

Corporate Governance Report

This Corporate Governance Report for 2011 has been prepared in accordance with the Swedish Code of Corporate Governance and the Annual Accounts Act.

Shareholders

Bilia's biggest shareholder by far is Investment AB Öresund, whose holding amounted to 24.8 per cent as of 31 December 2011. There is no other shareholder with a holding in excess of 10 per cent. The next biggest holding belongs to the Qviberg family, whose total holding was 6.9 per cent at the end of the year.

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 other important matters. Shareholders wishing to present proposals to the Nominating Committee or the Annual General Meeting are welcome to contact Bilia or the Nominating Committee. Only shares of Series A are issued in the company, and each share entitles the holder to one vote, with 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 2011 are followed for the nomination of Board members. 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 www.bolagsstyrning.se.

Annual General Meeting 2011

Bilia's Annual General Meeting of 3 May 2011 re-elected the Board members Ingrid Jonasson Blank, Anna Engebretsen, Jack Forsgren, Mats Holgerson, Svante Paulsson, Jan Pettersson, Jon Risfelt and Mats Qviberg. In addition, Per Avander and Stefan Charette were elected to the Board after Heinrich Blauert and Eva Cederbalk declined re-election. The AGM also re-elected Mats Qviberg as Chairman, after which the Board of Directors appointed Jan Petterson as Deputy Chairman. The AGM resolved to pay a cash dividend of SEK 12 per share, for a total of just under SEK 301 M, and resolved that the remaining earnings of SEK 636 M should be carried forward to a new account. New instructions to the Nominating Committee were adopted. 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 fees and principles for compensation to the Group Management were approved. The Board of Directors was authorised to resolve on premature repayment of debenture loans 2009/2016 by agreement with individual creditors or by means of a general offer to all creditors, provided that premature repayment is found to be economically favourable for the

company. An updated version of the Articles of Association was adopted, where the first change entails that a convening notice no longer needs to be published in its entirety in Dagens Industri. In connection with the AGM, the new Managing Director, Per Avander, was presented and the departing Managing Director, Jan Pettersson, was thanked for his work in Bilia.

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. Not later than 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.

Prior to the most recent AGM, the Nominating Committee included Mikael Nachemson, Investment AB Öresund, Frank Larsson, Handelsbanken Fonder, Hans Hedström, HQ Fonder, Eva Qviberg, the Qviberg family, and Mats Qviberg, Chairman of Bilia AB. In November 2011, the composition of the Nominating Committee was changed by the appointment of Daniel Nyhrén, Investment AB Öresund (Chairman of the Nominating Committee), Henrik Bonde, Östersjöstiftelsen (the Foundation for Baltic and East European Studies), Jan Pettersson, the Pettersson family, Johan Qviberg, the Qviberg family, and Mats Qviberg, Chairman of Bilia AB, as members. In the course of its work, the Nominating Committee has obtained 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.

Each year the Nominating Committee welcomes proposals and viewpoints from shareholders and can most easily be contacted by e-mail at nominering@bilia.se.

Auditors

The auditors of Bilia AB are elected by the AGM for a period of four years, and in 2008 KPMG AB was re-elected as the public accounting firm. Jan Malm was appointed as auditor in charge. Auditors will once again be elected at the upcoming AGM. 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 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 (including the Managing Director of Bilia AB) 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 duties of the Board are regulated by the Companies Act, the Articles of Association and the Code of Corporate

Governance. The Code of Corporate Governance was applied during 2011 with the exception of one departure from article 2.5 of the Code when the composition of the Nominating Committee was announced 10 days later than prescribed. 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. Measures to progressively strengthen the Bilia brand are also considered by the Board.

The work of the Board during 2011

One post-election meeting and five ordinary Board meetings were held during 2011. With the exception of Ingrid Jonasson Blank, Patrik Nordvall and Lennart Welin, all of whom announced they were unable to attend on one occasion, all other members were present at all Board meetings. In addition to the above meetings, the Board also met four times 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 of Directors also met a number of senior officers who participated in individual items on the agenda. The Board of Directors passed resolutions to sign a new credit facility agreement, exercise a mandate from the Board to repurchase company shares, and increase the number of service points by acquisition and establishment. One of the Board meetings comprised an extended strategy meeting. 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, Gunnar Blomkvist, has been secretary of the Board since 2004.

Board committees

Compensation Committee

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 work of the Committee is presented to the AGM, which decides on guidelines for the compensation. 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, Jon Risfelt 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 composition of the Compensation Committee

changed after the AGM, when Jon Risfelt replaced Heinrich Blauert Board as a member of the Committee.

Audit Committee

The Audit Committee consists of the chairman of the committee, Jon Risfelt, who took over as chairman when Heinrich Blauert resigned after the AGM, and members Jack Forsgren and Mats Holgerson, who was appointed to the committee after the AGM. 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. Bilia's internal auditors give an annual account of their work to the Audit Committee and Bilia's auditors. The Audit Committee held three meetings during the year. Bilia's auditors participated at all the meetings. The focus areas during 2011 were risk management, follow-up of audit notes and procurement of a new public accounting firm prior to the next AGM. The work of the committee has been based on material and information from the Group Management and the auditors. The meetings were held in the presence of the Group's Managing Director and Chief Financial Officer.

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 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 chosen to establish a special function for internal control that reports to the company's CFO. Bilia's CFO has approved the audit plan presented by the internal auditors. The internal auditors report directly to Bilia's CFO and furnish regular reports to the Board's Audit Committee. The audit plan is regularly evaluated and was last updated in December 2011. An extensive review project was initiated several years ago where all of the Group's essential processes will be documented, analysed, risk-assessed and, if necessary, improved. Since last year's annual report was published, evaluation of two processes has been

initiated. These processes will be revised and quality-assured at regular intervals during the coming years. 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 positive picture of the work of the Board. The Board also performs an annual evaluation of the work of the committees, and the other Board members have found that the committees have done a very good job.

Group Management

During 2011, Bilia's Group Management consisted of the MD, the CFO and the Chief Legal Counsel of Bilia AB, as well as the MDs of Bilia Personbil as, Norway, and Bilia Personvogne A/S, Denmark. In November the Group Management added two new members: Hans-Jörgen Möller, Financial Manager of Bilia AB, and Stefan Nordström, Deputy Managing Director of Bilia Personbilar AB. 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 executes 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. 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.

Gothenburg, 6 March 2012

Board of Directors

Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of the Shareholders of Bilia AB (publ)
Corp. ID no. 556112-5690

The Board of Directors is responsible for the Corporate Governance Report for 2011 on pages 76–78 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the company and the Group, we believe we have a sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has a different aim and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared in accordance with, and its statutory content is consistent with, the annual accounts and the consolidated accounts.

Gothenburg, 7 March 2012
KPMG AB

Jan Malm
Authorised Public Accountant