

Corporate Governance Statement

This Corporate Governance Statement has been prepared in accordance with the Swedish Code of Corporate Governance and the Annual Accounts Act and has been examined by Bilia's auditors. The Corporate Governance Statement applies to calendar year 2018. For up-to-date information on changes in 2019, the reader is referred to bilia.com.

Bilia's corporate governance

Good corporate governance is about ensuring on behalf of all shareholders, that Bilia is managed in a sustainable and responsible way and as efficiently as possible. Bilia's corporate governance is based on both external and internal governance instruments. The external governance instruments include the Swedish Companies Act, the Annual Accounts Act, other relevant laws, NASDAQ Stockholm AB's Rules for Issuers and the Swedish Code of Corporate Governance. The internal governance documents include the Articles of Association adopted by the Annual General Meeting, the rules of procedure for the Board of Directors and the instructions for the CEO including instructions on financial reporting and instructions for the Board committees, policies and guidelines and Bilia's Code of Conduct.

Shareholders

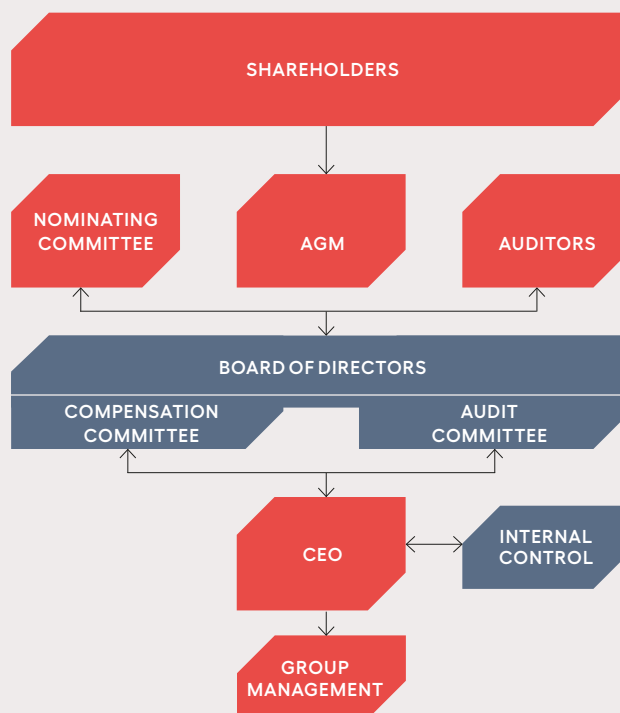
Bilia had 43,020 shareholders at the end of 2018. Bilia's largest shareholder is Mats Qviberg and family, whose holdings were 11.9 per cent as of 31 December 2018. The next-largest shareholders at year-end were Investment AB Öresund, Anna Engebretsen with family and State Street Bank and Trust Co, W9, whose holdings were 7.6, 4.8 and 3.7 per cent, respectively.

The proportion of institutional ownership was 11.5 per cent (13.2), while the proportion of foreign ownership was 28.7 per cent (19.5).

General Meeting of Shareholders

The Annual General Meeting (AGM) 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 other important matters. Only shares of Series A are issued in the company, and each share entitles the holder to one vote. 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.

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 are followed for the nomination of Board members. The nominating committee instructions were last revised at the 2016 AGM and apply until further notice. The instructions are posted on bilia.com under the tab "The Company," heading "Corporate Governance". Shareholders who wish to have a matter on the agenda at the next AGM are urged to contact Bilia in writing in the form of a letter addressed to the Managing Director no later than 18 February 2019. The AGM is subject to the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. Bilia's Articles of Association are shown at the end of the annual report and are also available on the company's website. For more information on the Swedish Code of Corporate Governance, see bolagsstyrning.se.



The Annual General Meeting 2018

Bilia's Annual General Meeting of 10 April 2018 re-elected the following members of the Board: Ingrid Jonasson Blank, Gunnar Blomkvist, Anna Engebretsen, Laila Freivalds, Jack Forsgren, Mats Holgerson, Jan Pettersson, Jon Risfelt and Mats Qviberg, and Nicklas Paulson was elected for the first time. The AGM also re-elected Mats Qviberg as Chairman, after which the Board appointed Jan Pettersson as Deputy Chairman. KPMG AB was once again re-elected as the Group's public accounting firm for the period up until the next AGM. The AGM passed a resolution to pay a cash dividend of SEK 4.50 per share, for a total of SEK 454 M, and resolved that the remaining earnings of SEK 514 M should be carried forward to new account. The fees paid to the members of the Board and the auditors were determined, and principles for compensation to the Group Management were approved. The Annual General Meeting resolved to establish a long term incentive programme in the form of a share savings plan aimed at some 40 senior officers and other key persons in the Bilia Group, that the company shall be entitled to transfer shares that Bilia has previously acquired to the participants in order to guarantee the performance shares, and to authorize the Board of Directors to approve to transfer shares the company's own shares in order to cover social security contributions for the programme. 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 acquisition or by direct sale on the stock exchange. At the AGM, the retiring Board member Gustav Lindner was not present

due to a longer stay abroad, which entailed a digression from point 1.2 of the Swedish Code of Corporate Governance, which states that as far as possible all Board members shall be present at the annual general meeting.

Nominating Committee

The Nominating Committee submits proposals to the AGM for Board members and auditors 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 subcommittees. The Nominating Committee has four members, including the Chairman of the Board. Not later than six months before the AGM, the three to four largest shareholders who wish to take an active part in the nominating work each appoint one person to the Nominating Committee. Bilia AB's chairman also has a permanent seat on the Nominating Committee. The members of the Nominating Committee appoint a chairman. The Nominating Committee works in accordance with the instructions issued by the AGM in 2016, which apply until further notice.

Bilia's diversity policy complies with rule 4.1 of the Swedish Code of Corporate Governance, which states that the Board of Directors should have a composition appropriate to the company's operations, phase of development and other relevant circumstances, characterised by diversity and breadth with regard to qualifications, experience and background, in addition to which an even gender distribution should be striven for. The election of Nicklas Paulson did not affect the gender distribution on the Board since the number of men and women is unchanged. Bilia strives for an even gender distribution over time.

Prior to the AGM 2018, the Nominating Committee consisted of the following persons, who were appointed in September 2017: Tim Floderus (Chairman in the Nominating Committee), representing Investment AB Öresund, Mats Qviberg, representing the Qviberg family and in his capacity as Chairman of the Board of Bilia AB, Eva Cederbalk, representing Anna Engebretsen with family, and Helen Fasth Gillstedt, representing Handelsbanken Funds.

In the course of its work, the Nominating Committee had received information regarding the experience of Bilia's Board members and their possible dependency relationship with Bilia and had also reviewed the evaluation of the Board's work that is compiled every year. When the Nominating Committee presents its proposals, it also submits an account of its work and a written explanation of the reasons for its proposals. Information from the Nominating Committee can be read at bilia.com. Each year the Nominating Committee welcomes proposals and viewpoints from shareholders and can most easily be contacted via e-mail at nominering@bilia.se.

A new Nominating Committee was appointed in September 2018 consisting of Tim Floderus (Chairman in the Nominating Committee), representing Investment AB Öresund, Mats Qviberg, representing the Qviberg family and in his capacity as Chairman of the Board of Bilia AB, Lisen Oliw, representing Anna Engebretsen with family, and Åsa Nisell, representing Swedbank Robur Funds.

Auditors

The auditors of Bilia AB are elected by the AGM, and in 2018 KPMG AB was re-elected as the public accounting firm for the period up to the 2019 AGM. Johan Kratz was appointed as auditor in charge. Audit mainly involves continuous auditing and examination of the annual report.

KPMG AB also assists Bilia with advice on accounting matters. During the past three years this has mainly involved questions pertaining to accounting practices in accordance with IFRS standards. No circumstance relating to this advisory role

has been judged to influence the impartiality and independence of the auditors.

Board of Directors

Bilia's Board of Directors consists of ten members elected by the AGM and two additional 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 employee representatives are appointed by their respective trade-union organisations. Information about the members of the Board can be found under the heading "Board of Directors" in the annual report and at bilia.com. This information includes other posts and possible dependency.

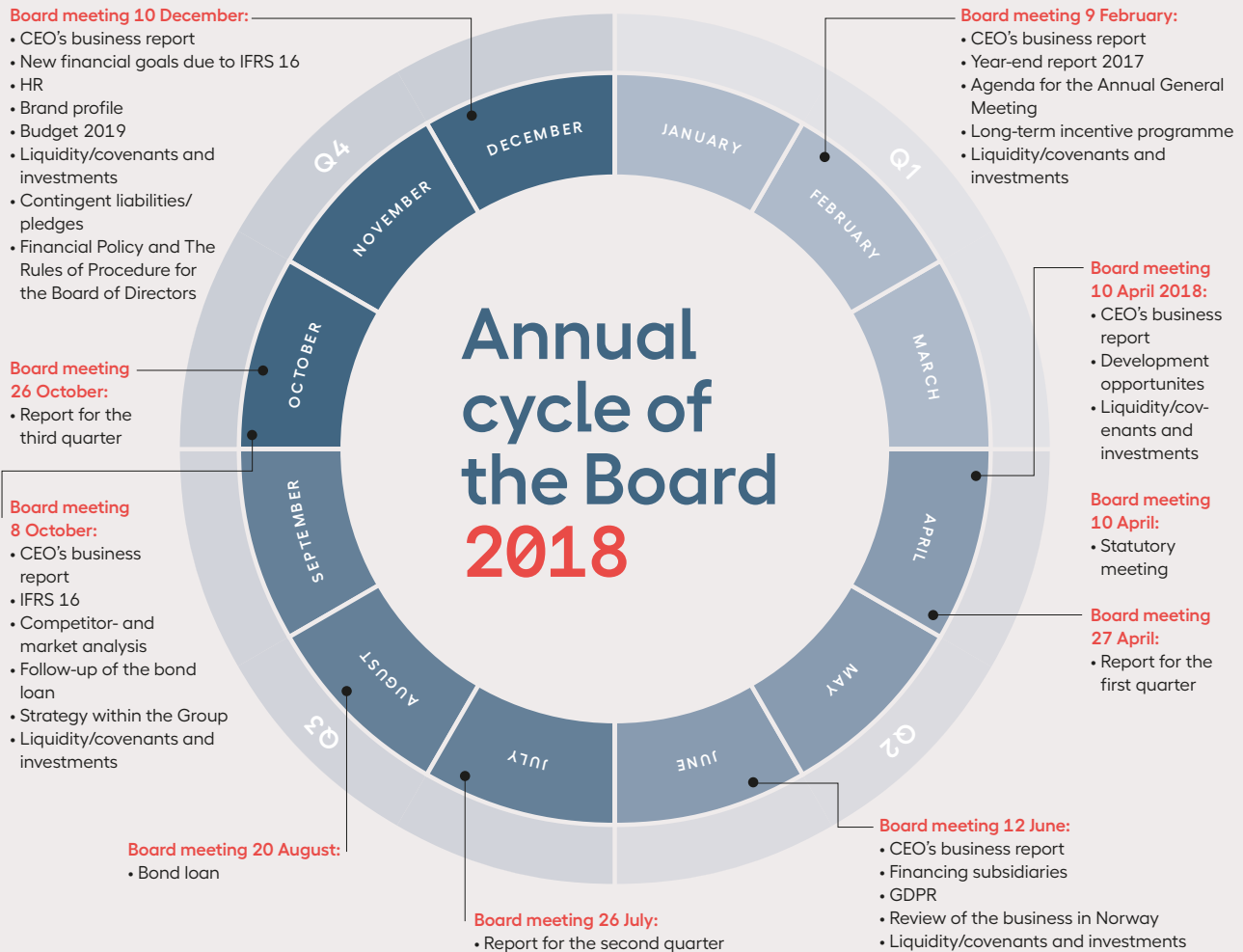
The duties of the Board are regulated by the Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The Swedish Code of Corporate Governance has been applied during 2018, with exception for the Board members presence at the AGM as described above and the following Gunnar Blomkvist was appointed a member of the Board of Director's Compensation Committee 2017, as a result of which the committee is not in compliance with the Swedish Code of Corporate Governance, whose rule 9.2 states that the members of the committee must be independent of the company, whereas Mr. Blomkvist is a former employee and therefore not independent of the company. However, the Board of Directors has judged that Mr. Blomkvist's qualifications make him a valuable asset to the committee.

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. Based on the rules of procedure, the Board of Directors prepares a detailed annual plan each year for the Board meetings so that all important items are dealt with during the year. 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. Measures to progressively strengthen the Bilia brand are also considered by the Board.

The work of the Board

Fourteen Board meetings were held during 2018; one statutory meeting, five ordinary meetings, four extra meetings plus four meetings by correspondence. The number of Board meetings have increased due to new routines for Board meetings related to the publication of quarterly reports. During the year the following AGM-elected members and the members appointed by the trade union organisations were unable to attend the following Board meetings; Isak Ekblom the Board meetings on 10 April, Mats Qviberg, Ingrid Jonasson Blank and Isak Ekblom the Board meeting on 27 April (meeting prior to the publication of the Q1-report), Nicklas Paulson and Anna Engebretsen the Board meeting on 12 June, Dragan Mitrasinovic and Anders Bejmar the Board meeting 26 July (meeting prior to the publication of the Q2-report), Isak Ekblom the Board meeting 20 August (extra Board meeting), and Mats Qviberg, Laila Freivalds, Anna Engebretsen, Patrik Nordvall and Isak Ekblom the Board meeting 26 October (meeting prior to the publication of the Q3-report). Otherwise all members have attended all Board meetings.

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 of Directors dealt with such items of business as development opportunities, financial goals, review of results, investments, properties, acquisitions and strategy. The CEO's business report and report of the co-operation with the company's general agents, guaranteed residual values and liquidity and covenants are standing items at every Board meeting. During 2018, in addition to dealing with routine matters, the Board of Directors dealt with matters relating to the competitive situation on the market and new financial goals due to IFRS 16. The Board proposed to the AGM to make a decision to adopt a long-term competitive incentive programme in the form of a share saving programme for senior officers and other key persons within the Bilia Group and buy-back of own shares. The Board has, among other things, made decisions regarding a repurchase offer of certain outstanding senior unsecured notes and to issue new senior unsecured loan of SEK 800 M under the framework amount of SEK 1,500 M, and decisions regarding the acquisition of a BMW and MINI dealership in Belgium as well as a service operation for BMW in Norway. During the year the Board of Directors also met with a number of senior officers who participated in individual items on the agenda. On one occasion the Board met with the auditors, who shared their observations with the Board. On this occasion the Board discussed internal control with the auditors without the presence of the company's officers. Bilia's CFO, Kristina Franzén, has been the secretary of the Board since August 2017.

Board subcommittees

Compensation Committee

The Compensation Committee has three members: Jack Forsgren (Chairman), Jon Risfelt and Gunnar Blomkvist. The Com-

pensation Committee's task is to submit proposals to the Board regarding terms of compensation for the Managing Director and other senior officers. The work of the committee is presented to the AGM, which decides on guidelines for the compensation and other formalities. In the case of other senior officers in the Group, who are not members of the Group Management, the committee presents to the Board the general principles for fixed and variable remuneration. The variable remuneration is always related to those aspects of the company's performance that the person in question can influence. All variable compensation has a maximum limit in relation to the fixed compensation. During 2018 the Compensation Committee prepared a proposal for a long-term incentive programme which was adopted by the AGM. In 2018 the Compensation Committee held four meetings in which all members participated.

Audit Committee

The Audit Committee has three members: Jon Risfelt (Chairman), Mats Holgerson and Gunnar Blomkvist. The principal duties of the Audit Committee are review of external risks 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 following matters were also dealt with during 2018: guaranteed residual values, financing, the implementation of the new accounting principles IFRS 16 and impairment test. Each year the committee takes an in-depth look at one of the Group's subsidiaries. In 2018, the BMW operations in Belgium and Luxembourg was scrutinised. The committee also considered proposals for public accounting firms, whereby KPMG AB was re-elected at the 2018 AGM, and the committee will consider the matter

once again prior to the next election of auditors. The work of the committee has been based on material and information from the Group Management and the auditors. Bilia's internal auditors give an annual account of their work to the Audit Committee and Bilia's auditors. The Audit Committee held four meetings during the year. In addition to all members, the meetings were also attended by Bilia's auditors, the MD, the CFO and additional co-opted persons. The Audit Committee also allots time for a private session with the company's CFO. In addition to the aforementioned meetings, the chairman of the Audit Committee has contact with the company's auditor separately. A record is kept of the committee's meeting and submitted to the Board of Directors.

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

The evaluation is performed by having the members themselves make an anonymous assessment of the work of the Board by rating a number of areas/aspects, after which the results are compiled. This year's evaluation painted a positive overall picture of the work of the Board. The Board also performs an annual evaluation of the work of the committees, and other members remain satisfied with how the committees handle their respective areas of responsibility.

Group Management

At the end of 2018, the Group Management consisted of Per Avander, Managing Director and CEO, Stefan Nordström, Deputy Managing Director, Kristina Franzén, CFO, and Frode Hebnes, Managing Director of Bilia Personbil as, Norway. The Group Management is responsible for formulating the Group's overall strategy, business management and allocation of financial resources, as well as for the Group's financing, capital structure and risk management. Its duties also include executing major acquisitions and other major projects. Furthermore, the Group Management is responsible for the Group's financial reporting, communication with the stock market and a variety of other matters concerning the Group as a whole. The Group

Management holds regular meetings under the leadership of Bilia's Managing Director and CEO.

Group operations are largely decentralised, and the different companies enjoy a large measure of autonomy. The relationship between the companies and the Group Management is mainly concerned with Group-wide policies, principles and projects and work on the boards of the various companies.

The Board's report regarding internal control

This report is prepared in accordance with the Annual Accounts Act. The report is limited to internal control and risk management regarding the financial reporting and includes the entire Group. 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 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 cannot be delegated but always rests ultimately 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. The management conducts a risk analysis which, following discussion by the Audit Committee and the Board of Directors, serves as a basis, along with other considerations, for focusing the internal control.

Internal control work

As a complement to manager responsibility and other control procedures, Bilia has a function for internal audit that reports to the company's CFO. Bilia's CFO has approved the audit plan presented and the result of the audit is reported directly to Bilia's CFO. Bilia's internal auditors annually inform the Audit Committee concerning the audit plan and submit reports regarding the audit work. The audit plan is evaluated regularly and was last updated in September 2018.

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

Bilia's Code of Conduct applies to all employees in the Group and Board members. The Code of Conduct, which is posted on bilia.com, was issued in 2006 and has been revised after the end of 2018.

