

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 2016. For up-to-date information on changes in 2017, the reader is referred to bilias.com.

Shareholders

Bilia had 34,482 shareholders at the end of 2016. Bilia's biggest shareholder is Investment AB Öresund, followed closely by Mats Qviberg and family, whose holdings were 10.1 and 9.9 per cent, respectively, as of 31 December 2016. The next-biggest shareholders at year-end were SEB Investment Management and Anna Engebretsen and family, whose holdings were 4.2 and 4.1 per cent, respectively.

The proportion of institutional ownership was 8.8 per cent (8.4), while the proportion of foreign ownership was 30.7 per cent (38.7).

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 2016 AGM and apply until further notice. The instructions are posted on bilias.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 1 March 2017. 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 2016

Bilia's Annual General Meeting of 8 April 2016 re-elected the following members of the Board: Ingrid Jonasson Blank, Anna Engebretsen, Jack Forsgren, Mats Holgerson, Gustav Lindner, Jan Pettersson, Jon Risfelt and Mats Qviberg. Eva Cederbalk and Laila Freivalds were elected to the Board 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 7.50 per share, for a total of SEK 380 M, and resolved that the remaining earnings of SEK 433

M should be carried forward to a new account. Furthermore, a resolution was passed approving a directed share issue (private placement) to Arnold Kontz as partial payment for the acquisition of BMW companies in Luxembourg, an incentive programme was introduced for the issue of warrants to employees, and revised 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 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.

Prior to the Annual General Meeting in the spring of 2017, the Nominating Committee consisted of the following persons, who were appointed in October 2016: Öystein Engebretsen (Chairman), 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 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 bilias.com. Each year the Nominating Committee welcomes proposals and viewpoints from shareholders and can most easily be contacted by e-mail at nominering@bilias.se.

Auditors

The auditors of Bilia AB are elected by the AGM, and in 2016 KPMG AB was re-elected as the public accounting firm for the period up to the 2017 AGM. Jan Malm was appointed as auditor in charge. At the upcoming AGM, auditors will once again be elected and a new auditor in charge will be appointed. Audit mainly involves continuous auditing and examination of the annual accounts.

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 Code of Corporate Governance. The Swedish Code of Corporate Governance has been applied fully during 2016.

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 2016

Eleven Board meetings were held during 2016: one statutory meeting and five ordinary meetings, plus five meetings by correspondence. Eva Cederbalk was unable to attend the statutory meeting, but otherwise all members have attended all Board meetings. In the spring of 2016, Dragan Mitrasinovic was appointed employee representative, having previously been a deputy representative, Lennart Welin retired and left his deputy post, and two new deputy employee representatives were appointed, Anders Bejmar and Isak Ekblom.

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 2016, besides dealing with routine matters, the Board of Directors dealt with matters relating to technological trends and regulatory issues. Among other things, the Board passed resolutions concerning: raising and supplementing the financial goals, Bilia's first bond issue worth SEK 500 M with subsequent increase, and the acquisition of several BMW & MINI dealers in Belgium, Germany and Sweden plus Toyota dealers in Sweden. 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 dis-

cussed 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 and other formalities. During 2016, the committee drafted a proposal for an incentive programme which was adopted by the AGM, whereby warrants have been issued and offered to certain employees. 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. In 2016 the Compensation Committee held three 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. The following matters were also dealt with during 2016: risk analysis and management, bond issues, supplementation of the financial goals with net debt as a new parameter, and, last but not least, evaluation of measures taken in response to the EU's new audit regulation (EU 537/2014). The committee also considered proposals for public accounting firms, whereby KPMG AB was re-elected at the 2016 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 generally 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 regular contact with the company's auditor separately.

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 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 submit reports regarding the audit work. The audit plan is evaluated regularly and was last updated in May 2016.

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 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

Bilia's Group Management remained unchanged during the year. At the end of 2016, the Group Management consisted of Per Avander, Managing Director and CEO, Stefan Nordström, Deputy Managing Director, Gunnar Blomkvist, CFO, Per Ovrén, Business Development and Purchasing Manager, and Jennifer Tunney, Chief Legal Counsel at Bilia AB, plus 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. It's 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 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

Opinions

We have audited the annual accounts and consolidated accounts of Bilia AB (publ) for 2016, with the exception of the Corporate Governance Statement on pages 9–14. The annual accounts and consolidated accounts of the company are included on pages 18–87 of this document.

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 2016 and its financial performance and cash flow 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 2016 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards, IFRSs, as adopted by the EU, and the Annual Accounts Act. Our opinions do not extend to the Corporate Governance Statement on pages 9–14. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the 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.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is further described in the "Auditor's responsibility" section. We are independent in relation to the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the period in question. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition for goods and services

See Note 2 in the annual accounts for detailed disclosures and a description of the matter.

Description of key audit matter

Group revenue for 2016 amounted to SEK 23,906 M. Total revenue derives from contracts with customers regulating delivery of both goods and services (including workshop service).

Revenue from goods is recognised in accordance with contractual judgements when significant risks and rewards as well as obligations for the good have been transferred to the buyer. Revenue from services is based on assumptions regarding how and when the service will be utilised. Leasing revenue is allocated in accordance with underlying contracts.

Revenue allocation and accrual thereby entail a considerable measure of judgement.

Response in the audit

We have examined pertinent contract terms in order to assess the company's identification of goods and services and the methodology for allocation of revenue to different goods and services based on their relative fair values.

We have tested checks regarding allocation and accrual of revenue. We have also assessed the timing of recognition of revenue from goods and services by considering when they have been delivered or are expected to be delivered as well as contractual conditions for the transaction, and by testing samples and the precision of this methodology based on historic outcome.

Valuation of inventory

See Note 20 in the annual accounts for detailed information and description of the matter.

Description of key audit matter

The value of the Group's inventory of merchandise amounts to SEK 3,451 M and comprises 34 per cent of the Group's total assets, whereby we consider it a significant balance sheet item. The net realizable value of the vehicle stock depends on numerous variables such as economic situation, interest rate level, current and upcoming model programmes, regulatory requirements and time in stock.

The difference between the estimated value of the inventory and the actual net realisable value can affect the Group's earnings.

Response in the audit

We have tested and assessed the Group's checks and procedures for valuation of inventory. We have conducted our own analyses of the vehicles' time in stock and when necessary have evaluated this against external transactions and prevailing market conditions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they provide a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and other duties, oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- draw a conclusion on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based

on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts present the underlying transactions and events in a fair manner.
- obtain sufficient and appropriate audit evidence regarding the financial information for the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also provide information on significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and inform them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Of the matters communicated to the Board of Directors, we determine which matters were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and therefore comprise the key audit matters. We describe these matters in the auditor's report unless laws or regulations preclude disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so are reasonably expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bilia AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is further described in the "Auditor's responsibility" section. We are independent in relation to the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. Our proposal of a dividend includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in other respects.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs.

This includes continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that its accounting, management of assets and financial affairs are otherwise controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and take such measures as are necessary to ensure that the company's accounting complies with the law and that its assets are managed satisfactorily.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to determine with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director has in any material respect:

- undertaken any action or been guilty of any omission which can give rise to liability on the part of the company, or
- acted in any other way in violation of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal complies with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect

actions or omissions that can give rise to liability on the part of the company, or that the proposed appropriations of the company's profit or loss are in compliance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Deciding which additional audit procedures are to be performed is based on our professional judgment with regard to risk and materiality. This means that we focus the examination on such actions, matters and conditions that are material to the operations and where deviations and violations would have been of particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

Auditor's examination of Corporate Governance Statement

The Board of Directors is responsible for the Corporate Governance Statement on pages 9–14 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review was conducted in accordance with FAR's auditing standard RevU 16 The Auditor's Examination of the Corporate Governance Statement. This means that our examination of the Corporate Governance Statement 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. We believe that this examination provides us with a sufficient basis for our opinions.

A Corporate Governance Statement has been prepared. Disclosures in accordance with Chap. 6, Sec. 6, second paragraph, points 2–6 of the Annual Accounts Act and Chap. 7, Sec. 31, second paragraph of the same act are consistent with the other parts of the annual accounts and consolidated accounts and are in compliance with the Annual Accounts Act.

Gothenburg, 20 March 2017
KPMG AB

Jan Malm
Authorised Public Accountant