# AAA Auto Group N.V.

## Interim Statement

## November 2010

**CORRECTION** (correction issued: 15 December 2010 at 5:45 pm; the original Interim Statement issued on 19 November 2010 follows below; the correction is specified in the footnote on the following page)

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The main factors that influenced the financial and operating results of AAA Auto Group N.V. in the third quarter of 2010 were as follows:

1. A gradual but steady revival in sales of used cars and financial services in both the Czech Republic and Slovakia visible since the second quarter of 2010

2. The property sales that the Company realised in the third quarter of 2010

3. Exchange rate gains and losses, the majority of which were non-cash

AAA Auto Group N.V. published its financial results for the first nine months of 2010 on 19th November 2010. The commentary on the financial results for the third quarter and for the first nine months of 2010 appear in the following section.

## AAA AUTO Group reports its unaudited consolidated financial results for the first nine months of 2010

**AAA Auto Group N.V. finished the first nine months of 2010 with a net profit of EUR 3.4 million which is more than double the amount compared to the same period last year (110.8% yoy [1]). Total revenues grew 15.5% yoy to EUR 148.7 million while in the third quarter of 2010 the Group recorded a 33.6% revenue growth yoy confirming a trend of a gradual recovery on the retail used car market.**

Overall the results reveal a marked improvement compared to last year's numbers and indicate a gradual and steady revival in sales of used cars as well as financial services in both the Czech Republic and Slovakia confirming the trend that the Company first registered in the second quarter of this year. Since then the Company has also been outperforming the new car market and used car imports in terms of sales growth in the Czech Republic and particularly strongly in Slovakia.

In the third quarter of 2010 AAA AUTO Group recorded a 33.6% **revenue growth** compared to the same period last year to EUR 57.1 million. The **number of cars sold** in the Q3 2010 rose by 15.2% yoy to 10 777 cars. Apart from an increase in the average sales price per car sold the other factors that boosted the Group's total revenues in the third quarter was a revenue growth of financial services (by 20.6% yoy) and up-sale products (by 63.0% yoy) . For the first nine months the Group sold 29 617 cars (+2.6% yoy [2]) while the total revenues grew 15.5% yoy to EUR 148.7 million.

The new trend that could be seen on the market in the third quarter is a slow return in consumer preference for newer, more expensive cars and for better equipment with up-sale (complementary) products and a growing confidence for credit financing.

The **gross profit on sales** grew by 32.3% yoy to EUR 13.7 million in the third quarter 2010 and by 23.3% yoy to EUR 37.2 million for the first nine months 2010. As a result of the gradual shift towards newer and more expensive cars the **gross profit margin** slightly weakened to 23.9% in Q3 2010 (compared to 24.1% in Q3 2009) but was still well above the last year's level for the first nine months (25.0% for 9M 2010 vs. 23.5% in 9M 2009).

The **operating expenses** increased for the second quarter in a row which is the first controlled increase since the Company implemented its restructuring programme at the beginning of 2008. The controlled increase in operating expenses (esp. personnel and marketing expenses) was to support the sales upturn in the Q2 and Q3 this year. The increase in opex was however capped below the revenue growth for the first nine months maintaining the opex / revenue ratio under 19% and it will continue to be under tight control going forward, especially during the upcoming seasonally weak winter months.

The **operating profit** measured as EBITDA thus increased by 18.1% yoy to EUR 2.9 million in the third quarter 2010 and by 56.0% yoy to EUR 9.5 million for the first nine months 2010.

The financial income was influenced by a **property sale** in Poland. On one hand, the property sale positively influenced results for discontinued operations [3] (hence discontinued operations recorded a net income of EUR 0.5 million for the third quarter 2010), on the other hand, the property sale negatively influenced results for continuing operations in the form of a non-cash foreign exchange loss of EUR 0.6 million The overall net effect of the property sale on the Group's net income was positive however negligible (around EUR 0.2 million) as the bulk of the sale's net proceeds were used for reserves against future expected re-evaluation charges of redundant property held for sale (in both continuing and discontinued operations). The sale also enabled the Company to fully repay its leasing and credit liabilities (the remainder of the overall debt) the Company had in Poland.

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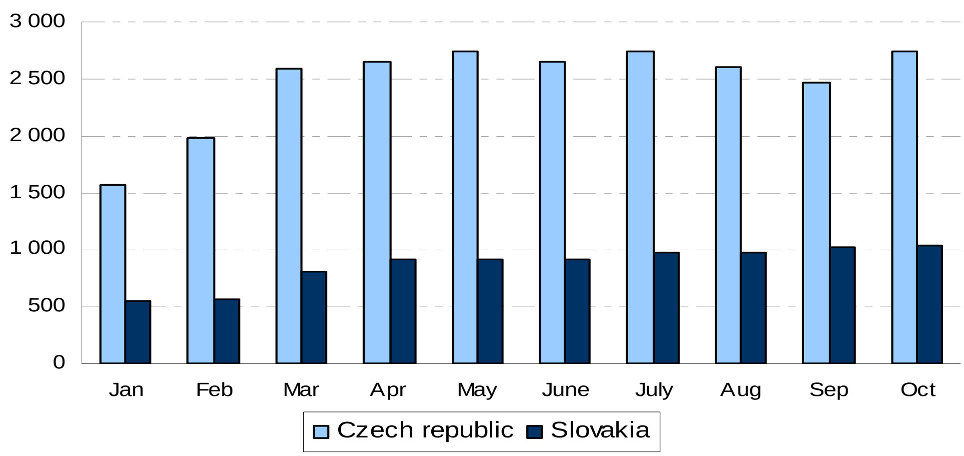
[1] Year-on-year change - note that the original Interim Statement published on 19th November 2010 stated an incorrect amount of 99.6%

[2] Continuing operations = daughter companies in the Czech and Slovak Republic and the parent company based in Netherlends

[3] Discontinued operations = subsidiaries in Hungary, Poland and the new car sales division in the Czech Republic

Overall AAA AUTO Group recorded **a net profit** of EUR 1.1 million in the third quarter of 2010 which is by 18.6% more than for the same period last year. The result includes a net profit of EUR 0.5 million for discontinued operations which was a result of a net forex gain recorded in the third quarter. The net profit for the first nine months of 2010 amounted to EUR 3.4 million which is more than double the amount compared to the same period last year (110.8% yoy [1]) and it includes a EUR 0.8 million loss from discontinued operations.

**Monthly development of car sales of AAA AUTO Group in 2010**




*Source: Company data*

The AAA AUTO's sales results for the first ten months of 2010 indicate that the Company will meet its sales target for this year and that it will end the year 2010 with the same or moderately better sales volumes compared to the level of last year.

As for short-term outlook, despite the positive recovery of sales that AAA AUTO Group registered this year the Company's expectations for the seasonally low winter months are very conservative. The next positive upturn in sales is expected to come as traditionally at the turn of the first and second quarter of next year.

Other important events of the second half of 2010:

- Potential entry to Russia – On 22 October AAA AUTO Group announced that it is currently reopening the possibility of entering the Russian used car market. During the initial phase the Company will monitor the situation on the market and may enter into negotiations with a few potential local partners. The Company will also be looking for potentially suitable premises for a new branch. AAA AUTO Group was in the process of considering entry into the Russian market back in 2008 but due to the arrival of the financial crisis those plans were put on hold. The Company perceives the Russian used car market as being potentially significant in the whole CEE region. If the plan is materialized no tangible impact on the Company's financial results can be expected before 2011 or 2012.

- New auditor – AAA AUTO Group has selected PricewaterhouseCoopers in the Czech Republic as its new auditor and who will audit its financial results for 2010.

## Appendix

### Interim Financial Report for the 9 months ended 30th September 2010

The financial results are unaudited, consolidated and prepared in accordance with the International Financial Reporting Standards (IFRS).

The interim report was drawn up according to the same accounting principles and calculation methods as the previous financial statement, for the period that ended on 31st December 2009.

In the financial statements according to the IFRS, the financial results for the Polish, Hungarian, Romanian and New Car Sales (Czech Republic) operations are disclosed as one cumulated line called 'Profit/(loss) from discontinued operations'.

**CONSOLIDATED INCOME STATEMENT**
**ADJUSTED BY DISCONTINUED OPERATIONS**
**For the 9 Months ended 30th September 2010 and 2009** (EUR ´000)

| | 9M 2010 | 9M 2009 |
|---|---|---|
| **Revenue** | **148,667** | **128,702** |
| Cost of goods sold | (111,441) | (98,506) |
| **Gross Profit** | **37,226** | **30,196** |
| ***Gross Profit Margin*** | ***25.0%*** | ***23.5%*** |
| other operating income | 303 | 299 |
| Operating expenses | (28,081) | (24,439) |
| Marketing expenses | (3,141) | (2,494) |
| Personnel expenses | (13,141) | (10,808) |
| Other expenses | (11,797) | (11,136) |
| **EBITDA** | **9,449** | **6,056** |
| ***EBITDA Margin*** | ***6.4%*** | ***4.7%*** |
| Depreciation and amortisation expense | (1,656) | (1,750) |
| **Profit before interest and tax (EBIT)** | **7,793** | **4,306** |
| Financial expense | (1,534) | (968) |
| **Profit before tax (EBT)** | **6,259** | **3,338** |
| Income tax expense | (2,050) | (1,138) |
| **Profit/(loss) from continuing operations** | **4,209** | **2,200** |
| Profit/(loss) from discontinued operations | (834) | (599) [4] |
| **Profit/(loss) for the year (Net Profit)** | **3,375** | **1,601** [4] |

[4] Note that the original Interim Statement published on 19th November 2010 stated an incorrect amount of the Loss from discontinued operations for 9M 2009 at the amount of EUR 510 thousand and therefore the 9M 2009 total Net Profit for the group was also presented incorrectly at the amount of EUR 1,691 thousand.

## CONSOLIDATED BALANCE SHEET

**As at 30th September 2010 and 2009** (EUR ´000)

| ASSETS | 30/09/10 | 31/12/09 | 30/09/09 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 138 | 406 | 765 |
| Property, plant and equipment | 29,895 | 28,681 | 31,181 |
| Investment property | 123 | 114 | 0 |
| Other financial assets | 353 | 316 | 41 |
| Deferred tax assets | 17 | 16 | 48 |
| ***Total non-current assets*** | ***30,526*** | ***29,533*** | ***32,035*** |
| **Current assets** | | | |
| Inventories | 24,103 | 13,181 | 17,698 |
| Trade and other receivables | 23,548 | 20,452 | 21,837 |
| Current tax asset | (487) | 324 | 348 |
| Other financial assets | 1,283 | 83 | 2,668 |
| Cash and cash equivalents | 4,958 | 6,028 | 3,547 |
| Non-current assets classified as held for sale | 11,166 | 15,109 | 17,105 |
| ***Total current assets*** | ***64,572*** | ***55,177*** | ***57,455*** |
| **TOTAL ASSETS** | **95,098** | **84,710** | **89,490** |

| EQUITY AND LIABILITIES | 30/09/10 | 31/12/09 | 30/09/09 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 38,185 | 38,185 | 38,185 |
| Reserves | 6,892 | 5,267 | 6,674 |
| Retained earnings | (32,113) | (36,058) | (32,742) |
| **Equity attributable to equity holders of the company** | **12,964** | **7,394** | **11,816** |
| Non-controlling interest | 0 | 0 | 0 |
| **Total equity** | **12,964** | **7,394** | **11,816** |
| **Non-current liabilities** | | | |
| Bank and other borrowings | 19,128 | 20,826 | 25,349 |
| Deferred tax liabilities | 450 | 479 | 513 |
| Obligation under finance lease | 0 | 0 | 40 |
| Other liabilities | 0 | 0 | 0 |
| ***Total non-current liabilities*** | ***19,579*** | ***21,305*** | ***25,903*** |
| **Current liabilities** | | | |
| Trade and other payables | 28,926 | 21,375 | 13,366 |
| Current tax liabilities | (182) | 271 | (147) |
| Bank overdrafts and borrowings | 18,497 | 17,626 | 20,100 |
| Provisions | 4,208 | 3,179 | 3,078 |
| Obligation under finance lease | 3 | 52 | 504 |
| Other liabilities | 3,687 | 2,893 | 3,871 |
| Liabilites directly associated with assets classified as held for sale | 7,414 | 10,615 | 10,998 |
| ***Total current liabilities*** | ***62,555*** | ***56,011*** | ***51,771*** |
| **Total liabilities** | **82,134** | **77,316** | **77,674** |
| **TOTAL EQUITY AND LIABILITIES** | **95,098** | **84,710** | **89,490** |

**CONSOLIDATED CASH FLOW STATEMENT**

**For the 9 Months Ended 30th September 2010 and 2009** (EUR ´000)

| | **30/09/10** | **30/09/09** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the period | 3,375 | 2,200 |
| Adjustments for: | | |
| Income tax expense | 1,942 | 1,138 |
| Depreciation and amortisation expense | 2,999 | 1,750 |
| Provisions | 660 | 834 |
| (Gain)/loss on disposal of property, plant and equipment | (1,657) | 114 |
| Interest (income)/expense | 1,385 | 1,170 |
| Share Options | 325 | 0 |
| Foreign exchange (gain)/loss | 1,107 | (128) |
| Decrease/(increase) in inventories | (11,649) | 5,546 |
| Decrease/(Increase) in receivables and other assets | (5,132) | 758 |
| Increase/(decrease) in payables and other liabilities | 7,876 | 1,801 |
| Interest received/(paid) | (791) | (1,363) |
| Income tax paid | (450) | (258) |
| Net cash provided by operating activities | (11) | 13,562 |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiary, net of cash acquired | 0 | 0 |
| Payments for property, plant and equipment | (1,933) | (2,731) |
| Proceeds from disposals of property, plant and equipment | 5,617 | 1,850 |
| Net cash used in investing activities | 3,684 | (881) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | 0 | 0 |
| Proceeds from third party borrowings | 778 | 0 |
| Repayment of third party borrowings | (4,806) | (7,947) |
| Payment of finance lease liabilities | (667) | (4,525) |
| Net cash from financing activities | (4,694) | (12,472) |
| **Net increase (decrease) in cash and cash equivalents** | **(1,020)** | **(390)** |
| **Cash and cash equivalents at the BOP** | **6,028** | **3,622** |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (50) | 315 |
| **Cash and cash equivalents at the EOP** | **4,958** | **3,547** |

## Consolidated Statement of Changes in Equity
## For the Periods Ended 30th September 2010 and 31st December 2009 (EUR '000)

| | Share capital | Share premium | Equity/ legal reserve | Share option reserve | Foreign currency translation reserve | Retained earnings | Equity attributable to holders of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1.1.2009** | **6,776** | **31,409** | **124** | **302** | **4,591** | **(36,912)** | **6,290** | **-** | **6,290** |
| Profit for the year | - | - | - | - | - | 1,383 | 1,383 | - | 1,383 |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | (194) | - | (194) | - | (194) |
| Foreign currency translation differences related to entities sold | - | - | - | - | (211) | - | (211) | - | (211) |
| Share options | - | - | - | 126 | - | - | 126 | - | 126 |
| **Total other comprehensive income** | **-** | **-** | **-** | **126** | **(405)** | **-** | **(279)** | **-** | **(279)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **126** | **(405)** | **1,383** | **1,104** | **-** | **1,104** |
| Addition to legal reserve fund | - | - | 529 | - | - | (529) | 0 | - | 0 |
| **Balance at 31.12.2009** | **6,776** | **31,409** | **653** | **428** | **4,186** | **(36,058)** | **7,394** | **-** | **7,394** |
| **Balance at 31.12.2009** | **6,776** | **31,409** | **653** | **428** | **4,186** | **(36,058)** | **7,394** | **-** | **7,394** |
| Profit for the year | - | - | - | - | - | 3,376 | 3,376 | - | 3,376 |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | 1,796 | - | 1,796 | - | 1,796 |
| Foreign currency translation differences related to entities sold | - | - | - | - | - | - | 0 | - | 0 |
| Equity legal reserve | - | - | 33 | - | - | (33) | 0 | - | 0 |
| Reclassification | - | - | (529) | - | - | 529 | 0 | - | 0 |
| Share options | - | - | - | 325 | - | - | 325 | - | 325 |
| **Total other comprehensive income** | **-** | **-** | **(496)** | **325** | **1,796** | **496** | **2,121** | **-** | **2,121** |
| **Total comprehensive income for the period** | **-** | **-** | **(496)** | **325** | **1,796** | **3,872** | **5,497** | **-** | **5,497** |
| Addition to legal reserve fund | - | - | - | - | - | - | 0 | - | 0 |
| **Balance at 30.9.2010** | **6,776** | **31,409** | **157** | **753** | **5,982** | **(32,187)** | **12,891** | **-** | **12,891** |

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AAA AUTO Group has been in operation for 17 years and gradually expanded its branch network across the CE region. At present, it operates a network of 25 branches in the Czech Republic and Slovakia. In September 2007, the Netherlands-based parent company AAA Auto Group N.V. entered the stock exchanges in Prague and Budapest. AAA AUTO Group sold over 37 000 used cars in 2009 and according to the audited consolidated financial results it recorded a turnover of EUR 166 million. According to market research by Ernst & Young, AAA AUTO Group placed among the top ten largest vehicle distributors in Europe in 2007.