adjusted EBIT was unchanged compared with the year-earlier quarter. We have successfully integrated the acquired businesses Inter-Team and FTZ as well as focused our work to lower our leverage throughout the year. We have a solid business, operationally and financially, with a strong position in our markets going into 2020. Based on the progress, the Board of Directors proposes to reinstate dividends and will propose SEK 0,50 per share to the AGM, with continue focus on deleveraging going forward.

Continued growth despite weak market

Net sales grew by 3.2 per cent to SEK 2,954 M (2,864) in the fourth quarter, compared with the year-earlier period. The unusually mild start of the winter season and the extended Christmas holiday period are the main explanation of the weak demand for car parts and workshop services in most of our markets. We estimate that these effects combined, affect growth negatively by around 2 per cent in Sweden and Norway in the quarter.

The organic growth was 1 per cent in the fourth quarter and 2 per cent for the full year, mainly driven by continued solid growth in Poland but weighed down by the soft market in Scandinavia in the latter part of the year. We believe we have maintained or improved our market share overall in a generally weak market.

Stable profitability

Group gross margin was stable at 44.1 per cent (44.0) in the fourth quarter, despite continued negative impact from customer and product mix changes and higher purchasing costs as a result of the strong EUR. Going forward we will benefit from increased sales prices in our Swedish and Norwegian markets, implemented in December to compensate for the higher purchasing costs.

EBIT in the fourth quarter amounted to SEK 104 M (57) and the EBIT margin improved to 3.5 per cent (1.9). Adjusted EBIT was SEK 149 M (148) and the adjusted EBIT margin 5.0 per cent (5.1). Adjusted EBIT was negatively impacted by low organic growth but compensated for by our continued focus on cost control within the Group.

Strategic projects and initiatives

Our work to achieve purchasing synergies of SEK 100 M with full effect from 2021 is progressing according to plan and as of the end of the fourth quarter we have realized approximately SEK 60 M, including volume effects.

The cost-saving programme, initiated in the first quarter of 2019, is proceeding favourably.

The project of merging our central warehouses in Sweden is proceeding according to plan and is expected to generate cost savings of SEK 50 M annually, with full effect at the end of 2020. During the quarter we continued the pilot where five MECA branches and the regional MECA warehouse in Norway received their supply from Strängnäs. The next phase will be to gradually transfer the supply of MECA branches from the warehouse in Eskilstuna to Strängnäs, with focus in the process to minimize risk and ensure high service levels towards our customers.

Summary and outlook

To summarize, I am reasonably satisfied with our financial performance in 2019, given the weak market climate in the latter part of the financial year. Operationally, we have put in a lot of work integrating Inter-Team and FTZ as well as in our project of merging our central warehouses in Sweden. We have a solid platform entering 2020, adapted to pursue profitable growth in all parts of our business, largely through our ongoing strategic projects and initiatives. In line with our ongoing strategy work, we will put even more focus on the conceptualisation of our business and have, in line with this decided, to extend Group Management with a Director of Business Development and Strategy as of today.

The Board of Directors proposes a dividend per share totalling 0.50 SEK in 2020, based on our improved financial position. We reported positive cash flow in 2019 and our debt ratio improved throughout the year, ending the financial year with a net debt/EBITDA multiple of 3.7 times (6.4).

I have a positive long-term view on Mekonomen Group, given our strong position in our markets, our talented leaders and employees and our strong focus on profitability together with the recent price adjustments. Our drive to continue to develop our business will create value for both our customers and shareholders.

Pehr Oscarson
President and CEO
Mekonomen Group

THIS IS MEKONOMEN GROUP

Mekonomen Group consists of the leading car service chains in northern Europe: FTZ, Inter-Team, MECA, Mekonomen and Sørensen og Balchen. The Group has its own wholesale operations, more than 460 stores and over 3,600 workshops operating under the Group's brands. We offer a wide and easily accessible range of affordable and innovative solutions and products for consumers and companies, where sales to companies account for over 90 per cent of the Group's sales.

Business concept

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

Business flow

Mekonomen Group has a shared purchasing function supporting all four business areas FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen. The business areas are responsible for their own wholesale operations. The supply of goods is mainly from suppliers in Europe and Asia. Through our stores, we sell and deliver spare parts and accessories to our affiliated workshops as well as other B2B customers, partner stores and consumers.



GROUP REVENUE

TOTAL REVENUE DISTRIBUTION, SEK M	Oct–Dec 2019	Oct–Dec 2018	Change, %	Jan–Dec 2019	Jan–Dec 2018	Change, %
Net sales, external per business area						
FTZ	875	836	5	3 371	1 088	210
Inter-Team	524	490	7	2 155	638	238
MECA/Mekonomen	1 368	1 363	0	5 527	5 301	4
Sørensen og Balchen	176	168	5	759	739	3
Central functions	11	6	81	31	14	129
Total net sales, Group	2 954	2 864	3	11 842	7 779	52
Other operating revenue	40	59	-31	174	172	2
GROUP REVENUE	2 995	2 922	2	12 017	7 951	51

Revenue distribution per country and business area is presented in the table on pages 15-16.

GROWTH NET SALES PER CENT	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Group	
	Q4	Jan–Dec	Q4	Jan–Dec	Q4	Jan–Dec	Q4	Jan–Dec	Q4	Jan–Dec ¹⁾
Organic growth	1,6	1,2	3,3	5,4	-0,3	1,8	2,3	-6,4	1,2	1,5
Effect from acquisitions/divestments	0,0	0,0	0,0	0,0	1,3	2,2	4,2	8,4	0,8	49,5
Currency effect	3,1	3,1	3,5	2,5	-0,6	0,2	-1,7	0,6	1,1	0,9
Effect, workdays	0,0	1,3	0,0	1,3	0,0	0,0	0,0	0,0	0,0	0,3
Growth net sales	4,7	5,7	6,8	9,2	0,4	4,3	4,8	2,7	3,2	52,2

1 October–31 December 2019

Net sales amounted to SEK 2,954 M (2,864). Net sales rose 3 per cent, of which organic growth accounted for 1 percentage point. The number of workdays was unchanged in all countries during the quarter compared with the year-earlier period.

1 January–31 December 2019

Net sales amounted to SEK 11,842 M (7,779). Net sales rose 52 per cent, of which organic growth accounted for 2 percentage point. The number of workdays was unchanged in Finland, Norway and Sweden for the full-year compared with the year-earlier period. The number of workdays was one day more in Denmark and Poland during the September to December period compared with the year-earlier period.¹⁾

¹⁾ Growth in net sales and the number of workdays for FTZ and Inter-Team is based on the September–December 2019 period compared with same period of the corresponding year instead of full-year 2019 compared with full-year 2018 as the operations were acquired in September 2018.

GROUP PERFORMANCE

1 October–31 December 2019

Adjusted EBIT

Adjusted EBIT amounted to SEK 149 M (148) and the adjusted EBIT margin was 5 per cent (5). Adjusted EBIT was positively impacted by IFRS 16 in the amount of SEK 6 M. During the quarter, currency effects in the balance sheet had a positive impact on EBIT of SEK 6 M (neg: 3).

EBIT

EBIT amounted to SEK 104 M (57) and the EBIT margin amounted to 3 per cent (2). EBIT was negatively impacted in the quarter by items affecting comparability of SEK 6 M (neg: 53), pertaining to integration costs less recovery of DAB products. EBIT was positively impacted by IFRS 16 in the amount of SEK 6 M. During the quarter, currency effects in the balance sheet had a positive impact on EBIT of SEK 6 M (neg: 3).

Other earnings

Profit after financial items amounted to SEK 77 M (17), negatively impacted by IFRS 16 in the amount of SEK 4 M. Net interest expense was SEK 31 M (expense: 17) and other financial items an expense of SEK 5 M (expense: 22). Profit after tax was negatively impacted by IFRS 16 in the amount of SEK 3 M and totalled SEK 55 M (8). Earnings per share, before and after dilution, amounted to SEK 1.00 (0.18).

1 January–31 December 2019

Adjusted EBIT

Adjusted EBIT amounted to SEK 874 M (599) and the adjusted EBIT margin was 7 per cent (8). Adjusted EBIT was positively impacted by IFRS 16 in the amount of SEK 20 M. During the period, currency effects in the balance sheet had a negative impact of SEK 2 M (neg: 3) on adjusted EBIT.

EBIT

EBIT amounted to SEK 705 M (407) and the EBIT margin was 6 per cent (5). EBIT was negatively impacted by items affecting comparability totalling SEK 11 M (neg: 89) attributable to integration costs less recovery from DAB products. EBIT was positively impacted by IFRS 16 in an amount of SEK 20 M. Currency effects in the balance sheet had a negative impact of SEK 2 M (neg: 3) on EBIT.

Other earnings

Profit after financial items amounted to SEK 555 M (477), negatively impacted by IFRS 16 in the amount of SEK 23 M. Net interest expense was SEK 139 M (expense: 47) and other financial items an expense of SEK 11 M (income: 117). The main difference in other financial items compared with the year-earlier period is due to positive currency effects on long-term loans in the third quarter of 2018. Profit after tax was negatively impacted by IFRS 16 in the amount of SEK 18 M and totalled SEK 421 M (268). In the comparative period, the tax expense was negatively impacted in an amount of SEK 93 M as a result of the impairment of deferred tax assets regarding Group deductions for earlier loss carry forwards in Denmark pursuant to the acquisition of FTZ. Earnings per share, before and after dilution, amounted to SEK 7.34 (6.56).

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in the fourth quarter amounted to SEK 202 M (46) and to SEK 1,142 M (331) for the full-year. Compared with the year-earlier period, cash flow from operating activities was positively impacted by IFRS 16 in the amount of SEK 128 M for the quarter and SEK 507 M for the full-year. The total cash flow for the period was, however, not affected by IFRS 16. Tax paid amounted to SEK 64 M (54) for the fourth quarter and to SEK 226 M (199) in the full-year. Cash and cash equivalents amounted to SEK 355 M (205). The equity/assets ratio was 34 per cent (36). Calculated excluding IFRS 16, the equity/assets ratio was 39 per cent. Long-term interest-bearing liabilities amounted to SEK 4,655 M (3,232), including a long-term lease liability of SEK 1,323 M. Current interest-bearing liabilities amounted to SEK 1,204 M (1,081), including a current lease liability of SEK 457 M.

Net debt amounted to SEK 3,709 M (4,098), compared with SEK 3,814 M at the end of the previous quarter. Net debt reduced SEK 389 M during 2019. The changes to net debt during the year were primarily impacted by a positive operating cash-flow, investments, repayments and currency fluctuations. During the quarter, loan repayments according to plan totalled SEK 88 M and to SEK 295 M in the full-year.

INVESTMENTS

During the fourth quarter, investments in fixed assets amounted to SEK 199 M (52) and included leases of SEK 169 M and for the full-year, investments were SEK 457 M (221), including leases of SEK 326 M. Depreciation and impairment of tangible fixed assets and right-of-use assets amounted to SEK 154 M (28) for the fourth quarter and to SEK 611 M (84) for the full-year. Depreciation increased by SEK 127 M in the quarter and SEK 503 M for the full-year as a result of IFRS 16. Investments in the ongoing establishment of and inventory for the central warehouse in Strängnäs totalled SEK 1 M (7) in the fourth quarter, and SEK 6 M (104) for the full-year. Investments now total SEK 200 M.

During the fourth quarter, company and business acquisitions amounted to SEK 3 M (28) and in the full year to SEK 73 M (4,406), of which SEK - M (0) pertained to an estimated supplementary purchase consideration for the fourth quarter and SEK 8 M (3) for the full-year. In addition, supplementary purchase considerations of SEK - M (0) were paid in the quarter. Acquired assets totalled SEK 40 M (2,850) and assumed liabilities SEK 20 M (1,385) for the full-year. In addition to goodwill, which amounted to SEK 35 M (1,865), intangible surplus values of SEK 17 M (829) were identified pertaining to customer relations for the full-year. Deferred tax liabilities attributable to acquired intangible fixed assets amounted to SEK 1 M (300) for the full-year. Acquired non-controlling interests amounted to SEK - M (1) for the fourth quarter and to SEK 6 M (1) for the full-year. Divested non-controlling interests amounted to SEK 1 M (1) in the fourth quarter and SEK 1 M (1) in the full-year. Divested businesses amounted to SEK - M (-) in the fourth quarter and to SEK - M (6) in the full-year.

ACQUISITIONS AND START-UPS

Fourth quarter

During the quarter, MECA/Mekonomen acquired one workshop in Norway.

Earlier in the year

MECA/Mekonomen acquired four stores in Sweden and three workshops in Sweden as well as one workshop in Norway. Sørensen og Balchen acquired one store in Norway. As previously communicated, the Group acquired Nordic Forum Holding through FTZ. The impact of these acquisitions on consolidated sales and earnings was only marginal.

Number of stores and workshops

At the end of the period, the total number of stores in the chains was 469 (467), of which 397 (396) were proprietary stores. The number of affiliated workshops totalled 3,604 (3,416). See the distribution in the table on page 17.

EMPLOYEES

During the period, the average number of employees was 4,953 (3,181). See the distribution in the table on page 17.

PERFORMANCE BY BUSINESS AREA

To adapt segment reporting to the changed internal organisation and governance, arising from the acquisitions of FTZ and Inter-Team in 2018, a new segment division has been implemented. As of the first quarter of 2019, the Group reports in four business areas: FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen. For further information, refer to "Accounting policies." Comparative figures have been restated.

BUSINESS AREA FTZ

FTZ SEK M	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Net sales, external	875	836	5	3 371	1 088	210
EBIT	51	36	41	299	49	507
EBIT margin, %	6	4		9	5	
No. of stores/of which proprietary				51 / 51	51 / 51	
No. of AutoMester				421	423	
No. of Din BilPartner				153	136	
No. of HELLA Service Partner				331	336	
No. of CarPeople				38	26	
No. of Nosign				39	-	

The FTZ business area mainly includes wholesale and branch operations in Denmark. Operations were acquired on 3 September 2018. Operations generally have a lower gross margin than Mekonomen Group as a whole, while EBIT margin is higher due to generally lower operating expenses.

Net sales in the fourth quarter rose 5 per cent compared with the year-earlier quarter, due to favourable sales to affiliated workshops and larger customers. Organic growth was 2 per cent. Developments during the quarter were characterised by a generally weak aftermarket for car accessories and workshop services and continuing price competition. EBIT increased during the quarter compared with the corresponding quarter last year, mainly driven by the impact of purchasing synergies and the cost-savings programme as well as the lesser impact of items affecting comparability.

Net sales amounted to SEK 875 M (836) in the fourth quarter and to SEK 3,371 M (1,088) for the full year. The currency effect had a positive impact on net sales of SEK 26 M for the fourth quarter. Organic growth was 2 per cent in the fourth quarter. EBIT totalled SEK 51 M (36) for the quarter and included items affecting comparability of a negative SEK 9 M (neg: 18), and the EBIT margin was 6 per cent (4). For the full-year, EBIT was SEK 299 M (49), including items affecting comparability of a negative SEK 9 M (neg: 18), and the EBIT margin was 9 per cent (5).

The number of workdays was unchanged in Denmark during the fourth quarter and one day more for the September to December period compared with the year-earlier periods.

BUSINESS AREA INTER-TEAM

INTER-TEAM SEK M	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Net sales, external	524	490	7	2 155	638	238
EBIT	20	0	n/a	43	-1	n/a
EBIT margin, %	4	0		2	0	
No. of stores/of which proprietary				82 / 79	82 / 79	
No. of O.K. Serwis				199	175	
No. of INTER DATA SERVICE				404	290	

The Inter-Team business area mainly includes wholesale and branch operations in Poland and export business. The operations were acquired on 3 September 2018. Inter-Team's operations generally have a lower gross and EBIT margin than Mekonomen Group as a whole.

Inter-Team reported sales growth of 7 per cent compared with the year-earlier quarter, driven by continued favourable growth in the domestic market. Organic growth was 3 per cent. EBIT increased during the fourth quarter compared with the corresponding quarter last year, despite continued price pressure in both the Polish market and in the export business. EBIT was positively affected by higher sales and purchasing synergies. EBIT in the year-earlier quarter was adversely impacted by items affecting comparability of SEK 7 M.

Net sales in the fourth quarter amounted to SEK 524 M (490) and SEK 2,155 M (638) for the full-year 2019. The currency effect had a positive impact on net sales of SEK 17 M for the fourth quarter. Organic growth was 3 per cent in the fourth quarter. In the fourth quarter, Inter-Team's EBIT was SEK 20 M (0), including items affecting comparability of SEK - M (-), and the EBIT margin was 4 per cent (0). EBIT for the full-year amounted to SEK 43 M (neg: 1), including items affecting comparability of SEK - M (neg: 7), and the EBIT margin was 2 per cent (0).

The number of workdays was unchanged in Poland during the fourth quarter and one day more for the September to December period compared with the year-earlier periods.

BUSINESS AREA MECA/MEKONOMEN

MECA/MEKONOMEN	Oct-Dec	Oct-Dec		Jan-Dec	Jan-Dec	
SEK M	2019	2018	Change, %	2019	2018	Change, %
Net sales, external	1 368	1 363	0	5 527	5 301	4
EBIT ¹⁾	63	54	16	438	428	2
EBIT margin, % ¹⁾	5	4		8	8	
No. of stores/of which proprietary				271 / 230	270 / 230	
No. of Mekonomen Service Centres				795	780	
No. of MekoPartners				208	224	
No. of Speedy				40	39	
No. of MECA Car Service				709	721	
No. of AlltiBil				8	8	

¹⁾ Acquisition costs pertaining to Jan-Dec 2018 of SEK 23 M, have been transferred from MECA/Mekonomen to central functions.

The MECA/Mekonomen business area mainly includes wholesale, store, workshop and fleet operations in Sweden, Norway and Finland. The business area consists of the previously reported segments MECA and Mekonomen, together with minor operations that were previously reported in "Other segments," Tunga Fordon, Preqas, Meko Service Nordic, Speedy, AlltiBil and Mekster. Comparative figures have been restated.

MECA/Mekonomen reported an unchanged sales trend in the fourth quarter. Growth was primarily limited by a weak market, where a mild start to the winter and long Christmas holiday period were contributing factors. Organic growth was 0 per cent in the fourth quarter. Gross margin was unchanged compared with the year-earlier quarter, impacted by rising purchasing prices, due to the weak SEK and NOK, as well as continued price pressure and a slight change to the customer/product mix. EBIT improved slightly in the fourth quarter compared with the year-earlier quarter, as an effect of reduced items affecting comparability. During the quarter high focus on inventory due to a working capital project resulted in an adjustment of inventory of 15 MSEK. The price increases carried out in December had an insignificant impact in the quarter.

Net sales totalled SEK 1,368 M (1,363) for the fourth quarter, of which SEK 862 M (857) in the Swedish operations, SEK 486 M (494) in the Norwegian operations and SEK 19 M (12) in the Finnish operations. Net sales for the full-year, amounted to SEK 5,527 M (5,301), of which SEK 3,404 M (3,240) in the Swedish operations, SEK 2,063 M (2,015) in the Norwegian operations and SEK 60 M (46) in the Finnish operations. Currency effects had a negative impact on net sales of SEK 8 M during the quarter and a positive impact of SEK 12 M for the full-year. Organic growth was 0 per cent in the fourth quarter, and rose 2 per cent in the full-year. EBIT for the business area improved to SEK 63 M (54) for the fourth quarter, including positive items affecting comparability of SEK 1 M (neg: 28), and EBIT margin was 5 per cent (4). For the full-year 2019, EBIT was SEK 438 M (428), including negative items affecting comparability of SEK 2 M (neg: 34), and the EBIT margin was 8 per cent (8).

The number of workdays was unchanged in Sweden, Norway and Finland compared with both the corresponding quarter last year and for the full-year.

BUSINESS AREA SØRENSEN OG BALCHEN

SØRENSEN OG BALCHEN	Oct-Dec	Oct-Dec		Jan-Dec	Jan-Dec	
SEK M	2019	2018	Change, %	2019	2018	Change, %
Net sales, external	176	168	5	759	739	3
EBIT	28	24	16	121	106	14
EBIT margin, %	16	15		16	14	
No. of stores/of which proprietary				65 / 37	64 / 36	
No. of BilXtra workshops				258	258	

The Sørensen og Balchen business area mainly includes wholesale and store operations in Norway. Sørensen og Balchen is the business area in the Group with the largest share of direct sales to consumers and is therefore more exposed to increasing competition in the retail trade than the Group as a whole.

Organic growth was positive in the quarter, driven by an increased proportion of sales to affiliated workshops. The market remained weak during the quarter, both in the consumer and corporate sectors. Acquisitions at the beginning of the fiscal year have had a positive impact on the overall growth and resulted in a total growth of 5 percent in the quarter. EBIT improved compared to in the corresponding quarter of last year, as a result of continued good cost control.

Net sales amounted to SEK 176 M (168) for the quarter and to SEK 759 M (739) for the full-year 2019. The currency effect had a negative impact on net sales of SEK 3 M in the fourth quarter and a positive impact of SEK 4 M in the full-year. Organic growth increased by 2 per cent during the fourth quarter and decreased by 6 per cent in the full-year. Sørensen og Balchen's EBIT totalled SEK 28 M (24) for the fourth quarter, including positive items affecting comparability of SEK 2 M (-) and the EBIT margin was 16 per cent (15). For the full-year, EBIT was SEK 121 M (106), including items affecting comparability of SEK - M (-), and the EBIT margin was 16 per cent (14).

The number of workdays in the quarter was unchanged in Norway compared with the year-earlier quarter and the full-year.

NUMBER OF WORKDAYS PER QUARTER AND COUNTRY

Mekonomen has limited seasonal effects in its operations. However, the number of workdays affects both sales and earnings.

WORKDAYS	Q1			Q2			Q3			Q4			Full-year		
BY COUNTRY	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Sweden	63	63	64	59	60	59	66	65	65	62	62	63	250	250	251
Norway	63	62	65	58	60	58	66	65	65	62	62	63	249	249	251
Denmark	63	-	-	59	-	-	66	65	-	62	62	-	250	250	-
Poland	63	-	-	61	-	-	65	64	-	62	62	-	251	250	-
Finland	63	63	64	60	61	60	66	65	65	61	61	62	250	250	251

SIGNIFICANT RISKS AND UNCERTAINTIES

The company conducted a review and assessment of operating and financial risks and uncertainties in accordance with the 2018 Annual Report and found that no new significant risks have occurred since then. For the effect of exchange-rate fluctuations on profit before tax, refer to page 38 of the 2018 Annual Report. For a full presentation of the risks affecting the Group, refer to the 2018 Annual Report.

PARENT COMPANY, “CENTRAL FUNCTIONS” AND “OTHER ITEMS”

The Parent Company’s operations mainly comprise Group Management and functions that support the Group’s work, such as Group Finance/controlling, internal audit, sustainability, legal and joint purchasing. The Parent Company’s earnings after financial items were a negative SEK 275 M (neg: 34) for the fourth quarter, and a negative SEK 117 M (pos: 54) for the full-year, excluding share dividends of SEK 0 (271) for the quarter and SEK 332 M (612) from subsidiaries for the full-year. The large difference in earnings after financial items is mainly due to negative currency effects connected to long-term loans in 2019 compared to positive currency effects in 2018. The average number of employees in the Parent Company was five (five). During the fourth quarter, Mekonomen AB sold goods and services to Group companies for a total of SEK 3 M (11), and for SEK 33 M (30) in the full-year.

“Central functions” comprise Group-wide functions that also include Mekonomen AB and operations in ProMeister Solutions. The units reported in “Central functions” do not reach the quantitative thresholds for separate reporting, and the benefits of reporting these segments separately are considered limited for users of financial statements. EBIT for “Central functions” was a negative SEK 19 M (neg: -19) for the fourth quarter and a negative SEK 39 M (neg: 73) for the full-year.

“Other items” includes acquisition-related items attributable to Mekonomen AB’s direct acquisitions. Current acquisition-related items are amortisations of acquired intangible assets pertaining to the acquisitions of MECA, Sørensen og Balchen, FTZ and Inter-Team totalling an expense of SEK 39 M (expense: 39) for the fourth quarter and an expense of SEK 157 M (expense: 103) for the full-year.

EVENTS DURING THE PERIOD

No significant events occurred during the period.

EVENTS AFTER THE END OF THE PERIOD

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

Petra Bendelin is, from February 7, appointed as a Senior Executive and part of the Mekonomen Group management team, as Director of Business Development and Strategy.

ACCOUNTING POLICIES

Mekonomen Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report was prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting. The same accounting policies and measurement methods were applied as in the most recent Annual Report with the exception of IFRS 16. The application of IFRS 16 entailed changes to the Group's accounting policies and has affected accounting, measuring and reporting certain amounts presented in the income statement and balance sheet. A description of the new accounting policies is provided below. This interim report consists of pages 1–23 and should be read in its entirety.

As of 1 January 2019, Mekonomen Group applies IFRS 16 Leases, which has replaced the earlier standard IAS 17. In accordance with IAS 17, lessees classified leases as either finance or operating. The agreements classified as operating were not recognised as assets and liabilities in the balance sheet. According to the new standard, IFRS 16, lessees do not distinguish between operating and finance leases and recognise essentially all leases as a right-of-use asset and lease liability in the balance sheet. Leases are recognised in the balance sheet on the day the leased asset is available for use by the Group. Amortisation of the asset is recognised in EBIT and interest on the lease liability in net financial items. The new standard will therefore have a slightly positive impact on EBIT since part of the leasing expense is recognised as an interest expense in net financial items. Recognised EBITDA will increase substantially as recognised rental charges will decrease at the same time as amortisation of right-of-use assets increases. Lease expenses are recognised partly as payment of interest, partly as amortisation of lease liability. Cash flow for the amortisation of the lease liability is presented as financing activities. Payment of the interest element is presented as other interest payments in operating activities. The main impact on the Group is in leases pertaining to the lease of premises and vehicles.

The Group has chosen the modified retrospective approach and, according to the standard, does not restate comparative figures. Lease liability was the total of the present value of all future lease fees and the right-of-use assets corresponding to the lease liability adjusted for pre-paid and accrued lease expenses. The Group has elected to recognise lease liabilities and right-of-use assets on separate lines in the balance sheet from 2019, thereby assets and liabilities relating to finance leases according to the earlier IAS 17 were reclassified to the new balance sheet items. Equity was not effected by the transition.

The Group has elected to apply a number of the exemption rules available in conjunction with the transition to IFRS 16 of which the most significant concern the exclusion of leases that on the transition date had a remaining time to maturity of up to 12 months. In addition to the exemption rules in conjunction with the transition, the Group continuously applies the practical exemptions that mean leases with a lease term of up to 12 months and leases where the underlying asset has a low value are excluded from the calculation of lease liabilities and right-of-use assets. These are expensed on a straight-line basis in profit or loss. The simplified approach for the definition of a lease has been applied, meaning all components of an agreement were considered as leasing components. Furthermore, Mekonomen Group has chosen not to apply IFRS 16 relating to intangible assets as this option was available according to the standard.

Leases that were classified as operating leases under IAS 17 were previously not recognised in the lessee's balance sheet. Future undiscounted minimum lease payments for these contracts were recognised, however, in Note 14 of the 2018 Annual Report at SEK 1,737 M. This compares with lease liabilities for right-of-use assets in the balance sheet on 1 January 2019 of SEK 2,010 M. The difference is primarily attributable to the effect of longer maturities for several leases as probable extensions to contracts with extension clauses are included under IFRS 16. The likelihood that extension clauses for local contracts will be exercised has been assessed based on factors such as the market situation for the property and its significance for business operations. An incremental borrowing rate was determined on the basis of country, term of the loan and creditworthiness for each unit. The total value of the right-of-use asset amounted to SEK 2,065 M on 1 January 2019. For more information on accounting policies for IFRS 16, refer to page 57 of the 2018 Annual Report.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source, and rounding differences may therefore arise.

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

SEGMENT REPORTING

As of the first quarter of 2019, Mekonomen Group implemented a new organisation that is better adapted to the business. The organisational change and related changes to internal control have also affected the segment reporting. As of the first quarter of 2019, Mekonomen Group will present four business areas: FTZ, Inter-Team, MECA/Mekonomen and Sørensen og Balchen.

The MECA/Mekonomen business area consists of the previously reportable segments MECA and Mekonomen, together with minor operations that were previously reported in "Other segments," – Tunga Fordon, Preqas, Meko Service Nordic, Speedy, AlltiBil and Mekster. The FTZ, Inter-Team and Sørensen og Balchen segments are unchanged. Central functions includes Group-wide functions that also include Mekonomen AB and operations in ProMeister Solutions. Comparative figures have been restated.

FORTHCOMING FINANCIAL REPORTING DATES

Information	Period	Date
Interim report	January–March 2020	2020-05-07
Interim report	January–June 2020	2020-08-21
Interim report	January–September 2020	2020-11-06
Year-end report	January–December 2020	2021-02-12

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting will be held on 7 May 2020 in Stockholm. The Annual Report will be published and available on Mekonomen's website by 16 April 2020.

NOMINATION COMMITTEE

In accordance with the guidelines established at the Annual General Meeting on 2 May 2019, Mekonomen has established a Nomination Committee. The Nomination Committee shall prepare and submit proposals to the Annual General Meeting on 7 May 2020 pertaining to the election of a Chairman of the Annual General Meeting, the number of Board members and deputy members, the election of a Chairman and other members to the company's Board of Directors, Board fees, as well as any remuneration for committee work, election of and fees paid to auditors, and guidelines for the appointment of the Nomination Committee.

Prior to the 2020 Annual General Meeting, the Nomination Committee consists of John Quinn (LKQ Corporation), Kristian Åkesson, (Didner & Gerge Fonder AB), Arne Löw, (Fjärde AP-fonden) and Caroline Sjösten (Swedbank Robur Fonder). The Nomination Committee appointed John Quinn as Chairman of the Committee at its first meeting. Mekonomen's Board member, Helena Skåntorp, was co-opted to the Nomination Committee.

Stockholm 7 February 2020
Mekonomen AB (publ), Corp. Reg. No. 556392-1971

Pehr Oscarson
President and CEO

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

For further information, please contact:
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This information is such information that Mekonomen AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act.

The information was submitted for publication, through the agency of the contactperson set out above, on 7 February at 07:30

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

CONSOLIDATED FINANCIAL REPORTS

CONDENSED CONSOLIDATED INCOME STATEMENT, SEK M	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Net sales	2 954	2 864	11 842	7 779
Other operating revenue	40	59	174	172
Total revenue	2 995	2 922	12 017	7 951
Goods for resale	-1 652	-1 604	-6 535	-3 901
Other external costs ¹⁾	-360	-531	-1 375	-1 581
Personnel expenses	-669	-653	-2 576	-1 832
Operating profit before depreciation/ amortisation and impairment of tangible and intangible fixed assets (EBITDA)	313	134	1 531	637
Depreciation and impairment of tangible fixed assets and right-of-use assets ²⁾	-154	-28	-611	-84
Operating profit before amortisation and impairment of intangible fixed assets (EBITA)	159	107	920	553
Amortisation and impairment of intangible fixed assets	-56	-50	-215	-146
EBIT	104	57	705	407
Interest income	3	3	12	6
Interest expenses ³⁾	-35	-20	-151	-53
Other financial items	5	-22	-11	117
Profit after financial items	77	17	555	477
Tax	-22	-9	-134	-209
PROFIT FOR THE PERIOD	55	8	421	268
Profit for the period attributable to:				
Parent Company's shareholders	56	9	413	260
Non-controlling interests	-1	-1	8	8
PROFIT FOR THE PERIOD	55	8	421	268
Earnings per share before and after dilution, SEK	1,00	0,18	7,34	6,56

¹⁾ Other external costs were positively impacted by SEK 133 M in the quarter and SEK 523 M for the full-year due to IFRS 16.

²⁾ Depreciation and impairment of tangible fixed assets were negatively impacted by SEK 127 M in the quarter and SEK 503 M for the full-year as a result of IFRS 16.

³⁾ Interest expenses were negatively impacted by SEK 11 M for the quarter and SEK 43 M in the full-year due to IFRS 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SEK M	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Profit for the period	55	8	421	268
Other comprehensive income:				
<i>Components that will not be reclassified to profit/loss for the year:</i>				
- Actuarial gains and losses	-2	0	-4	-2
<i>Components that may later be reclassified to profit/loss for the year:</i>				
- Exchange-rate differences from translation of foreign subsidiaries	-133	-80	106	-129
- Loan hedging of net investments ¹⁾	63	4	-27	4
- Cash-flow hedges ²⁾	3	-1	-3	1
Other comprehensive income, net after tax	-68	-77	71	-125
COMPREHENSIVE INCOME FOR THE PERIOD	-13	-68	492	143
Comprehensive income for the period attributable to:				
Parent Company's shareholders	-11	-66	484	135
Non-controlling interests	-2	-2	8	8
COMPREHENSIVE INCOME FOR THE PERIOD	-13	-68	492	143

¹⁾ Loans raised in EUR in conjunction with acquisitions in Denmark hedge the currency risk in the net investment and loans renewed in NOK in the first quarter of 2019 hedge net investment in Norway and the currency translation is recognised in accordance with IFRS 9.

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

CONDENSED CONSOLIDATED BALANCE SHEET	31 december	31 december	31 december
SEK M	2019	2018	2017
ASSETS ¹⁾			
Intangible fixed assets	5 697	5 745	2 686
Tangible fixed assets	465	490	254
Right-of-use assets	1 818	–	–
Financial fixed assets	101	77	62
Deferred tax assets	–	–	93
Goods for resale	2 854	2 816	1 382
Current receivables	1 580	1 530	823
Cash and cash equivalents	355	205	254
TOTAL ASSETS	12 870	10 863	5 554
SHAREHOLDERS' EQUITY AND LIABILITIES ¹⁾			
Shareholders' equity	4 335	3 853	2 379
Long-term liabilities, interest-bearing	3 333	3 232	1 453
Long-term lease liabilities	1 323	–	–
Deferred tax liabilities	428	474	168
Long-term liabilities, non-interest-bearing	20	20	18
Current liabilities, interest-bearing	748	1 081	255
Current lease liabilities	457	–	–
Current liabilities, non-interest-bearing	2 227	2 203	1 280
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12 870	10 863	5 554

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

CONDENSED CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY, SEK M	31 december	31 december	31 december
	2019	2018	2017
Shareholders' equity at the beginning of the year	3 853	2 379	2 324
Comprehensive income for the period	492	143	320
New issue, net including issue costs	–	1 588	–
Repurchase of own shares	-2	-6	–
Acquisition/divestment of non-controlling interests	-6	6	-7
Shareholders' contributions from minority shareholders	7	3	–
Dividend to shareholders	-9	-260	-258
Share savings programme	1	–	–
SHAREHOLDERS' EQUITY AT THE END OF THE PERIOD	4 335	3 853	2 379
Of which non-controlling interests	32	25	16

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT, SEK M	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
	2019	2018	2019	2018
Operating activities				
Cash flow from operating activities before changes in working capital, excluding tax paid ¹⁾²⁾	296	141	1 416	652
Tax paid	-64	-54	-226	-199
Cash flow from operating activities before changes in working capital ¹⁾	232	87	1 190	453
Cash flow from changes in working capital:				
Changes in inventory	-83	-271	6	-336
Changes in receivables	200	223	-53	78
Changes in liabilities	-148	7	-2	135
Increase (-)/Decrease (+) working capital	-30	-41	-48	-122
Cash-flow from operating activities ^{1) 2)}	202	46	1 142	331
Cash flow from investing activities	-34	-82	-199	-4 407
Cash flow from financing activities ^{1) 2)}	-11	-100	-798	4 044
CASH FLOW FOR THE PERIOD	156	-135	146	-32
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	213	346	205	254
Exchange-rate difference in cash and cash equivalents	-14	-6	5	-18
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	355	205	355	205

¹⁾ Cash flow from operating activities increased by SEK 128 M for the quarter and SEK 507 M for the full-year and cash flow from financing activities decreased by SEK 128 M for the quarter and SEK 507 M for the full-year due to IFRS 16.

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

The financial instruments measured at fair value in the balance sheet are shown below. This was carried out by dividing the measurements into three levels, which are described in the 2018 Annual Report, Note 11. All of Mekonomen's financial instruments are included in Level 2, excluding supplementary purchase considerations, which are included in Level 3. However, current supplementary purchase considerations do not represent material amounts.

The main methods and assumptions used to determine the fair value of the financial instruments shown in the table below are described in the 2018 Annual Report, Note 11. The financial instruments contained in the interim report are the same as those in the 2018 annual accounts.

CONSOLIDATED DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET, SEK M	31 december 2019	31 december 2018
FINANCIAL ASSETS		
Derivatives: Currency swaps	-	-
Interest-rate swaps	2	-
TOTAL	2	-
FINANCIAL LIABILITIES		
Derivatives: Currency swaps	-	-
Interest-rate swaps	10	3
TOTAL	10	3

GROUP'S FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, 31 December 2019

SEK M	Derivative instruments ¹⁾	Financial asset accrued acquisition value	Financial liabilities accrued acquisition value	Total carrying amount	Fair value	Non-monetary assets & liabilities	Total Balance sheet summary
FINANCIAL ASSETS							
Financial fixed assets	2	76	-	78	78	23	101
Accounts receivable	-	855	-	855	855	-	855
Other current receivables	-	-	-	-	-	725	725
Cash and cash equivalents	-	355	-	355	355	-	355
TOTAL	2	1 286	-	1 288	1 288	748	2 036
FINANCIAL LIABILITIES							
Long-term liabilities, interest-bearing	10	-	4 646	4 655	4 655	-	4 655
Long-term liabilities, non-interest-bearing	-	-	6	6	6	14	20
Current liabilities, interest-bearing	-	-	1 204	1 204	1 204	-	1 204
Accounts payable	-	-	1 353	1 353	1 353	-	1 353
Other current liabilities	-	-	5	5	5	869	874
TOTAL	10	-	7 214	7 224	7 224	883	8 107

¹⁾ Derivative instruments used for hedging purposes.

QUARTERLY DATA, BUSINESS AREA	FY	2019					2018				
		Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2	Q1	
NET SALES, SEK M ¹⁾											
FTZ	3 371	875	800	860	836	1 088	836	252	–	–	
Inter-Team	2 155	524	532	582	517	638	490	147	–	–	
MECA/Mekonomen	5 527	1 368	1 349	1 447	1 362	5 301	1 363	1 267	1 422	1 249	
Sørensen og Balchen	759	176	192	207	183	739	168	180	209	182	
Central functions ²⁾	31	11	6	5	10	14	6	4	2	2	
GROUP	11 842	2 954	2 879	3 100	2 909	7 779	2 864	1 850	1 633	1 432	
EBIT, SEK M											
FTZ	299	51	69	87	93	49	36	13	–	–	
Inter-Team	43	20	9	15	-1	-1	0	0	–	–	
MECA/Mekonomen ³⁾	438	63	128	145	103	428	54	116	186	73	
Sørensen og Balchen	121	28	30	38	24	106	24	29	39	14	
Central functions ^{2) 3)}	-39	-19	-5	-6	-10	-73	-19	-14	-33	-8	
Other items ⁴⁾	-157	-39	-39	-39	-39	-103	-39	-26	-19	-19	
GROUP	705	104	191	240	170	407	57	118	173	60	
EBIT MARGIN, %											
FTZ	9	6	9	10	11	5	4	5	–	–	
Inter-Team	2	4	2	3	0	0	0	0	–	–	
MECA/Mekonomen ³⁾	8	5	9	10	7	8	4	9	13	6	
Sørensen og Balchen	16	16	16	18	13	14	15	16	18	8	
GROUP	6	3	7	8	6	5	2	6	10	4	
INVESTMENTS, SEK M ⁵⁾											
FTZ	10	3	1	5	1	10	10	0	–	–	
Inter-Team	13	5	5	2	1	3	2	1	–	–	
MECA/Mekonomen	91	20	22	27	22	191	36	21	72	61	
Sørensen og Balchen	5	0	0	1	4	6	0	1	3	2	
Central functions ²⁾	12	2	6	0	4	12	4	2	3	3	
GROUP	131	30	34	35	32	221	52	25	78	66	

¹⁾ Net sales for each business area are to external customers.

²⁾ Central functions includes Group-wide functions that also include Mekonomen AB and operations in ProMeister Solutions.

³⁾ Acquisition costs pertaining to the second quarter of 2018 of SEK 19 M and pertaining to the third quarter of 2018 of SEK 4 M have been transferred from MECA/Mekonomen to central functions.

⁴⁾ "Other items" includes acquisition-related items attributable to Mekonomen AB's direct acquisitions. Current acquisition-related items pertain to amortisation of acquired intangible assets relating to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

⁵⁾ Investments do not include company and business combinations and exclude leases according to IFRS 16.

REVENUE DISTRIBUTION PER COUNTRY SEK M	Oct–Dec 2019						Oct–Dec 2018					
	Denm	Poland	Finland	Norway	Sweden	Total	Denm	Poland	Finland	Norway	Sweden	Total
FTZ	875					875	836					836
Inter-Team		524				524		490				490
MECA/Mekonomen			19	486	862	1 368			12	494	857	1 363
Sørensen og Balchen				176		176				168		168
Central functions						11						6
Total net sales, Group						2 954						2 864
Other revenue						40						59
GROUP REVENUE						2 995						2 922

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

REVENUE DISTRIBUTION PER COUNTRY SEK M	Jan-Dec 2019						Jan-Dec 2018					
	Denm	Poland	Finland	Norway	Sweden	Total	Denm	Poland	Finland	Norway	Sweden	Total
Revenue distribution per country												
FTZ	3 371					3 371	1 088					1 088
Inter-Team		2 155				2 155		638				638
MECA/Mekonomen			60	2 063	3 404	5 527			46	2 015	3 240	5 301
Sørensen og Balchen				759		759			739			739
Central functions						31						14
Total net sales, Group						11 842						7 779
Other revenue						174						172
GROUP REVENUE						12 017						7 951

QUARTERLY DATA SEK M	FY	2019					2018					2017				
		Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2	Q1	FY	Q4	Q3	Q2 ¹⁾	Q1	
Revenue ¹⁾	12 017	2 995	2 929	3 144	2 948	7 951	2 922	1 887	1 673	1 469	6 000	1 507	1 414	1 560	1 518	
EBITDA	1 531	313	400	443	375	637	134	177	219	106	710	150	172	218	170	
EBITDA excl. IFRS 16 ²⁾	1 008	180	268	315	245											
Adjusted EBIT	874	149	231	280	214	599	148	148	217	99	599	122	140	193	145	
EBIT	705	104	191	240	170	407	57	118	173	60	522	96	127	174	126	
Net financial items	-150	-27	-44	-38	-41	70	-39	114	-3	-2	-47	-9	-8	-18	-13	
Profit after financial items	555	77	147	202	129	477	17	233	170	58	475	87	119	156	113	
Tax	-134	-22	-34	-45	-33	-209	-9	-147	-38	-15	-107	-12	-30	-38	-27	
Profit for the period	421	55	113	157	96	268	8	85	131	43	368	75	89	118	86	
EBITDA margin, %	13	10	14	14	13	8	5	9	13	7	12	10	12	14	11	
Adjusted EBIT margin, %	7	5	8	9	7	8	5	8	13	7	10	8	10	12	10	
EBIT margin, %	6	3	7	8	6	5	2	6	10	4	9	6	9	11	8	
Earnings per share before and after dilution, SEK	7,34	1,00	1,95	2,71	1,68	6,56	0,18	2,30	3,53	1,15	10,05	2,07	2,43	3,22	2,33	
Shareholders' equity per share, SEK	76,4	76,4	76,6	74,5	71,0	67,9	67,9	64,4	66,3	68,8	65,8	65,8	64,3	61,6	66,3	
Cash flow per share, SEK ³⁾	20,3	3,6	7,5	6,3	2,8	8,3	0,9	1,2	6,5	0,2	13,8	6,8	2,2	3,7	1,0	
Return on shareholders' equity, % ⁴⁾	10,0	10,0	9,8	10,1	10,5	9,7	9,7	13,7	14,0	13,6	15,6	15,6	15,3	15,2	14,9	
Share price at the end of the period	93,1	93,1	82,8	77,4	64,9	91,5	91,5	126,4	123,8	142,6	149,3	149,3	184,5	167,0	176,5	

¹⁾ Revenue for the second quarter of 2017 has been restated for adjusted sales of SEK 24 M from external sales to internal sales. No impact on EBIT. For further information, refer to the press release on 23 August 2017.

²⁾ EBITDA excl. IFRS 16, see alternative performance measures for calculation.

³⁾ Cash flow per share for the third quarter of 2018 is recognised after reclassification of SEK 132 M between operating activities and financing activities. For further information, refer to the press release on 14 November 2018.

⁴⁾ The key figures for return on shareholders' equity are calculated on a rolling 12-month basis for each quarter.

KEY FIGURES	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Return on shareholders' equity, %	-	-	10,0	9,7
Return on total capital, %	-	-	5,6	6,8
Return on capital employed, %	-	-	7,2	9,1
Equity/assets ratio, % ¹⁾	33,7	35,5	33,7	35,5
Net debt, SEK M	3 709	4 098	3 709	4 098
Net debt/EBITDA excl. IFRS 16 multiple ²⁾	-	-	3,68	6,44
Net debt incl. IFRS 16 /EBITDA, multiple	-	-	3,59	-
Gross margin, %	44,1	44,0	44,8	49,9
EBITDA margin, % ³⁾	10,4	4,6	12,7	8,0
Adjusted EBIT margin, %	5,0	5,1	7,3	7,5
EBIT margin, %	3,5	1,9	5,9	5,1
Earnings per share before and after dilution, SEK	1,00	0,18	7,34	6,56
Shareholders' equity per share, SEK	-	-	76,4	67,9
Cash flow per share, SEK	3,6	0,9	20,3	8,3
Number of shares at the end of the period ⁴⁾	56 323 372	56 353 372	56 323 372	56 353 372
Average number of shares during the period	56 323 372	51 045 485	56 338 824	39 718 604

¹⁾ The equity/assets ratio has changed materially due to IFRS 16. The equity/assets ratio excl. IFRS 16 amounts to 39.3 per cent.

²⁾ Net debt/EBITDA excl. IFRS 16 is reported to the bank and is with a margin under the maximum level as stated in the agreement.

³⁾ The EBITDA margin has changed materially due to IFRS 16. The EBITDA margin excl. IFRS 16 amounts to 6.01 per cent for the quarter and 8.39 per cent for the full-year.

⁴⁾ The total number of shares amounts to 56,416,622, of which 93,250 are own shares at the end of the quarter.

NUMBER OF STORES AND WORKSHOPS	FTZ		Inter-Team		MECA/ Mekonomen		Sørensen og Balchen		Group	
	31 December		31 December		31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of stores										
Proprietary stores	51	51	79	79	230	230	37	36	397	396
Partner stores	-	-	3	3	41	40	28	28	72	71
Total	51	51	82	82	271	270	65	64	469	467
Number of workshops										
Mekonomen Service Centres	-	-	-	-	795	780	-	-	795	780
MekoPartner	-	-	-	-	208	224	-	-	208	224
Speedy	-	-	-	-	40	39	-	-	40	39
BilXtra	-	-	-	-	-	-	258	258	258	258
MECA Car Service	-	-	-	-	709	721	-	-	709	721
AlltiBil	-	-	-	-	8	8	-	-	8	8
AutoMester	421	423	-	-	-	-	-	-	421	423
Din BilPartner	153	136	-	-	-	-	-	-	153	136
HELLA Service Partner	331	336	-	-	-	-	-	-	331	336
CarPeople	38	26	-	-	-	-	-	-	38	26
Nosign	39	-	-	-	-	-	-	-	39	0
O.K. Serwis	-	-	199	175	-	-	-	-	199	175
INTER DATA SERVICE	-	-	404	290	-	-	-	-	404	290
Total	982	921	603	465	1 760	1 772	258	258	3 603	3 416

AVERAGE NUMBER OF EMPLOYEES	Jan-Dec 2019	Jan-Dec 2018
FTZ	1 148	389
Inter-Team	1 438	449
MECA/Mekonomen	2 047	2 031
Sørensen og Balchen	265	256
Central functions ¹⁾	56	57
Total	4 953	3 181

¹⁾ Central functions includes Group-wide functions that also include the Parent Company Mekonomen AB and operations in ProMeister Solutions.

FINANCIAL REPORTS, PARENT COMPANY

CONDENSED INCOME STATEMENT FOR THE PARENT COMPANY, SEK M	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating revenue	8	26	69	81
Operating expenses	-21	-42	-101	-120
EBIT	-13	-16	-32	-39
Net financial items ¹⁾	70	253	248	705
Profit after financial items	57	237	215	666
Appropriations	206	73	206	73
Tax	-57	-9	-20	-122
PROFIT FOR THE PERIOD	206	301	401	617

¹⁾ Net financial items include dividends on participations in subsidiaries totalling SEK 332 M (612) for the full-year.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SEK M	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Profit for the period	206	301	401	617
COMPREHENSIVE INCOME FOR THE PERIOD	206	301	401	617

CONDENSED BALANCE SHEET FOR THE PARENT COMPANY, SEK M	31 december 2019	31 December 2018
ASSETS		
Fixed assets	9 037	8 055
Current receivables in Group companies	239	1 338
Other current receivables	13	27
Cash and cash equivalents	235	79
TOTAL ASSETS	9 524	9 499
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	5 164	4 765
Untaxed reserves	211	247
Provisions	3	3
Long-term liabilities	3 314	3 224
Current liabilities in Group companies	70	123
Other current liabilities	762	1 137
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9 524	9 499

CONDENSED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PARENT COMPANY, SEK M	31 december 2019	31 December 2018
Shareholders' equity at the beginning of the year	4 765	2 817
Comprehensive income for the period	401	617
New issue, net including issue costs	–	1 588
Repurchase of own shares	-2	-6
Dividend to shareholders	–	-251
Share savings programme	1	–
SHAREHOLDERS' EQUITY AT THE END OF THE PERIOD	5 164	4 765

ALTERNATIVE PERFORMANCE MEASURES

As of the January–June 2016 interim report, Mekonomen applies the Guidelines on Alternative Performance Measures issued by ESMA*. An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows that are not defined or specified in IFRS. Mekonomen believes that these measures provide valuable supplementary information to company management, investors and other stakeholders in evaluating the company's performance. The alternative performance measures are not always comparable with measures used by other companies since not all companies calculate these measures in the same way. These should therefore be seen as a supplement to the measures defined according to IFRS. For definitions of key figures, refer to page 20. For relevant reconciliations of the alternative performance measures that cannot be directly read in or derived from the financial statements, refer to the tables below. For historical reconciliations of alternative performance measures, refer also to supplements to the 2016, 2017 and 2018 Annual Reports on our website:

<http://www.mekonomen.com/sv/alternativa-nyckeltal/>.

*The European Securities and Markets Authority.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

RETURN ON SHAREHOLDERS' EQUITY SEK M	Jan–Dec 2019	Jan–Dec 2018
Profit for the period	421	268
– Less non-controlling interest of profit for the period	-8	-8
Profit for the period excluding non-controlling interest	413	260
– Divided by SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, average over the past five quarters ¹⁾	4 129	2 670
RETURN ON SHAREHOLDERS' EQUITY, %	10,0	9,7

¹⁾ SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, SEK M	2019	2018				2017						
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Shareholders' equity	4 335	4 347	4 228	4 034	3 853	2 340	2 398	2 487	2 379	2 323	2 224	2 396
– Less non-controlling interest of shareholders' equity	-32	-33	-29	-32	-25	-29	-18	-17	-16	-15	-12	-15
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	4 303	4 313	4 199	4 002	3 828	2 311	2 380	2 469	2 363	2 308	2 212	2 381
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS, average over the past five quarters	4 129	3 731	3 344	2 998	2 670	2 366	2 347	2 347	2 315	2 295	2 259	2 266

RETURN ON TOTAL CAPITAL SEK M	Jan–Dec 2019	Jan–Dec 2018
Profit after financial items	555	477
– Plus Interest expenses	151	53
Profit after financial items plus interest expenses	706	530
– Divided by TOTAL ASSETS, average over the past five quarters ²⁾	12 616	7 787
RETURN ON TOTAL CAPITAL, %	5,6	6,8

²⁾ TOTAL ASSETS SEK M	2019	2018				2017						
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets	12 870	13 127	13 118	13 099	10 863	11 111	5 798	5 608	5 554	5 590	5 465	5 528
TOTAL ASSETS, average over the past five quarters	12 616	12 264	10 798	9 296	7 787	6 732	5 603	5 549	5 518	5 500	5 479	5 463

RETURN ON CAPITAL EMPLOYED SEK M	Jan–Dec 2019	Jan–Dec 2018
Profit after financial items	555	477
– Plus Interest expenses	151	53
Profit after financial items plus interest expenses	706	530
– Divided by CAPITAL EMPLOYED, average over the past five quarters ³⁾	9 856	5 809
RETURN ON CAPITAL EMPLOYED, %	7,2	9,1

3) CAPITAL EMPLOYED SEK M	2019				2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets	12 870	13 127	13 118	13 099	10 863	11 111	5 798	5 608	5 554	5 590	5 465	5 528
– Less deferred tax liabilities	-428	-443	-439	-465	-474	-449	-147	-157	-168	-142	-149	-155
– Less long-term liabilities, non-interest-bearing	-20	-20	-20	-20	-20	-13	-11	-16	-18	-35	-35	-32
– Less current liabilities, non-interest-bearing	-2 227	-2 453	-2 323	-2 244	-2 203	-2 334	-1 370	-1 228	-1 280	-1 259	-1 162	-1 178
CAPITAL EMPLOYED	10 195	10 211	10 337	10 370	8 166	8 316	4 271	4 207	4 087	4 153	4 119	4 162
CAPITAL EMPLOYED, average over the past five quarters	9 856	9 480	8 292	7 066	5 809	5 007	4 167	4 146	4 117	4 119	4 119	4 122

GROSS MARGIN SEK M	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
	2019	2018	2019	2018
Net sales	2 954	2 864	11 842	7 779
– Less goods for resale	-1 652	-1 604	-6 535	-3 901
Total	1 302	1 260	5 307	3 878
– Divided by net sales	2 954	2 864	11 842	7 779
GROSS MARGIN, %	44,1	44,0	44,8	49,9

EARNINGS PER SHARE SEK M	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
	2019	2018	2019	2018
Profit for the period	55	8	421	268
– Less non-controlling interests' share	1	1	-8	-8
Profit for the period attributable to Parent Company's shareholders	56	9	413	260
– Divided by Average number of shares ⁴⁾	56 323 372	51 045 485	56 338 824	39 718 604
EARNINGS PER SHARE, SEK	1,00	0,18	7,34	6,56

SHAREHOLDERS' EQUITY PER SHARE SEK M	Jan–Dec	Jan–Dec
	2019	2018
Shareholders' equity	4 335	3 853
– Less non-controlling interest of shareholders' equity	-32	-25
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	4 303	3 828
– Divided by number of shares at the end of the period ⁴⁾	56 323 372	56 353 372
SHAREHOLDERS' EQUITY PER SHARE, SEK	76,4	67,9

CASH FLOW PER SHARE SEK M	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
	2019	2018	2019	2018
Cash flow from operating activities	202	46	1 142	331
– Divided by Average number of shares ⁴⁾	56 323 372	51 045 485	56 338 824	39 718 604
CASH FLOW PER SHARE, SEK	3,6	0,9	20,3	8,3

^{a)} AVERAGE NUMBER OF SHARES	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Number of shares at the end of the period	56 323 372	56 353 372	56 323 372	56 353 372
– Multiplied by the number of days that the Number of shares at the end of the period has remained unchanged during the period	92	8	177	8
Number of shares on another date during the period	56 353 372	35 901 487	56 353 372	35 901 487
Number of shares on another date during the period		56 310 344		56 310 344
Number of shares on another date during the period		56 416 622		56 416 622
Number of shares on another date during the period				
– Multiplied by the number of days that the Number of shares on another date has existed during the period		24	188	297
– Multiplied by the number of days that the Number of shares on another date has existed during the period		12		12
– Multiplied by the number of days that the Number of shares on another date has existed during the period		48		48
– Total divided by the number of days during the period	92	92	365	365
AVERAGE NUMBER OF SHARES	56 323 372	51 045 485	56 338 824	39 718 604

NET DEBT SEK M	31 december 2019	31 december 2018	31 december 2017
Long-term liabilities, interest-bearing incl. lease liability	4 655	3 232	1 453
– Less interest-bearing long-term liabilities and provisions for pensions, leases, derivatives and similar obligations	-1 339	-7	-7
Current liabilities, interest-bearing incl. lease liability	1 204	1 081	255
– Less interest-bearing current liabilities and provisions for pensions, leases, derivatives and similar obligations	-457	-3	-2
– Less cash and cash equivalents	-355	-205	-254
NET DEBT	3 709	4 098	1 444

NET DEBT INCL. IFRS 16 SEK M	31 december 2019	31 december 2018	31 december 2017
NET DEBT	3 709	4 098	1 444
– Plus long-term lease liabilities according to IFRS 16	1 323	–	–
– Plus current lease liabilities according to IFRS 16	457	–	–
NET DEBT INCL. IFRS 16	5 489	4 098	1 444

EBITDA EXCL. IFRS 16	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
EBITDA according to income statement	313	134	1 531	637
– less change relating to lease expenses in accordance with IFRS 16	-133		-523	
EBITDA excluding IFRS 16	180	134	1 008	637

FINANCIAL DEFINITIONS

Return on shareholders' equity	Profit for the period, excluding non-controlling interests, as a percentage of average shareholders' equity attributable to Parent Company's shareholders. Average shareholders' equity attributable to Parent Company's shareholders is calculated as shareholders' equity attributable to Parent Company's shareholders at the end of the period plus the shareholders' equity for the four immediately preceding quarters attributable to Parent Company's shareholders at the end of the periods divided by five.
Return on capital employed	Profit after financial items plus interest expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the end of the period plus the capital employed for the four immediately preceding quarters divided by five.
Return on total capital	Profit after financial items plus interest expenses as a percentage of average total assets. Average total assets is calculated as total assets at the end of the period plus the total assets for the four immediately preceding quarters at the end of the periods divided by five.
Gross margin	Net sales less costs for goods for resale, as a percentage of net sales.
Gross profit	Revenue less cost for goods for resale.
EBIT margin	EBIT after depreciation/amortisation as a percentage of total revenue.
EBITDA	EBIT before depreciation/amortisation and impairment of tangible and intangible fixed assets.
EBITDA excl. IFRS 16	EBIT before depreciation/amortisation and impairment of tangible and intangible fixed assets excl. effects of IFRS 16.
EBITDA margin	EBITDA as a percentage of total revenue.
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests, in relation to the number of shares at the end of the period.
Adjusted EBIT	EBIT adjusted for items affecting comparability and material acquisition-related items. Current acquisition-related items are depreciation of acquired intangible assets relating to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.
Adjusted EBIT margin	Adjusted EBIT as a percentage of total revenue.
Cash flow per share	Cash flow from operating activities in relation to the average number of shares. Average number of shares is calculated as the average number of shares at the end of the period multiplied by the number of days that this number existed during the period, plus any other number of shares during the period multiplied by the number of days that this or these numbers existed during the period, with the total divided by the number of days during the period.
Cash and cash equivalents	Cash and cash equivalents comprise cash funds held at financial institutions and current liquid investments with a term from the date of acquisition of less than three months, which are exposed to only an insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at nominal amounts.
Net debt	Short-term and long-term interest-bearing liabilities for borrowing, i.e. excluding short and long-term leasing liabilities, pensions, derivatives and similar obligations, less cash and cash equivalents.
Net debt incl. IFRS 16	Short-term and long-term interest-bearing liabilities for borrowing, and long and short-term lease liabilities according to IFRS 16, i.e. excluding pensions, derivatives and similar obligations, less cash and cash equivalents.
Organic growth	Change in net sales adjusted for the number of workdays, acquisitions/divestments and currency effects.
Earnings per share	Profit for the period excluding non-controlling interests, in relation to the average number of shares. Average number of shares is calculated as the average number of shares at the end of the period multiplied by the number of days that this number existed during the period, plus any other number of shares during the period multiplied by the number of days that this or these numbers existed during the period, with the total divided by the number of days during the period.
Equity/assets ratio	Shareholders' equity including non-controlling interests as a percentage of total assets.
Capital employed	Total assets less non-interest-bearing liabilities and provisions, including deferred tax liabilities.

COMPANY-SPECIFIC TERMS AND DEFINITIONS

Business area	Reportable segment
Affiliated workshops	Workshops that are not proprietary, but conduct business under the Group's brands/workshop concepts (Mekonomen Service Centre, MekoPartner, MECA Car Service, BilXtra and Speedy).
B2B	Sales of goods and services between companies (business-to-business).
B2C	Sales of goods and services between companies and consumers (business-to-consumer).
DAB products	Car accessories with solutions for receiving digital radio broadcasts. DAB is an abbreviation for Digital Audio Broadcasting.
Proprietary stores	Stores with operations in subsidiaries, directly or indirectly majority-owned by Mekonomen AB.
Proprietary workshops	Workshops with operations in subsidiaries, directly or indirectly majority-owned by Mekonomen AB.
OBP	Proprietary products, such as Mekonomen Group's proprietary products ProMeister and Carwise.
Fleet operations	Mekonomen Group's offering to business customers comprising service and repairs of cars, sales of spare parts and accessories, and tyre storage.
Sales in comparable units	Sales in comparable units comprise external sales, in local currency, in majority-owned stores, wholesale sales to partner stores, external sales in majority-owned workshops and Internet sales.
Sales to Customer Group Affiliated workshops	Sales to affiliated workshops and sales to proprietary workshops.
Sales to Customer Group Consumer	Cash sales from proprietary stores to customer groups other than Affiliated Workshops and Other B2B Customers, as well as the Group's e-commerce sales to consumers.
Sales to Customer Group Partner stores	Sales to partner stores.
Sales to Customer Group Other B2B Customers	Sales to business customers that are not affiliated with any of Mekonomen Group's concepts, including sales in Fleet operations.
Comparable units	Stores, majority-owned workshops and Internet sales that have been in operation over the past 12-month period and throughout the entire preceding comparative period.
Items affecting comparability	Events or transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current the period with previous periods, including restructuring programmes, costs related to major legal disputes, impairments, and gains and losses from the acquisition or divestments of businesses, subsidiaries, associated companies and joint ventures or items of a similar nature.
Concept workshops	Affiliated workshops.
Lasingoo	The car portal that Mekonomen Group owns together with industry players that simplifies the workshop selection and booking processes for car owners.
ProMeister	Mekonomen Group's proprietary brand for high-quality spare parts with five-year guarantees, and the name of the services we offer affiliated workshops.
ProMeister sales	Sales of Mekonomen Group's proprietary brand ProMeister, mainly consists of spare parts, but also accessories.
Spare parts for cars	Parts that are necessary for a car to function.
Partner stores	Stores that are not proprietary, but conduct business under the Group's brands/store concepts.
Accessories for cars	Products that are not necessary for a car to function, but enhance the experience or extend use of the car, such as car-care products, roof boxes, car child seats, etc.
Underlying net sales	Sales adjusted for the number of comparable workdays and currency effects.
Currency effects in the balance sheet	Impact of currency with respect to realised and unrealised revaluations of foreign short-term non-interest-bearing receivables and liabilities.
Currency transaction effects	Impact of currency with respect to internal sales from Bileko Car Parts AB, and from MECA CarParts AB to each country.
Currency translation effects	Impact of currency from translation of earnings from foreign subsidiaries to SEK.
Other operating revenue	Mainly comprises rental income, marketing subsidies and exchange-rate gains in Mekonomen Group.

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