

Corporate Governance Report

This Corporate Governance Report for 2012 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.

Shareholders

Bilia had 25,042 shareholders at the end of the year. Bilia's biggest shareholder is Investment AB Öresund, whose holding amounted to 18.3 per cent as of 31 December 2012. There is no other single shareholder with a holding in excess of 10 per cent. The next biggest holding belongs to the Qviberg family, whose total holding was 7.8 per cent at the end of the year.

The proportion of institutional ownership was 16.3 per cent (19.1), while the proportion of foreign ownership was 28.0 per cent (16.5).

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. 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, but in practice no deputies are elected.

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 nominating committee instructions apply until further notice and are available at bilia.com under the tab "The Company," heading "Corporate Governance". Shareholders who wish to have a matter on the agenda at the AGM are urged to contact Bilia in writing no later than 15 March 2013. The letter should be addressed to the Managing Director of Bilia AB. 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 2012

Bilia's Annual General Meeting of 4 May 2012 re-elected the Board members Per Avander, Ingrid Jonasson Blank, Anna Engebretsen, Jack Forsgren, Mats Holgerson, Svante Paulsson, Jan Pettersson, Jon Risfelt and Mats Qviberg. Fredrik Grevelius was also elected to the Board, after Stefan Charette declined re-election. The AGM also re-elected Mats Qviberg as Chairman, after which the Board appointed Jan Pettersson as Deputy Chairman. The AGM passed a resolution to pay a cash dividend of SEK 9.50 per share, for a total of SEK 238 M, and resolved that the remaining earnings of SEK 678 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 acqui-

red 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.

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 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 members of the Nominating Committee were 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. In October 2012, the composition of the Nominating Committee was changed by the appointment of Johan Qviberg, the Qviberg family (Chairman of the Nominating Committee), Marcus Wahlberg, Investment AB Öresund, Henrik Bonde, Östersjöstiftelsen, Egil Stenshagen, Stenshagen Invest AS, and Mats Qviberg, Chairman of Bilia AB. 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.

When the Nominating Committee presents its proposals, it also submits an account of its work and a written explanation of 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.

Auditors

The auditors of Bilia AB are elected by the AGM, and in 2012 KPMG AB was re-elected as the public accounting firm for the period up to the 2013 AGM. 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. 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 shareholding, other posts and possible dependency.

The duties of the Board are regulated by the Companies Act, the Articles of Association and the Code of Corporate Governance. The Swedish Code of Corporate Governance has been applied without exception during 2012. 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 during 2012

Seven Board meetings were held during 2012: one post-election meeting, five ordinary meetings, and one meeting by correspondence. With the exception of Stefan Charette, Mats Holgerson and Patrik Nordvall, all of whom announced they were unable to attend on one occasion, all other members were present at all Board meetings during the year.

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, development opportunities, financial goals, follow-up of results, investments, properties and acquisitions. During the year the Board of Directors also met a number of senior officers who participated in individual items on the agenda. One of the Board meetings focused particularly on strategy. The Board of Directors passed resolutions to exercise the Board's mandate to repurchase company shares, acquire the BMW dealers Stenshagen Bil in Norway and Auto 7H in western Sweden, sell a limited portion of the BMW business in Norway and convert and refurbish several large dealerships to focus exclusively on Volvo. 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 subcommittees **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 fixed and variable remuneration for senior officers in subsidiaries. The variable remuneration is 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 Jack Forsgren, Fredrik Grevelius and Jon Risfelt. The chairman of the committee is Jack Forsgren. During the year the Compensation Committee held one meeting in which all members participated plus regular telephone consultations. The composition of the Compensation Committee changed after the AGM, when Fredrik Grevelius replaced Mats Qviberg as a member of the committee.

Audit Committee

The Audit Committee consists of the chairman of the committee, Jon Risfelt, and members Jack Forsgren, Mats Holgerson (up to the 2012 AGM) and Fredrik Grevelius (from the 2012 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. Each year a more detailed examination is made of one subsidiary in the Group, and in 2012 the Norwegian subsidiary was in focus. 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 the committee members, Bilia's auditors and CFO also participated at all meetings. The CEO was present at three of the four meetings. The focus areas during 2012 were risk management, follow-up of audit notes and procurement of a new public accounting firm, which led to a proposal for re-election of KPMG at the 2012 AGM. The work of the committee has been based on material and information from the Group Management and the auditors.

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 November 2012. An extensive review project was initiated several years ago where all of the Group's essential processes will be documented, analysed, risk-assessed and improved where necessary. Since last year's annual report was published, evaluation of one process has been concluded, one is still under way and yet another review has been initiated during the year. The processes that are under evaluation 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. 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, like those in previous years, gave a positive picture of the work of the Board. The Board also performs an annual evaluation of the work of the subcommittees, and other Board members agree that the subcommittees have done a good job.

Group Management

During 2012, Bilia's Group Management consisted of Per Avander, Managing Director, Gunnar Blomkvist, CFO, Hans Jörgen Möller, Financial Manager, and Jennifer Tunney, Chief Legal Counsel of Bilia AB, as well as Stefan Nordström, Managing Director of Bilia Personbilar AB, Sweden, Frode Hebnes, Managing Director of Bilia Personbil as, Norway, and Michael Brodersen, Managing Director of Bilia Personvogne A/S, Denmark. The Group Management is responsible for formulating the Group's overall strategy, business control and allocation of financial resources, as well as 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. The relationship between the companies and the Group Management is mainly concerned with Group-wide projects and work on the boards of the various companies.

See the auditors' statement regarding the Corporate Governance Report in the Audit Report below.

Audit Report

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

Report on annual accounts and consolidated accounts

We have performed an audit of the annual accounts and the consolidated accounts for Bilia AB for 2012.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and presentation of annual accounts that give a true and fair view in accordance with the Annual Accounts Act and consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards, IFRSs, as adopted by the EU, and the Swedish Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director deem is necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and the consolidated accounts based on our audit. We have conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the annual accounts and the consolidated accounts. The auditor decides which procedures are to be performed by assessing the risks of material misstatements in the annual accounts and the consolidated accounts, whether due to fraud or error. In performing this risk assessment, the auditor considers those parts of the company's internal control that are relevant to the preparation of the annual accounts and the consolidated accounts in order to give a true and fair view for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view, in all material respects, of the Parent Company's financial position as of 31 December 2012 and of its financial performance and cash flows for the year according to the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view, in all material respects, of the Group's financial position as of 31 December 2012 and of its financial performance and cash flows for the year according to International Financial Reporting Standards, IFRSs, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been prepared. The statutory administration report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting of Shareholders adopt the Income Statement and the Balance Sheet for the Parent Company and the Statement of Comprehensive Income and the Consolidated Statement of Financial Position for the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have also examined the proposal for appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Bilia AB for 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for the administration of the company under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration of the company based on our audit. We have conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board of Directors' proposal for appropriations of the company's profit or loss, we have examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to determine whether the proposal complies with the Companies Act.

As a basis for our opinion concerning discharge from liability, we have, in addition to auditing the annual accounts and the consolidated accounts, examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the Company of any Board member or the Managing Director. We have also examined whether any Board member or the Managing Director has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinions.

Opinions

We recommend that the Annual General Meeting of Shareholders appropriate the profit in accordance with the proposal in the Directors' Report and discharge the members of the Board and the Managing Director from liability for the financial year.

Gothenburg, 7 March 2013
KPMG AB

Jan Malm
Authorised Public Accountant