AAA Auto Group N.V.

Annual Report

2008

Selected Financial Indicators

Unit of measure/year Euro Million	2008	2007
Total revenues	293.9	356.6
Revenues from sale of cars	247.4	319.6
Operating profit (EBITDA) - Continuing Operations	3.6	11.3
Profit / (loss) from discontinued operations	(30.2)	(10.1)
Profit/loss after tax	(32.4)	(4.8)
Number of cars sold (units)	60,557	79,871

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Report from the Chairman of the Management Board

Dear Shareholders, Ladies and Gentlemen,

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

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

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

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

In September 2008, the Board resolved to change the registered address of the Company AAA Auto Group N.V. to Kingsfordweg 151, Amsterdam, Netherlands. In December 2008, they approved a change of the tax domicile of the Company AAA Auto Group N.V., which was transferred from the Netherlands to the Czech Republic effective as of 1 January 2009. The main reason for the decision was to simplify administration and account keeping of the parent Company, as well as to reduce the costs of management.

Throughout the year, the dominant topic on the agenda of the Management Board was the restructuring and cost-cutting measures in need of implementation. The Board decided, among other things, that it was vital to terminate the operations of its loss-making new cars

division operated by the companies General Automobile and HK Partner and to gradually divest of all movable and immovable assets superfluous to the core business of selling used cars. Assets designated for sale, including those of the closed down Hungarian operation, were very conservatively priced – as recommended by the auditors – and write-offs were created for these assets. These charges together with the write-offs and other provisions of the closed-down foreign operations added EUR 12.6 million to the bottom line loss of EUR 32.4 million.
Even though the global economic situation does not shed much clarity on the near future, the fact that we reached a net profit in the Czech Republic and Slovakia in the first quarter 2009 already gives the grounds for a positive outlook in 2009 – where it is our plan to recapture profitability for our shareholders and return back to profit.

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

Letter from the CEO to Shareholders

Dear Shareholders, Ladies and Gentlemen,

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

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

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

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

- ✓ Car stock management – the key indicator in our sector is the stock turnover. We have significantly reduced and completely changed our car stock to hold only the 15 best-selling car models and to keep the stock turnover as high as possible. This has proven to be an effective strategy in times of low demand and decreased market prices.

- ✓ Maintaining high profit margins – despite the decreasing sales volumes and dropping average sales prices, we have managed to increase our gross profit margin throughout the year (19.6% in 2008 compared to 17.0% in 2007). This was achieved due to the fact that we were successful in maintaining a high metal (car) margin (9.1% in 2008 vs. 8.4% in 2007). We also focused on our high-profit-yielding financial services and up-sale products and managed to increase our financial penetration (the number of cars sold on credit or leasing) to 53% in 2008 from 48% in 2007. The Company's strong foothold in the used-car credit market in the CR and Slovakia proves to be our significant competitive advantage.

- ✓ Cost-cutting & efficiency – the Company has undergone an extremely strict cost diet, has changed its business model to more efficient branches adopting the so-far very successful „baby bazaar model“ and merged hundreds of job positions to achieve so-called multi-skilling. Thanks to these we have reduced our operating expenses from EUR 27.4 mil. in 4Q07to EUR 15.5[1] mil. in 4Q08, increased the cost-efficiency of each branch as well as the average number of cars sold per employee (from 21 cars per employee per year in 2007 to 42 cars in 2008). Unfortunately, we were forced to reduce our headcount from 3,834 (at end of 2007 when our expansionary strategy peaked) to 1,440. Stricter profitability requirements were set for each branch and if they were not met the branch was closed. As a result, we have reduced the number of branches from 45 down to 35 at the end of 2008 and further to 30 at the end of March 2009.

- ✓ Group asset optimization – we have earmarked around 50% of our property portfolio to be sold off during the next 18 months. We closed down our new-car sales division at the end of 2008 to focus on our core and more profitable business of used-car sales. This should release tied-up capital and lower our debt and interest expenses. We managed to sell the first three properties in the 3Q08 and realised a EUR 1.2 million profit from the sale.

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

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

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

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[1] The operating expenses are net of EUR 9.4 mil. write-offs booked in 4Q08

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

On the side of the financial performance, the company recorded total revenues of EUR 379 million in 2008 on the sale of 60,557 cars representing a 23% decline when compared to 2007. The two main factors behind the decline were decreasing demand and the closure of 22% of unprofitable branches. The decision to close down these branches led to, on the one hand, a reduction in the number of cars sold by the Group in 2008 while, on the other hand, it alleviated the Company's financial results from losses generated by these foreign operations. As a result, despite diminishing sales, the Company has managed to significantly improve its financial performance throughout the year compared to the 4Q 2007 when it first dipped into loss. However, due to the decision to discontinue operations in Hungary, Poland and Romania, the Company had to book write-offs and fair-value adjustments of EUR 12.6 million. in the 4Q08 as stipulated by IFRS requirements which substantially influenced the Group's financial results for 2008. (Please note that these accounting charges had no cash-flow impact.) The total losses incurred by discontinued operations in 2008 totalled Euro 30.2 million.

The continuing operations in Czech Republic and Slovakia generated an EBITDA profit of Euro 3.6 million in 2008 and a net income loss of Euro 2.2 million on a turnover of Euro 294 million.

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

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

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

Anthony James Denny
Chief Executive Officer

Historical Milestones in the Company Development

1992	Establishment of Auto USA to import cars from the United States
1994	Opening of the Prague centre
1995	Name change to AAA AUTO Praha, s.r.o.
1998	Launch of Prague call centre
1998–2001	Expansion of the network of branches purchased to ten locations throughout the Czech Republic
2000–2004	Sales centres opened in five additional cities in the Czech Republic Major expansion in the portfolio of financial, insurance and assistance services The website of AAA AUTO Group becomes the most visited car-based site in the Czech Republic
2003	Establishment of the subsidiary GENERAL AUTOMOBIL a.s. to sell new cars
2004	Entering the Slovak market by opening the first branch in the city of Košice Company ranks 68th in the CZECH TOP 100 Companies chart Sales exceed 40,000 cars
2005	Group's headcount reaches 2,000 Entrance on the Romanian market (Bucharest branch) Opening of two additional car centres in the Czech Republic and three in Slovakia Sales exceed 50,000 cars
2006	Entrance on the Hungarian (Budapest branch) and Polish markets (Warsaw branch) Major customer service improvements (car exchange within 24 hours and insurance) Group reaches 25 branches Staff count increases to 2,880 Sales exceed 60,000 cars
2007	Auto Diskont becomes a subsidiary of AAA AUTO "Superbrands" prestigious award Expansion results in 20 new branches and by year's-end car centres number 45 Sales reach nearly 80,000 cars Staff count exceeds 3,800 In September the Netherlands-based parent company AAA Auto Group N.V. lists its shares on the Prague and Budapest Stock Exchanges As of 1st November, Vratislav Kulhánek becomes a Non-Executive Member and Chairman of the Management Board

2008 1st Quarter

- In February, AAA Auto Group N.V. announces a decline in key financial indicators for 2007 as a result of a combination of the one-off increase in the costs of expansion, on one hand, and the drop in sales in the used car markets, which took full hold in the fourth quarter, on the other hand. The Company responds by announcing a programme of fundamental restructuring and cost-cutting measures with the aim to turn around the Company back to profit.
- In February, the tenth branch of AAA AUTO in Slovakia opens in Prievidza.
- The AAA AUTO Group extends the period for return and exchange of a car from one to three days
- The AAA AUTO Group sold Carlife insurance to already 160,000 clients.
- In March, the AAA AUTO Group launches mobile buy-back of cars in all five markets.

2nd Quarter

- The April meeting of the Management Board resolves on the divestiture of subsidiaries General Automobil and HK Partner, both in the business of retail of new cars.
- The share capital of AAA AUTO a.s., the Czech subsidiary of AAA Auto Group N.V., was doubled by the sole shareholder's, AAA Auto Group N.V., contribution from CZK 150 million to CZK 300 million; the Company's capital adequacy and financial position was thus strengthened.
- According to a study made by Ernst & Young, the AAA AUTO Group ranked in the top ten of the biggest car dealers in Europe.
- AAA AUTO opens a new premium showroom in Pilsen at the beginning of June.
- In mid-June, the Group launches its new brand AAA Premium Auto in Prague and Brno offering good-as-new cars, not older than 2 years and with fewer than 40,000 kilometres in mileage with premium customer care.
- The AAA AUTO Group climbs from 82nd to 54th rank in the 2007 CZECH TOP 100, up 28 places. As part of the Company's strategy focused on regaining profitability, the Management Board resolved in June to close down the Polish division. The reason was the loss generated by the division which came as a result of distorted market conditions – the import of a roughly one million of poor quality used cars to the Polish market yearly.
- David Thorley is appointed new Chief Financial Officer of the Group in June.

3rd Quarter

- In September, AAA AUTO launches its revamped, more easy to use website as its key telemarketing channel, through which more than a half of the Groups total sales of used cars are realised.
- AAA AUTO opens a new car centre in Hradec Králové in September.

4th Quarter

- The AAA AUTO call centre celebrates its 10th anniversary in October, having processed 350,000 sales.
- At the beginning of November, the AAA AUTO Group decided to sell some of its properties in Hungary, which suffered a sharp market slump as a result of the financial crisis. Two branches – in Pécs and Szeged – were closed down at the beginning of December.
- In November, AAA AUTO sells its 450,000th car in its sixteen years of history.
- In December, AAA AUTO launches the purchase of old cars subjected to the duty
  of environmental tax and provides a CZK 5,000 in exchange for a purchase of a used car. The old cars will be ecologically recycled through specialised companies.
- In December, the Management Board approves a transfer of the tax domicile of AAA Auto Group N.V., from the Netherlands to the Czech Republic with effect
  from 1 January 2009.
- In December as a result of the deteriorating economic conditions the Management Board decided to withdraw from operations in Romania and Hungary
- The prices of used cars in the Czech Republic fell in 2008 by 10-25% on average as a result of the declining prices of new cars and the global economic slowdown.
  A similar trend was discernible also in other countries of the Central-Europen region.

2009 1st Quarter

- The AAA AUTO Group launches a new service – selling cars at the customer's home.
- In February 2009 the AAA Auto Group announces a joint venture with SixT New Kopel in Romania, with an initial 5% holding and an option to increase up to 49%

AAA AUTO Group Profile

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

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

AAA AUTO, which first crossed international borders during its original expansion in 2004, operated 35 car centres in the Czech Republic, Slovakia, Hungary, Poland and Romania at the close of 2008. In response to the falling markets, the Company optimised its portfolio of cars for sale in 2008 by focusing on the 15 best-selling models reduced its car stock to approximately 5,000 cars which reduced the working capital requirements. In addition to offering low-end cars through its subsidiary Auto Diskont, in 2008 the Group launched a new brand in the Czech Republic and in Slovakia - AAA Premium Auto. Customers now have a choice of good-as-new used cars with mileage maximums of 40,000 km and guarantees and customer care standards which are at par with services provided together with new cars.

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

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

General Identification Information

Company Name: AAA Auto Group N.V, a public limited liability Company with the registered office: Kingsfordweg 151, 1043 GR, Amsterdam, the Kingdom of Netherlands, incorporated in the Commercial Register in Amsterdam, the Netherlands, under reg. number 34199203. It is the parent and the controlling Company of AAA AUTO Group and controls the individual corporate entities; including subsidiaries in individual countries (see the Group structure on pages 11-13).

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

Legal Form: a public limited liability company

Subject of Business:

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

AAA AUTO does not perform research and development activities.

Trading Company: AAA AUTO a.s. that is the largest daughter company of AAA AUTO Group
Registered Office: Hostivice, Husovo nám. 14, PSČ 253 01, Czech Republic
Company ID. No.: 26699648, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Portfolio 8578

Legal Form: a joint-stock company

Subject of Business:

- retail with motor vehicles and accessories
- specialized retail
- retail with used goods
- wholesale

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

AAA AUTO Group Structure as of 31st December 2008

AAA Auto Group N.V.

AAA AUTO GROUP

- **100%** **MEDIA ACTION s.r.o.** **Czech Republic** Marketing Services
- **100%** **AAA AUTO a.s.** **Czech Republic** Trading Company
  - **100%** **AAA AUTO PRAHA s.r.o.** **Czech Republic** Dormant
  - **100%** **Autocentrum AAA AUTO s.r.o.** **Czech Republic** Dormant
  - **100%** **HK PARTNER, s.r.o.** **Czech Republic** Dormant
    - **100%** **HK PARTNER KLADNO, s.r.o.** **Czech Republic** Dormant
- **100%** **AUTOCENTRUM AAA AUTO a.s.** **Slovakia** Trading Company
  - **100%** **AUTO DISKONT s.r.o.** **Slovakia** Trading Company
- **99.94%** **AAA AUTO S.A.** **Romania** Trading Company
  0,06% AAA AUTO a.s.
- **100%** **Autocentrum AAA AUTO Kft.** **Hungary** Holding Company
  - **100%** **AAA AUTO Kft.**

NEW CARS GROUP

- **100%** **GENERAL AUTOMOBIL, a.s.** **Czech Republic** Trading Company
  - **100%** **GENERAL AUTOMOBIL CZECH s.r.o.** **Czech Republic** Dormant
  - **95%** **ASKO spol. s r.o.** **Czech Republic** Dormant
    2.5% Libor Ševčík
    2.5% Tomáš Čevela
- **100%** **GENERAL AUTOMOBILE POLAND Sp.z o.o.** **Poland** Dormant
- **100%** **GENERAL AUTOMOBIL Kft.** **Hungary** Dormant
- **100%** **GENERAL AUTOMOBIL S.R.L.** **Romania** Dormant

B BRAND GROUP

- **100%** **KAPITÁL AUTOMOTIVE a.s.** **Czech Republic** Holding Company
  - **100%** **AUTO DISKONT s.r.o.** **Czech Republic** Trading Company

Hungary
Trading Company

100% **AAA AUTO Sp. z o.o.**
Poland
Holding Company

100% **AUTOCENTRUM AAA AUTO Sp. z o.o.**
Poland
Dormant

100% **ASCORD Sp. z o.o.**
Poland
Dormant

100% **AAA AUTO EOOD.**
Bulgaria
Dormant

100% **AAA AUTO a.d. Beograd**
Serbia
Dormant

100% **AAA AUTO LLC.**
Ukraine
Dormant

99% **AAA AUTO LLC.**
Russia
Dormant

1% AAA AUTO a.s.

AAA AUTO Group Structure as of 31st March 2009

AAA Auto Group N.V.

AAA AUTO GROUP

- **100%** **MEDIA ACTION s.r.o.** — **Czech Republic** — Marketing Services
- **100%** **AAA AUTO a.s.** — **Czech Republic** — Trading Company
  - **100%** **AAA AUTO PRAHA s.r.o.** — **Czech Republic** — Dormant
  - **100%** **Autocentrum AAA AUTO s.r.o.** — **Czech Republic** — Dormant
  - **100%** **HK PARTNER, s.r.o.** — **Czech Republic** — Dormant
    - **100%** **HK PARTNER KLADNO, s.r.o.** — **Czech Republic** — Dormant
- **100%** **AUTOCENTRUM AAA AUTO a.s.** — **Slovakia** — Trading Company
  - **100%** **AUTO DISKONT s.r.o.** — **Slovakia** — Trading Company
- **99.94%** **AAA AUTO S.A.** — **Romania** — Trading Company — **0,06% AAA AUTO a.s.**
- **100%** **Autocentrum AAA AUTO Kft.** — **Hungary** — Holding Company
  - **100%** **AAA AUTO Kft.** — **Hungary**

NEW CARS GROUP

- **100%** **GENERAL AUTOMOBIL, a.s.** — **Czech Republic** — Trading Company
  - **100%** **GENERAL AUTOMOBIL CZECH s.r.o.** — **Czech Republic** — Dormant
  - **95%** **ASKO spol. s r.o.** — **Czech Republic** — Dormant — 2,5% Libor Ševčík — 2,5% Tomáš Čevela
- **100%** **GENERAL AUTOMOBILE POLAND Sp.z o.o.** — **Poland** — Dormant
- **100%** **GENERAL AUTOMOBIL Kft.** — **Hungary** — Dormant
- **100%** **GENERAL AUTOMOBIL S.R.L.** — **Romania** — Dormant

B BRAND GROUP

- **100%** **KAPITÁL AUTOMOTIVE a.s.** — **Czech Republic** — Holding Company
  - **100%** **AUTO DISKONT s.r.o.** — **Czech Republic** — Trading Company

Trading Company

100% **AAA AUTO Sp. z o.o.**
Poland
Holding Company

- **100%** **AUTOCENTRUM AAA AUTO Sp. z o.o.**
  Poland
  Dormant

- **100%** **ASCORD Sp. z o.o.**
  Poland
  Dormant

100% **AAA AUTO EOOD.**
Bulgaria
Dormant

100% **AAA AUTO a.d. Beograd**
Serbia
Dormant

100% **AAA AUTO LLC.**
Ukraine
Dormant

99% **AAA AUTO LLC.**
Russia
Dormant

1% AAA AUTO a.s.

Corporate Governance

AAA Auto Group N.V. is a public company with limited liability under the laws of the Netherlands. The Company was incorporated on 12 December 2003 as Automobile Group B.V. and converted into legal form of public limited liability company (Naamloze Vennootschap) under the name AAA Auto Group N.V. on 29 December 2006. In view of the listing of its shares on the main markets of the Prague and Budapest Stock Exchange, the Articles of Association of the Company were last amended on 7 September 2007.

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

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

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

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

The Board is responsible for the Group’s system of internal control and for reviewing its effectiveness. In designing the system of internal control, consideration is given to the significant risks to the business, the probability of these risks manifesting themselves and the most cost effective means of controlling them. The system is designed to manage rather than eliminate risk and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

There is an internal audit department which reports directly to the non-executive Chairman and to the Audit Committee comprising the non-executive directors and is therefore independent of the management of the company. Issues raised by Internal Audit are reported to the management of the company and a status report is reviewed by the Audit Committee on a regular basis.

Corporate Governance of AAA Auto Group N.V.

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

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

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

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

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

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

Executive Members

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

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

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

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

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

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

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

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

- Anthony James Denny (since 29th December 2006);
- Antonius Mattheus Kemp (29th December 2006 – 25th April 2008);
- Matyáš Kořínek (24th May 2007 – 25th April 2008); and
- Kamil Ziegler (25th April 2008 – 20th June 2008).

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

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

Antonius Mattheus Kemp
Executive Member of the Management Board from 29th December 2006 to 25th April 2008 (then he becomes an Non-Executive Member).

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

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

Kamil Ziegler
Executive Member of the Management Board and the Executive Director of the Economic Division from 25th April 2008 to 20th June 2008.

Non-Executive Members

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

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

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

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

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

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

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

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

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

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

Mr. Kemp is not independent within the framework of Best Practice Provision III.2.2 of the Dutch Code as he has been an Executive Member of the Management Board of AAA AUTO during the five years prior to the appointment. As he is the only Non-Executive Member that is not independent within the Best Practice Provision III.2.2 of the Dutch Code, Best Practice Provision III.2.1 of the Dutch Code is complied with.

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

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

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

Remuneration Policy

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

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

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

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

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

The general meeting of the Company approved the Board Members share option plan on April 25th, 2008. Based on this program, each Executive Member of the Board was awarded an option for 200,000 shares and each Non-Executive Board Member an option for 50,000 shares with the exercise price of 1 EUR/share. The options were awarded for a four year period, with the provision that the option holder would be able to exercise 40 % of the option after three years. Exercising of these options shall be qualified by fulfillment of conditions related to a share market price and performance of the Company, with the provision that the said Board Member shall be able to exercise the option only in case that the share price on the stock exchange shall be at least 4 EUR per share after three years from awarding of the option, and a ratio of a pure profit compared to a Company turnover shall be at least 1.9 % in the last two accounting periods. With respect to the adverse situation in the global markets and decrease of the Company's market share price, the Company is considering changes in the performance conditions to reflect changes in the markets. A decision which is subject to the approval of the General Meeting of Shareholders.

Senior Management

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

Ralph Howie
Executive Director for Car Purchasing Area

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

David Thorley
Chief Financial Officer

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

Karolína Topolová
Chief Operations Officer

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

Jiří Trnka
Deputy to the Chief Executive Officer

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

Conflict of Interests

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

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

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

Internal Audit in 2008

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

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

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

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

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

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

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

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

Share Option Plan

In accordance with the General Rules of the Share Option Plan of the company, the general meeting of Shareholders met on 25 April 2008 to discuss and approve share options for the members of the management board and to form a part of the rules for the remuneration of management board members. The basic limits and dates for share options for the executive and middle management and for key personnel of the company were also set at that time; the total number of shares allocated under the Share Option Plan may not exceed 5% of the ordinary share capital of the company in issue immediately before the day of allocation, when added to the total number of shares which have been allocated in the previous ten years under the Share Option Plan.

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

On 31 July 2008, a committee instated by the Management Board elaborated the key parameters of the three categories of the Share Option Plan, including the middle management and key personnel of the AAA AUTO Group. The Company granted to its employees an option for 3,286,000 shares, which accounts for 4.79% of the ordinary share capital of the Company; with the options granted to the Management Board members, the total amounted to 4.92% of the share capital. Thus the limit of a maximum of 5% of the share capital of the Company was not exceeded.

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

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

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

Risk Factors

A number of key risk factors which the AAA AUTO Group is exposed to stemming from the basis of its business were already listed in the Prospectus published in connection with the share offering and in the 2007 Annual Report. The majority of the risk factors are still applicable. The aforementioned documents are available on the company's website (www.aaaauto.nl), in the section titled "Investors".

AAA AUTO Group had operations in several countries of Central Europe in 2008 (at the end of March 2009 Group limited its operations to the Czech Republic and Slovakia) and as such is exposed to a number of external and internal risks which may negatively impact on the performance and sales – and, by extension – the company's bottom line. There are many risks related to the business of the Group, including the risks associated with the following factors:

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

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

3. Financial risks

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

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

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

Shareholder Rights

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

Issue of Shares and Pre-emptive Rights

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

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

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

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

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

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

Acquisition of Shares in the Capital of the Company

The Company may acquire own fully paid shares at any time for no consideration. Furthermore, subject to certain provisions of Dutch law and the Articles of Association, the

Company may acquire fully paid shares in its own capital if: (i) the shareholders' equity less the payment required to make the acquisition, does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by the Dutch law or by the Articles of Association (such excess, the "Distributable Equity"); and (ii) the Company and its subsidiaries would thereafter not hold ahares or hold a pledge over the shares in the capital of the Company with an aggregate nominal value exceeding 10% of the issued share capital of the Company.

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

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

Reduction of Share Capital

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

Dividends and Other Distributions

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

General Meetings of Shareholders and Voting Rights

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

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

The notice convening any General Meeting of Shareholders shall be sent no later than the 15th day prior to the meeting and shall include an agenda stating the items to be dealt with.

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

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

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

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

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

Amendment of the Articles of Association and Change of Corporate Form

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

Compliance with the Dutch Code

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

Management Board (Part II of the Dutch Code)

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

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

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

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

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

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

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

Supervisory Board (Part III of the Dutch Code)

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

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

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

According to Best Practice Provision III.7.3, the Supervisory Board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by Supervisory Board Members (Non-Executive Management Board Members), other than securities issued by their "own" Company. The regulations shall be posted on the website. A Supervisory Board member shall give periodic notice, but in any event at least once per quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the

Chairman of the Supervisory Board. A Supervisory Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

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

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

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

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

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

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

The Company complies with this provision with respect to meetings for more analysts or investors. The cost of compliance with this provision in other cases would be disproportionate. We therefore believe that applying this provision is not in the Company's best interest.

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

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

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

Mission, Objectives and Vision of the Company

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

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

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

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

Near-term Objectives

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

Thanks to its position among the leaders in the used car retailing market in Central Europe and the achieved goals set for 2009, AAA Auto Group N.V. soon wants to deliver to the shareholders and investors on the capital markets positive news concerning its favourable sales results and return to profitability .

Our Vision

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

Report to Shareholders (Shares)

Subscription Information

The shares of AAA Auto Group N.V. were admitted for trading on the stock exchanges in Prague (PSE) and Budapest (BSE) as from 26th September 2007. The overall number of issued shares amounts to 67,757,875 with the nominal value of EUR 0.10 per share of which 17,757,875 shares (26.21%) are available for trading on the PSE and BSE (free float); the ISIN of the shares is NL0006033375. The shares are traded on the main market of the PSE in the SPAD trading system, and are included in the PX-GLOB index and – until 23rd March 2009 – also of the PX index. The remaining portion of the shares (73.79%) remains in the possession of Automotive Industries S.à.r.l. holding.

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

Shareholder structure as at 31 December 2008:

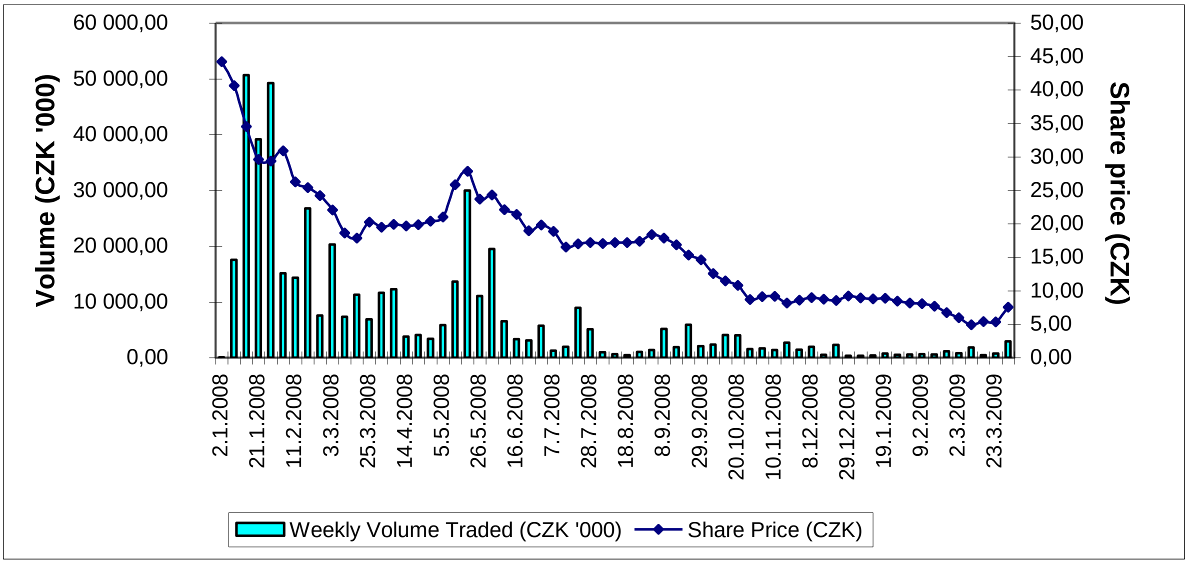
Automotive Industries S.à.r.l.	73.8%
Other investors	26.2%

Development of the Share Price and Volume Traded in 2008

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

The start of 2008 witnessed an onset of a decline in the share price of AAA Auto by 79.5%, which was primarily caused by the global economic crisis and its repercussions on the capital markets, resulting in the sell-out of shares and a drop of all global indices. The volatile financial situation, unfavourable economic data and the increased risks bred mistrust and the unwillingness to invest, which in turn drew down the whole investment sphere and the share prices. The Prague Stock Exchange copied the trend of the other international markets. The Czech market, as measured by its main PX Index which dropped by 52.7%, copied the losses on the global stock exchanges and its neighbouring CE countries (the main indexes of the stock exchanges in Poland and Hungary recorded a loss of around 50% in 2008).

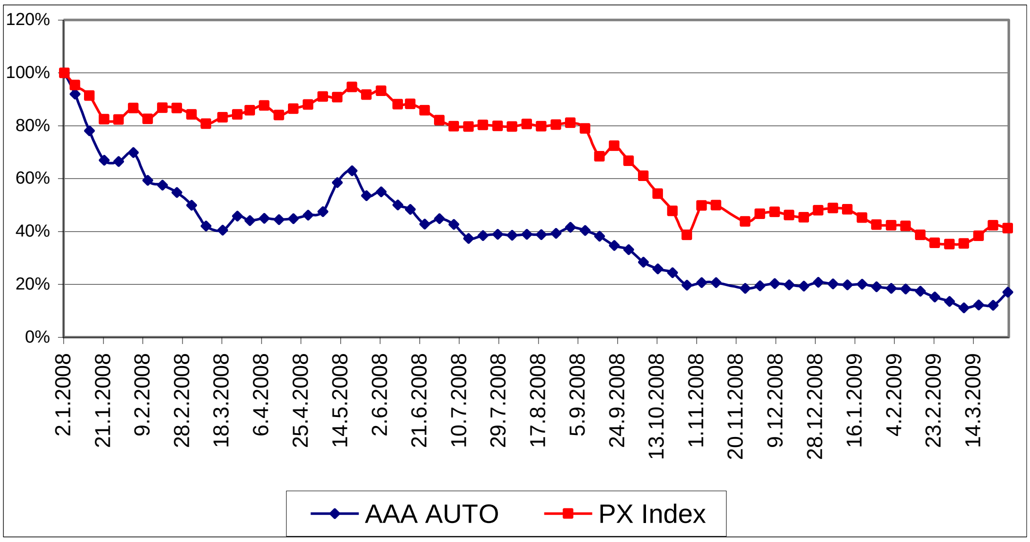
Development of AAA AUTO's Share Price and Volume Traded on the PSE



Source: PSE

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

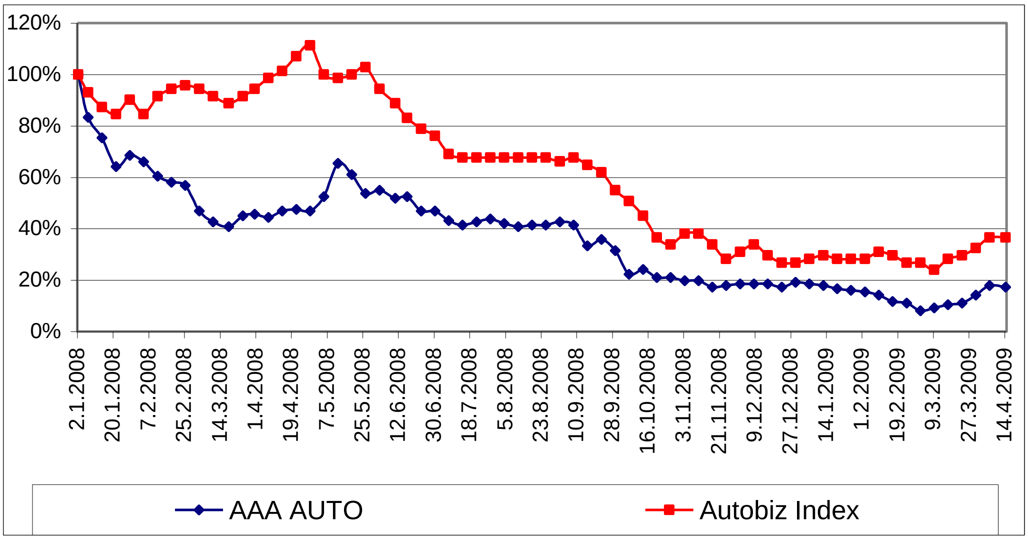
Relative Performance of AAA AUTO Shares and PX Index



Source: PSE

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

Relative Performance of AAA AUTO Shares and AUTOBIZ Index



Source: AUTOBIZ

Public Relations

I. Corporate Social Responsibility

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

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

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

1. Economy

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

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

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

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

Listing on the Prague and Budapest Stock Exchanges

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

2. Social Policy

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

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

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

Education, Training, Development

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

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

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

Local Community and Sponsoring

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

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

Cooperation with Consumer Organizations

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

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

3. Environment

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

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

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

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

II. Communications

The objective of the communications strategy is to create a positive image of the Company in the lens of the media and in the eyes of the public; these should lead to positive perceptions of the Company by both current and prospective clients which, in turn, should have a positive impact upon the Company's ultimate profitability. The PR department is responsible for the uniform and sophisticated presentation of the company.

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

III. Marketing

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

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

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

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

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

In the second half of 2008, the marketing activity responded to the transition from the Slovak currency to euro. Improving computer literacy and internet penetration in Slovakia resulted also in a rather significant re-distribution of marketing initiatives in favour of online advertising and direct mail campaigns.
In the context of the ever-changing market, AAA AUTO Group deployed interactive campaigns in its marketing communication in 2008 on a much greater scale; these included consumer competitions, customer surveys and promotions., "Win a Ferrari" in the Czech Republic, and "Win a Porsche" in Slovakia, Los Mania, just to name but a few.

Information Technology Services

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

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

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

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

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

Human Resources

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

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

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

Call Centre

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

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

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

Report on the Business Activities of AAA AUTO Group in 2008

The Group in 2008

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

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

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

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

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

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

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

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

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

Financial Performance

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

I. Market Development and core-business performance

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

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

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

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

Car Sales

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

Number of Cars Sold in Individual Countries in 2007 and 2008

	2007	**2008**
Czech Republic	45,874	35,487
Slovakia	18,537	14,857
Hungary	8,396	6,646
Romania	2,641	1,434
Poland	4,423	2,133
Group	**79,871**	**60,557**

Source: Company data

The number of cars sold by AAA AUTO Group has decreased during 2008. The decrease in sales was the result of cooling consumer demand in response to the global financial crisis and the Company's decision to withdraw from the Polish market and close down most of the under-performing branches in Hungary in 2008.

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

Given the lower number of branches (35 at end 2008 vs. 45 at end 2007) and significantly different market situation, the quarterly comparison provides more relevant data thanks to more equal conditions.

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

Financial Services

The main profitability drivers throughout the year were the financial services and up-sale products. This was achieved thanks to the very competitive offer of financing possibilities – for instance, the Company offers more than 20 different credit financing products with six leading financial institutions in its main market in the CR – and a wide range of attractive up-sale products. On the other hand, at the end of the year and beginning of 2009 the banks' trend towards more diligent credit screening became apparent which affected the company's penetration of financial services and up-sale products per car sold.

The penetration of financial services grew from 48% in 2007 to 53% in 2008, implying that 53% of all cars that AAA AUTO Group sold were financed through credit or leasing.

	2007	**2008**
Czech Republic	46%	49%
Slovakia	48%	60%
Hungary	67%	67%
Romania	30%	31%
Poland *	29%	33%
Group	**48%**	**53%**

** The Company closed down its operations in Poland as of end-June 2008*
Source: Company Data

II. Cost-Cutting and Restructuring Program

In 2008 AAA AUTO Group underwent a substantial restructuring program with the aim to re-align the company's cost base to the new market environment and much lower sales volumes in order to bring the Company back to profit in 2009. As the world financial crisis affected the used-car retail market as one of the first sectors - the first impact was seen already in 4Q07 when AAA AUTO's expansionary endeavour peaked - the Company was forced to employ a stringent cost-cutting program in early 2008. By the end of the year when the crisis fully hit the CE region, the Company has been significantly downsized and made more cost-efficient.

The Company successfully met all operating targets set to be achieved at the end of 2008. Due to the weak markets and diminishing sales the company was forced to lower the number of employees to 1,440[2] by end 2008 from 3,834 employees at end 2007 when the Company was realizing strong expansionary plans. This implies a headcount reduction of 62% yoy. This measure brought about a substantial cost savings as the personnel expenses account for around 50% of the overall operating expenditures in the group.

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

The management implemented also a strict control system of every cost category with weekly reviews during the whole of 2008. As a result, the personnel, marketing and other operating costs were significantly reduced compared to 2007.

[2] The number of employees for 2008 includes approx. 150 employees on a maternity leave

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

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

III. Closure of foreign operations

AAA AUTO Group's decision to close down its foreign operations in Hungary and Romania earlier this year and Poland last year had a significant influence on the Company's financial results for 2008 as significant impairments and provisions against the assets of the discontinued operations had to be made in line with the IFRS requirements.

In accordance with the IFRS requirements, the Company's audited results for 2008 has also been presented in a format different from the financial results the company reported throughout the year 2008 as well as from the preliminary results for 2008 published by the Company on 26th March 2009. The Income Statement for 2008 newly includes in full detail only the results for the Company's continuing operations (i.e. the Czech Republic, Slovakia and the Dutch parent company) whereas the results for the discontinued operations (i.e. Hungary, Poland, Romania and the new car division in the CR) are presented in one aggregated line called 'Profit/(loss) from discontinued operations'. Also the financial results for the 1Q 2009 were presented in the same format.

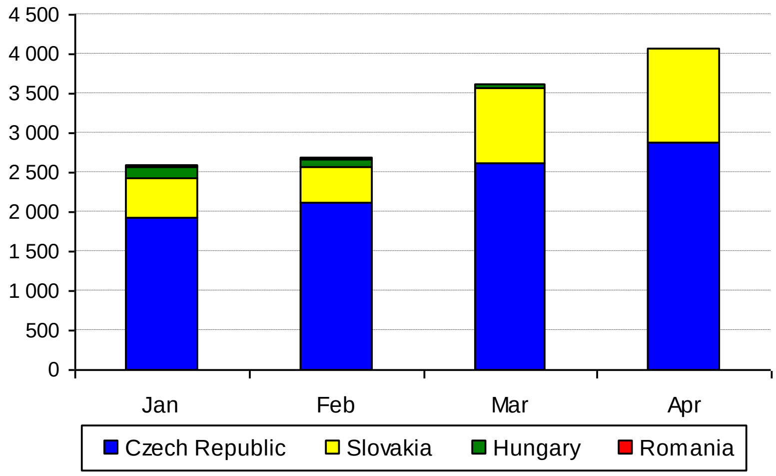
Going forward including the 2Q 2009 onwards, the closure will alleviate the Company's financial results of the losses generated by these foreign operations and should enable the Company to meet its target to return to a net profit on the consolidated basis in the second quarter of this year.

Outlook 2009

1Q 2009 Market Development

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

Monthly Sales Development of AAA AUTO Group in the first months of 2009



Source: Company data

In the first quarter 2009 among the main factors that helped to revive demand have been: slowly increasing prices of new and used cars after hitting their historical lows (the result of large discounts by car manufacturers and new-car dealers), people finally realizing car purchases which they have been postponing during winter, the stronger spring season which brought more people into car centres and AAA AUTO's marketing campaign (such as the "scrap subsidy") introduced in the CR and Slovakia.

The recent market development as well as the economic outlook indicates that 2009 will be challenging and will call for sound business strategy and proactive decision making. Therefore, the Company chooses to maintain its cautious outlook for market development in 2009. The Company's decision to close down its foreign operations and to substantially reduce its branch network will also mean that AAA AUTO's unit car sales in 2009 will be below the level of 2008. This strategy is well in line with the Company's efforts to focus on profitability above growth.

The primary aim of the strict cost-cutting measures and restructuring program implemented in 2008 has been to downsize the Company and to re-align the business and its cost base with the new market conditions. The financial crises arrived in the CEE region (in the 3Q08) at a time when the Company had already been significantly downsized and made more cost efficient. Thus, the Company should be better prepared for the financial crises and should be in a better position to be profitable even during an economic downturn than it was a year ago. The closure of foreign operations should also mean that profit returns should be more attainable for the Company when operating only on its main and most profitable markets of the Czech Republic and Slovakia. This should not only enable the management focus and the Company resources to be less strained but it will also eliminate the losses from foreign operations which have been dragging down the Group's results.

As a result of these efforts, the Group's break-even point has been lowered significantly; the company has been made smaller and more agile to react to the fast changing market conditions and to realise profit even on much lower sales volumes during economic recession. The Company broke even in both, the Czech Republic and Slovakia, by the end of the first quarter of 2009. AAA AUTO Group's target is to break even on a quarterly consolidated basis in the seasonally strongest second quarter of the year and to achieve a positive net profit for the whole of 2009[3], provided that there are no further unexpected, extraordinary influences in the market.

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

To: The General Meeting of Shareholders and the Board of Directors of AAA Auto Group N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2008 of AAA Auto Group N.V., Amsterdam. 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 2008, the profit and loss account, 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 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility
Management 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 annual 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 AAA Auto Group N.V. as at 31 December 2008, 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 AAA Auto Group N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter
We draw attention to note 30 to the consolidated financial statements, which describes the uncertainty related to the accounts of the discontinued and abandoned operations. Our opinion is not qualified in respect of this matter.

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 annual report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 31 May 2009

BDO CampsObers Audit & Assurance B.V.
on its behalf,

was signed

J.A. de Rooij RA

AAA Auto Group N.V.
CONSOLIDATED BALANCE SHEET
ASAT 31DECEMBER 2008 AND 2007 (EUR'000)

ASSETS	Notes	12/31/2008	12/31/2007
Non-current assets			
Goodwill and other intangible assets	12	745	1,748
Property, plant and equipment	13	31,939	61,547
Investment property	14	0	2,930
Other financial assets		143	428
Deferred tax assets	18	48	707
Total non-current assets		32,875	67,360
Current assets			
Inventories	15	23,245	57,452
Trade and other receivables	16	17,542	22,034
Current tax asset		670	1,486
Other financial assets		1,874	483
Cash and cash equivalents		3,622	5,791
Non-current assets classified as held for sale	30	17,180	369
Total current assets		64,133	87,614
TOTAL ASSETS		**97,008**	**154,974**

EQUITY AND LIABILITIES	Notes	12/31/2008	12/31/2007
Equity			
Issued capital	24	38,185	38,185
Reserves	25	4,901	1,941
Retained earnings		-34,343	-1,933
Equity attributable to equity holders of the parent		**8,743**	**38,193**
Minority interest		0	0
Total equity		**8,743**	**38,193**
Non-current liabilities			
Bank and other borrowings	17	27,133	40,211
Deferred tax liabilities	18	468	662
Obligation under finance lease	19	101	2,675
Other liabilities		30	0
Total non-current liabilities		27,731	43,548
Current liabilities			
Trade and other payables	20	13,787	23,361
Current tax liabilities		96	305
Bank overdrafts and borrowings	17	26,184	43,356
Provisions	22	2,260	976
Obligation under finance lease	19	2,624	3,975
Other liabilities		2,468	1,260
Liabilites directly associated with assets classified as held for sale	30	13,116	
Total current liabilities		60,534	73,233
Total liabilities		**88,265**	**116,781**
TOTAL EQUITY AND LIABILITIES		**97,008**	**154,974**

AAA Auto Group N.V.
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (EUR'000)

		12 months ended 31 December	
	Notes	**2008**	**2007**
Continuing operations			
Revenue	**4**	**293,930**	**356,588**
Other income		238	1,116
Gain on acquisition of subsidiaries		0	0
Gain on fair value adjustment	14	0	1,877
Work performed by the entity and capitalised	7	4,042	9,231
Cost of goods sold		(229,575)	(300,774)
Advertising expenses		(7,242)	(7,667)
Employee benefit expenses	7	(28,807)	(33,000)
Depreciation and amortisation expense		(3,197)	(3,043)
Other expenses	6	(28,969)	(16,058)
Finance cost	8	(1,919)	(2,373)
Profit/(loss) before tax		**(1,499)**	**5,897**
Income tax expense	9	(726)	(607)
Profit/(loss) for the period from continuing operations		**(2,225)**	**5,290**
Discontinued operations			
Profit/(loss) from discontinued operations	30	(30,185)	(10,073)
Profit/(loss) for the period		**(32,410)**	**(4,783)**
Attributable to:			
Equity holders of the parent		(32,410)	(4,779)
Minority interest		0	(4)
Earnings per share			
Basic/Diluted (EUR/share) continuing operation	10	(0..03)	0.1

AAA Auto Group N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (EUR'000)

	Share capital	Share premium	Equity reserve	Share option reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to holders of the parent	Minority interest	Total equity
Balance at 1.1.2007	**5,000**	**-**	**291**		**1,551**	**10,704**	**17,546**	**4**	**17,550**
Foreign currency translation differences	-	-	-	-	266	1	267	-	267
Profit for the year	-	-	-	-	-	(4,779)	(4,779)	(4)	(4,783)
Total recognized income and expense	**-**	**-**	**-**	**-**	**266**	**(4,778)**	**(4,512)**	**(4)**	**(4,516)**
Issue of new ordinary shares	1,776	31,409	-	-	-	-	33,185	-	33,185
Sale of subsidiary	-	-	(167)	-	-	-	(167)	-	(167)
Dividends to equity holders	-	-	-	-	-	(7,859)	(7,859)	-	(7,859)
Balance at 31.12.2007	**6,776**	**31,409**	**124**	**-**	**1,817**	**(1,933)**	**38,193**	**-**	**38,193**
Foreign currency translation differences	-	-	-	-	2,658	-	2,658	-	2,658
Loss for the year	-	-	-	-	-	(32,410)	(32,410)	-	(32,410)
Total recognized income and expense	**-**	**-**	**-**	**-**	**2,658**	**(32,410)**	**(29,752)**	**-**	**(29,752)**
Share options	**-**	**-**	**-**	**302**	**-**	**-**	302	-	302
Balance at 31.12.2008	**6,776**	**31,409**	**124**	**302**	**4,475**	**(34,343)**	**8,743**	**-**	**8,743**

AAA Auto Group N.V.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 (EUR'000)

	Notes	31.12.2008	31.12.2007
Cash flows from operating activities			
Profit/(loss) for the period		-32,410	-4,783
Adjustments for:			
Income tax expense		1,360	161
Depreciation and amortisation expense		12,275	3,886
Provisions		6,019	1432
(Gain)/loss on disposal of property, plant and equipment		151	-276
Interest income		-86	-70
Interest expense		5,596	4,283
Foreign exchange (gain)/loss		-319	93
Share options		302	-
Fair value revaluation			-1877
Decrease/(Increase) in inventories		34,207	-13,914
Decrease/(Increase) in receivables and other assets		3,333	-9,103
Increase/(Decrease) in payables and other liabilities		-7,083	9594
Interest paid		-3,270	-2,959
Interest received		11	13
Income tax paid		-1,072	-3,736
Net cash provided by operating activities		19,014	-17,256
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired			-1,794
Payments for property, plant and equipment		-6,213	-27,670
Proceeds from disposals of property, plant and equipment		7,155	2,990
Net cash used in investing activities		942	-26,474
Cash flows from financing activities			
Proceeds from issue of share capital			33,185
Proceeds from third party borrowings			34,875
Repayment of third party borrowings		-18,973	-19,700
Payment of finance lease liabilities		-3,051	-1652
Net cash from financing activities		-22,024	46,708
Net increase (decrease) in cash and cash equivalents		**-2,068**	**2,978**
Cash and cash equivalents at the beginning of the year		**5,791**	**3,136**
Effect of exchange rate changes on the balance of cash held in foreign currencies		-101	-323
Cash and cash equivalents at the end of the year		**3,622**	**5,791**

Management Statement

The members of the Management Board of AAA Auto Group N.V. declare that to the best of their knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position, and profit and loss of the company and its consolidated entities;
- the directors' report gives a true and fair view of the company and its related entities as at the balance sheet date and the state of affairs during the financial year to which the report relates; and
- the annual report describes the material risks facing the company.

Management Board of AAA Auto Group N.V.:

Vratislav Kulhánek
Chairman of the Management Board

Anthony James Denny
Executive Member of the Management Board

Vratislav Válek
Non-executive Member of the Management Board

Antonius Mattheus Kemp
Non-executive Member of the Management Board

Note 1 - GENERAL INFORMATION

AAA Auto Group N.V. (the "**Company**") was incorporated as a private company with limited liability on 12 December 2003 under the name Automobil Group B.V. On 29 December 2006, Automobil Group B.V. was converted into a public company with limited liability and changed its name into AAA Auto Group N.V. The address of the Company's registered office is De Boelelaan 7, 1083HJ, Amsterdam, The Netherlands.

On 26 September 2007 the Company entered the Prague (PSE) and Budapest (BSE) stock exchange. From the overall number of 67 757 875 shares with the nominal value of EUR 0.10 per share 17 757 875 shares are available for trading at PSE and BSE.

Before entering the stock exchange the sole shareholder of the company was Automotive Industries S.A.R.L. Ave. JR. Kennedy 46a, Luxembourg, who remains the majority owner with 73.8% shares. The ultimate controlling party is Mr. Anthony James Denny. Remaining 26.2% shares are owned by other investor.

The main activity of the Company is to act as a holding, finance and services company for its subsidiaries. The principal activity of the Group (including together the Company and its subsidiaries) is the sale of used and new cars. The Group also cooperates with third parties in the insurance and financial sectors to provide, on a professional level, a range of related services like credits, loans, insurance, roadside assistance, leasing etc.

The management of the Group is not aware of any significant issues arising from current bank relations and the situation in the funding of the Group despite weaker profitability performance in 2008 is stabilised. Primarily as a result of losses in discontinued operations in 2008 the Group did not meet some of its covenants, but nevertheless has reached a common agreement with each of our banking and finance partners to continue the facilities in 2009.

Note 2 – ADOPTION OF NEW AND REVISED STANDARD

Standards and Interpretations effective in the current period

In the year 2008, the Group has adopted all of the new and revised Standards (IFRS/IAS) and Interpretations (IFRIC/SIC) issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has resulted in no significant impact to the Group's financial position and results of its operations.

The following interpretations to published standards are newly effective for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- IFRIC 12 *Service concession arrangements*
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

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

At the date of authorization of these consolidated financial statements, the following Standards, amendments and interpretation were in issue but not yet effective:

- IAS 1 *Presentation of Financial Statements* (revised) (effective for annual period beginning on or after 1 January 2009). IAS 1 newly introduces a statement of comprehensive income as a statement of total recognized income and expenses that incorporates income statement. Whereas the statement of changes in equity is used only for presentation of transactions with owners in their capacity as owners. Management anticipates that the adoption will not lead to any changes in the Group's accounting policies. However, the adoption will result in a different presentation of income and expenses using the statement of comprehensive income.
- Restructured IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 January 2009). IFRS 1 was changed in structure, not in substance, to be easier for readers to understand it. Since the Group is not a first-time applier, the new version of IFRS 1 is not relevant to it.
- IFRS 3 *Business Combinations* (revised) and complementary Amendments to IAS 27 *Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009). The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and the result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations.
- Amendment to IFRS 2 *Share-based Payments: Vesting Conditions and Cancellations* (effective for accounting periods beginning on or after 1 January 2009). The Amendment to IFRS 2 is of particular relevance to the Group because it operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for accounting periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. Comparative disclosures (for 2008) in the first year of application (in 2009) are not required to be provided.
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009). IFRS 8 is a disclosure standard and it sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It will not have an impact on the reported results or financial position of the Group. It will extend the information disclosed in the notes.
- IAS 23 *Borrowing Costs* (revised) (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. Any material effect on the Group's results and financial position is expected when the revised rules are applied.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (effective for accounting periods beginning on or after 1 July 2009). The amendment clarifies two hedge accounting issues: (i) inflation in a financial hedged item and (ii) a one-sided risk in a hedged item. Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item

above or below a specified price or other variable (that is, a one-sided risk). The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise.

- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* (effective for accounting periods beginning on or after 30 June 2009). These amendments clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The Group has not entered into any embedded derivative. Therefore, amendments are not currently relevant for the activities of the Group.
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 provides guidance for entities in the real estate industry and defines criteria when agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. IFRIC 15 is not relevant to the Group’s operations due to the different business activities.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* and complementary Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (effective for accounting periods beginning on or after 1 July 2009). IFRIC 17 provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The scope of IFRS 5 has been extended to non-cash assets held for distribution. Both Interpretation and Amendments to will be applied on a prospective basis and their effect on the Group’s results and position will not be material.
- IFRIC 18 *Transfers of Assets from Customers* (effective for accounting periods beginning on or after 1 January 2009). IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The material impact on the Group’s results and position is not expected.

Standards, amendments and interpretations not endorsed for use in the European Union (EU)

With regard to the basis of preparation of these consolidated financial statements (see note ???), information required by IAS 8 is supplemented by the following information about standards, amendments and interpretations not approved for use in the European Union. At the date of authorization of these consolidated financial statements, the following standards, amendments and interpretations were not endorsed by the European Commission for use in the European Union:

- Restructured IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 3 *Business Combinations* (revised)
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance and basis for preparation

The consolidated financial statements of AAA Auto Group N.V. and all of its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group has adopted all Standards (IFRS/IAS) and Interpretations (IFRIC/SIC) issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The control is achieved where the Company has the power to govern the financial and operating policies of an investing entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

A summary of all subsidiaries consolidated at 31 December 2008 is provided in the note 11.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period. A detailed summary of income and assets is disclosed in the note 30. Management made all reasonable efforts to prepare complete and accurate accounts, however a number of accounting staff left before the end of the year and it was not always possible to completely verify liabilities and receivables. Management believe that the records present a true and fair view yet acknowledge that some uncertainty remains.

Business combinations and related goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If, after reassessment, the Group's interest in the net fair value of the acquirers' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized directly in profit or loss.

Goodwill initially recognized, at the acquisition date, as an asset at cost is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the corresponding amount of goodwill is included in the determination of the profit or loss on disposal.

The minority interest in the acquiree, when is not wholly-owned by the Group, is initially, at the acquisition date, measured at the minority's proportion of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather that through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value-added tax and provisions for returns and cancellations.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods – cars and spare parts

The Group primarily operates as a seller for used and new cars, although all new car activity was discontinued in 2008. As a secondary business activity classified as a sale of goods is a sale of spare parts. Sales of goods and spare parts are recognised when a group entity sells a car to the customer and significant risks and rewards of ownership of the goods are transferred to the customer that means usually a delivery of a relevant car to the customer. The car sales are ordinarily in cash.

Rendering of services – car repairs and maintenance

The Group sells car repair and maintenance services to the customers who have purchased a car from group entity. These services are provided on a time and material basis or as a fixed-price contract.

Revenue from fixed-price contracts for rendering of repair and maintenance services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

Rendering of services – commission

As a complement of the car sales, the Group mediates various financial services such as leasing underwriting, arranging for bank credits, insurance and other services such as road assistance. The Group receives a commission from this activity that is recognised as revenue when a relevant service is rendered.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Leases

Assets held under finance leases – lease agreements that transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item to lessee – are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lesser 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter and the ownership is not transferred to lessee by the end of the lease term, over the term of the relevant lease.

Leases where the lesser retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Foreign Currency Translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ('the functional currency'). For the purpose of consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the functional currency of the Company and the presentation currency for the consolidated financial statements of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences (gains and losses) arising on the settlement of monetary items and on translating monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements:

- the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the balance sheet date,
- income and expense items of the Group's foreign operations are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used,
- exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Retirement benefit costs

The Group neither operates any pension plan nor contributes to any voluntary contribution retirement benefit plans.

All retirement benefit costs of the Group represent mandatory social security premiums paid by subsidiaries on behalf of their employees. Those contributions are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The tax bases are determined by reference to the tax returns of each entity in the group. Consolidated tax return has not been filed. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the deferred tax liability is settled or the deferred tax asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Intangible Assets

Intangible assets acquired separately

All acquired intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Cost includes both the purchase price and all directly attributable costs of bringing the asset to working condition for its intended use.

Each intangible asset is assessed by the Group whether its useful life is finite or indefinite and, if finite, the length of that useful life. An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives or the agreement terms. Intangible assets with indefinite useful life are not amortized. However, they are regularly tested for impairment (see note "Impairment of tangible and intangible assets excluding goodwill").

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis on the Group's financial position and performance presented.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Property, Plant and Equipment

Property, plant and equipment (PPE) are stated at cost less any accumulated depreciation and where necessary, any accumulated impairment losses. Cost consists of acquisition cost and all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method, as follows (except for items mentioned in the first paragraph below the table):

Class of property, plant and equipment	**Year**
Buildings	10 - 50
Company cars	3 - 6
Plant, equipment and furniture	3 - 12

Property, plant and equipment with value up to 350 € is recognized as expense when the purchase occur. Property, plant and equipment with the cost between 350 and 1,400 € is depreciated over the period of 18 months. Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis on the Group's financial position and performance presented.

Repair and maintenance expenses that ensure an achievement of estimated useful life, production capacity and productivity are recognised in the profit or loss of the period in which they are incurred. The purchase costs of significant renewals and improvements of any property, plant and equipment are recognised as an asset when it is probable that a future economic benefit, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (or for a currently undetermined future use), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in fair value of investment property are included in profit or loss in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include purchase price, related costs of acquisition (transport, registration fees, etc.) and direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories, determined by historic experience and detailed analyses of the cars on stock according to their aging, less all estimated costs of completion and estimated costs necessary to make the sale.

The costs of inventories are primarily assigned by using specific identification of their individual costs (particularly for merchandise – cars). Where the specific identification of costs is inappropriate (e.g. for spare parts), the costs are assigned to inventories held using first-in, first-out formula.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset (liability) and of allocating interest revenue (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Interest revenue (expense) is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Financial assets

Investments are recognised and derecognised on a trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The subsequent measurement (fair value, amortised cost or cost) depends on the classification specified below.

Financial assets are classified into the following specified categories: financial assets designated as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if the specific conditions of IAS 39 are met.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such, or that are not classified in any of the other categories. After initial recognition these assets are measured at fair value with gains or losses being recognised as a separate component of equity (investments revaluation reserve) with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Financial assets without fair value

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity as investments revaluation reserve. Furthermore, impairment losses recognized by equity investments that are stated at cost shall not be reversed.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, bank overdrafts are also included within cash and cash equivalents.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The classification is determined at the time of initial recognition.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if the specific conditions of IAS 39 are met.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequent measurement is based on amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. This classification of liabilities includes liabilities such as:

Bank and corporate borrowings

Bank and corporate borrowings represent interest-bearing liabilities (debt) that are recognized at the proceeds received, net of direct issue costs. Any difference between the initial measurement and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Trade Payables

Trade payables represent, usually current and non-interest bearing, liabilities resulting from business activities of the Group.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. A relevant description of each class of provision recognized in the consolidated balance sheet is provided in the note 22.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Critical accounting judgements

The main critical accounting judgement adopted by the Group is as follow:

Finance lease

The Group changed its policy regarding company cars in 2007, one company within the Group leased a new car for six months and subsequently, at the end of lease term, another company within the Group purchased the car for the following sale. These cars are accounted as finance leases with the lease term of six months and during this period these cars are classed as inventory with decreasing carrying amount (using straight-forward method). At the end of the lease term, the use of the car finishes and depreciation is also terminated. The cars are subsequently presented as goods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment

The Group presents property, plant and equipment, intangible assets and goodwill. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following, significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of its assets or the strategy for its overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends; and significant cost overruns in the development of assets.

Impairment policy of the Group is to write down the value of PPE, goodwill and other intangible assets to the lower of carrying value or net realizable value, whichever is the lower. The impairment is written off as depreciation in the Income Statement. Impairment charges relating to other assets are charged to other operating costs in the Income Statement.

Estimating recoverable amounts of assets must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Some of the Group's assets and technologies, in which the Group invested in previous years, are still in use and provide the basis for the Group's new products. The future useful life of property, plant and equipment and intangible assets is reviewed periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar type of assets may vary between different entities in the Group due to local factors as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate, quality of components used etc. In case of significant changes in the Group's estimated useful lives, depreciation and amortization charges are adjusted prospectively.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. In making its judgment for the remaining useful life of these assets management considered the conclusions from employees responsible for technical maintenance of assets.

In connection with depreciation the Group also reviews the estimated residual value of property, plant and equipment, particularly company cars and buildings. A possible change of residual value leads to an adjustment in depreciation expense.

Provisions

The Group measures provisions at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates are made, taking account of information available and different possible outcomes.

Inventories

At each reporting date, the net realizable value is determined as an expected selling price of cars (goods) in stock less the estimated costs necessary to make the sale. If the estimated net realizable value is under the carrying amount, the write-down is recognized as an expense in profit or loss.

Note 4 - REVENUE

An analysis of the Group's revenue for the year (excluding interest revenue) is as follows:

Revenues	**2008**	**2007**
	€ '000	€ '000
Revenue from the sale of goods		
Cars	247 351	319 557
Spare parts	2 028	44
Total	249 379	319 602
Revenue from the rendering of services		
Commissions revenue (leasing, insurance..)	32 242	35 188
Services (car repairs, maintenance, other)	12 309	1 799
Total	44 551	36 987
Total	**293 930**	**356 588**

The revenues are shown for continuing operations only with the comparative data for 2007 being restated on this basis. A summary of discontinued operations is shown on Note 30

Note 5 - SEGMENT REPORTING

Business segments

Due to the fact that nearly all of the sales of the Group represent used cars supplied to similar customer base, the Group has the opinion that it operates within one business segment. The group decided to exit the new car sales business during the last quarter of 2008. Therefore, the Group is organised only into one business segment – sale of cars (including related services). The information relating to this business segment results from the consolidated financial statements as a whole.

Geographical segments – primary reporting format

The Group's main business activity – sales of cars – is now provided through two principal geographical areas - the Czech Republic and Slovakia. During 2008 the Group exited its operations in Poland and decided to withdraw from its operations in Hungary and Romania – all of the financial results, sales and assets are classified as discontinued operations.

The inter-segment transfer prices (resulting in inter-segment sales) are based on "cost plus" methodology, consisting of purchase price, transport costs and other directly attributable costs and approximately 1% profit margin.

The Geographical segment information for year 2008 and 2007 is as follows:

2008	**Czech Republic** € '000	**Slovakia** € '000	**Hungary** € '000	**Rest of Europe** € '000	**Elimination for Discontinued Ops.** € '000	**Elimination** € '000	**Consolidated** € '000
Revenue							
External sales	221 566	93 368	39 624	22 831	(83 459)		
Inter-segment sales	18 044	1 118		561		(19 723)	
Total Revenue	239 610	94 486	39 624	23 392	(83 459)	(19 723)	293 930
EBIT							
Segment result for continued operations	2 713	1 876	0	(2 211)		(2 197)	181
Segment result for discontinued operations	(4 287)	0	(14 126)	(6 295)	24 708		0
Unallocated expenses							
Profit before tax							
Income tax expense							
Profit for the year							

Other information	**Czech Republic** € '000	**Slovakia** € '000	**Hungary** € '000	**Rest of Europe** € '000	**Unallocated** € '000	**Eliminations** € '000	**Group** € '000
Segment assets	72 350	25 295	10 025	10 762	48 056	(69 481)	97 008
Segment liabilites	62 052	19 605	22 424	21 172	32 493	(69 481)	88 264
Capital expenditure	1 721	533	348	321			
Depreciation	3 420	833	6 778	787	23	(8 564)	3 276
Non-cash expenses other than depreciation	2 107	1 088	3 023	3 407	(967)		

* Romania, Poland

2007	**Czech Republic** € '000	**Slovakia** € '000	**Hungary** € '000	**Rest of Europe** € '000	**Elimination for Discontinued Ops.** € '000	**Elimination** € '000	**Consolidated** € '000
Revenue							
External sales	263 278	105 590	53 855	47 337	(113 470)		
Inter-segment sales	20 505	126	167	317		(21 115)	
Total Revenue	283 783	105 716	54 022	47 653	(113 470)	(21 115)	356 588
EBIT							
Segment result for continued operations	6 212	2 114		(362)		305	8 270
Segment result for discontinued operations	(785)	0	(3 440)	(3 956)	8 180		0
Unallocated expenses							
Profit before tax							
Income tax expense							
Profit for the year							

Other information	**Czech Republic** € '000	**Slovakia** € '000	**Hungary** € '000	**Rest of Europe** € '000	**Unallocated** € '000	**Eliminations** € '000	**Group** € '000
Segment assets	86 446	28 270	27 256	18 713	76 190	(81 901)	154 974
Segment liabilites	18 170	9 613	11 004	5 028	154 576	(81 609)	116 782
Capital expenditure	7 693	2 470	11 890	4 046			
Depreciation	2 697	533	310	346			
Non-cash expenses other than depreciation	1 522	315	440	1 768			

* Romania, Poland

Note 6 - OTHER EXPENSES

Detail of other expenses	2008	2007
	€ '000	€ '000
Material used	1 445	3 471
Fuel	1 399	756
Energy	1 463	332
Repairs	582	1 870
Travel expenses	1 250	-504
Rent	3 890	1 830
Communication expenses	1 774	1 755
Transport services	1 220	743
Consulting services (tax, legal, audit and accounting)	2 872	258
Security	515	2 693
Taxes and fees	273	1 058
Insurance	793	24
Shortages and losses		
Loss/(Gain) on disposal of fixed assets	-420	-120
Write off to NRV	8 249	1 894
Other expenses	4 323	0
Total other expenses	**29 628**	**16 058**

Other Expenses are shown for continuing operations only, the comparative data for 2007 has been restated.

Note 7 - EMPLOYEE BENEFITS EXPENSE

The Group's employee benefits expense includes only those relating to short-term employee benefits as follows:

Staff costs	2008	2007
	€ '000	€ '000
Wages and salaries	23 691	29 123
Social security contributions	8 101	10 060
Non-monetary benefits	399	399
Total staff costs	32 191	39 582
Activated costs	(4 042)	(6 582)
Total	**28 148**	**33 000**

Employee benefits expense that is directly attributable to the purchase of inventories is capitalized and recognized as a component of the initial measurement of purchased inventories.
Employee benefits expenses are shown for continuing operations only, the comparative data for 2007 has been restated.

Staff numbers	2008	2007
Average staff numbers	1,903	2,336

Staff numbers	12/31/2008	12/31/2007
Czech Republic	908	2,113
Slovakia	237	527
Other	2	
Total	**1,147**	**2,640**

Compensation of key management personnel

Key management personnel consider members of the Board of Directors, Supervisory Board and Executive Directors of the Group. At the end of 2008, the key management personnel included 12 persons (at the end of 2007: 20).

The remuneration of the Group's key management personnel comprises only of short-term benefits as follows:

Key management personnel remuneration	**2008**	**2007**
Wages and salaries	725	1 103
Social security contributions	180	332
Other remuneration	63	90
Total	**968**	**1 525**

The number of share options granted to key management personnel in 2008 totalled 860,000. These are exercisable anytime after 1st August 2012 until 31st July 2018.

Note 8 - FINANCE COSTS

	Year ended 31.12. 2008	**Year ended 31.12. 2007**
	€ '000	€ '000
Interest on bank overdrafts and loans	2 409	2 265
Interest on obligations under finance leases	435	215
Less: amounts included in the cost of qualifying assets		
Total interest expenses	**2 844**	**2 480**
Foreign exchange (gain)/losses	(1 072)	(276)
Other (fees, ….)	147	169
Total financial costs	**1 919**	**2 373**

More information regarding borrowings and interest rates on borrowings is included in note 17.

Finance costs are shown for continuing operations only, the comparative data for 2007 has been restated.

Note 9 - INCOME TAX EXPENSE (BENEFIT)

	2 008	2 007
Income Tax	€ '000	€ '000
Current tax expense	853	880
of which: adjustment in respect of current income tax of previous periods		
Deferred tax expense	(127)	(274)
Income Tax Total	726	607

In 2007, the government in the Czech Republic enacted a change in the national income tax rate from 24% as follows:
- to 21% applied in 2008;
- to 20% applied in 2009; and
- to 19% applied in 2010.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2 008	**2 007**
	€ '000	€ '000
Profit before tax	(1 499)	5 897
Tax at the domestic rates applicable to profits in the country concerned	(907)	918
Tax effect of non-taxable income and expenses that are not deductible for tax purposes	23	239
Current year losses for which not deferred tax asset was recognised	2 399	20
Items taxed at different tax rate	0	18
Effect of changes in unrecognised temporary differences	(789)	(469)
Effect on deferred tax balances due to the change in income tax rate	0	(119)
Total income tax expense recognized in profit or loss	726	607

Expected income tax expense is calculated for each individual subsidiary accordingly to their national jurisdiction.

Income Tax expenses are shown for continuing operations only, the comparative data for 2007 has been restated.

Note 10 - EARNINGS PER SHARE (EPS)

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Individual variables used in the calculation are as follows:

	2008	**2007**
Profit for the year attributable to equity holders of the parent (equals earnings used in the calculation of total basic earnings per share)	(32, 410 ,756)	(4 ,778 ,921)
Weighted average number of ordinary shares	67 ,757, 875	54 ,439 ,469
Basic earnings per share (EUR/share)	(0.478)	(0.088)
Diluted earnings per share (EUR/share)	(0.478)	(0.088)
Basic earnings per share (EUR/share) (Continuing)	(0.03)	0.1

The Company has not issued any instruments other than the share options (see Note 31), that could potentially dilute basic EPS. The diluted EPS is the same as the normal EPS as the granted options were not in the money.

Note 11 - CONSOLIDATED ENTITIES

Details of the Company's subsidiaries whose financial statements are consolidated and included in these consolidated financial statements as at 31 December 2008 are as follows:

Company	Country of registration and incorporation	Principal activity	Proportion of ownership interest (%)
Continuing Operations			
AAA Auto a.s.	Czech Republic	used car sales	100.0%
Auto Diskont s.r.o.	Czech Republic	used car sales	100.0%
Kapital Automotive a.s.	Czech Republic	Holding Company	100.0%
Autocentrum AAA Auto s.r.o.........................	Czech Republic	non-active	100.0%
European Auto Sales s.r.o...............................	Czech Republic	non-active	100.0%
AAA Auto Praha s.r.o......................................	Czech Republic	non-active	100.0%
Media action s.r.o.	Czech Republic	non-active	100.0%
Woteg Gwg-Group a.s....................................	Czech Republic	Sold in 2008	100.0%
European Auto Sales s.r.o...............................	Czech Republic	Sold in 2008	100.0%
Autocentrum AAA Auto a.s.	Slovakia	used car sales	100.0%
Auto Diskont s.r.o..	Slovakia	used car sales	100.0%
AAA Auto a.d.	Serbia	non-active	100.0%
AAA Auto EOOD.	Bulgaria	non-active	100.0%
AAA Auto LLC.	Ukraine	non-active	100.0%
AAA Auto LLC.	Russia	non-active	100.0%
AAA Auto Group NV	Holland	Holding Company	100%
Discontinued Operations			
HK Partner s.r.o.	Czech Republic	Holding Company	100.0%
HK Partner Kladno s.r.o.	Czech Republic	New car sales	100.0%
General Automobile a.s.	Czech Republic	non-active	100.0%
General Automobile Czech s.r.o..	Czech Republic	non-active	100.0%
Asko, spol s.r.o.	Czech Republic	non-active	95.0%
General Automobile Kft.	Hungary	non-active	100.0%
Kishatar Kft	Hungary	Real estate owner	100.0%
Autocentrum AAA Auto Kft.	Hungary	Holding Company	100.0%
AAA Auto S.A.	Romania	non-active	100.0%
AAA Auto Sp.z.o.o..	Poland	holding company	100.0%
General Automobile Sp.z.o.o.	Poland	non-active	100.0%
ASCORD Sp.z.o.o...	Poland	non-active	100.0%
Autocentrum AAA Auto Sp.z.o.o.	Poland	non-active	100.0%

In case of all subsidiaries, the proportion of ownership interest equals the proportion of voting power held.

Furthermore, the Group has consolidated the results of the previous subsidiary Woteg which was sold in June 2008, previously this was classified as investment property.

In comparison with 2007 the following subsidiaries were merged with Autocentrum AAA Auto kft

- F-22 Invest Kft.
- F-23 Realty Kft
- AAA Auto Kft.

Note 12 - GOODWILL AND OTHER INTANGIBLE ASSETS

	31.12.2008 € '000	**31.12.2007** € '000
Goodwill	0	556
Other intangible assets	2 138	2 034
Amortization	(1 393)	(842)
Total	**745**	**1 748**

Goodwill

The useful life of goodwill is indefinite subject to impairment testing. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

At the beginning of October 2007 the Group acquired the company HK Partner s.r.o. with its subsidiary HK Partner Kladno s.r.o. where goodwill of EUR 211 thousand was recognised.

The goodwill is allocated between following cash-generating units:

- branch in Zlín (General Automobil Czech s.r.o. and branch of AAA Auto a.s. in Zlín) – EUR 339 thousand
- branch in Kladno (HK Partner Kladno s.r.o. and branch of AAA Auto a.s. in Kladno) – EUR 108,5 thousand
- branch in Řepy (HK Partner s.r.o. and branch of AAA Auto a.s. in Řepy) – EUR 108,5 thousand.

All Goodwill previously held in discontinued operations was reviewed for impairment and written down to zero.

Other intangible assets

INTANGIBLE ASSETS	goodwill	Software	Trade marks	Other Intangible assets	Total
COST					
Balance at 1 January 2007	556	965	92	178	1,235
additions	0	803	0	(66)	737
additions from internal developments	0	4	0	0	4
disposals	0	(9)	0	(0)	(9)
net foreign currency exchange differences	0	61	3	3	67
Balance at 1 January 2008	0	1,824	95	115	2,034
additions	0	544	-1	139	681
additions from internal developments	0	0	0	0	0
acquisitions through business combination	0	0	0	0	0
disposals	0	0	0	-146	(146)
reclassified as held for sale	0	0	0	0	0
net foreign currency exchange differences	0	-28	-1	-1	(30)
Balance at 31 December 2008	0	2,338	93	108	2,540
ACCUMULATED AMORTISATION and IMPAIRMENT					
Balance at 1 January 2007	0	(365)	(1)	0	(366)
amortisation expense	0	(449)	(1)	0	(450)
impairment losses charged to profit or loss		0	0	0	0
reversals of impairment losses charged to profit or loss	0	0	0	0	0
eliminated on disposals	0	3	0	0	3
eliminated on reclassification as held fore sale	0	0	0	0	0
net foreign currency exchange differences	0	(29)	0	0	(29)
Balance at 1 January 2008		(840)	(2)	0	(842)
charge for the year	0	(587)	1	0	(585)
impairment loss	0	(45)	0	0	(45)
reversals of impairment losses charged to profit or loss	0	(402)	0	0	(402)
eliminated on disposals	0	33	0	0	33
eliminated on reclassification as held fore sale	0	0	0	0	0
net foreign currency exchange differences	0	48	(0)	0	48
Balance at 31 December 2008		(1,793)	(1)	0	(1,795)
Carrying amount					
As at 31 December 2007	556	983	93	115	1,748
As at 31 December 2008	0	545	92	108	745

Useful lives of software are generally four years using straight line method of amortisation.

Useful lives of intangibles classified as trademarks (as registered in the Czech Republic) are indefinite subject to annual impairment testing. The directors consider that trademarks of the Company do not have their useful lives limited which is the main factor determining this treatment in the accounts of the Group.

The Group did not incur in the periods 2008 and 2007 any research and development expenses.

The basis on which the unit’s recoverable amount has been determined is value in use.

In 2008 and 2007 no intangible assets were pledged as security over payables to financial institutions.

At 31 December 2008, the group had not entered into any contractual commitments for the acquisition of intangible assets.

All intangible assets previously held in discontinued operations were reviewed for impairment and written down to zero.

Intangible assets not recognised as assets

The Group controls valuable intangible assets that are not recognised as assets as they do not meet the criteria set by IAS 38 including a unique know how in the field of used cars selling, internally developed information systems, brand and effective trade marketing strategy.

Strong brand

The Group owns some of the most recognisable and well-known used vehicle auto centres in the Czech Republic and Slovakia and the public recognition of auto centres in other countries where the Group operates is constantly rising. The brand recognition is due to our market leadership and well-developed marketing strategies.

Recognition of the brand is enhanced by effective global marketing strategy in all markets where we operate using a broad range of media. Our largest advertising medium is print, followed by radio and internet. The Group has the largest marketing budget of all used vehicle retail companies in the CEE.

Note 13 - PROPERTY, PLANT AND EQUIPMENT (PPE)

	Buildings and land	Company cars	Fixtures and equipment	PPE in the course of construction	Total
COST					
Balance at 1 January 2007	**0**	**0**	**0**	**0**	**0**
additions	0	0	0	0	0
acquisitions through business combination	0	0	0	0	0
disposals	0	0	0	0	0
reclassified as held for sale	0	0	0	0	0
net foreign currency exchange differences	0	0	0	0	0
Balance at 1 January 2008	**49,840**	**7,073**	**8,217**	**3,624**	**68,754**
additions	2,891	2,159	855	4,609	10,514
acquisitions through business combination	0	0	0	0	0
disposals	(2,681)	(5,621)	(194)	(6,599)	(15,094)
reclassified as held for sale	(20,774)	0	0	0	(20,774)
reclassified as investment property	0	0	0	0	0
net foreign currency exchange differences	(1,378)	243	(28)	96	(1,067)
Balance at 31 December 2008	**27,897**	**3,854**	**8,851**	**1,731**	**42,333**
ACCUMULATED DEPRECIATION and IMPAIRMENT					
Balance at 1 January 2007	**0**	**0**	**0**	**0**	**0**
depreciation expense	0	0	0	0	0
eliminated on disposals	0	0	0	0	0
eliminated on reclassification as held fore sale	0	0	0	0	0
net foreign currency exchange differences	0	0	0	0	0
Balance at 1 January 2008	**(1,809)**	**(907)**	**(4,491)**	**0**	**(7,207)**
depreciation expense	(1,154)	(1,093)	(2,594)	(18)	(4,859)
impairment losses charged to profit or loss	(1,872)	(366)	(152)	61	(2,329)
reversals of impairment losses charged to profit or loss	0	0	0	0	0
eliminated on disposals	90	908	121	0	1,118
eliminated on reclassification as held fore sale	2,608	0	0	0	2,608
eliminated on reclassification as held fore sale	0	0	0	0	0
net foreign currency exchange differences	165	(23)	140	(7)	274
Balance at 31 December 2008	**(1,973)**	**(1,481)**	**(6,977)**	**37**	**(10,394)**
Carrying amount					
As at 31 December 2007	48,030	6,166	3,725	3,625	61,547
As at 31 December 2008	25,925	2,372	1,874	1,768	31,939

The Group has pledged land and buildings having a carrying amount of approximately EUR 26 million (2007: EUR 26 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets

Assets held for sale in discontinued operations are summarised in Note 30.

Note 14 – INVESTMENT PROPERTY

At fair value (EUR ´000)	**2008**	**2007**
Balance at the beginning of the year	2 930	0
Transfer from property, plant and equipment		933
Sale of investment property	(2 930)	
Net gain from fair value adjustments		1 877
Net foreign currency exchange differences		120
Balance at the end of the year	**0**	**2 930**

In the first quarter of 2007, the Group reclassified the land held in Ostrava by the subsidiary Woteg a.s. as investment property, this property was sold in June 2008.

The Group has not classified any property as Investment Property during 2008.

Note 15 - INVENTORIES

	31.12.2008	**31.12.2007**
	€ ‘000	€ ‘000
Raw materials (spare parts and consumables)	1 412	1 545
Merchandise (cars and accessories)	21 833	55 907
Total	**23 245**	**57 452**

At 31 December 2008, the Group had 5.025 cars on stock in comparison with 9.049 cars at 31 December 2007.

The cost of inventories recognised as an expense includes EUR 2,705 thousand (2007: EUR 1290 thousand) in respect of write-downs of inventory to net realisable value.

Inventories of EUR 14,541 thousand (2007: EUR 25,313 thousand) are pledged as security for bank and other corporate borrowings that the Group uses for financing of stock.

Note 16 - TRADE AND OTHER RECEIVABLES

Trade and other receivables	**31.12.2008**	**31.12.2007**
	€ ‘000	€ ‘000
Trade receivables	8 978	12 217
Allowances for doubtful debts	(1 786)	(864)
Trade receivables, net	7 192	11 353
Prepayments	1 903	2 767
Other receivables (Tax, Employees and Accruals)	8 447	7 913
Total	**17 542**	**22 034**

The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 30 days and 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The ageing method whose limits and rates are revised annually is primarily used by the Group for a calculation of allowances for bad debts. The amount resulted from the calculation is recognized in profit or loss.

The Group’s management considers that the carrying amount of trade and other receivables approximates to their fair value.

Note 17 - BANK AND OTHER BORROWINGS

	2008	2007
	(EUR ´000)	(EUR ´000)
Bank overdraft	10,556	24,783
Bank and corporate loans	28,220	42,058
Stock financing	14,541	16,726
Total	**53,317**	**83,567**
The borrowings are repayable as follows:		
- On demand or within one year	26,184	43,356
- In the second to fifth years inclusive	25,024	35,795
- After five years	2,109	4,416
Less: Amount due for settlement within 12 months (current liabilities)	26,184	43,356
Amount due for settlement after 12 months (non-current liabilities)	27,133	40,211

The Group is financed by 3 main types of loans:

- bank overdrafts – short terms loans used for managing the liquidity of the Group
- bank and corporate loans – mainly long term loans used for long term project, like acquisitions, purchase of property, plant and equipment
- stock financing – special loans provided by finance institutions only for the purpose of purchase of the cars

Analysis of loans and borrowings by currency

	2008		2007	
	currency amount	(EUR ´000)	currency amount	(EUR ´000)
CZK	653 772	24 278	1 035 925	38 916
SKK	333 232	11 061	303 725	9 039
EUR	15 395	15 395	27 856	27 856
RON	0	0	2 047	570
HUF	683 967	2 583	1 276 988	5 048
PLN	0	0	7 659	2 138
Total		**53 317**		**83 567**

Weighted average interest rates	**2008**	**2007**
Bank overdrafts	4,68%	4,82%
Bank and other loans	5,61%	5,82%
Stock financing	4,83%	4,91%
Total weighted average interest rate	**5,29%**	**5,34%**

The directors estimate that the fair value of the Group’s borrowings equals to their net book value.

Bank overdrafts are repayable on demand. Overdrafts of EUR 10,556 thousand (2007: EUR 19,119 thousand) have been secured by a charge over the Group’s assets.

The Group has the following principal loans:

(i) A related party loan from Automotive Industries S.a.r.l. totalling at EUR 13,9 million (2007: EUR 15,9 million)..

(ii) Investment loans totalling EUR 21,9 million

Note 18 - DEFERRED TAX

	31.12.2008	31.12.2007
	EUR `000	EUR `000
Deferred tax liabilities	468	662
Deferred tax assets	48	707

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period:

	2008		2007	
	Asset	Liability	Asset	Liability
	(´000 EUR)	(´000 EUR)	(´000 EUR)	(´000 EUR)
Accelerated tax depreciation	0	244	1	797
Allowances for doubtful debts	118	0	116	0
Write-down and cost of inventories	16	319	18	57
Payables	5	9	17	3
Unused tax losses carried forward	13	0	750	0
Total gross deferred taxes	152	572	902	867
Set off[1]	-104	-104	-195	-195
Total net deferred taxes	**48**	**468**	**707**	**662**

[1] Gross deferred tax assets and liabilities were offset for each individual subsidiary of the group when applicable.

Unused tax losses for which no deferred tax asset is recognised

	31.12.2008	31.12.2007
	(´000 EUR)	(´000 EUR)
Unused tax losses for which no deferred tax asset is recognised	**29 804**	**8 509**

At 31 December 2008, the Group has unused tax losses of EUR 42,976 thousand (2007: EUR 13,172 thousand) available for offset against future profits. A deferred tax asset has been recognized in respect of EUR 2,399thousand (2007: EUR 4,854 thousand) of such losses. No deferred tax asset has been recognized in respect of the remaining EUR 29,804 thousand (2007: EUR 8,509 thousand) due to the unpredictability of future taxable profits. The losses may be carried forward generally over five years.

The tax effect on discontinued operations is shown in note 30.

Note 19 - OBLIGATIONS UNDER FINANCE LEASES

Financelease liabilities	Minimum lease payments 31.12.2008	31.12.2007	Present value of minimum lease payments 31.12.2008	31.12.2007
	(`000 €)	(`000 €)	(`000 €)	(`000 €)
not later then 1 year	2 665	4 162	2 624	3 975
later then 1 year and not later then 5 years	104	1 586	101	1 127
later then 5 years	0	1 867	0	1 548
	2 769	7 615	2 725	6 650
Less future finance charges	(44)	(965)		
Present value of minimum lease payments	2 725	6 650	2 725	6 650

In 2008 the Group entered into following lease contracts:

In the Czech Republic the Group contracted for 191 cars on finance lease as at the end of the period. The lease term is 6 months and interest rate is fixed on the contract date.. The present value of minimum payments is EUR 1,069 thousand.

Lease obligations are denominated in Czech and Slovak currency.

The fair value of the Group's lease obligations approximates to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Note 20 - TRADE AND OTHER PAYABLES

Trade and other payables	31.12.2008	31.12.2007
	€ '000	€ '000
Trade payables	9 813	13 807
Accrued employee compensation	629	2 578
Tax payables and social security	905	3 256
Accrued expenses	1 904	1 520
Other payables	534	2 200
Total	**13 787**	**23 361**

The average credit period on purchases of certain goods or services is 60 days and no interest is charged on these trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Group's management considers that the carrying amount of the trade payables approximates to their fair value.

Note 21 – FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise trade receivables, trade payables, bank and other loans, finance leases, bank overdrafts, cash and short term deposits. The main purpose of these financial instruments, other than trade receivables and trade payables, is to raise finance for the Group's operations.

The key objective of the Group Treasury department is to manage the financial risks of the business and to ensure that sufficient liquidity is available to the Group. All treasury activity operates within a formal control framework. The Board has approved treasury policies and guidelines and periodically reviews treasury activities. Additionally, it is the Group's policy that speculative treasury transactions are expressly forbidden. Currently the Group does not undertake hedging transactions.

Categories of financial instruments

	31.12.2008 (EUR ´000)	**31.12.2007** (EUR ´000)
Financial assets		
Loans and receivables	20 086	22 891
Cash and cash equivalents	3 622	5 791
Available for sale financial assets	0	55
Financial liabilities		
Amortised costs	85 436	114 837

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's principal financial assets are trade and other receivables and cash and cash equivalents. The main business of the Group is selling cars to the customers who pay in cash or through financial products such as leasing or loans which are offered by contractual partners. From this point of view, the Group does not have a significant credit risk, as the counterparties are banks and financial companies with high credit ratings.

The low credit risk is apparent also from following table showing ageing of trade receivables.

Balance as at 31 December 2008 (EUR ´000)			Days past due			
	Not yet due	< 30 days	31-90 days	91-180 days	> 180 days	total
Trade receivables	5 479	1 435	318	14	1 732	8 978

Balance as at 31 December 2007 (EUR ´000)			Days past due			
	Not yet due	< 30 days	31-90 days	91-180 days	> 180 days	total
Trade receivables	7 509	2 681	764	212	1051	12 217

Trade receivables which are more than 180 days overdue are subject for impairment.

Impaired trade receivables	31.12.2008 (EUR ´000)	31.12.2007 (EUR ´000)
Gross balance	8,978	12,217
Individual valuation allowance...	(1,786)	(864)
Net balance...	7,192	11,353

The Group created EUR 1,786 thousand allowances for doubtful receivables as a result of stricter conditions.

The other receivables, which represent mainly employee receivables, VAT receivables, accrued income and related party receivables, are considered by the management of the Group to be without credit risk.

Liquidity risk

The Group's objective is to ensure that there are sufficient sources of funding to meet projected requirements. Its operations are financed through a combination of retained earnings and external financing. Financing is raised principally by the local subsidiaries and from Automotive Industrie S.à.r.l. Debt is largely sourced from the bank market.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Contractual maturity analysis:

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term and short term debt obligations. Till now the Group hasn't used any tools for managing the interest rate risk. As management of the Group considers this situation as inappropriate because of possible risk, the objective of the Group's interest rate management policy is to reduce the volatility of the interest charge in the near future.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate for loans at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Group assumes possible increase or decrease of interest rate by 10%.

2008 (EUR ´000)	Interest rate increased by 10 %	Interest rate decreased by 10 %
Profit and Loss	(300)	300
Bank and other borrowings		

2007 (EUR ´000)	Interest rate increased by 10 %	Interest rate decreased by 10 %
Profit and Loss		
Bank and other borrowings	(394)	394

In case that the interest rate had been 10% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by EUR 300 thousand.

The Group’s sensitivity to interest rate has increased during the current period mainly due to increase in the total value of borrowings and change of fixed interest rate by floating in case of shareholders loan.

Foreign currency risk

Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the translation of the operating results and net assets of international subsidiaries.

The following table details the Group’s sensitivity to a 5% increase and decrease of relevant foreign currency against EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary item and adjust their translation at the period end for a 5% change in foreign currency rate. Furthermore, the analysis includes also the impact of the change in foreign currency rate on the translation of international subsidiaries to EUR.

2008 (EUR ´000)	
Appreciation by 5% of :	CZK
Profit and Loss	276
Equity	630
Depreciation by 5% of :	CZK
Profit and Loss	(249)
Equity	(569)

2007 (EUR ´000)					
Appreciation by 5% of :	CZK	SKK	HUF	PLN	RON
Profit and Loss	360	427	484	(59)	28
Equity	830	244	508	(265)	60
Depreciation by 5% of :	CZK	SKK	HUF	PLN	RON
Profit and Loss	(325)	(387)	(437)	64	(25)
Equity	(750)	(224)	(457)	228	(53)

The Group’s sensitivity analysis to foreign currency has decreased during the current period mainly due to decision to exit from its operations in Hungary, Poland and Romania, although it remains sensitive to property loans in Hungary denominated in Euro’s.

…….

It is important to mention that the sensitivity analysis does not reflect the exposure during the year and therefore the impact of the change in foreign currency rate may be quite different from the table above.

The Group does not enter into instruments to hedge the translation exposure of the operating results or net assets of its subsidiaries since these are accounting and not cash exposures.

Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debts.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17 and lease payments disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

The gearing ratio at the year end was as follows:

Gearing ratio	**31.12.2008**	**31.12.2007**
	(EUR ´000)	(EUR ´000)
Debt	54,168	90,217
Less cash and cash equivalents	(3,622)	(5,791)
Net debt	50,546	84,426
Equity	8,743	39,193
Gearing ratio	**578%**	**215%**

Note 22 - PROVISIONS

	31.12.2008	**31.12.2007**
	€ ‘000	€ ‘000
Employee benefits	389	816
Law suits	378	160
Other provisions	1 493	0
Total	**2 260**	**976**

Movements in each class of provision during 2008 and 2007 were as follows:

	Employee benefits	**Law suits & Others**	**Total**
	€ `000	€ `000	€ `000
Balance at 1.1.2007	**500**	**61**	**562**
Amounts used	(500)	(61)	(562)
Unused amounts reversed	0	0	0
Additional provisions recognized	816	160	976
Balance at 31.12.2007	**816**	**160**	**976**
Amounts used	(816)	(160)	(976)
Unused amounts reversed	0	0	0
Additional provisions recognized	389	1 871	2 260
Balance at 31.12.2008	**389**	**1 871**	**2 260**

This note has to be read in relationship with the note 27 “Contingencies”.

The provision for employee benefits represents annual leave accrued. The amount recognized as a provision in each year is utilized when employees use up their paid vacation, or when they leave the Company.

Most of the law suits concern clients who sued the Group because of a car defect after the purchase of the car. Generally, the Group wins this kind of suits and if it loses then the Group buys back the car from the client with a non-material loss. Nevertheless, the Group created the provision for actual law suits in amount of EUR 378 thousand where there is a probability of losing the case. The Group expects the possible cash outflow within the first six months of 2009.

Note 23 - OPERATING LEASE ARRANGEMENTS

Continuing Operations

The Group leases under operating leases mainly lands, offices, parking places, showrooms, billboards and flats. The operating lease expense amounted to EUR 3,890 thousand (2007: EUR 3,319 thousand).

	31.12.2008	**31.12.2007**
	€ '000	€ '000
Less than 1 Year	97	85
1 – 5 Years	545	423
Over 5 Years	3,248	2,811
Total	**3,890**	**3,319**

The Group did not enter into any non cancellable operating lease commitments.

Note 24 - ISSUED CAPITAL

Issued capital	**Share capital** (EUR ´000)	**Share premium**	**Issued capital**	**Number of shares**
Balance at 1.1.2007	5,000	-	5,000	50,000,000
Issue of new ordinary shares through public offering	1,776	31,409	33,185	17,757,875
Balance at 31.12.2007	6,776	31,409	38,185	67,757,875
Issue of new ordinary shares through public offering				
Balance at 31.12.2008	**6,776**	**31,409**	**38,185**	**67,757,875**

The authorized capital amounts to EUR 25,000,000 divided into 250,000,000 shares with a par value of EUR 0.1 per share of which 67,757,875 shares were issued and fully paid-up.

The Company was incorporated as private company with limited liability and was converted into a public company with limited liability at the end of 2006 when 50 million shares were issued.

Note 25 – RESERVES

Consolidated Statement of Changes in Equity

For the Years Ended 31 December 2008 and 2007 (EUR ´000)

	Share capital	Share premium	Equity reserve	Share option reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to holders of the parent	Minority interest	Total equity
Balance at 1.1.2007	**5,000**	**-**	**291**		**1,551**	**10,704**	**17,546**	**4**	**17,550**
Foreign currency translation differences	-	-	-	-	266	1	267	-	267
Profit for the year	-	-	-	-	-	(4,779)	(4,779)	(4)	(4,783)
Total recognized income and expense	**-**	**-**	**-**	**-**	**266**	**(4,778)**	**(4,512)**	**(4)**	**(4,516)**
Issue of new ordinary shares	1,776	31,409	-	-	-	-	33,185	-	33,185
Sale of subsidiary	-	-	(167)	-	-	-	(167)	-	(167)
Dividends to equity holders	-	-	-	-	-	(7,859)	(7,859)	-	(7,859)
Balance at 31.12.2007	**6,776**	**31,409**	**124**	**-**	**1,817**	**(1,933)**	**38,193**	**-**	**38,193**
Foreign currency translation differences	-	-	-	-	2,658	-	2,658	-	2,658
Loss for the year	-	-	-	-	-	(32,410)	(32,410)	-	(32,410)
Total recognized income and expense	**-**	**-**	**-**	**-**	**2,658**	**(32,410)**	**(29,752)**	**-**	**(29,752)**
Share options	-	-	-	**302**	-	-	302	-	302
Balance at 31.12.2008	**6,776**	**31,409**	**124**	**302**	**4,475**	**(34,343)**	**8,743**	**-**	**8,743**

Foreign currency translation reserve

	2008	**2007**
	(EUR ´000)	(EUR ´000)
Balance at beginning of year	1,818	1,551
Translation of foreign operations	2,657	267
Gain recycled on disposal of foreign subsidiary		-
Balance at end of year	**4,775**	**1,818**

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into EUR are brought to account by entries made directly to the foreign currency translation reserve.

Note 26 - BUSINESS COMBINATIONS

There were no business combinations during 2008.

Note 27 - CONTINGENCIES

Continuing Operations

Contingent liabilities

The Company is involved in several court disputes which may result in a settlement. These disputes relate to following:

- Disagreements on a liability of the Company for cars sold with no material impact.

Contingent assets

The Group is involved as a plaintiff in legal proceedings as follows:

- Proceedings over unpaid amounts due from customers for used cars, estimated financial impact is 102 thousand EUR.

Note 28 - RELATED PARTY TRANSACTIONS

The Group's majority owner is Automotive Industries S.A.R.L. (incorporated in Luxembourg) that does not produced any consolidated financial statements (including the Company), only separate financial statements. The ultimate controlling party is Mr Anthony James Denny.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in these notes. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During 2008 and 2007 the group entered into the following trading transactions with related parties that are not members of the Group:

Purchases and sales of goods and services

	Revenues	Expenses	Receivables	Payables	Loan to	Loan from
Automobile Group a.s., v likvidaci	47		0			
Automotive Industries S.A.R.L.		1 176	1 375			16 212
Capital Investments s.r.o.	1	14	1	23	1	
Central European Models s.r.o.						
Central Investments s.r.o.	402	198	339	32	165	
Credit Investments s.r.o.	1		1	15		
Czech Investments s.r.o., v likvidaci						
Financial acceptance (FAC)						
Global Assistance, a.s.	57	0	14	48		
Global Assistance Slovakia s.r.o.	31		8	-10		
Global Car Check s.r.o. CZ (CarWay Assistance CZ)	64		61	9		
Global Car Check s.r.o. SK (CarWay Assistance SK)	9		22	-79		
Global Car Rental s.r.o.	13	1	3	1		
Global Car Rental s.r.o. SVK (CarWay Rent SK)			1			
Global Car Service s.r.o. (CarWay Group)	85	9	51			
Global Direct S.R.L.			1			
Global Direct s.r.o.	21		3	-6		
Global insurance s.r.o. SK	401		175			
Kapital Kredit s.r.o., v likvidaci						
Kapital System s.r.o.	233	4	123			
Priority Investments s.r.o.	1		2			
Yes Car Credit s.r.o. (CarWay Rent)	29	752	8	-17		
Global Auto Assistance S.R.L. (RO)		7	4	11		
Direct Automotive Broker (RO)						
Global Assistance Sp.z.o.o. (PL)						
Global Direct Assistance Kft. (HU)	43	170	77	312	68	
TOTAL	**1 435**	**2 331**	**2 268**	**338**	**233**	**16 212**

Sales of goods to related parties were made at the Group's purchase prices plus mark up of up to 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties. Sales and purchases related mainly to sales and purchases of used cars, and property rentals.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given. The bank received guarantees from the following related parties: CAPITAL INVESTMENT s.r.o. CENTRAL INVESTMENT s.r.o. and from PRIORITY INVESTMENT s.r.o. in order to secure bank loans to the company. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

In 2008, the Group invoiced to CAPITAL INVESTMENTS s.r.o. for accounting and administrative services and for commission for resale of property, plant and equipment.

The majority of the related party transactions are with the Global Group, and contains mainly commissions for insurance.

Loans to and borrowings from related parties

Continuing Operations	Loans to related parties		Borrowings from related parties	
	31/12/08	31/12/07	31/12/08	31/12/07
		(EUR ´000)		
Automotive Industries S.A.R.L..			13,956	15,946
CAPITAL INVESTMENTS s.r.o...				
Global Direct s.r.o..		19		
CENTRAL INVESTMENTS s.r.o..				
Global Automotive Holding B.V.	349	354		
Total...	**349**	**373**	**13,956**	**15,946**

The conditions of the loans and borrowings were as follows:

	Amounts repayable	Interest rate
Automotive Industries S.A.R.L.................................	within 1 year	**
Global Automotive Holding B.V.	within 1 year	3M Pribor + 2,6%

Note:

(1) The interest rates on the loans from Automotive Industries S.a.r.l. are 3M Pribor + 2.5%, 3M Bribor + 2%, 3M Euribor + 2.25%

Note 29 - EVENTS AFTER THE BALANCE SHEET DATE

On the 26th February the Group announced a joint venture in Romania with Sixt New Kopel.
The new venture will trade under the name AAA New Kopel and both partners ceased trading independently, the Group has an initial 5% share of the joint venture with an option to increase to 49%.

Note 30 – DISCONTINUED OPERATIONS

During 2008 the Group continually reviewed the performance of all branches in all regions and decided to exit from its operations in Poland in June 2008.

The decision was taken to seek a buyer for the new car operation, however, due to the global economic effects on the outlook for the new car operation, the Group decided to close the business in the 4th Quarter of 2008.

The Group decided to withdraw from its operations in Romania and in February 2009 announced the formation of a joint venture with an initial 5% holding, the existing branch in Romania was closed.

The Group reviewed and closed a number of branches in Hungary in 2008 as the economic situation in that region deteriorated, and decided in December to withdraw from its operations and close the remaining branches in 2009.

All of the trading results for these operations have been classified as discontinued operations, the assets classed as held for sale and a full impairment review has been performed.

Management made all reasonable efforts to prepare complete and accurate accounts, however a number of accounting staff left before the end of the year and it was not always possible to completely verify liabilities and receivables. Management believe that the records present a true and fair view yet acknowledge that some uncertainty remains.

Results of discontinued operations	**2008**	**2007**
	(´000 EUR)	(´000 EUR)
Revenue	84 940	113 732
Expenses	(114 491)	(124 251)
Result from operating activities	(29 551)	(10 519)
Income tax	(634)	446
Result from operating activities, net of income tax	(30 185)	(10 073)
Profit (loss) for the period	**(30 185)**	**(10 073)**
Diluted earnings (loss) per share (euro)	-	-
Basic earnings (loss) per share (euro)	**(0,445)**	**(0,149)**

Non-current assets held for sale	**2008**	**2007**
	(´000 EUR)	(´000 EUR)
Property, plant and equipment	19 671	-
Impairment loss recognized	(2 491)	-
Total	**17 180**	-

Liabilites of disposal group classified as held for sale	**2008**	**2007**
	(´000 EUR)	(´000 EUR)
Bank overdraft and loans	1 752	-
Obligations under finance lease	11 364	-
Total	**13 116**	-

Cash Flow from discontinued operations	2008	2007
	(´000 EUR)	(´000 EUR)
Net cash provided by operating activities	**8,981**	**(21,008)**
Net cash used in investing activities	**494**	**(9,440)**
Net cash from financing activities	**(11,070)**	**31,191**

Note 31 – SHARE-BASED PAYMENTS

Equity-settled share option scheme

On 31 July 2008 the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company. In accordance with these programmes options are exercisable at the market price or 1 EUR, if the market price is lower than 1 EUR at the date of grant of the option. The vesting period is 3 years for 40% of the options 4 years for remaining 60%. If the options remain unexercised after a period of 10 years from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

	2008		**2007**	
	Number of share options	**Weighted average exercise price EUR**	**Number of share options**	**Weighted average exercise price EUR**
Outstanding at beginning of period	NIL		NIL	
Granted during the period	3,336,000	1 EUR	NIL	
Forfeited during the period	420,000	1 EUR	NIL	
Exercised during the period	NIL		NIL	
Expired during the period	NIL		NIL	
Outstanding at the end of the period	2,916,000	1 EUR	NIL	
Exercisable at the end of the period	NIL		NIL	

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using Black-Scholes model:

Inputs into the model

Grant date share price	0.72 Euro
Exercise price	1.00 Euro
Expected volatility	54.40%
Option life	10 years
Dividend yield	0 %
Risk-free interest rate	3.46%

Fair Value of Share Option (000 Euro)

	2008	2007
Share options granted in 2008	**300.9**	**NIL**
Total carrying amount of liabilities for Equity-settled arrangements	**300.9**	**NIL**
Total intrinsic value of liability for vested benefits	**300.9**	

32. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors and authorized for issue on 31st May 2009

AAA AUTO GROUP N.V.

COMPANY FINANCIAL STATEMENTS
AND THE NOTES THERETO

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2008

BALANCE SHEET
As at 31 December 2008 and 2007 (EUR ´000)

ASSETS	**Notes**	**31.12.2008**	**31.12.2007**
Non-current assets			
Subsidiaries	3	20,640	17,150
Loans to affiliated companies	5	24,139	37,498
Total non-current assets		44,779	54,648
Current assets			
Loans/advances to affiliated companies	6	2,924	714
Interest from affiliated companies		46	442
Debtors	7	111	212
Other current assets		94	87
Cash and bank		364	935
Total current assets		3,539	2,390
TOTAL ASSETS		**48,318**	**57,038**

EQUITY AND LIABILITIES	**Notes**	**31.12.2008**	**31.12.2007**
Equity			
Share capital		6,776	6,776
Share premium		31,409	31,409
F/X differences on subsidiaries reserve		4,475	1,817
General reserve		(1,809)	2,970
Legal Reserve		302	
Profit/(loss) for the year		(27,131)	(4,779)
Total equity		**14,022**	**38,193**
Provision			
Subsidiaries		3,668	1,624
Total provision		3,668	1,624
Non-current liabilities			
Loans from affiliated companies	8	13,935	15,946
Total non-current liabilities		13,935	15,946
Current liabilities			
Advances from affiliated companies		13,073	-
Interest to affiliated companies due	9	2,306	1,141
Creditors		248	108
Accruals and deferrals		1,066	26
Total current liabilities		16,693	1,275
TOTAL EQUITY AND LIABILITIES		**48,318**	**57,038**

INCOME STATEMENT
For the Years Ended 31 December 2008 and 2007 (EUR ´000)

	Notes	2008	2007
Operational income			
Management fees		561	206
Net result from operations		561	206
General and administration expenses			
Directors fees		(1,156)	(90)
Management and accounting		(114)	(23)
Legal, tax and accounting	12	(380)	(51)
Other expenses	12	(1,151)	(409)
Financial income and expenses			
Interest income	10	1,163	1,303
Interest expense	11	(1,259)	(1,098)
Bank interest expense		(10)	(3)
Currency exchange gain/(losses)		1,101	530
Ordinary result from operations		(1,245)	365
Result from participations	13	(25,886)	(5,144)
Profit/(loss) before tax		**(27,131)**	**(4,779)**
Corporate income tax		-	-
Profit/(loss) for the year		**(27,131)**	**(4,779)**

GENERAL COMMENTS

The Company was incorporated on 12 December 2003. The objects of the Company are to manage hold and finance other entities. The legal status of the Company has been changed to N.V. "Naamloze Vennootschap" as at 31 December 2007.
The Company changed its name from AAA Automobile Group B.V. into AAA Auto Group N.V. in 2007.

ACCOUNTING PRINCIPLES

These company-only accounts have been composed in accordance with Title 9, book 2 of the Dutch Civil Code (Dutch GAAP).
In accordance with article 2:362.8 of the Dutch Civil Code, these company- only accounts have been prepared using the principles of valuation as in the consolidated financial statements.

The accounting principles applied remain unchanged from the previous year. Assets and liabilities are stated at their face value, except when indicated otherwise. Subsidiaries and other participations are stated in accordance with the equity method of valuation. The provision for subsidiaries is for subsidiaries with a negative net asset value, for as far as the company has a legal or constructive liability to indemnify the debts of the regarding subsidiaries. Balance Sheet items in foreign currency have been translated at year-end exchange rates (except when indicated otherwise). Profit & Loss items in foreign currency have been translated at the rate of the transaction day. Differences arising on the translation of investments in subsidiaries are taken to equity. All other differences arising on the translation are taken to the P&L account.

1. SUBSIDIARIES

AAA Auto Group N.V.

100%	**AAA AUTO a.s. (Czech Republic)**
100%	**GENERAL AUTOMOBIL a.s. (Czech Republic)**
100%	**KAPITAL AUTOMOTIVE a.s. (Czech Republic)**
100%	**MEDIA ACTION s.r.o. (Czech Republic)**
100%	**GENERAL AUTOMOBIL Kft. (Hungary)**
100%	**AAA AUTO Kft. (Hungary)**
100%	**AUTOCENTRUM AAA AUTO a.s. (Slovakia)**
99,94%	**AAA AUTO S.A. (Romania)**
100%	**AAA AUTO a.d. (Serbia)**
100%	**AAA AUTO EOOD. (Bulgaria)**
100%	**AAA AUTO Sp.z.o.o (Poland)**
100%	**GENERAL AUTOMOBIL Sp.z.o.o. (Poland)**
100%	**AAA AUTO A.D. (Serbia)**
100%	**AAA AUTO LLC (Ukraine)**
100%	**AAA AUTO LLC (Russia)**

2. CAPITAL AND RESERVES

The authorized capital amounts to EUR 25,000,000 divided into 250,000,000 shares with a par value of EUR 0.1 per share of which 67,757,875 shares were issued and fully paid-up. All shares have the same right, preferences and restriction attached to them.

The Company was incorporated as private company with limited liability and was converted into a public company with limited liability at the end of 2007 when 50 million shares were issued.

The increase of capital of EUR 4,982 thousands from EUR 18 thousand to EUR 5 million in 2007 was paid by contribution in kind by the settlement of a loan from Automotive Industries S.à.r.l. to the Company, the only shareholder that time.

On 26 September 2007 the Company entered the Prague (PSE) and Budapest (BSE) stock exchange. 17,757,875 new shares were issued and the Company generated by this subscription EUR 35.5 million. After the deduction of all costs connected with IPO, the net income amounted to EUR 33.2 million. As a result, 26.2% of shares are owned by new investors.

All the shares have the same class and rights.

The reserve F/X differences on subsidiaries arise on translation of financial statements from local currency of the subsidiaries of the Group in to the presentation currency.

Movements in capital during the year 2008

(EUR ´000)	Share capital	Share premium	F/X differences on subsidiaries reserve	General reserve	Legal reserve	Undistributed profit
Opening balance	**6,776**	**31,409**	**1,817**	**2,970**	**-**	**(4,779)**
Exchange differences arising on translation of foreign operations	-	-	2,658	-	-	
Result from previous years to general reserve	-	-	-	(4,779)	-	4,779
Result for the period	-	-	-	-		(27,480)
Share option plan adoption	-	-	-	-	302	-
Closing balance	**6,776**	**31,409**	**4,475**	**(1,809)**	**302**	**(27,480)**

3. Subsidiaries at net asset value

Investments at Net Asset Value (EUR´000)	**31.12.2008**	**31.12.2007**
Starting Balance	**17,150**	**20,475**
New investments	-	7
Capital contributions	8,722	1,234
Result from participations	(25,886)	(5,144)
Dividends received	-	(7,859)
Foreign exchange differences	2,658	266
Sale of subsidiary	-	(167)
Decrease of loans against affiliated companies	15,952	6,714
Transfer to Provision subsidiaries	2,044	1,624
Net Asset value Investments	**20,640**	**17,150**

4. ACTIVITIES OF SUBSIDIARIES

Active subsidiaries	No activity subsidiaries	Discontinued subsidiaries
AAA Auto a.s. (CZ)	AAA Auto EOOD Bulgaria	General Automobile a.s. (CZ)
Kapital Automotive a.s. (CZ)	AAA Auto AD Serbia	AAA Auto Spzoo PL
Media Action s.r.o. (CZ)	AAA Auto LLC Ukraine	European Auto Sales Spzoo PL
Autocentrum AAA Auto a.s. (SK)	AAA Auto LLC Russia	Autocentrum AAA Auto Kft Hungary
		EAS Kft Hungary
		AAA Auto S.A. Romania

5. LOANS TO AFFILIATED COMPANIES

			31.12.2008	**31.12.2007**
			(EUR ´000)	(EUR ´000)
Loan AAA Auto a.s.	CZK	365,000	13,553	13,753
Loan AAA Autocentrum a.s.	SKK	185,000	1,660	5,522
Loan Autocentrum AAA Auto Kft	HUF	600,000	0	3,505
Loan Autocentrum AAA Auto Kft	HUF	60,000	0	238
Loan ASC Warsawa	PLN	23,000	5,530	3,925
Loan AAA Auto SP.z.o.o.	PLN	7,000	0	1,955
Loan Media Action	CZK		633	-
Loan Global Automotive Holding BV	€		349	354
Loan II AAA Auto a.s.	€		2,414	5,477
Loan AAA Auto a.s.	€		0	2,400
Loan AAA AUTO SA	€		0	369
Total			**24,139**	**37,498**

6. CURRENT LOANS AND ADVANCES FROM AND TO AFFILIATED COMPANIES

			31.12.2008	**31.12.2007**
			(EUR ´000)	(EUR ´000)
C/a Media Action sro	CZK	-		-
C/A Automotive Industries S.à.r.l.	CZK	4,208	156	158
C/A Automotive Industries S.à.r.l.		-	111	(54)
C/a Kapital automotive s.r.o.	CZK	(19)		(1)
C/a AAA Auto a.s.		-		(1,803)
C/a Autocentrum AAA Auto as	SKK	80,000	2,657	2,388
C/a AAA Auto a.s.		-		7
C/a AAA Auto a.s.	CZK	-		-
Total			**2,924**	**714**

7. DEBTORS

	31.12.2008 (EUR ´000)	31.12.2007 (EUR ´000)
AAA Auto AS		110
General Automobile Czech s.r.o.		2
General Automobil a.s.	128	2
Auto Discont s.r.o.		6
Autocentrum AAA Auto Kft.		22
Autocentrum AAA Auto Sp.z.o.o.	252	11
SC AAA Auto S.A.	181	9
Autocentrum AAA Auto a.s.		44
Global Automotive Holding BV		1
Others	111	5
Intercompany Debtors provision	(561)	-
Total	**111**	**212**

8. LOANS FROM AFFILIATED COMPANIES

			31.12.2008 (EUR ´000)	31.12.2007 (EUR ´000
Credit. facility Automotive Industries S.a.r.l.			2,828	2,828
Automotive Industries S.à.r.l.	CZK - Euribor +2,5%	223,839	1,080	8,434
Automotive Industries S.à.r.l.	SKK - Bribor + 2,0%	40,000	1,326	1,194
Automotive Industries S.à.r.l.	Eur - Euribor + 2,25 %		2,400	2,400
Automotive Industries S.à.r.l.	Eur - Euribor + 2,35 %		1,090	1,090
Total			**13,935**	**15,946**

* The interest rate on the loans from Automotive Industries s.a.r.l. carried in 2008 at a variable interest for Euribor + 2.25%-2,35%, Pribor+2.5% or Bribor+2 %. The repayment dates of the loans arise between December 31, 2009 and December 22, 2012.

9. INTEREST AFFILIATED COMPANIES DUE

	31.12.2008 (EUR ´000)	31.12.2007 (EUR ´000)
Loan Automotive Industries Sarl.	1,259	721
Loan Automotive Industries Sarl.	170	77
Loan Automotive Industries Sarl.	148	-
Loan Automotive Ind. 2.4 m	254	81
Loan Automotive Ind. Cred. Fac.	49	10
C/a Automotive Industries Sarl.	395	3
Loan to AAA AUTO a.s.	31	
Total	**2,306**	**1,141**

10. INTEREST INCOME

	2008 (EUR ´000)	2007 (EUR ´000)
Loan AAA Auto a.s.		762
Loan AAA Autocentrum a.s.	336	149
Loan Autocentrum AAA Auto Kft		59
Loan Autocentrum AAA Auto Kft		6
Loan Ascord Slzko PL	3	
Loan ASC Warsawa	544	118
Loan AAA Auto SP.z.o.o.	165	36
Loan Global Automotive Holding BV	25	-
Loan II AAA Auto a.s.	10	98
Loan AAA AUTO SA	80	71
Total	**1,163**	**1,303**

11. INTEREST EXPENSES

	2008 (EUR ´000)	2007 (EUR ´000)
Loan Automotive Industries Sarl.	591	688
Loan Automotive Industries Sarl.	204	77
Loan Automotive Industries Sarl.	131	-
Loan Automotive Ind. 2.4 m	172	82
Credit facility Automotive Ind.	78	-
Interest Loan AAA AUTO a.s.	83	
Total	**1,259**	**299**

12. GENERAL AND ADMINISTRATIVE EXPENSE

	2008 (EUR ´000)	2007 (EUR ´000)
Professional advice and audit	325	380
Stock Exchange expense	29	-
Contributions and other fees	1	1
Advertisement/communication expenses	9	15
Rental and administration	16	-
AFM Financial supervision exp.	1	1
Other expenses		12
- project expenses (Russia)	209	
- expenses redistributed to subsidiaries	561	
Total	**1,151**	**409**

The audit fees from BDO CampsObers Audit & Assurance B.V. amounts to EUR 130k (2007: EUR 134k). No other services were charged to the Company by the auditors.

The Income Statement item “Legal, tax and accounting” comprises of expenses for tax advisory in the year 2008 (222 K EUR) and legal/lawyers advisory services (115 K EUR).The remaining amount represents other administration services and advisory (43 K EUR).

13. RESULT FROM PARTICIPATIONS

	2008 (EUR ´000)	2007 (EUR ´000)
Net Consolidated Result for the year	(31,198)	(5,148)
Result from participations as absorbed by the Company	(25,886)	(5,144)
Losses and deficits not taken into account	(5,312)	(4)

The company has not taken into account certain losses and deficits of participations amounting to in total EUR 5,312 k, since the company is not legally obliged nor planning to cover certain of these losses and deficits. For the cases where the Company has a legal or constructive liability to indemnify the debts of the regarding subsidiaries, a provision has been recorded for the expected net cash outflow fro the Company. The net losses of the respective subsidiaries up to that amount have been taken in consideration under result from participations.

14. FURTHER INFORMATION

(a) At year-end the majority shareholder of the Company was:

(Name) (Address)	(% held)
Automotive Industries S.à.r.l. Ave J.F.Kennedy 46a Luxembourg	73.8 %.

(b) Dividends paid:
No dividends were paid during the year.

(c) Directors Renumeration

Eur '000	Basic Salary		Bonus		Benefit in kind		Total Remuneration	
	2008	2007	2008	2007	2008	2007	2008	2007
Chairman - Salary	132	80					132	80
Non- exec director - Salary	17						17	

(d) Share Options

Number of Share Options	Granted During the Year 2008 No.	Lapsed During the Year 2008 No.	Exercised During the Year 2008 No.	Outstanding as at 31.12.2008 No.	Exercise Price	Exercise Period
Chairman	50,000	nil	nil	50,000	1 Euro	1.8.2012 to 31.7.2018
Non- executive director	20,000	nil	nil	20,000	1 Euro	1.8.2012 to 31.7.2018
Non- executive director	20,000	nil	nil	20,000	1 Euro	1.8.2012 to 31.7.2018

Performance criteria –
Ratio of Net Profit/Total Revenues must be at least 1.9% for last two financial years (2009-2010,2010-2011)

No salaries were accrued or due for any other directors

(e) In 2008 there was no other personnel on the payroll (2007: none).

The AAA Auto Group N.V. Management Board:

May 31 2009

Vratislav Kulhánek
Chairman of the Management Board

Anthony James Denny
Executive Member of the Management Board

Vratislav Válek
Non-executive Member of the Management Board

Antonius Mattheus Kemp
Non-executive Member of the Management Board

OTHER INFORMATION

Key Events during 2008

- The April meeting of the Management Board resolves on the divestiture of
subsidiaries General Automobil and HK Partner, both in the business of retail of new cars.
- The share capital of AAA AUTO a.s., the Czech subsidiary of AAA Auto Group N.V., was doubled by the sole shareholder's, AAA Auto Group N.V., contribution from CZK 150 million to CZK 300 million; the Company's capital adequacy and financial position was thus strengthened.
- As part of the Company's strategy focused on regaining profitability, the Management Board resolved in June to close down the Polish division. The reason was the loss generated by the division which came as a result of distorted market conditions – the import of a roughly one million of poor quality used cars to the Polish market yearly.

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

- In December as a result of the deteriorating economic conditions the Management Board decided to withdraw from operations in Romania and Hungary

Subsequent Events

- In December, the Management Board approves a transfer of the tax domicile of AAA Auto Group N.V., from the Netherlands to the Czech Republic with effect
from 1 January 2009.
- In February 2009 the AAA Auto Group announces a joint venture with SixT New Kopel in Romania, with an initial 5% holding and an option to increase up to 49%

These events will have no material effect on the profit and loss or equity of the Company.

DISTRIBUTION OF PROFIT

1. Pursuant to the Company's articles of incorporation art 23 and 24, the distributable profits shall be at the disposal of the General Meeting of Shareholders

2. Interim dividends may be declared in anticipation of the expected profit for the financial year. see subsequent events above.

3. Dividends can be declared and paid only to the extent the Company's distributable reserves will allow, as calculated in accordance with Dutch law and accounting standards.

APPROPRIATION OF THE RESULT

It is proposed that the General Meeting of Shareholders charges the loss for the year 2008 to the general reserve.

AUDITOR’S REPORT

The auditor’s report is included on page 48