



AAA Auto Group N.V.

Annual Report

2008

Note that this version of the 2008 Annual Report contains only preliminary financial results as published by AAA AUTO Group on 26th March 2009. The final version of the 2008 Annual Report with audited financial results will be published by the end of May 2009.

Selected Financial Indicators

Unit of measure/year	2008	2007	2006	
Total revenues (in EUR million)	364.3	470.1	348.4	
Revenues from sale of cars (in EUR million)	318.4	422.7	313.3	
Operating profit (EBITDA; in EUR million)	-15.2	4.0	14.9	
Profit/loss after tax (in EUR million)	-28.0	-4.8	7.1	
Number of cars sold (units)	60,557	79,871	61,939	
Number of car centres	35	45	25	

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Report from the Chairman of the Management Board

Dear Shareholders, Ladies and Gentlemen,

in accordance with the effective laws and Articles of the Company, the Management Board presents to all involved parties, particularly to Company shareholders, the following Annual Report for the 2008 calendar year. This report presents the preliminary consolidated financial results of the AAA Auto Group N.V. and its subsidiaries of the AAA AUTO Group. It also summarizes all important events and activities during the evaluated period and provides an outlook for the future. The audited results will be presented and subject to an approval at the annual general meeting which is due to be held on 19th June 2009.

The year 2008 was a very difficult one for the Company due to the impacts the financial crisis, which began in the USA, has had on the global economy. One of the ways these effects manifested themselves was a sharp slump of markets in new and used cars, to which car makers responded in the form of a price war, significantly cutting the prices of new cars, which in turn drew down the prices of used cars. Last year, the group retreated from the loss-making market in Poland and in spring 2009 it closed down its operations in Romania and Hungary, two countries which were hit extremely hard by the financial crisis. The peak of the Company's expansion collided with the onset of the crisis and therefore, had to undergo a substantial review. The branch network of AAA AUTO Group thus had to be reduced from the number of 45 branches at the end of 2007 to 30, as of 31 March 2009, leaving operations only in the Czech Republic and in Slovakia.

With the aim of achieving greater efficiency within the branch network and of the group as a whole by improving all reporting and planning processes as well as implementing changes in the organisation itself, the management board implemented a strict restructuring programme which commenced in February 2008. The group was substantially downsized, including a 62% reduction in headcount; after the elimination of the loss-making foreign operations which contributed to the bottom line red figures, there are now good portents for the group to return to the black in 2009, despite continuing weakness in the car market.

During 2008, the board met regularly addressing strategic issues of the management and further development of the Company. In a June 2008 meeting in Amsterdam, the management board approved, in accordance with the Dutch Code of Good Corporate Governance, the inauguration of three committees and appointed their chairs: the newly-formed Audit Committee and Remuneration Committees will be chaired by Non-Executive Member and current chair of the management board, Vratislav Kulhánek and the newly-formed Nomination Committee will be chaired by Vratislav Válek, also a Non-Executive Member of the Group's Management Board .

In September 2008, the bBoard resolved to change the registered address of the Company AAA Auto Group N.V. to Kingsfordweg 151, Amsterdam, Netherlands. In December 2008, they approved a change of the tax domicile of the Company AAA Auto Group N.V., which

was transferred from the Netherlands to the Czech Republic effective as of 1 January 2009. The main reason for the decision was to simplify administration and account keeping of the parent Company, as well as to reduce the costs of management.

Throughout the year, the dominant topic on the agenda of the Management Board was the restructuring and cost-cutting measures in need of implementation. The Board decided, among other things, that it was vital to terminate the operations of its loss-making new cars division operated by the companies General Automobil and HK Partner and to gradually divest of all movable and immovable assets superfluous to the core business of selling used cars. Assets designated for sale, including those of the closed down Hungarian operation, were very conservatively priced – as recommended by the auditors – and write-offs were created for these assets. These charges together with the write-offs and other provisions of the closed-down foreign operations added EUR 10.4 million to the bottom line loss of EUR 28.0 million.

Even though the global economic situation does not shed much clarity on the near future, the fact that we reached a net profit in Slovakia and operating profit in the Czech Republic in 2008 already gives the grounds for positive outlook in 2009 – where it is our plan to recapture profitability for our shareholders and return back to profit.

Ing. Vratislav Kulhánek, Dr.h. c. Chairman of the Management Board

Letter from the CEO to Shareholders

Dear Shareholders, Ladies and Gentlemen,

On behalf of the Company's management, I would like to take this opportunity to present our results for 2008, a year quite unprecedented not only for our Company but also for the automotive industry as a whole.

2008 proved to be one of the most challenging years in global automotive history. The financial crisis, which began in the USA in mid-2007, gradually spilled into a global economic recession predicted to be the worst in six decades. Consumer sentiment deteriorated significantly and manifested a general unwillingness to invest in cars or take on credit. This, in turn, led to the retail automotive markets being amongst the first sectors hit by the crisis at the end of 2007.

As AAA AUTO Group's expansionary strategy reached its height, the automotive sector was experiencing one of its strongest peaks. By the end of 2007, the Company had almost doubled its number of branches in the space of just one year and recruitment had reached its peak. At the end of 2007, when the crisis arrived it hit us harder than most, as we were geared for a massive foreign expansion, and our cost base was extremely inflated. As a result, the Company dipped into loss in 4Q 2007 for the first time in its 16-year history.

We reacted as quickly as possible by changing our strategy from growth focused, to profitability focused, and by redefining our business model to smaller and more efficient branches. During 2008, the Company underwent substantial downsizing and streamlining with the new primary goal to re-align its business (Company size and cost base) to the new market reality and to return to profit even on much lower sales volumes. Let me briefly

describe the four main areas we focused on and what we have managed to achieve in each of them:

- ✓ Car stock management the key indicator in our sector is the stock turnover. We have significantly reduced and completely changed our car stock to hold only the 15 best-selling car models and to keep the stock turnover as high as possible. This has proven to be an effective strategy in times of low demand and decreased market prices.
- ✓ Maintaining high profit margins despite the decreasing sales volumes and dropping average sales prices, we have managed to increase our gross profit margin throughout the year (19.6% in 2008 compared to 17.0% in 2007). This was achieved due to the fact that we were successful in maintaining a high metal (car) margin (9.1% in 2008 vs. 8.4% in 2007). We also focused on our high-profit-yielding financial services and up-sale products and managed to increase our financial penetration (the number of cars sold on credit or leasing) to 53% in 2008 from 48% in 2007. The Company's strong foothold in the used-car credit market in the CR and Slovakia proves to be our significant competitive advantage.
- ✓ Cost-cutting & efficiency the Company has undergone an extremely strict cost diet, has changed its business model to more efficient branches adopting the so-far very successful "baby bazaar model" and merged hundreds of job positions to achieve so-called multi-skilling. Thanks to these we have reduced our operating expenses from EUR 27.4 mil. in 4Q07 to EUR 15.5¹ mil. in 4Q08, increased the cost-efficiency of each branch as well as the average number of cars sold per employee (from 21 cars per employee per year in 2007 to 42 cars in 2008). Unfortunately, we were forced to reduce our headcount from 3,834 (at end of 2007 when our expansionary strategy peaked) to 1,440. Stricter profitability requirements were set for each branch and if they were not met the branch was closed. As a result, we have reduced the number of branches from 45 down to 35 at the end of 2008 and further to 30 at the end of March 2009.
- ✓ Group asset optimization we have earmarked around 50% of our property portfolio to be sold off during the next 18 months. We closed down our new-car sales division at the end of 2008 to focus on our core and more profitable business of used-car sales. This should release tied-up capital and lower our debt and interest expenses. We managed to sell the first three properties in the 3Q08 and realised an EUR 1.2 million profit from the sale.

Due to the deteriorating situation of the local economies and used-car markets we have also decided to withdraw from our foreign markets in Hungary, Poland and Romania and to postpone our plans to enter the Russian market until 2010 in order to focus, during the time of the economic crisis, on our more profitable Czech and Slovak markets, where we continue to Company hold the strongest market positions.

Let me render a brief description of the market development in 2008. During 2008 the used-car market has gone through some fundamental changes. We could see the first signs of consolidation on our otherwise fragmented market as many small used-car retailers who were not quick or strict enough to react to the severe market conditions have simply not survived.

The first half of the year in the Czech Republic, our strongest market, brought about a strong surge of the Czech crown while other local currencies followed suit. This led to a massive

¹ The operating expenses are net of EUR 10.4 mil. write-offs booked in 4Q08

increase of individual imports of cheap, low-quality cars mainly into the Czech Republic and Poland, markets with highly price-sensitive customers. Also, world oil prices grew to historic highs, peaking in mid-July making petrol an expensive commodity which forced people to postpone their car purchases and opt for more economical, smaller-engine cars. The second half of 2008 brought about positive changes as both trends reversed. While decreasing petrol prices would normally be the single most important factor in supporting demand for used cars, their effect was this time more than offset by the extremely cautious consumer sentiment which deteriorated further with the arrival of the financial crisis to the CEE region at the end of the 3Q 2008.

Other significant market events in 2008 were the price wars among car manufacturers and new-car dealers which deflated retail car prices across all price categories reaching their historical lows at the turn of 2008 and 2009. Another significant trend visible throughout the year was the shift in consumer preference towards cheaper and older cars adding to the diminished revenue turnover of the Company. Finally, the crisis is expected to increase the rate of defaulting on consumer credit agreements which has led to the tightening of lending criteria by banks.

On the side of the financial performance, the company recorded total revenues of EUR 364.3 million in 2008 on the sale of 60,557 cars representing a 23% decline when compared to 2007. The two main factors behind the decline were decreasing demand and the closure of 22% of unprofitable branches. The decision to close down these branches led to, on the one hand, a reduction in the number of cars sold by the Group in 2008 while, on the other hand, it alleviated the Company's financial results from losses generated by these foreign operations. As a result, despite diminishing sales, the Company has managed to significantly improve its financial performance throughout the year compared to the 4Q 2007 when it first dipped into loss. While webroke even on the operating level in the 3Q08, the EBITDA loss was reduced to EUR 1.3 mil.² in 4Q08 compared to the EBITDA loss of EUR 8.0 mil. in 4Q07. However, due to the decision to discontinue operations in Hungary, Poland and Romania, the Company had to book write-offs and fair-value adjustments of EUR 10.4 mil. in the 4Q08 as stipulated by IFRS requirements which substantially influenced the Group's financial results for 2008. The total EBITDA loss for 2008 amounted to EUR 15.2 mil. and the net income loss amounted to EUR 28.0 mil. When adjusted for the afore-mentioned accounting charges they stood at EUR 4.8 mil. and EUR 17.6 mil., respectively. (Please note that these accounting charges had no cash-flow impact.)

We believe that the extremely stringent restructuring program and the elimination of the loss-making foreign operations have made us better prepared for an economic downturn than we were a year ago and even though we are facing what may become even more challenging year for our sector than was 2008, we believe we are better positioned to turn profit even during economic recession. We plan to break even at the level of net income in the seasonally strongest second quarter of 2009 and to achieve a net profit for the whole of 2009 provided that there are no unexpected, extraordinary influences in the market.

During the first quarter of 2009, we have already seen some encouraging seasonal revival of car sales in the CR and Slovakia measured by a month-on-month growth which give us confidence that our 2009 goals are indeed attainable.

² The EBITDA loss is net of EUR 10.4 mil. write-offs booked in 4Q08

To conclude, I would like to thank our shareholders for the trust they have put in our Company, its management team, and its employees. And to those employees, I would also like to extend my gratitude for the hard work and loyalty they've shown during this past year's difficult times. Even though we foresee 2009 to be filled with even more challenges, the executive team and I have confidence that we will present positive 2009 results which will reignite the investor trust and reassure shareholders and business partners of their sound decision to invest in AAA AUTO Group.

Anthony James Denny Chief Executive Officer

Historical Milestones in the Company Development

1992	Establishment of Auto USA to import cars from the United States
1994	Opening of the Prague centre
1995	Name change to AAA AUTO Praha, s.r.o.
1998	Launch of Prague call centre
1998–2001	Expansion of the network of branches purchased to ten locations throughout the Czech Republic
2000–2004	Sales centres opened in five additional cities in the Czech Republic Major expansion in the portfolio of financial, insurance and assistance services The website of AAA AUTO Group becomes the most visited car-based site in the Czech Republic
2003	Establishment of the subsidiary GENERAL AUTOMOBIL a.s. to sell new cars
2004	Entering the Slovak market by opening the first branch in the city of Košice Company ranks 68 th in the CZECH TOP 100 Companies chart Sales exceed 40,000 cars
2005	Group's headcount reaches 2,000 Entrance on the Romanian market (Bucharest branch) Opening of two additional car centres in the Czech Republic and three in Slovakia Sales exceed 50,000 cars
2006	Entrance on the Hungarian (Budapest branch) and Polish markets (Warsaw branch) Major customer service improvements (car exchange within 24 hours and insurance) Group reaches 25 branches Staff count increases to 2,880 Sales exceed 60,000 cars

2007 Auto Diskont becomes a subsidiary of AAA AUTO

"Superbrands" prestigious award

Expansion results in 20 new branches

and by year's-end car centres number 45

Sales reach nearly 80,000 cars

Staff count exceeds 3,800

In September the Netherlands-based parent company AAA Auto Group N.V. lists its shares on the Prague and Budapest Stock Exchanges

As of 1st November, Vratislav Kulhánek becomes a Non-Executive Member and Chairman of the Management Board

2008

In February, AAA Auto Group N.V. announces a decline in key financial indicators for 2007 as a result of a combination of the one-off increase in the costs of expansion, on one hand, and the drop in sales in the used car markets, which took full hold in the fourth quarter. The Company responds by announcing a programme of fundamental restructuring and cost-cutting measures.

In February, the tenth branch of AAA AUTO in Slovakia opens in Prievidza. The AAA AUTO Group extends the period for return and exchange of a car from one to three days.

The AAA AUTO Group sold Carlife insurance to already 160,000 clients. In March, the AAA AUTO Group launches mobile buy-back of cars in all five markets.

The April meeting of the Management Board resolves on the divestiture of subsidiaries General Automobil and HK Partner, both in the business of retail of new cars.

The share capital of AAA AUTO a.s., the Czech subsidiary of AAA Auto Group N.V., was doubled by the sole shareholder's, AAA Auto Group N.V., contribution from CZK 150 million to CZK 300 million; the Company's capital adequacy and financial position was thus strengthened.

According to a study made by Ernst & Young, the AAA AUTO Group ranked in the top ten of the biggest car dealers in Europe.

AAA AUTO opens a new premium showroom in Pilsen at the beginning of June.

In mid-June, the Group launches its new brand AAA Premium Auto in Prague and Brno offering good-as-new cars, not older than 2 years and with fewer than 40,000 kilometres in mileage with premium customer care.

The AAA AUTO Group climbs from 82nd to 54th rank in the 2007 CZECH TOP 100, up 28 places. As part of the Company's strategy focused on regaining profitability, the Management Board resolved in June to close down the Polish division. The reason was the loss generated by the division which came as a result of distorted market conditions – the import of a roughly one million of poor quality used cars to the Polish market yearly.

David Thorley is appointed new Chief Financial Officer of the Group in June. In September, AAA AUTO launches its revamped, more easy to use website as its key telemarketing channel, through which more than a half of the Group's total sales of used cars are realised.

AAA AUTO opens a new car centre in Hradec Králové in September. The AAA AUTO call centre celebrates its 10th anniversary in October, having processed 350,000 sales.

At the beginning of November, the AAA AUTO Group decided to sell some of its properties in Hungary, which suffered a sharp market slump as a result of the financial crisis. Two branches – in Pécs and Szeged – were closed down at the beginning of December.

In November, AAA AUTO sells its 450,000th car in its sixteen years of history.

In December, AAA AUTO launches the purchase of old cars subjected to the duty of environmental tax and provides a CZK 5,000 in exchange for a purchase of a used car. The old cars will be ecologically recycled through specialised companies.

In December, the Management Board approves a transfer of the tax domicile of AAA Auto Group N.V., from the Netherlands to the Czech Republic with effect from 1 January 2009.

The prices of used cars in the Czech Republic fell in 2008 by 10-25% on average as a result of the declining prices of new cars and the global economic slowdown.

A similar trend was discernible also in other countries of the Central Europen region.

2009

The AAA AUTO Group sold a total of 60,557 used cars in 2008 which translates into a year-on-year decline of 24%. The main reasons behind the decline were weaker markets and the Company's decision to close down altogether 22% of its branches during 2008.

The AAA AUTO Group launches a new service – selling cars at the customer's home.

AAA AUTO Group Profile

The AAA AUTO Group (hereinafter referred to as "AAA AUTO" or only as "the Company") belonged among the largest used car dealers in Central and Eastern Europe in 2008. At the beginning of 2009, the Company limited its operations to the Czech Republic and Slovakia where it belongs to one of the largest retailers on the used-car market. The company has been active on the market since 1992, when it was founded in Prague by Anthony James Denny specializing in the import of saleable used cars for subsequent sale.

The high demand in used cars in the 1990s contributed to the fast development of this business sector. Ever since its inception, the substantial expansion of AAA AUTO has helped cultivate the entire sector due to an even higher customer orientation. A number of competitors followed the example set by AAA and introduced the principles of purchasing cars for instant cash instead of on consignment sale, as well as the formulation of other contractual relationships, such as high standard legal warranties and other services.

AAA AUTO, which first crossed international borders during its original expansion in 2004, operated 35 car centres in the Czech Republic, Slovakia, Hungary, Poland and Romania at the close of 2008. In response to the falling markets, the Company optimised its portfolio of cars for sale in 2008 by focusing on the 15 best-selling models reduced its car stockto approximately 5,000 cars which reduced the working-capital requirments. In addition to offering low-end cars through its subsidiary Auto Diskont, in 2008 the Group launched a new brand in the Czech Republic and in Slovakia - AAA Premium Auto. Customers now have a

choice of good-as-new used cars with mileage maximums of 40,000 km and guarantees and customer care standards which are at par with services provided together with new cars.

In response to a long period where many poor-quality, obsolete, and often manipulated old cars flooded the market, the Group strived to cultivate the whole industry with, among other things, a guarantee of legal origin of every car sold. Due to cooperation with many renowned partners in the fields of insurance and financing, it also renders other services, such as loans and credits, leasing and leaseback, insurance of mechanical defects – including Carlife, motor third-party liability, motor damage insurance, insolvency insurance, credit cards, road assistance services and many others.

Consumer trust in AAA AUTO is growing and is based on the professionalism of more than 1,300 employees. Early 2008 marked a milestone in the Company's 16-year history when they celebrated the sale of their 450,000th automobile. AAA AUTO takes pride in having served more than 900,000 satisfied customers.

General Identification Information

Company Name: AAA Auto Group N.V, a public limited liability Company with the registered office: Kingsfordweg 151, 1043 GR, Amsterdam, the Kingdom of Netherlands, incorporated in the Commercial Register in Amsterdam, the Netherlands, under reg. number 34199203. It is the parent and the controlling Company of AAA AUTO Group and controls the individual corporate entities; including subsidiaries in individual countries (see the Group structure on pages 10-13).

Company Owners: The majority owner of the AAA Auto Group N.V. is a Luxembourg-based Company, Automotive Industries S.à.r.l., which owns 73.8% shares; the remaining 26.2% shares are free floated shares on the Prague and Budapest Stock Exchanges. The ultimate owner of the shares of Automotive Industries S.à.r.l. is Mr. Anthony James Denny.

Legal Form: a public limited liability company

Subject of Business:

- to incorporate, to participate in any form whatsoever in, to manage, to supervise businesses and companies;
- to finance businesses and companies;
- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned activities;
- to render advice and services to businesses and companies with which the company forms a group and to third parties;
- to grant guarantees, to bind the company and to pledge its assets for the obligations of businesses and companies with which it forms a group and on behalf of third parties;
- to acquire, alienate, manage and exploit registered property and items of property in general;
- to trade in currencies, securities and items of property in general;
- to develop and trade in patents, trademarks, licenses, know-how and other industrial property rights;
- to perform any and all activities of an industrial, financial or commercial nature; and

• to do all that is connected therewith or may be conducive thereto; all to be interpreted in the broadest sense.

AAA AUTO does not perform research and development activities.

Trading Company: AAA AUTO a.s. that is the largest daughter of AAA AUTO Group

Registered Office: Hostivice, Husovo nám. 14, PSČ 253 01, Czech Republic

Company ID. No.: 26699648, registered in the Commercial Register maintained by the

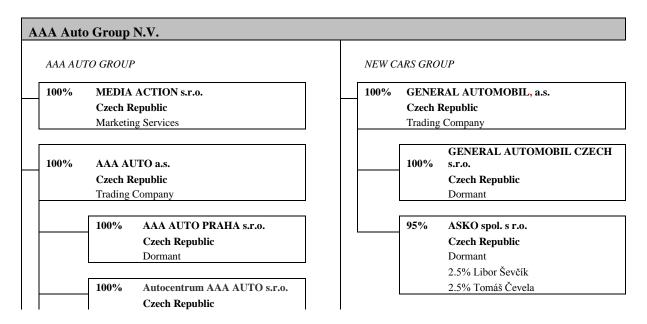
Municipal Court in Prague, Section B, Portfolio 8578

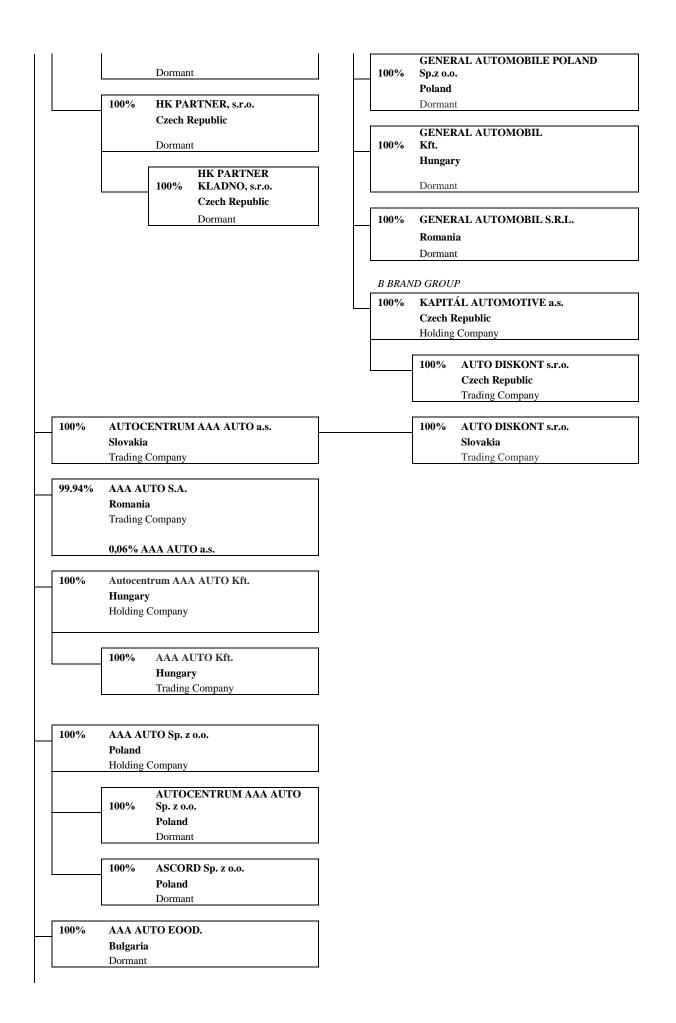
Legal Form: a joint-stock company

Subject of Business:

- retail with motor vehicles and accessories
- specialized retail
- retail with used goods
- wholesale
- agency for trade
- agency for services
- repairs to road vehicles
- repairs to bodywork
- services of accounting consultants, accounting maintenance
- pawn broking business
- rental and lending of movable items
- maintenance of motor vehicles and accessories
- currency exchange business
- purchase, storage and sale of medical aids of a) Class IIb and III b) Class I and IIa, which may be sold by dealers of medical aids
- advertising and marketing services.

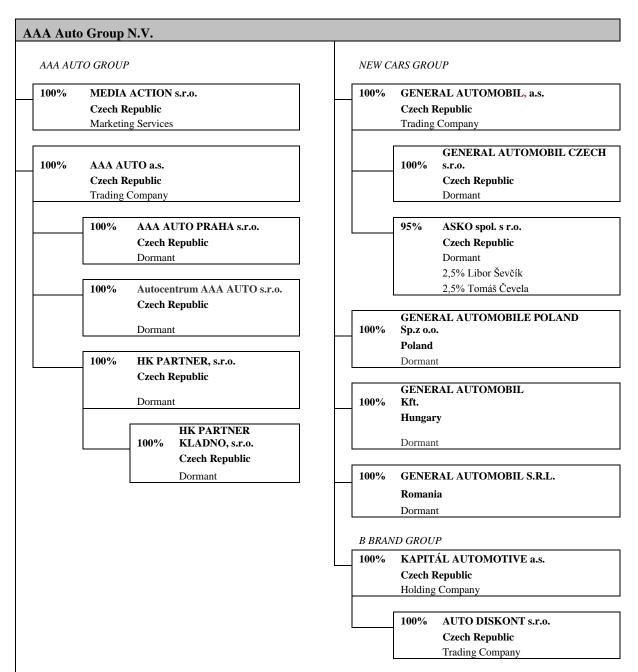
AAA AUTO Group Structure as of 31st December 2008

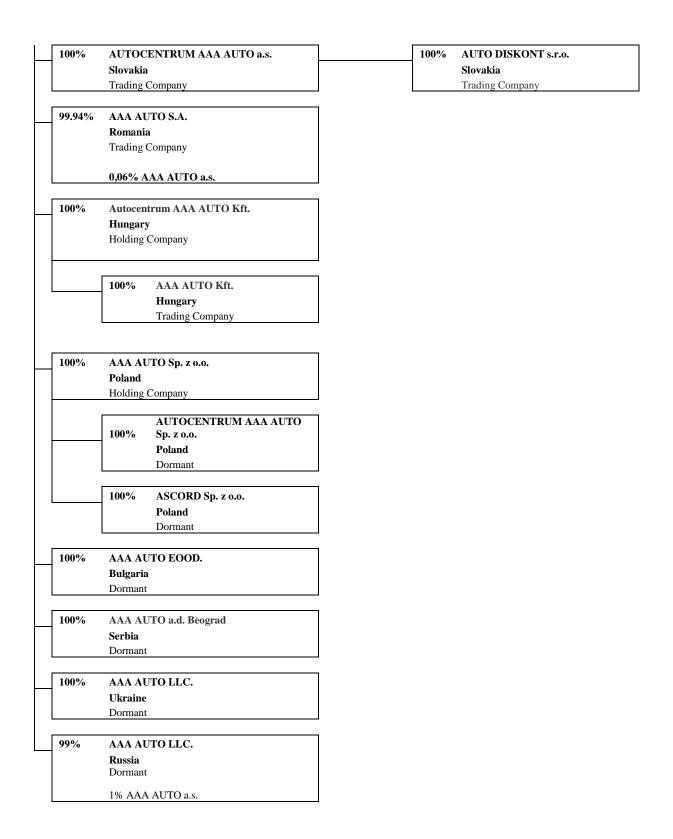




AAA AUTO a.d. Beograd
Serbia
Dormant
AAA AUTO LLC.
Ukraine
Dormant
AAA AUTO LLC.
Russia
Dormant

AAA AUTO Group Structure as of 31st March 2009





Corporate Governance

AAA Auto Group N.V. is a public company with limited liability under the laws of the Netherlands. The Company was incorporated on 12 December 2003 as Automobile Group B.V. and converted into legal form of public limited liability company (Naamloze Vennootschap) under the name AAA Auto Group N.V. on 29 December 2006. In view of the

listing of its shares on the main markets of the Prague and Budapest Stock Exchange, the Articles of Association of the Company were last amended on 7 September 2007.

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code (the "Dutch Code"). The Dutch Code contains 21 principles and 113 best practice provisions for executive boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Under Dutch law the Company is required to disclose in its annual report whether or not it complies with the provisions of the Dutch Code and, if not, to explain the reasons why. The Dutch Code provides that if the general meeting of shareholders explicitly approves the corporate governance structure and policy according to the Dutch Code and endorses the explanation for any deviation from the best practice provisions in the annual report, the Company will be deemed to have complied with the Dutch Code.

In July 2004, the Czech Securities Commission (the former Czech regulator) issued a codex of corporate governance based on the OECD principles (the "Codex"). The Company is not obliged to comply with this Codex. The Czech National Bank (the current capital markets regulator in the CR) only recommends that a declaration of compliance with the Codex is included in the annual report of the Company.

Under Hungarian law and the rules of procedure for the Budapest Stock Exchange, the Company must announce which points of the corporate governance recommendations of the Budapest Stock Exchange it wishes to follow.

Corporate Governance of AAA Auto Group N.V.

AAA AUTO has a so-called one-tier management structure consisting of both Executive Members and Non-Executive Members. The provisions regarding the Supervisory Board under the Dutch Code are also applicable to the Non-Executive Members and the provisions governing the Management Board are also applicable to the Executive Members, save for management duties that cannot be delegated.

The Management Board is entrusted with the management of the Company. The Management Board as a whole as well as any two Executive Members acting jointly are authorised to represent the Company. The Executive Members are charged with the day-to-day affairs of the Company under the supervision of the Non-Executive Members. The Non-Executive Members may require specific actions from the Executive Members to be subject to their approval. The Executive Members may perform all acts necessary or useful for achieving the corporate purpose of the Company, save with those acts that are prohibited by law or by the Articles of Association.

The general meeting of shareholders may also require specific Management Board resolutions to be subject to its approval. The Management Board shall be notified in writing of such resolutions, which shall be clearly specified.

AAA Auto Group N.V. currently has following committees that were established on the basis of the decision of the Management Board dated 20 June 2008 that also adopted the rules governing the committees:

- Audit Committee (Chairman: Mr. V. Kulhánek, other members: Mr. V. Válek and Mr. A. M. Kemp);
- Remuneration Committee (Chairman: Mr. V. Kulhánek, other members: Mr. V. Válek and Mr. A. M. Kemp); and
- Nomination Committee (Chairman: Mr. V. Válek, other members: and Mr. V. Kulhánek and Mr. A. M. Kemp).

Pursuant to the Articles of Association, the number of Executive Members and Non-Executive Members shall be determined by the General Meeting of Shareholders.

Executive Members

Executive Members are appointed by the General Meeting of Shareholders from a list of nominees, containing the names of at least two persons for each vacancy, to be drawn up by the Non-Executive Members. If the Non-Executive Members should fail to draw up a list of nominees within three months after the vacancy has occurred, the general meeting of shareholders may appoint an Executive Member at its own discretion. The list of nominees drawn up in time by the Non-Executive Members shall be binding. However, the general meeting of shareholders may deprive the list of nominees of its binding character by a resolution passed with a two-thirds majority vote, representing more than half of the issued capital.

An Executive Member may be suspended or dismissed by the general meeting of shareholders at any time. A resolution of the general meeting to suspend or dismiss an Executive Member other than on the proposal of the Non-Executive Members may only be adopted by a resolution passed with a two-thirds majority vote, representing more than half of the issued capital.

The Executive Members are responsible for the day-to-day running of the business of the Company.

The business address of all Executive Members in 2008 was: AAA Auto Group N.V., De Boelelaan 7, 1083HJ Amsterdam, the Netherlands.

Mr. Antonius Mattheus Kemp resigned from his position as Executive Member on 25 April 2008. On the same date Mr. Antonius Mattheus Kemp was appointed as a Non-Executive Member by the general meeting.

Mr. Matyáš Kořínek resigned from his position as Executive Member on 25 April 2008.

Mr. Kamil Ziegler was appointed as Executive Member by the General Meeting of Shareholders on 25 April 2008. He later resigned from his position on 20 June 2008.

In 2008, the Management Board was comprised of the following Executive Members:

- Anthony James Denny (since 29th December 2006);
- Antonius Mattheus Kemp (29th December 2006 25th April 2008);
- Matyáš Kořínek (24th May 2007 25th April 2008); and

- Kamil Ziegler (25th April 2008 – 20th June 2008).

Anthony James Denny

Executive Member of the Management Board and Chief Executive Officer since 29th December 2006.

A graduate of the Ryde College of Horticulture, Sydney, Australia. He acquired over twenty years of experience in the used car business in the Australian, European and United States markets. He has been living in the Czech Republic since 1992, where he started to conduct business with used cars that same year and developed the international car centre network of AAA AUTO.

Antonius Mattheus Kemp

Executive Member of the Management Board from 29th December 2006 to 25th April 2008.

A graduate of the Erasmus University in Rotterdam, the Netherlands. In 1995, he completed his postgraduate studies in Taxation at Tilburg University in the Netherlands. He has worked as a tax lawyer in various positions in the Netherlands and in Central and Eastern Europe since 1989, and since 2001 he's been a partner at Linklaters, v.o.s. He has advised the AAA AUTO Group on international legal and tax issues as a lawyer since 1997.

Matyáš Kořínek

Executive Member of the Management Board and Chief Operations Officer from 24th May 2007 to 25th April 2008.

A graduate of the Faculty of Philosophy and of the Faculty of Physical Education and Sport of the Charles University in Prague. He joined us following a three year stint at Citibank where he was responsible for the external acquisition and the sales network of dealers. He began his career as a director responsible for insurance sales, customer and credit cards, assistance services, guarantees and other supplementary products. Until May 2007, he served as Group Sales Manager for AAA AUTO a.s.

Kamil Ziegler

Executive Member of the Management Board from 25th April 2008 to 20th June 2008.

A graduate of the University of Economics in Prague, Business Faculty and the Southern Methodist University, Dallas. He occupied a number of important posts in the banking sector, ranging from the Executive and Financial Director of Komerční banka, a.s. to the Deputy of the General Director and Member of the Board of Directors of Česká spořitelna a.s., and to the position of the Chairman of the Board of Directors and the Managing Director of Raiffeisenbank a.s. Beginning in 2004, he worked in PPF Group and since August 2007, he has been the Vice-Chairman of the Board of Directors of PPF a.s.

Non-Executive Members

Non-Executive Members of the Management Board are appointed by the general meeting of Shareholders. A Non-Executive Member may be suspended or dismissed by the General Meeting at any time.

The business address of all Non-Executive Members in 2008 was: AAA Auto Group N.V., De Boelelaan 7, 1083HJ Amsterdam, the Netherlands.

Report from the Non-Executive Members (please see the Report of the Chairman of the Board on pages 2-3).

In 2008, the Management Board was comprised of the following Non-Executive Members:

- **Vratislav Kulhánek** (since 1st November 2007);
- **Antonius Mattheus Kemp** (since 25th April 2008); and
- **Vratislav Válek** (since 25th April 2008).

Vratislav Kulhánek

Non-Executive Member and Chairman of the Management Board since 1st November 2007.

A graduate from the University of Economics and the European Business School in Prague. From 1992 to 1997 he was the director of Robert Bosch. In April 1997 he was elected to the position of the Chairman of the Board of Directors of Škoda Auto, and from October 2004 until 2007 he was the Chairman of its Supervisory Board. From 1997 to 2007 he was the President of the Association of the Automobile Industry of the Czech Republic and Vice President of the Union of Industry and Transport in the Czech Republic. Since 2002, he has been a member of the World Executive Committee of the International Chamber of Commerce in Paris. He is the President of the Czech Institute of Directors, a member of the Supervisory Board of Kooperativa pojišťovna a.s., the Scientific Council of the University of Economics, the Management Board of Charles University, the Executive Committee of the Czech Olympic Committee and is a member of the Association of Exporters.

Mr. Kulhánek is independent within the framework of Best Practice Provision III.2.2 of the Dutch Code.

Antonius Mattheus Kemp

Non-Executive Member of the Management Board since 25th April 2008.

A graduate of the Erasmus University in Rotterdam, the Netherlands. In 1995, he completed his postgraduate studies in Taxation at Tilburg University in the Netherlands. He has worked as a tax lawyer in various positions in the Netherlands and in Central and Eastern Europe since 1989, and since 2001 he had been a partner at Linklaters, v.o.s. He has advised the AAA AUTO Group on international legal and tax issues since 1997.

Mr. Kemp is not independent within the framework of Best Practice Provision III.2.2 of the Dutch Code as he has been an Executive Member of the Management Board of AAA AUTO during the five years prior to the appointment. As he is the only Non-Executive Member that

is not independent within the Best Practice Provision III.2.2 of the Dutch Code, Best Practice Provision III.2.1 of the Dutch Code is complied with.

Vratislav Válek

Non-Executive Member of the Management Board since 25th April 2008.

After studying at the University of Economics in Prague Mr. Valek worked in the Finance Research Institute and in the Ministry of Finance until 1992. In 1991 he settled Czechoslovak Leasing Association. In 1992 he joined Skofin - Volkswagen Captive Leasing Company as their Managing Director. In 1999 after seven years he moved to Essox – a universal independent leasing company as the President of their Supervisory Board. For 12 years he was the President of the Czech Leasing Association and as of October 2007 he remains a deputy president of this body. In 2000 he was elected to the Board of the European Federation of Leasing Company Association /Leaseurope/ as the first member from Central and Eastern Europe. Mr. Valek is a regular speaker at the World Leasing Convention, Leaseurope Congresses, Euromoney Seminars and has written several books and articles concerning the topic of leasing.

Mr. Válek is independent within the framework of Best Practice Provision III.2.2 of the Dutch Code.

Remuneration Policy

According to the Articles of Association, the general meeting of Shareholders adopts the remuneration policy in respect to the remuneration of the Management Board.

A remuneration policy of AAA Auto Group N.V. reflects a fundamental orientation of the Company towards performance and growth, it takes into account internal and external relationships, and it mirrors good administration within the Company.

An objective of this system is to gain, keep and motivate Board Members who embody character qualities, skills and background suitable for successful leadership and management for the Company. The remuneration policy is in context of operating of the Company at international and highly competitive markets of Central Europe and takes bearings according to well-regarded international corporations.

In 2008 the Board Members were Anthony James Denny, Antonius Mattheus Kemp, Matyáš Kořínek (until 25th April 2008), Kamil Ziegler (from 25th April 2008 to 20th June 2008), Vratislav Kulhánek and Vratislav Válek (as of 25th April 2008). The Board was awarded a total remuneration of 375,628 EUR, including social and health insurance payments and other benefits in 2008. The remunerations were paid in the form of fixed salaries. The Company does not pay any retirement or other similar benefits to Board Members.

The Company is in the process of preparing the detailed principles of the remuneration and will propose the total policy for adoption at the next General Meeting of Shareholders.

The general meeting of the Company approved the Board Members share option plan on April 25th, 2008. Based on this program, each Executive Member of the Board was awarded

an option for 200,000 shares and each Non-Executive Board Member an option for 50,000 shares with the exercise price of 1 EUR/share. The options were awarded for a four year period, with the provision that the option holder would be able to exercise 40 % of the option after three years. Exercising of these options shall be qualified by fulfillment of conditions related to a share market price and performance of the Company, with the provision that the said Board Member shall be able to exercise the option only in case that the share price on the stock exchange shall be at least 4 EUR per share after three years from awarding of the option, and a ratio of a pure profit compared to a Company turnover shall be at least 1.9 % in the last two accounting periods. With respect to the adverse situation in the global markets and decrease of the Company's market share price, the Company is considering changes in the performance conditions to reflect changes in the markets. A decision which is subject to the approval of the General Meeting of Shareholders.

Senior Management

Here is a brief list of the professional experience and responsibilities of the selected members of the management of the AAA AUTO Group.

David Thorley

Chief Financial Officer

An associate member of the Chartered Institute of Management Accountants, he has worked his entire professional career within the automotive industry. In 1979, he joined the importers of Lada Cars as accountant and in 1985 he began working for Lex Service plc as Business Development Manager for 25 Volvo dealerships. In 1990, he joined Otford Group Ltd, which retailed Ferrari, Fiat and Alfa Romeo vehicles, as Divisional Finance Manager and progressed to the position of General Manager. From 1997, he worked as the Regional Financial Controller for Inchcape Retail, one of the largest British franchise dealerships which sells automobiles for about twenty renowned automobile brands, and from 2001 he became Finance Director for their used car retailing division. In 2003, he began working for Ford Retail Ltd, the British dealerships of Ford, Mazda and Iveco owned by Ford Motor Company, where he worked his way up to becoming Finance Director of the Group with an annual turnover of 800 million pounds and 2,800 employees in 55 branches across the UK. In July 2008 he was named Chief Financial Officer for AAA AUTO Group.

Karolína Topolová

Chief Operations Officer

She studied Operative Management with a major in the formation of a training department and the call centre at the British university, TTA (London-Prague) with the Oxford Training Program. She began her career in the Hilton Atrium Hotel in Prague as an assistant manager, and worked later as a program manager for the Hilton Diamond Club. In 1998, she founded the AAA AUTO Call Centre, which since then has ranked among her responsibilities in the Company. For the past nine years, she has belonged among the closest fellow workers of the founder and Chief Executive Officer of AAA AUTO Anthony James Denny. She is currently extending her education studying andragogy at the University of Jan Amos Komenský in Prague.

Jiří Trnka

Deputy to the Chief Executive Officer

He graduated from the University of Economics in Prague, in the field of Finance and Accounting. Since the beginning of his career he has worked in the automotive industry. In the position of financial analyst for the international company Continental Teves he acquired practical knowledge in the controlling and accounting fields. From there he worked with Škoda Auto where he dealt with the management of projects in financial areas. In 2004, he began working in the financial department of AAA AUTO in the position of internal audit manager; one year later he was appointed to the position of the Chief Financial Manager of the Company and Deputy to the CEO. He speaks English and German.

Ralph Howie

Executive Director for Car Purchasing Area

He completed his studies at Kuringai College of Advanced Education. His career started in different companies within Australia where he worked as a research analyst in Mullens & Co. Stockbrokers, as the Managing Director at RH Development, and he also rotated several positions at the Telstra Corporation. After these he worked as a general manager in AAA AUTO for eight years. Beginning in 2005 he functioned as the Executive Director & Shareholder in ProAuto in Bulgaria, Sofia. Now he is the Executive Director for the Car Purchasing Area in AAA AUTO, Prague.

Conflict of Interests

We did recognize potential conflict of interests in transactions between the company and its subsidiaries and the Dutch company CarWay Holding B.V. and its subsidiaries (the "CarWay Group") in 2008. AAA AUTOompany is owner of 5% share in CarWay Holding B.V. and 95% share in CarWay Holding B.V. is beneficially owned by Anthony James Denny our CEO and 100% owner of our principal shareholder Automotive Industries S.a r.l. AAA AUTO and CarWay Group cooperated in the area of car rent, roadside assistance, car insurance and car repairs and the partnership finished in the second half of 2008. The Company is currently in liquidation.

We rented our Company cars from the Carway Group and we brokered car insurance, roadside assistance and car repairs in cooperation with them. The cooperation was agreed on terms that are customary in the sector concerned and on an arms-length basis.

We do not see any other potential conflict of interests. We comply with the best practice provisions II.3.2 to II.3.4 inclusive and III.6.1 to III.6.3 inclusive and observe the best practice provision III.6.4 of the Dutch Code.

Internal Audit in 2008

The Management Board of AAA Auto Group N.V. is confident that a strong risk management and controlling system is an important factor for a safe, healthy and efficient operation of the whole of the Group.

With regard to this goal, an Internal Audit Department was founded with the mission to test and assess the internal controlling environment of the AAA AUTO Group, and to continuously strive to improve it. The activities of Internal Audit are aimed at assisting the executive and line management in the meeting of their primary duties with respect to the configuration, maintenance and the continuous assessment of the internal controlling system; in that, the Internal Audit may not take-over or substitute for these duties.

The audit methodology was changed in the first half of 2008 to reflect the current trends in the field of internal audit and a new risk-oriented approach was implemented. The internal audit identifies the risks – in terms of controlling or operations – and treats them according to their potential impact on the profitability and sustainable development of the AAA AUTO Group.

The internal audit is kept strictly separate from active business and account keeping of the AAA AUTO Group. In order to have a high degree of autonomy, an Audit Committee was established for oversight. The Internal Audit Department reports to the Chair of the Audit Committee, Vratislav Kulhánek (Chairman and Non-Executive Member of the Management Board of AAA Auto Group N.V.). Antonius Mattheus Kemp (Non-Executive Member of the Management Board) and Vratislav Válek (Non-Executive Member of the Management Board) are the other two Non-Executive Members of this Committee. The Audit Committee meets approximately once every two months and looks to ensure that the executive management is always informed – on time and in due manner – of all material findings in the internal audit so that effective remedies can be swiftly implemented.

The principal document governing the position and responsibility of the Internal Audit is the Internal Audit Charter, which was approved by the Management Board of AAA Auto Group N.V.

During 2008, the activities of the Internal Audit Department focused on the quality of the controlling environment at company headquarters and in its branch networks. Due to the structure of our business and the share of individual markets in overall operations, attention focused primarily on the Czech Republic. A total of 99 audit recommendations were given in 2008.

Generally speaking, the internal controlling environment was fundamentally influenced by the steps that AAA AUTO Group had to take under the pressure of the global economic crisis: namely significant headcount reductions and multi-skilling of some job positions. The executive management was acquiescent of the need to dedicate the near term future to the correction of the internal controlling environment in order to bring it up to par with the customary standard. This is seen by the executive management as an important pre-requisite for the long term profitability of the AAA AUTO Group.

During 2009, the internal audit will continue its effort to identify commercial and controlling risks and will also oversee the implementation of already issued audit recommendations so that the identified risks are eliminated to the maximum achievable extent.

Share Option Plan

In accordance with the General Rules of the Share Option Plan of the company, the general meeting of Shareholders met on 25 April 2008 to discuss and approve share options for the

members of the management board and to form a part of the rules for the remuneration of management board members. The basic limits and dates for share options for the executive and middle management and for key personnel of the company were also set at that time; the total number of shares allocated under the Share Option Plan may not exceed 5% of the ordinary share capital of the company in issue immediately before the day of allocation, when added to the total number of shares which have been allocated in the previous ten years under the Share Option Plan.

The General Meeting conferred on the Executive Members of the Management Board the right to grant options to Non-Executive Members, subject to the applicable rules, and vice versa. The Executive Members were granted options up to the limit of 200,000 shares, and non-Executive Members were granted options up to the limit of 50,000 shares per member, provided the following performance criteria are met. Management Board members will be able to exercise 40% of the options after the expiration of a three year period at the earliest instance; the full option may be exercised after four years, provided the share price on the Prague Stock Exchange in three or four years after the date of grant is EUR 4 per share or higher, and the ratio of net profit to the Company's turnover is a minimum of 1.9%. In the event that the option is exercised, the exercise price may not be less than the market price on the Prague Stock Exchange at date of the grant. All options will lapse on the day preceding the tenth anniversary thereof and will be exercisable from the date of grant and prior to the expiration of the ten-year period commencing on the date of grant, subject to fulfilment of any vesting and/or performance conditions posed; or on the termination date of employment or any other contractual relation based on which the option was granted to its holder.

On 31 July 2008, a committee instated by the Management Board elaborated the key parameters of the three categories of the Share Option Plan, including the middle management and key personnel of the AAA AUTO Group. The Company granted to its employees an option for 3,286,000 shares, which accounts for 4.79% of the ordinary share capital of the Company; with the options granted to the Management Board members, the total amounted to 4.92% of the share capital.

Options shall be personal to option holders and, except where personal representatives are entitled to exercise the options during a twelve month period following the death of an option holder, neither the option nor the benefit of such option may be transferred, assigned, charged or otherwise alienated.

Options will lapse with immediate effect in case of any attempt by the option holder to transfer, assign, charge or otherwise alienate the options held by him and by declaration of the option holders' bankruptcy or in case of any other even which shall cause the option holder to be deprived of the legal or beneficial ownership of the options.

The Company is considering the possibility of modification of the Share Option Plan to better reflect the current market conditions.

Risk Factors

A number of key risk factors to which the AAA AUTO Group is exposed were already listed in the Prospectus published in connection with the share offering and in the 2007 Annual Report. The majority of the risk factors are still applicable. The aforementioned documents are available on the company's website (www.aaaauto.nl), in the section titled "Investors". AAA AUTO Group had operations in several countries of Central Europe in 2008 (at the end of March 2009 Group limited its operations to the Czech Republic and Slovakia) and as such is exposed to a number of external and internal risks which may negatively impact on the performance and sales – and, by extension – the company's bottom line. There are many risks

related to the business of the Group, including the risks associated with the following factors:

1. Industry and market risks

- seasonality of the automobile retail business;
- increased competition, including the import of low-end Chinese cars and the lowered prices of new cars;
- obtaining a viable mix of popular used vehicles;
- changing consumer trends;
- increased fuel price and other costs associated with car ownership;
- development of specialised online sales platforms offering low quality used cars for low prices;
- negative public opinion;

2. Operating risks

- centralised management of the Group;
- implementation and execution of our strategic initiatives across all our car centres;
- acquisition of suitable properties to accommodate our expansion;
- risks in the human resources area associated with the expansion and recruitment of personnel for domestic and foreign branches;

3. Financial risks

- exchange rate risk associated with the group's operations in more than one country of Central and Eastern Europe; and
- obligations arising from various loan and other debt facilities having the potential to limit the operating and financial flexibility of the company.

Other important risks include those relating to the economic, political, social, legal, regulatory and tax environment in the CEE countries where the company operates. The occurrence of any of these risks could materially adversely affect business, financial condition and/or operating results.

Availability of timely and accurate information to the management of the group is an important factor in risk management. All the above risks, and many others, are monitored by executive and line managers who propose, in collaboration with controlling departments, measures aimed at the mitigation of all identified risks, which they subsequently monitor and evaluate.

Shareholder Rights

For details on the listing and share performance, see pages 30-31

Issue of Shares and Pre-emptive Rights

In general, each holder of shares in the Company (the "Shares") shall have a pre-emptive right to subscribe for newly issued Shares, pro rata to the aggregate amount of that holder's Shares. Such pre-emptive rights do not apply, however, in respect of: (i) Shares issued for a non-cash contribution; and (ii) Shares issued to employees of the Group.

The pre-emptive rights may be restricted or excluded by a resolution of the Management Board. This authority vested with the Board shall terminate on 29 December 2011.

The Articles of Association delegate the authority to issue shares, and/or to limit or exclude pre-emptive rights in relation to an issuance of shares, to the Management Board, for a period of five years, ending on 29 December 2011.

Designation of the Management Board as the Company body competent to issue shares may be extended by the Articles of Association or by a resolution of the General Meeting of Shareholders for a period not exceeding five years in each case. The number of shares, which may be issued, shall be determined at the time of this designation. A designation by the Articles of Association can be revoked by an amendment of the Articles of Association. A designation by a resolution of the General Meeting of Shareholders cannot be revoked unless determined otherwise at the time of designation.

Upon termination of the authority of the Management Board, the issuance of shares shall thenceforth require a resolution of the General Meeting of Shareholders, unless another Company body has been designated by the General Meeting of Shareholders.

No resolution of the General Meeting of Shareholders is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

Acquisition of Shares in the Capital of the Company

The Company may acquire own fully paid shares at any time for no consideration. Furthermore, subject to certain provisions of Dutch law and the Articles of Association, the Company may acquire fully paid shares in its own capital if: (i) the shareholders' equity less the payment required to make the acquisition, does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by the Dutch law or by the Articles of Association (such excess, the "Distributable Equity"); and (ii) the Company and its subsidiaries would thereafter not hold ahares or hold a pledge over the shares in the capital of the Company with an aggregate nominal value exceeding 10% of the issued share capital of the Company.

Other than those ahares acquired for no consideration, the ahares may only be acquired subject to a resolution of the Management Board and authorised by the General Meeting of Shareholders. Such authorisation from the General Meeting for the acquisition of shares in the capital of the Company shall specify the number and class of shares that may be acquired, the manner in which shares may be acquired and the price range within which shares may be acquired. Such authorization may be valid for no more than 18 months.

No authorisation from the General Meeting of Shareholders is required for the acquisition of fully paid shares for the purpose of transferring these shares to employees pursuant to a share option plan of the company. Any chares the Company holds in its capital may not be voted or counted for voting quorum purposes.

Reduction of Share Capital

The General Meeting of Shareholders may resolve to reduce the issued and outstanding share capital of the company by cancelling shares, or by amending the Articles of Association to reduce the nominal value of shares.

Dividends and Other Distributions

The Management Board shall determine which part of the profits shall be reserved. The part of the profits remaining after reservation shall be distributed as a dividend on the shares. Under Dutch law, payment of dividends may be made only if the shareholders' equity of the Company exceeds the sum of the called up and paid-in share capital of the Company increased with the reserves required to be maintained by law and the Articles of Association of the Company and, if it concerns an interim payment of dividend, the compliance with this requirement is evidenced by an interim statement of assets and liabilities as referred to in Section 2:105, subsection 4, of the Dutch Civil Code. Claims to dividends and other distributions in cash that have not been made within five years and two days after having become due and payable lapse and any such amounts shall revert to the Company.

General Meetings of Shareholders and Voting Rights

The Annual General Meeting of Shareholders shall be held within six months after the end of each financial year. The financial year of the Company is equal to a calendar year. General Meetings of Shareholders are held in Amsterdam, Haarlemmermeer (airport Schiphol).

An extraordinary General Meeting of Shareholders may be convened, whenever the interests of the Company so require, by the Management Board. Shareholders representing alone or in aggregate at least one tenth of the issued and outstanding share capital of the Company may, pursuant to the Dutch Civil Code and the Articles of Association, request that a General Meeting of Shareholders be convened. If the Management Board has not given proper notice of a General Meeting within four weeks following receipt of such request such that the meeting can be held within six weeks after receipt of the request, the applicants shall be authorised to convene a meeting themselves.

The notice convening any General Meeting of Shareholders shall be sent no later than the 15th day prior to the meeting and shall include an agenda stating the items to be dealt with. Holders of Shares (including holders of the rights conferred by law upon holders of depositary receipts) who, alone or in the aggregate, own shares representing at least 1% of our issued and outstanding capital have the right to request the Management Board to place items on the agenda of the General Meeting of Shareholders. If such proposals are submitted to the Management Board in time for the board to put these proposals on the agenda for the next meeting, or announce them prior to the meeting by means of a supplementary notice with due observance of the aforementioned notice period, the Board shall be obliged to do so, provided that no important interest of the company dictates otherwise.

All notices of General Meetings of shareholders, all announcements concerning dividend and other distributions, and all other announcements to holders of shares (including holders of rights conferred by law upon holders of depositary receipts), shall be sent to the addresses of the shareholders shown in the Register of Shareholders and furthermore be effected by means of a publication in a Dutch national daily newspaper and in the official journal (*Staatscourant* in Dutch). The Company is also subject to publication requirements issued by the Prague and Budapest Stock Exchanges.

The Management Board shall be authorised to determine a record date to establish which shareholders are entitled to attend and vote in the General Meeting of Shareholders. Such record date may not be set for a date prior to thirtieth day before that of the meeting.

Each share is entitled to one vote. Shareholders may vote by written proxy.

Decisions of the General Meeting of Shareholders are taken by an absolute majority of votes cast, except where Dutch law provides for a qualified majority.

Amendment of the Articles of Association and Change of Corporate Form

The General Meeting of Shareholders may resolve to amend the Articles of Association of the company. The General Meeting may furthermore resolve to change the corporate form. A change of the corporate form shall require a resolution to amend the Articles of Association.

Compliance with the Dutch Code

The Company acknowledges the importance of good corporate governance. The Management Board has reviewed the Dutch Code, generally agrees with its basic provisions, and has taken and will take any further steps it will consider appropriate to implement the Dutch Code. We support the code and will comply with the Best Practice Provisions of the Dutch Code subject to the exceptions set forth below.

Management Board (Part II of the Dutch Code)

According to Best Practice <u>Provision II.1.1</u>, a Management Board member is appointed for a maximum period of four years. A member may be reappointed for a term not more than four years at a time.

The current Executive Members have been appointed for an unlimited period and we do not consider it appropriate to renegotiate the existing agreements. Any future appointments of Executive Members will be in compliance with this provision.

According to Best Practice <u>Provision II.1.3</u>, the company shall have a suitable internal risk management and controlling system. It shall, in any event, employ as instruments of the internal risk management and controlling system: (i) risk analyses of the operational and financial objectives of the Company; (ii) a code of conduct which should, in any event, be published on its website; (iii) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and (iv) a system of monitoring and reporting.

We do not yet have a code of conduct, but intend to adopt such code in due course.

According to Best Practice <u>Provision II.1.6</u>, the Management Board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the Chairman of the Board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Management Board members can, from 2008, be reported anonymously to the Chairman of the Supervisory Board (Non-Executive Member and Chairman of the Management Board), to the Internal Audit Department and to the Security Department. A report can be made using an application on the Company's website or it can be sent to a dedicated email address.

According to Best Practice <u>Provision II.2.6</u>, the Management Board shall draw up regulations concerning ownership of and transactions in securities by board members, other than securities issued by their "own" Company. The regulations shall be posted on the Company's website. A Management Board member shall give periodic notice, but in any event at least once per quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Management Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

We believe that the restrictions under the applicable securities law are sufficient to govern the ownership of and transactions in securities by our Executive Members. Implementing additional restrictions would potentially harm our ability to attract and ensure the continued services of the Executive Members and we therefore believe that applying this best practice provision is not in our best interest.

Supervisory Board (Part III of the Dutch Code)

As we have a one-tier board structure, the provisions relating to the Supervisory Board should be applied to our Non-Executive Members, without prejudice to their obligations as members of the Management Board.

According to Best Practice <u>Provision III.7.1</u>, a Supervisory Board member shall not be granted any shares and/or rights to shares by way of remuneration.

We would like to have the opportunity to grant options to our Non-Executive Members under our Share Option Plan in order to attract and ensure the continued services of the best qualified persons for our Management Board. We therefore believe that applying this best practice provision is not in our best interest.

According to Best Practice <u>Provision III.7.3</u>, the Supervisory Board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by Supervisory Board Members (Non-Executive Management Board Members), other than securities issued by their "own" Company. The regulations shall be posted on the website. A Supervisory Board member shall give periodic notice, but in any event at least once per quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Supervisory Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

We believe that the restrictions under the applicable securities law are sufficient to govern the ownership of and transactions in securities by the Non-Executive Members. Implementing additional restrictions would potentially harm our ability to attract and ensure the continued services of the Non-Executive Members and we therefore believe that applying this best practice provision is not in our best interest.

According to Best Practice <u>Provision III.8.4</u>, the majority of the members of the Management Board shall be non-executive directors and are independent within the meaning of Best Practice Provision III.2.2.

At the General Meeting of Shareholders held on 25 April 2008, Antonius Mattheus Kemp and Vratislav Válek were elected Non-Executive Members of the Management Board. After effecting these changes, the majority of the Management Board Members are Non-Executive, inclusive of its Chairman, Vratislav Kulhánek; complying with the best practice provision. Anthony James Denny, the Chief Executive Officer, is the only Executive Member.

According to Best Practice <u>Provision IV.1.1</u>, the General Meeting of Shareholders of a Company not having statutory two-tier status (in Dutch "*structuurregime*") may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

In order to provide for certain continuity in the management of the company, the Executive Members are appointed by the General Meeting of Shareholders of the company from a list of nominees, containing the names of at least two persons for each vacancy, to be drawn up by the Non-Executive Members. A list of nominees drawn up in time by the Non-Executive Members, shall be binding. However, the General Meeting may deprive the list of nominees of its binding character by a resolution adopted with a two-thirds majority vote, representing more than half of the issued capital.

According to Best Practice <u>Provision IV.3.1</u>, meetings with analysts, presentation to investors and institutional investors and press conferences shall be announced in advance on the website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

The cost of compliance with this provision would be disproportionate. We therefore believe that applying this provision is not in our best interest.

The Audit of the Financial Reporting and the Position of the Internal Auditor Function and the External Auditor (Part V of the Dutch Code)

According to Best Practice <u>Provision V.3.1</u>, the External Auditor and the Audit Committee shall be involved in drawing up the work schedule of the Internal Auditor. They shall also take cognizance of the findings of the Internal Auditor.

During 2008, the Internal Audit Department performed its duties diligently. The results were regularly reviewed by the Chairman of the Management Board, Vratislav Kulhánek, and they were submitted to the Audit Committee. Meetings were held with the External Auditor who was kept informed of the activities of the Internal Audit Department.

Mission, Objectives and Vision of the Company

The mission of AAA AUTO Group is to satisfy via sound trade with best-selling used cars and the available network of car centres, the needs of existing and new customers and therefore create added value for shareholders.

AAA AUTO continues to build on the tried and tested blocks of its successful business model: buying assets of popular used cars with checked and tested conditions and subsequently re-selling them with a lifelong warranty of legal origin, the possibility of debt financing on the purchase, and by marketing insurance and a number of other up-sell services customary for new car retail. In all markets, AAA AUTO contributed to increasing of the quality and scope of services for the benefit of the customers, which helped to create a positive consumer climate. Last but not least, AAA AUTO is also using high-turnover retail of technically sophisticated vehicles for improving the quality of the car pool in the Czech Republic and in other countries.

AAA AUTO has brought a wholly new concept of retail and retain environment to the market – one which offers the customer several channels of information and communication (call centres, internet and print media) so that consumers get the right information about the vehicle of their choice. These channels operate during extended hours, seven days a week. In 2008, the group expanded it activities to include mobile buy-back and re-sale at the customer's home. The portfolio of services now includes also an extended sale and after-sale service and qualified trained staff. The warranty of legal origin with 100% money back guarantee – in the event that, despite the rigorous screening, there were any doubts of authenticity – is a reaction to the very negative experience of an increasing number of swindled customers, which is the product of unregulated imports of often poor quality old cars from Western Europe.

The goal of the AAA AUTO Group is to continue adding value to the retail process and to the products and services on offer. This is the Group's plan for maintaining and strengthening of its significance in the international context, and for expanding its business also to places where it is not established yet, but where there is a demand for the services of AAA AUTO. To this end, in 2008 the Company launched a new brand in the Czech and Slovak markets - AAA Premium Auto – offering good-as-new cars under two years of age and with no more than 40,000 km mileage, together with guarantees and comprehensive services on par with the retail of new cars.

Near-term Objectives

In times of financial and economic crisis, which both strongly influence the car market, the Company plans to concentrate exclusively on its home markets in the Czech and Slovak Republics. The Company is planning to use the savings achieved by rigorous economizing and restructuring for returning back to the black figures, despite the less than favourable market conditions and with fewer used cars sold already in 2009.

With to its position among the leaders in the car retail in central Europe, AAA Auto Group N.V. soon wants to communicate fundamental positive messages to the shareholders and the market concerning its business and sales results which will hopefully restore shareholders' confidence in the viability of their investment in the company's shares.

Our Vision

On the markets of Central and Eastern Europe, AAA AUTO Group aspires to offer its customers a suitable solution for their mobility needs through a broad range of used and new passenger cars with a 100% guarantee of the legal origin, verified technical condition and a broad portfolio of financial, insurance, technical servicing and other up-sale services and products. In particular, the growing standard of services will continue to differentiate AAA AUTO from the competition; it will also be an engine for future growth of sales and market share in the markets where the company operates. In the long-term horizon, AAA Auto Group N.V. wants to create mutually favourable conditions for its business partners and to generate a sustainable and satisfactory profit for its shareholders.

Report to Shareholders (Shares)

Subscription Information

The shares of AAA Auto Group N.V. were admitted for trading on the stock exchanges in Prague (PSE) and Budapest (BSE) starting from 26 September 2007. The overall number of issued shares amounts to 67,757,875 with the nominal value of EUR 0.10 per share of which 17,757,875 shares are available for trading on the PSE and BSE (free float); the ISIN of the shares is NL0006033375. The shares are traded on the main market of the PSE – SPAD, and are included in the PX GLOB index and – until 23 March 2009 – also of the PX index. The remaining portion of the shares remains in the possession of Automotive Industries S.à.r.l. holding.

AAA Auto Group N.V., the Dutch parent Company of AAA AUTO, generated through the subscription of new shares, the total amount of EUR 34.5 million. After the deduction of all costs, the net income generated amounted to EUR 33.2 million. The Company used the funds to assist the Group's development, lower its debt and optimise the cash flow in 2008.

Shareholder structure as at 31 December 2008:

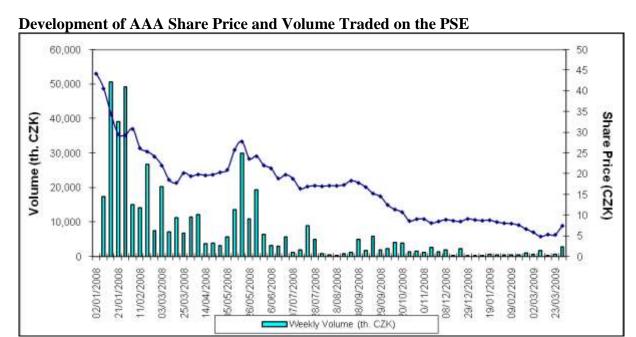
Automotive Industries S.à.r.l.	73.8%
Other investors	26.2%

Development of the Share Price and Volume Traded in 2008

The shares of AAA Auto Group N.V. closed trading on 30 December 2008 at CZK 9.09 per share, while market capitalisation as of the same date was CZK 615.9 million. In 2008, the total traded volume reached CZK 461.3 million while the average daily trading volume amounted to CZK 1.83 million.

The start of 2008 witnessed an onset of a decline in the share price of AAA Auto by 79.5%, which was primarily caused by the global economic crisis and its repercussions on the capital markets, resulting in the sell-out of shares and a drop of all global indices. The volatile financial situation, unfavourable economic data and the increased risks bred mistrust and the unwillingness to invest, which in turn drew down the whole investment sphere and the share prices. The Prague Stock Exchange copied the trend of the other international markets. The Czech market, as measured by its main PX Index, copied the losses on the global stock

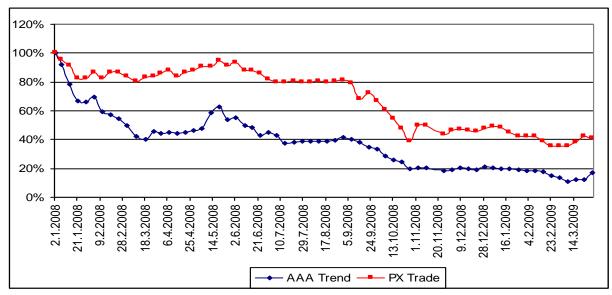
exchanges, and – similar as in neighbouring CEE countries - recorded a slump of 52.7% (e.g. main indexes of the stock exchanges in Poland and Hungary recorded a loss of around 50% in 2008).



Source: PSE

In a relative comparison, the share price of AAA AUTO underperformed the PX Index mainly at the beginning of 2008 when the market reacted to the Company's news of the unexpected worsening of the group's performance and the net loss posted for 2007. In the following months, however, the share price followed the trend of the PX Index.

Relative Performance of AAA Shares and PX Index



Source: PSE

In comparison with AUTOBIZ Index which covers 12 largest European car retailers listed on different stock exchanges across Europe, it's apparent the close relation of the share price development of AAA AUTO with the car sector in Europe.

120% 100% 80% 100% 40% 25.2.08 14.3.08 12.6.08 13.06.08 13.06.08 13.06.08 14.09 16.1.09 16.1.09 17.5.08 18.7.08 18.7.08 19.7.09 1

Relative Performance of AAA Shares and Autobiz Index

Source: Autobiz

Public Relations

I. Corporate Social Responsibility

The international character of the operations of the AAA AUTO Group, and the requirements of the application of the chosen business strategy, generates the need for the maximum harmonization of the Group's business strategy not only with the different legislation and economic environment of the given countries and to provide for compatibility with the EU legal framework.

In compliance with the principles of good corporate governance, the AAA AUTO Group must act in coordination with regulators and the organizators of stock exchanges in the countries where the Group listed its shares (the Czech Republic and Hungary) and where its headquarters resides (Nederlands) and follow the related legal and regulatory requirements of these countries.

Due to its successful business model of a dealer with the largest offer of used cars in the region of Central Europe, the AAA AUTO Group decided to adopt the principles of Corporate Social Responsibility (CSR) and the relevant compliance. In compliance with the strategy of the Corporate Social Responsibility (CSR) based on pillars of economic efficiency, responsibility to the environment and community engagement where the Company operates, the AAA AUTO Group intends to implement such principles into their business behaviour and planning.

The concept of the social-responsible behaviour of the AAA AUTO Group is focussed on several key areas:

1. Economy

The AAA AUTO Group seeks a proactive policy in the field of engagement to the activities of professional institutions and industry chambers. With regard to regions where the Group operates, it has joined or is currently negotiating on joining the respective industry chambers and professional associations. Cooperating with such entities, the Group supports both its own business operations and social discussions on the entrepreneurial environment in the country.

As a company whose parameters assign it to the category of large companies, subject to the rules of the European Union, in 2007, AAA AUTO joined the **Chamber of Commerce of the Czech Republic** which is a significant entity representing the interests of entrepreneurs in the Czech Republic. In 2008, AAA AUTO became signatory of the new Code of Conduct of the Chamber of Commerce of the Czech Republic, which, among other things, binds members to resolving potential disputes with customers using peaceful means, out of court, and based on an ADR project implemented in partnership of the Czech Chamber of Commerce, Ministry of Industry and Trade, consumer associations, the Association of Mediators of the Czech Republic, Ministry of Finance and the Ministry of Justice. In 2008, the AAA AUTO Group became a member of the **International Chamber of Commerce** based in Paris.

Given our business activities which in the past coved several countries of the Central and Eastern European region, the AAA AUTO Group has been a member of the **American Chamber of Commerce in the Czech Republic** for several years where it endeavours to participate in the transformation of the legal system and the development of the business environment on a central and municipal level.

With regard to the planned expansion to the markets of former Soviet Union states, in 2007 the AAA AUTO Group became a member of the **Chamber for Economic Contacts with the Commonwealth of Independent States** which supports Czech business in their enterprising ventures.

Listing on the Prague and Budapest Stock Exchanges

A key milestone in the historic development of the AAA AUTO Group was the listing of shares on the PSE and BSE in September 2007 through the parent company, AAA Auto Group N.V. The entry on the equity markets of the two Central European countries means more pressure for the maximum transparency of services offered, a widely open disclosure policy towards investors and the compliance with strict regulatory requirements, which in turn brings about the need to respect the principles of Corporate Governance as defined in the new OECD rules (New Principles of Corporate Governance, 2004) and in the Dutch Corporate Governance Code (see also pages 14, 26 and the following section '2. Social Policy').

2. Social Policy

The AAA AUTO Group and all its employees adhere to the **Ethics Code** adopted in April 2007 (see: http://www.aaaauto.cz/en/code-of-ethics/text.html?id=84).

As confirmation of the adopted CSR strategy, AAA AUTO cooperates with organisations sponsoring and developing the concept of social responsibility in the Czech Republic and on the European level.

As of 31 December 2008, the AAA AUTO Group employed 1,440 personnel. As a young and dynamic company, we strive to adopt the majority of new and progressive methods of modern HR management. We care about the quality of education for our employees, about their career development and motivation. Since AAA AUTO employs largely young people in a multicultural team, the same importance is attached to the anti-discriminatory policy of the company.

Education, Training, Development

The area of education, training and development is a very important component of the human resources management strategy of the AAA AUTO Group. This includes the development of the current staff and management members as well as the professional development of new employees.

The Training and Development Department focuses their most important activities to the Sale and Customer Care Academy (**AP**) and offers training and educational programs for those interested in long-term studies. The AAA AUTO Group focuses significant attention on foreign language learning, PC skills and communication skills.

The AAA AUTO Group offers its employees a wide range of benefits and, since its foundation, the Group has created a sophisticated system of remuneration incentives for staff in product-oriented positions. AAA AUTO Group, as a young and dynamic company, offers the possibility for career and professional development (see also the Human Resources section on pages 45-46).

Local Community and Sponsoring

In addition to its business activities, AAA AUTO Group carries out and supports related activities not only in the field of motoring. An important component of the community support is the corporate sponsoring and support of non-profit organizations. In 2007 the Company's sponsoring strategy was focused on three main areas – sports, important institutions of the society and culture, and philanthropy. The sponsoring activities of AAA AUTO in 2008 further developed the strategy of awareness-raising and image-building of the brand; However, as part of the cost-cutting program emplemented at the beginning of the year the Company reduced its sponsoring activities in 2008.

AAA AUTO is a generous patron of charitable organizations such as the Tereza Maxová Foundation and the Children's Road Traffic Foundation which support the settlement of children and youth-related problems. By sponsoring and actively participating in the scope of activities of the Children's Road Traffic Foundation, AAA AUTO has been helping, for several years now, to overcome difficult living situations for children orphaned due to tragic traffic accidents involving their parents. Similarly in Slovakia, AAA AUTO is an important partner to the Children's Fund of the Slovak Republic.

Cooperation with Consumer Organizations

Association for the Defence of Consumers of the Czech Republic (Sdružení obrany spotřebitelů České republiky) (SOS):

The SOS is a major organization protecting the rights of consumers in the CR. The activities of this association are carried out both in the field of adult education, publication and consultancy. The AAA AUTO Group established contacts with this association and proposed a model of regular consultations for consumer suggestions in the field of used car retail; the Group also contributes its own suggestions on how to mediate potential disputes.

Spotřebitel.cz:

AAA AUTO Group also cooperates with the association of Spotřebitel.cz. Supervisors and staff from the Customer Care Department take an active part in workshops focused on the issues of the protection of consumers and the disclosure duty of corporations which the association organises several times a year.

3. Environment

In 2006, the European Commission pushed through the cancellation of limits for the imports of used cars to the Czech Republic resulting from the current act on the conditions of the operation of vehicles on roads as of 2001 referring to the infringement resulting from article 226 of the EEC Treaty and factually this implemented the full liberalization of this market segment. This legislation came into effect in the Czech Republic on July 1, 2006, and this step led to a massive growth in the uncontrolled import of vehicles non-compliant in terms of technical condition, safety and environmental protection to the Czech Republic that damages not only the domestic automobile industry but, and in particular, it represents a danger to the environment and road traffic safety. In 2008, after many years of chaos in the segment of used car retail, a law, one of the first in history, was adopted, to at least partially cultivate the industry. The amendment to the Waste Management Act introduced registration charges for vehicles non-compliant with EURO III, the emission regulation standard. For AAA AUTO it principally means that its earlier position on older used cars, especially imports, was proven correct.

In its business strategy, AAA AUTO Group supports the imports of cars less than eight years old that meet at least the EURO III emission standards. Such cars pollute the environment less and they are not as dangerous in terms of road traffic safety and, in general, they make the fleet in the Central and South-East Europe younger. Such countries have recently been flooded by very old used cars including all the related adverse impacts documented by statistical data with the Czech Republic Automobile Industry Association which show that the average age of cars registered in the Czech Republic is almost 14 years.

As the company sites and branches out into individual countries, it still seeks to protect the environment as much as possible.

The concept of the social responsibility of the AAA AUTO Group has been newly developed and has become an important part of the strategic decision making for the future business behaviour in the framework of the development of a modern, successful, professional and responsible Company.

II. Communications

The objective of the communications strategy is to create a positive image of the Company in the lens of the media and in the eyes of the public; these should lead to positive perceptions of

the Company by both current and prospective clients which, in turn, should have a positive impact upon the Company's ultimate profitability. The PR department is responsible for the uniform and sophisticated presentation of the company.

The Company develops and builds a targeted system of internal communications both on the vertical and the horizontal level. It also makes use of a range of communication tools such as press releases, interviews, articles in general and specialized press, press conferences, meetings and standard cooperation with journalists, consumer competitions, web sites, social events and others.

III. Marketing

in its marketing activities, AAA AUTO Group reacted promptly to market repercussions of the crisis. Costs were restructured and economized, while the group focused primarily on those communication channels that had a direct effect on the consumer target groups. A system for long-term effectiveness measurement of marketing campaigns and channels was also implemented and has already become the basis for planning marketing activities in 2009.

In terms of the marketing mix, print media were still the most dominant marketing expenditure in 2008. Online advertising did, however, catch up with the radio advertising, and was followed by outdoor advertising. In 2008 increasing requirments of customers dictated that the design and functional structure of the AAA AUTO Group online presentation were revamped not only on the main Czech site www.aaaauto.cz but also on the other language versions of the Company's website.

After a period of rigorous preparation, the Group launched a new premium brand AAA Premium Auto in the Czech Republic and in Slovakia. However, in the context of the slumping market, the focus of all marketing communication went to the core brand – AAA AUTO. New campaigns were deployed in reduced intervals as a reaction to the everchanging market conditions; more interaction online was the common denominator of these campaigns.

In 2008, the marketing function served all active markets in the Czech Republic, Slovakia, Poland, Romania and Hungary. In the middle of the year, in connection with the closing of operations in Poland, all marketing activities there were duly stopped.

In Slovakia, which – after the Czech Republic – is the Group's second largest market, the communication activities focused, among other things, on the opening of two new branches in Prievidza and Ružomberok. Sales promotions in local print campaigns in 11 Slovak branches proved to be a very effective tool.

In the second half of 2008, the marketing activity responded to the transition from the Slovak currency to euro. Improving computer literacy and internet penetration in Slovakia resulted also in a rather significant re-distribution of marketing initiatives in favour of online advertising and direct mail campaigns.

In the context of the ever-changing market, AAA AUTO Group deployed interactive campaigns in its marketing communication in 2008 on a much greater scale; these included consumer competitions, customer surveys and promotions., "Win a Ferrari" in the Czech Republic, and "Win a Porsche" in Slovakia, Los Mania, just to name but a few.

Information Technology Services

The year 2008 was a year of restructuring and optimisation of the AAA AUTO Group's ICT. The key events included the completion of the corporate ERP information system (on a platform by Navision), migration of the call centre to the IP platform by Cisco, an ICT audit performed by S&T, and the HR project Odysea.

All the projects were driven by the need of the Company to integrate processes and work procedures into variable systems, and to optimise and accelerate processes. The project Mona Lisa (ERP, Navision) went through a user acceptance stage, and became a fully adopted and frequently used application for key users.

In the spring, the call centre of the AAA AUTO Group migrated to IP technology by Cisco. The migration has helped the Company work more efficiently with customer requests made via telephone, route calls faster and cheaper, and – last but not least – it reduced the costs of the call centre operation. At the same time, the Company took yet another important step towards a full conversion to the IP technology across the Group.

An independent ICT audit was performed by S&T in order to better set the direction for, and to stabilise, the ICT within the network. The audit results assessed the individual ICT areas and defined specific steps and directions to be taken by the ICT. With these results and subsequent plans for individual areas, actions for optimisation of ICT processes, plans and requirements were formulated.

At the end of 2008, the project Odysea (HR information system) was concluded, ready for deployment. Odysea is a comprehensive HR information system spanning all personnel-related areas, and it fully satisfies the need of the Group for process centralisation.

Human Resources

With regard to the market difficulties, the gradual closing of branches in Poland and the substantial downsizing of the Hungarian operation during 2008, the AAA AUTO Group had to sizeably reduce its headcount as part of the restructuring and economy programme. As of 31 December 2008, the Group employed 1,440 personnel in the Czech Republic, Slovakia, Romania and Hungary, which is a 62% year-on-year reduction. Further downsizing to the level of 1,300 personnel followed in the first quarter of 2009, in connection with the termination of business in Romania and Hungary.

The Group succeeded in offsetting the significant and painful headcount reduction by converting to the so-called multiskilling, when employees are capable of performing several activities. Furthermore, the business model also changed rather significantly – dedication of one specialised member of staff to one particular activity in the business process was eliminated. The Matrix Project became a vehicle of this change; employees went through interviews, talking about activities they would want to do and would be capable of performing. The training department subsequently designed specialisation courses to improve and expand the qualifications. This has increased the efficiency of the whole business of the Group: the efficiency indicator of 20.8 cars sold in 2007 per employee on average, improved to 42.1 cars at the end of 2008.

In the context of headcount reduction, recruitment of new personnel was quite naturally restricted to searching for the best possible candidates. HR management at the time of the restructuring concentrated mainly on teambuilding, loyalty building and on the positive motivation of employees in the interest of getting through the difficult period and regaining profitability. Despite the budget cuts, various teambuilding events were held, and at the beginning of 2009, the Company offered its people various benefits of which the most attractive were the sizeable discounts on used cars from the AAA AUTO portfolio, which gradated based on the number of years served in the Company.

Call Centre

Despite the fact that in 2008 the markets were going through a difficult time, the call centre of the AAA AUTO Group registered a 3% year-on-year increase in the number of incoming calls, up to 637,517 in total. The business model transformation, and the importance attached to the maximum efficiency of the call centre operation, has led to the optimisation of the call centre processes in the context of the planned migration to IP technology.

The expediency, scalability and optimised operation of the new call centre helped to significantly reduced costs, while preserving the high standard of service – despite the fact that the number of call centre employees was reduced from 230 to 104. The call centre currently operates in eight languages.

2008 confirmed the trend of a surge in communication by email; despite the crisis, the call centre received the same volume of email enquiries as in the year before. Internet is becoming yet another major communication channel of modern society. Telemarketing services operated by the call centre contributed 44% to the total of business transactions closed.

Report on the Business Activities of AAA AUTO Group in 2008

The Group in 2008

As Company CEO wrote earlier in his letter: "2008 proved to be one of the most challenging years in the retail automotive history". The world economic crises resulted in extremely cautious consumer sentiment and increased risk aversion manifested by consumers postponing an investment into a car and their reluctance to take on credit to finance a car purchase. The competition on the shrinking market heightened and resulted in increasing price pressure from new-car dealers in the attempt to attain the diminishing demand on the market. Both trends peaking at the turn of 2008 and 2009.

There have also been initial signals of consolidation on the typically fragmented used car market in the Czech Republic and Slovakia as some of the smaller players have either been too slow to react to the severe market conditions or failed to secure bank financing.

In reaction to the challenging market conditions in 2008 AAA AUTO Group employed the following strategies:

- ✓ Focus on car stock the Company holds only the best-selling car models, has reduced stock and increased turnover this has proven to be an efficient strategy in times of low demand and decreased market prices. In many cases the competition failed to follow suit in time.
- ✓ Focus on high-profit margin financial services and up-sale products the Company's strong foothold in the used-car credit market in the CR and Slovakia proves to be its significant competitive advantage.
- ✓ Focus on costs & efficiency the Company has changed its business model more efficient branches, more efficient processes; has implemented a strict cost control system and has been downsized at all levels.

AAA Auto Group N.V. has also decided to temporarily retreat from all foreign markets and focus on its main markets in the Czech Republic and Slovakia during the economic crisis. These two countries have been outperforming other countries in the Group throughout 2008 in terms of both the sales and overall profitability.

Due to the worsening economic situation in Hungary and the very low demand in the local used-car market, the Board of Directors of AAA Auto Group N.V. approved a decision to temporarily close down operations in Hungary as at the end of March 2009. The Company does not intend to delist its shares from the Budapest Stock Exchange and plans to come back to the Hungarian market in 2 to 3 years time when the local economic situation recovers.

At the end of February 2009, the Company signed a contract with a local partner SIXT New Kopel about a joint venture in Romania. AAA AUTO Group will hold 5% in the Romanian Company with an option to increase its stake up to 49%. Finally, the Company decided to withdraw from Poland already at the end of June 2008. The reason being massive individual imports of cheap, low-quality cars which significantly distorted the local market which is dominated by extremely price-sensitive customers. This made it very difficult for the Company to compete on quality and the offer of wide range of services, a strategy that proves effective in the Company's other markets.

As a result of the unfavourable conditions on retail automotive and consumer lending markets in Russia, the Company has also decided that an entry into the Russian market would not be beneficial at present and has postponed its plans to enter the market until 2010. Nevertheless, the Company will continue to monitor the market situation and remains open to negotiations with potential partners.

Thus, AAA AUTO Company opted for a strategy to focus during the times of the economic crisis only on its core markets where it controls the strongest position and whose local economies have been outperforming the CE region. The Company intends to return and tap the potential of foreign markets as soon as the local market situation improves.

Financial Performance

The financial performance of AAA AUTO Group in 2008 was influenced by three main factors: the core-business performance, its cost-cutting program and accounting charges for discontinued operations.

I. Market Development and core-business performance

The group's core-business performance was strongly influenced by the turbulent market development throughout the 2008 year, a trend driven by the world financial crisis which soon escalated into a global economic recession.

Market conditions were increasingly difficult during the first half of the year characterized by two main factors: first, strengthening the local currencies which made imported cars more affordable and thus heightened the competitive pressure on the market significantly and second, soaring oil prices to a record high (culminating in mid-July 2008) which led people to postpone the purchase of their car depressing the already cooling demand even further and to opt for more economical, smaller-engine cars.

Meanwhile, the second half of 2008 brought about a positive change. The depreciation of local currencies led to a partial easing of pressure from cheap, low quality imports in the last months of the year. Secondly, the effect of decreasing petrol prices, which would normally be the single most important factor in supporting demand for used cars, was this time unfortunately more than offset by the deteriorating economic conditions which spelt into increasingly negative consumer sentiment.

The main trends in the second half of the year were also characterised above all by the first direct impacts of the global financial crises on the CEE region which led to an abrupt economic slowdown in local economies. The struggle to find customers by car manufacturers and new car dealers led to major discounts which pushed prices and sales volumes of across the used-car market downwards. There was also a shift in consumer preference to older and cheaper cars which left the previously very popular newer (2 to 3 year old) cars relatively illiquid. The final factor stemming from the financial crisis was the expected increase of loan defaulting on consumer credit agreements which led many banks to tighten their lending criteria.

Car Sales

AAA AUTO Group sold a total of 60,557 cars in 35 branches in five countries of the CEE markets during 2008, thus meeting its year-end sales target of 60,000 cars sold. The group sold 35,487 cars in the Czech Republic (59% of total sales in 22 car centres), 14,857 cars in Slovakia (25%; 13 branches), 6,646 cars in Hungary (11%; 2 branches), 2,133 cars in Poland (4%; operations closed in mid-year) and 1,434 cars sold in Romania (2%; 1 branch).

Comparison of the Number of Cars Sold in Individual Countries in 2007 and 2008

	2007	1Q08	2Q08	3Q08	4Q08	2008	2008/2007
Czech Republic	45,874	10,062	9,347	9,071	7,007	35,487	-23%
Slovakia	18,537	4,498	4,355	3,577	2,427	14,857	-20%
Hungary	8,396	2,551	1,745	1,508	842	6,646	-21%
Romania	2,641	484	361	348	241	1,434	-46%
Poland	4,423	1,194	774	165	1	2,133	-52%
Group	79,871	18,789	16,582	14,669	10,517	60,557	-24%

Source: Company data

The number of cars sold by AAA AUTO Group has been decreasing throughout the year 2008. The decrease in sales was the result of cooling consumer demand on used car markets

in response to the global financial crisis and the Company's decision to withdraw from the Polish market and close down most of the under-performing branches in Hungary in 2008.

While the decision to close down these branches led to a reduction in the total number of cars sold by the Group in 2008, it also alleviated the Group's financial results from any further losses generated by these non-performing foreign operations; this allowed management to reduce operating costs to a more appropriate level. Despite diminishing sales, the Company managed to significantly improve its financial performance throughout the year compared to the 4Q 2007 when the Company first dipped into loss.

The yearly comparison of car sales mainly in the first half of 2008 was also influenced by an exceptionally strong season in the CR in the first half of 2007 (the sector was at its peak) which gave a high base, and by the process of opening new branches in Hungary and Poland throughout 2007. Therefore, the quarterly comparison provides more relevant data thanks to more equal conditions.

On a quarterly comparison, the best performers throughout the year were the Czech Republic and Slovakia which sold 35,487 and 14,857 cars, respectively. The Czech Republic increased its relative share in the Group to 68% in December 2008 from 51% in December 2007, thus regaining the dominant position it had previously held. Slovakia maintained its share at around 25% of the total Group sales. The Czech Republic and Slovakia also remained to be the most profitable markets in terms of the gross profit margin which grew to 20.7% and 20.2% in 2008, respectively, from 18.9% and 16.9% in 2007.

Financial Services and Up-sale Products

The main profitability drivers throughout the year were the financial services and up-sale products. These wereas achieved thanks to the very competitive offer of financing possibilities – for instance, the Company offers more than 20 different credit financing products with six leading financial institutions in its main market in the CR – and a wide range of attractive up-sale products. The penetration of financial services grew to from 48% in 2007 to 53% in 2008, implying that 53% of all cars that AAA AUTO Group sold were financed through credit or leasing.

Also the sale of up-sale products has been the Company's strategic focus and despite the decreasing overall car sales the Company has managed to increase the EUR amount of up-sale products per car sold by 85% to EUR 139 in 2008 from EUR 75 in 2007.

As a result, the contribution of financial services and up-sale products to the Group's gross profit grew to 59.5% in 2008 from 55.8% in 2007, while their share in total revenues remains relatively small at 12.6% in 2008 compared to 10.1% in 2007.

Financial Services Penetration (Number of Cars Sold on Credit or Leasing) – Quarterly Development

	2007	1Q 08	2Q 08	3Q08	4Q08	2008
Czech Republic	46%	50%	49%	51%	47%	49%
Slovakia	48%	53%	64%	62%	60%	60%

Group	48%	51%	54%	55%	51%	53%
Poland *	29%	32%	35%	1	1	33%
Romania	30%	25%	27%	42%	33%	31%
Hungary	67%	67%	67%	69%	66%	67%

^{*} The Company closed down its operations in Poland as of end-June 2008

Source: Company Data

As expected, the revenues from financial services and up-sale products were depressed in the last quarter of the year due to the shift in consumer preference to cheaper cars (which implies lower financing volumes as well as less-sophisticated and thus, less-expensive up-sale products), an increasingly cautious approach of consumers to take credit and the tightening by banks of retail credit scoring. This was reflected by a decrease in the volume of financial services and up-sale products provided and by a decrease in the financial penetration in 4Q08. Even though the penetration still remains at a high 53% level the banks' more prudent approach in their lending is bound to limit potential growth in the future. Therefore, at these current times of increasing credit tightening AAA AUTO's close and long-term relationship with its banking and leasing partners in the CR and Slovakia is the Company's key benefits and the cornerstone for its future strategy.

Revenues

AAA AUTO Group reported total revenues of EUR 364.3m on 60,557 cars sold in 2008 compared to EUR 470.1m on 79,871 cars sold in 2007. Besides the decreasing demand, the main reason for the drop in overall sales was the Company's decision to close down a number of unprofitable branches. The Company also recorded a shift in demand to cheaper cars in 2008 which, coupled with lower prices on the used-car market, resulted in diminishing revenues from car sales especially in the 4Q08. The total car sales amounted to EUR 318.4m in 2008 compared to EUR 422.7m in 2007 (-24.7% year-on-year).

The total revenues from financial services amounted to EUR 37.5m in 2008, down by 9.3% yoy which implies a strong outperformance compared to revenues from cars which decreased by 24.7% yoy. The revenues from up-sale products grew by a strong 40.1% yoy to EUR 8.4m in 2008 from EUR 6.0m in 2007.

Total Revenues and their Breakdown in 2007 and 2008

EUR ths	2007	2008	2008/2007
Revenues from cars	422.7	318.4	-25%
Revenues from financial services	41.3	37.5	-9%
Other revenues (up-sale products)	6.0	8.4	40%
Total REVENUES	470.1	364.3	-23%

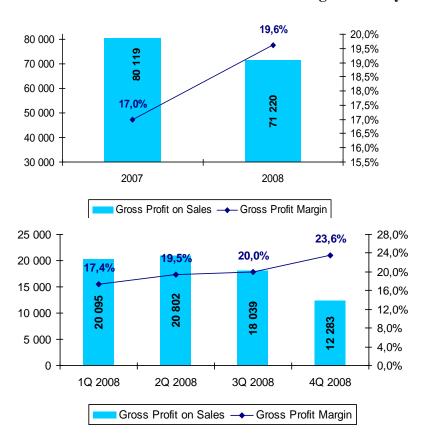
Source: Company data

Gross Profit

Despite the decreasing car sales, the Company managed to increase the gross profit margin throughout the year. While it was successful in maintaining a high metal margin (9.1% in 2008 vs. 8.4% in 2007), the key profitability drivers throughout the year were financial services and up-sale products.

The group's gross profit margin on sales grew steadily across quarters to reach a strong 19.6% for the whole of 2008, up from 17.0% in 2007. While the absolute amount of gross profit on sales reached the amount of EUR 71.2m, which translates into a decline of 11.1% compared to 2007, the result still implies a strong core-business profitability performance given the 22.5% yoy decline in total revenues. The development of the gross profit represents the best measure for the core-business performance as it's an indicator quantifying the operating profitability without any influences of accounting charges or one-off costs.

Gross Profit on Sales and Gross Profit Margin – Yearly and Quarterly Development



Source: Company data

The gross profit margin grew significantly in 4Q08 as demand shifted to cheaper cars which yielded higher profit margins, also the share of Hungary which has lower margins was diminishing in 4Q08.

In 2008 the contribution of financial services and up-sale products to the Group's gross profit grew to 59.5% from 55.8% in 2007.

II. Cost-cutting and Restructuring Program

In 2008 AAA AUTO Group underwent a substantial restructuring program with the aim to realign the company's cost base to the new market environment and much lower sales volumes in order to bring the Company back to profit in 2009. As the world financial crisis affected the used-car retail market as one of the first sectors - the first impact was seen already in 4Q07 when AAA AUTO's expansionary endeavor peaked - the Company was forced to employ a

stringent cost-cutting program in early 2008. By the end of the year when the crisis fully hit the CE region, the Company has been significantly downsized and made more cost-efficient.

The Company successfully met all operating targets set to be achieved at the end of 2008. Due to the weak markets and diminishing sales the company was forced to lower the number of employees to 1,440³ by end 2008 from 3,834 employees at end 2007 when the Company was realizing strong expansionary plans. This implies a headcount reduction of 62% yoy. This measure brought about a substantial cost savings as the personnel expenses account for around 50% of the overall operating expenditures in the group.

The headcount reduction was also a key tool in the company's effort to employ a more efficient business model based on leaner, more cost-efficient and more profitable branches. The model is based primarily on a strong employee multi-skilling, efficient rostering (management of shifts – allocating the best performing salesmen to peak hours) and more efficient car stock management at each branch. As a result of implementation, the number of employees per branch was reduced from 85 in 2007 to 41 in 2008. This significantly lowered the operating costs per branch and the requirements for working capital and increased one of the Company's key performance indicators, the number of cars sold per employee, to 42 cars in 2008 from 21 cars in 2007.

Car stock was also lowered significantly during the year, by 44% yoy to 5,024 cars from 9,049 cars at the end of 2007. This helped to increase the stock turnover and profitability per car sold. The car stock reduction also lowered the strain on capital requirements and translated into savings in interest expense.

The Company also met most of its financial targets. The management implemented a strict control system of every cost category with weekly reviews during the whole of 2008. As a result, the quarterly personal costs were reduced by 27% yoy (4Q08 vs. 4Q07), marketing costs by 36% and other operating expenses by 68% ⁴. This translates into a reduction of total operating expenses by 43% ² in 4Q 2008 compared to 4Q 2007 when the expansionary strategy peaked and the cost base was extremely inflated.

Note that other operating expenses and personnel costs were inflated throughout the year by one-off cost charges such as those related to the closure of the Polish division (e.g. car stock re-evaluation) and the employee lay-offs across the Group. Even though the majority of such one-off charges, that were related to the laid-off stuff as well as to the closure of foreign operations, were booked in 2008, it can be expected that some other related costs will affect also the results for 1Q 2009.

Operating Expenses - Quarterly Development

	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	4Q08/4Q07
Personnel						
costs*	13.662	12.636	11.708	9.821	9.968	-27%
Marketing	3.578	2.298	2.354	1.573	2.282	-36%

³ The number of employees for 2008 includes approx. 150 employees on a maternity leave

⁴ Note that other operating expenses and total operating expenses are net of write-offs booked in 4Q 2008

costs						
Other OPEX	10.152	9.031	8.518	6.748	3,291**	-68%
Total OPEX	27.392	23.965	22.58	18.142	15,541**	-43%

Note: *Personnel costs were inflated throughout 2008 by severance costs (EUR 1m in 2Q08, EUR 0.8m in 3Q08, EUR 0.8m in 4Q08)

**Other operating expenses and total OPEX in 4Q08 are net of write-offs of EUR 10.384 mil.

Source: Company data

Part of the restructuring program was also branch network optimisation under which if a branch failed to meet its performance targets it was closed down. At the end of 2008, AAA AUTO Group had 35 car centres in 4 countries down from 45 centres in 5 countries at the end of 2007. After the Company's decision to retreat from its foreign markets, the Group retains 20 branches in the Czech Republic and 10 in Slovakiaas of the end of March 2009.

Finally, the last pillar framing the restructuring program was the group asset optimisation. Around 50% of the group's property portfolio was earmarked to be divested during the next 18 months. The time span for the sale has been prolonged as the company's strategy is to achieve the highest possible price rather than an immediate sale. The Company managed to sell the first three properties in the 3Q08 and realise an EUR 1.2 million profit from the sale. Apart from redundant property, some property earmarked for divestments are existing branches. Here the company plans to lease or rent them back. AAA AUTO Group also closed down its new-car sales division at the end of 2008 to focus on its core and more profitable business of used-car sales. Both decisions should release tied up capital, lower the Company debt, and decrease interest expenses.

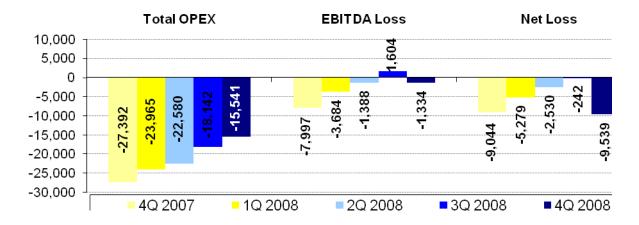
III. Accounting Charges for Discontinued Operations

Due to the decision to discontinue operations in Hungary, Poland and Romania the Company had to book a bulk of accounting charges for write-offs and fair-value adjustments of assets, in line with the IFRS requirements. Also the new-car division close down triggered similar write-off charges.

The total amount of the write-offs which were booked under EBITDA in 4Q08 amounted to EUR 10.4m. The main items in the write-offs were against the value of car stock in the foreign operations, the office, IT and operating equipment of the closed-down branches, and other write-offs associated with the closure of the discontinued operations, and finally, the fair-value adjustment of the BV of property the Company holds in Hungary, Poland and the new-car division.

The amount of the operating loss (EBITDA) for 2008 adjusted for the impact of these write-offs was EUR 4.8m compared to the EBITDA profit of EUR 4.0m in 2007. The net loss for 2008 adjusted for the write-offs amounted to EUR 17.6m compared to the net loss of EUR 4.8m in 2007.

Operating Expenses, EBITDA Loss and Net Loss - Quarterly Development



Note: * EBITDA and Net Income in 3Q 08 includes the property sale of EUR 1.2m classified as Other Operating Income.

** For comparison purposes total OPEX, EBITDA loss and Net Loss in 4Q 2008 are net of write-offs of EUR 10.384 mil.

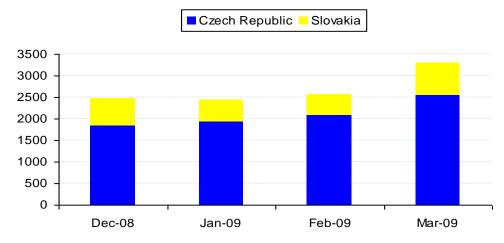
Source: Company data

Outlook

1Q 2009 Market Development

While the whole of 2008 the markets showed a persistently declining trend, AAA AUTO has been experiencing a revival in sales in the Czech Republic and Slovakia in the 1Q 2009 measured by a month-on-month growth. This can be called a more standard seasonal development known from previous years. In 2008, the strongest season which usually begins in March or April and lasts throughout the second quarter did not arrive at all. The year 2008 was influenced by non-standard factors which distorted demand and seasonality on the used-car market.

Monthly Sales in the Czech Republic and Slovakia in 1Q 2009



Source: Company data

In the first quarter 2009 among the main factors that helped to revive demand have been: slowly increasing prices of new cars (the result of the massive discounts by car manufacturers and new-car dealers), prices of used cars fell to record low levels, people finally realizing car purchases which they have been postponing and the establishment of the emission tax in the CR.

2009 Outlook

The recent market development as well as the bleak economic outlook indicates that 2009 will be difficult, hard to predict and will call for sound business strategy and proactive decision making. Therefore, despite the current seasonal revival, the Company chooses to maintain its cautious outlook for market development in 2009 and expects even more challenging year than in 2008. Gloomy market projections as well as the Company's decision to substantially reduce its branch network will mean that AAA AUTO's unit car sales in 2009 will be significantly below the level of 2008. This is, however, well in line with the Company's efforts to focus on profitability above growth.

The primary aim of the strict cost-cutting measures and restructuring program implemented in 2008 has been to downsize the Company to re-align the business with the new market conditions. The financial crises arrived in the CEE region at a time when the Company had already been significantly downsized and made more cost efficient. Thus, the Company should be better prepared for the financial crises and should be in a better position to be profitable even during an economic downturn than it was a year ago. The market conditions have been tougher than expected and we areat the doorstep of a year which will be very challenging for its sector. Therefore, the Company has undergone severe downsizing and streamlining in the atepmt to adjust its cost base to the weaker markets in order to restore profitability. Also profit returns should be more attainable for the Company when operating only on its main and most profitable markets of the Czech Republic and Slovakia. This should not only enable the management focus and the Company resources to be less strained but it will also eliminate the losses from foreign operations which have been dragging down the Group's results.

As a result of these efforts, the Group's break-even point has been lowered significantly; the company has been made smaller and more agile to react to the fast changing market conditions and to realise profit even during economic recession on much lower sales volumes. Thus, AAA AUTO Group's target is to break even in the seasonally strongest second quarter of the year and to achieve a positive net profit for the whole of 2009⁵, provided that there are no further unexpected, extraordinary influences in the market.

Consolidated Financial Statements

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⁵ These targets are based on the Company's core business performance, net of any income from potential property sales in 2009

Note that this version of the 2008 Annual Report contains only preliminary financial results as published by AAA AUTO Group on 26th March 2009. The final version of the 2008 Annual Report with audited financial results will be published by the end of May 2009.

Preliminary 2008 Unaudited Consolidated Financial Results of AAA AUTO Group N.V.

Consolidated Income Statement ('000 €)

		12 months ended 3	1 December
	Notes	2008	2007
Revenue		364 273	470 058
Other income		4 204	3 255
Work performed by the entity and capitalised		0	9 231
Cost of goods sold		(293 054)	(389 939)
Advertising expenses		(8 507)	(10 522)
Employee benefit expenses		(44 133)	(51 080)
Depreciation and amortisation expense		(5 261)	(3 886)
Other expenses		(37 972)	(27 028)
Finance cost		(6 668)	(4 711)
Profit/(loss) before tax		(27 118)	(4 622)
Income tax expense		(857)	(161
Net Profit/(loss)		(27 975)	(4 783
Attributable to:			
Equity holders of the parent		(27 975)	(4 779)
Minority interest		0	(4)
Earnings per share			
Basic/Diluted (EUR/share)		(0,514)	0,088

Consolidated Balance Sheet ('000 €)

ASSETS	Notes	31.12.2007	31.12.2008
Non-current assets			
Goodwill and other intangible assets		1 748	955
Property, plant and equipment		61 547	46 777
Investment property		2 930	0
Other financial assets		428	0
Available for sale financial assets		55	1
Long term receivables		373	170
Deferred tax assets		707	7
Total non-current assets		67 360	47 909
Current assets			
Inventories		57 452	24 178
Trade and other receivables		22 034	20 020
Current tax asset		1 486	698
Other financial assets		483	3 288
Cash and cash equivalents		5 791	3 334
Non-current assets classified as held for sale		369	0
Total current assets		87 614	50 820
TOTAL ASSETS		154 974	98 729

EQUITY AND LIABILITIES	Notes	31.12.2007	31.12.2008
Equity			
Issued capital		38 185	38 185
Reserves		1 941	1 754
Retained earnings		-1 933	-29 912
Equity attributable to equity holders of the parent		38 193	10 027
Minority interest		0	0
Total equity		38 193	10 027
Non-current liabilities			
Bank and other borrowings		40 211	30 662
Deferred tax liabilities		662	219
Obligation under finance lease		2 675	1 757
Total non-current liabilities		43 548	32 638
Current liabilities			
Trade and other payables		23 361	12 917
Current tax liabilities		305	80
Bank overdrafts and borrowings		43 356	35 551
Provisions		976	1 967
Obligation under finance lease		3 975	2 704
Other short-term liabilities		1 260	2 846
Total current liabilities		73 233	56 065
Total liabilities		116 781	88 702
TOTAL EQUITY AND LIABILITIES	•	154 974	98 729

Consolidated Cash Flow Statement (^000 €)

		12 months ended	
	Notes	2008	2007
Cash flows from operating activities			
Profit/(loss) for the year		(27 975)	(4 783)
Adjustments for:			
Income tax expense		857	161
Depreciation and amortisation expense		5 261	3 886
Provisions		6 295	1 432
(Gain)/loss on disposal of property, plant and equipment		189	(276)
Interest income/expense		5 610	4213
Foreign exchange (gain)/loss		764	93
Negative goodwill/ Fair value revaluation		0	(1 877)
Decrease/(increase) in inventories		33 273	(13 914)
Decrease/(Increase) in receivables and other assets		347	(9 103)
Increase/(decrease) in payables and other liabilities		(8 797)	9 594
Interest paid/received		(1 957)	(2 945)
Income tax paid		(2 061)	(3 736)
Net cash provided by operating activities		11 806	(17 256)
Cash flows from investing activities Acquisition of subsidiary, net of cash acquired		0	(1 794)
Payments for property, plant and equipment		11 497	(27 670)
Proceeds from disposals of property, plant and equipment		7 026	2 990
Net cash used in investing activities		18 523	(26 474)
Cash flows from financing activities			
Proceeds from issue of share capital		0	33 185
Proceeds from third party borrowings		15 065	34 875
Repayment of third party borrowings		(38 528)	(19 700)
Payment of finance lease liabilities		(8 725)	(1 652)
Dividens paid to shareholders		0	0
Net cash from financing activities		(32 188)	46 708
Net increase (decrease) in cash and cash equivalents		(1 858)	2 979
Cash and cash equivalents at the BOP		5 791	3 136
Effect of exchange rate changes on the balance of cash held in foreign		(500)	/ac **
currencies		(598)	(324)
Cash and cash equivalents at the EOP		3 334	5 791

Consolidated Statement of Changes in Equity (`000 ϵ)

	Share capital	Share premium	Equity reserve	Foreign curreny translation reserve	Retained earnings	Equity atributable to holders of the parent	Minority interest	Total equity
Balance at 1.1.2007	5 000	0	291	1 551	10 704	17 546	4	17 550
Foreign currency translation differences	-	-	-	(370)	-	(370)	-	(370)
Net income (expense) recognized directly in equity	-	-	-	(370)	-	(370)	-	(370)
Profit for the period	-	-	-	-	2 948	2 948	(2)	2 946
Total recognized income and expense	-	-	-	(370)	2 948	2 578	(2)	2 576
Dividends to equity holders	-	-	-	-	(7 859)	(7 859)		(7 859)
Balance at 30.6.2007	5 000	0	291	1 181	5 793	12 265	2	12 267
Balance at 1.1.2008	6 776	31 409	124	1 818	(1 934)	38 192	0	38 193
Foreign currency translation differences Net income recognized directly in	-	-	0	0	-	0	-	0
equity	-	2 331	0	(4 500)	-	(2 169)	-	(2 169) (27
Profit for the year	-	-	(3)	-	(27 832)	(27 835)	-	835)
Total recognized income and expense	0	-	-	0	0	0	-	0
Issue of new ordinary shares Acquisition of subsidiaries from related						0		0
parties						0		0
Sale of subsidiary						0		0
Dividends to equity holders						0		0
Balance at 31.12.2008	6 776	33 740	121	(2 682)	(29 766)	8 189	0	8 189