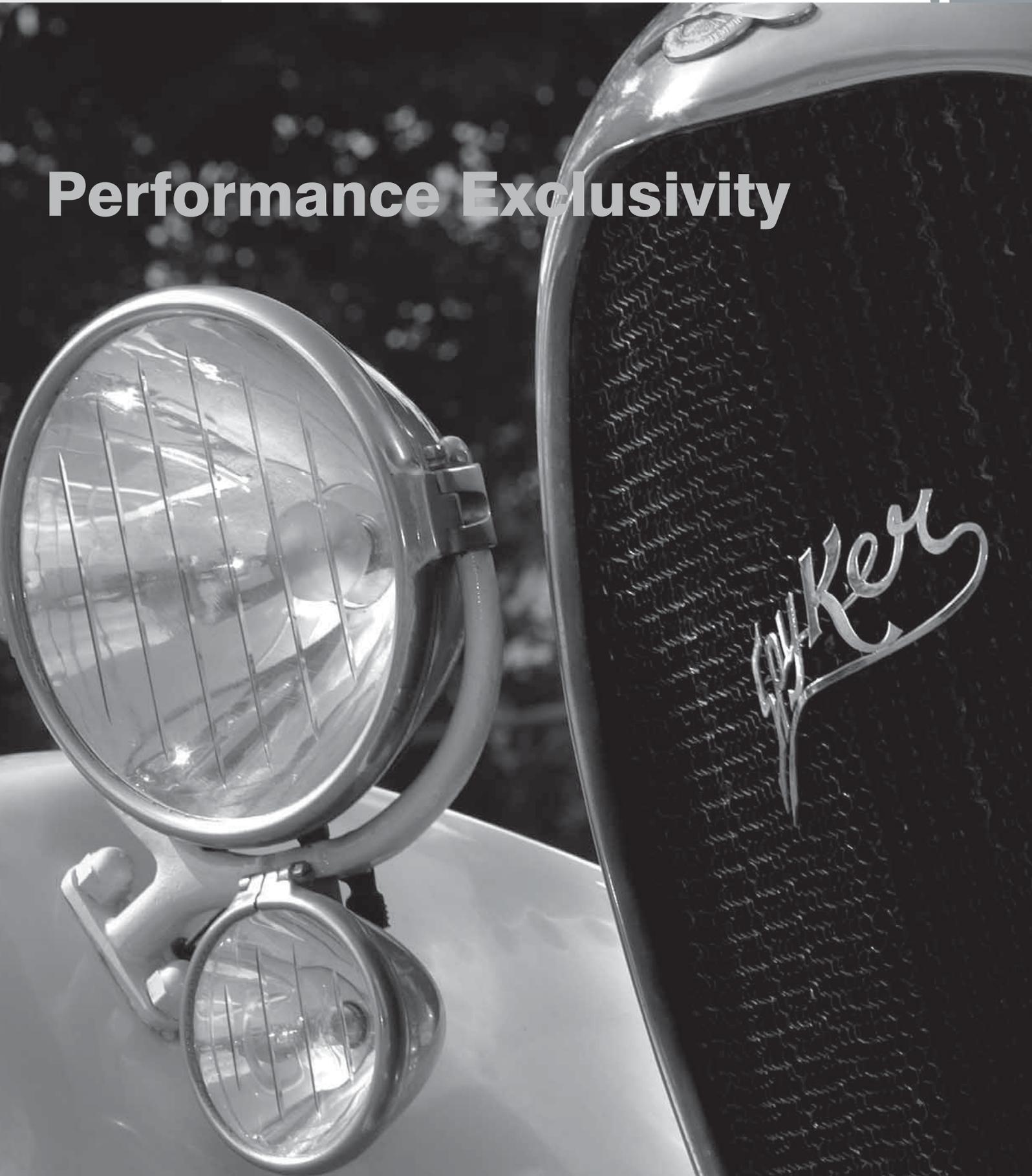




# **Heritage** Design Craftsmanship

# Performance Exclusivity





## Index

<b>Annual Report 2007</b>	Page
Foreword by the CEO	10
Board members of Spyker Cars	14
Members of the Supervisory Board	14
Members of the Management Board	17
Five year overview of the key figures	22
Information for shareholders	24
Key financial dates	24
Listing	24
Development share price and trading volumes	24
Increase of share capital during 2007	24
Disclosure of major holdings and capital interests	25
Electronic voting	25
The Company	28
Profile	28
Mission statement	28
Strategy	28
Products	29
Racing	29
History	29
Supervisory Board's report	32
Corporate Governance developments	32
Meetings of the Supervisory Board and topics discussed	33
Formula One	34
Audit	34
Nomination	35
Remuneration	36
Composition of the Supervisory Board	36
Management Board's report	38
2007: the most difficult year since Spyker Cars' rebirth in 2000	38
Global automotive market in premium sports and sports utility car segment	39
Branding and marketing	40
Investment policy	41
Product development and research	41
Financial results and funding	41
Production	43
Orders received	44
Suppliers	44
Dealer network	44
Racing	45
Merchandise, accessories & market supporting activities	46
Human resources	46
Legal proceedings	47
Control Systems and processes	48
Recent events	48
Outlook for 2008	49
Risk management	50
Remuneration report	62
Remuneration policy, general	62
Remuneration in the past financial year	62
ESOP	64
Remuneration policy for the coming years	64
Corporate governance	68
Financial statements	75
Additional information	137
Statutory rules concerning appropriation of result	137
Proposed allocation of the result for the financial year 2007	137
Appointment of members of the Management Board and Supervisory Board	
Priority share	137
Subsequent events	138
Auditors' report	139

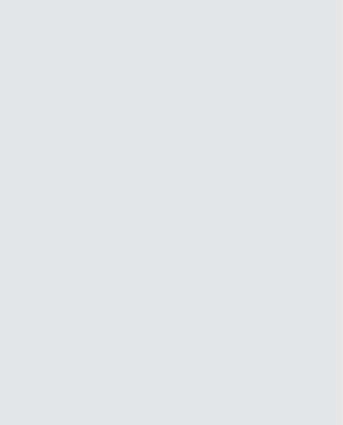
# Heritage Design Craftsmanship



**Performance Exclusivity**







## Annual Report 2007

Foreword by the CEO

Board members of Spyker Cars

Five year overview of the key figures

Information for shareholders

The Company

Supervisory Board's report

Management Board's report

Risk Management

Remuneration Report

Corporate Governance

Financial Statements

Additional information

Auditor's report

F O R E W O R D   B Y   T H E   C E O



Dear shareholder,

There is no denying that 2007 was a dramatic year, the likes of which Spyker Cars N.V. (hereinafter “the Company” or “Spyker Cars”) had never seen before. A year which we would like to leave behind us as soon as possible. It is positive, however, that the Company managed to survive the 2007 crisis and rose from its ashes stronger than ever before. Although the Formula One performance - both on as well as off the track - was a far cry from what we had in mind, the bottom line is that the worldwide recognition of the Spyker brand has increased.

Now that the Company has successfully been recapitalized through the participation of Snoras Bank, from Vilnius, Lithuania, we have seen a remarkable turnaround in a matter of just three months. Production is virtually back on track, the development of our new models on schedule and worldwide sales picking up again. The renewed strategy as formulated in 2007 is now being implemented. With lots of lessons learned, a strengthened Management Team, a solid financial foundation and the best partners one could wish for, the Company is ready for its next phase: controlled growth leading to profitability.



Victor R. Muller, CEO

Zeewolde, 3 April 2008





**Heritage Design Craftsmanship**

**Performance Exclusivity**



**Members of the Supervisory Board per 3 April 2008**

Hessel (J.) H.M. Lindenberg (1943, male, Dutch), chairman

Hessel Lindenberg is a former member of the managing board of ING Group N.V. Currently, Mr. Lindenberg is a Supervisory Board member of the following companies: DHV Holding N.V., Gamma Holding N.V., chairman of NIBC N.V., chairman of N.V. Bank voor de Bouwnijverheid, Ortec International B.V., Zeeman Groep B.V., Reggeborgh Groep, DPFS B.V. and a member of the Board of Trustees of the University of Amsterdam.

Mr. Lindenberg was appointed chairman of the Supervisory Board on 27 May 2004. In accordance to the rotation plan he will retire in the annual general meeting of 2008. He will not be available for re-appointment. Per 3 April 2008, Mr. Lindenberg held no shares in the Company.

Hans (J.)B.Th. Hugenholtz (1950, male, Dutch), vice-chairman

Mr. Hugenholtz is chief executive officer and owner of the following companies:

(i) Hugenholtz Property Group, a group with affiliated companies in the Netherlands, Germany, Belgium (HPG Belgium N.V.) and France (Groupe Franco-Hollandaise) that develops real estate, (ii) Nerons Holding B.V., a holding company with three affiliated companies that imports and distributes helmets, motorcycle clothing, accessories and scooters in Holland, Belgium and Turkey.

Mr. Hugenholtz was reappointed Supervisory Board member of Spyker Cars in the general meeting of 2007 for a term of four years until the annual general meeting of 2011.

Per 3 April 2008, Mr. Hugenholtz held 64,767 ordinary shares and 250,000 shares class A in Spyker Cars, mostly through a personal holding company.

Maurizio La Noce (1957, male, American)

Mr. La Noce, Director Energy & Industry Unit of Mubadala Development Company, is responsible for the development of viable investment opportunities in the oil & gas, IWPP, petrochemical, industrial and renewable energy sectors. The unit's primary focus is on projects outside the UAE. Mr. La Noce has 25 years of experience within the energy industry. The last 10 years have been primarily devoted to the management and development of natural gas and large infrastructure projects in the Middle East. He began his business career in 1981 and held various commercial and managerial positions with Atlantic Richfield Co. and Enron Corp. while on job assignments in Milan, London, Dallas and the UAE. After joining Mubadala Development Company in June 2001, Mr. La Noce was assigned to the development of the USD 4.5 billion Dolphin Energy project, which is now under the final phases of construction. Most recently he led Mubadala's participation in the Mukhaizna EOR project in Oman, the acquisition of exploration blocks in Libya and Algeria, the strategic investment in Spyker Cars and the development of a USD 5 billion, 1.4 mtpa aluminum smelter in Abu Dhabi in JV with

DUBAL. Mr. La Noce is currently representing Mubadala in various boards of directors and steering committees (Emirates Aluminium, Abu Dhabi Future energy Co., Shell, Rolls Royce, Total, Finmeccania).

Mr. La Noce was appointed Supervisory Board member on 20 April 2006 for a term of three years and will retire in the annual general meeting of 2009.

Per 3 April 2008, Mr. La Noce held no shares in the Company.

Vladimir Antonov (1975, male, Russian)

Vladimir Antonov graduated from Plekhanov Russian Academy of Economics. He is a banker. Mr. Antonov is currently the Chairman of the Supervisory Boards of Bank Snoras of Vilnius, Lithuania and Conversbank Ltd., Russia. Mr. Antonov is the main shareholder of Bank Snoras and Conversbank Ltd. in Russia.

Mr. Antonov was appointed a Supervisory Board member on 21 January 2008 for a term of four years, until the annual general meeting of 2012.

Per 3 April 2008, Mr. Antonov held no shares in the Company.

Dmitrijus Apockinas (1974, male, Lithuanian)

Dmitrijus Apockinas holds a bachelor degree in banking from the Institute of Modern Business, Moscow and an MBA degree from Warwick University, UK. He was involved in several financial infrastructure, privatization and investment projects for the government of Lithuania. At present, Mr. Apockinas is managing director and CEO of Griffon Bank Ltd, established in the Commonwealth of Dominica, West Indies. Furthermore, he is shareholder and member of the board of UAB JT Investiciju Valdymas Mutual Fund Company (Lithuania) and CFO of West Indies Power Holdings B.V. (St. Maarten, Netherlands Antilles).

Mr. Apockinas was appointed Supervisory Board member on 21 January 2008 for a term of three years, until the annual general meeting of 2011.

Per 3 April 2008, Mr. Apockinas held no shares in the Company.

Martins Bondars (1971, male, Latvian)

Martins Bondars graduated from Lakeland College, Wisconsin, USA, in international business and theoretical mathematics. Mr. Bondars worked as head of the office for the Prime Minister and the President of Latvia. Currently, Mr. Bondars is president and chairman of the board of JSC Latvijas Krajbanka in Latvia.

Mr. Bondars was appointed Supervisory Board member on 21 January 2008 and will retire according to the rotation schedule in the annual general meeting of 2010.

Per 3 April 2008, Mr. Bondars held no shares in the Company.

#### **Former members of the Supervisory Board who were in function during 2007**

Samir A. Arab (1954, male, Saudi Arabian)

Samir Arab was appointed Supervisory Board member on 20 April 2006 and retired on 21 January 2008 in the extraordinary general meeting of the Company. Mr. Arab combined his membership of Spyker Cars' Supervisory Board with the function of Senior Advisor to Brownwood Holdings Limited,



looking after the Wealth Management family office for a large group in Saudi Arabia. At the same time Mr. Arab was also a member of the Board of Directors and Managing Partner of Merchant Bridge Holdings S.A..

Previously, Mr. Arab was Managing Director for a Saudi Group Company (a family owned business, in which he held a position). Furthermore, he was head of Private Banking, Riyad Bank (London) and Vice-President of Chase Manhattan Private Bank (London).

Mr. Arab stepped down when the Supervisory Board of Spyker Cars changed of composition in January 2008 as result of the investment by Snoras Bank in the Company. Until 21 January 2008, Mr. Arab held no shares in the Company.

Frans J. M. Liebrechts (1946, male, Dutch)

Frans Liebrechts was a Supervisory Board member of Spyker Cars from 27 May 2004 until 21 January 2008, when he retired as a result of the investment by Snoras Bank in the Company and the subsequent change of composition of the Supervisory Board. He combined the membership with his function of vice-president technology of Cogent-Power Ltd., a company specialized in electrical steel and laminations with its head office in New Port, South Wales, U.K.

Previously, Mr. Liebrechts worked at Polynorm N.V., an engineering and production company producing car body panels and structures. During his time at Polynorm N.V., Mr. Liebrechts held the position of vice-president. Mr. Liebrechts also worked at Steelweld B.V., a designer and manufacturer of automated assembly systems for the production of car bodies and car body components. He has been working within the car industry for more than thirty years and has a broad experience in all areas of car production.

Until 21 January 2008, Mr. Liebrechts held no shares in the Company.

Alfred (Fred) Johannes Mulder (1941, male, Dutch)

Mr. Mulder was appointed Supervisory Board member on 27 September 2006 and retired on 21 January 2008 in the extraordinary general meeting of the Company. He also held the function of chairman of the Investment Advisory Committee of Greenfield Capital Partners N.V., chairman of the Board of LBI International AB and chairman of Radio Holland N.V. Pension Fund. Furthermore, Mr. Mulder was a member of the supervisory boards of WAYSIS B.V., Aleri Lab Inc. (Chicago/London) and Duos Technology Inc., USA.

Previously, he was a member of the Board of Management of Pon Holdings B.V. and senior advisor to HAL Investments N.V. In 1995, Mr. Mulder co-founded Greenfield Capital Partners N.V., became chairman of the investment committee and chairman of the Board in 2000. Mr. Mulder was also involved with the Formula One investments.

The Supervisory Board tasks of Mr. Mulder were specifically related to the Formula One activities. His resignation from the Board resulted from the divestment of the Formula One team.

Until 21 January 2008, Mr. Mulder held no shares in the Company.



### Members of the Management Board per 3 April 2008

Victor R. Muller (1959, male Dutch), Chief Executive Officer

Victor Muller is one of the two founders of the Company. As Chief Executive Officer of the Company he is responsible for implementing the overall strategy of Spyker. In the second half of 2007, Mr. Muller temporarily stepped down as CEO, but remained in function as a managing director. Victor Muller started his career in 1984 as a lawyer at Caron & Stevens/Baker & McKenzie, Amsterdam. In 1989, he became a member of the management team for the offshore company Heerema in Leiden and was involved in several acquisitions. He became partial owner of Wijsmuller Salvage and Towage, IJmuiden, as a member of a consortium through a management buy-out. From 1992, he has managed and restructured several companies including Emergo Fashions Group B.V. that went public under the name McGregor Fashion Group N.V. in April 1999. Victor Muller was appointed Management Board member for an indefinite period of time. Per 3 April 2008, Mr. Muller held 705,711 ordinary shares and 750,000 shares class A in the Company through a personal holding company and a right to acquire 59,782 shares through his management company under the ESOP if certain requirements are fulfilled.\*

Richard Borsboom (1966, male, Dutch), Chief Business Development Officer

Richard Borsboom joined the Company on 15 October 2005 as Finance Director. Before he joined Spyker Cars, Richard Borsboom fulfilled several management positions. He worked as a management information system analyst for an insurance company, finance manager for a finance and leasing company and as Chief Financial Officer for Alcas, one of Europe's leading players in background music. Mr. Borsboom obtained a bachelors degree in 1993 (SPD) and graduated in 2001 at the Erasmus University of Rotterdam, Master of Science in Business Administration (change management).

Richard Borsboom was appointed Chief Financial Officer by the annual general meeting on 20 April 2006 and will retire in the annual general meeting of 2010. As per 1 July 2007, he changed his role in the Management Board and became Chief Business Development Officer. Furthermore, Mr. Borsboom is a managing director of the now sold Spyker F1 companies and will resign once all financial management duties have been finalized.

Per 3 April 2008, Mr. Borsboom held no shares or option rights in the Company.

Klaas Stuijtzand (1954, male, Dutch), interim Chief Financial Officer (non statutory)

Klaas Stuijtzand is an affiliate of Boer & Croon Executive Managers B.V. and joined the Company on 8 May 2007 for an interim period. He gained broad international experience in mainly financial management positions, including eight years as Chief Financial Officer at two of Heineken's largest operating companies. One of these was El Aguila, which was publicly listed in Spain at that time. After his employment at Heineken, Mr. Stuijtzand became an associate with Boer & Croon Executive Managers. Since then, he has been interim financial director in various companies, such as MAN Nederland, Arbo Unie and Royal Sphinx.

Per 3 April 2008, Mr. Stuijtzand held no shares or option rights in the Company.

### **Former members of the Management Board who were in function during 2007**

Oedith N. Jaharia (1966, male, Dutch), former Chief Business Development Officer

Oedith Jaharia joined the Company in 2003 and became Chief Financial Officer in 2004. Per 20 April 2006, Mr. Jaharia changed his portfolio in the Management Board and became Chief Business Development Officer, which function was fulfilled on a part-time basis. Mr. Jaharia was involved in the start-up of automotive engineering activities in India, which is now operating under the name Tenaci Engineering Pvt Ltd. Mr. Jaharia had 14 years of senior management experience in several industries such as printing, steel and machinery before he joined Spyker Cars. He was Chief Financial Officer of Meyn Food Processing (Oostzaan, the Netherlands) and Nedstaal B.V. (Alblasserdam, the Netherlands).

Mr. Jaharia left Spyker Cars as member of the Management Board on 1 July 2007. He is still involved with the Spyker group as director of Tenaci Engineering Pvt Ltd.

When he left the Company, Mr. Jaharia held unconditional option rights to acquire 59,782 ordinary shares through his management company.\*

Michiel J. Mol (1969, male, Dutch), former Director of Formula 1 Racing

Michiel Mol was the founder and board member of Lost Boys, an Internet company that he presided as CEO from 1993 – 2002. When he joined the Company as a Management Board member on 27 September 2006, Mr. Mol was also creative director of Media Republic B.V. In view of the negotiations that preceded the sale of the Spyker Formula One team to a consortium of the Mol family and Dr. Vijay Mallya, he stepped down as CEO from the Company on 14 August 2007. Subsequently Mr. Mol left the Company on 5 October 2007 when the Formula One team was sold to the consortium. Per this date, Mr. Mol personally held no shares or option rights in the Company.

\* For further details about all option rights, see the Remuneration chapter in this annual report.

### **Candidates for appointment as member of the Management Board, nominated by the Priority Shareholder**

Alexander A. Roukens (1963, male, Dutch)

Lex Roukens joined Spyker Cars per 2 April 2008 as CFO, succeeding Klaas Stuijzand who was appointed interim CFO on 8 May 2007. It will be proposed to the annual general meeting of shareholders, scheduled for 17 April 2008, to appoint Mr. Roukens as (statutory) member of the Management Board of the Company.

In his last position, Mr. Roukens worked as Group Treasury Director of the Zain Group, responsible for all corporate finance, treasury and financial risk management related activities. The Zain Group, listed on the Kuwait stock exchange, is a mobile telecoms operator with multiple operations in Sub Sahara Africa and the Middle East. Lex Roukens has 14 years of finance experience. Previously, he worked for Celtel International (part of the Zain Group) as Corporate Finance Director, and held positions in Amsterdam, Singapore and London for amongst others ING Bank and TD Securities in respectively their telecommunications Project Finance Team and TMT Investment Banking Group.

Mr. Roukens holds a Master of Business Administration degree in international management from Nyenrode University, the Netherlands.

Per 3 April 2008, Mr. Roukens held no shares or option rights in the Company. The Supervisory Board has decided to grant Mr. Roukens an option right to acquire 59,782 shares under Spyker Cars' ESOP per 1 April 2008.

Frans J.M. Liebrechts (1946, male, Dutch)

Frans Liebrechts (see also above under "Former members of the Supervisory Board who functioned during 2007") is vice-president technology of Cogent-Power Ltd., a company specialized in electrical steel and laminations (head office in New Port, South Wales, UK). He will retire from this position per 30 June 2008. Mr. Liebrechts is willing to accept a Management Board membership at Spyker Cars per 1 July 2008. It will be proposed to the annual General Meeting of shareholders, scheduled for 17 April 2008, to appoint Mr. Liebrechts as a (statutory) member of the Management Board of the Company per 1 July 2008. If the annual general meeting so decides, Mr. Liebrechts will become Chief Operating Officer, a new function within the Management Board. Mr. Liebrechts will coordinate all operations related to production, logistics and procurement, as well as engineering and R&D, headed by CTO Wicher Kist.

Per 3 April 2008, Mr. Liebrechts held no shares or option rights in the Company.



From left to right: M. La Noce, J.H.M. Lindenberg, C.L. Molewijk (secretary of the Company), F.J.M. Liebrechts, K. Stuijzand,



R. Borsboom, V. R. Muller, J.B.Th. Hugenholtz, M. Bondars, D. Apockinas, V. Antonov, O. Suhorukov (advisor to the Supervisory Board).

**Key Figures**

	Pro forma 2007 after recapitalization per 21 January 2008	2007 Based on IFRS	2006 <sup>1)</sup> Based on IFRS	2005 Based on IFRS	2004 Based on IFRS	2003 Based on Dutch GAAP
		€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
<b>Results</b>						
Revenues		5,141	19,692	8,275	3,819	2,895
Operating result		-29,689	-3,620	-3,175	-4,912	-4,216
Result before taxation		-32,332	-3,942	-3,644	-5,730	-5,143
Result from continued operations		-36,337	-3,818	-1,930	-4,986	-4,808
Result from discontinued operations <sup>2)</sup>		-35,738	2,477	n/a	n/a	n/a
Result attributable to equity holders of the Company		-71,306	-1,409	-1,930	-4,986	-4,808
<b>Production and sales (in units)</b>						
Production output		26	94	48	31	12
Sales		21	74	26	15	3
<b>Average number of employees (in FTE) <sup>3)</sup></b>						
		166	126	71	60	34
<b>Balance sheet data</b>						
Non-current assets		43,273	131,137	31,250	21,403	14,838
Equity attributable to equity holders of the Company <sup>4)</sup>	48,957	25,657	82,987	28,396	16,453	-4,339
Balance sheet total	86,872	68,012	186,044	48,615	29,819	17,559
Cash flow from operating activities		-44,179	-10,679	-7,065	-5,672	-3,965
Shares of Spyker Cars N.V.						
Outstanding number of shares as at 31 December with a par value of € 0.04	15,572,476	9,747,476	6,210,378	3,667,782	2,491,303	708,400
Weighted average number of shares diluted		7,122,869	4,679,963	2,989,458	1,735,871	671,140
Weighted average number of shares		6,929,401	4,563,658	2,739,681	1,735,871	671,140
Group equity per share		€ 3.70	€ 18.66	€ 10.36	€ 9.48	€ -6.47
Result from continued operations per share		€ -5.13	€ -0.85	€ -0.70	€ -2.87	€ -7.16
Result from discontinued operations per share		€ -5.16	€ 0.54	€ n/a	€ n/a	€ n/a
Result per share		€ -10.29	€ -0.31	€ -0.70	€ -2.87	€ -7.16
Cash flow from operating activities per share		€ -6.38	€ -2.34	€ -2.58	€ -3.27	€ -5.91

<sup>1)</sup> 2006 comparative figures have been adjusted due to the finalization of the PPA and the presentation of F1 racing as discontinued operations.

<sup>2)</sup> Discontinued operations relate to F1 racing.

<sup>3)</sup> Only relates to the continued operations.

<sup>4)</sup> After recapitalization per 21 January 2008 does not include the impact of the equity component of the convertible loan.

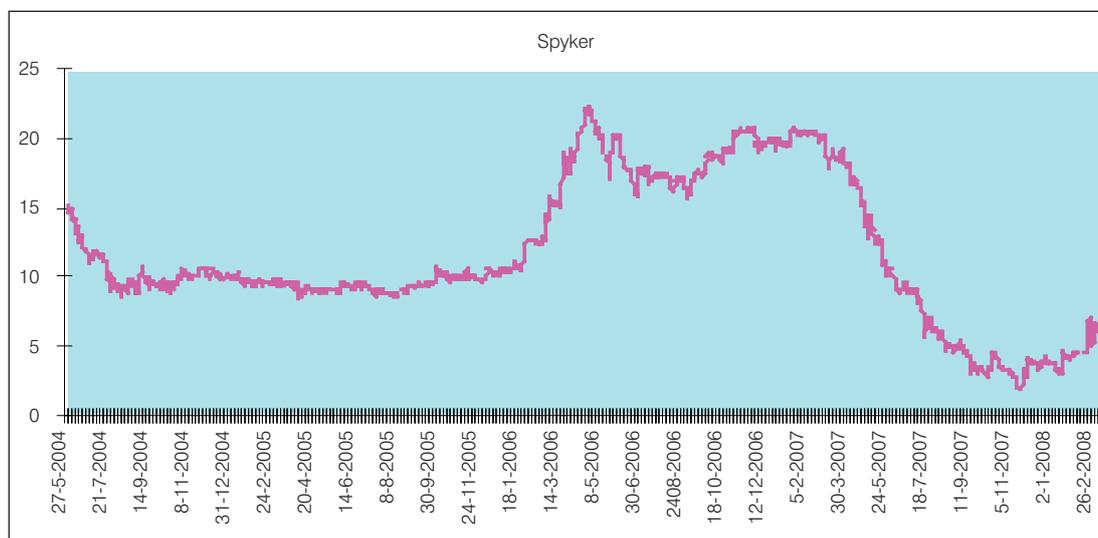


**Key financial dates**

28 March 2008	Publication year results 2007
17 April 2008	General Meeting of Shareholders
25 April 2008	Trading update Q1, 2008
29 August 2008	Publication results first half year 2008
24 October 2008	Trading update Q3, 2008

**Listing**

On 27 May 2004, Spyker Cars was listed on the Euro.NM Amsterdam segment of the Euronext Amsterdam Stock Exchange. In view of a further harmonization and transparency of its stock markets, Euronext facilitated the integration of the Official Market and Euro.NM. Spyker Cars opted for a transfer to the Official Market with effect from 4 April 2005 (ticker symbol SPYKR, fund code 38083, ISIN-code NL 0000380830). Although quarterly reports are no longer required, the Management Board decided to continue issuing quarterly trading updates until further notice.

**Development share price from 27 May 2004 up to and including 31 March 2008 in €****Increase of share capital during 2007**

The Company's issued share capital consists of ordinary shares, shares class A and one priority share. The nominal value of each share in Spyker Cars is € 0.04. Shares class A are registered shares and cannot be listed. Shares class A can, however, be converted into ordinary shares if the shareholder so requires by means of an application to that effect to the Management Board. In total, 3,537,098 shares were issued in 2007.

Major share issues in 2007 concerned the issue in April 2007 of 374,346 shares class A to investment companies of Mr. M.M.J.J. Boekhoorn, representing a 5.65% interest in the Company at the time of issue (these shares class A were converted into ordinary shares in June 2007) and the issue in December of 2,318,750 shares A to AB Bankas Snoras.

Other major share conversions from class A to ordinary shares were executed at the request of Mubadala Development Company (420,654 shares) and Mr. J. Mol (1,855,000 shares).

After the year-end 2007, and the amendment of the Company's articles of association on 21 January 2008, an additional 5.8 million shares class A were issued. This issue is clarified in the Management Board's report under the heading "financial results and funding".

	Ordinary shares	Priority shares	Class A shares	Total shares
Issued shares per 1 January 2007	3,801,542	1	2,408,835	6,210,378
Issued in 2007	670,668	0	2,866,430	3,537,098
Converted from class A to ordinary shares	2,690,000	0	-2,690,000	0
Issued shares per 31 December 2007	<b>7,162,210</b>	<b>1</b>	<b>2,585,265</b>	<b>9,747,476</b>
Issued shares 21 January 2008	0	0	5,825,000	5,825,000
Issued shares per 21 January 2008	<b>7,162,210</b>	<b>1</b>	<b>8,410,265</b>	<b>15,572,476</b>

#### Disclosure of major holdings and capital interests

The column below shows the share interests (excluding option rights), which were reported to the Dutch Authority for the Financial Markets ("AFM") per the end of 2006, per the end 2007 and per the date of this annual report:

	03.04.2008	31.12.2007	31.12.2006
AB Bankas Snoras	25-30%	20-25%	-
MerchantBridge Managers Inc.	-	-	5-10%
V.R. Muller*	5-10%	5-10%	15-20%
Mubadala Development Company	20-25%	15-20%	15-20%
J. Mol*	-	15-20%	25-30%
Global Opportunities (GO) Capital Asset Management B.V.	-	-	5-10%

\*Shareholdings via one or more personal holding companies

#### Electronic voting

In 2007, the Company applied the possibility to vote electronically during shareholder meetings. This did not contribute to an increase of the attendance rate.





**Heritage**

**Design**

**Craftsmanship**

**Performance**

**Exclusivity**

**Profile**

Spyker Cars is a public limited liability company incorporated under the laws of the Netherlands with its statutory seat in Zeewolde, the Netherlands. The Company is listed at the Amsterdam stock exchange since 27 May 2004.

Under the Spyker brand the Company operates a GT race team and designs, engineers, manufactures, markets and distributes high-end sports cars and aims to do so in the near future for super sports utility vehicles. The Company pursues brand recognition by engagement in active racing in the international race arena and through marketing of personal luxury items, supporting the overall brand image. The Company's distribution network includes high-end multi franchised dealers and dedicated Spyker dealerships in selected markets.

Spyker Cars is the top-holding company of a group of companies and associates, consisting of:

- Three wholly owned subsidiaries in the Netherlands (Spyker Automobielen B.V., Spyker Squadron B.V. and Spyker Events & Branding B.V. (formerly Spyker F1 Racing Holding B.V.);
- One 100% subsidiary in the United States of America (Spyker of North America, LLC);
- One 100% subsidiary in the United Kingdom (Spyker Cars UK Ltd.);
- A 51% interest in Spyker of China Ltd., established in Hong Kong, Peoples Republic of China; and
- A 45% interest in the associate Tenaci engineering Pvt Ltd. in India.

**Mission statement**

The Management Board's mission, incorporating its ambition and aim for success, is to become a leading and durably successful European sports car and super sports utility car manufacturer in the premium market with a strong brand, and a successful contender in the GT championships.

**Strategy**

The difficult financial situation of the Company in 2007 caused the Management Board to refocus its strategy. Creation of growth could no longer, at least not in the near future, be combined with the operation of a Formula One team. Appropriate management of the business requires focus on a limited model range for which sufficient market demand is expected, combined with stringent cost control, strictly controlled distribution, continuous innovation and consistent investment in marketing and communication. The Management Board believes that it can create growth and build Spyker as an important brand in the premium super sports and super sports utility car industry.

Accordingly, the strategy of the Company focuses on the following objectives:

- To position the Spyker brand as a premium brand for exclusive and hand built sports and super sports utility cars and related products in the premium super sports and super sports utility car market with a high-end distribution network to match;
- To create a distinctive, custom-made, premium product incorporating aviation and racing styling elements derived from the original Spyker brand in the period 1898-1925 in the form of a high-tech package with state-of-the-art underpinnings;
- To prove reliability and quality, and to create credibility and global brand recognition, by engaging in active racing in the international race arena.

## Products

In line with the refocused strategy, management decided in 2007 to concentrate on a limited range of two models: the C-line and D-line.

### *C-line*

The C-line concerns Spyker Cars' premium super sports cars. The C8 Long Wheel Base (LWB), named the C8 Aileron, will complement the current model, the C8 Short Wheel Base (SWB). The Aileron will be taken into production in the second half of 2008. The SWB, however, will remain available. The C-line LWB can be ordered with an automatic gearbox. The C-line comes in a closed version as well as an open version (Spyder).

The C8 models are equipped with an Audi 4.2 litre all-aluminium V8 engine.

The introduction of the C12 LaTurbie and the C12 Zagato has been postponed until further notice.

### *D-line*

The D-line refers to Spyker Cars' Super Sports Utility Vehicle (SSUV), the Peking-to-Paris. To control the development costs of the SSUV, Spyker Cars' strategy is to conclude a supplier partnership. Characteristics of the SSUV are a permanent four-wheel drive, four-door and four-seated sports luxury car, with superior handling and high performance on road driving for daily (urban) use. Its design has been significantly inspired by Spyker Cars' aviation history.

## Racing

The Company – through Spyker Squadron – designs, engineers and manufactures GT endurance race cars that participate in GT endurance races, such as the 24 hours of Le Mans. It is the Company's policy that the race activities have to be self-supporting and financed by race related income.

## History

In 1898 two brothers, Jacobus and Hendrik-Jan Spijker, coachbuilders in Amsterdam, built their first Benz-engined motorcar with which they won immediate acclaim for the craftsmanship of their bodywork. In the same year, Spijker built the famous golden state coach, still in use today, to commemorate the forthcoming coronation of the Dutch queen, Wilhelmina. The business name was changed to Spyker, for easier recognition in foreign markets.

In 1903 Spyker introduced the 60/80 HP. It was the first car with a six-cylinder engine as well as permanent four-wheel drive and four-wheel brakes.

In the period preceding World War I the company started developing and building fighter aircraft.

The slogan still being used today was introduced in 1914: 'Nulla tenaci in via est: for the tenacious no road is impassable'. Along with the slogan came a new logo, featuring a spoke wheel with a horizontal propeller across.

In 1925, the Spyker company ceased trading. The heritage has been passed over to the new Spyker Company and its cars. In October 2000 the first new Spyker, the C8 Spyder, was unveiled at the Birmingham Motor Show. The contemporary cars are hand-built, reminiscent of the traditional Spynkers.

Heritage Design Craftsmanship





# Performance Exclusivity

**Dear shareholders,**

Ernst & Young Accountants have audited the financial statements prepared by the Management Board for the annual report 2007. The auditors discussed their findings on the financial statements with our Board. We concur with the financial statements and recommend to the General Meeting of Shareholders:

- 1 To accordingly adopt the 2007 financial statements;
- 2 To deduct the net result over 2007 from the other reserves;
- 3 Not to pay any dividend.

The supervision of policies and actions of the Management Board is entrusted to us. Major management decisions, including the determination of the annual budget, require our approval. We also supervise the operational and financial targets of the Company, the strategy and the internal risk management and control systems.

**Corporate Governance**

The application by Spyker Cars of the Corporate Governance Code is addressed in a separate chapter on "Corporate Governance" in this Annual Report.

As reported last year, the two permanent Supervisory Board committees, the Audit Committee and the Remuneration & Nomination Committee, started meeting in 2007. It was decided in early 2008 to form a new third committee, the Strategy Committee. Mr. V. Antonov will chair the Strategy Committee.

In the year under review, the Management Board drafted a business plan for Spyker Cars' future strategy without Formula One activities, which was approved by our Board. A part of this business plan addresses new risk management measures and strict control systems, as well as installation of Exact Synergy computer software.

The Financial Statements in this annual report include a paragraph on "Related Parties". In this paragraph, transactions with individual Management Board members and individual Supervisory Board members are reported. No member of the Management Board or Supervisory Board reported a transaction of material significance to the Company and/or relevant Board members, which required the approval of the Supervisory Board. Best practise provisions II.3.2 to II.3.4 inclusive have been complied with, as well as III.6.1 to III.6.3 inclusive.

On one occasion, related to Formula One, a Supervisory Board member had to abstain from voting in view of a potential conflict of interest.

As explained under the heading "Audit" in this chapter, the Dutch Authority for the Financial Markets (AFM) started a procedure with the Enterprise Section of the Amsterdam Court of Appeal (Ondernemingskamer). The AFM commented, among other things, that certain disclosures about corporate governance were not sufficiently and explicitly included in the annual report 2006.

However, the Enterprise Section of the Amsterdam Court of Appeal ruled on 28 December 2007 that there was no need to amend the 2006 annual report in this respect. The AFM has lodged notice of appeal to the Supreme Court regarding Spyker Cars' annual report 2006.

### **Meetings of the Supervisory Board and topics discussed**

2007 was in all aspects a difficult year for the Company. The fact that the Formula One team did not meet the target to operate cash flow neutral had a severe impact on the Company's financial resources. The lack of financial means affected the manufacturing and production process as well as sales. Our Supervisory Board met no less than nineteen times in 2007; the average percentage of members present was 83.5%. Furthermore, two General Meetings of Shareholders of the Company were held: one in April and one in September 2007.

The focus being on the continuity of Spyker Cars, we discussed the Company's future strategy and refinancing options. In addition, studies were made with the assistance of external specialists, which showed the viability of Spyker Cars' automotive business in the market segments it is active in. This resulted in the adoption of a new business plan for the years 2008-2012.

We discussed, without the members of the Management Board being present, the performance of the Management Board and the individual Board members. During the year, we also evaluated the functioning of our Board. Other subjects for discussion regarding the ongoing business of the Company were the decrease in production numbers, and the future production location in view of the intended manufacture of the SSUV. Another point to consider was the US certification requirements with regard to airbags and the new Audi V8 engine.

In the first quarterly update of 2007, it was reported that the Company's fast expansion required additional financing. We approved an equity facility up to € 25 million, agreed with Trafalgar Capital Specialized Investment Fund SICAV ("Trafalgar") for a term of three years. In addition, shareholders' loans were provided to bridge operational cash flow needs. The financial strain remained and ensuing delayed supplier payments triggered critical reports by certain sections of the media, including an unfounded bankruptcy claim. All this resulted in a drop of confidence of shareholders, dealers and suppliers. The sale of the Formula One activities became inevitable. As a consequence, our Board decided to divest the Formula One activities, which was realized in October 2007.

In December 2007, the Company reached agreement with UAB "Snoro turta valdymas", a subsidiary of Bankas Snoras of Vilnius, Lithuania, ("Snoras") resulting in committed funds of € 34.5 million, partly by way of an equity contribution and partly by way of a loan and convertible loan.

The agreement has been implemented in two steps, the first on 21 December 2007 and the second after the Extraordinary General Meeting of Shareholders ("EGMS"), which was held on 21 January 2008. A total of 4,643,750 shares were issued to Snoras, which resulted in a 29.8% share interest in the Company. Furthermore, the priority share was transferred to Snoras.

All amounts under the credit facility with Friesland Bank were repaid and the facility was terminated.

After the refinancing was completed, Spyker Cars started to implement its business plan. The business plan focuses on a limited model range of road cars: the C-line Long Wheel Base (LWB) and the D-line (Peking-to-Paris). However, the C-line SWB will remain available. Furthermore, the

Company will remain active in the international GT race arena and will increase its merchandise activities.

The General Meeting of Shareholders, in its meeting of 19 April 2007, approved our decision to appoint Ernst & Young Accountants as the external auditor for the audit of the financial statements for 2006. Ernst & Young were also appointed to audit the financial statements of 2007.

We approved several share issues in 2007. Under the facility with Trafalgar 670,668 ordinary and 40,000 shares class A were issued in the period April-November 2007. In April, 374,346 shares class A were issued to investment companies of Mr. M.M.J.J. Boekhoorn. In May, Mr. A. Pesci, Spyker Cars' dealer in Switzerland and Milan, Italy, bought 133,334 shares class A. On 21 December 2007, the first part of the transaction with Snoras was executed by the issue of 2,318,750 shares class A.

### **Formula One**

Spyker Cars expanded significantly with the purchase of the Formula One team from Midland F1 Limited. Unfortunately, higher than foreseen expenditures - especially regarding the B-spec car - and less than expected income from television rights and sponsors put great pressure on the short term liquidity position. Unforeseen post acquisition costs made the situation worse. By mid 2007, negotiations started with several interested parties about the sale of the Formula One team. This resulted in final negotiations with a consortium, consisting of Strongwind Investments S.a.r.l., the Luxembourg based investment company of Mr. Jan Mol, and Watson Ltd. owned by Dr. Vijay Mallya. An Extraordinary Meeting of Shareholders was convened on 29 September 2007; the Meeting approved the proposition to sell the Spyker Formula One team. Subsequently, on 5 October 2007, an agreement for the sale was reached with the consortium for a total amount of € 88 million. The sale resulted in a overall (including an operational) loss of € 35.7 million.

### **Audit**

Our Supervisory Board, as proposed by the Audit Committee, adopted the procedural rules for the Audit Committee.

The Committee met four times. Points of discussion were the Company's annual accounts, the risk management and control system, the sales and delivery procedures for cars, the Formula One activities and the budget for development of new car models.

On 29 August 2007, the Dutch Authority for the Financial Markets (AFM) indicated they would start a procedure with the Enterprise Section of the Amsterdam Court of Appeal in order to seek a judicial order to restate the 2006 accounts, claiming the accounts did not comply with the IFRS regulations. The Supervisory Board supported the Management Board's opinion that the figures were carefully drafted and did not need to be restated. One of the alleged restatement matters concerned the provisional purchase price allocation ("PPA") of the Midland F1 acquisition. IFRS allows a provisional PPA, provided the PPA is finalized within twelve months from acquisition. The final PPA, which was published on 10 October 2007, led to a negative change of the operating result of € 3 million. On 28 December 2007, the Enterprise Section of the Amsterdam Court of Appeal confirmed that the Company's 2006 Financial Accounts complied with IFRS, as adopted by the European Union. The € 3 million adjustment has been included in the comparative 2006 figures, incorporated in the 2007 annual accounts.

We concluded that the Company's financial reporting process and the system of internal business

control and risk management need further improvement. The Audit Committee will carefully monitor this function. A description of the Company's risk management can be found in the chapter on Risk Management in this Annual Report.

### **Nomination**

Our Board, as proposed by this Committee, adopted the rules of procedure for the Remuneration & Nomination Committee. The Remuneration & Nomination Committee met once in 2007. On the Committee's agenda was the remuneration of the Management Board members, key positions in the Company's organization and the granting of ESOP option rights.

In May 2007, Mr. O.N. Jaharia, Chief Business Development Officer, informed our Supervisory Board of his resignation per 1 July. We agreed that Mr. R. Borsboom would resign as Chief Financial Officer in the Management Board and take up Mr. Jaharia's position. The vacancy of CFO was fulfilled on an interim basis in conformity with the Committee's recommendation by the appointment per 8 May 2007 of Mr. K. Stuijzand. Mr. Stuijzand is an associate of Boer & Croon Executive Managers and has been interim financial director in various companies.

The turbulent circumstances of Spyker Cars caused Mr. V.R. Muller to request the Supervisory Board to allow him to step down as CEO and focus on design and branding. We decided that Mr. M.J. Mol would temporarily assume the role of CEO in addition to his directorship of Formula One Racing. The change became effective per 21 May 2007.

On 14 August 2007, Spyker Cars made public that Strongwind, the investment company of Mr. Jan Mol, considered submitting a formal purchase offer for the Spyker Formula One team. In view of a possible conflict of interest, Mr. M.J. Mol agreed with the Management Board and Supervisory Board to permanently relinquish his tasks as CEO and temporarily step down as Director of Formula One Racing. This would be for the duration of the negotiations of the sale of the Formula One activities. We requested Mr. J.B.Th. Hugenholtz, vice-chairman of the Supervisory Board, to take up the position of interim CEO. When the Formula One activities were sold to the Strongwind consortium on 5 October 2007, Mr. M.J. Mol resigned as Management Board member of Spyker Cars.

On 21 December 2007, when Spyker Cars reached an agreement with Snoras Bank about an investment in the Company and the appointment of three new Supervisory Board members, Mr. Hugenholtz resigned as interim CEO, resuming his Supervisory Board responsibilities. We re-appointed Mr. V.R. Muller as CEO per 21 December 2007.

Mr. F.J.M. Liebrechts, Mr. S.A. Arab and Mr. A.J. Mulder informed the Company that they would resign as members of the Supervisory Board per 21 January 2008. In conformity with the agreement with Snoras Bank, the Supervisory Board advised to appoint as new members Mr. V. Antonov, a professional banker with general knowledge of East European markets, Mr. D. Apockinas who is experienced in financing and world wide race events, and Mr. M. Bondars, who has knowledge of the financial aspects of the East European Markets and skills in public relations.

The General Meeting of Shareholders appointed Messrs. Antonov, Apockinas and Bondars at the meeting of 21 January 2008.

In order to strengthen management of the Company, our Board - in joint consultation with the Management Board - has decided to recommend to the Annual General Meeting of Shareholders of the Company, scheduled for 17 April 2008, to appoint Mr. A.A. Roukens with immediate effect and Mr. F.J.M. Liebrechts per 1 July 2008 as statutory members of the Management Board, as Chief

Financial Officer and Chief Operating Officer respectively. Furthermore, we have recommended to the Management Board to add a Chief Commercial Officer to the management team. Currently, the management team consists of the Management Board members and Mr. W.K. Kist, Chief Technology Officer.

### **Remuneration**

Spyker Cars' remuneration policy concerns the following principles.

The remuneration of the Management Board members shall be such that qualified and expert managers can be recruited and retained. According to the policy, the remuneration consists of a fixed base salary and a variable long-term incentive. The importance of the variable remuneration component is to strengthen the Management Board members' commitment to the Company and its objectives. The variable part consists of option rights.

In the beginning of the year under review, as advised by the Remuneration & Nomination Committee, we decided to have the remuneration policy of Spyker Cars reviewed and benchmarked to our peers from the industry. As the year progressed, we decided to postpone these initiatives.

The full remuneration report can be found in a separate chapter in this Annual Report.

### **Composition of the Supervisory Board**

The refocused strategy and the increasing importance of new markets have caused our Supervisory Board to amend its composition and pay more attention to the recently defined target markets.

The required expertise concerns the following fields: finance, know-how on production and assembly processes, marketing, regional markets, including the Middle East market as well as the European market, and expertise on financing and sponsoring of worldwide race events.

In 2008, the Board decided to create a Strategy Committee.

Supervisory Board members retire periodically in accordance with a rotation plan drawn up by our Board, which was last amended in January 2008. Each Supervisory Board member who retires may be re-appointed. The rotation plan is placed on the site [www.spykercars.com](http://www.spykercars.com) under the heading "investors". In 2004, the General Meeting determined the remuneration of the Supervisory Board members.

Zeewolde, 3 April 2008

**J.H.M. Lindenbergh, chairman**

**J.B.Th. Hugenholtz, vice-chairman**

**M. La Noce**

**V. Antonov**

**D. Apockinas**

**M. Bondars**



Current composition committees:

**Remuneration & Nomination Committee**

Dmitrijus Apockinas (chairman)

Vladimir Antonov

Hessel Lindenberg

**Audit Committee**

Hans Hugenholtz (chairman)

Maurizio la Noce

Martins Bondars

Hessel Lindenberg

**Strategy Committee**

Vladimir Antonov, (chairman)

Hans Hugenholtz

Maurizio la Noce

Hessel Lindenberg

**2007: the most difficult year since Spyker Cars' rebirth in 2000**

Spyker Cars started 2007 as manufacturer of premium sports cars as well as operator of a Formula One and a GT2 race team. Since the date of Spyker's rebirth in 2000, the Company expanded significantly year on year. Several models were launched, a GT2 race division, Spyker Squadron, was formed in 2003, stock exchange requirements had to be complied with since its listing in 2004, sales increased, the dealer network grew and in 2006 the Midland Formula One team was acquired. During 2006, the group's workforce grew from 77 full time equivalent employees (FTEs) to no less than 417 FTEs per year-end. This increase came primarily from the Midland acquisition.

In 2007, the Company started to suffer from growing pains. Aiming for a cash flow neutral operation of the race activities, the Formula One revenues had to cover all costs, including the post acquisition costs and the first deferred purchase price instalment of USD 15 million, due in September 2007. Furthermore, substantial amounts had to be invested to finance the envisaged production growth of the road car division and the development of new models.

The situation deteriorated in the second quarter. Development expenditures for the Formula One B-spec car were higher, and income from television rights and sponsors lower than budgeted for. Spyker Cars had to provide a current account loan in the amount of € 7 million to Spyker F1 Racing Holding B.V. Spyker Squadron started to generate a loss due to lower sponsor income, as sponsors moved to the Formula One team. The tight cash flow situation and ensuing delayed payments to suppliers caused certain media to publish negative press reports. As a result, suppliers terminated supplier credits and refused to deliver parts and components. In reaction to this, road car production fell steeply. The order level for new cars dropped due to lack of confidence of dealers and customers. Spyker Cars' share price dropped dramatically in Q2 from € 18.45 to € 8.96 per the end of June, making it undesirable to attract new capital by issuing shares.

The Company took several measures to counter the adverse circumstances. It concluded a € 25 million equity facility with Trafalgar Capital Specialized Investments Fund SICAV ("Trafalgar") and a consultancy firm was appointed to complete a strategic review. Several operational and strategic experts in the automotive market were consulted. The management team was strengthened with an interim CFO. Furthermore, Spyker Cars actively pursued negotiations with parties, linked to the planned recapitalization and refinancing of the business, including a scenario to sell the Formula One activities. Having received a positive report from a consultancy firm on the viability of Spyker Cars' road car division, the Management Board drafted a business plan for the Company's future strategy.

On 29 August, 2007 the Netherlands Authority for the Financial Market (AFM) announced that they would start a procedure with the Enterprise Section of the Amsterdam Court of Appeal (Ondernemingskamer) to seek a judicial order to restate the 2006 accounts. Spyker Cars reported a net loss of € 29.9 million over the first half year 2007.

On 5 October 2007, the Company concluded an agreement to sell its Formula One team for € 88 million. The team was sold to a consortium formed by mr. Jan Mol and Dr. Vijay Mallya. In doing so,

the Company closed a turbulent time and returned to its core activity. A business plan, concerning the positioning of Spyker Cars in the years 2008-2012, was adopted. According to this plan, the focus will be on production of a limited model range of road cars, on GT racing and on an increase of the merchandising activities.

In the last quarter of 2007, the Company started to rise from its ashes. It concluded an investment agreement of € 34.5 million with UAB "SNORO turto valdymas", a wholly owned subsidiary of Snoras Bank of Vilnius, Lithuania ("Snoras"), executed partly on 21 December 2007 and partly on 21 January 2008. Post closing, Snoras holds a 29.8% share interest in the Company in the form of shares class A and the priority share. The bank supports Spyker Cars' future business plan. As a result of the net cash contribution of € 34.5, the Company now finds itself in a much healthier liquidity and solvency position.

The Enterprise Section of the Amsterdam Court of Appeal ruled on 28 December 2007 that the 2006 financial accounts did not need to be restated and that they reflected a true and fair representation in accordance with IFRS. The AFM has lodged a notice of appeal with the Supreme Court (Hoge Raad) regarding Spyker Cars' annual report 2006.

The developments in 2007 are described in more detail hereunder.

### **Global automotive market in premium sports and sports utility car segment**

Spyker Cars' main target is to establish itself as a brand among the manufacturers of premium sports and sports utility cars and seize the opportunities in this market segment.

Several market studies, executed during 2007, concluded that the market for premium sports cars, although a niche market, shows excellent growth opportunities. Emerging markets, such as Russia, mainly drive the increasing demand for super sports cars, although there is a persistent strong demand in western markets. The existing ultra luxury car segment is dominated by North America and Europe, accounting for approximately 85% of global sales. Especially in North America, the Company is well covered by its dealer network.

Spyker Cars is positioned at the highest end (ultra luxury) of the premium sports car segment, characterized by high prices, customization to a high extent and limited production. Spyker's targeted market position is to move towards the super luxury class segment, characterized by higher sales volumes.

The target customers of premium sports cars are high net worth individuals ("HNWIs"). The number of HNWIs as well as the volume of their wealth is expected to grow significantly over the next years. Although growing, the premium sports car market offers its challenges. Premium consumer goods sectors are subject to volatility in demand corresponding to economic cycles. Also, market trends play an increasing role. Life cycles of cars shorten, there is an increasing awareness of environmental implications and the impact of new technologies rises.

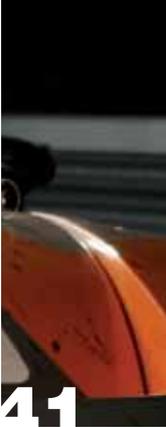
Spyker Cars recognises and faces these challenges. It has reduced the offer of its number of car models in order to focus on limited production and timely innovation. In view hereof, the Management Board decided not to take models with 12 cylinder engines into production until further notice. Among direct competitors to Spyker's cars, automatic gearboxes are favoured to a manual gearbox. The successor to the current models, the long wheel base (LWB) C8 Aileron, which will be taken into production in the second half of 2008, will be offered with an automatic gearbox. Spyker Cars currently offers lease programs to meet an increasing customer demand for leased cars.

Furthermore, Spyker Cars has anticipated the potential of the luxury SUV segment and produced a concept of a Super Sports Utility Vehicle ("SSUV") in February 2006. Studies have shown that the luxury SUV market segment has grown rapidly, driven by the introduction of successful models. Given this trend, the Management Board is convinced that it can capture an attractive market share within this segment. The focus of Spyker Cars is aimed at the high-end of this SUV market. Contrary to the luxury sports car audience, the SSUV will be a driver's rather than a collector's car.

### **Branding and marketing**

Since its start in 2000, the Company has consistently focussed on the five main values of the Spyker brand: heritage, design, craftsmanship, performance and exclusivity. Being convinced that future growth of the company would require further establishment of the Spyker brand on a worldwide scale, the Management Board decided to acquire the Midland Formula One team in September 2006. Although Formula One is probably unparalleled as a marketing tool in view of its worldwide visibility and exposure, the team had to be divested one year later for financial reasons.





GT participation in professional motor sport events remains important for the Spyker brand because of the direct impact it has on its road cars being accepted as high performance sports cars. The five Spyker brand values do not only apply to the manufacturing of products, but also to the way the cars are presented to the market through high profile events and the selection of premium dealers.

Spyker cars are marketed via face-to-face presentations at high profile events, including selected motor shows, concourses d'elegance, GT endurance racing events and Formula One Grand Prix races. During 2007, Spyker Cars attended motor show exhibitions in Geneva, London, Amsterdam, New York, Kuwait and Los Angeles.

The Company participated at the Goodwood Festival of Speed (UK), Salon Privé (London, UK), the Concourses d'Elegance of West Palm Beach (USA), Amelia Island (USA) and Pebble Beach (USA), and was represented at the Fort Lauderdale Boat Show.

### **Investment policy**

The financial developments in 2007 required the Company to reconsider its investment strategy. The policy, as determined in Spyker Cars' business plan 2008-2012, focuses on a limited model range of two new models for the years to come. The two models are the C8 Aileron (C-line LWB) and the SSUV Peking-to-Paris (D-line). The C-line will be built in two versions, coupe and convertible. The C-line LWB shares most of its technology with the current C8 SWB, enabling an efficient production start. Investments will be concentrated on an upgrade of the car and reduction of costs of goods sold. The C-line will be further modified according to various international standards and new technological developments.

With regard to the D-line, management aims to build a stylish, robust everyday usable car that carries the latest technology.

To keep engineering costs as low as possible, Spyker currently investigates technology partnerships, both for the C and D-line.

It is the Company's policy that development costs in racing as well as race expenses have to be financed by Spyker Squadron B.V. on a stand-alone basis.

### **Product development and research**

Manufacturing cars requires ongoing research and development. Spyker Cars' engineering department constantly monitors certification rules and regulations. Knowing future certification changes enables the Company to confirm the feasibility of the product launched across the planned product life cycle. The EU and USA type approval regulations are benchmarks for worldwide certification criteria. Spyker Cars cooperates with several certification partners.

In 2007, the Company's decision to take part in an engineering centre in Gurgaon in the state of Haryana, India was signed. Tenaci Engineering Pvt. Ltd. was founded in which Spyker Cars has a 45% interest. Through Tenaci Engineering, Spyker Cars expects to expand its research & development capacities.

### **Financial results and funding**

2007 was a very difficult year for the Company. The operation of the Formula One activities had a vast impact on the Company's financial resources.

Total revenues declined from €19.7 million in 2006 to € 5.1 million in 2007, while the negative operating result fell from – € 3.6 million to – € 29.7 million. In 2007, 26 cars were produced, 68 cars less than in 2006. These developments resulted in a net loss of € 72.1 million, compared to a net loss of € 1.3 million in 2006. The balance sheet total decreased from € 186 million at year-end 2006 to € 68 million at year-end 2007.

During the year under review, the Company was under strong pressure to refinance and recapitalize its operations. In March 2007, the Company entered into an equity facility agreement with Trafalgar. On the basis of this Agreement, Trafalgar is committed to purchase up to € 25 million common stock of the Company for a three year period, if and when requested by the Company. Up until the end of 2007, the Company called on € 4.75 million under the Trafalgar facility.

During 2007, some major shareholders of the Company provided funding in the aggregate amount of € 31.3 million. This amount is divided as follows:

Shareholder loans	€ Millions
Strongwind Investments (settled in October 2007)	17.3
Mubadala Development Company	10.0
Investeringsmaatschappij Helvetia	3.0
Milestone Beheer	1.0
Total	<u>31.3</u>

The loans had an interest rate of 10% per annum and a final maturity date of 31 December 2007. As security for the loans, Spyker Cars granted a pledge on its shares in Spyker F1 Racing Holding B.V. In October 2007, the Company sold its Formula One team to a consortium of Strongwind Investments S.a.r.l. and Watson Ltd. It had become clear that the Company could not sustain the losses incurred in the Formula One division and at the same time maintain the investments required to grow and develop the road car division. The Formula One team has been sold for a gross sales price of € 88 million. From this amount the following payments were made:

	€ Millions
Midland (deferred purchase price)	26.8
ABN-AMRO (current account)	13.5
Strongwind (loans)	17.3
Net Creditors F1 – estimate	10.1
Friesland Bank (reduction credit line)	5.0
Remainder	15.3
Total	<u>88.0</u>

Though a final agreement on the sale of the Formula One team with Orange India Holdings was reached, a number of minor financial issues relating to the sale are still outstanding. The so-called completion accounts still have to be settled per the date of this Annual Report.

In December 2007, the Company reached an agreement with Snoras for the refinancing and recapitalization of its operations. This transaction was accomplished in two steps:

On 21 December 2007, Snoras provided a loan to the Company in the amount of € 6.3 million. The loan has an interest rate of 6 months LIBOR plus 200 basis points and a final maturity date of 21 December 2010. Part of this loan was used to redeem the Friesland Bank ("FB") credit line.

As collateral for the loan of € 6.3 million, the Company, Spyker Automobielen B.V., Spyker Squadron B.V. and Spyker F1 Racing Holding B.V. (currently Spyker Events & Branding B.V.) provided Snoras with the same security package FB had obtained: domain names, intellectual property rights, receivables, including intragroup receivables, stock, work in progress, inventory, fixtures and fittings, intangible assets, financially leased vehicles, current account and moveable assets and a mortgage regarding Edisonweg 16, Zeewolde. The Company pledged its shares in Spyker Automobielen B.V., Spyker Squadron B.V., Spyker F1 Racing Holding B.V. (currently Spyker Events & Branding B.V.), Spyker Cars UK Ltd. and Spyker of North America, LLC.

Furthermore, 2,318,750 shares class A were issued to Snoras for a price of € 4.00 each (total amount € 9,275,000) and Snoras acquired the priority share. Mr. V.R. Muller was re-appointed as CEO of the Company.

On 21 January 2008, Snoras granted the Company a 7% convertible loan in the amount of € 9.6 million. This loan may be converted, in whole or in part, into 2,390,000 shares at a price of € 4.00 each at any time during its 3 year term. A second portion of 2,325,000 shares class A was issued for a price of € 4.00 each, resulting in a capital contribution of € 9.3 million. Three shareholder loans amounting to a total of € 14 million were converted into shares A at a conversion price of € 4.00 each. Consequently, Mubadala Development Company received 2.5 million shares class A, Investeringsmaatschappij Helvetia 750,000 shares class A and Milestone Beheer 250,000 shares class A. In the course of 2007, a total of 3,537,098 shares were issued as a result of which the Company's equity increased by € 15.3 million. No employee options were exercised in 2007.

### **Production**

In its press release of 25 January 2008, Spyker Cars explained how "production, orders and sales" are defined. Production is the number of individual cars the Company has produced in a certain period of time and includes the number of cars that are so-called "rebuilt". For instance, a crash car can be used several times for tests if it is rebuilt after every crash test. Also, prototypes, engineering, pre-production and endurance test vehicles are produced, but not sold, cars.

The number of produced cars was disappointingly low in 2007: 17 in the first half-year and 9 in the second. In the first quarter, the decrease in production was partly caused by necessary modifications of the chassis tooling and certification procedures for the new Audi chain driven V8 engine.

As from the second quarter, the massive negative publicity led to termination by suppliers of their suppliers credit and manufacturing dropped to a heavily reduced level.

The Company succeeded in a refinancing of its business in December 2007. However, the lead-time

on some crucial parts and components may be up to four months, which still affected the production process in the first quarter of 2008.

It was decided to postpone the production of the C12 LaTurbie and the C12 Zagato; the latter car was unveiled at the Geneva Motor Show in March 2007.

#### Car production in 2007

Production output	26
Rebuilds	-8
New cars produced	18
Stock at 1 January	29
Purchased cars	15
External sales of cars	-21
Development cars	-8
Racing cars	-2
Stock at 31 December	31

#### **Orders received**

Spyker vehicles are predominantly ordered by dealers, who are all independent third parties.

In those regions in the world, where no Spyker dealer has been appointed, consumers may order a Spyker vehicle at the factory directly. In view of Spyker Cars' increasing dealer network, the order book has shifted from orders mainly from consumers to orders mainly from dealers.

The negative developments in 2007 caused some dealers to cancel their contract. The Company decided to repay deposits to these dealers on commercial not legal grounds. Cancelled orders from consumers were also honoured on commercial grounds.

In 2007, 21 cars were sold compared to 74 cars in 2006.

#### **Suppliers**

The Company has a wide range of suppliers, varying from minor to key suppliers. A Spyker car is built from approximately 1,100 purchased components, which are delivered from all over the world.

Spyker Cars' key suppliers are the Volkswagen/Audi Group for engines, and both Wilhelm Karmann GmbH ("Karmann") and Coventry Prototype Panels Ltd. ("CPP") for the bodies and chassis. Karmann mainly supplies bodies and chassis for the Spyker C8 SWB, whereas CPP builds the chassis for the concept and pre-production car models. Other suppliers are Heggemann Aerospace AG in Germany for the supply of the fuel system and Rimstock Ltd. in the UK for the supply of the aluminium Aeroblade wheels.

#### **Dealer network**

Spyker Cars distributes cars directly from the factory, through dedicated Spyker dealers and through an increasing number of high-end dealers in designated markets. Dealers are usually multi-brand distributors with a customer base similar to the Spyker target client group. This group of customers drives Rolls-Royce, Bentley, Ferrari, Lamborghini and Aston Martin motor cars.

In 2007, newly appointed dealers are located in the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Seattle (USA), and Singapore.



### Racing

Spyker Cars' strategy (see "Strategy" on page 14) includes engagement in active racing. The Management Board is convinced that active racing in the international race arena supports reliability and quality of the street cars and creates credibility and brand recognition. According to the Management Board, it is necessary to create a large aspirational group with a wide interest in the Spyker brand, in order to achieve a steady growth of the sales volume. The aspirational group exists of people who are interested in the Spyker brand, but does not yet form a purchasing group. The Company endeavours to have the racing activities financed on a stand-alone basis by racing related revenues. The GT activities fall under Spyker Squadron B.V., which is a 100% subsidiary of Spyker Cars.

In 2008, Spyker Squadron will participate in the Le Mans Series and the 24-hours of Le Mans with two newly built C8 Laviolette GT2-Rs. The Laviolette GT2-R replaces the successful Spyker C8 Spyder GT2R, the first Spyker that earned podium positions. The new Laviolette has been built from scratch on a much stiffer, aluminium space frame with better aerodynamic qualities. Based on the team's knowledge and experience with the previous C8, numerous components have been improved. The car is an excellent platform to continuously develop and improve pace to reach the ultimate goal: a podium position in Le Mans. The C8 Laviolette GT2-Rs will have a new livery with the blue and yellow colours of the team's title sponsor SNORAS Bank AB. Other important partners for the 2008 season are Speedy Racing from Switzerland and JSC Latvijas Krajbanka. Spyker Squadron will participate in the 2008 races under the team name "Snoras Spyker Squadron".

In 2007, Spyker Squadron was again competitive in the GT2 category of sports car racing. During the 12-hours of Sebring the team finished in 10th position. The 1,000 km of Silverstone in September 2007 ended in a third place. During the last race of the season in Mil Milhas, Brazil, the team ended in 4th position. Regretfully, both cars retired in the 24-hours of Le Mans. For 2008, two Spyker C8 Laviolette GT2-Rs received an entry for the 24- hours of Le Mans.

In October 2007, the Company sold its Formula One team to Orange India Holdings S.a.r.l. The decision to leave the Formula One arena was taken after it had become clear that the Company could not sustain the losses incurred in the Formula One division and simultaneously maintain the investments needed to grow and develop the road car division. However, in 2007 the team made progress with the development of its car, which resulted in the introduction of the B-Spec in September 2007. On 30 September 2007 the team claimed a Formula One Championship point with the 8th place of Adrian Sutil in the Japan Grand Prix.

### **Merchandise, accessories & market supporting activities**

Before acquiring the Formula One team in September 2006, the Company had set up an extensive line of licensed products, ranging from watches (Chronoswiss) and bikes (Koga Myata) to casual sportswear with McGregor, based on the Le Mans 24 hours series of the Squadron racing team. After the acquisition, McGregor added a Spyker Formula One line to the Spyker apparel collection, which sold very well during 2007. Spyker signed a contract with Quick for Spyker F1 sport shoes. In 2007, at the occasion of the Amsterdam RAI auto show, Spyker integrated a shop within its stand for the first time. The Spyker-McGregor sportswear and Spyker-Quick sports shoes lines will be continued in 2008. The motion picture "War" which features a Spyker C8 Spyder alongside actors Jet Li and Jason Statham, was launched in August in the USA.

In 2007, revenues from the merchandising activities increased with € 164,000 to € 454,000.

Expansion of the merchandising activities remains one of the goals of the Company, and is part of its business plan.

Early 2008, the Company concluded a trademark license agreement with Connect4 B.V. for the promotion, marketing and sales of mobile telephony products and multi media products. It goes without saying that the design and style of the Spyker merchandise will have to match the Spyker overall brand image. The elegant design of the new mobile phones meets these requirements. The name of Spyker Cars' subsidiary Spyker F1 Racing Holding B.V. was amended and its articles of association changed into Spyker Events & Branding B.V. per 8 February 2008. As from this date, the license and other merchandising activities will be channelled through this company.

### **Human resources**

The year under review was characterized by an increase of Spyker Cars' workforce at the beginning of 2007. Due to a slow down of the business activities later in the year, the workforce was adjusted through natural attrition and by not prolonging temporary employment contracts, especially in the production area.

This resulted in the following headcount numbers expressed in full time equivalents (FTEs) at year-end.

	<b>31.12.2007</b>	<b>31.12.2006</b>
Spyker Cars N.V.	22	30
Spyker Automobielen B.V.	82	129
Spyker Squadron B.V.	13	13
Spyker F1 Racing Holding B.V.	0	3
Spyker F1 Team Ltd.	<u>0</u>	<u>242</u>
	<u>117</u>	<u>417</u>

As a result of the sale of the Formula One team per 5 October 2007 the number of employees has dropped significantly. Sickness rate over 2007 was low for all entities, for Spyker Cars 2.4%, Spyker Automobielen 3.4% and Spyker Squadron 2.1%.

### **Legal proceedings**

On 29 August 2007, the Dutch Authority for the Financial Markets ("AFM") indicated to Spyker that it had doubts as to whether Spyker Car's 2006 financial statements comply with the relevant regulations (i.e. IFRS as adopted by the European Union). The AFM started a procedure with the Enterprise Section of the Court of Appeal (Ondernemingskamer) ex clause 447 book 2 of the Dutch Civil Code, seeking a judicial order to restate the 2006 accounts.

The AFM believed the 2006 financial statements would need to be restated in respect of the following matters:

- Recognition of deferred tax assets;
- Purchase Price Allocation (PPA) of the acquisition of Midland F1 Ltd., in particular the valuation of a conditional payment contract and a Midland sponsor contract;
- Certain disclosures in the explanatory notes to the financial accounts.

On 28 December 2007, the Enterprise Section of the Court of Appeal ruled on all matters in favour of the Company. As a consequence, the Company did not have to restate its 2006 financial accounts. With regard to the recognition of deferred tax assets, the Enterprise Section of the Court of Appeal ruled that the supporting materials used by the Company could be regarded as convincing evidence, which is sufficient to include the deferred tax asset in the 2006 financial statements. In addition, the nature of the evidence is sufficiently clarified in the 2006 financial statements. The Enterprise Section of the Court of Appeal concluded that there is no reason to believe that Spyker Cars should have anticipated, at the time of the publication of the financial statements or at the time of the adoption of the financial statements, that the future prospects of the Company for 2007, and the following years, would change negatively in such manner that the deferred tax asset could not be included in the 2006 financial statements or not for the amount as included in the financial statements 2006.

According to a conditional payment contract, Midland F1 Ltd. was entitled to certain payments conditional on race performance. Spyker valued this contract at nil because it did not expect to receive any payments. The Enterprise Section of the Court of Appeal ruled that Spyker Car's valuation of the conditional payment contract was not in conflict with the applicable IFRS rules. The Enterprise Section stated that the Company provided sufficient insight to investors to come to a well-considered judgement according to the IFRS rules. Furthermore, the Enterprise Section of the Court of Appeal ruled that the sponsorship agreement and the purchase agreement for the shares in Midland F1 could be treated separately and that there is reason to believe that there is no "cross" subsidization in this regard. The 2006 financial accounts clearly indicate that the sponsor revenues are based on "management's best estimate of fair values" and that a final PPA can result in amendments of the 2006 result. The Enterprise Section judged that the Company provided sufficient insight to investors to come to a well-considered judgement according to the IFRS rules.

With regard to disclosures in the explanatory notes to the financial accounts, the Enterprise Section of the Court of Appeal ruled that Spyker Cars does not need to amend its financial statements in this regard, since the deviations from IFRS rules are not material.

The matter of the PPA is further explained hereunder. IFRS requires that at the time of an acquisition, the purchase price must be allocated to the various assets acquired. Such allocation can only be done after those assets are separately valued. IFRS recognises that at the time of the acquisition, the acquiring company is limited in its ability to perform a full-blown valuation, and therefore allows to include a provisional purchase price allocation, provided the company performs the final allocation within 12 months. On the Midland F1 acquisition, the Company has made a provisional purchase price allocation in its 2006 financial statements. The provisional values used in the 2006 financial accounts were, amongst others, based upon the preliminary findings of an external valuator at the time the accounts were drawn up.

In its judgement of 28 December 2007, the Enterprise Section of the Court of Appeal ruled that Spyker Cars was entitled to include a provisional purchase price allocation in the financial statements 2006 with regard to the acquisition of Midland F1.

The Company instructed Duff & Phelps to conduct a final PPA. On 10 October, the Management Board and the Supervisory Board adopted a final PPA that showed a number of differences compared to the provisional PPA as incorporated in the financial statements 2006. The differences, leading to a negative change in operating result of € 3 million, are included in the comparative 2006 figures.

### **Control systems and processes**

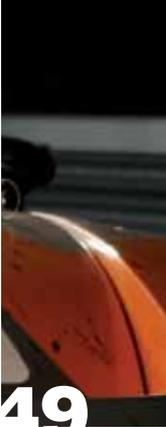
The Management Board, at the time having concluded that the administrative organization and internal control systems did not keep pace with the rapid growth of the Company, initiated various plans to improve the organization, including the replacement of information systems. However, the unforeseen developments as from the second quarter of 2007 delayed the implementation of the measures to improve the situation. Currently, with amongst others the appointments of a new CFO and COO in place and the implementation of Exact software underway, the required structural improvements of systems and procedures will be made during 2008. A full description of risk management can be found in the chapter "Risk Management" in this annual report.

### **Recent Events**

As previously mentioned in this annual report, the second part of the transaction with Snoras was executed in 2008. On 21 January 2008, an Extraordinary Meeting of Shareholders was convened. The meeting approved an amendment of the Company's articles of association, by which the authorized share capital was increased from sixteen million shares to forty four million shares. The same day, 2,325,000 shares class A were issued to Snoras, leading to a 29.8% share interest of Snoras.

On March 4, 2008 Spyker Cars unveiled its C-line LWB – christened C8 Aileron - at the Salon de l'Automobiles in Geneva.

In order to strengthen management of the Company, the Management Board and the Audit Committee members of the Supervisory Board had several interviews with candidates for the functions of Chief Financial Officer and Chief Operating Officer. Recently, agreements have been reached with two experienced candidates. Mr. A.A. (Lex) Roukens, the proposed CFO, has a wide range of expertise in financial risk management, treasury, corporate finance and financial



instruments and structures, gained in various management functions on both the banking and business side. Mr. F.J.M. (Frans) Liebregts, the proposed COO, sat on the Supervisory Board for almost four years; he has specific knowledge of the automotive industry. Mr. Liebregts agreed to join the Company upon his retirement with Cogent-Power Ltd. It will be proposed to the annual general meeting of shareholders of the Company, scheduled for 17 April 2008, to appoint Mr. A.A. Roukens with immediate effect and Mr. Liebregts per 1 July 2008 as statutory members of the Management Board for a period of four years.

### **Outlook for 2008**

For 2008 the Company expects a return to normal business conditions, now that the Company has successfully been capitalized. As a result the Company expects a significant increase of the total car production in 2008 compared to 2007. The Spyker C8 Aileron, with optional automatic gearbox, will go into production in the second half of 2008 and the Spyker D8 Peking-to-Paris in 2009. The factory GT race team will continue to compete in the Le Mans Series, as well as in the 24-hours of Le Mans. A strong emphasis will be placed on the expansion of the global dealer network, in order to prepare for the distribution of the C8 Aileron and the D8 Peking-to-Paris.

Another point of interest is the strengthening of the management at all levels within the Company. It is expected that the number of employees will rise gradually during the course of the year to cope with higher production output. In view of a number of factors and uncertainties, the Company does not provide any statements in respect of its 2008 results at this time.

Zeewolde, 3 April 2008

Spyker Cars N.V.

The Management Board:

**Victor R. Muller, Chief Executive Officer**

**Klaas Stuijtzand, interim Chief Financial Officer**

**Richard Borsboom, Chief Business Development**

This section presents an overview of Spyker Cars' approach to risk management, business control and a description of the nature and the extent of its exposure to risks.

The Management Board observed that Dutch listed companies asked the Corporate Governance Monitoring Committee (the "Committee") for more guidance on measures that management boards should introduce in order to obtain sufficient substantiation for the statements by the management, prescribed in provision II.1.4. (This provision is explained under the heading "Corporate Governance"). The Committee produced good practice recommendations in its first report of December 2005. In its third report of December 2007, the Committee made a number of recommendations for describing the risk profile and the internal risk management and control system.

The Committee distinguishes five areas of risk: strategic, operational, financial, compliance on legislation and regulations and financial reporting risks. In its risk profile, a company has to describe the risks related to its industrial sector and has to identify its main risks in all five categories. Furthermore, companies have to explain the set up of their internal risk management control system and how this system is integrated in the organization. The required management declaration that the risks are in control, only relates to the financial reporting risks.

Discussion of risk management and control was on the Audit Committee's agenda in January and February 2007.

In the course of 2007, the Management Board drafted a business plan on Spyker Cars' strategy for the years 2008-2012. An important chapter of this business plan is dedicated to external and internal risk assessment and measures to be taken to decrease risks. Key performance indicators (KPI's) were formulated for product development and the Company's operations. The implementation of the measures to be taken, especially the new management information system (MIS), was started in 2007 and will be finalized in 2008.

The different risk categories related to Spyker Cars' business are explained hereunder. This risk overview is not exhaustive. It should be noted that some risks may not yet be known to Spyker Cars or may currently not be believed to be material, but at a later date could potentially turn out to have a major impact on the Company's business.

### **Risks related to Spyker Cars' industrial sector**

*The premium sports car and sports utility car market is sensitive to adverse economic conditions, consumer sentiment and limited demand.*

The markets in which Spyker Cars operates or competes, have been subject to considerable volatility in demand corresponding to cycles in the overall business and economic environment in general and in the automotive and high-end consumer goods sectors in particular. Since the Company distributes and intends to further distribute its products internationally, a significant decline in the general economy or in consumer sentiment in Europe, North America, Middle East and Asia could have a material adverse effect on the Company. There can be no assurance as to the future performance of



the high-end sports and sports utility car industry or the timing or severity of changes in economic conditions, for instance as a result of a terrorist attack, affecting the high-end car industry. The demand for high-end cars is limited in comparison to the worldwide vehicle market and may affect the prices Spyker Cars can demand for its products and the Company's sales volume. In this competitive environment the Spyker brand positioning is linked to the design and quality of its products, its brand image and reputation.

The Company is well aware of these challenges and actively pursues its strategy, focused on the positioning of Spyker as a premium brand and a product of high quality. However, there can be no assurance that Spyker Cars is or will continue to position itself successfully in these market segments. Failure to do so could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

*Increased safety, environmental, emission or other regulations resulting in higher costs.*

The automotive industry is subject to extensive and significant governmental and legal regulations worldwide. Laws in various jurisdictions regulate numerous aspects of the Company's business, including but not limited to employment, relations with dealers, the protection of consumers, automobile design, licensing, import, engineering and performance, occupant safety and the environmental impact of vehicles, including emission levels, fuel economy and noise. In addition, regulations affect the levels of pollutants or waste products generated by the facilities where the Company's production takes place. All of these regulations affecting the Company are subject to change, often making them more restrictive.

In the United States and Europe, for example, governmental regulations have arisen primarily out of concern for the environment, for greater vehicle safety and for improved fuel economy. These regulations are subject to change, usually making them more restrictive. The costs of complying with these requirements can be substantial. Also the Company cannot assure that its compliance with the regulations will not be challenged. There is risk of environmental or safety liability inherent to the Company's business and there can be no assurance that material environmental, emission level, safety or other requirements will not arise in the future. Various legal actions, governmental investigations and proceedings and claims may be instituted or asserted in the future against Spyker Cars, including those arising out of, inter alia, alleged defects in Spyker Cars' products and governmental regulations covering safety, emission level, and fuel economy. Such potential liabilities, future governmental requirements or legal actions, governmental investigations and proceedings or claims could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

**Strategic risks**

*Limited production capacity*

Spyker Cars' capacity to produce cars, as a small independent manufacturer, is limited and will remain so in the foreseeable future. Spyker Cars has to focus on a restricted model range.

The Company's future growth and results of operations will depend on Spyker Cars successfully increasing its production capacity with a limited model range. Spyker Cars' inability to fulfil customer's demand with a limited model range could have a material adverse effect on Spyker Cars'

business, financial condition and/or results of operations.

Spyker Cars acknowledges it cannot simultaneously develop multiple models with a restricted budget. With the help of consultants it has investigated the customer target groups and consequently has decided on its model range.

*Spyker Cars' profitability is dependent upon the successful introduction of new products and anticipation of changing consumer preferences*

Spyker Cars' long-term growth and profitability depends upon its ability to successfully introduce and market new products, to define product and fashion trends as well as anticipating and responding to changing consumer preferences and market trends. The success of Spyker Cars' product development is crucial to meet and exceed customer demand for new innovative products. An inability by the Company to introduce new innovative products in a timely fashion or any sustained failure to identify and respond to such trends could result in significant excess inventories for some products and missed opportunities with others. It could also have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars' market research & development department is specialized in market analyses of consumer preferences and product specifications offered by its competitors. It has observed the growing market demand for an automatic or an automated manual transmission, which is delivered by its direct competitors. By introducing the automatic gearbox in the long wheel base version of the C-line and various lease financing arrangements, Spyker Cars believes it can significantly increase its markets potential.

### **Operational risks**

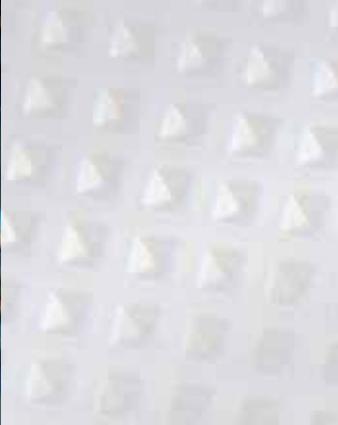
*Spyker Cars relies on external single-source suppliers*

Although the Company is intensively involved in all aspects of the design and manufacture of its products, it does not control all of the manufacturing facilities used. Therefore, the Company is dependent upon independent third parties for the production of key parts and components and the assembly of certain products. Spyker Cars purchases raw materials, parts and components from many independent third party suppliers and relies upon several suppliers for a substantial number of components for its products.

Single-source suppliers, such as Wilhelm Karmann GmbH, Coventry Prototype Panels Ltd. and the Volkswagen/Audi Group, fill some of Spyker Cars' requirements for raw materials and supplies.

Spyker Cars' ability to continue to obtain these supplies in an efficient and cost-effective manner is subject to a number of factors, some of which are not within Spyker Cars' control. The impact of an interruption in supply will vary by part or component. Some parts are generic to the industry while others are of a proprietary design requiring unique tooling, which would require time and resources to recreate. The inability of a supplier to deliver or to timely deliver could have an adverse effect on production and consequently could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars' product development department constantly monitors its supply chain, which currently exists of 150 different suppliers. Alternatives for crucial suppliers are investigated and the choice for the preferred supply chain is based on costs, quality and added value of possible partners.



*To control costs Spyker Cars has to conclude technology and engineering alliances for each of its models*

Both for the C-line and the D-line, the Company needs to enter into technology and engineering partnerships in order to have access to the necessary technology at acceptable costs. A small vehicle manufacturer has limited options to reduce production costs, whereas big manufacturers can have profitable margins while having extensive research, overhead and production automation costs. If Spyker Cars fails to conclude such alliances, this may have a material adverse effect on the business, financial condition and/or results of operations.

For each new model, Spyker Cars thoroughly conducts a feasibility study to optimize supply chain management. Such study identifies the added value the Company can offer for a partner and the available scenarios, including the risks. Before a partnership is concluded the Company conducts an audit on the potential new partner.

*The Company relies upon certain key personnel and upon its ability to find and retain skilled personnel*

The Company's success depends to a significant degree upon the efforts and abilities of certain members of the Management Board.

In addition, the Company relies on its ability (i) to hire, train and retain skilled personnel for the design, engineering, manufacturing, marketing, and distribution of its road cars and (ii) to run its GT team. No assurance can be given that the Company will be able to continue to attract and retain a sufficient number of such skilled personnel. Any inability to hire, train and retain such personnel could adversely affect the Company's growth and could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

The ability to attract and retain qualified personnel depends on various factors, such as the attractiveness and challenge of the job offered, the contacts Spyker Cars has with automotive education institutions, its general network and the salaries paid. So far, the Company has no reason to doubt its ability to attract skilled personnel. This ability was recently confirmed when Spyker Cars hired a new CFO and Chief Operating Officer.

*Successful increase of production requires a matching sales organization*

In order to generate healthy sustainable returns, Spyker Cars aims for a significant growth of the dealer body. It has to build-up a dealer network to realise the sales increase in those parts of the world where sufficient client demand can be expected. Furthermore, dealers have to be adequately informed and trained by the Company to create a satisfying level of after-sales and service infrastructure. If Spyker Cars fails to find these new dealers, or not in the right geographical parts in the world, or lacks the staff and programs to adequately train the dealers, this could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars carefully selects new dealers based on market data studies. In order to offer a sufficiently attractive product to the dealer, the Company focuses on the development of enhanced offerings for its dealers, including the C-line LWB with automatic gearbox and lease programs. To strengthen the sales organization Spyker Cars will employ experienced automotive managers, who will conduct dealer training and after-sales services. A complete dealer survey will be executed, including dealer and marketing programs.



## Financial risks

### *Spyker Cars operations are exposed to currency fluctuations*

As an internationally operating company, the Company is subject to currency risks. A majority of the Company's car sales is to countries other than Euro-zone countries. Wherever Spyker Cars' sales prices are not quoted in Euros, exchange rate fluctuations have a direct effect on Spyker Cars' margins, which may over time affect Spyker Cars' results. Currency movements may affect Spyker Cars' pricing of products sold and materials purchased in foreign currencies, including the currencies of its competitors, which may be affected differently by such movements.

The Company's financial statements are reported in Euros. The most significant exchange rate risks to which the Company is exposed are a weakening of the U.S. Dollar, to which a significant portion of its revenues are related, and strengthening of the English Pound versus the Euro, in which a portion of its component purchases are denominated.

There can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Company's business, cash flow, financial condition, results of operations and/or relative price competitiveness.

The Company is well aware of its exposure to currency fluctuations and is currently considering to take several measures, for example sourcing of car parts and subcontracting (sub)assembly in U.S. Dollar denominated countries.

For further details regarding financial risks, reference is made to paragraph 31 of the financial statements.

## Legislative and regulatory risks

### *Emission laws and safety requirements*

The Company may be confronted with legislation changes, like emission laws and safety requirements.

Spyker Cars has passed all emission tests and secured all necessary permits for the U.S. market for model year 2008. Based hereon, single vehicle approval is obtained for other countries. In case the Company is not well informed about the requirements in such country, applications may not be in conformity with the regulations.

The Company obtained a waiver for its engine CO<sub>2</sub> emission in the USA. In Europe, it stays well within the limits. However, Spyker Cars may not be able to meet new requirements, or have enough financial means to buy compensation.

The C-line airbag waiver expires mid 2008 and an extension has been requested. Although Spyker Cars expects the waiver for the so-called smart airbag will be obtained, it may be denied. In such case, additional investments are required on short notice and Spyker Cars may be temporarily unable to export cars to the USA. Spyker Cars so far has successfully passed all tests for the ordinary drivers airbag, which is required by June 2008.

In case licenses and permits are not obtained or not timely obtained, the lack thereof could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations. Spyker Cars certification department is responsible for identifying all confirmed and potential

certification changes. Spyker Cars concluded several certification partnerships with reliable partners to collect the necessary certification know-how. Non-compliance safety risks have been identified and divided between USA and non-USA. A risk budget has been reserved in case it would be temporarily impossible to export a certain number of cars.

*The discovery of defects in vehicles or non-compliance with safety standards may result in recall campaigns, increased warranty costs and litigation*

Government safety standards in certain jurisdictions such as the United States, require that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer may also be obligated to recall vehicles if they do not comply with a safety standard. Should Spyker Cars or the relevant government safety regulators determine that either a safety defect or a non-compliance exists with respect to certain of Spyker Cars' vehicles, the costs of such recall campaigns could be substantial and could influence purchasing decisions of potential purchasers of Spyker Cars' vehicles, thereby negatively affecting Spyker Cars' future sales and profitability. The Company, its distributors and/or its dealers presently provide purchasers of Spyker cars with separate warranty coverage for defects in factory-supplied materials and workmanship on all vehicles. This warranty coverage extends for 24 months, unlimited mileage, and, for some territories, for 90 days replacement of parts of the vehicle. For the U.S. market the warranty on tires is excluded. For the compliance of Spyker Cars' warranty obligations Spyker Cars relies on its limited warranties and availability of resources of its suppliers to meet warranty claims.

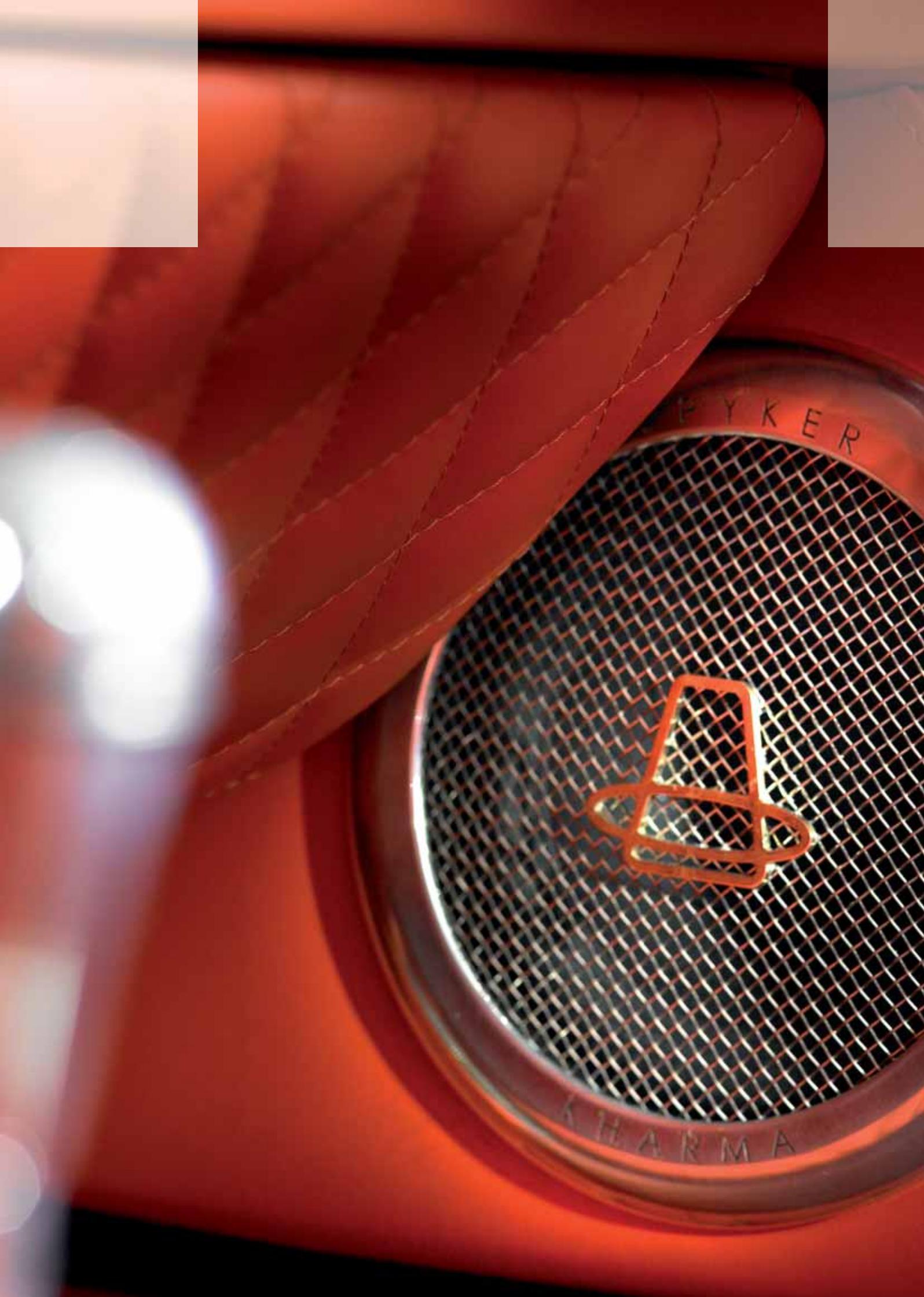
Various legal actions, governmental investigations, proceedings and claims may be instituted or asserted in the future against Spyker Cars, arising out of alleged defects in Spyker Cars' products or non-compliance with governmental safety standards. In addition to these risks, doing business in the United States may further aggravate these risks due to, inter alia, higher exposure and higher costs or damages in the United States in relation to claims made under warranties or (alleged) liabilities under governmental regulations or otherwise.

The discovery of defects in vehicles or of non-compliance with safety standards may result in recall campaigns, increased warranty costs or litigation which could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars pursues the exchange of specific information with its dealers. It enhances campaigns to approach the dealer network by way of a technical bulletin. Feedback is communicated with its engineering department. All departments involved register the issue as well as the cause and solution. The Company gives workshop instructions on the replacement of parts and organises technical training for dealer employees. The feedback may lead to the decision to modify the product or update a model year.

*The Company has limited insurance coverage for product liability and negligence claims in the United States and Canada*

The Company may become subject to product liability and/or negligence claims in the United States and has taken out limited insurance coverage for such possible claims. As a result the Company may be subject to liability, costs or expenses in relation to such claims. In addition, the Company has taken out limited insurance to cover any potential costs of litigation including but not limited to legal fees and other costs in connection with any product liability and/or negligence claims in the





United States. The insurance covers a liability of € 100 million per year. Costs of product liability and/or negligence claims and the costs of litigation in connection therewith can be substantial and could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations. Moreover, such claims and/or costs of litigation could potentially lead to the bankruptcy or financial impairment of the Company.

Spyker Cars puts ongoing effort in the professionalism and improvement of control mechanisms of its car production. Stringent control checks before a car is delivered help to reduce the Company's vulnerability to claims. Furthermore, it yearly weighs the costs of the insurance policy against the sales price of cars, in order to determine the height of insurance coverage.

*The Company's business highly depends on its ability to protect, preserve, promote and obtain trademarks and other intellectual property rights*

The Company's business is highly dependent on its ability to protect, preserve, promote and obtain trademarks and other intellectual property rights. In some jurisdictions Spyker Cars owns or otherwise has rights to a number of trademarks relating to the products it manufactures, which rights have been obtained over a period of years. These trademarks have been of value to the growth of Spyker Cars' business and may continue to be of value in the future. Not all car models of the Company are registered as designs and are therefore as such design protected. Registration of designs is only possible within a twelve-month period after the primary disclosure of the design. The Company cannot exclude the possibility that others may substantially challenge its intellectual property rights. Also, the Company may be unable to register its trademarks and other intellectual property rights or otherwise adequately protect them in some jurisdictions. An inability to protect, preserve, promote or obtain these trademarks or other intellectual property rights could have a material adverse effect on the Company's business, financial condition and/or results of operations. Furthermore, the high-end sports cars market is subject to numerous instances of product counterfeiting and other intellectual property infringements. The presence of counterfeit Spyker branded products on the market can negatively impact both Spyker Cars' sales volumes and its brand image and could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars is well aware of the importance of protecting the Spyker brand. The Company is assisted by a trademark bureau in order to timely apply and preserve trademark registrations and to detect infringements.

*Work stoppages or failing technical equipment at Spyker Cars or supplier facilities*

A work stoppage could occur as a result of disputes under collective bargaining agreements with labour unions or in connection with negotiations of new collective bargaining agreements at Spyker Cars or its suppliers, which, if protracted, could substantially affect Spyker Cars' business. Work stoppages at supplier facilities for labour or other reasons could have similar consequences if alternate sources of components are not readily available. Equally, failing technical equipment at Spyker Cars or its suppliers such as not functioning robots or specialized machinery could substantially affect Spyker Cars' business. As such, work stoppages and/or failing technical equipment could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

The Company's Human Resources department monitors developments regarding collective bargaining agreements in order to apply all relevant regulations. The Company regularly investigates the alternatives for crucial production facilities and crucial components of third parties. Fall back scenario's and the financial consequences are monitored for each car model.

*The Company is subject to various legal regimes*

As the Company is engaged in the distribution of its products in an increasing number of countries, the Company's business may be affected by facts and events beyond its control, such as changes in local laws and policies (relating among others to trade, foreign investment, taxation and environmental regulations) and the instability of foreign economies and governments. The Company has taken applicable laws and regulations into account in seeking to structure its business. Changes in such laws or regulations could, however, have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

The certification strategy of Spyker Cars is to achieve worldwide certification compliance. This will be pursued step by step with the help of certification partners. All major regulation deadlines are embedded in the Company's product development plans. Spyker Cars' technology partner selection philosophy is based upon utilizing emission related products currently in production and certified in the USA and Europe. Furthermore, the products have to remain in production for the life cycle of the chosen type of Spyker model.

**Financial reporting risks**

*The Company shall have an internal risk management and control system that is suitable for the company.*

As set out in the Management Board's report under the heading "control systems and processes", the Company is changing its internal control structure from an entrepreneurial control system to a more formal reporting structure, integrated into one system. The new information system is based on automatic data processing. The Spyker group consists of six legal entities with offices at four locations. Operations at these offices have to be accurately monitored at all times. The Company needs to rely on a well-organized administration, which enables it to decide which tasks can be executed and centralized and which can be decentralized. The failure to successfully finalize the implementation of this system could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

Spyker Cars has taken measures to restrict this risk, starting with a full analysis and description of the desired system. This system has been tested in segments and further tests will be executed. A test administration - designed for timely, accurate and comprehensive financial reporting - has been set up but has not yet been tested and implemented. Full implementation was scheduled for 2007. However, in view of the various problems encountered in 2007, this was delayed. The implementation will now be executed and finalized in 2008.

*The management board shall declare in the annual report that the internal risk management and control systems are adequate and effective and shall provide clear substantiation of this.*

According to the Corporate Governance Code Monitoring Committee, the required management declaration that the risks are in control, only relates to the financial reporting risks.

Discussion of the necessary improvements to the risk management and control system, including financial reporting risks, was on the Audit Committee's agenda in January and February 2007. The Management Board made a priority list and a time line for the necessary actions. However, the implementation of the measures to be taken, especially the new management information system (MIS), was hampered in 2007 due to the financial and other problems the Company faced in 2007. Further implementation is now scheduled to take place in 2008.

*Application of IFRS rules*

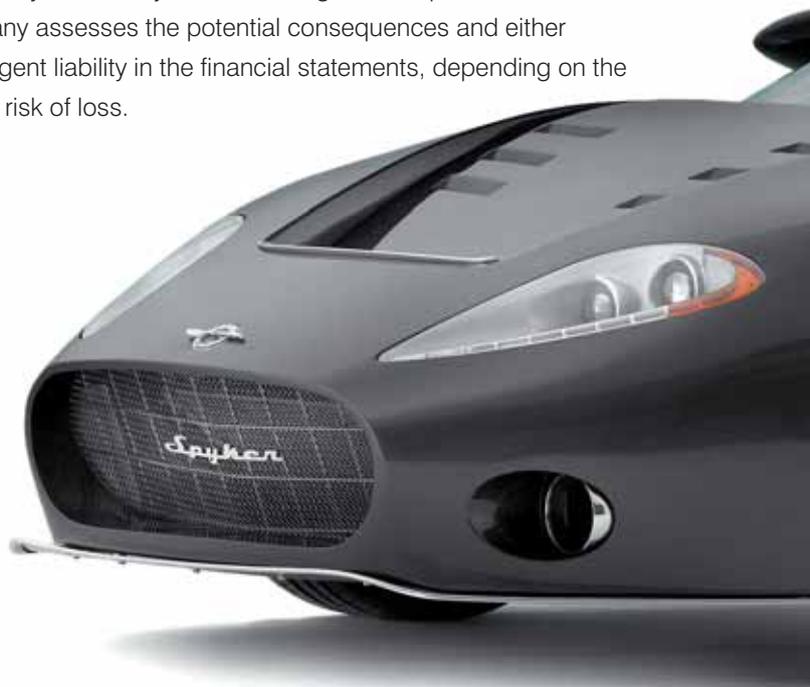
Spyker Cars has to comply with all governmental laws and regulations and with the regulations as prescribed by the Eurolist Euronext Amsterdam stock exchange. These rules are complex and every year there are numerous amendments thereto. For smaller listed companies like Spyker Cars, adequate monitoring of all these rules is a challenge. Wrongful interpretation of the rules may lead to significant reporting deviations.

In order to restrict this reporting risk, Spyker Cars consults professional advisors and hires on an interim basis qualified professionals.

*The Company is subject to potential tax audits.*

The Company operates or will operate in various countries and is therefore subject to the risk of tax audits and assessments in these countries. The Company seeks to manage its tax affairs in compliance with all applicable laws. However, it is possible that authorities may disagree with positions taken by the Company, and consequently the Company may be exposed to tax assessments in excess of those provided in the financial statements for tax assets or liabilities, which could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations.

The Company accounts for the income taxes on the basis of the Company's own internal analyses, supported by external advice. The Company continually monitors the global tax position, and whenever uncertainties arise, the Company assesses the potential consequences and either accrues the liability or discloses a contingent liability in the financial statements, depending on the strength of the position and the resulting risk of loss.



*The Company has a large amount of intangible assets in the form of development costs.*

Spyker Cars has a large amount of intangible assets, mainly in the form of capitalized development costs. The Company's accounting policy is to amortize the capitalized development costs by a fixed amount for each car. It executes impairment tests for development costs and goodwill every year. If the Company's envisaged production schedule is not met within that period, substantial impairment of capitalized development costs might be considered necessary. Such impairment could have a material adverse effect on Spyker Cars' business, financial condition and results of operations.



### **REMUNERATION POLICY, GENERAL**

Spyker Cars' remuneration policy was approved by the general Meeting of Shareholders in 2005. The remuneration which the Management Board members receive from Spyker Cars shall be such that qualified and expert managers can be recruited and retained. According to the policy, the remuneration consists of a fixed and a variable part. The variable part is linked to pre determined targets that can be easily measured and once achieved have the ability to make a positive and direct impact on the Company's results and performance. The importance of the variable remuneration component is to strengthen the Board members' commitment to the Company and its objectives. Options to acquire shares in Spyker Cars in principle (i) shall be granted to members of the Management Board and key employees and (ii) are a conditional remuneration component. Shares in Spyker Cars, held by members of the Management Board, are long term investments.

The Company shall not grant its Management Board members any personal loans or guarantees unless it is within the normal course of business. The terms will be applicable to individual personnel; granting needs the approval from the Supervisory Board.

Severance payments will not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

The Remuneration & Nomination Committee of the Supervisory Board is currently evaluating the recent recommendations of the Monitoring Committee on remuneration of Management Board members. Its findings will be reported in the annual report 2008.

### **REMUNERATION IN THE PAST FINANCIAL YEAR**

#### **Remuneration Management Board**

At the beginning of 2007, the Management Board of Spyker Cars consisted of four members. At the end of 2007, Spyker Cars employed two Management Board members. Recently, two new candidates were found to strengthen the Management Board.

Mr. Muller, Mr. Jaharia and Mr. Mol are or have been a statutory director of Spyker Cars pursuant to a management contract between the Company and each of their management companies. The fourth member, Mr. Borsboom, concluded an employment contract with the Company in 2005. The base remuneration for Mr. Muller and Mr. Mol in 2007 amounted to € 180,000 per year. On 5 October 2007, Mr. Mol stepped down as a Management Board member of Spyker Cars. Mr. Jaharia, who worked part-time until his resignation in July 2007, received 50% of his former remuneration, being € 180,000 on a yearly basis. The basic remuneration that Mr. Borsboom received was € 140,000 per year. The contract of Mr. Muller has a notice period of two months, the contract of Mr. Borsboom includes a notice period of one month.

When Mr. Jaharia left the Company per 1 July 2007 as a member of the Management Board, his management company held unconditional option rights to acquire 59,782 shares. Mr. Jaharia

received these unconditional option rights, which are not linked to performance criteria, as remuneration for his activities performed leading up to the IPO of Spyker Cars. The exercise price for these options is equal to the issue price of the IPO which amounted to € 15.50. These options can be exercised within a period of five years.

No personal loans or guarantees were granted to the members of the Management Board. The contracts with Mr. Muller, Mr. Jaharia and Mr. Borsboom did not contain an arrangement regarding severance payments. Mr. Mol's management contract contained the provision that severance payments will not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

No pension schemes have been set up for the members of the Management Board who concluded a management contract. Mr. Borsboom receives a contribution from the Company to build up a pension.

Statutory Board of Management	Base salary 2007	Bonus 2007	Total cash compensation	Vested stock options 2007	As a % of base salary
V.R. Muller	€ 180,000	€ -	€ 180,000	none	-
M.J. Mol *	€ 120,000	€ -	€ 120,000	none	-
R. Borsboom	€ 140,000	€ -	€ 140,000	none	-
O.N. Jaharia **	€ 45,000	€ -	€ 45,000	none	-

\* Management Board member over the period January up until August 2007.

\*\* Management Board member over the period January up until June 2007.

The options expensed in 2007 for Mr. Muller amount to € 51,380. Due to the resignation of Mr. Jaharia a number of 59,782 options (with an exercise price of € 9.30) lapsed. As a result the cumulative option expenses of € 75,337, relating to Mr Jaharia, were released to the employee benefits.

Statutory Board of Management	Base salary 2006	Bonus 2006	Total cash compensation	Vested stock options 2006	As a % of base salary
V.R. Muller	€ 180,000	€ -	€ 180,000	11,957	15.7%
M.J. Mol	€ 45,000	€ -	€ 45,000	none	-
R. Borsboom	€ 140,000	€ -	€ 140,000	none	-
O.N. Jaharia	€ 117,600	€ -	€ 117,600	11,957	24.1%

Members of the Statutory Board are compensated for the expenses regarding travelling and communication.

#### **Remuneration Supervisory Board**

According to a resolution of the General Meeting of Shareholders, the chairman is entitled to a remuneration of € 20,000 per year and each of the members to a remuneration of € 15,000 per year.

No other compensation, bonuses or options have been granted to the members of the Supervisory Board.

Supervisory Board	2007	2006
J.H.M. Lindenbergh	€ 20,000	€ 20,000
J.B.Th. Hugenholtz*	€ 8,750	€ 15,000
S.A. Arab	€ 15,000	€ 15,000
F.J.M. Liebregts	€ 15,000	€ 15,000
A.J. Mulder	€ 15,000	€ 15,000
M. La Noce	€ 15,000	€ 15,000

\* The remuneration for mr. Hugenholtz was adjusted for the period he acted as interim CEO of the company in 2007. For the five month period mr. Hugenholtz received a total management fee of € 75,000.

## ESOP

Spyker has an Employee Share Option Plan (“ESOP”), which came into force in 2005 and was amended in 2006. Under the five-year duration of the ESOP, option rights may be granted to acquire newly issued shares up to an aggregate amount of 10% of the issued share capital per the option date. Per 31 December 2007, 132,714 option rights were granted to and accepted by members of the Management Board and a number of (key) employees at an exercise price of € 9.30 and 24,000 at an exercise price of € 17.00. In 2007, no option rights were exercised (2006: 2,390). Before an employee may convert his option rights into shares, he still has to be an employee of Spyker Cars. During 2007, 70,543 options lapsed as a result of employees leaving the Company, which includes the option rights of Mr. Jaharia under the ESOP (59,782 options lapsed).

Each year 20% of the option rights will vest if the performance criteria for that year are met. These performance criteria are determined each year by the Supervisory Board. The targets for 2007 set by the Supervisory Board relate to car production, the Company’s financial results and the performance of the Formula One division. The targets for 2007 were not met.

## REMUNERATION POLICY FOR THE COMING YEARS

Spyker Cars intends to continue the present remuneration policy. The remuneration which the Management Board members receive from Spyker Cars has a fixed and a variable part and shall be such that qualified and expert managers can be recruited and retained. According to the present remuneration policy, the variable part concerns long-term option rights under the ESOP. The Supervisory Board may award incidental cash bonuses to members of the Management Board. So far, the Supervisory Board only once proposed to award cash bonuses. The amount of such bonuses is to be determined by the Supervisory Board.

When the Corporate Governance Code came into effect, Spyker Cars had a Management Board of two members, who were each in person statutory director and worked with the Company pursuant to a management contract for an indefinite period of time. The Supervisory Board deemed it unfair to break into already signed contracts. In 2006, the number of Management Board members grew from two to four. In conformity with Spyker Cars’ statements, the employment contracts with Mr. R. Borsboom and Mr. M.J. Mol were entered into for a term of four years.







**Calendar April - Year-end 2008 Spyker GT2 Team**



04 April 2008 – 06 April 2008	1000 km of Barcelona, Spain (1)
25 April 2008 – 27 April 2008	1000 km of, Monza, Italy (2)
9 May 2008 – 11 May 2008	1000 km of Spa, Belgium (3)
13 June 2008 – 15 June 2008	24 hours of Le Mans, France
15 August 2008 – 17 August 2008	1000 km of Nurburgring, Germany (4)
12 September 2008 – 14 September 2008	1000 km of Silverstone, United Kingdom (5)
02 November 2008	1000 km of Shanghai, China (6)

The Management Board and the Supervisory Board are responsible for the corporate governance structure of the Company and compliance with the Dutch Corporate Governance Code. They are accountable for this to the General Meeting of Shareholders.

The members of both Boards took notice of the third report of the Monitoring Committee Corporate Governance Code of December 2007, especially of the Monitoring Committee's recommendations on internal risk management and control systems, remuneration of Management Board members and diversity in the composition of supervisory boards.

The Supervisory Board committees of Spyker Cars will discuss the implementation of the Monitoring Committee's recommendations in their meetings in 2008 and will report about the outcome in Spyker Cars' annual report 2008.

Hereunder, Spyker Cars will give a brief overview of its present managerial structure and will explain about deviations from the Code and about changes in comparison to last year. Deviations are also accounted for under the heading "Remuneration Report" in this annual report.

Spyker Cars has a two-tier governance structure with a Supervisory Board and a Management Board. Each board is a separate body. In the year 2007, there were no changes in the Supervisory Board. Early 2008, three members stepped down and were succeeded. In addition to an Audit and a Remuneration & Nomination Committee, the Supervisory Board will institute a Strategy Committee. Spyker Cars' Articles of Association do not prescribe compulsory retirement of Supervisory Board members due to their age or due to the duration of their membership. Nevertheless, the Board has adopted recommendation III.3.5 of the Code, which recommends limiting Supervisory Board membership to three times four years.

The Management Board is accountable for the daily management, the pursuit of the Company policies, the corporate strategy and product development. The main elements of the contracts with each Management Board member are posted on the Company's website, [www.spykercars.com](http://www.spykercars.com). The Supervisory Board advises and supervises the Management Board. The annual report is presented to the Supervisory Board and then submitted by this Board to the General Meeting of Shareholders to be adopted. In the General Meeting, the Management Board has to account for its policies pursued and the Supervisory Board for the supervision thereof.

The following rules and regulations are posted on the Company's website ([www.spykercars.com](http://www.spykercars.com) under the heading "Investors"): (i) rules of procedure for the Management Board (Reglement voor de Directie), (ii) rules of procedure for the Supervisory Board (Reglement voor de Raad van Commissarissen) - this procedure does not contain rules about the relationship between the Supervisory Board and the works council, since Spyker Cars does not have a works council - (iii) the code for the Audit Committee, (iv) the code for the Remuneration & Nomination Committee, (v) the Spyker Insider Trading Code, (vi) rules of procedure for private investments in securities by Supervisory Board and Management Board members (Regeling Privé beleggingen), (vii) a

whistleblower policy and (viii) the Spyker Code of Conduct.

The Supervisory Board amended its profile in January 2008.

Early 2008, the Supervisory Board decided to form a Strategy Committee. The rules of procedure for this committee will be drawn up shortly.

Spyker Cars acknowledges the importance of good corporate governance and has closely followed the developments regarding the Code. The company complies with the principles and the best practices of the Code, either by applying its provisions or by explaining how it derogates from the Code. In some instances, deviations can be attributed to the situation, as it was when the Code came into effect. In some other cases, the Code's principles and best practices do not apply. Deviations and further implementations are accounted for in the overview mentioned hereafter. The Code's provisions are printed in italics.

*Best practice provision II.1.3*

*The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system: (a) risk analyses of the operational and financial objectives of the company; (b) a code of conduct which should, in any event, be published on the company's website; (c) guides for the layout of the financial reports and the procedures to be followed in drawing up the report; and (d) a system of monitoring and reporting.*

In December 2007, the Monitoring Committee made recommendations on internal risk management and control systems. The Company observed these recommendations and refers to its risk analyses of the operational and financial objectives in the chapter "Risk management" in this annual report. In 2006, the Spyker Code of Conduct was posted on the Company's website.

The targeted systems, guides for the layout of the financial reports and the procedures to be followed in drawing up the report were to be executed in 2007. However, the execution was hampered by the financial difficulties, which the Company had to address.

*Best practice provision II.1.4*

*The management board shall declare in the annual report that the internal risk management and control systems are adequate and effective and shall provide clear substantiation of this. In the annual report, the management board shall report on the operation of the internal risk management and control system during the year under review. In doing so, it shall describe any significant changes that have been made and any major improvements that are planned, and shall confirm that they have been discussed with the audit committee and the supervisory board.*

According to the new recommendations of the Monitoring Committee, the required management declaration that the risks are in control, only relates to the financial reporting risks. As stated above, and explained in further detail in the Management Board's report under the heading "Control systems and processes", the necessary improvements to the internal risk management and control systems were delayed due to the financial and other difficulties in 2007. The necessary improvements will now be fully implemented during 2008.



*Best practice provision II.2.1*

*Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.*

Spyker Cars' share option plan has a different set-up. Options, granted under the ESOP do not have a three-year, but a five-year term. However, each year one fifth of the granted option rights can be exercised if the targets for that year are met.

*Best practice provision II.2.2*

*If the company (...) grants unconditional option rights to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.*

Unconditional option rights were granted to Mr. Jaharia's management company as of the first listing date of Spyker Cars. Performance criteria were not applicable. Mr. Jaharia received these options as remuneration for already performed services, leading up to the IPO and listing of the Company's shares. Mr. Jaharia left the Company on 1 July 2007. His option rights can be exercised for a period of five years.

*Best practice provision II.2.7.*

*The maximum remuneration in the event of dismissal is one year's salary (the "fixed" remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.*

The Company has started to apply this provision in 2006 with regard to the last appointed Management Board member.

*Best practice provision III.2.1. and III.2.2f*

*All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.*

*A supervisory board member shall be deemed to be independent if the following criteria of dependence do not apply to him. The said criteria are that the supervisory board member (...) is (2.2.f) a member of the management board – or is a representative in some other way – of a legal entity, which holds at least 10 percent of the shares of the company, unless such entity is a member of the same group of the company.*

The profile was amended in September 2006 in view of the acquisition of the Formula One team and the Company's expanding racing activities. After the divestment of the Formula One team per October 2007, the Company refocused its strategy and accordingly amended the profile on 21 January 2008. The Company will concentrate on the production and sales of a limited number of car models, on GT Racing and on merchandising. Sale of the Spyker products is of ongoing importance. The profile of the Board requires a wider range of expertise on regions, that are important for Spyker Cars. One of these important regions is Russia.

Two out of three newly appointed members per 21 January 2008, have an executive function at a company, that holds more than 10% of Spyker Cars shares. In addition, one existing member holds



such position. All large shareholders fulfilled an essential function in providing necessary funds to the Company when it was short of liquidity in 2007. Furthermore, it should be noted that Spyker Cars' Supervisory Board always takes great care that its members are able to act critically and independently towards each other. In case a conflict of interest arises when decisions have to be made, the relevant member will abstain from voting.

*Principle III.5*

*If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. (This principle further states that in case the board decides not to appoint these committees, the applicable best practice provisions shall apply to the whole board).*

In 2006, when Spyker Cars' Supervisory Board grew from three to six members, the Board decided to appoint two committees, an Audit Committee and a Remuneration & Nomination Committee. The last Committee fulfils the tasks of the remuneration and the selection and appointment committee. Early 2008, the Board decided to also form a Strategy Committee. The composition of the committees is explained in the Supervisory Board's report. The Board is confident that it can thus fulfil its supervising duties adequately.

*Best practice provision IV.3.1*

*Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's 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 webcasting or telephone lines. After the meetings, the presentations shall be posted on the company's website.*

Due to its limited size, Spyker Cars is not able to provide the means to enable all shareholders to follow these meetings and presentations in real time. However, all press releases are posted on the Company's website immediately following their publication.



**Calendar April - Year end 2008 Spyker Cars**

21 March 2008 – 30 March 2008	New York International Auto Show
22 April 2008 – 28 April 2008	Auto China Beijing
08 May 2008 – 11 May 2008	Historic Grand Prix Monaco
23 May 2008 – 25 May 2008	F1 Grand Prix, Monaco
11 July 2008 – 13 July 2008	Goodwood Festival of Speed
23 July 2008 – 03 August 2008	British International Motor Show
13 August 2008 – 17 August 2008	Pebble Beach Concours d'Elegance USA
09 November 2008 – 18 November 2008	Miami Auto Show
21 November 2008 – 30 November 2008	Los Angeles Motor Show
17 December 2008 – 21 December 2008	Abu Dhabi International Motor Show



## Index

75

### Financial Statements 2007

	Page
Consolidated balance sheet	76
Consolidated income statement	77
Consolidated statement of changes in equity	78
Consolidated cash flow statement	79
Notes to the consolidated financial statements	80
1. General information	80
2. Significant accounting policies	80
3. Segment information	93
4. Business combinations	96
5. Discontinued operations	100
Notes to specific items of the consolidated balance sheet and the consolidated income statement	103
6. Property, plant and equipment	103
7. Intangible assets	105
8. Investments in associates	108
9. Deferred tax assets	108
10. Inventories	110
11. Trade and other receivables	110
12. Receivables from and payables to participants	111
13. Total equity	111
14. Earnings per share	112
15. Employee benefits	113
16. Interest bearing borrowings	115
17. Provisions	117
18. Bank overdraft	117
19. Trade and other payables	118
20. Contingencies	118
21. Commitments not included in the balance sheet	119
22. Revenues	119
23. Employee benefits	119
24. Amortization and depreciation	120
25. Other operating expenses	120
26. Financial income and expenses	120
27. Taxation	121
28. Group entities	122
29. Subsequent events	122
30. Accounting estimates and judgements	122
31. Financial risk management objectives and policies	123
32. Related parties	125
33. Financial instruments	127
Company Balance sheet	128
Company Income statement	129
Notes to the Company financial statements	130
Notes to specific items of the Company balance sheet and the Company income statement	131
1. Property, plant and equipment	131
2. Intangible assets	132
3. Investments in subsidiaries and associates	133
4. Shareholders' equity	134
5. Staff and remuneration of Supervisory Board and Management Board	136
6. Guarantees	136

## Consolidated balance sheet

at 31 December 2007

<b>Assets</b>	Note	31.12.2007 € ('000)	31.12.2006* € ('000)
<b>Non-current assets</b>			
Property, plant and equipment	6	9,191	24,838
Intangible assets	7	34,082	101,547
Investments in associates	8	0	0
Deferred tax assets	9	0	4,752
<b>Total non-current assets</b>		<b><u>43,273</u></b>	<b><u>131,137</u></b>
<b>Current assets</b>			
Inventories	10	9,288	17,264
Trade and other receivables	11	11,226	35,847
Receivables from participants	12	0	359
Receivables from associates		133	0
Cash and cash equivalents		4,092	1,437
<b>Total current assets</b>		<b><u>24,739</u></b>	<b><u>54,907</u></b>
<b>Total assets</b>		<b><u>68,012</u></b>	<b><u>186,044</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital		390	248
Share premium		111,216	89,832
Reserves		-14,643	-5,684
Unappropriated net result		-71,306	-1,409
<b>Total equity attributable to equity holders of the Company</b>		<b><u>25,657</u></b>	<b><u>82,987</u></b>
Minority interest		-810	-66
<b>Total equity</b>	13	<b><u>24,847</u></b>	<b><u>82,921</u></b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	16	3,268	22,685
Provisions	17	48	165
<b>Total non-current liabilities</b>		<b><u>3,316</u></b>	<b><u>22,850</u></b>
<b>Current liabilities</b>			
Bank overdraft	18	7,213	25,052
Trade and other payables	19	10,662	41,178
Payables to participants	12	15,054	195
Interest-bearing borrowings	16	6,755	13,818
Provisions	17	165	30
<b>Total current liabilities</b>		<b><u>39,849</u></b>	<b><u>80,273</u></b>
<b>Total liabilities</b>		<b><u>43,165</u></b>	<b><u>103,123</u></b>
<b>Total equity and liabilities</b>		<b><u>68,012</u></b>	<b><u>186,044</u></b>

\* The comparative figures are adjusted due to the finalization of the PPA (note 4)

## Consolidated income statement

for the year ended 31 December 2007

77

	Note	2007 € ('000)	2006* € ('000)
<b>Revenues</b>	22	<b>5,141</b>	<b>19,692</b>
Other income		2,251	2,681
Changes in inventories of finished goods and work in progress		51	1,573
Work performed by the entity and capitalized		1,755	2,621
Raw materials and consumables		-10,420	-14,928
Employee benefits	23	-8,744	-6,744
Amortization and depreciation	24	-1,505	-2,411
Other operating expenses	25	-18,218	-6,104
<b>Operating result</b>		<b>-29,689</b>	<b>-3,620</b>
Financial income	26	1,961	1,740
Financial expenses	26	-4,532	-2,062
Share of profit of associates	8	-72	0
<b>Result before taxation</b>		<b>-32,332</b>	<b>-3,942</b>
Taxation	27	-4,005	124
<b>Result from continued operations</b>		<b>-36,337</b>	<b>-3,818</b>
Result from discontinued operations	5	-35,738	2,477
<b>Result for the year</b>		<b>-72,075</b>	<b>-1,341</b>
<b>Attributable to:</b>			
Equity holders of the Company	13	-71,306	-1,409
Minority interests	13	-769	68
<b>Result for the year</b>		<b>-72,075</b>	<b>-1,341</b>
Result:			
- from continued operations per weighted average number of shares		€ -5.13	€ -0.85
- from continued operations per weighted average number of shares diluted		€ -5.13	€ -0.85
- for the year per weighted average number of shares		€ -10.29	€ -0.31
- for the year per weighted average number of shares diluted		€ -10.29	€ -0.31

\* The comparative figures are adjusted due to the finalization of the PPA (note 4) and the presentation of F1 Racing as discontinued operations (note 5)

## Consolidated statement of changes in equity

For the year ended 31 December 2006\*

	Issued capital	Share premium	Translation reserve	Other reserves	Un- appropriated net result	Total	Minority interest	Total equity
	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
<b>Balance at 1 January 2006</b>	<b>147</b>	<b>41,993</b>	<b>0</b>	<b>-11,814</b>	<b>-1,930</b>	<b>28,396</b>	<b>-146</b>	<b>28,250</b>
Foreign currency translations	0	0	392	0	0	392	12	404
<b>Total income and expense for the year recognized directly in equity</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>12</b>	<b>404</b>
Result for the year	0	0	0	0	-1,409	-1,409	68	-1,341
<b>Total income and expense for the year</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>0</b>	<b>-1,409</b>	<b>-1,017</b>	<b>80</b>	<b>-937</b>
Allocation of net result prior year	0	0	0	-1,930	1,930	0	0	0
Proceeds from new share issues	101	49,006	0	7,487	0	56,594	0	56,594
Costs of share issues	0	-1,191	0	0	0	-1,191	0	-1,191
Tax calculated for costs of share issues and change in tax rate	0	227	0	0	0	227	0	227
Recognition of equity component of convertible notes	0	-203	0	0	0	-203	0	-203
Share based payments	0	0	0	181	0	181	0	181
	<b>101</b>	<b>47,839</b>	<b>0</b>	<b>5,738</b>	<b>1,930</b>	<b>55,608</b>	<b>0</b>	<b>55,608</b>
<b>Balance at 31 December 2006</b>	<b>248</b>	<b>89,832</b>	<b>392</b>	<b>-6,076</b>	<b>-1,409</b>	<b>82,987</b>	<b>-66</b>	<b>82,921</b>

For the year ended 31 December 2007

	Issued capital	Share premium	Translation reserve	Other reserves	Un- appropriated net result	Total	Minority interest	Total equity
	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
<b>Balance at 1 January 2007</b>	<b>248</b>	<b>89,832</b>	<b>392</b>	<b>-6,076</b>	<b>-1,409</b>	<b>82,987</b>	<b>-66</b>	<b>82,921</b>
Foreign currency translations	0	0	-177	0	0	-177	25	-152
<b>Total income and expense for the year recognized directly in equity</b>	<b>0</b>	<b>0</b>	<b>-177</b>	<b>0</b>	<b>0</b>	<b>-177</b>	<b>25</b>	<b>-152</b>
Result for the year	0	0	0	0	-71,306	-71,306	-769	-72,075
<b>Total income and expense for the year</b>	<b>0</b>	<b>0</b>	<b>-177</b>	<b>0</b>	<b>-71,306</b>	<b>-71,483</b>	<b>-744</b>	<b>-72,227</b>
Allocation of net result prior year	0	0	0	-1,409	1,409	0	0	0
Proceeds from new share issues	142	22,660	0	-7,486	0	15,316	0	15,316
Costs of share issues	0	-529	0	0	0	-529	0	-529
Tax calculated for costs of share issues and change in tax rate	0	-747	0	0	0	-747	0	-747
Recognition of equity component of convertible notes	0	0	0	0	0	0	0	0
Share based payments	0	0	0	113	0	113	0	113
	<b>142</b>	<b>21,384</b>	<b>0</b>	<b>-8,782</b>	<b>1,409</b>	<b>14,153</b>	<b>0</b>	<b>14,153</b>
<b>Balance at 31 December 2007</b>	<b>390</b>	<b>111,216</b>	<b>215</b>	<b>-14,858</b>	<b>-71,306</b>	<b>25,657</b>	<b>-810</b>	<b>24,847</b>

(\*) The comparative figures are adjusted due to the finalization of the PPA (note 4)

**Consolidated cash flow statement**  
for the year ended 31 December 2007  
(under the indirect method)

	2007	2006
	€ ('000)	€ ('000)
<b>Cash flows from operating activities</b>		
Result from continued operations	-36,337	-3,818
Result from discontinued operations	-35,738	2,477
Result for the year	-72,075	-1,341
Adjustments for:		
Depreciation	1,960	1,307
Amortization of intangible assets	1,235	3,650
Net financing costs	4,793	1,235
Gain on sale of property, plant and equipment	-5	-218
Loss on disposal discontinued operations	15,412	0
Equity-settled share-based expenses	113	181
Income tax expense	4,005	936
Movements in working capital:		
Change in inventories	1,676	-10,500
Change in trade and other receivables	7,501	-16,431
Change in trade and other payables	-2,285	11,949
Change in provisions and employee benefits	18	130
<b>Cash generated from operations</b>	<b>-37,652</b>	<b>-9,102</b>
Interest paid	-6,872	-1,932
Interest received	345	355
Income tax paid	0	0
<b>Net cash from operating activities</b>	<b>-44,179</b>	<b>-10,679</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	47	798
Acquisition of subsidiary, net of cash acquired	-23	-53,679
Acquisition of property, plant and equipment	-3,256	-4,830
Acquisition of other investments	-63	-176
Disposal of discontinued operations	28,169	0
Development expenditure	-7,139	-8,949
<b>Net cash used in investing activities</b>	<b>17,735</b>	<b>-66,836</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	15,316	53,231
Proceeds from exercise of share options	0	22
Payment of transaction costs	-529	-1,192
Proceeds from borrowings	50,957	6,440
Repayment of borrowings	-18,430	-3,388
<b>Net cash from (used in) financing activities</b>	<b>47,314</b>	<b>55,113</b>
<b>Net decrease in cash and cash equivalents</b>	<b>20,870</b>	<b>-22,402</b>
Cash and cash equivalents at 1 January	-23,615	-1,191
Effect of exchange rate fluctuations	-376	-22
<b>Cash and cash equivalents at 31 December</b>	<b>-3,121</b>	<b>-23,615</b>
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following ad 31 December:		
Cash at banks and on hand	4,092	1,437
Bank overdraft	-7,213	-25,052
<b>Cash and cash equivalents</b>	<b>-3,121</b>	<b>-23,615</b>

The figures 2006 are adjusted due to the finalization of the PPA (Note 4). The cash flow of discontinued operations is presented separately in Note 5 related to the year 2006 en 2007.

## Notes to the consolidated financial statements

at 31 December 2007

### 1. General information

Spyker Cars N.V. ("the Company") is a public limited liability company incorporated under the laws of the Netherlands with its statutory seat in Zeewolde, the Netherlands. The Company is listed at the Euronext Amsterdam Stock Exchange since 27 May 2004.

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activities of the Group are described in note 3.

The Management Board and Supervisory Board authorized the financial statements for issue on 3 April 2008 and propose that they be adopted at the Annual General Meeting of Shareholders on 17 April 2008.

### 2. Significant accounting policies

#### Continuity and recapitalization of the Group

The Group has shown negative operating results and cash flows in the preceding years, due to the start-up stage of its activities and the losses it has incurred with F1 Racing. The group has sold its F1 Racing team on 5 October 2007 (see also note 5) and entered in an agreement with a wholly owned subsidiary of Snoras Bank of Vilnius, Lithuania ("Snoras") for the recapitalization of its operations. These transactions significantly improved the financial position of the group as shown in the consolidated balance sheet as at 31 December 2007. The second tranche of the recapitalization was concluded on 21 January 2008, further strengthening the balance sheet of the Group by:

- The conversion of € 14 million shareholder loans into shares A at a conversion price of € 4.00 each (Mubadala 2.5 million shares A, Helvetia 750,000 shares A, and Milestone 250,000 shares A);
- The grant by Snoras to Spyker of a € 9.6 million, 7% convertible loan which may be converted (in whole or in part) into 2,390,000 shares at € 4.00 each at any time during its 3 year term;
- The issue of an additional 2,325,000 shares A to Snoras for a price of € 4.00 each (total amount € 9,300,000).

Compared to the position as per 31 December 2007, this transaction resulted in a further increase of equity by € 23.3 million (excluding the equity component of the convertible loan), a net reduction of shareholder loans by € 4.4 million (excluding the equity component of the convertible loan) and an additional available cash of € 18.9 million.

In March 2007, the Company entered into an equity facility agreement with Trafalgar. On the basis of this Agreement, Trafalgar is committed to purchase up to € 25 million common stock of the Company through a term facility of three years if and when requested by the Company. Up until the end of 2007, the Company has received an amount of € 4.75 million under the Trafalgar facility. The remainder under the facility amounts to € 20.25 million.

Management is convinced that through these transactions the Company will gain financial confidence again from its suppliers and will be able to obtain normal credit and payments terms.

Based on the above, management believes to have sufficient funds available to finance the Company's growth and working capital requirements as well as further investments in the development of its cars. The Company is closely monitoring its cash flow development and expects improved cash flow generation from operations starting 2008.

Based on the developments during the latter part of 2007 and the second tranche of the financing agreement closed in early 2008, management believes the Company has sufficient access to funds to finance on going capital requirement.

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

**Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for its derivative financial instruments that have been measured at fair value. The financial statements are presented in Euros, rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates. Critical accounting judgements in applying the Group's accounting policies relate to development costs, deferred taxed assets and impairment of intangible assets and property, plant and equipment and the purchase price allocation Midland F1 Racing Ltd. For more details on these judgements and estimates see also note 30 "Accounting estimates and judgements".

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies and accounting principles have been applied consistently by Group entities.

In accordance with Section 402, Book 2 of the Dutch Civil Code, in the company income statement the result on subsidiaries after taxation is the only item shown separately.

**Changes in accounting policies**

There were no changes in accounting policies during the year. Certain adjustments were made in the comparative 2006 figures due to the finalization of the purchase price allocation in respect of the F1 Racing acquisition (see note 4) and the presentation of the F1 Racing activities as discontinued operations due to the disposal of Spyker F1 Ltd. on 5 October 2007 (see note 5).

**Standards, amendment and interpretations effective in 2007**

IFRS 7, 'Financial Instruments: Disclosures' requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed. There has been no effect on the financial position or results.

IAS 1, 'Presentation of Financial Statements' requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are included throughout the financial statements.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation did not have any impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in either an equity instrument or a financial asset carried at cost to be reversed at a subsequent balance sheet date. This interpretation did not have any impact on the Group's financial statements.

#### **Interpretation early adopted by the Group**

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation did not have an impact on the Group's financial statements.

#### **Standards, amendments and interpretations effective in 2007 but not relevant**

The following standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008, and which the Group has not early adopted:

- IAS 23R, 'Borrowing Costs': A revised IAS 23 Borrowing costs becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. The revision of the standard will have no impact on the Group's accounts because borrowing costs on qualifying assets are already being capitalized.
- IFRS 8, 'Operating segments': IFRS 8 becomes effective for financial years beginning on or after 1 January 2009 and replaces IAS 14 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. Management is still assessing the expected impact.
- IAS 1R 'Presentation of Financial Statements': The revised IAS 1 becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. Management is still assessing the expected impact. The revised standard still needs to be adopted by the EU.
- IFRS 2 'Share-based Payments – Vesting Conditions and Cancellations. This amendment to IFRS 2 Share-based payments becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to

provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. Management is still assessing the expected impact. The revised standard still needs to be adopted by the EU.

- IFRS 3R 'Business Combinations' and IAS 27R 'Consolidated and Separate Financial Statements' These revised standards become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Management is still assessing the expected impact. These revised standard still needs to be adopted by the EU.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' becomes effective from 1 January 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group's accounts. This interpretation still needs to be adopted by the EU.

#### **Interpretations to existing standards that are not yet effective and not relevant for the Group's operations**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments' (effective from 1 January 2009). This interpretation still needs to be adopted by the EU.
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). This interpretation still needs to be adopted by the EU.
- IFRIC 13, 'Customer loyalty programs' (effective from 1 July 2008). This interpretation still needs to be adopted by the EU.

#### **Basis of consolidation**

The consolidated financial statements include the financial information of Spyker Cars N.V. and its subsidiaries. Subsidiaries are fully included in the consolidation. Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

#### **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Spyker Cars N.V. had control.

#### **Investments in associates**

Investments in associates are entities in which the Company can exercise significant influence, but can not

exercise control or joint control, generally in situations when the Company owns between 20% and 50% of the voting power.

Upon first inclusion in the accounts, participations are initially accounted for at the cost price and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, the share of the Company in the result of the associated companies is recognized in the income statement of the Company under 'Share of profit of associates'. The share of the Company in changes in the reserves of associated companies, after the acquisition, is recognized directly in the Company's shareholders' equity. The value of the associated companies is adjusted for these results and changes in reserves.

If the book value of the associated company falls to zero, no further losses are accounted for, unless the Group has entered into commitments or made payments on its behalf.

The financial statements of the associate are prepared for the same reporting period as The Company. Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by the Company.

#### **Transactions eliminated on consolidation**

All intercompany balances and transactions, including unrealized results arising from intra-company transactions, have been eliminated in full. Unrealized losses are eliminated unless such losses cannot be recovered.

#### **Discontinued operations**

A discontinued operation is a component of the activities of the Group that represents a separate significant line of business or separate significant geographical area of operation, or is a subsidiary that has been acquired with the sole intention of reselling it. An operation is classified as discontinued when it is sold or, if it has not yet been sold, when the operation meets the criteria for classification as held for sale. The results of discontinued operations are presented as a single amount in the income statement both for the current and prior period as 'Result from discontinued operations'.

#### **Summary of significant accounting policies**

##### **Foreign currency**

##### **Currency**

The functional and presentation currency of Spyker Cars N.V. is the Euro (€).

##### **Foreign currency transactions**

Transactions in foreign currencies are recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

### Financial statements of foreign operations

The financial statements of consolidated and associated companies which are drawn up in a foreign currency are:

	Country of incorporation	Functional currency
Spyker F1 Ltd. (disposed 5 October 2007)	United Kingdom	GBP
Spyker Brand Ltd. (disposed 5 October 2007)	United Kingdom	GBP
Spyker F1 Team Ltd. (disposed 5 October 2007)	United Kingdom	GBP
Spyker Cars UK Ltd.	United Kingdom	GBP
Spyker of North America LLC	United States of America	USD
Spyker of China Ltd.	Hong Kong	RMB
Tenaci Engineering Pvt. Ltd. (associate)	India	RS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income statements are translated at the appropriate average exchange rates for the year. The exchange differences arising on the translation, if applicable, are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the income statement.

The exchange rates of those currencies that have a material impact on the Group financial statements are as follows:

Closing rate	31.12.2007	31.12.2006
British Pound (GBP)	0.74	0.67
US Dollar (USD)	1.47	1.32
Chinese Yuan Renminbi (RMB)	10.77	10.28
Indian Rupees	58.04	n/a

### Property, plant and equipment

#### Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 'impairment' below). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

#### Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

**Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings	25 years
- Building improvements	10 years
- Plant and equipment	3-10 years
- Prototypes, test models (residual value 50%)	5 years
- GT2 racing cars	5 years
- Furniture, fixtures and equipment	3-5 years

The residual value and the useful lives, if not insignificant, is reassessed annually.

**Intangible assets****Research and development**

Research costs are expensed as incurred. Development costs incurred on an individual project are capitalized as intangible asset when future recoverability can reasonably be regarded as assured. This occurs when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Any development expenditures for which these criteria are not are immediately expensed. In practice, these criteria will only be met when management together with the development department have made the decision to develop a specific design, following technical and economical feasibility studies.

The capitalized expenditure includes the directly attributable costs of materials, direct labour and production overheads as well as interest costs for related financing. The development costs relate to the design, innovation and improvement of new or substantially improved motorcars, car parts and product lines.

Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The capitalized development costs are amortized by a fixed amount for each car sold, based on expected sales over the estimated remaining useful life. Additionally the carrying value is assessed for impairment when there is an indication that the intangible asset may be impaired.

The carrying value of development costs is tested for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

**Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill will be allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit of group of units to which the goodwill will be allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and is not larger than a segment. When an operation is disposed of, the associated goodwill is included in the carrying amount of the operation disposed of when determining the gain or loss on disposal of the operation.

**Licenses and other intangible assets**

Spyker Cars has applied for registration of several model rights and licenses. The costs are capitalized and amortized under the straight-line method over the estimated useful life (of 10 years).

Expenditure on internally generated goodwill and brands is recognized in the income statement as an expense as incurred.

**Subsequent expenditure**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants received relating to capitalized development projects are deducted from the capitalized development expenditures, otherwise the government grant is recognized in income in the same period as the expenditures they relate to.

**Borrowing costs**

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to prepare for its intended use or sale.

**Impairment**

The carrying amounts of the Group's assets other than deferred tax assets (see accounting policy income tax and deferred tax), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. Goodwill that has not been allocated to (groups of) cash generating units is not yet tested for impairment.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognized in the income statement.

**Calculation of recoverable amount**

The recoverable amount of the Group's assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversals of impairment**

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Inventories**

##### **Raw materials**

Raw materials are stated at acquisition cost less any provisions for obsolescence deemed necessary.

##### **Work in process and finished goods**

Work in process is stated at cost less a provision for foreseeable losses whereas finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes all expenditure related directly to the manufacturing of the specific cars and an allocation of fixed and variable overheads incurred in the Group's manufacturing activities based on normal operating capacity.

#### **Financial Assets**

The Group classifies its financial assets in the category loans and receivables and derivative financial instruments. The classification depends on the purpose and the nature of the respective financial assets. Management determines the classification of its financial assets at initial recognition.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. These loans and receivables are initially recognized at fair value less directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method.

The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

##### **Derivative financial instruments**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Any gains or losses from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement. The Group currently does not apply any hedge accounting.

Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

##### **Trade and other receivables**

Trade and other receivables are stated at their nominal value less a provision for doubtful debt if deemed necessary.

##### **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

#### **Financial liabilities**

##### **Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, using the effective interest method.

**Convertible notes**

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the fair value of the liability component, being the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

The liability component is measured at amortized cost until it is extinguished on conversion or redemption. The carrying amount of the equity component is not re-measured in subsequent years.

**Derivative financial instruments**

Derivative financial liabilities are accounted for as set out under 'financial assets'.

**Trade and other payables**

Trade and other payables are stated at amortized cost.

**Employee benefits****Pension benefits**

The Group operates various pension schemes. The schemes are generally funded through payments to separately administered funds or insurance companies determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

When the Group participates in a multi-employer plan, qualifying as a defined benefit plan, but has not sufficient information to apply the required IAS 19 accounting principles, such pension commitments are accounted for as a defined contribution plan. The group would record an asset or liability only when there is a contractual agreement between the multi-employer plan and its participants how the surplus will be distributed to the participants or the deficit funded.

For defined contribution plans, the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Share-based payment transactions**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). In situations where equity instruments are issued and some or all of services received by the entity as consideration cannot be specifically identified, they are measured as the difference between the fair value of the share based payment and the fair value of any identifiable services received at the grant date.

**Equity-settled transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a Black-Scholes option-pricing model, further details of which are given in Note 15.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 14).

**Provisions****General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on estimated future cost, using historical warranty data.

**Lease transactions**

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

**Group as lessee*****Finance leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. They are subsequently measured at cost less accumulated depreciation and impairment losses (see also 'property, plant and equipment').

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

***Operating leases***

Operating leases are all leases not qualifying as finance leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

***Sale and leaseback transactions***

A sale and leaseback transaction is accounted for as a finance transaction when the leaseback qualifies as a finance lease. For such transactions no revenue or income is recognized, but a liability is recognized for the received payment. When the leaseback qualifies as an operating lease, any profit or loss is regarded similar to a regular sale, assuming the sales price is at fair value.

**Revenues****Automotive**

Revenues from the sale of goods are recognized in the income statement when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Net sales comprise the revenues from goods and services supplied during the year, net of discounts, VAT and other sales taxes. The applicable "Belasting Personenwagens en Motorvoertuigen" (BPM) for cars registered in the Netherlands is accounted for by the Group's customers.

**Racing activities**

Racing revenues arise from the rendering of advertisement, sponsoring and TV income, and are recognized only when the related event takes place.

**Merchandise and events**

Revenue from the merchandise sales is recognized in the income statement when significant risks and rewards of ownership have been transferred to the buyer. Revenues from events are recognized when the related event takes place.

## Expenses

### **Operating lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

### **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses. The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

Interest income is recognized in the income statement as it accrues, using the effective interest method.

### **Income taxes**

Income tax on the result for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet, and are measured at nominal amount. Deferred income tax assets are also recognized for carry-forward of unused tax assets and tax losses.

A deferred tax asset is recognized only to the extent that it is probable that future taxable results will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

### **Notes to the consolidated cash flow statement**

The cash flow statement has been prepared according to the indirect method. The funds stated in the cash flow statement are comprised of cash and bank overdraft. Cash flows in foreign currencies are translated at average exchange rates for the year. Interest received, interest paid and income tax paid are included in cash flow from operating activities.

**Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices or recent transactions for similar items.

**Intangible assets**

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**Inventory**

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

**Trade and other receivables**

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

**Share-based payment transactions**

The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**3. Segment information**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Company's management and internal reporting structure. Because of the disposal of the F1 Racing activities in 2007, the segment information is separated into continued

and discontinued operations. The comparative figures 2006 are similarly adjusted.

Inter-segment pricing is determined on an at arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities. It also includes goodwill that has not yet been allocated.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### Business segments

The activities of Spyker Cars N.V. and its subsidiaries comprises the following main business segments:

- Automotive: relates to the design, production, purchase and sale of motorcars in the broadest sense of the word including GT racing.
- F1 Racing: relates to Formula One racing. These activities have been discontinued in 2007.

#### Geographical segments

The automotive segment is managed on a worldwide basis, but operates in three principal geographical areas, EMEA (Europe, Middle East and Africa), America and Asia. The main manufacturing facilities are operated in The Netherlands.

The discontinued Formula One racing activities were managed on a worldwide basis, but operated from one principal geographical area, United Kingdom. The testing, research and development facilities were operated from the United Kingdom.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

#### Primary segmentation by business segment

Segmentation 2007	Continued Automotive	Discontinued F1 Racing	Eliminations	Consolidated
	€ ('000)	€ ('000)	€ ('000)	€ ('000)
Total external revenues	5,141	39,936	-39,936	5,141
Intersegment revenue	1,639	0	-1,639	0
<b>Total segment revenue</b>	<b>6,780</b>	<b>39,936</b>	<b>-41,575</b>	<b>5,141</b>
<b>Segment result from operating activities</b>	<b>-29,761</b>	<b>-18,104</b>		<b>-47,865</b>
Net finance costs				-4,793
Income tax expense				-4,005
Loss on the transaction				-15,412
<b>Loss for the period</b>				<b>-72,075</b>

	Continued Automotive	Discontinued F1 Racing	Consolidated
Segment assets	68,012	0	68,012
Unallocated assets			0
<b>Total assets</b>			<b>68,012</b>
Segment liabilities	43,165	0	43,165
Unallocated liabilities			0
<b>Total liabilities</b>			<b>43,165</b>
Capital expenditure	8,717	1,741	10,458
Depreciation	1,121	839	1,960
Amortization of intangible assets	384	851	1,235

The F1 Racing activities started as from 28 September 2006 and discontinued on 5 October 2007. Intersegment revenue relates to intercompany charges from Automotive to F1 Racing of approximately € 1.6 million for costs incurred in respect of F1 Racing (€ 0.3 million) as well as a commission fee for obtaining F1 sponsors (€ 1.3 million).

Segmentation 2006	Continued Automotive € ('000)	Discontinued F1 Racing € ('000)	Eliminations € ('000)	Consolidated € ('000)
Total external revenues	19,692	15,352	-15,352	19,692
Intersegment revenue	2,022	0	-2,022	0
<b>Total segment revenue</b>	<b>21,714</b>	<b>15,352</b>	<b>-17,374</b>	<b>19,692</b>
<b>Segment result from operating activities</b>	<b>-3,620</b>	<b>4,451</b>		<b>831</b>
Net finance costs				-1,235
Income tax expense				-937
Loss for the period				-1,341

	Continued Automotive	Discontinued F1 Racing	Consolidated
Segment assets	67,957	40,398	108,355
Unallocated assets			77,689
<b>Total assets</b>			<b>186,044</b>
Segment liabilities	23,637	14,941	38,578
Unallocated liabilities			64,545
<b>Total liabilities</b>			<b>103,123</b>
Capital expenditure	12,245	1,710	13,955
Depreciation	733	574	1,307
Amortization of intangible assets	1,675	1,975	3,650

Intersegment revenue relates to intercompany charges from Automotive to F1 Racing of approximately € 2.0

million for costs incurred in respect of F1 Racing (€ 0.5 million) as well as a commission fee for obtaining F1 sponsors (€ 1.5 million).

#### Secondary segmentation by geographical segment

Segmentation 2007	EMEA	USA	Asia	Total
	€ ('000)	€ ('000)	€ ('000)	€ ('000)
External revenues	43,080	980	1,017	45,077
Less: attributable to discontinued operations	-39,936	0	0	-39,936
<b>Revenues from continued operations</b>	<b>3,144</b>	<b>980</b>	<b>1,017</b>	<b>5,141</b>
Segments assets	65,184	1,593	1,235	68,012
Capital expenditure	10,453	2	3	10,458
Segmentation 2006	EMEA	USA	Asia	Total
	€ ('000)	€ ('000)	€ ('000)	€ ('000)
Total external revenues	25,110	7,806	2,128	35,044
Less: attributable to discontinued operations	-15,352			-15,352
<b>Revenues from continued operations</b>	<b>9,758</b>	<b>7,806</b>	<b>2,128</b>	<b>19,692</b>
Segment assets	176,447	5,457	4,140	186,044
Capital expenditure	13,939	11	5	13,955

Segment investment in non-current assets is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

EMEA comprises Europe, the Middle East and Africa.

#### 4. Business combinations

On 28 September 2006 Spyker Events Partner B.V. (renamed: F1 Racing Holding B.V.) acquired all the shares in Midland F1 Ltd., one of the 11 racing teams having a license to race in Formula One. After the acquisition date the name of Midland F1 Ltd. changed to Spyker F1 Ltd.

For the reasons set out below, management decided to keep the initial accounting of the business combination provisional in the Financial statements 2006. In 2007 the Group performed the final purchase price allocation ("PPA") of the Midland F1 team. The final PPA shows some differences with the provisional PPA as incorporated in the Annual Accounts 2006. These adjustments are included in the comparative 2006 figures in these financial statements.

The differences lead to a negative operating result change of € 3.1 million over the year 2006. As a consequence the operating result over the year 2006 amounts to € 0.8 million (financial statements 2006 of

€ 3.9 million) and a net loss of € 1.3 million (financial statements 2006 net profit of € 0.8 million).

In the Financial Statements 2006, Spyker Cars N.V. stated:

*Due to amongst other the specific nature of F1 Racing the purchase price allocation ("PPA") has proven to be complex. The management has used several fair values methods to calculate to the best of their knowledge the right PPA values. This is the first PPA of a Formula One team under IFRS regulations and therefore no comparable information was found for some fair value calculations and management had to estimate the value to their best knowledge using common business sense (page 87 of the 2006 Financial Statements).*

The provisional values used in the 2006 financial statements were, amongst others, based upon management judgment using the advise of an internationally renowned independent valuator.

The Company adopted the final PPA based, amongst others, on the findings of an independent expert valuator. As a consequence and in accordance with the IFRS accounting rules, the differences as determined in the final PPA have lead to adjusted 2006 comparative figures in these 2007 consolidated Financial Statements.

#### **Description of fair value adjustments in final PPA**

The final PPA deviates from the provisional PPA on the following items.

#### **Fair value of a specific contract of Midland F1 after acquisition**

Under this conditional payment contract, Midland F1 was entitled to payment obligations conditional on certain race performances. Spyker and (F1) experts initially valued this contract at nil because it did not expect, based upon past racing experience, to receive any payments on the basis of this contract.

The external valuator valued the contract on the basis of betting odds for the 2007 season at 15 December 2006 - the first date that there are data available - and concluded that the contract should be valued at € 1.7 million on 28 September 2006 (acquisition date). As a consequence the recognized values on acquisition date of contractual rights increased by € 1.7 million, Goodwill decreased by € 1.2 million and Deferred tax assets decreased by € 0.5 million.

Spyker MF1 team ended this contract in October 2006. As a consequence the value of the contract had to be amortized, which led in 2006 to an increase in the Amortization and depreciation of € 1.7 million and a decrease in the Tax charge of € 0.5 million.

#### **Midland sponsor contract**

In the context of the acquisition, Spyker Cars N.V. agreed to deliver certain sponsoring services by Spyker MF1 team and Spyker Squadron to the vendor (Midland Resources Holding Ltd) for an amount of € 6.1 million and invoiced (and was paid for) accordingly. Of this amount, € 5.0 million was recorded as 2006 revenues. The remainder of this amount - € 1.1 million - was allocated to 2007.

The external valuator used five different methods to determine the fair value of this contract, which resulted in a value of € 4.8 million. The difference of € 1.3 million was accounted for as a deduction of the purchase price. As a consequence the purchase price decreased by € 1.3 million, Goodwill decreased by € 0.9 million and Deferred tax assets decreased by € 0.4 million. The Revenues of 2006 decreased by € 1.2 million and the Tax charge decreased by € 0.4 million.

#### **License**

Moreover the valuation of the Formula One license was finalized by the external valuator, who valued the contractual right value of the agreement on € 1.1 million for the period up until 31 December 2007. The contract period ended on 31 December 2007. The fair value of the customer relationship related to the license was determined on € 23.5 million and has an indefinite useful life. Both intangibles were valued at nil in the provisional provisional purchase price allocation.

As a result the recognized values on acquisition date of contractual rights increased by € 24.5 million, Goodwill decreased by € 24.45 million and Deferred tax assets decreased by € 0.05 million.

This increased the Amortization and depreciation for the year 2006 by € 0.15 million and decreased the Tax charge by € 0.05 million.

The difference between the provisional and final purchase price allocation is as follows:

	2006 Based on final PPA € ('000)	2006 PPA adjustments € ('000)	2006 Based on provisional PPA € ('000)
<b>Income statement 2006:</b>			
<b>Revenues</b>	<b>35,044</b>	<b>-1,249</b>	<b>36,293</b>
Other income	659	0	659
Changes in inventories of finished goods and work in progress	1,573	0	1,573
Work performed by the entity and capitalized	4,940	0	4,940
Raw materials and consumables	-19,068	0	-19,068
Employee benefits	-10,539	0	-10,539
Amortization and depreciation	-4,957	-1,850	-3,107
Other operating expenses	-6,821	0	-6,821
<b>Operating result</b>	<b>831</b>	<b>-3,099</b>	<b>3,930</b>
Financial income	1,185	0	1,185
Financial expenses	-2,420	0	-2,420
<b>Result before taxation</b>	<b>-404</b>	<b>-3,099</b>	<b>2,695</b>
Taxation	-937	930	-1,867
<b>Result for the year</b>	<b>-1,341</b>	<b>-2,169</b>	<b>828</b>

	2006 Based on final PPA € ('000)	2006 PPA adjustments € ('000)	2006 Based on provisional PPA € ('000)
<b>Balance sheet, 31 December 2006:</b>			
<b>Total intangible assets</b>	<b>101,547</b>	<b>-2,273</b>	<b>103,820</b>
Goodwill	49,606	-26,849	76,455
Contractual rights	24,677	24,677	0
Development costs	27,014	-101	27,115
Patents and licences	250	0	250
Total equity attributable to equity holders of the Company	82,987	-2,169	85,156
Minority interest	-66	0	-66
<b>Total equity</b>	<b>82,921</b>	<b>-2,169</b>	<b>85,090</b>
Deferred income	9,369	104	9,265

In total the PPA adjustments had no material effect on the 2006 cash flow from operating activities, investing activities and financing activities.

Based on the final PPA the acquisition in 2006 had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-Acquisition Carrying Amounts	Fair value Adjustments	Recognised values on Acquisition
	€ ('000)	€ ('000)	€ ('000)
Property, plant and equipment	14,734	0	14,734
Intangible assets	0	26,426	26,426
Work in progress	0	1,149	1,149
Deferred tax assets	0	1,061	1,061
Inventories	493	0	493
Trade and other receivables	5,603	0	5,603
Taxes and social security contributions	257	0	257
Prepayments	544	0	544
Cash and cash equivalents	63	0	63
Bank overdraft	-253	0	-253
Taxes and social security contributions	-722	0	-722
Trade and other payables	-14,600	0	-14,600
Net identifiable assets and liabilities	6,119	28,636	34,755
Goodwill on acquisition			49,189
Purchase consideration			83,944

Pre-acquisition carrying amounts were determined based on applicable local GAAP immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognized on acquisition are their estimated fair values. The fair value of the acquired assets and liabilities of the business combination is determined by the respective carrying amount taken into account recent market transactions for similar assets and liabilities and/or valuation techniques.

The deferred tax assets recognized was the net amount of the deferred tax liabilities in respect of the fair value adjustments (€ 8.3 million) and the deferred tax assets due to the available tax loss carry forwards (€ 9.4 million). Total available tax loss carry forwards amounted to approx € 50 million at acquisition date. The unrecognized deferred tax asset amounted to € 5.6 million and was not recognized since there was not sufficient evidence for further future taxable profits in the UK.

The goodwill recognized on the acquisition is attributable to intangibles that could not be separately recognized and to the significant mutual synergies expected to arise after the acquisition between Spyker Cars and Spyker F1. Following the final purchase price allocation the goodwill was fully allocated to F1 Racing business segment, which was disposed of on 5 October 2007 as set out in Note 5. Discontinued operations

In the three months to 31 December 2006 the acquired business contributed revenues of € 15.4 million and a net profit of € 2.5 million (based on the final PPA).

It was impracticable for the Company to determine the consolidated revenue and net result for the period had the acquisition occurred on 1 January 2006, due to interaction with the purchase price allocation as well as the changes in management of the F1 Racing team initiated by the Group.

Purchase consideration on acquisition date:		
	€ ('000)	€ ('000)
Cash paid:		
- Down payment 29 September 2006	53,489	
- First deferred instalment 28 September 2007	11,051	
- Second deferred instalment 28 September 2008	<u>15,869</u>	
		80,409
Adjustment purchase price Midland sponsor contract		-1,353
Value of additional vendor benefits		<u>1,213</u>
		80,269
Direct costs relating to the acquisition		<u>3,675</u>
Total purchase consideration		<u>83,944</u>
The cash outflow due to the acquisition is:		
Purchase consideration settled in cash:		53,489
Bank overdraft acquired		253
Cash acquired		<u>-63</u>
Cash outflow on acquisition		<u>53,679</u>

## 5. Discontinued operations

On 5 October 2007 the Company reached a final agreement to sell its Formula One Team to the consortium of Watson Ltd. and Strongwind. The Company disposed 100% of the share capital of its subsidiary Spyker F1 Ltd. for a gross sales price of € 88.0 million (net sales price after adjustments for certain F1-debts amounted to € 66.4 million). Spyker F1 Ltd. contributed a loss of € 35.7 million to the group for the period from 1 January 2007 to 5 October 2007 (a profit of € 2.5 million for the period 28 September 2006 to 31 December 2006).

The reconciliation between the gross sales price and the remaining available cash flow for the group is as follows:

		5 October 2007
	€ ('000)	€ ('000)
Gross sales price		88,000
Adjustments for certain F1-debts		
ABN AMRO current account F1 Ltd.	13,500	
Net creditors F1-adjustment	<u>10,100</u>	
		<u>23,600</u>
Net sales price (after adjustment for certain F1-debts)		64,400
Repayments by purchaser on behalf of the group:		
Vendor loan	26,800	
Strongwind shareholder loan	17,300	
Credit line Friesland Bank	<u>5,000</u>	
		49,100
Remaining available cash for the group		<u>15,300</u>

The details of assets and liabilities disposed and the transaction result are as follows:

	5 October 2007	
	€ ('000)	€ ('000)
Assets and liabilities disposed:		
Goodwill	49,606	
Other intangible fixed assets	23,826	
Tangible assets	16,900	
Work in process	6,300	
Current assets	23,000	
Lease obligations F1 Team Ltd.	-3,400	
ABN AMRO current account F1 Team Ltd.	-13,500	
Trade creditors and other liabilities	-21,870	
Translation reserve	200	
	<u>81,062</u>	
Net sales price (after adjustment for certain F1-debts)		<u>64,400</u>
		16,662
Gains and losses on related settlements		<u>-1,250</u>
Net loss on transaction		<u>15,412</u>

The gains and losses on related settlements consist of the difference between the carrying amount of the vendor loan (amortized cost) and the settlement amount at nominal value, the waiver of interest on the shareholder loans provided by the purchaser and certain other income and expenses directly attributable to the sale of Spyker F1 Ltd.

The cash inflow due to the disposal is as follows:

	5 October 2007	
	€ ('000)	
Remaining available cash for the group		15,300
Add: ABN AMRO current account F1 Team Ltd. sold		13,500
Add: Repayment credit line Friesland Bank		<u>5,000</u>
Gross cash inflow on sale		<u>33,800</u>
Escrow account relating to disposal Spyker Formula One	4,000	
Amounts due from Orange India Holdings	<u>1,631</u>	
		5,631
Net cash inflow on disposal		<u>28,169</u>

The repayments of the vendor loan and the shareholder loan by the purchaser on behalf of the group in the amount of € 44.1 million have been excluded from the cash flow statement as they did not result in a direct cash flow for the group (non-cash transaction).

It should be noted that the company still needs to agree the completion balance sheet with the purchaser and that this balance sheet is still subject to audit. Based upon the latest discussions with the purchaser on this matter, the company does not foresee any major changes arising from the completion of these procedures.

The results of the discontinued operations are presented below:

	2007	2006
	€ ('000)	€ ('000)
<b>Revenues</b>	<b>39,936</b>	<b>15,352</b>
Amortization and depreciation	-1,690	-2,546
Other operating expenses	-56,350	-8,355
<b>Operating result from discontinued operations</b>	<b>-18,104</b>	<b>4,451</b>
Financial income	345	4
Financial expenses	-2,567	-917
<b>Result before taxation from discontinued operations</b>	<b>-20,326</b>	<b>3,538</b>
Taxation	0	-1,061
<b>Result from discontinued operations</b>	<b>-20,326</b>	<b>2,477</b>
Loss on transaction	-15,412	-
<b>Total result from discontinued operations</b>	<b>-35,738</b>	<b>2,477</b>

The cash flows for the discontinued operations are as follows:

	2007	2006
	€ ('000)	€ ('000)
From operating activities:	-14,161	-11,116
From investing activities	-1,741	-1,835
From financing activities	0	0

**Notes to specific items of the consolidated balance sheet and the consolidated income statement**

**6. Property, plant and equipment**

<b>31 December 2007</b>	Buildings € ('000)	Plant and equipment € ('000)	Prototypes, test models and demo's € ('000)	Racing cars € ('000)	Furniture, fixtures and equipment € ('000)	Total € ('000)
At 1 January, net of accumulated depreciation	8,446	7,570	1,291	863	6,668	24,838
Additions	91	1,824	0	880	461	3,256
Disposals as result of discontinued operations	-6,693	-5,655	0	0	-4,550	-16,898
Disposals	0	-15	0	0	-27	-42
Depreciation charge for the year	-273	-433	-112	-159	-983	-1,960
Effect of movements in exchange rates	0	0	0	0	-3	-3
At 31 December, net of accumulated depreciation	<u>1,571</u>	<u>3,291</u>	<u>1,179</u>	<u>1,584</u>	<u>1,566</u>	<u>9,191</u>
At 1 January 2007:						
Cost	8,726	8,004	2,152	1,293	8,998	29,173
Accumulated depreciation and impairment	-280	-434	-861	-430	-2,330	-4,335
Net carrying amount	<u>8,446</u>	<u>7,570</u>	<u>1,291</u>	<u>863</u>	<u>6,668</u>	<u>24,838</u>
At 31 December 2007:						
Cost	1,900	3,629	2,152	2,173	4,144	13,998
Accumulated depreciation and impairment	-329	-338	-973	-589	-2,578	-4,807
Net carrying amount	<u>1,571</u>	<u>3,291</u>	<u>1,179</u>	<u>1,584</u>	<u>1,566</u>	<u>9,191</u>

The capitalized buildings relate to buildings and building improvement cost in The Netherlands and the UK (disposed on 5 October 2007).

Repair costs of the property, plant and equipment are charged to the income statement.

Buildings, plant and equipment and furniture, fixtures and equipment are subject to a first charge to secure the bank credit facility (see note 18). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. The carrying amount of these secured and pledged items amounts to € 9.191 million.

Financial lease contracts are arranged for most of the prototypes, test models and racing cars.

Furniture, fixtures and equipment comprise investments in hard- and software and trade fair stands and promotion material.

Major additions in 2007:

Racing cars: 2 GT2 race cars were prepared for the season 2007.

Furniture, fixtures and equipment: Mainly relates to investments in the ERP system.

<b>31 December 2006</b>	Buildings	Plant and equipment	Prototypes, test models and demo's	Racing cars	Furniture, fixtures and equipment	Total
	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
At 1 January, net of accumulated depreciation	495	3,069	1,990	933	549	7,036
Additions	2,526	695	0	0	1,609	4,830
Acquisitions through business combination	5,561	4,071	0	0	5,102	14,734
Disposals	0	-1	-574	0	-6	-581
Depreciation charge for the year	-183	-299	-125	-70	-630	-1,307
Effect of movements in exchange rates	47	35	0	0	44	126
At 31 December, net of accumulated depreciation	<u>8,446</u>	<u>7,570</u>	<u>1,291</u>	<u>863</u>	<u>6,668</u>	<u>24,838</u>
At 1 January 2006:						
Cost	592	3,204	2,841	1,293	2,249	10,179
Accumulated depreciation and impairment	-97	-135	-851	-360	-1,700	-3,143
Net carrying amount	<u>495</u>	<u>3,069</u>	<u>1,990</u>	<u>933</u>	<u>549</u>	<u>7,036</u>
At 31 December 2006:						
Cost	8,726	8,004	2,152	1,293	8,998	29,173
Accumulated depreciation and impairment	-280	-434	-861	-430	-2,330	-4,335
Net carrying amount	<u>8,446</u>	<u>7,570</u>	<u>1,291</u>	<u>863</u>	<u>6,668</u>	<u>24,838</u>

Major additions in 2006:

Buildings: Purchase of a 1,200 m2 production hall for an amount of € 0.7 million, improvement of Wind tunnel € 1.2 million and building improvements amounting to € 0.5 million

Furniture, fixtures and equipment: Investments in ERP and CAD software and related hardware improvements € 1 million. Trade fare stands € 0.3 million

The disposals of prototypes, test models and demo's relate to four cars sold.

## 7. Intangible assets

31 December 2007	Goodwill € ('000)	F1 related	Development costs		Patents and licenses € ('000)	Total € ('000)
		contracts and licences € ('000)	In use € ('000)	Not yet in use € ('000)		
Cost as at 1 January net of accumulated amortization and impairment	49,606	24,677	24,349	2,665	250	101,547
Additions - internally developed	0	0	2,690	4,449	63	7,202
Disposal as result of discontinued operations	-49,606	-23,826	0	0	0	-73,432
Amortization	0	-851	-350	0	-34	-1,235
Impairment losses	0	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0
At 31 December, net of accumulated amortization and impairment	0	0	26,689	7,114	279	34,082
At 1 January 2007:						
Cost	49,606	26,652	27,199	2,665	300	106,422
Accumulated amortization and impairment	0	-1,975	-2,850	0	-50	-4,875
Net carrying amount	49,606	24,677	24,349	2,665	250	101,547
At 31 December 2007:						
Cost	0	0	29,889	7,114	363	37,366
Accumulated amortization and impairment	0	0	-3,200	0	-84	-3,284
Net carrying amount	0	0	26,689	7,114	279	34,082

### Purchase price adjustments to intangible assets

The calculations of the IFRS PPA adjustments for the acquisition of Midland F1 were finalized in 2007. As a result of these renewed calculations the value of the Goodwill at acquisition date decreased by € 26.2 million and F1 related contract and licenses increased by € 24.7 million. These adjustments are included in the comparative figures 2006 of Goodwill and F1 related contracts and licenses. For further details regarding the final purchase price allocation of the acquisition of Midland F1 Ltd., reference is made to Note 4 Business combinations.

### Goodwill

The goodwill recognized during 2006 and 2007 relates to the acquisition of Midland F1 Ltd. and is attributable to intangibles that could not be separately recognized (such as technology and workforce) and the significant mutual synergies between Spyker Cars and Spyker F1 Team, expected to arise after the acquisition. The goodwill has been fully allocated to the F1 Racing business segment which was disposed of on 5 October 2007 as set out in Note 5.

### F1 related contracts and licenses

The F1 related contracts and licenses were the contracts and licenses recognized as part of the acquisition of Midland F1 Ltd. (Note 4 Business combinations) and were derecognized upon the disposal of the Formula One activities (Note 5 Discontinued operations).

**Development costs**

The development costs in 2007 mainly relate to the development of the Spyker models C-line and D-line SSUV.

The capitalized development costs are amortized over their estimated useful lives by a fixed amount for each sold car based on expected sales over that period.

The expenditure on research is recognized as an expense in 2007 for an amount of € 250,000 (2006: € 154,000). Due to the nature of research activities, it is not certain that it will generate probable future economic benefits.

**Recoverable amount of Development costs**

Management performed an impairment test on the capitalized development costs at year-end. The book value of the cash flow generating units was compared to the calculated recoverable amount. The recoverable amount of a cash flow generating entity was determined by value-in-use calculations.

Development costs are allocated to the cash flow generating entities C-line and D-line (insofar as significant):

31 December 2007	C-Line € ('000)	D-Line € ('000)	Other € ('000)	Total € ('000)
Development costs	21,251	8,771	3,781	33,803

*C-line and D-line*

The main principles of the value-in-use calculations of the cash flow generating entities C-line and D-line are:

1. Focus on limited model range C-line and D-line:
2. Increase sales volume, by means of:
  - Strengthening sales & after-sales organization;
  - Extension dealer network and geographic range;
  - Capitalise on strong existing product, image and brand;
  - Competitive pricing;
3. Cost down, by means of:
  - Cost efficient assembly of cars;
  - Target costing & production cost down programs;
  - Further economy of scale effects.

Management has based the Company's income development forecasts on the Company's strategic review based on several operational and strategic experts in the automotive market, the Company's business plan (Road Map), expected future market developments and past experience.

The forecasts do not take into account the period after 2014 for the C-line and 2012 for the D-line. The expected sales volumes are consistent with sector forecasts. The weighted average cost of capital is in a range of 14% to 17% (pre-tax), and reflects the specific risks of the business segment Automotive. These calculations did not result in any value adjustments.

**Patents and licenses**

Patents and licenses are being amortized over their useful economic lives of 10 years.

31 December 2006	Note	Goodwill	F1 related	Development costs		Total	
			contracts and licences	In use	Not yet in use		Patents and licenses
		€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	
Cost as at 1 January net of accumulated amortization and impairment		0	0	18,601	1,114	99	19,814
Additions - internally developed		0	0	7,398	1,551	176	9,125
Acquisitions through business combination	49,189	26,426	0	0	0	0	75,615
Amortization		0	-1,975	-1,650	0	-25	-3,650
Impairment losses		0	0	0	0	0	0
Effect of movements in exchange rates		417	226	0	0	0	643
At 31 December, net of accumulated amortization and impairment		49,606	24,677	24,349	2,665	250	101,547
At 1 January 2006:							
Cost		0	0	19,801	1,114	133	21,048
Accumulated amortization and impairment		0	0	-1,200	0	-34	-1,234
Net carrying amount		0	0	18,601	1,114	99	19,814
At 31 December 2006:							
Cost		49,606	26,652	27,199	2,665	300	106,422
Accumulated amortization and impairment		0	-1,975	-2,850	0	-50	-4,875
Net carrying amount		49,606	24,677	24,349	2,665	250	101,547

### Development costs

The development costs in 2006 mainly relate to the following subjects:

- development of the models Spyker D12 Peking-to-Paris, and C-line models, other than the C8 Spyder SWB;
- Airbag system.

Impairment testing did not result in an impairment loss. The impairment test is performed based on expectations regarding future revenues, results, cash flows and investments including amortization cost.

The capitalized development cost are amortized over their estimated useful lives by a fixed amount for each sold car on based expected sales over that period.

## 8. Investment in associates

The Group has a 45% interest in Tenaci Engineering Pvt. Ltd., which is involved in delivering engineering services for the automotive industry.

Tenaci Engineering Pvt. Ltd. is a private entity, founded in 2007 in India, that is not listed on any public exchange. The following table illustrates summarized financial information of the Group's investment in Tenaci Engineering Pvt. Ltd.

	2007
	€ ('000)
Share of the associate's balance sheet:	
Current assets	19
Non-current assets	29
Current liabilities	-16
Non-current liabilities	-82
Net assets	<u>-50</u>
Share of the associate's revenue and result:	
Revenues	39
Result	-72
Net equity value	-50
Loans receivable provided	50
Carrying amount of the investment	<u>0</u>

## 9. Deferred tax assets

### Recognized deferred tax assets

Composition	2007	2006
	€ ('000)	€ ('000)
Deferred tax liabilities	0	0
Deferred tax assets	0	4,752
Total deferred tax asset	<u>0</u>	<u>4,752</u>

At the end of 2006 there were deferred tax assets and liabilities for the amount of € 7.4 million in respect of tax losses and temporary differences that were offset against each other.

<b>Origin of deferred tax assets and tax liabilities</b>	01.01.2007	Change through Income statement	Change through Shareholders' equity	31.12.2007
	€ ('000)	€ ('000)	€ ('000)	€ ('000)
Tax-deductible losses (NL)	4,752	-4,005	-747	0
Tax-deductible losses (UK)	0	0	0	0
Total deferred tax asset	4,752	-4,005	-747	0

<b>Origin of deferred tax assets and tax liabilities</b>	01.01.2006	Acquisitions	Change through Income statement	Change through Shareholders' equity	31.12.2006
	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
Tax-deductible losses (NL)	4,400	0	125	227	4,752
Tax-deductible losses (UK)	0	1,061	-1,061	0	0
Total deferred tax asset	4,400	1,061	-936	227	4,752

The deferred tax asset arising from tax-deductible losses can be specified as follows (including discontinued operations):

	2007	2006
	€ ('000)	€ ('000)
NL:		
Total tax-deductible losses	54,314	24,806
Deferred tax assets	0	4,752
Average tax rate	25.5%	25.5%
UK:		
Total tax-deductible losses	-	43,200
Deferred tax assets	-	0
Average tax rate	-	30.0%

At the end of 2006 there were deferred tax assets and liabilities for the amount of € 7.4 million in respect of tax losses and temporary differences that were offset against each other.

The group has significant tax loss carry forwards available, for which management has to assess to what extent it is probable that they will be realized. Due to the unforeseen adverse developments and resulting deterioration of the results in the second quarter of 2007, management decided to fully write-off the deferred tax assets at the end of second quarter of 2007. Although management is positive again about the future developments of the Group, it feels it only to be appropriate to recognize the deferred tax asset again once these expected developments have been sufficiently realized.

For the 2006 year-end management decided to keep the provision to 25% on the deferred tax assets in the Netherlands, based on the internal and external evidence available at the time.

The Dutch tax returns are completed up until 2005.

In the United Kingdom no deferred tax assets were recognized at year-end 2006 regarding the Formula One activities, as management believed that based on the recognition criteria set out in IAS 12 there was not sufficient evidence for future taxable profits in the United Kingdom at the time.

Some minor tax losses in other foreign countries have not been recognized since future usage is depending on, among other things, profit-earning capacity.

**Tax company liability**

Spyker Cars N.V. has applied for company tax treatment for VAT and corporate income tax. The group companies are:

- Spyker Automobielen B.V.
- Spyker Squadron B.V.

The group companies are jointly and severally liable for the tax payable by the Company. In the financial statements of Spyker Cars N.V. any tax liability has been determined on the consolidated result for reporting purposes.

**10. Inventories**

	2007	2006
	€ ('000)	€ ('000)
Raw materials (at cost)	3,830	3,554
Work in progress (at cost)	1,695	8,745
Finished goods (net realisable value)	3,763	4,965
	9,288	17,264

At year-end 31 finished cars were held in stock (2006: 29). In 2007 the cost of goods sold amounts to € 3.6 million.

The amount of write-down of inventories recognized as an expense is € 2.5 million (2006: € 0) which is recognized in cost of sales.

**11. Trade and other receivables**

	2007	2006
	€ ('000)	€ ('000)
Trade receivables	3,257	22,640
Escrow account relating to disposal Spyker Formula One	4,000	0
Amounts due from Orange India Holdings (see Note 20)	1,631	0
Taxes and social security contributions	227	1,234
Other receivables and pre payments	2,111	11,973
	11,226	35,847

The trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

## 12. Receivables from and payables to participants

As per 31 December 2007, the payables to participants amount to € 15 million, mainly consisting of the shareholder loans (€ 14 million) and interest payable on these loans of € 0.8 million. See Note 13.

## 13. Total equity

### Issued share capital

#### Issued number of shares

	Ordinary shares	Priority shares	Class A shares	Total shares
Issued shares per 1 January	3,801,542	1	2,408,835	6,210,378
Issued in 2007	670,668	0	2,866,430	3,537,098
Converted from class A to ordinary shares	2,690,000	0	-2,690,000	0
Issued shares per 31 December	7,162,210	1	2,585,265	9,747,476

The Company's issued share capital consists of ordinary shares, shares class A and one priority share. The nominal value of each share in Spyker Cars is € 0.04. Shares class A are registered shares and cannot be listed. Shares class A can, however, be converted into ordinary shares if the shareholder so requires by means of an application to that effect to the Management Board.

As per 31 December 2007, the authorized share capital of the Company amounts to a sum of € 1,760,000 (2006: € 640,000), divided into 32,999,999 (2006: 11,999,999) ordinary shares, 11,000,000 shares class A (2006: 4,000,000) and one priority share, with a nominal value of € 0.04 each.

Per 31 December 2007, 7,162,210 ordinary shares (2006: 3,801,542), 2,585,265 shares class A (2006: 2,408,835) and one priority share were issued and paid in full. During the year 2007, several share conversions took place, all as described in the "Information for Shareholders" chapter of the Annual Report.

#### Share premium reserve

In 2007, the new issue of 3,537,098 shares, at issue prices of € 4.00, € 15.00 and € 20.00, resulted in a share premium reserve addition of € 22.7 million. Shares class A are registered shares; these shares are not to be listed. Shares class A can, however, be converted into ordinary shares if the shareholder so requires by means of an application to that effect to the Management Board.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations having a functional currency other than the Euro.

#### Other reserves

In 2006 the Company received an amount of € 7.5 million in cash as consideration for the obligation to supply in 2007 374.346 of the Company's ordinary shares at a fixed price of € 20 each. These shares were issued in 2007 and the amount received was transferred to issued capital and share premium.

#### Dividends

The Company did not issue any dividend in 2007 and 2006.

### Recapitalization transaction on 21 January 2008

At 21 January 2008 the Company and Snoras Bank of Vilnius, Lithuania ("Snoras") closed a recapitalization transaction, which resulted in an increase of equity by means of:

- The conversion of the current shareholder loans in the total amount of € 14 million into shares A at a conversion price of € 4.00 each (Mubadala 2.5 million shares A, Helvetia 750,000 shares A and Milestone 250,000 shares A);
- The grant by Snoras to Spyker of a 7% convertible loan in the amount of € 9,560,000 under the terms of which this loan may be converted (in whole or in part) into 2,390,000 shares at € 4.00 each at any time during its 3 year term;
- The issue of an additional 2,325,000 shares A to Snoras for a price of € 4.00 each (total amount € 9,300,000).

### 14. Earnings per share

<b>Result attributable to Equity holders of the Company</b>	2007	2006
	€ ('000)	€ ('000)

Result for the year	-72,075	-1,341
Attributable to minority interests	769	-68
Result attributable to Equity holders of the Company	<u>-71,306</u>	<u>-1,409</u>

<b>Weighted average number of shares</b>	2007	2006
--	------	------

Issued shares at 1 January	6,210,378	3,667,782
Effect of shares issued	719,023	895,876
Weighted average number of shares at 31 December	<u>6,929,401</u>	<u>4,563,658</u>

<b>Weighted average number of shares (diluted)</b>	2007	2006
--	------	------

Weighted average number of shares at 31 December	6,929,401	4,563,658
Effect of conversion of convertible notes	15,872	15,872
Effect of share options on issue	177,596	100,434
Weighted average number of shares (diluted) at 31 December	<u>7,122,869</u>	<u>4,679,963</u>

<b>Results per share</b>	2007	2006
	€	€

Result from continued operations per weighted average number of shares	-5.13	-0.85
Result from continued operations per weighted average number of shares diluted	-5.13	-0.85
Result from discontinued operations per weighted average number of shares	-5.16	0.54
Result from discontinued operations per weighted average number of shares diluted	-5.16	0.54
Result per weighted average number of shares	-10.29	-0.31
Result per weighted average number of shares diluted	-10.29	-0.31

Since the Group was in a loss in 2007 the result per weighted average number of shares diluted is determined on € -10.29 (calculated: € -10.01) in 2007.

## 15. Employee benefits

The expense recognized in the income statement is disclosed in Note 23 Employee benefits.

### Share-based payments

On 24 May 2004, Spyker Cars' General Meeting of Shareholders approved to grant Mr. Jaharia's management company, as of the first listing date of 27 May 2004, unconditional option rights to acquire 59,782 shares, representing 2.5 per cent of the outstanding shares as per the first listing date. The exercise price for these options is the same as the issue price of € 15.50 at the IPO.

As at 27 May 2004, the Employee Share Option Plan (ESOP) was established. In the light of the business developments of 2004, the Supervisory Board decided to postpone the duration of effectiveness, which was from 2004 up to and including 2008, from 2005 up to and including 2009. All other terms remained unchanged. The first option rights under the ESOP were granted on 5 July 2005. The amount of the share based payment is determined based on the increase in the share price of the Company from grant date until vesting time. During 2007 24,000 new option rights were granted.

The terms and conditions are as follows, whereby all options are settled by physical delivery of shares.

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options grant to key management (€ 15.50) at 31 December 2004	59,782	Completion of IPO of Spyker Cars N.V.	5 years
Options grant to key management (€ 9.30) at 31 December 2005	143,477	Yearly, max 20% can vest if performance criteria set by Supervisory Board are met.	5 years + 1 month
Lapsed	-59,782	Employee has to be in service at moment of vesting	
	83,695		
Option grant to other employees (€ 9.30) at 31 December 2005	59,780	Yearly, max 20% can vest if performance criteria set by Supervisory Board are met.	5 years + 1 month
Exercised	-2,390		
Lapsed	-10,761	Employee has to be in service at moment of vesting	
	46,629		
Options grant to other employees (€ 17.00) at 22 June 2007	24,000	Yearly, max 20% can vest if performance criteria set by Supervisory Board are met. Employee has to be in service at moment of vesting	5 years + 1 month
	214,106		

The performance criteria set by the Supervisory Board for 2007, have not been met. During 2007 70,543 option rights were lapsed due to the resignation of employees having share options (2006: 0).

The number and weighted average exercise prices of share options are as follows:

	Options exercise price € 17.00		Options exercise price € 15.50		Options exercise price € 9.30	
	2007	2006	2007	2006	2007	2006
As per 1 January	0	0	59,782	59,782	200,867	203,257
Granted during period	24,000	0	0	0	0	0
Exercised	0	0	0	0	0	-2,390
Lapsed during period	0	0	0	0	-70,543	0
As per 31 December	24,000	0	59,782	59,782	130,324	200,867
Exercizable as per 1 January	0	0	59,782	59,782	38,261	0
Exercizable during period	4,800	0	0	0	0	40,651
Exercised during period	0	0	0	0	0	-2,390
Exercizable as per 31 December	4,800	0	59,782	59,782	38,261	38,261

The fair values for the granted options in the respective years were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2007	2005
Weighted average fair value of share options at measurement date	€ 2.13	€ 2.37
Weighted average exercise price	€ 17.00	€ 9.30
Expected volatility	40%	20%
Expected life	3.25 years	3.25 years
Risk free rate	3.498%	3.498%
Expected dividend yield	0.0%	0.0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the period it was listed on the stock exchange adjusted for the fact that the Company's volatility in the first years of its existing is to be expected higher than in the coming years.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

In 2007 the Group recognized as employee benefits a total expenses of € 113 thousand (2006: € 181 thousand) related to equity-settled share-based payment transactions during the year.

#### Pension benefits

As of 31 December 2006 the pension plan for employees of Spyker Cars N.V. changed from a defined benefit to a defined contribution plan. Under this plan a fixed agreed amount is paid to the insurance company. As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have no longer been included in the balance sheet.

The pension benefits of the employees of Spyker Automobielen B.V. and Spyker Squadron B.V. are insured in Pensioenfonds Metaal en Techniek (PMT). This pension plan qualifies as a defined benefit plan. However the PMT is unable to calculate the pension commitments and related investments on the basis of required IAS 19 accounting principles. Therefore these pension commitments are accounted for as a defined contribution plan.

## 16. Interest bearing borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

<b>Non-current liabilities</b>	2007	2006
	€ ('000)	€ ('000)
Vendor loan (see Note 4)	0	15,469
Convertible notes and loans	455	455
Finance lease liabilities	2,813	6,761
	3,268	22,685
<b>Current liabilities</b>	2007	2006
	€ ('000)	€ ('000)
Vendor loan (see Note 4)	0	10,789
Finance lease liabilities	6,755	3,029
	6,755	13,818

The fair value of current and non-current liabilities equals their carrying amount, as the impact of discounting is not significant.

### Convertible notes

	2007	2006
	€ ('000)	€ ('000)
Proceeds from issue of 400 convertible notes	4,000	4,000
Transaction cost	-47	-47
Net proceeds	3,953	3,953
Conversion	-3,298	-3,298
Recognition of equity component of convertible notes	-232	-232
Amortization transaction costs	32	32
Carrying amount of liability at 31 December	455	455

The interest payment on the convertible notes is 7.0%. This rate was deemed to be below the interest rate that would be due in case no conversion right was granted to the note holders, therefore an equity component was recognized.

Notes were issued in denominations of € 10 thousand. Each note can be converted in 740 shares at a conversion rate of € 13.50. Notes that are not converted to ordinary shares will be redeemed at face value before 16 June 2009. At 16 June 2005, the convertible loan has been attracted to further finance the development costs. Therefore, the related interest expenses have been capitalized.

In 2007, the interest charged and paid amounts to € 35 thousand (2006: € 35 thousand). The difference between the fair value and the nominal value of the convertible notes is not considered material.

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	Minimum lease payments 2007	Present value 2007	Interest payable 2007
	€ ('000)	€ ('000)	€ ('000)
Less than one year	6,940	6,707	233
Between two and five years	3,020	2,861	159
	<u>9,960</u>	<u>9,568</u>	<u>392</u>

	Minimum lease payments 2006	Present value 2006	Interest payable 2006
	€ ('000)	€ ('000)	€ ('000)
Less than one year	3,462	2,635	827
Between two and five years	9,641	7,155	2,486
	<u>13,103</u>	<u>9,790</u>	<u>3,313</u>

The lease commitments relate to the working capital financing by means of the financial lease of test models and finished cars held in stock including sale-and-lease back transactions that are accounted for as finance transactions with a varying duration up to 21 December 2011. The interest payments vary from 4.6% to 7.0% per year. The Group has provided the following collateral for these lease commitments: a right of pledge on transport vehicles (partly), prototypes, test models, a part of the trade fair stands and finished cars held in stock. The carrying amount of these collaterals approximate the carrying amounts of the respective lease liabilities.

The exposure of the Group's borrowings to interest changes and the contractual repricing dates at the balance sheet dates are as follows:

	2007	2006
	€ ('000)	€ ('000)
6 months or less	5,552	1,671
6-12 months	1,203	12,147
1-5 years	3,268	22,685
Over 5 years	0	0
Total non-current and current liabilities	<u>10,023</u>	<u>36,503</u>

The carrying amounts of the Group's borrowings other than Euro's are denominated in the following currency:

	2007	2006
	€ ('000)	€ ('000)
US dollar	0	26,258
	<u>0</u>	<u>26,258</u>

## 17. Provisions

	2007	2006
	€ ('000)	€ ('000)
Balance as at 1 January	195	36
Additions	20	165
Released	0	0
Used	-2	-6
Balance as at 31 December	<u>213</u>	<u>195</u>
Non-current	48	165
Current	<u>165</u>	<u>30</u>
	<u>213</u>	<u>195</u>

Provisions relate to the two years warranty period for new cars (for used cars a one year warranty period applies). The company accrues a fixed amount per car, primarily based upon past experiences with warranty costs.

## 18. Bank overdraft

Pursuant to the investment agreement dated 21 December 2007 between UAB "SNORO turto valdymas" (Snoras) and the Group, Snoras agreed to repay (for the benefit of the Group) the entire amount outstanding under the current account agreement between Friesland Bank N.V. and the Group.

In connection with this repayment the Group and Snoras agreed that as a result of the repayment Snoras is subrogated in the rights of Friesland Bank N.V. against the Group, including any all security interests granted to Friesland Bank N.V.

As a collateral for the loan of € 6,340,000 the Company, Spyker Automobielen B.V., Spyker Squadron B.V. and Spyker F1 Racing Holding B.V. (currently Spyker Events & Branding B.V.) provided Snoras with the following security interests: domain names, intellectual property rights, receivables, including intragroup receivables, stock, work in progress, inventory, fixtures and fittings, intangible assets, financially leased vehicles, current account and moveable assets and a mortgage regarding Edisonweg 16, Zeewolde. In addition, the Company pledged its shares in Spyker Automobielen B.V., Spyker Squadron B.V., Spyker F1 Racing Holding B.V. (currently Spyker Events & Branding B.V.), Spyker Cars UK Ltd. and Spyker of North America, LLC. Also a letter of comfort has been issued by one of the Company's directors, Mr. V.R. Muller.

Further the following applies to the Snoras facility:

- The credit limit shall be € 6.3 million and shall not be subject to a reduction scheme;
- The loan has an interest rate of 6 months LIBOR plus 200 basis points;
- The outstanding amount shall be repaid in full together with all costs and interest accrued thereon on ultimately 21 december 2010;
- The interest accrued on the outstanding amount shall be repaid quarterly.

Spyker Cars' group companies Spyker Automobielen B.V., Spyker Squadron B.V. and Spyker F1 Racing Holding B.V. (currently Spyker Events & Branding B.V.) are jointly and severally liable for the outstanding amounts under the Snoras facility.

**19. Trade and other payables**

	2007	2006
	€ ('000)	€ ('000)
Trade payables	3,768	20,595
Taxes and social security contributions	210	1,462
Installments invoiced	1,410	2,776
Accrued expenses	1,600	0
Non trade payables and accrued expenses	3,674	16,345
	<u>10,662</u>	<u>41,178</u>

**20. Contingencies**

The group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting to € 121 thousand for lease liabilities.

**Tax exposure**

The Group operates or will operate in various countries and is therefore subject to the risk of tax audits and assessments in these countries for various taxes like value added taxes, wage taxes and corporate income taxes. The Group seeks to manage its tax affairs in compliance with all applicable laws. However, it is possible that authorities may disagree with positions taken by the Group, and consequently the Group may be exposed to tax assessments in excess of those provided in the financial statements for tax assets or liabilities, which could have a material adverse effect on Spyker Cars' business, financial condition and/or results of operations. For certain tax exposures relating to the Spyker F1 team, the Group has tax guarantees from the vendor.

**Warranties and escrow account**

In the share purchase agreement between the Company, Spyker F1 Racing Holding B.V. (currently: Spyker Events & Branding B.V.) and Orange India Holdings Sarl ("OIH"), the Company has given certain warranties. Notice of a warranty claim must be given by or on behalf of OIH to the Company in the case of a claim relating to:

- the environment: on or before 5 October 2010;
- taxation: on or before 5 October 2014;
- a matter other than environment or taxation: on or before 5 October 2009.

The aggregate liability of the Company in respect of any claim relating to the share purchase agreement shall not exceed € 16.7 million.

As a security for possible claims under the share purchase agreement, an amount of € 4 million has been transferred to an escrow account. On 5 October 2008 the amount of € 4 million less the amount of any possible claims must be released from the escrow account and paid to the Company. As per 3 April 2008, no formal or any other notice of a possible claim has been given by or on behalf of OIH.

**Equity facility**

In March 2007, the Company entered into an equity facility agreement with Trafalgar. On the basis of this Agreement, Trafalgar is committed to purchase up to € 25 million common stock of the Company through a term facility of three years if and when requested by the Company. Up until the end of 2007, the Company has received an amount of € 4.75 million under the Trafalgar facility. The remainder under the facility amounts to € 20.25 million.

## 21. Commitments not included in the balance sheet

### Leases as lessee

Non-cancellable operating leases are payable as follows:

	2007	2006
	€ ('000)	€ ('000)
Less than one year	561	472
Between one and less than five years	1,407	1,343
	<u>1,968</u>	<u>1,815</u>

The Group has leased accommodations in Zeewolde for an amount of € 340 thousand a year in 2007 (2006: € 316 thousand). The lease contracts will expire on between 31 December 2008 and 31 December 2012 subject, to extensions from two to five-year. The other annual operational lease commitments amount to € 221 thousand (2006: € 156 thousand).

Furthermore, the company has in the ordinary course of its business entered into various commitments with suppliers of car parts.

## 22. Revenues

	2007	2006
	€ ('000)	€ ('000)
Car sales	3,484	16,378
Racing activities	1,203	3,004
Merchandise and events	454	310
	<u>5,141</u>	<u>19,692</u>

Revenues from the car sales comprise sales to external customers, namely the dealer network and end-users. Racing activities comprise racing income of GT2 racing. Merchandise and events consist of events at the factory and merchandise GT2 racing.

## 23. Employee benefits

	2007	2006
	€ ('000)	€ ('000)
Wages and salaries	5,510	3,956
Social security contributions	606	511
Contributions to defined contribution plans	288	232
Management fee	735	274
Hired personnel and other personnel costs	1,492	1,590
Equity settled share based payments	113	181
	<u>8,744</u>	<u>6,744</u>

The remuneration of the individual members of the Management Board and the members of the Supervisory

Board of Spyker Cars is explained in the Remuneration report in the annual report on page 62-64. This information is part of the audited financial statements.

#### Staff

The Group employed at average 166 full-time equivalents in 2007 (2006: 351).

### 24. Amortization and depreciation

	2007	2006
	€ ('000)	€ ('000)
Amortization development costs	350	1,650
Amortization intellectual property rights and contracts	34	28
Depreciation of property, plant and equipment	1,121	733
	<u>1,505</u>	<u>2,411</u>

### 25. Other operating expenses

	2007	2006
	€ ('000)	€ ('000)
PR and marketing costs	4,001	2,016
Travel expenses and costs of company cars	1,467	1,145
Freight and transportation costs	1,046	929
Advisory costs	2,744	474
Rent and housing costs	653	480
Insurance	1,592	364
Office costs	962	440
Other	5,753	256
	<u>18,218</u>	<u>6,104</u>

### 26. Financial income and expenses

<b>Financial income</b>	2007	2006
	€ ('000)	€ ('000)
Interest received	0	561
Foreign exchange results	1,961	1,179
	<u>1,961</u>	<u>1,740</u>

The foreign exchange results mainly relate to the USD vendor loans.

<b>Financial expenses</b>	2007	2006
	€ ('000)	€ ('000)
Interest paid	4,305	1,371
Foreign exchange results	227	691
	<u>4,532</u>	<u>2,062</u>

## 27. Taxation

The taxation has been calculated as follows:

<b>Consolidated income statement</b>	2007	2006
	€ ('000)	€ ('000)
Current income tax	0	0
Deferred income tax	-4,005	-936
Deferred tax charge UK	0	-1,061
Deferred tax charge NL	-4,005	125
	<u>-4,005</u>	<u>-936</u>

<b>Consolidated statement of changes in equity</b>	2007	2006
	€ ('000)	€ ('000)
Deferred income tax related to items directly charged to equity:		
- In respect of transaction costs	-747	227
	<u>-747</u>	<u>227</u>

<b>Tax reconciliation</b>	2007	2006
	€ ('000)	€ ('000)
Accounting loss before income tax	-68,070	-405
Statutory tax rate (25.5%; 29.6%)	17,358	120
Write off deferred tax assets	-4,005	-165
No recognition Deferred tax assets	-12,572	0
Non tax deductible loss on disposal	-3,930	0
Loss on deferred tax assets due to decrease tax tariff NL	0	-874
Other	-856	-17
	<u>-4,005</u>	<u>-936</u>

**28. Group entities**

	Country of incorporation	Ownership	Interest
Subsidiaries and associates:			
Spyker Automobielen B.V.	Netherlands	100%	100%
Spyker Squadron B.V.	Netherlands	100%	100%
Spyker F1 Racing Holding B.V.	Netherlands	100%	100%
Spyker F1 Ltd. (disposed 5 October 2007)	United Kingdom	100%	100%
Spyker Brand Ltd. (disposed 5 October 2007)	United Kingdom	100%	100%
Spyker F1 Team Ltd. (disposed 5 October 2007)	United Kingdom	100%	100%
Spyker of North America LLC, USA	United States	100%	100%
Spyker Cars UK Ltd.	United Kingdom	100%	100%
Spyker of China Ltd.	Hong Kong	51%	51%
Tenaci Engineering Pvt. Ltd. (asssociate)	India	45%	45%

**29. Subsequent event**

In January 2008 the second part of the recapitalization transaction as part of the agreement with Snoras was affected. The financial effects of this event are further described in Note 2 as part of 'Continuity and recapitalization of the Group'.

**30. Accounting estimates and judgements**

Management Board members discussed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting judgements and estimates in applying the Group's accounting policies

Certain critical accounting judgements and estimates in applying the Group's accounting policies are described below.

*Development cost:*

All qualifying expenses related to development cost are capitalized in certain categories, when the respective criteria are met. Management bases its judgment whether the respective criteria are met primarily on the study of the expected technical and economic feasibility in close cooperation with the development department.

Amortization of these development cost are charged to the income statement with a fixed amount per sold car.

At this moment the fixed amount is based on the estimated produced and sold cars over a ten-year period. See also Note 7.

*Impairment of intangible assets and property, plant and equipment:*

The Group reviews assets for impairment annually. Assets subject to this review include intangible assets and property, plant and equipment totalling € 43.2 million at the 2007 balance sheet date (2006: € 126.5 million, of which goodwill was not tested for impairment since the accounting for the business combination at the time was still provisional and the goodwill had not yet been allocated to segments). In determining impairments, management makes significant judgements and estimates to determine if the recoverable amount, based on future cash flows expected to be generated by those assets, is less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the Group's strategic plans and long-range planning forecasts. The data necessary for the execution of the impairment tests are based on

management's best estimates of future cash flows, which require estimating revenue growth rates and profit margins. Additionally an assessment needs to be made for the discount rate to be applied in these discounted cash flow calculations. Management bases itself in its forecasts as much as possible on external evidence, like industry specific study reports, opinions from external industry experts and strategic consultants. However, due to the unique activities of the company and the niche market in which it operates significant management judgement is necessary. In Note 7 Intangible assets the assumptions have been described in more detail that were applied in the impairment test performed at the year-end carrying amount of the capitalized developments costs.

Since the budget and projections relate to the future, actual results are likely to be different from the projected results because events and circumstances frequently do not occur as expected, and the differences may be material.

*Deferred tax assets:*

The group has significant tax loss carry forwards available, for which management has to assess to what extent it is probable that they will be realized. Due to the unforeseen adverse developments and resulting deterioration of the results in the second quarter of 2007, management decided to fully write-off the deferred tax assets at the end of second quarter of 2007. Although management is positive again about the future developments of the Group, it feels it only to be appropriate to recognize the deferred tax asset again once these expected developments have been sufficiently realized.

For the 2006 year-end management decided to keep the provision to 25% on the deferred tax assets in the Netherlands, based on the internal and external evidence available at the time. In the United Kingdom no deferred tax assets were recognized at year-end 2006 regarding the Formula One activities, as management believed that based on the recognition criteria set out in IAS 12, there was not sufficient evidence for future taxable profits in the UK at the time.

*Purchase Price Allocation Midland F1 Racing Ltd:*

The management has used several fair value methods to calculate on the best of their knowledge the right PPA values. This was the first PPA of a Formula One team under IFRS regulations and therefore no comparable information was found for some fair value calculations and management had to estimate the value to their best knowledge using common business sense. Renowned independent valuers were involved in both the provisional and final purchase price allocation. In Note 4 the basis has been described for the three items that were ultimately adjusted as part of the final purchase price allocation.

### **31. Financial risk management objectives and policies**

The group has mainly nominal financial assets such as trade receivables, trade payables and cash, which arise directly from its operations. It is and has been the Group's policy in 2006 and 2007 that no trading in derivatives shall be undertaken. The main risks arising from the Group's activities are accordingly foreign currency risk, credit risk and liquidity risk. The Company's long term financing is against fixed interest rates, with the Company thus being sheltered against changes in market interest rates. The € 6.3 million debt facility from Snoras Bank is priced at 6 months LIBOR plus 2%. As LIBOR fluctuates over time, a decrease of 10% in LIBOR would result in lower interest payments amounting to € 38,000 per annum, whereas an increase of 10% in LIBOR would result in higher interest payments of € 42,000 per annum.

The Company has via its available cash and existing facilities sufficiently secured the funding of its on-going operations. The funding of the planned (and substantial) investments in the development of the new models includes elements, such as cash generated from the sales of cars, which may vary from the present

expectations. The company will accordingly closely monitor the developments in its cash position and will, if and when needed, timely adjust the spending on development costs to ensure that the Company remains sufficiently liquid.

#### Foreign currency risk

As explained in further detail on page 55, the Company is, due to its International operations, subject to currency rate risks, most notably vis-a-vis the US dollar. The Company is well aware of this exposure and is presently reviewing measures to safeguard itself against foreign exchange exposure, such as purchasing and subcontracting in US dollar based countries. At year end 2007, the Company carried a US dollar exposure of USD 1.5 million at a EUR/USD exchange rate of 1.47. Continued weakening of the US dollar against the Euro would result in foreign exchange losses, whereas a strengthening of the US dollar against the Euro would result in foreign exchange gains. A 10% depreciation of the US dollar would therefore result in exchange losses approximately € 90,000, and would negatively impact Equity for a similar amount. A 10% appreciation of the US dollar would result in exchange gains of approximately € 100,000, and positively impact Equity for a similar amount.

#### Credit Risk

Given the nature of its products, the Group normally trades only with well recognised, wealthy parties. It is nevertheless the Group's policy that all customers are subject to credit verification procedures. The Company's exposure to bad debts is accordingly normally minimal.

#### Liquidity risk

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Company has via its available cash and existing facilities sufficiently secured the funding of its on-going operations. The funding of the planned (and substantial) investments in the development of the new models includes elements, such as cash generated from the sales of cars, which may vary from the present expectations. The company will accordingly closely monitor the developments in its cash position and will, if and when needed, timely adjust the spending on development costs to ensure that the Company remains sufficiently liquid.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year € ('000)	Between 1 and 2 years € ('000)	Between 2 and 5 years € ('000)	Over 5 years € ('000)
At 31 December 2007				
Borrowings	6,755	1,708	1,560	0
Payables to participants	15,054	0	0	0
Bank overdraft	7,213	0	0	0
Trade and other payables	10,662	0	0	0
At 31 December 2006				
Borrowings	13,818	3,171	19,514	0
Payables to participants	195	0	0	0
Bank overdraft	25,052	0	0	0
Trade and other payables	41,178	0	0	0

### Capital management

The primary objective of the Group's capital management is to ensure that it obtains a sufficient solvency in order to support its business and maximise shareholder value. To maintain or adjust the capital structure, the Company may issue new shares.

## 32. Related parties

### Identity of related parties

The Group has a related party relationship with:

- its subsidiaries (group companies);
- its directors, executive officers and supervisory board members (individuals);
- shareholders of the Company and certain third parties.

### Transactions with group companies

Spyker Cars N.V. is the parent company of a group of companies. The interests in all group companies are directly and indirectly held. Spyker Cars has two statutory directors, a CEO and a Chief Business Development officer. Mr. V.R. Muller, CEO of the Company, is the sole director of Spyker Automobielen B.V. and Spyker Squadron B.V.; he is one of the two directors of Spyker Cars UK Ltd. The sole director of Spyker of North America LLC is an UK citizen, residing in the USA. The transactions between group companies are eliminated from the consolidated financial statements.

### Transactions with individuals

Remuneration of individual members of the Management Board and the Supervisory Board of Spyker Cars are explained in the Remuneration report within the annual report. This information is part of the audited financial statements. See page 62-64.

Managers in key positions with Spyker Cars comprise the Management Board and members of the Management Team of Spyker Cars. Transactions with these individuals constitute related-party transactions.

#### *Remuneration of managers in key positions:*

	2007	2006
	€ ('000)	€ ('000)
Fixed salary and management fee	1,130	514
ESOP	0	0
Bonus	0	0
Pensions and other remuneration components	41	48
<b>Total</b>	<b>1,171</b>	<b>562</b>

Mr. V.R. Muller, CEO of the Company, bought from the Company in 2007, through a personal holding company, a Spyker C8 Spyder. In 2007 Mr. Muller sold to the Company, through a personal holding company, two Spyker C8 Spydors and a Spyker C8 Laviolette.

An accounting employee of Mr. Muller's personal holding company delivers on a part time basis accounting support to the finance department of the Company.

Mr. Martin E. Button, managing director of Spyker of North America LLC, owns a transport company in the USA. This transport company executed several transportations for the Company in the USA, for demonstration in various auto shows.

Mr. M. Mol, former interim CEO of the Company, is a relative of Mr. J. Mol who held a share interest in the Company (via Strongwind Investments). Strongwind Investments provided funding for the Company for an amount of € 15.3 million and had an interest rate of 10% per annum and a final maturity date of 31 December 2007. In October 2007, the Company sold its Formula One team to a consortium of Strongwind Investments and Watson Ltd. for a gross amount of € 88 million (see Note 5).

**Transactions with shareholders and certain third parties**

During 2007, some major shareholders of the Company provided funding in the aggregate amount of € 31,3 million. This amount is divided as follows:

**Shareholder loans**

	€ ('000)
Strongwind Investments (settled in October 2007)	17,300
Mubadala Development Company	10,000
Investeringsmaatschappij Helvetia	3,000
Milestone Beheer	1,000
Total	<u>31,300</u>

The loans had an interest rate of 10% per annum and a final maturity date of 31 December 2007. As a security for the loans, Spyker Cars granted a pledge on its shares in Spyker F1 Racing Holding B.V.

Snoras Bank of Vilnius, Lithuania ("Snoras") entered in an investment agreement on 21 December 2007 with the Group for the refinancing of the Group's operations. Snoras agreed to repay for the benefit of the Group the entire amount outstanding under the current account agreement between Friesland Bank N.V. and the Group. As a collateral for this loan (€ 6.3 million) the Group provided certain security interests. For further details regarding this agreement reference is made to Note 18 Bank overdraft.

Mr. A. Pesci, owner of Speedy Garage (the Spyker dealer for Switzerland) and Spyker of Milan, holds a share interest in Spyker Cars. Mr. Pesci is also the owner of the Speedy Racing Team, which entered a Spyker GT2R in the 2007 Le Mans series.

All transactions, described above, were concluded at arms length basis against normal market conditions. Therefore the Group complies with best practice principles II.3.4 and III.6.3 of the Dutch Corporate Governance Code.

The transactions can be specified as follows:

	2007	2006
	€ ('000)	€ ('000)
Sale Spyker F1 Ltd.	88,000	0
Shareholder loans	35,600	0
Sales of cars	325	409
Purchase of cars	606	0
Racing activities	938	775
Other sales and recharged expenses	183	63
Other expenses including key management	1,348	993

### 33 Financial instruments

All financial instruments at balance sheet date qualify as loans and receivables or other financial liabilities and are measured at amortized cost.

**Company balance sheet**  
at 31 December 2007  
(before appropriation of the net result)

<b>Assets</b>	Note	31.12.2007	31.12.2006*
		€ ('000)	€ ('000)
<b>Non-current assets</b>			
Property, plant and equipment	1	9,178	8,827
Intangible assets	2	34,082	27,264
Investments in subsidiaries and associates	3	0	4,846
Deferred tax assets		0	4,752
<b>Total non-current assets</b>		<b>43,260</b>	<b>45,689</b>
<b>Current assets</b>			
Trade and other receivables		733	2,750
Receivables from participants		267	113
Receivable from group companies		18,277	61,003
Cash and cash equivalents		3,592	6,289
<b>Total current assets</b>		<b>22,869</b>	<b>70,155</b>
<b>Total assets</b>		<b>66,129</b>	<b>115,844</b>
<b>Shareholders' equity and liabilities</b>			
		31.12.2007	31.12.2006*
		€ ('000)	€ ('000)
<b>Shareholders' equity</b>			
Issued capital		390	248
Share premium		77,413	62,818
Legal reserves		34,018	27,406
Other reserves		-14,858	-6,076
Unappropriated net result		-71,306	-1,409
<b>Total shareholders' equity</b>	4	<b>25,657</b>	<b>82,987</b>
<b>Provisions</b>		<b>5,244</b>	<b>8,544</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		3,268	6,624
<b>Total non-current liabilities</b>		<b>3,268</b>	<b>6,624</b>
<b>Current liabilities</b>			
Bank overdraft		6,340	48
Interest-bearing borrowings		6,755	3,029
Trade and other payables		3,387	10,084
Payables to participants		15,169	0
Receivable from group companies		309	4,528
<b>Total current liabilities</b>		<b>31,960</b>	<b>17,689</b>
<b>Total liabilities</b>		<b>35,228</b>	<b>24,313</b>
<b>Total shareholders' equity and liabilities</b>		<b>66,129</b>	<b>115,844</b>

\* The comparative figures are adjusted due to the finalization of the PPA (Note 4)

**Company income statement**

for the year ended 31 December 2007

	<u>2007</u>	<u>2006*</u>
	€ ('000)	€ ('000)
Result after taxation	-15,223	-1,921
Income from investments in subsidiaries after taxation	<u>-56,083</u>	<u>512</u>
<b>Net result</b>	<b><u>-71,306</u></b>	<b><u>-1,409</u></b>

The comparative figures are adjusted due to the finalization of the PPA (Note 4).



## Notes to the Company financial statements

### General

The Company financial statements comprise the financial statement of the Company only.

The Company has prepared its company financial statements based in accordance with Dutch GAAP and the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. Based on the opportunity offered in section 362-8 of the Dutch Civil Code, Book 2, Title 9, the Company has drawn up its company financial statements according to the same recognition and measurement principles as used in the consolidated financial statements. The Company has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. For those recognition and measurement principles reference is made to note 2 'Significant accounting policies' to the consolidated financial statements. Investments in subsidiaries are carried at net asset value.

For additional information on items not explained further in the notes to the company balance sheet, reference is made to the notes to the consolidated balance sheet.

In accordance with Section 402, Book 2 of the Dutch Civil Code, in the income statement the result on subsidiaries after taxation is the only item shown separately.

The Company's financial statements are presented in Euros, rounded to the nearest thousand, unless stated otherwise.

**Notes to specific items of the Company balance sheet  
and the Company income statement**

131

**1. Property, plant and equipment**

	Buildings	Plant and equipment	Prototypes, test models and demo's	Racing cars	Furniture, fixtures and equipment	Total
<b>31 December 2007</b>	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
At 1 January, net of accumulated depreciation	1,620	3,424	1,291	863	1,629	8,827
Additions	91	83	0	880	429	1,483
Disposals	0	-15	0	0	-5	-20
Depreciation charge for the year	-140	-149	-112	-159	-552	-1,112
At 31 December, net of accumulated depreciation	<b>1,571</b>	<b>3,343</b>	<b>1,179</b>	<b>1,584</b>	<b>1,501</b>	<b>9,178</b>
At 1 January 2007:						
Cost	1,809	3,664	2,267	1,293	3,668	12,701
Accumulated depreciation and impairment	-189	-240	-976	-430	-2,039	-3,874
Net carrying amount	<b>1,620</b>	<b>3,424</b>	<b>1,291</b>	<b>863</b>	<b>1,629</b>	<b>8,827</b>
At 31 December 2007:						
Cost	1,900	3,732	2,267	2,173	4,092	14,164
Accumulated depreciation and impairment	-329	-389	-1,088	-589	-2,591	-4,986
Net carrying amount	<b>1,571</b>	<b>3,343</b>	<b>1,179</b>	<b>1,584</b>	<b>1,501</b>	<b>9,178</b>
<b>31 December 2006</b>	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
At 1 January, net of accumulated depreciation	495	3,121	1,990	933	494	7,033
Additions	1,217	409	0	0	1,480	3,106
Disposals	0	-1	-574	0	-6	-581
Depreciation charge for the year	-92	-105	-125	-70	-339	-731
At 31 December, net of accumulated depreciation	<b>1,620</b>	<b>3,424</b>	<b>1,291</b>	<b>863</b>	<b>1,629</b>	<b>8,827</b>
At 1 January 2006:						
Cost	592	3,256	2,841	1,293	2,194	10,176
Accumulated depreciation and impairment	-97	-135	-851	-360	-1,700	-3,143
Net carrying amount	<b>495</b>	<b>3,121</b>	<b>1,990</b>	<b>933</b>	<b>494</b>	<b>7,033</b>
At 31 December 2006:						
Cost	1,809	3,664	2,267	1,293	3,668	12,701
Accumulated depreciation and impairment	-189	-240	-976	-430	-2,039	-3,874
Net carrying amount	<b>1,620</b>	<b>3,424</b>	<b>1,291</b>	<b>863</b>	<b>1,629</b>	<b>8,827</b>

## 2. Intangible assets

31 December 2007	Development	Patents and	Total
	costs	licenses	
	€ ('000)	€ ('000)	€ ('000)
Cost as at 1 January net of accumulated amortization and impairment	27,014	250	27,264
Additions - internally developed	7,139	63	7,202
Amortization	-350	-34	-384
Impairment losses	0	0	0
At 31 December, net of accumulated amortization and impairment	<b>33,803</b>	<b>279</b>	<b>34,082</b>
At 1 January 2007:			
Cost	30,664	309	30,973
Accumulated amortization and impairment	-3,650	-59	-3,709
Net carrying amount	<b>27,014</b>	<b>250</b>	<b>27,264</b>
At 31 December 2007:			
Cost	37,803	372	38,175
Accumulated amortization and impairment	-4,000	-93	-4,093
Net carrying amount	<b>33,803</b>	<b>279</b>	<b>34,082</b>
31 December 2006	Development	Patents and	Total
	costs	licenses	
	€ ('000)	€ ('000)	€ ('000)
Cost as at 1 January net of accumulated amortization and impairment	19,715	99	19,814
Additions - internally developed	8,949	176	9,125
Amortization	-1,650	-25	-1,675
Impairment losses	0	0	0
At 31 December, net of accumulated amortization and impairment	<b>27,014</b>	<b>250</b>	<b>27,264</b>
At 1 January 2006:			
Cost	21,715	133	21,848
Accumulated amortization and impairment	-2,000	-34	-2,034
Net carrying amount	<b>19,715</b>	<b>99</b>	<b>19,814</b>
At 31 December 2006:			
Cost	30,664	309	30,973
Accumulated amortization and impairment	-3,650	-59	-3,709
Net carrying amount	<b>27,014</b>	<b>250</b>	<b>27,264</b>

### 3. Investments in subsidiaries and associates

The item investments in subsidiaries and associates includes the following companies:

	Share in issued capital	2007	2006
		€ ('000)	€ ('000)
Spyker Automobielen B.V.	100%	0	0
Spyker Squadron B.V.	100%	0	2,000
Spyker F1 Racing Holding B.V.	100%	0	2,846
Spyker of North America LLC, USA	100%	0	0
Spyker Cars UK Ltd.	100%	0	0
Spyker of China Ltd.	51%	0	0
Tenaci Engineering Pvt. Ltd. (associate)	45%	0	0
		<u>0</u>	<u>4,846</u>

Some investments in subsidiaries have a negative net asset value, due to negative results up and until 2007. For this reason, these investments in subsidiaries and loans receivable are provided and a provision for the remaining deficit has been recorded.

	Share in issued capital	Net Equity value as at 31-dec-06	Participation 2007	Translation reserve	Results from participating interests	Net Equity value as at 31-dec-07	Loans		Book-value as at 31-dec-07
							receivable	Provision	
	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)	€ ('000)
Spyker Automobielen B.V.	100%	-8,214	0	0	-12,895	-21,109	18,473	2,636	0
Spyker Squadron B.V.	100%	2,000	0	0	-2,846	-846	846	0	0
Spyker F1 Racing Holding B.V.	100%	2,846	0	-351	-37,758	-35,263	35,263	0	0
Spyker of North America LLC, USA	100%	-260	0	140	-1,623	-1,743	0	1,743	0
Spyker Cars UK Ltd.	100%	-57	0	8	-52	-101	101	0	0
Spyker of China Ltd.	51%	-70	0	26	-837	-881	16	865	0
Tenaci Engineering Pvt. Ltd.	45%	0	22	0	-72	-50	50	0	0
		<u>-3,755</u>	<u>22</u>	<u>-177</u>	<u>-56,083</u>	<u>-59,993</u>	<u>54,749</u>	<u>5,244</u>	<u>0</u>

**4. Shareholders' equity**

	Issued capital € ('000)	Share premium € ('000)	Legal reserve € ('000)	Other reserves € ('000)	Un- appropriated net result € ('000)	Total € ('000)
<b>Balance at 1 January 2006</b>	<b>147</b>	<b>22,278</b>	<b>19,715</b>	<b>-11,814</b>	<b>-1,930</b>	<b>28,396</b>
Foreign currency translations	0	0	392	0	0	392
<b>Total income and expense for the year recognized directly in equity</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>0</b>	<b>0</b>	<b>392</b>
Result for the year	0	0	0	0	-1,409	-1,409
<b>Total income and expense for the year</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>0</b>	<b>-1,409</b>	<b>-1,017</b>
Allocation of net result prior year	0	0	0	-1,930	1,930	0
Proceeds from new share issues	101	49,006	0	7,487	0	56,594
Costs of share issues	0	-1,191	0	0	0	-1,191
Tax calculated for costs of share issues and change in tax rate	0	227	0	0	0	227
Legal reserve	0	-7,299	7,299	0	0	0
Recognition of equity component of convertible notes	0	-203	0	0	0	-203
Share based payments	0	0	0	181	0	181
	<b>101</b>	<b>40,540</b>	<b>7,299</b>	<b>5,738</b>	<b>1,930</b>	<b>55,608</b>
<b>Balance at 31 December 2006</b>	<b>248</b>	<b>62,818</b>	<b>27,406</b>	<b>-6,076</b>	<b>-1,409</b>	<b>82,987</b>

	Issued capital € ('000)	Share premium € ('000)	Legal reserve € ('000)	Other reserves € ('000)	Un- appropriated net result € ('000)	Total € ('000)
<b>Balance at 1 January 2007</b>	<b>248</b>	<b>62,818</b>	<b>27,406</b>	<b>-6,076</b>	<b>-1,409</b>	<b>82,987</b>
Foreign currency translations	0	0	-177	0	0	-177
<b>Total income and expense for the year recognized directly in equity</b>	<b>0</b>	<b>0</b>	<b>-177</b>	<b>0</b>	<b>0</b>	<b>-177</b>
Result for the year	0	0	0	0	-71,306	-71,306
<b>Total income and expense for the year</b>	<b>0</b>	<b>0</b>	<b>-177</b>	<b>0</b>	<b>-71,306</b>	<b>-71,483</b>
Allocation of net result prior year	0	0	0	-1,409	1,409	0
Proceeds from new share issues	142	22,660	0	-7,486	0	15,316
Costs of share issues	0	-529	0	0	0	-529
Tax calculated for costs of share issues and change in tax rate	0	-747	0	0	0	-747
Legal reserve	0	-6,789	6,789	0	0	0
Recognition of equity component of convertible notes	0	0	0	0	0	0
Share based payments	0	0	0	113	0	113
	<b>142</b>	<b>14,595</b>	<b>6,789</b>	<b>-8,782</b>	<b>1,409</b>	<b>14,153</b>
<b>Balance at 31 December 2007</b>	<b>390</b>	<b>77,413</b>	<b>34,018</b>	<b>-14,858</b>	<b>-71,306</b>	<b>25,657</b>

#### Issued share capital

The Company's issued share capital consists of ordinary shares, shares class A and one priority share. The nominal value of each share in Spyker Cars is € 0.04. Shares class A are registered shares and cannot be listed. Shares class A can, however, be converted into ordinary shares if the shareholder so requires by means of an application to that effect to the Management Board.

As per 31 December 2007, the authorized share capital of the Company amounts to a sum of € 1,760,000 thousand (2006: € 640,000), divided into 32,999,999 (2006: 11,999,999) ordinary shares, 11,000,000 shares class A (2006: 4,000,000) and one priority share, with a nominal value of € 0.04 each.

Per 31 December 2007, 7,162,210 ordinary shares (2006: 3,801,542), 2,585,265 shares class A (2006: 2,408,835) and one priority share were issued and paid in full. During the year 2007, several share conversions took place, all as described in the "Information for Shareholders" chapter of the Annual Report.

#### Share premium reserve

In 2007, the new issue of 3,537,098 shares, at issue prices of € 4.00, € 15.00 and € 20.00, resulted in a share premium reserve addition of € 22.7 million. Shares class A are registered shares; these shares are not to be listed. Shares class A can, however, be converted into ordinary shares if the shareholder so requires by means of an application to that effect to the Management Board. The legal reserve has been charged against share premium reserve as other reserves were not sufficient.

**Legal reserve**

Pursuant to Section 365(2) of Book 2 of the Netherlands Civil Code, a legally-required reserve is formed for capitalized development costs to the amount of € 33.8 million (2006: € 27.0 million) and for foreign currency translations to the amount of € 0.2 million (2006: € 0.4 million).

**5. Staff and remuneration of Supervisory Board and Management Board**

During 2007, Spyker Cars N.V. employed at average 29 full-time equivalents (2006: 21).

The remuneration of the individual members of the Management Board and the members of the Supervisory Board of Spyker Cars is explained in the Remuneration report in the annual report on page 62-64. This information is part of the audited financial statements.

**6. Guarantees***Guarantees*

Spyker Cars N.V. together with its subsidiaries Spyker Automobielen B.V., Spyker Squadron B.V. and Spyker F1 Racing Holding B.V., constitutes a single tax entity for corporate tax and a single tax entity for VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate tax debts and VAT debts stemming from the relevant tax entities.

**Signing of the financial statements**

Zeewolde, 3 April 2008

Management Board:

**Victor R. Muller**

Chief Executive Officer

**Klaas Stuijtzand**

Interim Chief Financial Officer

**Richard Borsboom**

Chief Business Development

Supervisory Board:

**J.H.M. Lindenberg**

Chairman

**J.B.Th. Hugenholtz**

Vice-chairman

**M. La Noce**

**V. Antonov**

**D. Apockinas**

**M. Bondars**

## **Additional information**

### **Statutory rules concerning appropriation of result**

Article 29 of the Company's articles of association includes the following provisions regarding result appropriation:

1. The Management Board shall annually, with the approval of the Supervisory Board, determine which part of the result - the positive balance on the income statement - is added to the reserves.
2. From the results remaining after transfer to the reserves in accordance with the previous paragraph, a dividend is distributed on the priority share of six percent (6%) of the nominal paid up amount.
3. Any remaining result after application of paragraph 1 and 2 of this article is available to the General Meeting.

### **Statutory rules concerning issue of new shares and acquisition by the Company of its shares.**

New shares may be issued pursuant to a resolution of the Management Board. The authority to issue new shares has been delegated to the Management Board by resolution of the general meeting of shareholders for a period of 18 months, ending on 18 October 2008. A resolution to issue new shares, whether by the general meeting of shareholders or by the Management Board upon delegation, can only be taken upon proposal of the Management Board with approval of the Supervisory Board. The resolution by the general meeting of shareholders to delegate the issue-authority to a different body than the Management Board can only be taken upon proposal of the Management Board with approval of the Supervisory Board.

Spyker may acquire fully paid shares at any time for no consideration, or, subject to certain provisions of Dutch law and the Articles of Association, if (i) Spyker Cars' shareholders equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-up share capital and any statutory reserves, and (ii) Spyker Cars and its subsidiaries would thereafter not hold shares or hold a pledge with an aggregate nominal value exceeding 10% of its issued share capital.

An acquisition of shares may be effected by a resolution of the Management Board, subject to approval of the Supervisory Board. Other than for no consideration, shares including the priority share may only be acquired subject to a resolution of the Management Board, authorized thereto by the general meeting of shareholders. Such authorization may apply for a maximum period of 18 months and must specify the number of shares that may be acquired, the manner in which shares may be acquired and the price limits within which shares may be acquired. On 19 April 2007, the general meeting of shareholders has authorized the Management Board to acquire the maximum number of shares by law, for a period of 18 months against a purchase price between the nominal value per share, as a minimum, and certain average price of the shares as quoted at Eurolist by Euronext Amsterdam, as a maximum. No such authority is required for the acquisition by Spyker Cars of fully paid shares for the purpose of transferring these shares to Spyker Cars' employees or employees of a group company.

Any shares held by Spyker Cars may not be voted on or counted for quorum purposes.

### **Proposed allocation of the result for the financial year 2007**

A proposal will be made to allocate the loss for 2007 to the other reserves (deficit).

This proposal has not yet been reflected in the balance sheet.

### **Appointment of members of the Management Board and Supervisory Board.**

Members of the Management Board and members of the Supervisory Board are appointed by the general meeting of shareholders. The holder of the priority share has nomination rights, see hereunder.

**Priority Share**

The priority share was transferred on 21 December 2007 from the foundation Stichting Prioriteit Spyker Cars ("Stichting Prioriteit") to UAB "SNORO turto valdymas" (Snoras).

The priority shareholder has the following rights and privileges: (i) the right to make a proposal to nominate members of the Management Board and the Supervisory Board; (ii) the right to make a proposal to suspend or dismiss members of the Management Board and the Supervisory Board; (iii) the right to propose to amend the Articles of Association and to dissolve Spyker Cars; (iv) the right to convene an extraordinary meeting of shareholders; (v) prior approval of whole or partial transfer of control over Company activities and the entering into or amendment of agreements between the Company on the one hand, and shareholders, members of the Management Board or members of the Supervisory Board, as individuals, on the other hand, or between the Company and legal entities over which the aforementioned persons have direct or indirect control; (vi) the right to receive, before any other shareholders, a dividend of 6% of the nominal amount of the Priority Share of € 0.04.

**Subsequent events**

Reference is made to Note 29 of the consolidated financial statements, which describes the significant events after the balance sheet date and their financial effects.

## To the shareholders of Spyker Cars N.V.

### Auditors' report

#### Report on the financial statements

We have audited the accompanying financial statements 2007 of Spyker Cars N.V., Zeewolde as set out on pages 74 to 136. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company income statement for the year then ended and the notes.

#### *Management Board's responsibility*

The Management Board of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Management Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Spyker Cars N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### *Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Spyker Cars N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

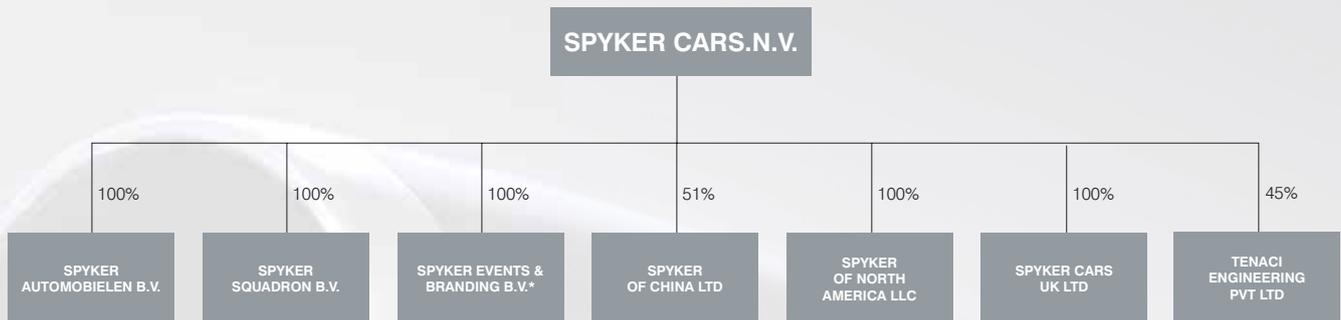
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Management Board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 3 April 2008

for Ernst & Young Accountants

Signed by J.J.J. Sluijter

## Organisation Chart



\*Formerly Spyker F1 Racing Holding B.V.

### Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Spyker Cars, in particular in the Outlook section of the chapter Management Board's Report.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results and events to differ materially from that expressed in the forward-looking statement.

### Fair value information

In presenting Spyker Cars' financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. Readers are cautioned that these values are subject to changes over time and are only valid at balance sheet date.

This Annual Report is available online at [www.spykercars.com](http://www.spykercars.com) under Investors, Financial.







**SPYKER CARS N.V.**

Spyker is a public company traded at Euronext Amsterdam tickersymbol SPYKR.

Edisonweg 2  
3899 AZ Zeewolde  
The Netherlands  
Tel: +31 36 535 8787  
Fax: +31 36 535 8780  
E-mail: [info@spykercars.com](mailto:info@spykercars.com)

[www.spykerworld.com](http://www.spykerworld.com)