AAA Auto Group N.V.

Annual Report 2007

AAA AUTO

Selected Key Indicators

Unit/Year	2007	2006	2005
Total revenues in EUR millions	470.1	348.4	269.9
Revenues from cars in EUR million	422.7	313.3	241.1
EBITDA in EUR million	4.0	14.9	8.5
Profit/Loss after tax in EUR million	(4.8)	7.1	2.4
Number of cars sold	79,871	61,939	50,800
Number of car centres	45	25	20

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Report from the Chairman

Dear Shareholders, Ladies and Gentlemen,
In accordance with the requirements resulting from the effective laws and Articles of the Company and in order to present all important events and activities of the AAA Auto Group N.V. and its subsidiaries of the AAA AUTO Group, the Management Board presents to all involved parties, in particular the Company shareholders, in relation to the annual General Meeting held on 25th April 2008, the following Annual Report on the audited consolidated financial results of the Company for the 2007 calendar year. At the same time, we advise herein all important events and activities of the AAA Auto Group N.V. and its subsidiaries associated in the AAA AUTO Group in the evaluated period. The objective of the report will be to simultaneously summarize all important events from the beginning of this period and to provide the outlook for the future.

The year 2007 was an important milestone in the history of the Company. AAA AUTO has changed from a local used-car dealer to a regional player with a significant position on the market of used cars in Central Europe. In 2007 AAA AUTO Group opened 20 new branches and thus increased its number of car centres to 45 in five countries of Central Europe.

Another milestone was the listing AAA Auto Group N.V.'s shares on the stock exchanges in Prague and Budapest and the transformation from a private to publicly listed company.

The General Meeting of the Company resolved on 15th December 2006 with effectiveness from 29th December 2006 on the designation of the Management Board of the Group composed of Executive Members and Non-Executive Members. On 14th December 2007, the General Meeting appointed myself and the same General Meeting approved my appointment as a Non-Executive Member of the Management Board with effectiveness from 1st November 2007. In accordance with Dutch law and the Anglo-American model, I have been acting as of 1st November 2007 in the position of a Non-Executive Member and Chairman of the Management Board of the AAA Auto Group N.V.

During 2007, the Management Board met regularly and dealt with strategic issues of the Company. The dominant topic of the first half-year was the preparation of the Company for the initial public offering (IPO). All the preparation was subject to the due diligence process coordinated by Patria Finance a.s. (financial aspects) and White & Case (legal aspects). By the end of August, a Company prospectus was prepared in cooperation with the consultants, which was approved on 28th August by the Netherlands Authority for the Financial Markets.

The Management Board evaluated the IPO process, its staffing and subscription of 17,757,875 shares newly issued by the Company for the final subscription price of EUR 2.0 per share as successful, the whole subscription having been overwritten 1.9x. The net revenue of the issue, of which 61% of shares were purchased by institutional investors and 39% by retail investors, amounted to EUR 33.2 million and was used in particular, to finance the expansion and to strengthen the financial stability of the Company.

In the last quarter of 2007, the Company was faced in particular with the problem of the market decline present in November and December. At the same time, the opening of new branches was delayed in such a way, that a significant part of the 20 new car centres launched their operations only at the end of the year. Also we were confronted with problems in the HR area, mainly on our new markets.

The accumulation of these problems led to an unexpected decline in the P/L result and the final loss for 2007. Simultaneously the Company was influenced by significant turbulence on the global financial markets.

In early 2008, immediately after discovering the economic status, the Management Board resolved on 8th February to issue a profit warning to investors and on 28th February informed CNB, the Stock Exchanges in Prague and Budapest, investors and the public of the preliminary business results. At the same time, the Management Board defined and immediately started implementing measures to restore the profitability of AAA AUTO by enhancing the efficiency of all branches and the overall group, and improving all reporting and planning processes, including the organizational changes in such a manner, so that the Company could regain with the commitment of all executive and ordinary employees, the trust of the investors and endorse its previous history of 15 years of business success within the nearest future period.

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

Letter of the CEO

Please allow me to present to you on my behalf and on the behalf of the Company management, the results of the 2007 year, which was quite extraordinary in many respects in terms of Company development. First and foremost, the AAA AUTO Group, entered via its Netherlands-based parent Company, AAA Auto Group N.V., the Prague and Budapest Stock Exchanges in late September 2007. Many years of preparation of the whole Company, including the restructuring of all activities, the transition to international accounting standards and the international audit culminated in a successful subscription of 17,757,875 shares at the price of EUR 2.00 per share. You, dear shareholders, became the owners of 26.2 per cent of the total number of shares of our Company.

The stock market at the turn of 2007/2008 reflected the global turbulence under the impact of the financial crisis and a potential recession in the U.S.A. The subsequent drop in the price of our shares and all other companies at the Prague and Budapest Stock Exchanges was certainly an unpleasant circumstance, also amplified by our unsatisfactory results in the 4th quarter of 2007, which in particular due to the sudden drop in our key markets in November and December brought the business of AAA AUTO for the 2007 business year into an unexpected loss. However, I am firmly convinced that in the first half of 2008 we will submit evidence of the implementation of remedial measures, which will put us back to the trajectory of growth as the Company has documented for the past 15 years of business.

One of the important reasons for the 2007 result was last year's expansion. If by the end of 2006, the customers in the Czech Republic, Slovakia, Hungary, Poland and Romania could choose from the offer of quality and best selling cars in 25 car centres, by the end of the last year, the number had already grown to 45, which means an 80% growth. From this number, eight car centres were newly opened solely in the last quarter of the year. Every AAA AUTO car centre must first invest in the purchase of quality best selling automobiles and in the training of dozens of co-workers. It is obvious that these investments will make a return. In 2007, in a year-on-year comparison, we increased sales by 29% to almost 80,000 cars and achieved a growth in consolidated revenues by 34.9% to EUR 470 million. We intend to continue this growth trend, while in 2008 we plan to slow down the existing pace of expansion and focus on the cost control, general consolidation of our business, as well as the fast recovery of the Company profitability.

In order to secure the needs of a developed network of branches in all five countries, the number of employees at the end of 2007 grew by 33% compared with the last year, totalling 3,834 people. The expansion was necessarily reflected in the increase in operating expenses (defined as PBT except depreciation and amortization, and financial cost) by 55.2% to EUR 79.4 million. The investment costs of the Company grew by 71% to EUR 26.1 million. The operating profit (EBIT – defined as PBT except financial cost), which dropped to EUR 0.1 million was influenced by the strong growth of depreciation (+63%) related to the purchase of buildings, IT systems and further equipment for the new branches. Due to the accumulation of unfavourable and unpredictable factors in the last quarter of the year, the business of the Company for the whole year of 2007 found itself in a loss of EUR 4.8 million.

A part of the restructuring and remedial measures to regain profitability is also the support of the senior management staffing. Since 1st November 2007, Vratislav Kulhánek, one of the most respected managers of the automotive industry in the region, was appointed to the position of the Chairman of the Management Board. He took up the assignment to adequately put in place all control and organizational processes in the dynamic development of the Company in such a way, so that the strategy of the controlled growth of the whole group be adequately secured. At the same time, he has substantially contributed to the process of Company cost savings.

Finally, but most importantly, I would like to thank our shareholders for the trust you put in our Company, its management team and employees, to whom I would also like to extend my gratitude for the acceptance of the large demands you had to face throughout the whole year. Even though the 2008 year will not be easy in any way, our executive team and I would like to present to you the results, which should convince you, the shareholders, and our business partners, of the correctness of the investor's affiliation to the successful and perspective brand of AAA AUTO.

Anthony James Denny
Chief Executive Officer

Stability

AAA AUTO Group is one of the leading used-car retailers in Central Europe.

Historical Milestones

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 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. • The Company ranks 68th in the CZECH TOP 100 companies chart. • Sales exceed 40,000 cars.
2005	• The Group's headcount reaches 2,000. • The Group's entrance on the Romanian market (new branch in Bucharest). • Opening of two additional car centres in the Czech Republic, and three in Slovakia. • The Group sells over 50,000 automobiles.
2006	• Entrance of the Company on the Hungarian and Polish market (Budapest and Warsaw). • Improvement of customer services (car exchange within 24 hours and insurance). • The Group reaches the number of 25 branches and exceeds 60,000 cars sold. • Increase of the staff count to 2,880.
2007	• Auto Diskont becomes a subsidiary of AAA AUTO. • Superbrands prestigious award. • Expansion of the Group results in opening 20 new branches and by the year-end increases the number of car centres to 45 the number of cars sold reaches almost 80,000. • The staff count exceeds 3,800. • As of 1st November, Vratislav Kulhánek becomes the Non-Executive member and chairman of the Management Board. • The Netherlands-based parent Company AAA Auto Group N.V. enters the Prague and Budapest Stock Exchanges.

Key Events

1st Quarter

- New branches opened: Chomutov, Tábor (CZ), Lodz (PL), Pécs (HU) and Braşov (RO).
- The Polish subsidiary of AAA AUTO obtained the Superbrands award.
- AAA AUTO purchased Auto Diskont.
- Announcement of the business results of AAA AUTO for 2006.

2nd Quarter

- Branches opened in Kolín, Hradec Králové (CZ) and Budaörs (HU).
- AAA AUTO Group employs over 3,000 employees in the context of the the expansion.
- For the first three months of 2007, 17,696 automobiles were sold, a year-on-year growth of 35%.
- In a single week, the Group sold a record-breaking 1,801 cars.

3rd Quarter

- New branches opened in Most (CZ), Trenčín, Lučenec (SK), Szeged, Miskolc (HU) and Dąmbrowa Górnica (PL).
- As per the announced half-year results, AAA AUTO Group sold in the first half of 2007, 38,617 automobiles, which is 33% more compared with the year 2006.
- Patria Finance performed an extensive analysis for AAA AUTO according to which, the demand in automobiles in the countries of Central and Eastern Europe should be high in the next years. The tendency to buy used cars instead of new ones will be most likely relatively high in the region, as the new models of cars are still unaffordable for most households and individuals.
- The General Meeting approves the appointment of Vratislav Kulhánek, respected automobile manager, to the position of Non-Executive Member of the Management Board.
- On 29th August, AAA Auto Group N.V. announced its intention to sell up to 28.1% of its shares in an initial public offering (IPO) at the Prague and Budapest Stock Exchanges, after the respective market regulatory bodies approved the Company prospectus. The senior management of the Company together with the IPO manager, Patria Finance, introduced the AAA AUTO Group to prospective investors during the so-called roadshow, which started on 29th August and ended on 19th September 2007.
- On 24th September, conditional trading with the shares of AAA Auto Group N.V. started at the Prague Stock Exchange followed by regular trading on both the Prague and Budapest Stock Exchange on 26th September.
- AAA AUTO Group won a four-year dispute for the use of its registered trademark in Slovakia.
- With the successful issue of a total of 17,757,875 shares newly issued by the Company, AAA AUTO obtained a total of EUR 33.2 million to finance the expansion.
- AAA AUTO sold a record-breaking number of 60,125 cars in the first three quarters of this year. The year-on-year growth was 32%.

4th Quarter

- New branches opened in Kladno, Prague-Řepy (CZ), Poprad, Bratislava–Auto Diskont, Košice–Auto Diskont (SK), Székesfehérvár, and Debrecen (HU).
- On 1st November, Vratislav Kulhánek became a Non-Executive Chairman of the Management Board of AAA Auto Group N.V.
- The AAA AUTO Group introduced a new system of telephone communication with customers.
- AAA AUTO purchased the 400,000th automobile in the history of the Group.
- Launch of the new NAVISION information system.

Group Profile

The AAA AUTO Group (hereinafter referred to as "AAA AUTO" or as only the "Company") belongs among the largest used car dealers in Central and Eastern Europe. The Company has been active on the market since 1992, when it was founded in Prague by Anthony James Denny specializing in the original import for the purchase of saleable used cars in cash and in their subsequent sale.

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

The Company, which first crossed the borders in its expansion in 2004, operated after the historically largest extension by 20 branches as at the 2007 year-end, 45 car centres in the Czech Republic, in Slovakia, in Hungary, Poland and Romania. Last year, AAA AUTO offered in the whole Group, an average of over 9,000 automobiles every day with the guarantee of their legal origin. 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 – Carlife, motor third-party liability, motor damage insurance, insolvency insurance, credit cards and assistance services.

The trust of AAA AUTO´s customers is growing and is based on the professionalism of more than 3,000 employees of the Group. In early 2008, the 400,000th automobile in the 15-year history of the Group's business, which thus, due to the same number of purchased cars can now take pride in having served more than 800,000 satisfied customers.

General Information

Company Name: AAA Auto Group N.V, a public limited liability company with the registered office: De Boelelaan 7, 1083 HJ Amsterdam, 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 12–13).

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.

The Company does not perform research and development activities.

Trade Name of the largest daughter Company: AAA AUTO a.s.
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 at 31st December 2007

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% **European Auto Sales s.r.o.** – Czech Republic – Dormant
  - 100% **AAA AUTO PRAHA s.r.o.** – Czech Republic – Dormant
  - 100% **Autocentrum AAA AUTO s.r.o.** – Czech Republic – Dormant
  - 100% **WOTEG GWG-Group, a.s.** – Czech Republic – Property Owner
  - 100% **HK PARTNER, s.r.o.** – Czech Republic – Trading Company
    - 100% **HK PARTNER KLADNO, s.r.o.** – Czech Republic – Trading Company
- 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% **AAA AUTO Kft.** – Hungary – Holding Company
  - 100% **Autocentrum AAA AUTO Kft.** – Hungary – Trading Company
    - 100% **Kishatár Ingatlan Kft.** – Hungary – Property Owner
  - 100% **F–23 REALTY Kft.** – Hungary – Property Owner
  - 100% **F–22 INVEST Kft.** – Hungary – Property Owner
- 100% **AAA AUTO Sp. z o.o.** – Poland – Holding Company
  - 100% **AUTOCENTRUM AAA AUTO Sp. z o.o.** – Poland – Trading Company
  - 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
- 100% **AAA AUTO LLC.** – Russia – Dormant
  - 1% AAA AUTO a.s.

NEW CARS GROUP

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

B BRAND GROUP

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

Group Structure as at the Closing Date of the Annual Report at 31st March 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% WOTEG GWG-Group, a.s. – Czech Republic – Property Owner
  - 100% HK PARTNER, s.r.o. – Czech Republic – Trading Company
    - 100% HK PARTNER KLADNO, s.r.o. – Czech Republic – Trading Company
- 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 – Trading Company
  - 100% AAA AUTO Kft. – Hungary – Property Owner
- 100% AAA AUTO Sp. z o.o. – Poland – Holding Company
  - 100% AUTOCENTRUM AAA AUTO Sp. z o.o. – Poland – Trading Company
  - 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
- 100% AAA AUTO LLC. – Russia – Dormant; 1% AAA AUTO a.s.

NEW CARS GROUP

- 100% GENERAL AUTOMOBIL, a.s. – Czech Republic – Trading Company
  - 100% GENERAL AUTOMOBIL CZECH s.r.o. – Czech Republic – Trading Company
  - 95% ASKO, spol. s r.o. – Czech Republic – Dormant; 2.5% Libor Ševčík; 2.5% Tomáš Čeveta
- 100% GENERAL AUTOMOBILE POLAND Sp.z o.o. – Poland – Dormant
- 100% GENERAL AUTOMOBIL Kft. – Hungary – Dormant
- 100% General Automobil S.R.L. – Romania – Dormant; 5% AAA AUTO a.s.

B BRAND GROUP

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

GrOwth

In 2007 AAA AUTO Group

increased its sales by 28.9% yoy to nearly 80,000 cars

and reached a turnover growth of 34.9% to EUR 470 million.

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 an N.V. 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.

The Company is required under Dutch law to disclose in its annual report whether or not it applies 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 applied 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 only recommends that a declaration of compliance with the Codex is included in the annual report of the Company.

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

Corporate Governance

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 does not have any committees comprised of Executive or Non-Executive Members.

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 adopted with a majority of not less than two thirds of the votes cast, 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 of shareholders to suspend or dismiss an Executive Member other than on the proposal of the Non-Executive Members may only be adopted by a resolution adopted with a majority of not less than two thirds of the votes cast, 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 each Executive Member is: AAA AUTO Group N.V., De Boelelaan 7, 1083HJ Amsterdam, the Netherlands.

In 2007, the Management Board was comprised of the following Executive Members:
- Anthony James Denny;
- Antonius Mattheus Kemp;
- Matyáš Kořínek.

Anthony James Denny

Executive Member of the 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 in the same year and developed the international car centre network of AAA AUTO.

Antonius Mattheus Kemp

Executive Member of the Board since 29th December 2006

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, from 2001 as 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 Board and Chief Operations Officer since 24th May 2007

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

Non-Executive Members

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

The business address of all Non-Executive Member is: 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).

Mr. Vratislav Kulhánek was appointed as a Non-Executive Member on 14th September 2007 as of 1st November 2007 for a four year period. Mr. Kulhánek is also the Chairman of the Management Board.

Vratislav Kulhánek
Non-Executive Member and Chairman of the 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, since 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 of 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 organization, 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 (*1943) is independent within the meaning of best practice provision III.2.2 of the Dutch Code, thus best practice provision III.2.1 of the Dutch Code is complied with.

Mr. Kulhánek is appointed for a period of four years.

Management Board expected personal changes

The Management Board wishes to propose Mr. Kamil Ziegler for appointment as Executive Management Board Member. Mr. Ziegler shall be appointed for a period of four years.

Mr. Antonius Mattheus Kemp and Mr. Matyáš Kořínek have each indicated to resign as Executive Management Board Member as per the date of the shareholders meeting. Mr. Kemp has agreed to become a Non-Executive Management Board Member.

The Management Board furthermore wishes to nominate Mr. Vratislav Válek for appointment as Non-Executive Management Board Member for period of four years.

These proposals are non-binding and are subject for approval by the Annual General Meeting held on 25th April 2008.

Remuneration Policy

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

A remuneration policy of AAA Auto Group N.V. reflects a fundamental orientation of the Company to performance and growth, takes into account internal and external relationships, and mirrors good administration of 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 of 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 2007 the Board Members were Anthony James Denny (from December 29, 2006), Antonius Mattheus Kemp (from December 29, 2006), Matyáš Kořínek (from May 24, 2007) and Vratislav Kulhánek (from November 1, 2007). The Board was awarded a total remuneration of 239,872 EUR, including social and health insurance payments and other benefits in 2007. The remunerations were paid in a form of fixed salaries. The company does not pay any retirement or other similar benefits to the Board Members.

In 2008 the principles of Board Members remuneration shall remain the same, however, with regard to a full tenure and expansion of the Board, about which a general meeting of the Company shall decide on April 25th, 2008, we expect the total remuneration for all the Board Members to reach up to one million EUR.

The company is in process of preparation of the detailed principles of the remuneration and they will propose the total policy for the adoption in the next General Meeting of shareholders of the Company

Further the Company shall propose approval of a Board Member share option plan at the general meeting on April 25th, 2008. Based on this program, each Executive Member of the Board should be awarded an option for up to 200,000 shares, and each Non-Executive Board Member an option for up to 50,000 shares. The options should be awarded for a four year period, with a 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 a provision that the 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. In case that the option is exercised, the exercise price of the share will not be less than the stock exchange price at the time of the grant of the option

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.

Paul McCreadie
Managing Director, Automotive Operations

Technically trained in Great Britain, he is an experienced automobile professional with 30 years of knowledge at all levels. He progressed through various positions from sales executive to dealership general manager, group operations director and executive director within a large PLC. Responsible for new and used cars, service parts and body shop operations across various parts of Great Britain, working with such brands as Volvo, Lotus, BMW, Land Rover, Porsche, and Ferrari. He has profound experience in managing motor car dealerships and groups, service systems, acquisition and business development. Prior to joining AAA AUTO he worked as a divisional director for a motor group based in Yorkshire and was responsible for 14 franchised dealerships, representing Renault, Nissan, and Hyundai. Having spent two months as a consultant for AAA AUTO, he was appointed Managing Director of the Company's Automotive Operations on the 1st January 2008, responsible for servicing and new vehicle sales.

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, later as a program manager of the Hilton Diamond club. In 1998, she founded the call centre of AAA AUTO, which has been within her responsibility until now together with other responsibilities in the Group. For nine years, she has belonged among the closest fellow workers of the founder and the chief executive officer of AAA AUTO Anthony James Denny. She is currently extending her education with studies of andragogy at the University of Jan Amos Komenský in Prague. She speaks English.

Jiří Trnka
Deputy of the Chief Executive Officer for Finance

He graduated from the University of Economics in Prague, 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 started 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 financial manager of the Company and a deputy of the CEO. He speaks English and German.

Consolidation

Following 2007's expansion, with an 80% yoy increase in the number of branches, AAA AUTO will be focusing in 2008 on consolidating its past expansion and enhancing profitability of all branches.

Conflict of Interests

We can see 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"). The Company 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.à.r.l.
The Company and CarWay Group cooperate in the area of car rent, roadside assistance, car insurance and car repairs. We rent our company cars from the Carway Group and we intermediate car insurance, roadside assistance and car repairs in cooperation with them. The Czech company AAA AUTO a.s. provided CarWay Holding B.V. with the loan in amount of CZK 20 million in September 2007.
The cooperation is agreed on terms that are customary in the sector concerned and on 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.

Controlling System

The Company continuously attempts to improve internal controlling system, which is designed and operated to support the identification, evaluation and management of risks affecting the group and the business environment in which it operates. As such, they are subject to continuous review as circumstances change and new risks emerge.

Key features of the Company's system of internal controls are:

- Written policies and procedures within our businesses, which stipulate the required standards of operation in individual areas of the group's business.
- Budgeting and reporting policies that are aimed to deliver reliable and accurate reflections of the existing business and to support appropriate strategic decisions of the Management Board.
- Introduction of specialized Group Treasury department to control and reduce our exposures to market risks, especially interest rate and currency risks.
- Installation of Internal audit function dedicated to continuously review the existing internal controlling system and to report on any control gaps identified.
- Existence of Internal Security department, which is focused on special investigations related to the internal or external malpractices and fraudulent behaviours.
- Hands-on top management control on outgoing payments.
- Existence of management signing rules to make sure that resources allocation is determined by the appropriate management level.
- Essential segregation of duties between car buyers and car pricers so that all purchased cars are priced independently from the local buyer.

Assurance on compliance with systems of internal controlling and on their effectiveness is obtained through management reviews, internal audit reviews. The directors of the group are responsible for the group's system of internal controls and for reviewing their effectiveness periodically. The directors of the board are aware that internal controlling system of the group is facing significantly increased demands and requirements in comparison to the periods before the 2007 essential expansion. Especially, after implementation of brand new core business front-end and accounting system Navision, increased efforts will be necessary to bring the budgeting and reporting procedures and controls to high standards. Separately, in the course of the year 2008, several standard internal control measures will be adopted to further enhance the internal controlling system, such as whistle blower policy, installation of the audit and nomination committee, implementation of the risk based internal auditing, enhanced currency risk management etc.

The Board has conducted a review of the effectiveness of the Group's internal controls covering all material controls, including financial, operational and compliance controls and risk management systems in place throughout the year under review. In reviewing these, the Board has taken into account the results of all the work carried out by internal to audit and review the activities of the Group. The Board believes that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the board's review of the effectiveness of the internal controlling system.

The Management Board therefore believes that in respect of financial reporting risks (i) in 2007 the risk management and control systems provide for a reasonable level of certainty that the financial reporting does not contain any material inaccuracies (ii) in 2007 the risk management and control systems have functioned properly (iii) there are no indications that the risk management and control systems will not function properly in 2008 with due observance of the improvements that are being implemented as stated above. Furthermore, in respect of other (operational, strategic and legislation) risks, the internal risk management and control systems were applied as described as key features.

The use of financial instruments is described in the note no 21 in the consolidated financial statements.

Share Option Plan

The Management Board adopted an option plan for the granting of options to Management Board members and key officers after the Offering (the "Share Option Plan"). The number of shares which will be allocated under the Share Option Plan on any day will not exceed 5% of the ordinary share capital of the Company in issue immediately before that day, when added to the total number of shares which have been allocated in the previous ten years under the Share Option Plan.

Under the Share Option Plan, the Management Board will have the authority to grant options in accordance with consistent policy regarding frequency, timing and terms and conditions. The Executive Members will decide on the granting of options to the Non-Executive Members and vice versa. The options granted to Executive Members will be subject to performance criteria determined by the Non-Executive Members. The Management Board will have also the possibility to apply performance criteria to options granted to key officers under the Share Option Plan.

All options will expire on the day preceding the tenth anniversary thereof and will be exercisable from the date of grant and prior to the expiry of the ten-year period commencing on the date of grant, subject to fulfilment of any vesting and/or performance conditions posed.

The exercise price will be not less than the nominal value of the shares and at any time when the shares are traded on an exchange, in any event not less than the market value at the date of grant, unless it has been determined when granting the option rights that a lower price is appropriate (i.e. in order to facilitate the recruitment or retention of a key executive).

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.

Risk Factors

There are several external and internal risks factors that can adversely affect our performance and business. Some of these risks are those relating to the Company's business and industry and include risks associated with:

- obtaining a desirable mix of popular used vehicles;
- negative public opinion and changing consumer trends;
- increase in the prices of fuel and other costs related to the use of cars by consumers;
- development of specialised internet selling platforms offering low quality used vehicles at cheaper prices;
- centralised management of the Company;
- implementation and execution of our strategic initiatives across all of our auto centres;
- acquisition of suitable real estate for our expansion;
- increased competition, including the import of low budget Chinese cars; and
- seasonality of the automobile retail business.

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 the Company's business, financial condition or operating results.

Shares and Rights

For details on the listing and share performance, see page 45.

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 Management 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.

Granting of Rights to Subscribe for Shares

The Articles of Association delegate the authority to grant rights to subscribe for 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 with the authority to grant rights to subscribe for 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. 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 general meeting of shareholders shall have the authority to grant rights to subscribe for Shares, unless another company body has been designated by the general meeting of shareholders.

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 Shares 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 Shares acquired for no consideration, the Shares 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 of shareholders for the acquisition of Shares in the capital of the Company shall specify the number and class of the Shares that may be acquired, the manner in which the Shares may be acquired and the price range within which the 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 Shares 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 of shareholders 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 Management 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 Management 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. The Company is also subject to publication requirements issued by the Prague and Budapest Stock Exchanges.

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

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

Decisions of the general meeting of shareholders are taken by an absolute majority of votes cast, except where Dutch law provides for a qualified majority.

Amendment of the Articles of Association and Change of Corporate Form

The general meeting of shareholders may resolve to amend the Articles of Association of the Company. The general meeting of shareholders may furthermore resolve to change the corporate form. A change of the corporate form shall require a resolution to amend the Articles of Association.

Dutch Code

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

Management Board (Part II of the Dutch Code)

According to best practice 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 Management Board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Management Board members shall be reported to the chairman of the supervisory board. The arrangements for whistleblowers shall in any event be posted on the website.

We do not yet have whistle blower arrangements, but intend to adopt such arrangements in due course.

According to best practice provision II.2.6, the Supervisory Board shall draw up regulations concerning ownership of and transactions in securities by Management Board members, other than securities issued by their "own" company. The regulations shall be posted on the website of the Company. 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 member 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, 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 Members and are independent within the meaning of best practice provision III.2.2.

As of 1 November 2007, the Management Board comprised one Non-Executive Member, Mr. Vratislav Kulhánek. At the next annual general meeting of shareholders it is proposed that Messrs. Antonius Mattheus Kemp and Matyáš Kořínek shall resign as Executive Member and be replaced by one new Executive Member and that Mr. Kemp and another candidate shall be appointed as Non-Executive Members. After these changes in the composition of the Management Board, the majority of the members shall be Non-Executive Members in accordance with this best practice provision. As a former Executive, Mr. Kemp is not independent within the meaning of best practice provision III.2.2.

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 of shareholders of the Company may deprive the list of nominees of its binding character by a resolution adopted with a majority of not less than two thirds of the votes cast, 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 cost of compliance with this provision would be disproportionate. We therefore believe that applying this provision is not in our best interest.

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

According to best practice provision V.3.1, the external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor.

We feel that our financial reporting will be sufficiently monitored by our Non-Executive Members and will initially not appoint an internal auditor.

Mission Objectives and Vision

The mission of AAA AUTO Group is to satisfy via sound trade with best selling used and new cars and the available network of car centres, the needs of existing and new customers and therefore create added value for shareholders. The basis is the 16-year successful expansion on five markets in Central Europe, which has culminated on one hand in an unprecedented annual increase from 20 to 45 branches, and on the other hand it documented the solidity and transparency of the Company with the successful admission to the Prague and Budapest Stock Exchanges in September 2007. This was preceded by the extensive internal transformation of the whole Company with the transition to international accounting standards.

By entering the stock exchange AAA AUTO has thus became a Company with full information openness. Not only with respect to investors on the capital markets but also with respect to a trustworthy approach to customers who are looking for sound direction in the otherwise controversial environment of the used car trade, so that they can fully evaluate their investment when buying a first-rate used car. AAA AUTO still counts on the proven elements of its successful business model. These consist in buying technically screened vehicles as a property and selling them with a lifetime guarantee of the legal origin of the car, together with the possibility of debt financing of the purchase of a car, insurance and a number of other financial and other services, otherwise customary in the new car sales segment. AAA AUTO has proven on all markets where it operates that it has contributed to enhancement of the quality and scope of customer services and to the joint creation of a positive consumer climate. Last but not least, AAA AUTO through a wholesale of technically well-maintained cars also tries to improve the qualitative level of the car fleet in the Czech Republic and in other countries.

AAA AUTO thus creates on the used car market an entirely new concept of sales conditions and the environment, where it offers its customers various information and communication channels (call centre, internet and printed media) to obtain the correct information about the car that the customer is looking for. These communication channels offer extended working hours seven days a week, including the possibility of the transport of the customer to the branch and back to the place of their residence. It also secures the transport of a vehicle from another sales centre, if the customer is interested. The portfolio of services also includes an extended sale and after-sale servicing and trained personnel. The guarantee of the legal origin of the car with a 100% guaranteed refund, if, despite the strict controlling measures in vehicle screening a troublesome case occurs, is a response to a very negative experience of the growing number of cheated customers due to a flood in the imports of often low-quality used cars from Western Europe.

The objective of the AAA Auto Group is to continuously improve the quality of the sales process and the products and services offered. Through this, the Group intends maintaining and strengthening its market position on an international scale, to extend its business activities to places where it has not been active so far and where there is a demand for AAA AUTO services.

Apart from its business activities, AAA AUTO also deals with other related activities and support across the whole spectrum of motor life. One of these, for instance is the reduction of the negative consequences of serious traffic accidents through the Children's Traffic Foundation.

Since 2004, the Company has gradually expanded its business model from the Czech Republic to four additional countries in the region. The 2007 year meant an 80% growth in the newly opened branches from 25 to 45, when AAA AUTO Group controlled 23 car centres, 11 in Slovakia, 7 in Hungary, 3 in Poland and 1 in Romania.

Nearest Objectives

After the historically strongest expansion, due to which the Company was confronted with some limits in the area its markets and of human resources, in 2008 the Company will considerably slow down the growth of expansion to three to six branches and postpone the plans to enter markets in Russia and other countries. The goal is to consolidate the Company and exploit the profit potential of the extensive network of car centres in Central Europe through increasing purchase and sale of liquid used cars and the offer of related financial services.

Due to its position as one of the most successful automobile trading companies in Central Europe, AAA Auto Group N.V. wants to provide its shareholders and the whole market, as soon as possible, with positive news regarding the sales and the financial results of the Company, which will restore the trust of shareholders in the profitability of their investment into the shares of the Company.

Our Vision

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

Report on the Business Activities

In 2007, the trend in the development of the AAA AUTO Group from recent years continued but with far higher dynamics. If we can evaluate the past periods of 2005 and 2006 as periods of growth and expansion, the year 2007 not only has fulfilled both of these specified characteristics but also became the break-even point.

Not only in the business and financial area, but also by entering the world of publicly traded companies, the 2007 became the most significant milestone of the development over the recent years. The rapid development and the substantial corporate transformation also brought some negative aspects, where the financial aspect is the loss suffered for the first time in the history of the Group.

Group Development in 2007

The last year was characteristic of the further strengthening of the positions on the existing markets but also of the rapid boom of new sales areas, especially in Hungary. The opening of new branches became the key accompanying phenomenon of the past year and substantially affected the operation of the Company in all countries The total number of newly launched car centres amounted to 22 (two branches were closed during the year) and the number of branches had almost doubled by the time the Group was operating 45 car centres in December 2007 (+ 80%).

The key market and the operational centre of the AAA AUTO Group in 2007 was the Czech Republic where seven new representations were commissioned from which five were sales centres (Chomutov, Tábor, Hradec Králové, Kladno and Prague-Řepy), one purchase branch site (Most) and, as a continuation of the 2006 trend, one new "baby bazaar" at Kolín. Thus, the Czech market is now covered by an almost compact network of sales centres under the leading brand name of AAA AUTO as well as in the framework of the other brand name, Auto Diskont.

The second best country contributing to the rapid rise of the growth indicators was Slovakia who, in this manner, confirmed their potential from the previous periods. The development of the Slovak market could rely not only on the support of the Prague head office but also a developed local infrastructure and experienced management team that provided the fluent implementation of systems and a sales environment as per AAA AUTO standards. Six new branches were launched from which three are standard AAA AUTO sales centres, namely at Poprad, Nitra and Trenčín and one of which is a "baby bazaar" at Lučenec. An important milestone of the successful development of the Slovak market was the opening of the first two centres of Auto Diskont at Bratislava and Košice.

The country showing the fastest boom immediately after the opening of the first representation was Hungary where the Budapest based head office was followed by immediate launch in five cities (Pécs, Budaörs, Székesfehervár, Szeged and Debrecen) along with one "baby bazaar" in Miskolc. What is symptomatic for the rapid conquest of the Hungarian market and the utilisation of its potential is the fact that the Budapest based head office opening at Fót was immediately followed by the launch of another branch site in the Budaörs quarter. Given the marketing and sales habits of AAA AUTO, this was an unusual step.

Slower than expected was the development of operations in Poland. This giant market faces problems residing in the lack of import controls of used cars from Germany and other West European countries. The market and sales conditions do not allow achieving such performance that would justify any faster growth of the group's branch network on the Polish market. Branch sites were opened at Lodz and Dąbrowa Górnica.

AAA AUTO has a single point of sale in the Romanian capital of Bucharest and one newly opened buy off branch site at Brasovia was closed again as of December 31 due to their failure to meet market expectations. For the time being, the Romanian market has not reached the parameters needed for the start up of a local expansion strategy as implemented in other countries. Romania as well as Poland, has an interesting short-term potential that may drive further growth.

The unmatched quantitative growth of the number of branches involved some problems that can accompany such a fast development. The development in the new markets was complicated by problems related to the recruitment of staff, the need to make use of the capacities of the existing sales centres in order to cover basic operational and sales needs of such new centres but also generally related to the growth of costs which we managed to control only subject to enormous difficulties, in particular in the last period of 2007.

Yet, we can see the 2007 year as a success in terms of quantitative expansion criteria as the opening of the new branches created the basis not only for further sales growth in the future years but, due to the occupation of the market positions, also for the long-term stabilised position of the AAA AUTO Group in the competitive car market in Central and Eastern Europe.

Business Performance

The business performance of AAA AUTO in 2007 reflects all the positive and adverse impacts during the period. On one hand, there was the growth of sales and revenues, on the other hand, the impacts of the expansion to the overall costs.

In 2007, the AAA AUTO Group's total revenues amounted to EUR 470 m subject to a total loss of EUR – 4.8 m. The total revenues that experienced a growth of 34.9% compared to the year 2006 reflects a growing business position, however, the overall loss is a consequence of the fast growth of costs and a decline in sales in the last quarter of the year.

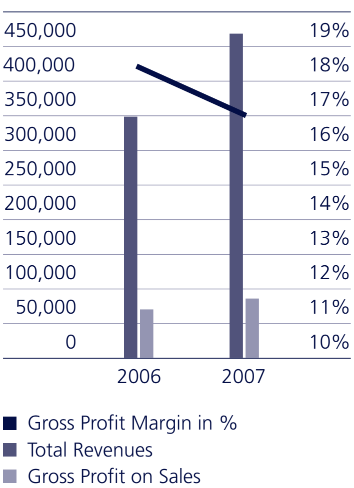
The revenue growth is unambiguously associated with the launch of new branches and expansion to new markets. The Czech Republic still has its dominant position; however, its share is gradually dropping at the expense of other countries. This trend, the geographic diversification of the revenues is surely very positive and in future it may become an important tool for the stabilisation of Group financial performance.

The Share of Individual Countries on Total Revenues (in % share)

Country	2007	2006
Czech Republic	56.0	69.3
Hungary	11.5	2.7
Poland	5.8	0.5
Romania	4.3	7.0
Slovakia	22.4	20.5

What we can observe in the structure of the revenues broken down to products is the highest share of revenues from cars which however, contribute to the gross profit from sales by proportionally much lower extend. Here, we can trace the key role of financial services and insurance (F&I) that generated one half of the gross profit from sales in the year 2007. The focus on the sale of financial and other up-sale services is therefore, one of the main strategic focus of the Company. In 2007, the portion of cars sold that were financed by credit or leasing reached the level of 50%.

Comparison of Total Revenues and Gross Profit on Sales in 2006 and 2007 (thousands of EUR)



Comparison of Total Revenues and Gross Profit on Sales in 2006 and 2007 (thousands of EUR)

	2006	2007	% change 2007/2006
Total revenues	348,417	470,058	+34.9
Gross profit on sales	63,899	80,119	+25.4
Gross profit margin	18.3%	17.0%	-7.0

In the area of operating expenses, the Group experienced a rapid rise in the need for operational inputs above all human resources that, in addition to personnel costs, such as increase of the total amount of gross wages or the costs for training of new employees, generated other costs related to the operation in five countries. Thus, we saw a major growth of expenses for travel, communication and material used. Furthermore, the opening of a high number of new branches resulted into a higher operating expenses for their operation and the need to provide them with complete equipment as well as the need for investments into land and property.

Operating Expenses (thousands of EUR)

	2006	2007	% change 2007/2006
Personnel expenses *	25,133	41,849	+66.5
Advertising expenses	9,618	10,522	+9.4
Other operating expenses	16,408	27,028	+62.9
OPEX total	**51,159**	**79,399**	**+55.2**

Note: included netto of work performed and capitalised into inventory value.

The profit/loss of the Group for the year was strongly affected not only by the development of costs but also by the development of sales in the last quarter of the year. In particular in November and December 2007 we registered a significant decline in sales not only of the group but, as it turned out later, also of the overall market of used cars (mainly on the group's main market in the Czech Republic). Taking into account the fact that eight branches were opened, partially due to delays, in the last quarter of the year, also there was a accelerating trend of increasing costs simultaneously with an unexpected drop of sales; the loss generated in the last quarter was an inevitable and difficult to predict consequence. Individual factors would not have on their own such a significant impact on the Company's financial result. Their combination however, multiplied the resulting negative effect. Their combined impact was thus unpredictable.

Total Revenues and Net Profit/Loss of the Group for 09/2007 and 12/2007 (thousands of EUR)

	30. 9. 2007	31. 12. 2007
Total revenues	350,164	470,058
Net profit/(loss)	4,261	(4,783)

In financial terms, the 2007 expansion did not meet the plans for the generation of profit for the given economic period and it called attention to the need for an alteration of the planning and management of sales, operational and investment costs.

Business Results

Business Results both for the sale of cars and the sale of supplementary and related products and services confirm a strong growth trend generated in the last year by intensive expansion and development in all areas of the group.

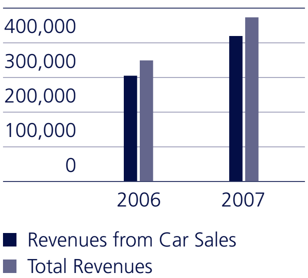
Sale of Cars

The sale of cars within the framework of the business activities of the AAA AUTO Group is a principal and key activity that is in the core of other related products and services. In 2007, the Group sold 79,871 cars, which means a 29% yoy increase, while total revenues grew by 34.9% yoy. Moreover, this result is supported by very positive geographic diversification.

Sale of Cars as per Individual Country in the years 2005, 2006 and 2007

Country	2005 (units)	2006 (units)	2007 (units)	% change 2006/2005	% change 2007/2006
Czech Republic	42,060	43,460	45,874	+3.3	+5.6
Hungary	0	1,455	8,396	n/a	+477.0
Poland	0	286	4,423	n/a	+1,446.5
Romania	941	3,121	2,641	+231.7	-15.4
Slovakia	7,111	13,617	18,537	+91.5	+36.1
Total sales	**50,112**	**61,939**	**79,871**	**+23.6**	**+29**

Total Revenues from Car Sales (thousands of EUR)



However, the most important portion of the sales still comes from the Czech Republic. There is an apparent trend in the growth of the share of sale in particular in Slovakia and Hungary which is forecast to remain the same in 2008 and, together with other countries, will result in a further decline of the share of the CR on the overall sales.

Total Revenues from Car Sales (thousands of EUR)

	2006	2007	% change 2007/2006
Revenues from car sales	313,297	422,720	34.9
Total revenues	348,417	470,058	34.9

Auto Diskont

A very interesting trend in terms of business in 2007 was the growing sales achieved by the Auto Diskont brand. This brand experienced in 2007 a growth in sales and the first cars sold under this discount brand were offered also to Slovak clients at the new branch sites in Bratislava and Košice.

Sales of Cars under the Auto Diskont Brand Name (units)

	2006	2007	% change 2007/2006
Auto Diskont (CZ)	1,403	3,599	156.5
Auto Diskont (SK)	0	165	–

Sale of Financial Services (F&I)

The sale of financial services and insurance in 2007 was a great success and confirmed the that the long-term business strategy was well set up and led the group in the right direction. Revenues from financial services amounted to EUR 41.3 million and, compared to 2006, it saw a growth of 38.2%. Their contribution to the Company’s gross profit from sales grew to 51.6% from 46.8% in 2006 and confirmed their position of the main profitability driver of the group.

The financial results for the entire year was generated not just via the branch expansion realised last year but also by the capability of the fast implementation of sales programs and product ranges at new branches that are offered at the existing well established sale cites. An important factor in the generation of revenues is the stable relations to key international business and financial partners. The cooperation launched previously in the Czech Republic and Slovakia has brought benefits in other countries, in return the partners from the new markets have enriched the product portfolio of the domestic markets.

A specific indicator for sales of financial services is the share of cars financed by debt products on the group's total number of cars sold. This share grew in 2007 to nearly 50% of the total number of cars sold. This share varies in individual markets.

Financial Credit and Leasing Penetration as per Country

Country	2007 (%)	2006 (%)
Czech Republic	49	51
Hungary	66	65
Poland	30	20
Romania	30	42
Slovakia	49	52

Sale of Supplementary Products

The sale of supplementary products in terms of its share on total revenues of the group is relatively insignificant. Yet, it still plays an important role in the sales process of the AAA AUTO Group as part of a comprehensive portfolio of services and products. Also thanks to its sustainably high profit margin its share in the gross profit from sales of the group stays on a relatively high level.

Revenues from supplementary products amounted to EUR 6.0 million and, compared to 2006, it saw an increase by 15.3%. What was an important growth factor, as in other sales categories, was the opening of new branches. However, the supplementary product category shows a delayed start of sales compared to other revenue items given its character of a product with higher added value.

Supplementary Product Revenues (thousands of EUR)

	2006	2007	% change 2007/2006
Other revenues	5,207	6,004	+15.3

The sale of supplementary products is an important part of the business activities of AAA AUTO Group as it improves client comfort related to the purchase and operation of a motor vehicle. Most commonly, these include the sale of assistance services, quality and car certificates of origin, golden loyalty cards and various accessories.

Transparency

AAA Auto Group N.V. is only the second used-car dealer in the world to raise an equity capital on a stock exchange.

Information for Shareholders

Reasons for the Initial Public Offering (IPO)

The international expansion of the Company launched by the entry to the Slovak and later to the Romanian market in 2005 brought about new challenges. What was the corner stone of the expansion in addition to the business model and know-how was the capital the Company had available from both internal sources, the retained earnings and sources close to the majority shareholder of the Company, or external through means of standard banking products and credits.

The acceleration of the expansion in 2006, its positive results and the market potential of the new countries of Central and Eastern Europe required a strategic decision to be taken concerning sources for further development as well as the organization of the Company and its shareholding structure including the potential entry of a strategic or financial investor. Following long discussions, the Company's majority shareholder decided on the implementation of a holding structure and the change of the Company to a publicly traded through an initial public offering of newly issued shares on the capital markets (IPO).

Among the main reasons of this decision was above all the need to acquire funds for further expansion of the group and to increase financial stability of the Company though the capital increase and partial reduction of debt. Other reasons behind this decision included an intention to make shares available to retail investors (and clients with regard to the strictly retail business orientation of the Company), as well as to go in the framework of the IPO process through due diligence conducted by renowned international consultants and to transform AAA AUTO into a transparent publicly traded company in its business sector that seeks a better reputation.

Preparation of IPO and Impacts upon the Operation of the Company

The IPO preparation took more than one year and it became an in-depth analysis of the internal processes both on the part of the Company itself and by means of independent consultants and specialists hired for this purpose. The corporate structure was modified and the Company implemented international accounting standards (IFRS). During the final months prior to the IPO, an expert team worked on the development of a key document, i.e. the issuer's prospectus as a subject for approval by the Dutch stock exchange authority (AFM). The Company succeeded in implementing complex internal restructuring and received approval from the authorities of AFM and early in 2007, launched the sale of shares of the Dutch parent Company of AAA Auto Group N.V. by means of a public subscription preceded by a roadshow related to the presentation of the Company to potential investors.

Subscription Information

The shares of AAA Auto Group N.V. were admitted at the stock exchanges in Prague (PSE) and Budapest (BSE) starting from September 26, 2007. The overall number of issued shares amounts to 67,757,875 with the nominal value of EUR 0.10 per share of which 17,757,875 shares are available for trading at PSE and BSE (free float); the ISIN of the shares is NL0006033375. The remaining portion of the shares remain in the possession of Automotive Industries S.à.r.l. holding. All shares are registered shares. The global coordinator and manager of the primary share subscription of AAA Auto Group N.V. for the Czech Republic was Patria Finance, a.s., for Hungary, was KBC Securities Hungarian Branch Office.

AAA Auto Group N.V., the Dutch parent Company of AAA AUTO, generated through the subscription of new shares, the total amount of EUR 35.5 million. After the deduction of all costs, the net income generated amounted to EUR 33.2 million. For the time being, the funds generated by the subscription are used to support the development and optimization of the cash flow within the Group and these are subject to revaluation using standard financial market tools.

Shareholders Structure after IPO

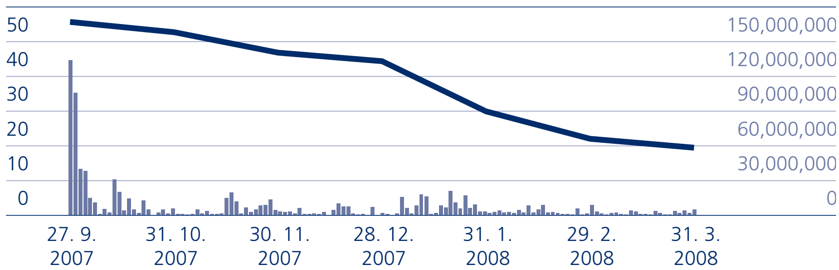
	in %
Automotive Industries S.à.r.l.	73.8
Other investors	26.2

After the Company entered the key PSE SPAD market, the shares of the AAA Auto Group N.V. were included into the PX GLOB starting from December 5, 2007 and starting from December 27, 2007 they participate in the development of the PX index.

The nearly double oversubscription of the newly issued shares and the interest on the part of both institutional investors (61% of subscribed shares) and largely also retail investors (39%) was proof that the decision to enter public capital markets was correct. The AAA AUTO Group successfully completed its IPO process despite the then rising turbulence on the global capital markets due to the mortgage crises in the USA and its shares were listed on the main markets of both stock exchanges.

The last quarter of 2007 underwent hasty development on the capital markets accompanied by a decline that culminated in January 2008. Whatever were the reasons for this crisis, it led to a decline of the majority of worldwide share indices including the PSE that has grown steeply up to that time. The IPO of the AAA AUTO Group took place at the time of the final phase of a boom that lasted almost continuously on the PSE from the year 2000 and brought a number of new Czech and foreign investors to the market. As a consequence of the global correction and decline of the stock markets were sell-outs on the PSE.

Development of the Share Price and Volume Traded (in CZK)



Source: www.pse.cz

Due to the small share issue the volumes traded with AAA AUTO's shares, and thus its liquidity, has been low since the beginning of the trading with the shares relative to other larger issues traded on the PSE. At the same time, it possesses a certain particularity as there is worldwide only one single other publicly traded company with operations of selling used cars, which is CarMax, whose shares are traded on the New York stock exchange. As such, there is no strict assignment to an industry and no peer group comparison as in the event of other securities. Also AAA AUTO shares have rather long-term investment horizon and combined with above mentioned lower liquidity react more sensitively to market sentiments. This led to the fact that at times of strong sell-outs on the market AAA AUTO shares were losing much more than other shares.

After the entry to the stock exchange at the time of negative sentiment on capital markets was the trading with AAA AUTO shares accompanied by a decline in the share price. This was further supported by a profit warning in early 2008 about an unexpected deterioration of the business performance of the Group and an overall loss for the year 2007.

An improvement of the financial performance of the group is hence a priority for the management team and all Company staff for the year 2008.

For employee motivation and its orientation on profit, an option plan has been proposed for medium and senior management team members to be offered during 2008 after a relevant decision by the Management Board. To the limit of five percent of the total number of shares can be booked for the option plan.

Public Relations

I. Social Responsibility of the Company

Implementing their business strategy, the AAA AUTO Group N.V. entered the markets of five countries in Central and South-East Europe (Czech Republic, Hungary, Poland, Romania, and Slovakia). A dynamic expansion of the AAA AUTO Group has brought the need for the maximum harmonization of the Group's business strategy not only with the different legislation and economic environment of the given countries and to provide for compatibility with the EU legal framework.

In compliance with the principles of good corporate governance, the AAA AUTO Group must act in coordination with regulators and the central supervising authorities in individual countries where the Group undertakes business activities.

Due to a successful business model and a dynamic growth in the position 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 social responsibility of companies (CSR) and the relevant compliance. In compliance with the strategy of the Social Responsibility of the Company (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 business chambers. With regard to regions where the Group operates, it has joined or is currently negotiating on joining the respective business chambers and professional associations. Cooperating with such entities, the Group supports both business operations won and social discussions on the entrepreneurial environment in the country.

As 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 Economy of the Czech Republic which is a significant entity representing the interests of entrepreneurs in the Czech Republic. In 2008, the AAA AUTO Group plans to join the International Chamber of Commerce based in Paris.

Given our business activities covering several countries of the Central and South-East European region, the AAA AUTO Group has been a member of the American Chamber of Commerce in the Czech Republic for several years where the Group 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 Union of Independent Countries which supports Czech entrepreneurial activities.

The rapid expansion into new markets and the accelerated growth in countries where the AAA AUTO Group operates means the continued trend of active efforts to become members in other important regional chambers of commerce and entrepreneurial associations.

Entry to Prague and Budapest Stock Exchanges

A key milestone in the historic development of the AAA AUTO Group was the entry to the PSE and BSE in September 2007 by means of the parent Company, AAA Auto Group N.V. The entry to the stock exchanges of two Central European countries means more pressure for the maximum transparency of the services offered, the maximum possible information openness towards investors and fulfilling strict regulatory requirements which brings about the requirement to adhere to 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 15–45).

2. SOCIETY

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 cooperate with organisations sponsoring and developing the concept of social responsibility in the Czech Republic and on the European level. The Company seeks the entry to the Register of Ethical Companies, it intensifies cooperation with the Donors Forum association and it plans to join the Business Leaders Forum CR.

As per December 31, 2007, the AAA AUTO Group employed 3834 workers in all countries where it operates. As a young and dynamic Company, it uses the most progressive elements of the modern human resources management and corporate governance principles. The Company pays significant attention to the education of its employees, their professional development and motivation. As AAA Auto mostly employs young people of various nationalities, the same attention is paid to the antidiscrimination corporate policies.

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) that 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 foundation, the Group has created a sophisticated system of remuneration incentives for staff in product-focused positions. The AAA AUTO Group, as a dynamic and growing Company offers as a matter of course, the possibility of career and professional development (see also the Human Resources chapter on page 56).

Local Community and Sponsoring

The AAA AUTO Group is a Company whose business activities cover several countries in the central and South European region. This development should be followed by the support of organizations and local communities no matter whether this should take the form of donations or sponsoring activities as included in the long-term plan of such activities. Due to an extensive expansion in 2007, the intensity of the financial support and the sponsoring activities significantly increased.

In addition to its business activities, the 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.

The sponsoring activities of AAA AUTO in 2007 developed the strategy of building the awareness and improvement of the image of the brand in the five countries where the Group operates. It played an important role in the support of historically what was the largest expansion of the Company in 2007 in the Central European region.

The 2007 sponsoring strategy focused on three basic areas including sport, important social and cultural institutions and charity.

In the field of sport, AAA AUTO focused on soccer and ice-hockey as the most popular sports in the countries where the Group operates. AAA AUTO is a partner to major clubs playing in the premier national leagues at the location of Company branches in the Czech Republic and in Slovakia. What was new in the last year was the support of junior soccer teams throughout the Czech Republic. Traditionally, AAA AUTO has been the official partner of the Czech Athletic Union, Barum Rally and other motoring events along with several sporting sites, in particular in Slovakia.

By cooperating with Prague Zoo and Prague Botanic Gardens, AAA AUTO has developed support for significant social and cultural institutions with the emphasis placed on the family.

AAA AUTO provides significant support to charity organizations such as the Tereza Maxová Endowment 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 Úsmev ako dar endowment.

In addition to the system projects, in 2007 AAA AUTO supported various ad hoc activities as found in compliance with the dynamic development of the Group.

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 and publication and consultancy. The AAA AUTO Group established contacts with this association and proposed a model of regular consultations for consumer suggestions.

Spotřebitel.cz:

The 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 notification duty of companies as organized by this association 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 its business strategy, the AAA AUTO Group supports the imports of cars less than eight years old that meet at least the EURO III emission standard. Such cars pollute the environment less and they are not that dangerous in terms of road traffic safety and, in general, it makes 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 as it can be documented by statistical figures, of for example, the Czech Republic Automobile Industry Association.

At the Company sites and branches in individual countries, the AAA AUTO Group seeks to protect the environment as much as possible. The Group has comprehensive settings of the parameters for internal process rules governing waste management and disposal related to servicing, hazardous waste handling or recycling.

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 communication strategy is to create a positive image of the Company in the media and in the eyes of the members of the public and this should lead to a positive perception of the Company by both current and prospective clients of the Company and, consequently, it should have a positive impact upon the profitability of the Company. The PR department is responsible for the uniform and cultivated presentation of the Company.

The Company develops and builds a targeted system of internal communication both on a vertical and a horizontal level.

The Company 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, contents, web sites, social events and others.

III. Marketing

The 2007 marketing activities were typical of the continuing division of Group clients into segments and the formulation of a communication strategy and plans differentiated for individual markets. In connection with the differentiation of individual brands of the Group, the Company set communication and graphic standards for the individual brands of AAA AUTO and Auto Diskont.

The AAA AUTO brand is the best known brand in the Czech market where, according to a survey carried out by Ipsos Tambor, s.r.o. in June 2007, more than 96% respondents knew the brand. This confirms the competitive strength and the correctness of the adopted marketing and communication strategy so that prospective clients interested in the purchase and sale of a used car could decide in favour of the reliable AAA AUTO trade mark.

The awareness of the brand in the Czech and Slovak market is maximal; the priority was to continue the marketing and communication activities supporting sales. In the Hungarian, Polish and Romanian markets, the development of the Company name and the improvement of the brand awareness became pivotal. Given the record increase in the number of branch sites by 22 over the year with 8 such branches opened in the last quarter of 2007, most communication efforts and increased budget funding were oriented towards the local support of such newly opened car centres.

When assessing the market mix, the 2007 year was typical of the decline in the share of standard and traditional media and an increase in the importance of less traditional media. Nevertheless, the permanently most used medium in the last year were printed advertisements followed by radio promotion and outdoor media promotion. Internet based promotion has become more and more significant for the AAA AUTO Group and this was documented by a substantial rise in the volume of advertising on internet portals. In this connection, the Company changed the design and the functional structure of the internet presentation of AAA AUTO at www.aaaauto.cz including foreign language versions in order to keep this most important communication channel in compliance with the most modern trends and to match the requirements of the maximum possible user comfort.

In 2007, large emphasis was placed on the monitoring and analyses of the efficiency of the advertising campaigns. Results were taken into account when planning other campaigns and when preparing the budget for 2008.

Customer Orientation

Strong customer orientation, high quality guarantees,

reliability and transparency in a highly competitive market are the lasting values

that AAA AUTO’s growth is based upon.

Information Technology Services

What has a decisive importance for the dynamic development of the AAA AUTO Group in 2007, was the implementation of extensive human resources, time and funds consuming information technologies that will continue in the years to come as may be required by the growing requirements for the management of control, organization, reporting and business activities of the Group.

After the implementation of new technologies and the centralization of applications, we can launch the restructuring of the organization without any reduction of the availability of the IT service.

What was implemented in 2007 was a new ERP information system called Mona Lisa based on the NAVISION platform by Microsoft. This system meant for the AAA AUTO Group a step forward from the point of view of the centralization of all current sub-systems including the control of key business and financial processes. After the pilot phase executed early in the year in Hungary and in the middle of the year in Slovakia, the system was implemented in the main market in the Czech Republic in the last quarter of 2007. By the end of the year, the main business units of the AAA AUTO Group were integrated to the system and the entire system will be completed in the course of 2008.

In 2007, the Company reviewed the support of the information systems in the field of human resources where the IT support has to play a more important role in terms of the integration of the human resources agenda, recruitment processes, payroll and attendance control throughout the Group. The entire project will be completed in 2008. The IT department migrated CRM processes from the MS SQl2000 platform MS SQL 2005 platform in the last year.

In compliance with the requirements for the fast expansion of the Group and the provision of the operational capacities of new branches depending on their size, in the last year the IT department implemented a number of models for the quick expansion of information technologies. They tested new methods for the connection of new car centres based on mobile phone technology, WiMax or satellite. This made it possible to shorten even more the time needed for the connection of a new branch anywhere in the world within an extraordinarily short time.

In 2008 and 2009, the IT will concentrate on the integration of workflow processes. In 2007, the Company launched an analysis of the possible use of technological platforms by IBM, Oracle or Microsoft. Our objective is also to develop a reporting environment separated from the processing of on-line transactions.

With regard to the cost efficiency given the planned growth, the IT department prepared the transition of the IP centre to the IP telephony by Cisco. After an analysis of the pilot operation trial, this technology will be implemented for the entire call centre in the course of 2008.

Human Resources

The management of AAA AUTO pays extraordinary attention to human resources management, their optimising, strategy and orientation to the performance.

Development of the Staff Count

At December 31, 2007, the AAA AUTO Group used to employ 3,834 employees in five European countries, which was 33% more in a year-on-year comparison. This growth followed last year’s unprecedented expansion of the Company and the increase of the number of car centres by 80% from 25 to 45 car centres at the end of the last year. Nevertheless, a certain delay in the opening of the branches resulting in a move back to the end of the year made it impossible for a large number of newly recruited staff to be trained. Therefore, many of these left the Group which led to personnel related costs that represented an above-proportional load on the Group economy.

Personnel Policies

In addition to the search for and the development of qualified labour, the personnel policies of the Company concentrate on a corporate educational system, first of all. In 2006, the Group established its own training centre where training courses take place mostly organized by the Sales Academy where AAA AUTO offers a system of sales courses for specific Company positions. In the field of human resources, the Group also deals with the development of management skills, assertiveness skills, improvement of staff presentation skills and the like. Such courses are a preparation for an improvement in Company efficiency. At the same time the Company creates human resource reserves.

What is under preparation is the Management Talent Pool program which will support the development of human resource reserves in the Company.

Incentives

Incentives in 2007 focused on the general granting of benefits instead of the previous personal benefits. This change was driven by the dynamic growth and expansion of the Group. On October 1, 2007, the Company launched a staff cafeteria system. For the first time in the history of the Company, the benefit system covered all employees in the Czech Republic regardless of their performance. In 2008, the Company plans to implement the same benefit system in Slovakia, Poland, Hungary and Romania.

The cafeteria is available to all current employees who have been with the Company for a minimum of six months.

The staff is given points they can use for activities in the area of sports, culture, health and recreation as well as additional retirement insurance.

In addition, the Company implemented a new system of bonus holiday which is governed by staff seniority. Thus, employees can have up to one week extra holiday after five years service with the Company. The Company also wanted to motivate staff working with the Company for shorter periods of time, therefore, staff is offered an additional holiday day starting from one year’s employment with the Company.

Comparison of the Staff Count in 2006 and 2007

Call Centre

Modern customer services include a call centre which began from the very foundation of AAA AUTO as a tool for active telemarketing. It employs more than 230 operators speaking 13 languages who serve clients from the Prague head office in all five central European markets where AAA AUTO buys and sells cars.

In 2007, the call centre received and processed 3.17 million customer calls and the share of the call centre in the completed business transactions amounted to an average for all five markets of 49%.

In 2007, the call centre focused on Internet communication and processed 441,200 e-mails, which represents a year-on-year growth of 14%. At the same time, the call centre sent 499,443 SMS in 2007 when concluding business transactions with customers.

In 2007, the Company launched a project for the modernisation of the call centre and its transfer to IP technology. The total investment costs will amount to CZK 12 m and the AAA AUTO call centre will join the technological leaders not only in the Czech Republic but also in Europe.

Outlook

Used car markets

In 2007, the global car industry experienced in accordance with press reports a rise in its dynamics by increasing the annual sale of cars to 70 million and the total number of cars on the planet exceeding one billion, according to reports by international agencies. As the Japanese Toyota and US General Motors keep fighting for the position of global leader, South Korean manufacturers are escalating their offensive drive in the US and Europe and Chinese and Indian producers have declared their determination to occupy their market shares with prices that are in conflict with the prevailing levels of the profit margins of established manufacturers in the US.

The used car sector in Central and Eastern Europe, where the AAA AUTO Group operates, has been positively affected by the growth of local economies and the increasing standards of living of the population. Despite the economic growth, many of the residents of these countries cannot afford a new car. However, given the context of the society, the infrastructure and services, they cannot live without a car. Therefore, their interest in the offer of suitable used cars should steadily grow in the future. Nevertheless, on the macro-economic level, the customer behaviour will, as it can be expected, remain influenced by high investment into residential properties and also by the continuously growing prices of energy, fuels, and services, which move the purchase of a car yet further down the consumption priority ladder.

Taking into consideration the so called liberalization of second-hand vehicle imports from EU countries to Central and Eastern Europe, in 2008 it is possible to assume a further increase of individual imports along with all the negative consequences, which includes the distortion of market conditions that will, together with the strengthening of the Czech Crown against the Euro, objectively toughen the competition on the AAA AUTO Group's biggest market.

AAA AUTO Group

In response to the growing demand and stronger competition AAA AUTO expanded its branch network in 2007. New branches were opened in the following cities, in the Czech Republic: Chomutov, Tábor, Hradec Králové, Kolín, Kladno, Prague-Řepy, Most; in Slovakia: Nitra, Trenčín, Lučenec, Poprad, Bratislava (Auto Diskont) and Košice (Auto Diskont); in Poland: Lodz and Dąbrowa Górnica; and in Hungary: Pécs, Budaors, Székesfehérvár, Szeged, Miskolc, and Debrecen. One branch was opened in Romania in Brasovia, however, by the end of the 2007 year the branch was closed down as it did not fulfil sales targets. Another new car dealership was closed down in Prague.

With respect to the business development in the 4th quarter of last year, the Management Board defined and immediately started implementing measures to restore profitability of AAA AUTO by enhancing the efficiency of all branches and the overall group, and improving all reporting and planning processes, including organizational changes in such a manner that the Company could regain profitability in a near future. The Company plans to reduce the headcount to a level which will, together with other measures, bring profitability in each branch. All these measures are currently being implemented. The company plans to issue future guidance for the year 2008 after the release of financial results for the first quarter of 2008.

The Company has decided to slow down the pace of its expansion, thus, in 2008 between three and six branches will be opened compared to the twenty branches opened last year. This will bring much lower investment requirments compared to 2007. The Company can also draw from credit links with its stock financing partners if needed.

Finally, the implemented dynamic expansion of past years provided AAA AUTO Group with a tool for future profitability growth. The strong expansion in 2007 will be followed by its consolidation in 2008. In this connection, the Company postponed plans for expansion into Russia and other East European countries, including Balkan countries. The Group will concentrate on the maximum utilisation of the potential of its branch network in the five countries of Central Europe.

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To the board of directors and shareholders of AAA Auto Group N.V.

Report on the financial statements

We have audited the accompanying financial statements 2007 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 December 31, 2007, 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 December 31, 2007, 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 December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of AAA Auto Group N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, April 11, 2008

BDO CampsObers Audit & Assurance B.V.
for and behalf of it.

J.A. de Rooij RA

Registered office: Eindhoven
Chamber of Commerce: 17171186
Internet: www.bdo.nl

Our proposals and engagements are exclusively governed by our General Terms & Conditions, which have been filed with the Oost-Brabant Chamber of Commerce.

AAA AUTO GROUP N.V.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007 AND 2006 (EUR ´000)

ASSETS	Notes	31. 12. 2007	31. 12. 2006
Non-current assets			
Goodwill and other intangible assets	12	1,748	1,197
Property, plant and equipment	13	61,547	38,168
Investment property	14	2,930	–
Other financial assets		428	324
Deferred tax assets	18	707	129
Total non-current assets		67,360	39,818
Current assets			
Inventories	15	57,452	38,197
Trade and other receivables	16	22,034	11,812
Current tax asset		1,485	11
Other financial assets		483	5,471
Cash and cash equivalents		5,791	3,136
Non-current assets classified as held for sale	13	369	277
Total current assets		87,614	58,904
TOTAL ASSETS		**154,974**	**98,722**

EQUITY AND LIABILITIES	Notes	31. 12. 2007	31. 12. 2006
Equity			
Issued capital	24	38,185	5,000
Reserves	25	1,941	1,842
Retained earnings		(1,933)	10,704
Equity attributable to equity holders of the parent		**38,193**	**17,546**
Minority interest		–	4
Total equity		38,193	17,550
Non-current liabilities			
Bank and other borrowings	17	40,211	36,047
Deferred tax liabilities	18	662	705
Obligation under finance lease	19	2,675	329
Total non-current liabilities		43,548	37,081
Current liabilities			
Trade and other payables	20	23,361	13,874
Current tax liabilities		305	1,739
Bank overdrafts and borrowings	17	43,356	26,966
Provisions	22	976	561
Obligation under finance lease	19	3,975	220
Other liabilities		1,260	731
Total current liabilities		73, 233	44,091
Total liabilities		**116,781**	**81,172**
TOTAL EQUITY AND LIABILITIES		**154,974**	**98,722**

AAA AUTO GROUP N.V.

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (EUR ´000)

	Notes	2007	2006
Revenue	4	**470,058**	**348,417**
Other income		1,378	914
Gain on acquisition of subsidiaries		–	1,281
Gain on investment property revaluation	14	1,877	–
Work performed by the entity and capitalised	7	9,231	5,987
Cost of goods sold		(389,939)	(284,518)
Advertising expenses		(10,522)	(9,618)
Employee benefit expenses	7	(51,080)	(31,118)
Depreciation and amortisation expense		(3,886)	(2,382)
Other expenses	6	(27,028)	(16,408)
Finance cost	8	(4,711)	(2,854)
Profit/(loss) before tax		**(4,622)**	**9,701**
Income tax expense	9	(161)	(2,633)
Profit/(loss) for the year		**(4,783)**	**7,068**
Attributable to:			
Equity holders of the parent		(4,779)	6,864
Minority interest		(4)	204
Earnings per share			
Basic/Diluted (EUR/share)	10	(0.088)	0.137

AAA AUTO GROUP N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (EUR ´000)

	Share capital	Share premium	Equity reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to holders of the parent	Minority interest	Total equity
Balance at 1. 1. 2006	18	–	46	585	3,721	4,370	1,369	5,739
Foreign currency translation differences recognized directly in equity	–	–	–	1,085	–	1,085	56	1,141
Profit for the year	–	–	–	–	6,864	6,864	204	7,068
Total recognized income and expense	**–**	**–**	**–**	**1,085**	**6,864**	**7,949**	**260**	**8,209**
Issue of new ordinary shares	4,982	–	–	–	–	4,982	–	4,982
Acquisition of subsidiaries from related parties	–	–	402	–	–	402	(1,558)	(1,156)
Sale of subsidiary	–	–	(157)	(119)	119	(157)	(67)	(224)
Balance at 31. 12. 2006	**5,000**	**–**	**291**	**1,551**	**10,704**	**17,546**	**4**	**17,550**
Foreign currency translation differences recognized directly in equity	–	–	–	267	–	267	–	267
Loss for the year	–	–	–	–	(4,779)	(4,779)	(4)	(4,783)
Total recognized income and expense	**–**	**–**	**–**	**267**	**(4,779)**	**(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**	**1,818**	**(1,934)**	**38,193**	**–**	**38,193**

AAA AUTO GROUP N.V.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (EUR ´000)

	31. 12. 2007	31. 12. 2006
Cash flows from operating activities		
Profit/(loss) for the period	(4,783)	7,068
Adjustments for:		
Income tax expense	161	2,632
Depreciation and amortisation expense	3,886	2,382
Provisions	1,432	583
(Gain)/loss on disposal of property, plant and equipment	(276)	494
Interest income	(70)	(151)
Interest expense	4,283	2,631
Foreign exchange (gain)/loss	93	(203)
Negative goodwill	–	(1,296)
Fair value revaluation	(1,877)	–
Decrease/(increase) in inventories	(13,914)	(8,081)
Decrease/(Increase) in receivables and other assets	(9,103)	(5,439)
Increase/(decrease) in payables and other liabilities	9,594	(483)
Interest paid	(2,959)	(1,146)
Interest received	13	46
Income tax paid	(3,736)	(1,455)
Net cash provided by operating activities	**(17,256)**	**(2,418)**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(1,794)	(1,946)
Payments for property, plant and equipment	(27,670)	(15,092)
Proceeds from disposals of property, plant and equipment	2,990	1,636
Net cash used in investing activities	**(26,474)**	**(15,402)**
Cash flows from financing activities		
Proceeds from issue of share capital	33,185	4,982
Proceeds from third party borrowings	34,875	29,386
Repayment of third party borrowings	(19,700)	(16,113)
Payment of finance lease liabilities	(1,652)	(309)
Net cash from financing activities	**46,708**	**17,946**
Net increase (decrease) in cash and cash equivalents	**2,978**	**126**
Cash and cash equivalents at the BOP	**3,136**	**2,968**
Effect of exchange rate changes on the balance of cash held in foreign currencies	(323)	43
Cash and cash equivalents at the EOP	**5,791**	**3,136**

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.à.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 investors.

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.

2. ADOPTION OF NEW AND REVISED STANDARD

In the current period, the Group has adopted IFRS 7 Financial Instruments: Disclosures and the complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007. This standard does not have any impact on the classification and valuation of the Group's financial instruments and any material impact on the Group's financial position and result of its operations. However the adoption of IFRS 7 has resulted in additional disclosure requirement.

The following Interpretations are effective for the current period but are not relevant or do not have material impact on financial positions of the Group:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

Standards and Interpretations in issue but not yet effective

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

- IAS 1 Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). The main change is replacement of the income statement by statement of comprehensive income which will include all non-owner changes in equity, it means profit or loss for that period plus other comprehensive income (including gains and losses recognised such as revaluation surplus, exchange differences on translating foreign operations). An entity may choose to present either one statement of comprehensive income or two separate statements – income statement and separate statement of comprehensive income. The second change is to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. The Group will apply this revised IAS 1 from 1 January 2009, but it will have no impact on the Group's financial position and result of its operations. However, the adoption will result in a different presentation of income and expenses using the statement of comprehensive income.

- IAS 23 Borrowing Costs (amendment) (effective for annual period beginning on or after 1 January 2009). The revision to IAS 23 removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The Group will apply this amendment to IAS 23 from 1 January 2009, but it is not expected to have any material impact on the Group's financial position and result of its operations.
- IFRS 8 Operating segments (effective for annual period beginning on or after 1 January 2009). IFRS 8 requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. Therefore, IFRS 8 requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. The Group will apply IFRS 8 from 1 January 2009, but it is not expected to have any impact on the Group's financial position and result of its operations. However, it will result in different segment disclosures.

Following standards and interpretations are not relevant for the Group or are not expected to have material impact on its operations:
- IAS 27 Consolidated and Separate Financial Statements (amendment) (effective for annual period beginning on or after 1 July 2009).
- IAS 28 Investments in Associates (amendment) (effective for annual period beginning on or after 1 July 2009).
- IAS 31 Interest in Joint Ventures (amendment) (effective for annual period beginning on or after 1 July 2009).
- IFRS 3 Business Combinations (amendment) (effective for annual period beginning on or after 1 July 2009).
- IAS 32 Financial Instruments: Presentation (amendment) (effective for annual period beginning on or after 1 January 2009).
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for annual period beginning on or after 1 March 2007).
- IFRIC 12 Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008).
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual period beginning on or after 1 January 2008).
- IFRS 2 Share-based Payments (amendment) (effective for annual period beginning on or after 1 January 2009).

Standards and Interpretations endorsed or not for use in European Union (EU)

Since the Company entered the Prague (PSE) and Budapest (BSE) stock exchange in 2007, public capital market situated in EU, the Company is obliged to prepare consolidated financial statements in accordance to IFRSs endorsed by European Commission for use in EU. Therefore, disclosures required by IAS 8 are completed by following information related to endorsement process in EU.
At the date of authorization of these consolidated financial statements, the following Standards and Interpretation were endorsed by European Commission for use in EU:
- IFRS 8 Operating Segments (endorsed in November 2007).
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (endorsed in June 2007).

At the date of authorization of these consolidated financial statements, the following Standards and Interpretation were not endorsed by European Commission for use in EU:
- IAS 23 Borrowing Costs (revised).
- IFRS 3 Business Combinations (revised).
- IFRS 2 Share-based Payment (revised).
- IAS 27 Consolidated and Separate Financial Statements (revised).
- IFRIC 12 Service Concession Arrangements.
- IFRIC 13 Customer Loyalty Programmes.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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 this year and to the previous year, 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 2007 is provided in the note 11.

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 than 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. 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 lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 lessor 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 EUR is recognized as expense when the purchase occur. Property, plant and equipment with the cost between 350 and 1,400 EUR 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 has decided to change its policy regarding company cars. In previous years, company cars were taken out – from the stock. Since 2007, one company within the Group leases a new car for six months and subsequently, at the end of lease term, another company within the Group purchases the car for the following sale. Management of the Group has decided to account for these cars as finance lease with the lease term of six months and during this period to present cars as inventory with decreasing carrying amount (using straight-line method). At the end of the lease term, the use of 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.

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.

The Group has changed its policy regarding depreciation of buildings from beginning of 2007. No residual value is used for calculation of depreciation. The impact on the financial statement is immaterial.

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.

4. REVENUE

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

(EUR ´000)	2007	2006 reclassified	2006
Revenue from the sale of goods			
Used and new cars	422,720	313,297	313,297
Spare parts and accessories	1,020	507	507
Total	423,740	313,804	313,804
Revenue from the rendering of services			
Commissions (related to leases, car insurance)	41,334	29,914	28,355
Services (such as car repairs, maintenance)	4,984	4,699	6,258
Total	46,318	34,613	34,613
Total	**470,058**	**348,417**	**348,417**

In 2006, amount of EUR 1,559 thousand was included as a part of revenue from the rendering of services. However, the substance of related transaction – sale of insurance – is to provide services of third parties and not to provide services of the Group. Therefore, the relevant results are presented as commission for 2007 and the balance for 2006 was reclassified.

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 new car sales business that the Group is also engaged in is immaterial in both revenues and profits and services provided by the Group are linked together with the sale of the cars. 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 – sale of cars – is provided through four principal geographical areas – the Czech Republic, Slovakia, Hungary and the rest of Europe (including Poland and Romania). Romania and Poland do not constitute a separate reportable segment as their financial results, sales and total assets are not material in comparison to the geographical segments identified.

Hungary started its business activity in the last quarter of 2006. Because of immateriality it hasn't constituted a separate reportable segment that time. The growth in 2007 means for the Group the need of disclosure Hungary's activities as a separate segment. This change in presentation has laid to the change of information from 2006 where Hungary was part of rest of Europe.

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 2007 and 2006 is as follows:

(EUR ´000) 2007	Czech Republic	Slovakia	Hungary	Rest of Europe [1]	Elimination	Consolidated
Revenue						
External sales	263,277	105,589	53,855	47,337		
Inter-segment sales	20,505	126	167	317	(21,115)	
Total Revenue	**283,782**	**105,715**	**54,022**	**47,654**	**(21,115)**	**470,058**
Result						
Segment result	5,427	2,114	(3,440)	(4,317)	305	89
Unallocated expenses						4,711
Profit before tax						(4,622)
Income tax expense						161
Profit for the year						(4,783)

[1] Including Poland and Romania.

(EUR ´000) Other information	Czech Republic	Slovakia	Hungary	Rest of Europe [1]	Unallocated	Eliminations	Group
Segment assets	86,446	28,270	27,256	18,713	76,190	(81,901)	154,974
Segment liabilities	18,170	9,613	11,004	5,028	154,575	(81,609)	116,781
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			

[1] Including Poland and Romania.

(EUR ´000) 2006	Czech Republic	Slovakia	Hungary	Rest of Europe [1]	Elimination	Consolidated
Revenue						
External sales	241,554	71,535	9,369	25,959		
Inter-segment sales	23,240	228	16	0	(23,484)	
Total Revenue	**264,794**	**71,763**	**9,385**	**25,959**	**(23,484)**	**348,417**
Result						
Segment result	8,175	4,617	(449)	309	(98)	12,554
Unallocated expenses						2,854
Profit before tax						9,701
Income tax expense						2,633
Profit for the year						7,068

[1] Including Poland and Romania.

(EUR ´000) Other information	Czech Republic	Slovakia	Hungary	Rest of Europe [1]	Unallocated	Eliminations	Group
Segment assets	59,230	20,030	9,690	12,113	39,761	(42,102)	98,722
Segment liabilities	13,528	4,392	3,198	2,983	98,799	(41,728)	81,172
Capital expenditure	5,645	5,350	3,663	631			
Depreciation	1,974	262	26	135			
Non-cash expenses other than depreciation	3,105	640	0	1,385			

[1] Including Poland and Romania.

6. OTHER EXPENSES

(EUR ´000)	2007	2006 reclassified	2006
Material used	3,119	1,652	2,884
Fuel	2,130	1,232	–
Energy	1,042	763	763
Repairs and maintenance	528	149	149
Travel expenses (incl. air tickets, accommodation)	2,243	911	911
Rent	3,319	2,976	2,976
Communication expenses	2,485	1,655	1,655
Transport services	1,921	1,152	1,152
Consulting services (incl. tax, legal, audit and accounting)	1,441	1,049	1,049
Security	450	239	–
Taxes and fees	1,042	542	542
Insurance	942	454	454
Shortages and losses	418	25	–
Loss/(gain) on disposal of property, plant and equipment	(276)	565	565
Write down of inventories to net realizable value, allowance for receivables	1,341	652	652
Other expenses	4,883	2,392	2,656
Total other expenses	**27,028**	**16,408**	**16,408**

In order to eliminate high value in line "other expenses" and to provide better view about the Group's expenses, new type of expenses were added to the table (fuel, security, shortages and losses (the result of stocktaking). The previous year has been reclassified to have comparable numbers.

In 2007, the line "Other expenses" includes balance of EUR 868,000 incurred in relation to a promotional campaign that was conducted in Slovakia during last quarter of 2007. The Group paid a mandatory insurance on behalf of its customers with an aim to get new customers and increase the sales of cars.

7. EMPLOYEE BENEFITS EXPENSE

The Group's employee benefits expense includes only of short-term employee benefits as follows:

(EUR ´000)	2007	2006
Wages and salaries	37,945	22,895
Social security costs	12,596	7,686
Non-monetary benefits	539	537
Total short-term employee benefits expense	51,080	31,118
Less: employee benefits expense capitalized	(9,231)	(5,985)
Total	**41,849**	**25,133**

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 (in 2007: EUR 9,231 thousand, in 2006: EUR 5,985 thousand; presented in the line "Work performed by the Group and capitalised" in the income statement).

The Group has recognised EUR 7,247 thousand (EUR 4,433 thousand in 2006) in respect of pension contributions which is included in line Social security costs.

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 2007, the key management personnel included 20 persons (at the end of 2006: 19).

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

(EUR ´000)	2007	2006
Wages and salaries	1,103	1,023
Social security costs	332	358
Other remuneration	90	103
Total	**1,525**	**1,484**

8. FINANCE COSTS

(EUR ´000)	2007	2006
Interest on bank overdrafts and loans	4,068	2,608
Interest on obligations under finance leases	215	23
Total interest expenses	**4,283**	**2,631**
Interest revenues (as negative)	(70)	(151)
Net foreign exchange (gains)/losses	93	(202)
Other finance costs (like bank fees)	405	576
Total financial costs	**4,711**	**2,854**

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

9. INCOME TAX EXPENSE (BENEFIT)

(EUR ´000)	2007	2006
Income Tax		
Current tax expense	918	2,419
Deferred tax expense	(757)	214
Total tax expense	**161**	**2,633**

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 and following years.

In 2007 the tax expenses consisted mostly of Groups entities situated in the Czech Republic and Slovakia.

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

(EUR ´000)	2007	2006
Profit/(loss) before tax	(4,622)	9,701
Tax at the domestic rates applicable to profits in the country concerned	(542)	2,325
Tax effect of non-taxable income and expenses that are not deductible for tax purposes	239	(128)
Effect of unused tax losses for which not deferred tax asset was recognized	1,034	228
Effect of items taxed at different tax rate *)	18	0
Effect of changes in unrecognized temporary differences	(469)	208
Effect on deferred tax balances due to the change in income tax rate	(119)	0
Total income tax expense recognized in profit or loss	161	2,633
Average effective rate	–	27%

*) Additional solidarity tax in Hungary.

Expected income tax expense is calculated for each individual subsidiary accordingly to their national jurisdiction. Average expected tax rate of 11.7% (542/4622) is influenced by the mix of profit and loss making business in comparison with 23.9% in 2006, where most of the subsidiaries were in profit (Hungary and Poland started its business at the end of the year 2006). Because of loss in 2007 no average effective rate is calculated. More information regarding deferred tax is in the note 18.

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:

(EUR)	2007	2006
Profit for the year attributable to equity holders of the parent (equals earnings used in the calculation of total basic earnings per share)	(4,778,921)	6,863,711
Weighted average number of ordinary shares	54,439,469	50,000,000
Basic/Diluted earnings per share (EUR/share)	**(0.088)**	**0.137**

At the end of September 2007 the Company has issued 17,757,875 new shares through the initial public offering.

The Company has not issued any instruments that could potentially dilute basic earnings per share. Therefore, the ratio of diluted earnings per share is not calculated separately and it equals to the ratio of basic earnings per share.

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 2007 are as follows:

Company	Country of registration and incorporation	Principal activity	Proportion of ownership interest (%)
AAA AUTO a.s.	Czech Republic	used car sales	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
WOTEG GWG-Group a.s.	Czech Republic	real estate owner	100.0
ASKO, spol s.r.o.	Czech Republic	non-active	95.0
AUTO DISKONT s.r.o.	Czech Republic	used car sales	100.0
MEDIA ACTION s.r.o.	Czech Republic	advertising and PR	100.0
GENERAL AUTOMOBIL a.s.	Czech Republic	new car sales	100.0
GENERAL AUTOMOBIL CZECH s.r.o. (previous General Automobil Zlín, s.r.o.)	Czech Republic	new car sales	100.0
KAPITÁL AUTOMOTIVE A.S. a.s.	Czech Republic	financing company	100.0
HK PARTNER s.r.o.	Czech Republic	new car sales	100.0
HK PARTNER KLADNO s.r.o.	Czech Republic	new car sales	100.0
GENERAL AUTOMOBIL Kft. (previous European Auto Sales Kft.)	Hungary	non-active	100.0
AAA AUTO Kft.	Hungary	holding company	100.0
AUTOCENTRUM AAA AUTO Kft.	Hungary	used car sales	100.0
F-23 REALTY Kft.	Hungary	real estate owner	100.0
F-22 INVEST Kft	Hungary	real estate owner	100.0
KISHATAR Kft	Hungary	real estate owner	100.0
AUTOCENTRUM AAA AUTO a.s.	Slovakia	used car sales	100.0
AUTO DISKONT s.r.o.	Slovakia	non-active	100.0
AAA AUTO S.A.	Romania	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 Sp.z.o.o	Poland	holding company	100.0
GENERAL AUTOMOBIL Sp.z.o.o. (previous European Auto Sales 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. (previous ASC Warszawa Sp.z.o.o.)	Poland	used cars sales	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 Autobazar Vyhodny s.r.o. for the first four months of 2007. The subsidiary was disposed in April 2007. The subsidiary was disposed in April 2007 for EUR 533 (with cash and cash equivalents at the date of disposal of EUR 290 and other assets and liabilities in immaterial amounts of EUR 14 thousand netto).

In comparison with 2006 the following subsidiaries were purchased or established:

- HK Partner s.r.o. (purchased, treated as business combination),
- HK Partner Kladno s.r.o. (purchased, treated as business combination),
- F-22 Invest Kft. (purchased, treated as purchase of property, plant and equipment),
- Kishatar Kft. (purchased, treated as purchase of property, plant and equipment),
- AAA Auto LLC. (UA) (established),
- AAA Auto LLC (RU) (established).

12. GOODWILL AND OTHER INTANGIBLE ASSETS

(EUR ´000)	31. 12. 2007	31. 12. 2006
Goodwill	556	328
Other intangible assets	2,034	1,235
Accumulated amortization	(842)	(366)
Total	**1,748**	**1,197**

Goodwill

Cost	(EUR ´000)
At 1 January 2006	**311**
Exchange differences	17
At 31 December 2006	**328**
Acquisition of HK Partner Group	211
Exchange differences	17
At 31 December 2007	**556**

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. More information about this business combination is included in note 26.

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.

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.

During the year, goodwill allocated for branch in Zlín was reviewed for impairment in accordance with IAS 36. For the purposes of the impairment review goodwill has been valued on the basis of discounted future cash flows arising in the relevant cash-generating unit. The Group prepares cash flow forecasts for the next five years with estimation of 10% growth. The Group performed an impairment test using discount rates up to 20% in arriving at the value in use for the respective cash-generating unit. The impairment test showed that the value in use is higher than accounting value of the net assets (using a discount rate up to 20%) and therefore no impairment loss was recognized. The calculation of value in use is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. The management considers the assumptions to be reasonable based on historic performance of the relevant cash generating unit and are realistic in light of economic and industry forecasts.

No impairment test for goodwill recognized from business combination of HK Kladno Group was performed. The reasons are that this business combination happened shortly before the year end and that the Group is in the process of negotiation the purchase price which may result in change of already recognized goodwill (see note 26).

Other intangible assets

(EUR ´000) COST	Software	Trade marks	Intangible assets in the course of acquisition	Total
Balance at 1 January 2006	**272**	**86**	**94**	**452**
Additions	687	1	76	764
Acquisition through business combination	12	1	1	14
Disposals	(41)	(1)	–	(42)
Net foreign currency exchange differences	35	5	7	47
Balance at 1 January 2007	**965**	**92**	**178**	**1,235**
Additions	803	0	(66)	737
Acquisitions through business combination	4	0	0	4
Disposals	(9)	0	–	(9)
Net foreign currency exchange differences	61	3	3	67
Balance at 31 December 2007	**1,824**	**95**	**115**	**2,034**
ACCUMULATED AMORTISATION				
Balance at 1 January 2006	**(118)**			**(118)**
Amortisation expense	(291)	(1)		(292)
Eliminated on disposals	58			58
Net foreign currency exchange differences	(14)			(14)
Balance at 1 January 2007	**(365)**	**(1)**		**(366)**
Amortisation expense	(449)	(1)		(450)
Eliminated on disposals	3			3
Net foreign currency exchange differences	(29)			(29)
Balance at 31 December 2007	**(840)**	**(2)**		**(842)**
Carrying amount				
As at 31 December 2006	600	91	178	869
As at 31 December 2007	984	93	115	1,192

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 2007 and 2006 any research and development expenses.

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

In 2007 and 2006 no intangible assets were pledged as security over payables to financial institutions.

At 31 December 2007, the group had not entered into any contractual commitments for the acquisition of intangible assets.

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.

13. PROPERTY, PLANT AND EQUIPMENT (PPE)

(EUR ´000) COST	Buildings and land	Company cars	Fixtures and equipment	PPE in the course of construction	Total
Balance at 1 January 2006	**16,624**	**4,744**	**3,980**	**815**	**26,163**
Additions	9,440	3,407	1,581	(225)	14,203
Acquisitions through business combination	3,191	71	152	174	3,588
Disposals	(448)	(2,311)	(501)	–	(3,260)
Reclassified as held for sale	–	(334)	–	–	(334)
Net foreign currency exchange differences	1,800	319	288	55	2,462
Balance at 1 January 2007	**30,607**	**5,896**	**5,500**	**819**	**42,822**
Additions	16,364	4,260	2,573	2,698	25,896
Acquisitions through business combination	2,796	580	34	26	3,436
Disposals	(62)	(3,398)	(183)	–	(3,643)
Reclassified as held for sale	–	(480)	–	–	(480)
Reclassified as investment property	(955)	–	–	–	(955)
Net foreign currency exchange differences	1,090	215	293	81	1,679
Balance at 31 December 2007	**49,840**	**7,073**	**8,217**	**3,624**	**68,754**
ACCUMULATED DEPRECIATION					
Balance at 1 January 2006	**(636)**	**(922)**	**(1,872)**	**–**	**(3,430)**
Depreciation expense	(363)	(745)	(1,001)	–	(2,109)
Eliminated on disposals	19	624	359	–	1,002
Eliminated on reclassification as held for sale	–	101	–	–	101
Net foreign currency exchange differences	(35)	(60)	(123)	–	(218)
Balance at 1 January 2007	**(1,015**	**(1,002)**	**(2,637)**	**–**	**(4,654)**
Depreciation expense	(773)	(721)	(1,798)	–	(3,292)
Eliminated on disposals	20	715	61	–	796
Eliminated on reclassification as held for sale	–	131	–	–	131
Net foreign currency exchange differences	(41)	(30)	(117)	–	(188)
Balance at 31 December 2007	**(1,809)**	**(907)**	**(4,491)**	**–**	**(7,207)**
Carrying amount					
As at 31 December 2006	29,592	4,894	2,863	819	38,168
As at 31 December 2007	48,031	6,166	3,726	3,624	61,547

The balance of assets held for sale represents company cars excluded from the use for business purposes. From this moment those cars are not depreciated and are offered for sale for customers. As those assets are measured at the lower of cost and fair value less costs to sell, the company recognized loss of EUR 18 thousand in 2007 (2006: EUR 12 thousand).

Additions recognized in 2007 relate to a continued expansion of the Group's business activities, mainly in Hungary and Poland. New branches were established in the Czech Republic and Slovakia as well.

In case of Hungary, in 2007 companies F-22 Realty Kft. and KISHATAR Kft were purchased and included into the Group. Those companies are only properties owners and aren't doing any business; therefore the acquisitions were treated as a purchase of property, plant and equipment and not as a business combination under IFRS3. In connection with another purchases by Autocentrum AAA Auto Kft., the buildings and lands increased by EUR 9,722 thousand in Hungary.

In Poland the Group acquired new lands and buildings in Lodz and Dabrowa in total of EUR 3,287 thousand. Both those properties were purchased on finance lease.

In 2007, acquisition through business combination consists of purchase of HK Partner s.r.o. and HK Partner Kladno s.r.o. New branches in Kladno and Praha-Řepy were established.

The carrying amount of the Group's PPE includes an amount of EUR 4,634 thousand (2006: EUR 636 thousand.) in respect of assets held under finance leases. Land and buildings represent EUR 3,287 thousand, the remaining part represent cars (in 2006 only cars were bought on finance lease).

The Group reclassified the land held by a subsidiary Woteg GWG Group a.s. as investment property. The reason is that the Group didn't know exactly whether the land will be held for own purposes or will be sold. The property value increased quite rapidly in this area and the Group may receive better evaluation by selling this land than by using it.

The Group has pledged land and buildings having a carrying amount of approximately EUR 26 million (2006: EUR 13 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets

The Group has to pay EUR 1,150 thousand (EUR 2,632 thousand in 2006) in respect of purchase of property, plant and equipment.

14. INVESTMENT PROPERTY

At fair value (EUR ´000)	2007	2006
Balance at the beginning of the year	–	–
Transfer from property, plant and equipment	933	–
Net gain from fair value adjustments	1,877	–
Net foreign currency exchange differences	120	–
Balance at the end of the year	**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. The reason was information about new investors coming to this area and therefore anticipation of increasing of value of properties. From this point of view, the Group does not currently know whether the land will be used for the Group's business or will be sold to third party.

The fair values of the Group's investment property at the date of reclassification and 31 December 2007 have been arrived at on the basis of a valuation carried out by an independent valuer. The values have been derived from market value using price maps or comparable offers on the market.

15. INVENTORIES

(EUR ´000)	31. 12. 2007	31. 12. 2006
Raw materials (spare parts and consumables)	1,545	1,050
Merchandise (cars and accessories)	53,873	36,749
Advance payments for inventories	2,034	398
Total	**57,452**	**38,197**

At 31 December 2007, the Group had 9,049 cars on stock in comparison with 6,368 cars at 31 December 2006. Furthermore, next 369 cars in value of EUR 3,584 thousand (already included in EUR 53,874 thousand) were bought on finance lease, are currently used as company cars and will be sold within next 6 months.

The cost of inventories recognised as an expense includes EUR 1,290 thousand (2006: EUR 668 thousand) in respect of write-downs of inventory to net realisable value. No reversals of write-downs recorded in previous periods were done.

Inventories of EUR 25,313 thousand (2006: EUR 17,429 thousand) are pledged as security for bank and other corporate borrowings that the Group uses for financing of stock.

All inventories are carried at fair value less costs to sell.

16. TRADE AND OTHER RECEIVABLES

(EUR ´000)	31. 12. 2007	31. 12. 2006
Trade receivables	12,217	7,000
Allowances for doubtful debts	(864)	(229)
Trade receivables, net	11,353	6,771
Prepayments	2,767	2,227
Other receivables (tax, employees and accruals)	7,914	2,814
Total	**22,034**	**11,812**

Increase in trade receivables is mainly due business growth in Poland and Hungary that started at the end of 2006.

Increase in other receivables consist of increase of VAT (by EUR 755 thousand), accrued income (by EUR 2,827 thousand), employees (by EUR 407 thousand) and other receivables (by EUR 1,188 thousand) which represents assignments of receivables against Central Investments into Automotive Industries S.à.r.l. that was previously recognised within other financial assets.

The average credit period on sales of goods is 30 days and no interest is charged on these trade receivables. The Group has provided fully allowance 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.

17. BANK AND OTHER BORROWINGS

(EUR ´000)	2007	2006
Bank overdraft	24,783	14,484
Bank and corporate loans	42,058	37,561
Stock financing	16,726	10,968
Total	**83,567**	**63,013**
The borrowings are repayable as follows:		
– On demand or within one year	43,356	26,966
– In the second to fifth years inclusive	35,795	33,867
– After five years	4,416	2,180
Less: Amount due for settlement within 12 months (current liabilities)	43,356	26,966
Amount due for settlement after 12 months (non-current liabilities)	40,210	36,047

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

	2007		2006	
	currency amount	(EUR ´000)	currency amount	(EUR ´000)
CZK	1,035,925	38,916	746,987	27,138
SKK	303,725	9,039	281,897	8,188
EUR	27,856	27,856	19,601	19,601
RON	2,047	570	5,073	1,512
HUF	1,276,988	5,048	988,548	3,934
PLN	7,659	2,138	10,100	2,640
Total		**83,567**		**63,013**

Weighted average interest rates	2007	2006
Bank overdrafts	4.82%	4.16%
Bank and other loans	5.82%	4.93%
Stock financing	4.91%	4.67%
Total weighted average interest rate	**5.34%**	**4.71%**

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 19,119 thousand (2006: EUR 14,485 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.à.r.l. totalling at EUR 15,9 million (2006: EUR19,6 million). The loan is not secured and carries an average interest rate 6.17% (5% in 2006). The nominal interest rates are 3M Pribor + 2.5% (for the Czech crown), 3M Bribor + 2.0% (for the Slovak Crown) and 3M Euribor + 2.25% (for loans denominated in Euro). For details regarding those loans refer to the note 8 in the stand alone financial statement.

(ii) A revolving loan from GE Money bank of EUR 4,696 thousand (2006: EUR 3,996 thousand) secured by stock and company cars of the Group. The bank loan carries a floating interest rate at 1M PRIBOR + 2.25% (2006: 1M PRIBOR + 2.25%) per annum. The average rate for 2007 is 5,45% (4,30% in 2006).

(iii) An investment loan from VUB a.s. of EUR 3,054 thousand (2006: EUR 4,381 thousand) that was used to construct the site in Bratislava and Žilina, Slovakia. The bank loan carries a floating interest rate at 1M BRIBOR + 1.15% (2006: 3M BRIBOR + 1.15%) per annum. The average rate for 2007 is 5,46% (5,84% in 2006).

(iv) An investment loan from CIB Bank Ltd. of EUR 10,193 thousand (2006: EUR 2,422 thousand) which consists of four separate loans and that were used to buy new companies and properties in Hungary. The companies F-23, F-22 and Kishatar were classified as purchase of properties as those companies are only real estates owners. This bank loan carries a floating interest rate at 3M EURIBOR + 1.2%. The average rate for 2007 is 5,73% (4,86% in 2006).

At 31 December 2007, the Group had available EUR 10,250 thousand (2006: EUR 4,958 thousand) of non drawn committed borrowing facilities in respect of which all conditions precedent had been met. In comparison with 2006 the balance increased as a result of funds received from IPO, which were used for repayments of many loans.

The conditions for fulfillment of financial covenants included in some loan contracts have changed and worsen by the end of 2007 year due to the worse business and economic performance of the Group. The covenants are reviewed by the banks on regular monthly basis. There isn't any single side action from any banks leading to any short term solution or pay offs with regards to the results. The Company has no loan which is overdue.

18. DEFERRED TAX

(EUR ´000)	31. 12. 2007	31. 12. 2006
Deferred tax liabilities	662	705
Deferred tax assets	707	129

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

(EUR ´000)	2007		2006	
	Asset	Liability	Asset	Liability
Accelerated tax depreciation	1	797	54	697
Allowances for doubtful debts	116	–	161	–
Write-down and cost of inventories	18	57	19	156
Payables	17	3	16	3
Unused tax losses carried forward	750	–	30	–
Total gross deferred taxes	902	857	280	856
Set off [1)]	(195)	(195)	(151)	(151)
Total net deferred taxes	**707**	**662**	**129**	**705**

[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

(EUR ´000)	31. 12. 2007	31. 12. 2006
Unused tax losses for which no deferred tax asset is recognised	8, 509	3,655

At 31 December 2007, the Group has unused tax losses of EUR 13,172 thousand (2006: EUR 3,844 thousand) available for offset against future profits. A deferred tax asset has been recognized in respect of EUR 4,663 thousand (2006: EUR 189 thousand) of such losses. No deferred tax asset has been recognized in respect of the remaining EUR 8,509 thousand (2006: EUR 3,655 thousand) due to the unpredictability of future taxable profits. The losses may be carried forward generally over five years.

In 2007 and 2006, no benefits arising from previously unrecognised tax losses and other temporary differences which were considered for deferred tax calculation in previous periods.

In 2006, the Group recognized deferred tax asset in case of Romania in amount of EUR 35 thousand. Because of additional losses in Romania in 2007 and unpredictable future taxable profits, management of the Company decided not to recognize deferred tax asset and the previously recognized deferred tax asset was reversed.

More information about tax calculation is in the note 9.

19. OBLIGATIONS UNDER FINANCE LEASES

(EUR '000)	Minimum lease payments		Present value of minimum lease payments	
	31. 12. 2007	31. 12. 2006	31. 12. 2007	31. 12. 2006
Not later than 1 year	4,162	235	3,975	220
Later than 1 year and not later than 5 years	3,453	354	2,675	329
	7,615	589	6,650	549
Less future finance charges	(965)	(40)		
Present value of minimum lease payments	6,650	549	6,650	549

In 2007 the Group entered into following lease contracts:

- in Poland the Group bought lands and buildings on finance lease. The lease term is 10 years and interest rate is floating (3M WIBOR + 1.75%). The present value of minimum lease payments is EUR 2,146 thousand;
- in the Czech Republic the Group bought 395 company cars on finance lease. The lease term is six months and interest rate is fixed on the contract date. The Group has changed its policy regarding company cars; it means new cars are bought, used by employees for six months and after that offer for customers. The present value of minimum payments is EUR 4,068 thousand.

Lease obligations are denominated in Czech, Slovak and Polish currency.

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

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

20. TRADE AND OTHER PAYABLES

(EUR ´000)	31. 12. 2007	31. 12. 2006
Trade payables	13,807	8,075
Accrued employee compensation	2,578	1,805
Tax payables and social security	3,256	2,411
Accrued expenses	1,520	894
Other payables	2,200	689
Total	**23,361**	**13,874**

The increase in trade payables is mainly due to the business growth in Poland and Hungary.

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.

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 Company doesn't apply hedging as defined by IAS 39.

Categories of financial instruments

(EUR ´000)	31. 12. 2007	31. 12. 2006
Financial assets:		
Loans and receivables	22,891	17,553
Cash and cash equivalents	5,791	3,136
Available for sale financial assets	55	53
Financial liabilities:		
Amortised costs	114,837	78,166

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 product like leasing or loan 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 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	1,051	12,117

Balance as at 31 December 2006 (EUR ´000)			Days past due			
	Not yet due	< 30 days	31–90 days	91–180 days	> 180 days	Total
Trade receivables	2,925	3,062	296	124	593	7,000

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

Impaired trade receivables (EUR ´000)	31. 12. 2007	31. 12. 2006
Gross balance	1,051	593
Individual valuation allowance	(864)	(229)
Net balance	**187**	**364**

The Group created EUR 635 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, consider the management of the Group without credit risk.

Cash and cash equivalent consist only from cash on hand without any short-term investments.

Available for sale financial assets represent the ownership of 15% of the shares in the company Global Assistance a.s., a company operating in the road assistance business. The carrying amount of the investment stands at EUR 50 thousand. The shares of this company are not publicly traded and therefore it is not possible to provide a reliable estimate of its fair value. This equity share is included in "Other financial assets" line within non-current assets.

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 Industries 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

Balance as at 31 December 2007 (EUR ´000)			Days past due		
	Less than 30 days	31–90 days	91–180 days	> 180 days	Total
Cash	5,791				5,791
Trade receivables	10,190	764	212	1,051	12,217
Other receivables	10,680				10,680
Trade payables	9,291	3,048	397	1,072	13,808
Other payables	**9,553**				**9,553**

Balance as at 31 December 2006 (EUR ´000)			Days past due		
	Less than 30 days	31–90 days	91–180 days	> 180 days	Total
Cash	3,136				3,136
Trade receivables	5,987	296	124	593	7,000
Other receivables	5,041				5,041
Trade payables	5,276	1,741	566	492	8,075
Other payables	5,799				5,799

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%.

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

2006 (EUR ´000)	Interest rate increased by 10%	Interest rate decreased by 10%
Profit and Loss		
Bank and other borrowings	(157)	157

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 2007 would decrease/increase by EUR 394 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. As a result of the Group having significant operations in Czech Republic, Slovakia and Hungary, as well in Poland and Romania, its results can be affected significantly by movements in the local exchange rate vs. EUR.

Besides this, results of the Group may be affected by movements in the exchange rate between all local currencies, like CZK, SKK, HUF, PLN and RON, but mainly by CZK vs. other currencies as the headquarter is situated in Czech Republic and a lot of intercompany transactions are in the CZK currencies.

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.

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)

2006 (EUR ´000)

Appreciation by 5% of:	CZK	SKK	HUF	PLN	RON
Profit and Loss	319	171	108	(53)	140
Equity	777	297	153	55	170

Depreciation by 5% of:	CZK	SKK	HUF	PLN	RON
Profit and Loss	(289)	(155)	(97)	48	(126)
Equity	(704)	(268)	(139)	(49)	(155)

The Group's sensitivity analysis to foreign currency has increased during the current period mainly due to new loan received in Hungary in currency EUR and due to loans provided by the Company to its subsidiaries in local currencies.

The Group is also sensitive to the changes of CZK currency, mainly against HUF, SKK and PLN. In case the CZK will appreciation by 5% against HUF, the Group will increase the profit by EUR 189 thousand (EUR 134 thousand in 2006) and vice versa. In case of appreciation against SKK, the profit would be higher by EUR 139 thousand (EUR 133 thousand in 2006) and PLN, the profit would be higher by EUR 101 thousand (EUR 72 thousand in 2006) and vice versa.

It is important to mentioned, 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. However, to provide a partial hedge, net investment hedges are entered into to match, as far as possible, the currency of borrowings with the currency profile of the operating results and net assets.

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 (EUR ´000)	31. 12. 2007	31. 12. 2006
Debt	90,217	63,562
Less cash and cash equivalents	(5,791)	(3,136)
Net debt	84,426	60,426
Equity	39,193	17,546
Gearing ratio	**215%**	**344%**

The decrease in the gearing ratio during 2007 resulted primary from the issue of new shares through initial public offering.

22. PROVISIONS

(EUR '000)	31. 12. 2007	31. 12. 2006
Employee benefits	816	500
Law suits	160	61
Total	**976**	**561**

Movements in each class of provision during 2007 and 2006 were as follows:

(EUR ´000)	Employee benefits	Law suits	Total
Balance at 1. 1. 2006	**428**	**2**	**430**
Amounts used	(428)		(428)
Additional provisions recognized	500	59	560
Balance at 31. 12. 2006	**500**	**61**	**562**
Amounts used	(500)	(61)	(562)
Additional provisions recognized	816	160	976
Balance at 31. 12. 2007	**816**	**160**	**976**

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 49 thousand where there is a probability of losing the case and reliable estimate can be made. The Group except the possible cash outflow within the first six months of 2008.

Additionally, the Group is sued by a leasing company for late payments and required a missing interest in amount of EUR 111 thousand. To eliminate the possible loss in the future, the Group has created a provision in full amount for this law suit.

23. OPERATING LEASE ARRANGEMENTS

The Group leases under operating mainly lands, offices, parking places, show-rooms, billboards and flats. The operating lease expense represented only by minimum lease payments amounted to EUR 3,319 thousand (2006: EUR 2,976 thousand).

The Group has an option to purchase a built up land in Most, Czech Republic after the expiry of the lease in 2012.

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

24. ISSUED CAPITAL AND DIVIDENDS

Issued capital (EUR ´000)	Share capital	Share premium	Issued capital	Number of shares
Balance at 1. 1. 2006	**18**	**–**	**18**	**N/A**
Issue of new ordinary shares	4,982	–	4,982	50,000,000
Balance at 31. 12. 2006	**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**

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 2006 when 50 million shares were issued. Therefore the information about number of shares as of 1. 1. 2006 is not applicable.

The increase of capital of EUR 4,982 thousands from EUR 18 thousand to EUR 5 million in 2006 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 other investors.

Dividends
On the 28th of June, 2007 General Meeting of AAA AUTO a.s. and AUTOCENTRUM AAA AUTO a.s. decided about payment of dividend to the Company in the amount of CZK 157.8 million (EUR 5,5 million) from AAA AUTO a.s. and SKK 80.0 million (EUR 2.4 million) from AUTOCENTRUM AAA AUTO a.s. Subsequently General Meeting of the Company decided about payment of dividend to Automotive Industries S.à.r.l. in the amount of EUR 7.9 million.

Dividend per share	EUR
Total dividend declared	7,859,370
Number of shares	50,000,000
Dividend per share	**0.157**

The payment of dividends was set off following way:
On the 30th of June, an agreement was concluded between AAA AUTO a.s. and Automotive Industries S.à.r.l. in which the two following receivables were assigned by AAA Auto a.s. to Automotive Industries S.à.r.l.:
(i) receivable of AAA AUTO a.s. to the related company CENTRAL INVESTMENTS s.r.o. for an amount of CZK 113.0 million;
(ii) receivable of AAA AUTO a.s. to the related company CAPITAL INVESTMENTS s.r.o. for an amount of CZK 12.6 million.

On the 30th of June, 2007 an agreement was concluded between the Company, AAA AUTO a.s. and Automotive Industries S.à.r.l. regarding the settlement for a total amount of 125.6 million (EUR 4,4 million) of:
- the assignment of receivable of AAA AUTO a.s. to Automotive Industries S.à.r.l.;
- the liability from payment of dividend from AAA AUTO a.s. to the Company;
- the liability from payment of dividend from the Company to Automotive Industries S.à.r.l.

On the 30th of June, 2007 it was agreed between the Company and Automotive Industries S.à.r.l. that the amount of dividend payment from AUTOCENTRUM AAA AUTO a.s. in the amount of EUR 2.4 million shall be converted into a shareholders loan.

The remaining part of dividend payment in the amount of EUR 1,1 million remains as the Company liability against Automotive Industries S.à.r.l.

25. RESERVES

Equity reserve (EUR ´000)	2007	2006
Balance at beginning of year	**291**	**46**
Acquisition of:	–	–
General Automobil Group	–	115
KAPITÁL AUTOMOTIVE a.s. Group	–	287
Sale of	–	–
Global Direct s.r.o.	–	(157)
Autobazar Vyhodny s.r.o.	(167)	
Balance at end of year	**124**	**291**

The equity reserve arises on business combination involving entities under common control. These business combinations are not within the scope of IFRS 3. Therefore, the Group (as the acquirer) does not recognise the acquiree's identifiable net assets at fair value, but in carrying amount. If the acquisition cost is not equal the acquirer's interest in the carrying amount of net assets purchased, the resulting difference (gain or loss) is recognized directly in equity within the equity reserve. No goodwill is recognized in the Group's consolidated balance sheet. The Group's consolidated income statement is also not affected by the accounting for these business combinations at the date of acquisition.

Foreign currency translation reserve (EUR ´000)	2007	2006
Balance at beginning of year	1,551	585
Translation of foreign operations	267	1,085
Gain recycled on disposal of foreign subsidiary	–	(119)
Balance at end of year	**1,818**	**1,551**

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.

26. BUSINESS COMBINATIONS

	Acquisition date	Voting equity instruments acquired	Cash paid on acquisition net of cash acquired
HK PARTNER Group [1)]	9 October 2007	100%	EUR 1,793,342

[1)] HK PARTNER Group consists of HK PARTNER s.r.o. and its subsidiary HK PARTNER KLADNO s.r.o.

HK PARTNER Group

HK Partner Group is a new car dealer for Opel, Skoda and Chevrolet.

The main reason of this acquisition was to acquire valuable property on which the Group has started to sale used cars under the AAA name. Nevertheless, the sale of new cars is continuing under the name of HK Partner.

Cost of acquisition

The cost of acquisition in amount of EUR 1,806,804 was paid in cash (including EUR 3,703 for legal services associated with the purchase). Because of new fact arising after the purchase (lost Hyundai license, doubtful receivables), the management of the Group is discussing a possible discount from the price with the previous owner accordingly to the purchase agreement. No adjustment was recognised in this closing as it cannot be measured reliably.

Detail of fair value, net cash outflow and goodwill arising on acquisition

(EUR ´000)	Book value	Fair value adjustments	Fair value
Property, plant and equipment	2,294	1,183	3,477
Intangible assets	4	–	4
Receivables and other current assets	2,731	(345)	2,386
Cash and cash equivalents	13	–	13
Loans and obligations under finance leases	(1,674)	38	(1,636)
Other creditors	(2,533)	–	(2,533)
Deferred tax liabilities	(8)	(107)	(115)
Net assets acquired	827	769	1,596
Goodwill on acquisition			211
Total consideration already satisfied in cash			1,807
Net cash outflow arising on acquisition			**1,794**

Fair values of individual assets and liabilities were set out by independent appraiser.

The goodwill arising on this acquisition is a result of expected future synergies and revenue growth as the main reason is to build branches of AAA Auto on the bought properties. As mentioned before, it may happen that the value of goodwill will be changed in respect of new purchase price.

The goodwill was allocated between following cash-generating units on equal basis:
- branch in Kladno (HK Partner Kladno s.r.o. and branch of AAA Auto a.s. in Kladno) – EUR 105,5 thousand;
- branch in Řepy (HK Partner s.r.o. and branch of AAA Auto a.s. in Řepy) – EUR 105.5 thousand.

The Group has also acquired the brand name of HK Partner, the customer list and the web pages as part of the acquisition. These intangible assets could not be reliably measured and for the Group they have immaterial value, therefore weren't separately recognized from goodwill.

Impact of acquisition on the result of the Group
HK Partner group is consolidated for the last three months of the year 2007. For this period the new acquired group recognizes loss of EUR 81 thousand.

Has these business combination been affected at 1 January 2007, the revenue of the Group would have been higher by EUR 9,861 thousand (EUR 479,919 thousand) and the profit for the year would have been lower by EUR 219 thousand (EUR -5,002 thousand), mainly due to high allowance for bad debts. The management of the Group considers these estimated numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

27. CONTINGENCIES

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. The approximately loss may be about EUR 75 thousand. The estimation of future cash outflow depends mainly on the court resolution.

Contingent assets
The Group is involved as a plaintiff in legal proceedings as follows:
- Breaching the future contract for sale of the land in Ostrava, estimated financial impact is 70 thousand EUR.
- Proceedings over unpaid amounts due from customers for used cars, estimated financial impact is 95 thousand EUR.

28. RELATED PARTY TRANSACTIONS

The Group's majority owner is Automotive Industries S.à.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 2007 and 2006 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

(EUR ´000)	Sale of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2007	2006	2007	2006	31. 12. 2007	31. 12. 2006	31. 12. 2007	31. 12. 2006
AUTOMOBILE GROUP a.s., v likvidaci		4	13		(1)		60	283
Automotive Industries S.à.r.l.					1,127		1,176	
CAPITAL INVESTMENTS s.r.o.	5	1	12	12	1	1	11	15
Central European Models s.r.o.	1	5	1	1		1		
CENTRAL INVESTMENTS s.r.o.	137	21	6	2,846	94	47	1	90
CREDIT INVESTMENTS s.r.o.	1	1	5	11	1	1	25	
CZECH INVESTMENTS, spol. s r.o. v likvidaci				5		1		15
European Auto Sales – Utrecht		11		4		22		52
Global Assistance, a.s.	233		42		18		82	
Global Assistance Slovakia s.r.o.	57							
Global Car Check s.r.o. CZ (CarWay Assistance CZ)	1	5				2		10
GLOBAL CAR RENTAL s.r.o.	47	17	1	1	25	2		
Global Car Service s.r.o. (CarWay Group)	1	3				2		
GLOBAL DIRECT S.R.L.					1	2		2
GLOBAL DIRECT s.r.o.	58	78	84	86	14	1	8	
Global insurance s.r.o. SK	543							
KAPITAL KREDIT s.r.o. v likvidaci		7		6		3		9
Miss Marketing s.r.o.	53	47	50	59	3	247		
PRIORITY INVESTMENTS s.r.o.		1			2	1		
Mrs. Helena Denny						8		
YES CAR CREDIT s.r.o.	6	3				2		
Global Auto Assistance S.R.L. (RO)			25		7		17	
Global Direct Assistance Kft. (HU)	26		104		31		124	
Total	**1,169**	**204**	**343**	**3,031**	**1,323**	**343**	**1,504**	**476**

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 2007, 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 most of the related party transactions are with the Global Group, and contains mainly commissions for insurance.

Loans to and borrowings from related parties

(EUR ´000)	Loans to related parties		Borrowings from related parties	
	31. 12. 2007	31. 12. 2006	31. 12. 2007	31. 12. 2006
Automotive Industries S.A.R.L.		18	15,946	19,601
Miss Marketing s.r.o.				
CAPITAL INVESTMENTS s.r.o.		496		
Global Direct s.r.o.	19			
CENTRAL INVESTMENTS s.r.o.		4,755		
Global Automotive Holding B.V.	354			
Total	**373**	**5,269**	**15,946**	**19,601**

The conditions of the loans and borrowings were as follows:

	Amounts repayable	Interest rate
Automotive Industries S.A.R.L.	within 1 year	1)
Global Automotive Holding B.V.	within 1 year	3M Pribor + 2.6%

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

29. EVENTS AFTER THE BALANCE SHEET DATE

In January 2008 four subsidiaries in Hungary are in process of merge. It concerns:
- AAA Auto Kft as the previous holding company,
- Autocentrum AAA Auto Kft. as the main business unit,
- F-23 Realty Kft as real estate owner,
- F-22 Invest Kft as real estate owner.

The company will continue with the name of Autocentrum AAA Auto Kft. This merger is the result of the planned restructuralization of the Group.

By the date of releasing these consolidated financial statements, the Group opened the following new branches:
- Czech Republic – Řepy,
- Slovakia – Prievidza,
- Hungary – Székesféhervár and buying in Gyor and Nyíregyháza.

On 25 March 2008 the Group closed buying branch in Hungary in Nyíregyháza.

30. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors and authorised for issue on 10 April 2008.

BALANCE SHEET
AS AT 31 DECEMBER 2007 AND 2006 (EUR ´000)

ASSETS	31. 12. 2007	31. 12. 2006
Non-current assets		
Subsidiaries	17,150	20,475
Loans to affiliated companies	37,498	16,809
Total non-current assets	54,648	37,284
Current assets		
Loans/advances to affiliated companies	714	–
Interest from affiliated companies	442	–
Debtors	212	–
Other current assets	87	119
Cash and bank	935	5
Total current assets	2,390	124
TOTAL ASSETS	**57,038**	**37,408**

EQUITY AND LIABILITIES	31. 12. 2007	31. 12. 2006
Equity		
Share capital	6,776	5,000
Share premium	31,409	–
F/X differences on subsidiaries reserve	1,817	1,551
General reserve	2,970	4,132
Profit/(loss) for the year	(4,779)	6,864
Total equity	**38,193**	**17,547**
Provision		
Subsidiaries	1,624	–
Total provision	1,624	–
Non-current liabilities		
Loans from affiliated companies	15,946	19,601
Total non-current liabilities	15,946	19,601
Current liabilities		
Advances from affiliated companies	–	204
Interest to affiliated companies due	1,141	13
Creditors	108	27
Accruals and deferrals	26	16
Total current liabilities	1,275	260
TOTAL EQUITY AND LIABILITIES	**57,038**	**37,408**

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (EUR ´000)

	2007	2006
Operational income		
Management fees	206	–
Net result from operations	206	–
General and administration expenses		
Directors fees	(90)	
Management and accounting	(23)	(9)
Legal, tax and audit	(51)	(29)
Other expenses	(409)	(32)
Financial income and expenses		
Interest income	1,303	–
Interest expense	(1,098)	(299)
Bank interest expense	(3)	–
Currency exchange gain/(losses)	530	–
Ordinary result from operations	365	(369)
Result from participations	(5,144)	7,233
Profit/(loss) before tax	**(4,779)**	**6,864**
Corporate income tax	–	–
Profit/(loss) for the year	**(4,779)**	**6,864**

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 Venootschap" as at 29 December 2006.

At the same date the Company changed its name from AAA Automobile Group B.V. into AAA Auto Group N.V.

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 subsidiairies is for subsidiairies with a negative net asset value, for as far as this value exceeds the receivables from the regarding subsidiairies. 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.	
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)	100%
AAA AUTO S.A. (Romania)	99.94%
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)	100%

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 2006 when 50 million shares were issued.

The increase of capital of EUR 4,982 thousands from EUR 18 thousand to EUR 5 million in 2006 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 2007

(EUR ´000)	Share capital	Share premium	F/X differences on subsidiaries reserve	General reserve	Undistributed profit
Opening balance	**5,000**	**–**	**1,551**	**4,132**	**6,864**
Capital increase, net of IPO expenses	1,776	31,409	–	–	–
Exchange differences arising on translation of foreign operations	–	–	266	–	–
Profit from previous years to general reserve	–	–	–	6,864	(6,864)
Loss for the period	–	–	–	–	(4,779)
Interim dividend	–	–	–	(7,859)	–
Sale of subsidiary under common control	–	–	–	(167)	–
Closing balance	**6,776**	**31,409**	**1,817**	**2,970**	**(4,779)**

3. SUBSIDIARIES AT NET ASSET VALUE

Investments at Net Asset Value (EUR´000)	2007	2006
Starting Balance	**20,475**	**9,058**
New investments	7	1,123
Capital contributions	1,234	2,820
Result from participations	(5,144)	7,148
Dividends received	(7,859)	(1,090)
Foreign exchange differences	266	1,086
Movements from common control business combinations	–	245
Sale of subsidiary	(167)	85
Decrease of loans against affiliated companies	6,714	–
Transfer to Provision subsidiaries	1,624	–
Nett Asset value Investments	**17,150**	**20,475**

4. ACTIVITIES OF SUBSIDIARIES

All subsidiaries are active or related to environment of new and used car sales.

5. LOANS TO AFFILIATED COMPANIES

		(in thousands)	2007 (EUR ´000)	2006 (EUR ´000)
Loan AAA Auto a.s.	CZK	365,000	13,753	14,556
Loan AAA Autocentrum a.s.	SKK	185,000	5,522	1,163
Loan Autocentrum AAA Auto Kft.	HUF	600,000	3,505	
Loan Autocentrum AAA Auto Kft.	HUF	60,000	238	
Loan ASC Warsawa	PLN	23,000	3,925	
Loan AAA Auto SP.z.o.o.	PLN	7,000	1,955	
Loan Global Automotive Holding B.V.	EUR		354	
Loan II AAA Auto a.s.	EUR		5,477	
Loan AAA Auto a.s.	EUR		2,400	
Loan AAA AUTO SA	EUR		369	1,090
Total			**37,498**	**16,809**

6. CURRENT LOANS AND ADVANCES FROM AND TO AFFILIATED COMPANIES

		(in thousands)	2007 (EUR ´000)	2006 (EUR ´000)
C/a Media Action sro	CZK	–	–	(12)
C/A Automotive Industries S.à.r.l.	CZK	4,208	158	(18)
C/A Automotive Industries S.à.r.l.		–	(35)	(54)
C/a Kapital automotive s.r.o.	CZK	(19)	(1)	(1)
C/a AAA Auto a.s.		–	(1,803)	–
C/a Autocentrum AAA Auto a.s.	SKK	80,000	2,388	–
C/a AAA Auto a.s.		–	7	–
C/a AAA Auto a.s.	CZK	–	–	(119)
Total			**714**	**(204)**

7. DEBTORS

(EUR ´000)	2007
AAA Auto AS	110
General Automobile Czech s.r.o.	2
General Automobil s.r.o.	2
Auto Discont s.r.o.	6
Autocentrum AAA Auto Kft.	22
Autocentrum AAA Auto Sp.z.o.o.	11
SC AAA Auto S.A.	9
Autocentrum AAA Auto a.s.	44
Global Automotive Holding B.V.	1
Others	5
Total	**212**

8. LOANS FROM AFFILIATED COMPANIES

		(in thousands)	2007 (EUR ´000)	2006 (EUR ´000)
Credit. facility Automotive Industries S.à.r.l.			2,828	2,792
Automotive Industries S.à.r.l.	CZK – Euribor + 2.5%	223,839	8,434	14,556
Automotive Industries S.à.r.l.	SKK – Bribor + 2.0%	40,000	1,194	1,163
Automotive Industries S.à.r.l.	Eur – Euribor + 2.25%		2,400	–
Automotive Industries S.à.r.l.	Eur – Euribor + 2.35%		1,090	1,090
Total			**15,946**	**19,601**

[1)] The interest rate on the loans from Automotive Industries S.à.r.l. carried in 2007 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, 2010.

9. INTEREST AFFILIATED COMPANIES DUE

(EUR '000)	2007	2006
Loan Automotive Industries S.à.r.l.	721	–
Loan Automotive Industries S.à.r.l.	77	–
Loan Automotive Industries S.à.r.l.	70	–
Loan Automotive Ind. 2.4 m	81	–
Loan Automotive Ind. Cred. Fac.	191	10
C/a Automotive Industries S.à.r.l.	1	3
Total	**1,141**	**13**

10. INTEREST INCOME

(EUR '000)	2007	2006
Loan AAA Auto a.s.	762	–
Loan AAA Autocentrum a.s.	149	–
Loan Autocentrum AAA Auto Kft.	59	–
Loan Autocentrum AAA Auto Kft.	6	–
Loan ASC Warsawa	118	–
Loan AAA Auto SP.z.o.o.	36	–
Loan Global Automotive Holding B.V.	1	–
Loan II AAA Auto a.s.	98	–
Loan AAA AUTO SA	71	–
C/a Automotive Industries S.à.r.l.	3	–
Total	**1,303**	**–**

11. INTEREST EXPENSES

(EUR '000)	2007	2006
C/A F.A.C. B.V.	–	2
Credit facility F.A.C. B.V.	–	296
Kapital Automotiv s.r.o.	–	1
Loan Automotive Industries S.à.r.l.	688	–
Loan Automotive Industries S.à.r.l.	77	–
Loan Automotive Industries S.à.r.l.	70	–
Loan Automotive Ind. 2.4 m	82	–
Credit facility Automotive Ind.	181	–
Total	**1,098**	**299**

12. GENERAL AND ADMINISTRATIVE EXPENSE

(EUR '000)	2007	2006
Other expenses		
General advice	380	–
Vat not refundable	–	(3)
Contributions and other fees	1	4
Advertisement/communication expenses	15	30
Courier expenses	–	1
AFM Financial supervision exp.	1	–
Other expenses	12	–
Total	**409**	**32**

13. FURTHER INFORMATION

(a) At year-end the majority shareholder of the Company was:
Name, Address: Automotive Industries S.à.r.l., Ave J.F.Kennedy 46a, Luxembourg
Held (%): 73.8%

(b) Dividends paid:
The Company paid an interim dividend of EUR 7,859,370.64.
Paid dividends were paid to shareholders pro-rata to their shareholdings.

(c) Director's remuneration:
Name: Polyvesta Trust Management B.V.
2006: EUR 4,000.00
2007: –

November 1, 2007 Vratislav Kulhánek has been appointed as non executive member and Chairman of the Management Board.

The total renumeration of the Management Board (Messrs. A. J. Denny, A. M. Kemp, M. Kořínek and V. Kulhánek) was EUR 239,872 in 2007.

(d) In 2007 there was no other personnel on the payroll (2006: none).

The AAA Auto Group N.V. Management Board:

Date: 10th of April 2008

Mr. Vratislav Kulhánek

Mr. Anthony James Denny

Mr. Antonius Mattheus Kemp

Mr. Matyáš Kořínek

OTHER INFORMATION

SUBSEQUENT EVENTS

In January 2008 four subsidiaries in Hungary are in process of merge. It concerns:
- AAA Auto Kft as the previous holding company,
- Autocentrum AAA Auto Kft. as the main business unit,
- F-23 Realty Kft as real estate owner,
- F-22 Invest Kft as real estate owner.

The company will continue with the name of Autocentrum AAA Auto Kft. This merger is the result of the planned restructuralization of the Group.

By the date of releasing these consolidated financial statements, the Group opened the following new branches:
- Czech Republic – Řepy,
- Slovakia – Prievidza,
- Hungary – Székesféhervár and buying in Gyor and Nyíregyháza.

On 25 March 2008 the Group closed the buying branch in Hungary in Nyíregyháza.

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 2007 to the general reserve.

AUDITOR’S REPORT

The auditor’s report is included on the page 60.

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