

Corporate Governance Report

This Corporate Governance Report for 2013 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 23,178 shareholders at the end of the year. Bilia's biggest shareholder is Investment AB Öresund, whose holding amounted to 18.0 per cent as of 31 December 2013. 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 holding was 7.9 per cent at the end of the year.

The proportion of institutional ownership was 9.6 per cent (16.3), while the proportion of foreign ownership was 35.8 per cent (28.0).

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 in the form of a letter addressed to the Managing Director no later than 20 February 2014. 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.

Annual General Meeting 2013

Bilia's Annual General Meeting of 3 May 2013 re-elected the entire Board of Directors consisting of the following members: Per Avander, Ingrid Jonasson Blank, Anna Engebretsen, Jack Forsgren, Fredrik Grevelius, Mats Holgerson, Svante Paulsson, Jan Pettersson, Jon Risfelt and Mats Qviberg. The AGM also re-elected Mats Qviberg as Chairman, after which the Board appointed Jan Petterson as Deputy Chairman. The AGM passed a resolution to pay a cash dividend of SEK 6 per share, for a total of SEK 148 M, and decided that the remaining earnings of SEK 664 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. During the autumn of 2013, the Board has utilised the AGM's mandate and sold Bilia's entire holding of its own shares. 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 who wish to take an active part in the nominating work each appoint one person to the Nominating Committee. The members of the Nominating Committee appoint a chairman.

Prior to the Annual General Meeting in September 2013, the following persons were appointed to the Nominating Committee: Marcus Wahlberg, Investment AB Öresund (Chairman of the Nominating Committee), Øysten Engebretsen, the Qviberg family, Egil Stenshagen, Stenshagen Invest AS, Jan Pettersson, the Pettersson family, Deputy Chairman of Bilia AB, and Mats Qviberg, Chairman of Bilia AB. Prior to the 2013 AGM, the Nominating Committee consisted of the following persons: Johan Qviberg, the Qviberg family (Chairman of the Nominating Committee), Marcus Wahlberg, Investment AB Öresund, Henrik Bonde, Östersjöstiftelsen (the Foundation for Baltic and East European Studies), 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 2013 KPMG AB was re-elected as the public accounting firm for the period up to the 2014 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 2013. 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 2013

Eight Board meetings were held during 2013: one post-election meeting, five ordinary meetings, and two meetings by correspondence. With the exception of Svante Paulsson, Patrik Nordvall, Tommy Strandhäll and Lennart Welin, all of whom announced they were unable to attend on one occasion each, all other members were present at 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 dealt with such items of business as development opportunities, financial goals, follow-up of results, investments, properties, acquisitions and strategy, with a particular focus on acquisition strategy. During 2013, besides dealing with routine matters, the Board of Directors has focused on more future-oriented strategic matters relating to expansion and alternative paths of development for the company. For this purpose the Board has created a smaller working group that has assisted the management in preparing these matters. The Board of Directors has passed resolutions regarding, for example, disposal of own shares, disposal of a limited portion of the BMW operation in western Sweden and acquisition of business entities to optimise the structure in Norway. During the year the Board of Directors also met 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, Gunnar Blomkvist, has been secretary of the Board since 2004.

Board subcommittees

Compensation Committee

The Compensation Committee has three members: Jack Forsgren, Fredrik Grevelius and Jon Risfelt. The chairman of the committee is Jack Forsgren. 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. At one meeting during the year, the committee conducted a more thorough analysis of the existing incentive system and discussed alternative models. In 2013 the Compensation Committee held three meetings in which all members participated.

Audit Committee

The Audit Committee has three members: Jon Risfelt, chairman, and members Fredrik Grevelius and Mats Holgerson (after the 2013 AGM). Before the AGM, Jack Forsgren was a member. 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 2013 the Danish subsidiary was particularly scrutinised. Matters relating to competition law were also dealt with during 2013. The committee requested increased documentation of the company's compliance with the rules governing competition. Implementation of a new competition code was on the agenda, along with risk management and proposals for an accounting firm, whereby KPMG was re-elected by the 2013 AGM. 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 generally attended by Bilia's auditors, the Managing Director, 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 meets separately with the company's auditor every year.

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 a separate function for internal audit that reports to the company's CFO. Bilia's CFO has approved the audit plan presented by the internal auditors and the internal auditors report directly to Bilia's CFO. Bilia's internal auditors annually inform the Audit Committee concerning the audit plan and furnish regular reports regarding the audit work. The audit plan is regularly evaluated and was last updated in June 2013.

An extensive review project was initiated many years ago where the Group's essential processes are documented, analysed, risk-assessed and improved where necessary. Since last year's annual

report was completed, scrutiny of two processes is still in progress and no additional reviews have been initiated. The processes that are under evaluation will be revised and quality-assured at regular intervals during the coming years. 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 painted a positive picture of the work of the Board. The Board also performs an annual evaluation of the work of the committees, and other members are satisfied with how they handle their respective areas of responsibility.

Group Management

During 2013, Bilia's Group Management consisted of Per Avander, Managing Director, Gunnar Blomkvist, CFO, Per Ovrén, Business Development and Purchasing Manager, 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 (up to and including October 2013) Michael Brodersen, Managing Director of Bilia Personvogne A/S, Denmark, who then left the Group. 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 (publ), 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 (publ) for 2013. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 2–12 and 16–81.

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 2013 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 2013 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 Consolidated Statement of Income and Other 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 (publ) for 2013.

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, 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 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, we 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, 10 March 2014
KPMG AB

Jan Malm
Authorised Public Accountant