

Corporate Governance Report

This Corporate Governance Report 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 Report applies to calendar year 2015. For up-to-date information on changes in 2016, the reader is referred to bilia.com.

Shareholders

Bilia had 35,183 shareholders at the end of 2015. Bilia's biggest shareholder is Investment AB Öresund, followed closely by the Qviberg family, whose holdings were 10.1 and 10.0 per cent, respectively, as of 31 December 2015. There was no other single shareholder with a holding in excess of 10 per cent. After them, the biggest shareholder at year-end was Anna Engebretsen with family, whose holding amounted to 4.2 per cent.

The proportion of institutional ownership was 8.4 per cent (9.5), while the proportion of foreign ownership was 38.7 per cent (35.9).

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.

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 2014 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 19 February 2016. 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 2015

Bilia's Annual General Meeting of 14 May 2015 re-elected the entire Board of Directors consisting of the following members: Per Avander, Ingrid Jonasson Blank, Anna Engebretsen, Jack Forsgren, Mats Holgerson, Gustav Lindner, 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. 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 6 per share, for a total of SEK

302 M, and decided that the remaining earnings of SEK 548 M should be carried forward to a new account. The AGM resolved to divide each share in two by means of a 2:1 share split. 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 fees paid to the members of the Board and the auditors were determined, 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 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. The members of the Nominating Committee appoint a chairman.

On the eve of the Annual General Meeting in the spring of 2015, the Nominating Committee consisted of the following persons: Per-Olof Eriksson (Chairman), representing Eva and Mats Qviberg, Marcus Storch, representing Investment AB Öresund, Jan Pettersson, representing Anna Engebretsen, and Mats Qviberg, Chairman of Bilia AB.

In the course of its work, the Nominating Committee had gathered 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.

In September 2015, a new Nominating Committee was appointed consisting of the following four members: Øystein Engebretsen (Chairman), for Investment AB Öresund, Mats Qviberg, for the Qviberg family and in his capacity as Chairman of the Board of Bilia AB, Eva Cederbalk, for Anna Engebretsen with family, and Katja Bergqvist, for Handelsbanken Funds.

Auditors

The auditors of Bilia AB are elected by the AGM, and in 2015 KPMG AB was re-elected as the public accounting firm for the period up to the 2016 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. 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 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 fully during 2015.

The Board of Directors is also subject to Bilia's Code of Conduct, which applies to all employees in the Group. The Code of Conduct, which is posted on bilia.com, was issued in 2006 and most recently revised in 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 2015

Ten Board meetings were held during 2015: one statutory meeting and five ordinary meetings, plus four meetings by correspondence. Anna Engebretsen, Jack Forsgren, Gustav Lindner, Svante Paulsson and Lennart Welin were unable to attend one meeting each during the year. The other members were present at all Board meetings. Tommy Strandhäll left the Bilia Group and his post as employee representative on the Board of Directors in the autumn of 2015. A deputy is currently serving as Strandhäll's replacement on the Board, and the union has notified Bilia that a new representative will probably not be appointed until the spring of 2016.

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. During 2015, besides dealing with routine matters, the Board of Directors dealt with matters concerning technological trends and regulatory issues and evaluated the discontinuation of Bilia's Danish operation, as well as future expansion strategy and acquisition opportunities, both on existing markets and in other European countries. The Board passed resolutions concerning the acquisition of Lexus dealers in Sweden, a BMW and MINI dealer in Germany, and yet another BMW and MINI dealer in Luxembourg.

Furthermore, the Board resolved to discontinue the Danish operation, sign a new credit facility agreement with Bilia's lenders and dispose of Bilia's pension liability. 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, Gunnar Blomkvist, has been secretary of the Board since 2004.

Board subcommittees

Compensation Committee

The Compensation Committee has three members: Jack Forsgren (Chairman), Gustav Lindner and Jon Risfelt. 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. For other senior officers in the Group, who are not included in the Group Management, the committee explains to the Board the general principles for fixed and variable remuneration. 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. In 2015 the Compensation Committee held two meetings in which all members participated.

Audit Committee

The Audit Committee has three members: Jon Risfelt (Chairman), Mats Holgerson and Gustav Lindner. 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. Each year a more detailed examination is made of one or more subsidiaries in the Group, and in 2015 the Swedish BMW and MINI companies, Bilia Group Göteborg AB and Bilia Group Stockholm AB were scrutinised. The following matters were also dealt with during 2015: winding-up of the operation in Denmark, expansion in Europe, pension matters and risk management. The committee also considered proposals for a public accounting firm, whereby KPMG AB was re-elected at the 2015 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 has regular contact separately with the company's auditor.

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 evaluated regularly and was last updated in July 2015.

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.

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 once again 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 are satisfied with how the committees handle their respective areas of responsibility.

Group Management

Bilia's Group Management was reduced during the year and consisted at the end of 2015 of Per Avander, Managing Director, Gunnar Blomkvist, CFO, Per Ovrén, Business Development and Purchasing Manager, and Jennifer Tunney, Chief Legal Counsel, all of Bilia AB, as well as Stefan Nordström, Managing Director of Bilia Personbilar AB, Sweden, and Frode Hebnæs, Managing Director of Bilia Personbil as, Norway. At the beginning of the year, Financial Manager Hans Jörgen Möller left the Bilia Group and its management for new challenges, and Lars-Gunnar Jönsson, Managing Director of Bilia Personvogne A/S, Denmark, left during the summer, after having completed his task, at a point when the winding-up of the Danish operation was close to completion. 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.

Auditor's Report

To the annual meeting of the shareholders of Bilia AB (publ), Corp. ID no. 556112-5690

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Bilia AB (publ) for the year 2015. The annual accounts and consolidated accounts are included in the printed version of this document on pages 2–14 and 18–82.

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 fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable 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 these annual accounts and 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design 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 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 consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International

Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act. A Corporate Governance Statement has been prepared. The statutory administration report and the Corporate Governance Statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual 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 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 consolidated accounts, we have also audited the proposed 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 the year 2015.

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 administration 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 based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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

As a basis for our opinion concerning discharge from liability, in addition to audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg, 10 March 2016
KPMG AB

Jan Malm
Authorised Public Accountant