

HEARING TO BEGIN AFTER LONG-STANDING DISPUTE INVOLVING SÄFVEÅN

In 1987, Bilia's subsidiary AB Probo (now Säfveån AB) offered investors an opportunity to invest in limited partnerships involved with capital management whose financial base consisted essentially of loans on which the interest had been paid in advance. The corresponding type of investment opportunity was also offered by banks and other finance companies and, as a result of the then high pressure of taxation, it became particularly popular among companies and private individuals with taxable capital gains looking to reduce their tax burdens in different ways.

The tax authorities did not approve of these arrangements and they were stopped by special legislation during the autumn of 1987, followed by a change in legal practice in the mid-1990s. Some of Säfveån's investors were extremely displeased by the fact that the tax effect was less advantageous. This group claimed that Säfveån was responsible and entered a claim for damages against Säfveån through an undercapitalised litigation company ("Pacta"). Säfveån contested the claim for damages.

Pacta brought an action against Säfveån at the Göteborg city court. Preparations for the case have taken many years, but they have now been completed. The sum that is being claimed from Säfveån comprises the individual claims for damages from some 350 investors. The sum has varied during the city court negotiations, but it has now been finalised at a total of around SEK 120 million or SEK 90 million plus interest.

Säfveån is still of the opinion that Pacta's claims are essentially unfounded and the company is contesting the claims for damages on formal grounds, in re and on the basis of the sum that is being claimed.

Should Säfveån lose any part of the case that has been brought by Pacta, the effect will be reduced to 57 per cent of any loss that may accrue. In 2003, when Bilia distributed all the shares in KFAB, KFAB, which is now a wholly owned subsidiary of AB Volvo, undertook to cover 43 per cent of any loss that might occur in Säfveån.

The hearing in the dispute between Säfveån and Pacta will begin in mid-October and is expected to continue for almost two months.

Bilia is not planning to make any further comments on developments until the verdict in the case is announced.

Göteborg, 31 August 2007

Bilia AB (publ)

Box 9003
SE-400 91 Göteborg, Sweden
Tel: +46 31 709 55 00