

Corporate Governance Report

General Meeting of Shareholders

The Annual General Meeting of Bilia AB is the highest decision-making body in the Bilia Group. At the AGM the shareholders exercise their right to vote in order to make decisions regarding the composition of the Board and in other important matters.

Each share entitles the holder to one vote and there are no limits on how many votes a shareholder can cast. According to the Articles of Association, the company's Board of Directors shall consist of at least seven and at most ten members, with at most an equal number of deputy members. There are no special restrictions in the Articles of Association for appointing or removing board members or amending the Articles of Association. The instructions issued by the AGM in 2006 are followed for the nomination of Board members. The AGM is regulated by the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

General Meeting of Shareholders in 2009

At Bilia's Annual General Meeting of 16 April 2009, the entire Board of Directors was re-elected with members Heinrich Blauert, Ingrid Jonasson Blank, Eva Cederbalk, Jack Forsgren, Sven Hagströmer, Mats Holgerson, Jan Pettersson, Jon Risfelt, Gerard Versteegh and Mats Qviberg. The AGM also re-elected Mats Qviberg as Chairman. The AGM decided that the earnings of SEK 681 M should be carried forward to a new account. The Board was authorised to buy back the company's own shares and to approve the transfer of such acquired shares as payment in conjunction with a possible company acquisition or by direct sale on the stock exchange. The Board's fee was set at the same level as last year and principles for compensation to the Group Management were approved.

Nominating Committee

The Nominating Committee submits proposals to the AGM for Board members and auditors (if an election is forthcoming) and for fees to be paid to the Board members and the auditors. The committee also proposes fees for the work of Board members in special committees. The Nominating Committee has five members, including the Chairman of the Board, Mats Qviberg. Six months before the AGM, the four largest shareholders each appoint one person to the Nominating Committee. The members of the Nominating Committee appoint a chairman. Anders Ells, Investment AB Öresund (chairman of the Nominating Committee), Thomas Ehlin, Nordea Funds, Hans Hedström, HQ Funds, Eva Qviberg, the Qviberg family and Mats Qviberg, Chairman of Bilia, were appointed to the Nominating Committee in November 2009.

In the course of its work, the Nominating Committee has gathered information regarding the experience of Bilia's Board members and their possible dependency on Bilia and has also examined the evaluation of the Board's work that is compiled every year. Gerard Versteegh has declined re-election at the upcoming Annual General Meeting. The Nominating Committee has proposed re-election of the other members and election of Svante Paulsson for the first time. An account of

the work of the Nominating Committee and all its proposals for the 2010 AGM is available at www.bilia.com. Each year the Nominating Committee welcomes proposals and viewpoints from shareholders and can most easily be contacted by e-mail at nominering@bilia.se.

Board of Directors

Bilia's Board of Directors consists of ten members elected by the AGM, including the Managing Director of Bilia AB and two members who represent the employees, plus two deputy employee representatives. The AGM-elected members are elected for one year. There is no limit to how long a member can sit on the Board. The duties of the Board are regulated by the Swedish Companies Act and the Articles of Association.

Bilia also complies with the Swedish Code of Corporate Governance, but has during the year made departures from paragraph 7.3 of the Code, which states that the Audit Committee shall consist of at least three members. The Board of Directors believes that the tasks of the committee can be performed by two members without compromising the quality of the committee's work.

The work of the Board of Directors conforms to annually adopted rules of procedure governing the items of business to be dealt with at each ordinary meeting and the division of labour within the Board, with special duties for the Chairman and the committees appointed within the Board. The rules of procedure also include rules for financial reporting to the Board and more detailed rules regarding the Managing Director's powers and responsibilities. The ultimate aim of the deliberations and decisions of the Board is to promote the interests of the shareholders in terms of value growth and return on investment. The Board of Directors is also responsible for judging risks and has rules governing decision-making procedures, financial reporting and financing. In addition, the Board has rules governing quality, environment, ethics, information, human resources, IT activities and security and special guidelines to ensure compliance with competition legislation. Measures to progressively strengthen the Bilia brand are also considered by the Board.

The work of the Board during 2009

One post-election meeting and five ordinary Board meetings were held during 2009. All Board members were present at all meetings. In addition to the above meetings, the Board also met once by correspondence. An agenda, along with in-depth information on important matters, is sent to each Board member in good time before each Board meeting. The Board dealt with such items of business as strategy, financial goals, follow-up of results, investments, properties, acquisitions and follow-up of disputes. During the year the Board decided to acquire BMW's dealership in Gothenburg. Furthermore, the long-standing dispute between Bilia's subsidiary Säfveån AB and the litigation company Pacta was finally resolved through a settlement. The Board has followed with great interest the European Commission's investigation of the regulatory framework

for the motor vehicle sector. Changes in the EU's legal rules governing the motor vehicle sector have a bearing on Bilia's future strategy, since the rules affect the company's ability to grow by acquisition and its right to sell multiple vehicle brands. On one occasion the Board met with the auditors, who shared their observations with the Board. The Chief Financial Officer of Bilia AB, Gunnar Blomkvist, has been secretary of the Board since the end of 2004.

Board committees

The Compensation Committee's task is to submit proposals to the Board regarding terms of compensation for the Managing Director and other senior officers. The committee presents its conclusions to the AGM, which makes decisions regarding the terms. The committee also submits proposals to the Board for variable remuneration for senior officers in subsidiaries. The terms for bonuses are always related to that part of the company's performance that lies within the individual's control. All variable compensation has a maximum limit in relation to the fixed compensation. The Compensation Committee consists of Mats Qviberg, Heinrich Blauert and Jack Forsgren. The chairman of the committee is Jack Forsgren. During the year the Compensation Committee held one meeting in which all members participated.

The Audit Committee consists of a chairman, Heinrich Blauert, and one member, Jack Forsgren. The principal duties of the Audit Committee are review of business environment and legal risks, review of the control environment with regard to internal and external audit, monitoring of the financial reporting, and review of the internal and external audit process. The duties of Bilia's internal auditors were formalised during the year so that they present an account of their work to the Audit Committee and Bilia's auditors on one occasion during the year. The Audit Committee held three meetings during the year. Bilia's auditors participated at the meetings. The work of the committee has been based on material and information from the Group Management and the auditors as well as from the company's legal counsel. The meetings were held in the presence of the Group's Managing Director and Chief Financial Officer. The work was characterised by knowledge, transparency and insight.

The Board's statement regarding internal control

This statement has been prepared in accordance with the Swedish Code of Corporate Governance. The statement is limited to internal control regarding financial reporting and does not constitute a part of the formal annual accounts. The Board of Directors bears ultimate responsibility for ensuring that Bilia's internal control works satisfactorily and that adequate financial reports are presented. Under the Swedish Companies Act, the Board is responsible for Bilia's organisation and management. It is the responsibility of the Board that Bilia's accounting, management of funds and financial situation in general includes satisfactory controls. This responsibility can-

not be delegated but always rests with the Board of Directors.

Bilia's control environment is based on the communication of clear guidelines to all subsidiaries to ensure that the same rules and principles are applied in the Group's different companies and within each business area and that the necessary tools are in place out in the subsidiaries to enable them to report back to Bilia AB in a correct and uniform manner. A balanced risk analysis is performed by the Board, and significant risks within the Group are identified. Guidelines are issued within the Group to inform and instruct concerned persons how to manage and minimise or, if possible, eliminate these risks. Some control is exercised manually, while other control procedures are built into the system solutions that are used within the organisation. The information flow within the Group is channelled to the right persons at the right time to ensure that mistakes are avoided. All concerned personnel shall have access to correct information in order to make well-balanced decisions and ensure that the financial reporting is always up-to-date and in keeping with the latest directives. Issued handbooks and guidelines etc. are subject to continuous review and updating to take into account changes in the business or external circumstances.

During the first half of 2009, the Bilia Group established a function for internal audit. Bilia's Chief Financial Officer has approved the audit plan presented by the internal auditors. The internal auditors report directly to Bilia's Chief Financial Officer and furnish regular reports to the Board's Audit Committee. The audit plan is regularly evaluated.

An extensive review project was initiated a couple of years ago where all of the Group's essential processes will be documented, analysed, risk-assessed and, if necessary, improved. Since the preparation of last year's annual report, three processes have been reviewed and an additional three processes have been identified for evaluation during the coming year. New processes to be quality-assured are constantly being identified. The working groups have been composed of operational managers for the various processes and financial managers and controllers from the subsidiaries and the Parent Company.

The work of assuring internal control is a continuous process that should be subject to constant review, follow-up and improvement.

Evaluation of the work of the Board

The work of the Board is evaluated annually according to a model that includes the following main areas:

- Board of Directors (roles, planning, functions)
- Board meetings
- Board material, information and reports
- Members of the Board
- Chairman of the Board
- Managing Director

This year's evaluation once again gave a very positive picture of the work of the Board. The Board also carries out an annual evaluation of the work of the committees, resulting in positive ratings being given to the work of the committees.

Group Management

During 2009, Bilia's Group Management consisted of the MD, the CFO and the head of business development of Bilia AB, as well as the MDs of Bilia Personbilar AB, Sweden, Bilia Personbil as, Norway, and Bilia Personvogne A/S, Denmark. As from 2010, the Group Management has been reduced by one person, since Bilia AB's head of business development has gone on to another management position in a subsidiary. The Group Management is responsible for formulating the Group's overall strategy, business control, allocation of financial resources among the operations, and for the Group's financing, capital structure and risk management. It also deals with issues pertaining to preparation and execution of acquisitions that affect the whole Group and other major projects. Furthermore, the Group Management is responsible for compiling the Group's financial reports, for communication with the stock market, and for a variety of other matters concerning the Group as a whole. The Group Management holds regular meetings under the leadership of the MD.

Group operations are largely decentralised, and the different companies enjoy a large measure of autonomy. Relations between the companies and the Group Management mainly have to do with Group-wide projects and work on the boards of the various companies. Bilia's Managing Director and CEO, Jan Pettersson, is chairman of the boards of most of the subsidiaries.

Auditors

The auditors of Bilia AB are elected by the AGM for a period of four years. In 2008 KPMG AB was re-elected as the public accounting firm, and Johan Dyrefors was appointed the new auditor in charge while Lars Bertén continued as chief of audit.

Audit mainly involves continuous auditing and examination of the annual accounts. KPMG also assists Bilia with advice on accounting matters. During the past three years this has mainly involved questions pertaining to the adaptation of accounting practices in accordance with IFRS. No circumstance relating to this advisory role has been judged to influence the impartiality and independence of the auditors.