

The logo for AAA AUTO, featuring the text "AAA AUTO" in a bold, yellow, sans-serif font. The text is set against a blue rectangular background with a thin yellow horizontal line running through the middle of the letters.

## AAA Auto Group N.V.

(existing as a public company with limited liability under the laws of the Netherlands)

### Offering of up to 19,533,663 Offer Shares Maximum Price: EUR 2.25 per Share

Based on this document (the “**Prospectus**”), up to 19,533,663 ordinary shares (the “**Offer Shares**”), which expression shall also include, where the context permits, ordinary shares offered pursuant to the Over-allotment Option defined below), of nominal value EUR 0.10 each (the “**Shares**”), of AAA Auto Group N.V. (the “**Company**”), a public company with limited liability incorporated under the laws of the Netherlands, having its registered office at De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands, and registered with the Commercial Register in Amsterdam, the Netherlands, under number 34199203, are being offered, including up to 17,757,875 newly issued Offer Shares offered for subscription by the Company and up to 1,775,788 newly issued Offer Shares offered pursuant to the Over-allotment Option, in an offering (the “**Offering**”) consisting of a public offering in the Czech Republic and Hungary and a concurrent international private placement, in each case outside the United States in reliance on Regulation S under the U.S. Securities Act.

**This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Shares by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Shares in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, the Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or with any securities regulatory authority of any state or any jurisdiction in the United States and may not be offered or sold within the United States except in certain transactions exempt from or not subject to the registration requirements of the US Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of the Offer Shares and the distribution of this Prospectus, see the “Selling Restrictions”.**

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the “**Prospectus Directive**”) for the purposes of the Offering and for the admission of the Shares to the main market of *Burza cenných papírů Praha, a.s.* (the “**Prague Stock Exchange**” or “**PSE**”) and to the main market of *Budapesti Értéktőzsde Zrt.* (the “**Budapest Stock Exchange**” or “**BSE**”). This Prospectus has been prepared in accordance with Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended. This Prospectus has been filed with and approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “**AFM**”) and a request for notification by the AFM to the Czech National Bank (the “**CNB**”) and Hungarian Financial Supervisory Authority (the “**HFS**”) has been made, all in accordance with Article 18 of the Prospectus Directive as implemented by the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) (the “**FSA**”) effective as per 1 January 2007 and the rules promulgated thereunder.

**For a discussion of certain considerations which should be taken into account in deciding whether to purchase the Offer Shares, see “Risk Factors” beginning on page 11.**

Prior to the Offering, there was no public market for the Shares. Based on this Prospectus, application has been made to admit and list all of the Shares, including the Offer Shares, to trading on the main market of the Prague Stock Exchange and the main market of the Budapest Stock Exchange (the “**Admission**”). The official trading of the Shares on both PSE and BSE is expected to commence on or about 26 September 2007 (the “**Listing Date**”). Payment for the Offer Shares and settlement of the Offering is expected to be made on or about 26 September 2007 (the “**Settlement Date**”). Prospective investors may subscribe for or purchase the Offer Shares during a period which is expected to commence on or about 10 September 2007 and is expected to end on or about 21 September 2007 at 2:00 p.m. CET (the “**Subscription Period**”). The Subscription Period may be extended. Any extension of the timetable for the Offering will be announced in a press release (together with any related revision of the expected dates of pricing, allocation and closing), at least three hours before the expiration of the original Subscription Period. Any extension of the timetable for the Offering will be for a minimum of one full business day. The offer price per Offer Share (the “**Offer Price**”) will not exceed EUR 2.25. The Offer Price and the final number of the Offer Shares will be determined by the Company upon recommendation from the managers named herein (the “**Managers**”) after termination of the Subscription Period, on or about 21 September 2007, based on interest from investors and will be published in the same manner as this Prospectus. If the Offering is cancelled or postponed prior to the Settlement Date, all subscriptions for the Offer Shares will be disregarded, any allotments made will be deemed null and void, and any subscription payments made will be returned without interest or other compensation. **All dealings in the Offer Shares prior to settlement and delivery and during conditional trading on the PSE are at the sole risk of the parties concerned.**

The Shares have been accepted for settlement through Clearstream Banking SA, Luxembourg (“**Clearstream**”), UNIVYC, a.s. (“**Univyc**”) and KELER Zrt. (“**Keler**”). Delivery of the Offer Shares is to be made through the facilities of these clearing systems, and is expected to occur on or about 26 September 2007 (the “**Closing Date**”).

In connection with the Offering, the Company has granted the global coordinator and bookrunner (the “**Global Coordinator**”) an option (the “**Over-allotment Option**”), exercisable in whole or in part for 30 days after the announcement of the Offer Price, to purchase up to an additional 1,775,788 Offer Shares at the Offer Price less the underwriting commission to cover over-allotments, if any, made in connection with the Offering and to cover short positions resulting from stabilisation transactions. Such stabilisation shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

#### *Global Coordinator and Bookrunner*

Patria Finance, a.s.

#### *Lead Managers*

KBC Securities N.V.

Patria Finance, a.s.

KBC Securities Hungarian Branch Office

Prospectus dated 28 August 2007

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## SUMMARY

*The following summary information does not purport to be complete and should be read as an introduction to, and in conjunction with, the more detailed information appearing elsewhere in this Prospectus from which it is derived. Any decision by a prospective investor to invest in the Shares should be based on a consideration of this Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the EEA no civil liability will attach to the Company in any such Member State in respect of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the EEA, the plaintiff investor may, under the national legislation of the EEA state in which the claim is brought, be required to bear the cost of translating this Prospectus before legal proceedings are initiated.*

*Prospective investors should carefully read the entire document, including the financial statements and related notes, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth under the heading "Risk Factors".*

### Overview

With 61,939 vehicles sold in 2006 (including 61,494 used cars and 445 new cars) and approximately 5,350 vehicles in stock per day on average in 2006 through one of the largest retail networks, we are one of the leading used vehicle retailers and vehicle-oriented financial services intermediaries in the highly fragmented markets of in the Central and Eastern Europe (the "CEE") region in terms of market share and brands of cars offered. We purchase, recondition and sell used vehicles (representing approximately 47.5% of our gross profit without Auto Diskont and 48.9% with Auto Diskont) and at the same time arrange financing for vehicle purchases through third-party lenders (representing approximately 43.7% of our gross profit without Auto Diskont and 44.2% with Auto Diskont). In addition, we offer our customers an extensive range of automotive products and related services, such as vehicle accessories or vehicle registration (representing approximately 3.9% of our gross profit without Auto Diskont and 4.0% with Auto Diskont). Moreover, we have started to sell new cars at some of our branches (representing approximately 2.9% of our gross profit). We conduct our business in the Czech Republic, Slovakia, Hungary, Poland and Romania, and actively examine further business opportunities in these and other neighbouring countries. The great majority of our business currently takes place in the Czech Republic.

We have pioneered and implemented innovative operating strategies and offer a broad selection of vehicles that we believe enhances customer satisfaction and loyalty and maximises operating efficiency. Our strategy has been designed to better serve the CEE region by addressing what we believe to be the major sources of dissatisfaction with traditional used vehicle retailing while at the same time maximising operating efficiencies with sophisticated systems and standardised operating procedures and auto centres format.

Our origin traces back to 1992 when Anthony James Denny, our current CEO and beneficial owner of 100% of the Shares of the Company, started importing used vehicles into the Czech Republic. The Company was incorporated in the Netherlands as a private company with limited liability on 12 December 2003 to act as the holding company for the operations of the Group. The structure of the Group can be divided into three sub-groups of companies: (i) companies specialising in the sale of mid to high quality used cars; (ii) companies specialising in the sale of new cars; and (iii) companies specialising in cheaper lower quality used cars, with the last two sub-groups of companies being insignificant in terms of revenue and gross profit generation within the Group as the companies specialising in the sale of mid to high quality used cars (including car financing) generated approximately EUR 334 million in revenues and EUR 61 million in gross profit in 2006, representing 95.9% and 95.1% of total revenues and gross profit, respectively.

We have grown both organically and through the acquisition of other car retail companies. We currently operate 38 auto centres (branches where we both sell and purchase cars) and purchase centres (branches where we only purchase cars) (16 auto centres and five purchase centres in the Czech Republic, six auto centres and two purchase centres in Slovakia, three auto centres and two purchase centres in Hungary, two auto centres in Poland and one auto centre and one purchase centre in Romania). The headquarters of the Group are located in Prague, Czech Republic and are equipped with the infrastructure necessary to ensure the coordinated operations of all our auto centres and purchase centres located in the various countries in which we operate. Our business model was established and tested in the Czech Republic and, due to the very similar market environment in the other CEE countries, it has been successfully implemented in these other CEE countries, with a potential for further implementation into other neighbouring countries in the region. In several of the markets in which we operate, we have a significant market share for used vehicles sales by used vehicles dealers, including 23% in the Czech Republic and 16% in Slovakia. In 2003, we were ranked for the first time by the Consortium Czech Top 100 in the “Czech Top 100” list, which consists of the top 100 Czech companies based on annual revenues.

### **Competitive Strengths**

The Group believes that its competitive strengths are:

- competitive, “No-Haggle” prices;
- offer of high quality used vehicles;
- broad geographic footprint;
- customer driven stock management and business analysis;
- customer driven sales process creating a positive customer experience;
- diversified revenue streams;
- strong brand;
- effective trade marketing;
- efficient in-house call centre;
- trained and incentivised management and employees; and
- centralised management with locally transferable business model.

### **Strategy**

The Group’s objective is to grow further, increase profitability and capitalise on its competitive strengths. The key elements of the Group’s business strategy are:

- continued growth through the opening of new auto centres providing further geographic diversity;
- opening of “baby auto centres” (smaller local auto centres);
- commitment to customer care;
- enhancement of margins by cost cutting, increasing sales of higher margin services and products, and by decreasing the inventory replacement period;
- continuous offer of a diverse range of automotive products and services;
- increase of efficiencies of scale; and

- further development of marketing and advertising operations.

### **Risk Factors**

An investment in the Offer Shares involves a high degree of risk that prospective investors should consider carefully before investing in the Offer Shares. Some of these risks are those relating to the Group'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 Group;
- 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: (i) the economic, political, social, legal, regulatory and tax environment in the CEE countries where the Group operates; and (ii) the Offering and the Offer Shares and the fact that there has been no public market for the Offer Shares. The occurrence of any of these risks could materially adversely affect the Group's business, financial condition or operating results and could cause the value of the Shares to substantially decline or to become worthless. See "*Risk Factors*" for a more detailed analysis of the risk factors referred to herein and relating to the Group, the Group's industry, the Czech Republic and other CEE countries, and to the Offering and the Offer Shares.

## Summary Information Relating to the Offering

|  |  |
|--|--|
| <i>The Issuer</i> .....                | AAA Auto Group N.V., a public company with limited liability incorporated under the laws of the Netherlands, having its registered office at De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands, and registered with the Commercial Register in Amsterdam, the Netherlands, under number 34199203.   |
| <i>The Principal Shareholder</i> ..... | Automotive Industries S.à.r.l. holding, as of the date of this Prospectus, 100% of the issued and outstanding share capital in the Company (the “ <b>Principal Shareholder</b> ”). After the completion of the Offering, the Principal Shareholder will continue to own approximately 73.8% (or 71.9% if the Over-allotment Option is exercised in full) of our issued and outstanding Shares. See “ <i>Principal Shareholder</i> ”.   |
| <i>The Offering</i> .....              | The Offering comprises the offer of up to 19,533,663 Offer Shares, including: (i) the offer by the Company of up to 17,757,875 Shares, to be newly issued by the Company representing 25.54% of the Company’s registered capital on a fully diluted basis; and (ii) up to an additional 1,775,788 Shares, to be newly issued by the Company and representing 2.55% of the Company’s registered capital on a fully diluted basis, offered under the Over-allotment Option by way of a public offering in the Czech Republic and Hungary to retail investors and an international private placement to institutional investors in certain jurisdictions outside of the Czech Republic and Hungary. |
| <i>Offer Shares</i> .....              | A maximum number of 19,533,663 Shares of the Company with a nominal value EUR 0.1 each. The final number of the Offer Shares to be sold in the Offering will be determined by the Company upon recommendation from the Managers, after the termination of the Subscription Period, on or about 21 September 2007, based upon interest from investors. The final number of Offer Shares will be published in the same manner as this Prospectus.  |
| <i>Subscription Period</i> .....       | The period which is expected to commence on or about 10 September 2007 and is expected to end on 21 September 2007 at 2:00 p.m. CET in regard of the entire Offering.  |
| <i>Maximum Price</i> .....             | EUR 2.25 per Share.  |

|                                    |   |
|------------------------------------|---|
| <i>Offer Price</i> .....           | The Offer Price will be determined by us upon recommendation from the Managers following the close of the Subscription Period and will not exceed the Maximum Price. Upon determination of the Offer Price, the Managers will take into account, among other factors: (i) the results of the book-building process; (ii) the size and price sensitivity of demand during the book-building process; and (iii) the then current and anticipated situation in respect of the Czech, Hungarian and international capital markets. The Offer Price will be published in the same manner as this Prospectus. |
| <i>Allotment Date</i> .....        | Allotment will occur promptly following the close of the Subscription Period, and is expected to take place on or about 24 September 2007, subject to any extension of the Subscription Period, at the discretion of the Company, with a decision as to such an extension to be made not later than 21 September 2007, to be published in the same manner as this Prospectus (the “ <b>Allotment Date</b> ”). In the event the Offering is oversubscribed, an investor may receive a smaller number of Offer Shares than the investor applied to subscribe for.   |
| <i>Over-allotment Option</i> ..... | The Company will grant to the Global Coordinator the Over-allotment Option, exercisable for 30 days after publication of the Offer Price, to purchase up to 1,775,788 newly issued Offer Shares representing up to 10% of the aggregate number of Offer Shares available in the Offering (before any exercise of the Over-allotment Option) at the Offer Price to cover over-allotments, if any, made in connection with the Offering and to cover short positions resulting from stabilisation transactions. See “ <i>Over-allotment Option</i> ” in “ <i>Offering</i> ”.                              |
| <i>Lock-up</i> .....               | The Company and the Principal Shareholder will undertake with the Global Coordinator that subject to certain exceptions between the date of this Prospectus and the date falling 180 days thereafter for the Company and 360 days thereafter for the Principal Shareholder, they will not, without the prior written consent of the Global Coordinator, issue, offer, pledge, sell, contract to sell any equity securities in the Company or any securities convertible into or exchangeable for equity securities in the Company. See “ <i>Lock-up Arrangements</i> ” in                               |

“Offering”.

|  |   |
|--|---|
| <b>Listing and Trading .....</b>             | Application has been made to list all of our Shares on the main markets of the PSE and the BSE. Trading of the Shares on the PSE and the BSE is expected to commence on or around 26 September 2007. We intend to apply to the PSE for conditional trading of the Shares, which is expected to commence on or about 24 September 2007. Prior to the Offering, there was no public market for the Shares. All dealings in the Offer Shares prior to the commencement of the official trading on the PSE and the BSE, and in particular transactions executed under the conditional trading regime on the PSE, will be at the sole risk of the investor concerned.  |
| <b>Dividends .....</b>                       | All Shares, including the Offer Shares, carry full dividend rights, if and when dividends are declared from the date the holder acquires such Shares. See “Dividend Policy”.  |
| <b>Voting Rights.....</b>                    | Subject to certain restrictions, every holder of Shares shall have one vote at our general meeting of shareholders for each Share held by him or her. See “General Meetings of Shareholders and Voting Rights” in “Description of Shares and Corporate Governance”.   |
| <b>Taxation.....</b>                         | Dividends distributed by the Company will generally be subject to a withholding tax imposed by the Netherlands, currently at a rate of 15% of the gross dividends, subject to any reduction of such tax rate provided by a tax treaty or pursuant to Dutch tax laws.  |
| <b>Delivery, Settlement and Payment.....</b> | Shareholders in the Company may hold the Shares either by being directly entered into the share register kept in the Netherlands at the Company’s registered office, or in book entry form with a bank or professional securities depository or other qualified financial intermediary, which will hold them through Clearstream, either directly as a participant of such system or indirectly through such a participant, or through Univyc, a.s., having its registered office at Rybná 14, 110 00, Prague 1, and its participants, or Keler, having its registered office at 1075 Budapest, Asbóth u. 9-11., Hungary, and its participants. Payment for the Shares must be made in EUR on or about 25 September 2007, in accordance with the standard operating procedures of Univyc and Keler, not later than 10:00 a.m. CET time, to the accounts of the Managers. Delivery of the Shares |



is expected to be made on or about 26 September 2007 upon the payment of the total Offer Price, through the facilities of UNIVYC and Keler and their existing links with Clearstream. See “Offering”.

**Common Depository**..... Upon the issuance, the Shares which are to be held in book entry form through Clearstream will be registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V, operating under the commercial name Euroclear Nederland, a private company with limited liability, with its registered office at Postbus 19163, 1000 GD Amsterdam, Damrak 70, 1012 LM Amsterdam, the Netherlands (“**Euroclear Nederland**”), acting as common depository in the name and on behalf of Clearstream, in the share register kept at the Company’s registered office.

**Use of Proceeds** ..... We intend to raise approximately EUR 39.96 million in gross proceeds from the issue of the Offer Shares in the Offering, assuming that the final Offer Price is EUR 2.25, the maximum number of Offer Shares is issued and the Over-allotment Option is not exercised. The net proceeds which we will receive from the issue of Offer Shares in the Offering are estimated to be up to approximately EUR 37.56 million after deducting the estimated commissions, costs and expenses in the amount of approximately EUR 2.40 million.

We intend to use the net proceeds from the Offering to: (i) finance general corporate core business expansion; (ii) reduce the outstanding working capital loan facility financing of the stock of vehicles; and (iii) partially repay the outstanding shareholder’s loan. See “Use of Proceeds”.

**Underwriting** ..... On the Allotment Day, the Company, the Principal Shareholder, the Global Coordinator and the other underwriters named therein expect, but are under no obligation to, enter into an underwriting agreement (the “**Underwriting Agreement**”) pursuant to which the Global Coordinator and the other underwriters named therein will commit, subjects to certain conditions, to subscribe for or purchase from the Company the Offer Shares for up to the maximum of the Offer Price less underwriting commission.

**Form of Shares**..... All the Shares are in registered form.

|  |   |
|--|---|
| <b>Share Trading Information .....</b>   | ISIN Code: NL0006033375.<br>Common Code: 033375.  |
| <b>Global Coordinator and Bookrunner (the “Global Coordinator”) .....</b>                      | Patria Finance, a.s.  |
| <b>Lead Managers.....</b>  | Patria Finance, a.s., KBC Securities N.V. and KBC Securities Hungarian Branch Office.   |
| <b>Czech and Hungarian Retail Managers (together with Lead Managers, the “Managers”) .....</b> | Patria Direct, a.s. and KBC Securities Hungarian Branch Office.   |
| <b>Czech and Hungarian Listing Agents .....</b>  | Patria Finance, a.s. and KBC Securities Hungarian Branch Office.  |
| <b>Selling Restrictions .....</b>  | The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or any jurisdiction in the United States and subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the US Securities Act. See “ <i>Selling Restrictions</i> ”. |

## Summary Financial Information

The selected financial data provided below have been derived from, and should be read in conjunction with and are qualified in their entirety by the consolidated financial statements for the Company of the years ended 31 December 2006, 2005 and 2004 included in the F-pages of this Prospectus, which were prepared in accordance with IFRS and audited by BDO CampsObers Audit & Assurance B.V.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report in respect of such financial statements included herein. See also "Presentation of Financial and Certain Other Information" below.

### Consolidated Income Statement

|  | Years ended 31 December           |                |                |
|--|-----------------------------------|----------------|----------------|
|  | 2004                              | 2005           | 2006           |
|  | <i>(amounts in EUR thousands)</i> |                |                |
| <b>Total revenues</b> .....            | <b>224,831</b>                    | <b>269,863</b> | <b>348,417</b> |
| Revenues from cars .....               | 198,344                           | 241,081        | 313,297        |
| Revenues from financial services ..... | 23,056                            | 24,712         | 28,355         |
| Other revenues .....                   | 3,431                             | 4,070          | 6,765          |
| <b>Gross profit</b> .....              | <b>41,251</b>                     | <b>49,676</b>  | <b>63,899</b>  |
| Operation expenses .....               | 35,409                            | 41,147         | 48,963         |
| <b>Profit for the year</b> .....       | <b>1,450</b>                      | <b>2,369</b>   | <b>7,068</b>   |

### Consolidated Balance Sheet

|                                       | As at 31 December                 |               |               |
|---------------------------------------|-----------------------------------|---------------|---------------|
|                                       | 2004                              | 2005          | 2006          |
|                                       | <i>(amounts in EUR thousands)</i> |               |               |
| <b>Assets</b> .....                   | <b>50,348</b>                     | <b>67,952</b> | <b>98,722</b> |
| Non current assets .....              | 18,736                            | 23,883        | 39,818        |
| Current assets <sup>(1)</sup> .....   | 31,612                            | 44,069        | 58,904        |
| <b>Equity</b> .....                   | <b>2,636</b>                      | <b>5,739</b>  | <b>17,550</b> |
| <b>Liabilities</b> .....              | <b>47,712</b>                     | <b>62,213</b> | <b>81,172</b> |
| Non current liabilities .....         | 22,950                            | 32,012        | 37,081        |
| - bank and other liabilities .....    | 22,484                            | 31,300        | 36,047        |
| - other non current liabilities ..... | 466                               | 712           | 1,034         |
| Current liabilities .....             | 24,762                            | 30,201        | 44,091        |

Note:

<sup>(1)</sup> Includes inventory, EUR 20,605,000, EUR 29,376,000 and EUR 38,197,000 as of 31 December 2004, 2005 and 2006, respectively.

### Consolidated Cash Flow Statement

|  | Years ended 31 December           |         |          |
|--|-----------------------------------|---------|----------|
|  | 2004                              | 2005    | 2006     |
|  | <i>(amounts in EUR thousands)</i> |         |          |
| Cash flows from operating activities .....                 | (2,899)                           | (8,028) | (2,418)  |
| Net cash used in investing activities .....                | (8,135)                           | (6,913) | (15,402) |
| Net cash from financing activities .....                   | 12,102                            | 14,160  | 17,946   |
| Net increase (decrease) in cash an cash equivalents .....  | 1,068                             | (781)   | 126      |
| Net foreign exchange difference .....                      | (98)                              | 104     | 42       |
| Cash and cash equivalents at the beginning of period ..... | 2,675                             | 3,645   | 2,968    |
| Cash and cash equivalents at the end of period .....       | 3,645                             | 2,968   | 3,136    |

### ***Other Financial Data***

|                                   | Years ended 31 December           |              |               |
|-----------------------------------|-----------------------------------|--------------|---------------|
|                                   | 2004                              | 2005         | 2006          |
|                                   | <i>(amounts in EUR thousands)</i> |              |               |
| <b>EBITDA<sup>(1)</sup></b> ..... | <b>5,842</b>                      | <b>8,529</b> | <b>14,936</b> |
| Depreciation .....                | 1,607                             | 1,952        | 2,382         |
| <b>EBIT<sup>(2)</sup></b> .....   | <b>4,235</b>                      | <b>6,577</b> | <b>12,554</b> |

Notes:

(1) EBITDA is obtained by adding the profit before tax, finance cost and depreciation (data from the consolidated income statement).

$$\text{EBITDA 2004} = 2,145 + 2,090 + 1,607 = 5,842$$

$$\text{EBITDA 2005} = 3,573 + 3,004 + 1,952 = 8,529$$

$$\text{EBITDA 2006} = 9,701 + 2,853 + 2,382 = 14,936$$

(2) EBIT is calculated as profit before tax plus finance costs (data from the consolidated income statement)

$$\text{EBIT 2004} = 2,145 + 2,090 = 4,235$$

$$\text{EBIT 2005} = 3,573 + 3,004 = 6,577$$

$$\text{EBIT 2006} = 9,701 + 2,853 = 12,554$$

## RISK FACTORS

*Investing in the Offer Shares involves a high degree of risk. Investors should carefully consider the following risk factors, and the other information contained in this Prospectus, prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that we currently believe could affect us and any investment that you make in the Offer Shares. However, the risks listed below do not necessarily comprise all those associated with an investment in the Group. Additional risks and uncertainties that we are currently not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operations or prospects. Any of the following risks and uncertainties may materially and adversely affect our business, financial condition, results of operations and/or prospects, the price of the Shares may decline, our ability to pay dividends could be impaired and/or investors may lose all or part of their investment.*

### **Risks Related to the Group**

***If we fail to obtain a desirable mix of popular used vehicles, our profitability will be negatively impacted.***

We depend on purchases of used vehicles from private individuals, as well as purchases of large fleets of used vehicles directly from manufacturers, leasing companies, car rental companies or traders from abroad to provide us with a desirable mix of popular used vehicles that are highly liquid and that we can resell on average within 35 days. Such vehicles produce the highest margins but tend to be the most difficult to obtain. Our most demanded and best selling category of used vehicles is the lower class, eventually lower middle class. As our profitability depends on our ability to offer a desirable mix of popular used vehicles to our customers, if we fail to obtain a desirable mix of popular used vehicles, our profitability will be negatively impacted.

***Centralised management makes it more difficult to respond to specific local conditions with a sufficient degree of flexibility.***

Our business model is based on centralised management in order to achieve unified implementation of our unique business model and know-how in different markets and regions where we operate. Centralised management can sometimes make it more difficult to respond to specific local conditions with a sufficient degree of flexibility, potentially leading to wrong strategic business decisions with undesirable local consequences, thus having a material, adverse effect on our business.

***If we are not able to implement and execute our strategic initiatives across all of our auto centres, we may not be able to achieve improved operating performance or increased cost savings which are part of our strategy.***

To improve our operating performance and realise efficiencies of scale, we implement our unique business model in all auto centres with only relatively minor local adjustments. The key to good performance and efficiencies of scale lies in the uniform implementation and execution of our strategic initiatives across all of our auto centres. If we are not able to implement and execute our strategic initiatives across all of our auto centres or if significant local adjustments are necessary, we may not be able to achieve improved operating performance or increased cost savings that are part of our strategy.

***Negative public opinion could adversely affect our business results.***

In the past, there have been several unsubstantiated allegations in the media, including those regarding supposedly incorrect after sale warranty representations by our salesmen. The media did not allow us to address such allegations and none of the allegations was substantiated to date. While for the past five years no such allegations were republished in the media, we cannot guarantee that there will be no further negative campaigns in the future that could adversely affect our public image and therefore our business results.

***We may not find suitable real estate for our expansion and even if we do, we may not be able to obtain it on acceptable terms.***

Our business model and our organic growth strategy are largely dependent upon the purchase of additional real estate suitable for being developed into new auto centres. Historically, the purchase of real estate and its development into new auto centres have played a significant role in achieving desired market positions in all countries in which we operate. We intend to buy existing new car dealerships with larger parking areas, supermarkets or greenfields for future development. We cannot assure you that we will be able to identify such suitable real estate, that it will be financed and purchased on acceptable terms to us or that our future auto centres will be successful. Any delays in finding suitable real estate or increase of real estate prices could reduce the scope of our presently anticipated expansion, which may materially and adversely affect our growth strategy.

***We may not find suitable acquisition candidates and even if we do, we may not successfully integrate any such acquired companies.***

From time to time, we evaluate possible acquisition opportunities. At any given time, we may be engaged in discussions with respect to possible acquisitions. Our business model is in part dependent upon acquisitions, as the time frame for achieving or further improving upon our desired market positions can be shortened through strategic acquisitions. We cannot assure that we will be able to identify suitable acquisition opportunities, that such acquisitions will be financed and completed on acceptable terms or that our future acquisitions will be successful.

The process of integrating any companies that we do acquire could have a material adverse effect on our results of operations and financial condition. In addition, implementation of an acquisition strategy entails a number of risks, including among other things: (i) an inaccurate assessment of undisclosed liabilities; (ii) difficulties in realising projected efficiencies, synergies and cost savings; (iii) failure to achieve anticipated revenues, earnings or cash flow; and (iv) a possible increase in our indebtedness and limitation in our ability to access additional capital when needed. We may not adequately address these acquisition risks.

***An adverse outcome in litigation to which we are a party could harm our business.***

We are involved, and will continue to be involved, in a certain number of legal proceedings arising out of the conduct of our business, including litigation with customers, labour law disputes and actions brought by governmental authorities. The results of these legal proceedings and the results of any legal proceedings brought against us in the future cannot be predicted with certainty. An unfavourable resolution of one or more of these matters could have a material, adverse effect on our business, financial condition, results of operations, cash flows and prospects.

***Our results could be adversely affected by movements in exchange rates.***

Although the Company's reporting currency is the Euro, it receives a significant portion of its revenues and incurs most of its costs in currencies other than the Euro, including the Czech koruna, the Slovak koruna, the Hungarian forint, the Polish zloty and the Romanian leu. The Company's income statement and cash flow items are translated into Euro using average exchange rates during the relevant period and balance sheet items are translated from their source currency into Euro using exchange rates prevailing on the date of the balance sheet. Accordingly, increases and decreases in the value of the Euro versus the Czech koruna, the Slovak koruna, the Hungarian forint, the Polish zloty and the Romanian leu, to the extent not reflected in the prices for development of properties in local currency terms, will affect the Company's reported results of operations and also will affect the value of its assets and liabilities on the consolidated balance sheet, even if its results of operations or the value of those assets and liabilities has not changed in their original currency. The Company's reported results are therefore affected by movements in exchange rates, particularly in the euro/Czech koruna exchange rate.

## **Risks Related to the Group's Industry**

***We operate in a highly competitive environment and if we are not able to compete with our competitors, our business, financial condition, results of operations, cash flows and expansion plans could be adversely affected.***

Although we are one of the leading companies in our business in the markets where we operate, we operate in a highly competitive environment, in terms of selection, price, service and location. Our main competitors include privately-owned used vehicle dealerships, as well as private market buyers and sellers of used vehicles. Especially competition from local used cars bazaars or smaller used cars selling networks is increasing. In recent years, we have also faced competition from non-traditional sources, such as sales of used vehicles through the internet, automobile rental agencies, independent leasing agencies and new car dealerships starting to sell used vehicles in addition to offering special discounts on new cars coupled with trade-ins for used vehicles. Moreover, a new strong competitor with significant financial, marketing and personnel resources could enter the markets where we currently operate. In connection with our financial intermediary services, we compete with a broad range of financial institutions, including banks providing consumer loans, as well as with independent private consumer loans providers. Thus we cannot guarantee that if they offer attractively priced and easily accessible financial products, our customers will nevertheless prefer the financial products offered by us while financing cars purchased at our auto centres. These and other competitive pressures could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

***Import of new low cost Chinese cars into the markets where we operate could adversely affect our used car sales.***

One of the important factors why people choose to buy a used vehicle instead of a new one is the price difference between used and new vehicles. For the used vehicles to be able to compete with the new ones, there must be thus a certain minimum price difference. For Western made cars, the price of new cars has rather an increasing tendency, creating opportunities for used vehicle sales. Cars produced in recently industrialised countries have been historically cheaper than their Western counterparts but failed to meet Western quality or design standards, making difficult their mass retailing in the EU and precluding direct competition with new or used Western made vehicles. However, manufacturers in recently industrialised countries have made significant progress in the past five years as far as quality and car design are concerned. An example is Brilliance producing Brilliance BS6 2.0 Comfort at a price discount of 25% below the price of Škoda Superb 1.8 T Comfort, which might be considered as one of its nearest western equivalents. Chinese car manufactures still fail to meet EU regulations, such as regulations dealing with safety and emissions, but are expected to bring the quality of their cars up to the required standards within two to three years. Sales of new low cost Chinese cars in our key markets could adversely affect our used car sales.

***Governmental regulations and environmental regulation compliance costs may adversely affect our profitability.***

We are subject to a wide range of EU and national laws and regulations, such as consumer protection laws, health, safety, wage-hour, anti-discrimination and other employment laws and regulations, and environmental requirements governing, among other things, discharges into the air and water, above ground and underground storage of petroleum substances and chemicals, handling and disposal of wastes and remediation of contamination arising from spills and releases. If we or our properties violate these laws and regulations, we may be subject to civil and criminal penalties, or be ordered to cease our operations that are not in compliance. Our future acquisitions may also be subject to governmental regulation, including antitrust reviews. In addition, as the on-line automotive business expands, there may be new laws and regulations adopted, or increased regulatory scrutiny and enforcement of existing laws and regulations, that could have a material, adverse effect on our e-commerce business. We may need to spend considerable time, effort and money to keep our existing or acquired facilities in

compliance with applicable laws and regulations and future laws and regulations may be even more stringent and require us to incur significant additional costs.

***The seasonality of the automobile retail business causes a variability of quarterly operating results.***

Our business operations are subject to seasonal variations, with the months of March to May and July to November contributing more revenues and operating profits than the other months. Seasonality is principally caused by weather conditions (less cars are bought during harsh winters) and consumer buying trends (customers buy new cars for spring and namely summer months, for both leisure travel and business use). Accordingly, we expect our revenue and operating income to be generally lower in the months of December to February and June, as compared to the other months. If conditions surface during the months when our revenues are higher, such as high fuel costs, depressed economic conditions or similar adverse conditions, our revenues for the year will be disproportionately and adversely affected.

***Changing consumer trends may adversely affect sales of used cars.***

Changes of customer behaviour and expectations in relation to the demand for used cars, such as the development of customers' environmental awareness, could potentially lead to an overall decrease of demand for used cars or to a decrease of demand for some part of our inventory only, thus having a material, adverse effect on the sales of used cars.

***Increase of the prices of fuel and other costs related to usage of cars could adversely affect our revenues.***

Our business is heavily dependent on consumer demands and preferences. Increased prices of fuel and other costs related to car use can influence consumer demand for used vehicles. Historically, in times of rapid increase in crude oil and gasoline prices, sales of vehicles have dropped, particularly in the short term, as consumer confidence wanes and fuel costs become more prominent to the consumer's buying decision. Sustained periods of higher fuel costs lead also to consumers preferring smaller, more fuel efficient vehicles instead of luxury/SUV models. Oil prices have recently reached historically high levels, and we cannot exclude their further increase. Other factors also affect the used vehicle industry, including overall confidence in the economy, the level of personal discretionary spending, interest rates (for cars purchased through third-party financing) and credit availability. All these factors could adversely affect our revenues.

***Development of specialised internet selling platforms offering low quality used vehicles at cheaper prices can adversely affect our margins.***

We are facing increased competition in the rapidly evolving automotive retailing e-commerce business. A number of e-commerce companies and traditional used vehicle companies have established automotive-related websites over the past few years and compete with us in the sales of used vehicles to retail customers via the internet. They might also be selling customer leads to other used vehicle dealers. As customers use the internet and gain increased access to information on prices for vehicles and related finance and insurance products, margins for used vehicle sales and related finance and insurance products may decrease, whether sales are made via the internet or through traditional channels. The success of our e-commerce business will depend on our ability to develop a strategy that appeals to on-line automobile buyers, to obtain high visibility on the internet, whether through our own websites or through strategic partnerships and alliances with other e-commerce companies, and to develop and maintain a cost structure that permits us to operate our e-commerce platform profitably. If we do not succeed in doing so, the development of specialised internet selling platforms offering lower quality cars at lower prices (usually on customers' expense due to the avoidance of certain basic procedures, such as inspection of the legal title or technical condition of the vehicle) can adversely affect our margins.



***Our capital costs and our results of operations may be materially and adversely affected by a rising interest rate environment.***

We finance our purchases of used vehicle inventory through short-term financing (1 year) on the basis of overdraft provided by cooperating leasing companies or their group subsidiary companies secured by our car inventory under which we are charged interest at floating rates. We obtain capital for acquisitions and for certain working capital purposes under a similar arrangement. As a result, our debt service expenses may rise with increases in interest rates. Rising interest rates may also have the effect of depressing demand in particular our used vehicle business, because many of our customers finance their vehicle purchases. As a result, rising interest rates may have the effect of simultaneously increasing our costs and reducing our revenues.

### **Risks Relating to the Czech Republic and Other CEE Countries**

***Social, economic or political developments in the Czech Republic and other CEE countries could have a material adverse effect on our business, prospects, financial condition or results of operations.***

Investing in the Offer Shares may involve a higher degree of risk than that involved in the securities of issuers operating in more developed markets. Our operations in the Czech Republic and in other CEE countries are exposed to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including currency fluctuations, evolving regulatory environment, inflation, economic recession, local market disruption, labour unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth, expected declines in birth rate and other similar factors.

In particular, the Czech Republic, where a majority of our operations is located, has undergone dramatic economic reform since 1989 and public discussion still continues as to the need to reform pension and healthcare systems and to balance the fiscal budget. A failure to safeguard the sustainability of the public finances could potentially destabilise the Czech koruna against foreign currencies, increase inflation and the borrowing costs of the Czech Republic through lower debt ratings and deteriorate the overall economic situation, which may thereby adversely affect us. While political parties in the Czech Republic acknowledge this problem, they have not reached a political agreement on a solution acceptable to all involved parties. Even if an agreement is reached on reforms among political parties in the Czech Republic, no assurance can be given that any such reforms will not adversely affect our business, prospects, financial condition or results of operations.

Many of these factors are entirely beyond our control. Adverse social, economic or political developments in the markets where we operate may have an adverse effect on the overall stability of the CEE region and subsequently on our business, prospects, financial condition or results of operations.

***We could incur unforeseen tax penalties and/or sanctions.***

Changing interpretations of tax regulations by the tax authorities, extended time periods relating to overdue liabilities and the possible imposition of high penalties and other sanctions result in the tax risks being significantly higher in the Czech Republic and other CEE countries than in countries with more mature tax systems.

***The legal systems and procedural safeguards in the Czech Republic and other CEE countries are not fully developed yet.***

The legal systems of the Czech Republic and other CEE countries have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in an inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. This is especially true for Romania where we have started operations in 2005.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in the Czech Republic and other CEE countries, they lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be more frequent and less predictable than in the countries of Western Europe. Moreover, a lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on our business, financial condition, results of operations or prospects.

### **Risks Relating to the Offering and the Offer Shares**

***The Principal Shareholder will continue to exercise significant control over the Group after the Offering, and its interest may differ from ours and those of our other shareholders.***

After the completion of the Offering, the Principal Shareholder will own approximately 73.8% of our Shares, assuming the maximum number of Offer Shares is issued, a final Offer Price of EUR 2.25 and no exercise of the Over-allotment Option. The Principal Shareholder will thus keep the power to control and/or significantly influence the results of shareholders votes, including (but not limited to) the election of our board of directors and the entering into transactions involving a potential change of control. The Principal Shareholder may support strategies and directions that are in its best interest but these may differ from the interests of the Group and our other shareholders.

***Investors cannot rely on dividend income from the Shares.***

As a holding company whose principal assets are the shares of our subsidiaries, we rely primarily on dividends and other statutorily permissible payments from our subsidiaries to generate funds necessary to meet our obligations and to pay dividends to our shareholders as planned. See “*Dividend Policy*”. The regulatory systems under which some of our subsidiaries operate may restrict their ability to pay dividends. Due to all these factors, we might not be able to pay dividends and therefore investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation, if any, in the price of the Shares.

***The Shares may be subject to market price volatility, and the market price of the Shares may decline disproportionately in response to adverse developments that are unrelated to operating performance.***

The price of the Shares may experience significant fluctuation on the PSE and the BSE. In recent years, price and volume fluctuations on the PSE and the BSE have been significant and such fluctuations have often been unrelated or disproportionate to the operating performance of companies whose securities are traded on the PSE or the BSE. The trading price of the Shares could be subject to significant volatility in response to certain factors, such as:

- general investor perceptions relating to companies and investments located in the Czech Republic, Hungary, the CEE region and/or emerging and developing markets generally;
- changes in the public perception or expectations regarding our operational results, financial condition or future financial performance;
- announcements of differences between our expected and actual operating or financial results;
- regulatory actions that affect our business;
- the performance of our competitors and announcements by us or our competitors of significant events, such as contracts, acquisitions, joint ventures, capital commitments, new product offerings or changes in pricing policies;
- general volatility of the Czech and Hungarian securities markets and of other emerging securities markets;
- the depth and liquidity of the market for the Shares;

- announcements by third parties of significant claims or proceedings against us; and
- other events or factors, many of which are beyond our control.

***Volatility in other emerging securities markets may increase the volatility of the trading price of the Shares.***

The Czech and Hungarian securities markets are influenced by economic developments and volatility in other emerging securities markets. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries. Negative economic developments, such as rising fiscal or trade deficits, or a default on sovereign debt, in other emerging securities markets may affect investors' confidence and cause increased volatility of the trading price of the Shares.

***If a substantial number of additional Shares are offered for sale, the trading price of the Offer Shares may be depressed.***

Sales of additional Shares into the public market following the Offering, whether on the PSE or on the BSE, could adversely affect the market price of the Offer Shares. Upon consummation of the Offering, 17,757,875 Shares will be issued and outstanding (plus up to 1,775,788 Shares, if the Over-allotment Option is exercised in full), assuming the maximum number of Offer Shares is issued, a final Offer Price of EUR 2.25 and no exercise of the Over-allotment Option. The Company and the Principal Shareholder will undertake with the Global Coordinator that subject to certain exceptions between the date of this Prospectus and the date falling 180 days thereafter for the Company and 360 days thereafter for the Principal Shareholder, they will not, without the prior written consent of the Global Coordinator, issue, offer, pledge, sell, contract to sell any equity securities in the Company or any securities convertible into or exchangeable for equity securities in the Company. The Global Coordinator may release the Shares from the lock-up in its sole discretion at any time and without prior public announcement. Substantially all of the Shares that are not subject to the lock-up, which is expected to be approximately 71.9% of our share capital if the Over-allotment Option is exercised in full, will be freely tradable on the PSE and the BSE immediately after the Offering. Upon expiration of the lock-up period (or earlier with consent), all of the Shares will be available for sale on the PSE and the BSE. Sales of substantial amounts of Shares, or the availability of the Shares for sale, could decrease the market price of the Shares.

***If no trading market develops for the Offer Shares, investors may experience difficulties in selling the Offer Shares.***

Prior to the Offering, there has been no trading market for the Offer Shares. After the Offering, there will be no public market for the Offer Shares outside of the Czech Republic and Hungary. There is no assurance that any active trading market for the Offer Shares will develop or be sustained after the Offering, or that the Offer Price will correspond to the price at which the Offer Shares will trade in the public market subsequent to the Offering.

***The PSE and BSE are substantially smaller and less liquid than securities markets in certain other countries, such as those in the United States or the United Kingdom.***

As of 31 May 2007, shares representing 31 companies were registered for trading on the PSE and shares representing 41 companies were registered for trading on the BSE with a market capitalisation of approximately CZK 1,780 billion and HUF 8,267 billion, respectively. The equity securities of 10 companies were registered for trading on the main market of PSE and represented 96.2% of the total equity market capitalisation as of end of May 2007 and the trade value of equities listed on the main market represented 97.8% of shares' trade value in 2006. At the BSE, the equity securities of 18 companies were registered for the trading in the "A" category and represented 95.5% of the total equity market capitalisation as of end of May 2007 and trade value of equities listed in the "A" category represented 99.3% of shares' trade value in 2006. Accordingly, a very small number of companies represent the gross majority of the market capitalisation and trading volumes of both the PSE and BSE.

There is no guarantee that the Offer Shares, even though expected to be listed on the main market of the PSE and the “A” category of the BSE, will be actively traded, and if they are not, this is likely to increase their price volatility and/or adversely affect the price of the Offer Shares.

***We may be unable to list the Shares on the PSE or the BSE.***

The admission of our Shares to trading on both the PSE and on the BSE requires that the CNB and the HFSA respectively receive a certificate from the AFM confirming that this Prospectus has been approved in the Netherlands by the AFM as competent authority in the Netherlands under the FSA, and that both the PSE and BSE approve the listing and trading on their stock exchange. We intend to take all the necessary steps to ensure that our Shares are admitted to trading on both the PSE and the BSE as soon as possible after the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the PSE and on the BSE on the expected date or at all.

***Trading in the Shares may be suspended and/or the Shares may be excluded from trading on the PSE, the BSE or both.***

Both the PSE and the BSE have the right to suspend trading in shares of a listed company if such company fails to comply with the regulations of the exchange (such as for example specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants or the orderly functioning of the market is temporarily endangered. There can be no assurance that trading in our Shares will not be suspended. Any suspension of trading could adversely affect the trading price of the Shares.

Moreover, if a company listed on the PSE or the BSE fails to fulfil certain requirements or obligations under the applicable laws and regulations, and/or if the orderly stock exchange trading, the safety of trading thereon or investors’ interests are endangered, the Shares can be excluded from trading on the respective stock exchange. In particular, as regards the PSE, the Shares could be excluded from trading where, among others: (i) transferability of the Shares is restricted; (ii) if the Shares cease to exist in a book-entry form (although shares in certificated form may be traded on the PSE); or (iii) upon instruction by the CNB. There can be no assurance that such a situation will not occur in relation to our Shares.

***The HFSA may undertake actions which may affect the success or the timing of the Offering or the listing of the Shares and the Offer Shares on the BSE.***

The HFSA may suspend the offering of securities and the trading of investment instruments in the case the offering of securities is in breach of any of the provisions of Hungarian law.

The HFSA is entitled to impose a fine on issuers or any other persons; the amount of the fine depends on the obligation breached. Generally, fines vary between HUF 50,000 and HUF 5,000,000 (or EUR 200 and EUR 19,956 respectively, based on the HUF Reference Rate on 3 August 2007) for the breach of law, negligence or late compliance with the obligations.

If the issuer to whom the Republic of Hungary is a host state breaches or is reasonably suspected to have breached Hungarian law, the HFSA must notify the competent authority of the issuer in such issuer’s home state. If the competent authority of the issuer’s home state does not undertake the measures to prevent further violation of the statutory provisions or if such measures prove ineffective following the receipt of such notification referred to above, the HFSA may, with a view to protecting the interests of investors and having first notified such home authority, apply sanctions in respect of the issuer. The HFSA must simultaneously notify the European Commission of the measures applied by it.

There can be no assurance that the events described above will not occur in relation to the Company, the Shares and/or the Offer Shares, the Offering and the applying for the admission of the Shares and the Offer Shares to listing on a regulated market operated by the BSE.

***Initial Czech settlement of the Shares in Univyc and settlement of secondary trades of the Shares on the PSE may be subject to disruptions which could adversely affect the liquidity of the Shares.***

Univyc will act as the settlement centre for the initial settlement of the Offer Shares for successful applicants. It will also act as the settlement centre for the settlement of the secondary trades of the Offer Shares on the PSE. For these purposes, Univyc will hold the relevant Shares on its account opened with Clearstream and will credit such Shares in its book-entry systems for the benefit of the Univyc account-holders. Currently, only seven other share issues listed on the PSE are registered and settled through Univyc used as a bridge to Clearstream. There is no assurance that Univyc will not experience difficulties in communicating with Clearstream, difficulties in administering accounts of Univyc's accountholders or other disruptions to its standard operating procedures, including both the possibility of system failure and/or human error. Such difficulties or disruptions could adversely affect the initial settlement of the Offer Shares in the Offering, settlement of the secondary trades of the Offer Shares on the PSE and/or the exercise of the shareholder rights by the Univyc accountholders. Univyc's inability to settle in a timely manner its trades executed on the PSE could also negatively impact the liquidity of the Offer Shares on the PSE. See "*Settlement and Delivery*".

***Initial Hungarian settlement of the Shares in Keler and settlement of secondary trades of the Shares on the BSE may be subject to disruptions which could adversely affect the liquidity of the Shares.***

Keler will act as the settlement centre for the initial settlement of the Offer Shares for successful applicants. It will also act as the settlement centre for the settlement of the secondary trades of the Offer Shares on the BSE. For these purposes, Keler will hold the relevant Shares on its account opened with Clearstream and will credit such Shares in its book-entry systems for the benefit of the Keler account-holders. Currently, only one other share issues listed on the BSE are registered and settled through Keler used as a bridge to Clearstream. There is no assurance that Keler will not experience difficulties in communicating with Clearstream, difficulties in administering accounts of Keler's accountholders or other disruptions to its standard operating procedures, including both the possibility of system failure and/or human error. Such difficulties or disruptions could adversely affect the initial settlement of the Offer Shares in the Offering, settlement of the secondary trades of the Offer Shares on the BSE and/or the exercise of the shareholder rights by the Keler accountholders. Keler's inability to settle in a timely manner its trades executed on the BSE could also negatively impact the liquidity of the Offer Shares on the BSE. See "*Settlement and Delivery*".

***We are established and organised under the laws of the Netherlands.***

We are a company organised and existing under the laws of the Netherlands. Accordingly, our corporate structure as well as the rights and obligations of our shareholders may be different from the rights and obligations of shareholders in companies listed on the PSE and BSE. The exercise of certain shareholders' rights for Czech, Hungarian or other non-Dutch investors in a Dutch company may be more difficult and costly than the exercise of rights in a Czech or Hungarian company. Resolutions of the general meeting of shareholders may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Czech or Hungarian companies.

***The rules applicable on takeovers of foreign companies listed on regulated markets in the Czech Republic are unclear and a shareholder of the Group might not be able to pursue its rights under the Takeover Directive.***

There is a significant risk that, as the Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the "**Takeover Directive**") has not been fully implemented in the Czech Republic and the CNB has not been appointed as the supervising authority for the purposes of supervising the compliance with the rules under the Takeover Directive, the CNB will not accept the competence of the supervising authority in accordance with the Takeover Directive. As a result it is unclear which rules are applicable on takeovers of foreign companies listed on regulated markets in the Czech Republic and a shareholder of the Group might not be able to pursue its rights under the Takeover Directive.

***The rules applicable on takeovers of foreign companies listed on the BSE and rules applicable to notification obligation upon the acquisition of a significant participation.***

In line with the Act CXX of 2001 on the Capital Market (the “**Hungarian Capital Markets Act**”) as regards the supervision of the takeover procedure, if the Shares have been introduced to more regulated markets within the European Union simultaneously, the Company may decide which authority will have power to supervise a public takeover as regards the Company. Authorities must be notified by the Company on the first trading day at the choice of the Company.

Reporting obligations must be complied with in accordance with the Hungarian Capital Markets Act towards the HFSA and no choice of supervisory authority may be made. Upon the acquisition or disposal of a participation in the Company whereby the influence of the acquiring or disposing party exceeds or falls below 5% (then 10%, 15%, 20% up to 50%; above 50% only the acquisition/disposal of 75%, 80%, 85%, 90% or above 90% each per cent) must be reported pursuant to the applicable Hungarian legal requirements to the Management Board of the Company and to HFSA. Simultaneously a publication must also be made in accordance with the Hungarian Capital Markets Act.

## IMPORTANT INFORMATION

**Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus entirely and, in particular the factors set forth under the heading “Risk Factors”, when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and not rely on the information contained in this Prospectus.**

Prospective investors should familiarise themselves with all acts and other legal regulations governing the subscription, holding or purchase of the Shares, and, in particular, to seek advice from their legal and tax advisors regarding: (i) requirements for acquisition and holding of the Shares imposed by legal regulations of the Czech Republic, Hungary, the Netherlands and the jurisdictions where the investors are residents; (ii) foreign exchange regulations for acquisition and holding of the Shares as well as receipt of payments under the Shares in the Czech Republic, Hungary, the Netherlands and the jurisdictions where the investors are residents; and (iii) tax implications resulting from acquisition, holding, sale, acceptance of dividends in the Czech Republic, Hungary, the Netherlands and the jurisdictions where the investors are residents, and to observe all legal regulations.

This Prospectus has been prepared on the basis that, once it has been approved by the AFM and notified to the CNB and HFSA, the Offering will be made to the public exclusively in the Czech Republic and Hungary.

### **Responsibility for this Prospectus**

The Company accepts responsibility for the information contained in this Prospectus. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. Neither the delivery of the Prospectus at any time nor any purchase made under the Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since, or that the information contained herein is correct as of any time subsequent to, the date of this Prospectus. Neither the Managers nor the legal advisers to the Company accept responsibility whatsoever for the contents of this Prospectus, or for its transaction, or for any other statement made or purported to be made by any of them or on their behalf in connection with us. The Managers and the legal advisers to the Company accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement.

Prior to publication of this Prospectus, there may have been press and media coverage regarding the Group and the Offering, which might have included certain financial information, operational information, financial projections and other information that does not appear in this Prospectus. The Company has not authorised the disclosure of any such information in the press or the media and does not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. No person has been authorised to give any information or make any representations other than those contained in this Prospectus. Accordingly, prospective investors should not rely on any such information as having been authorised by the Company and in making a decision as to whether to purchase the Offer Shares, investors should rely only on the financial, operational and other information included in this Prospectus.

By admitting the Shares to trading on the main markets of the PSE and BSE, these stock exchanges do not assume any liability in connection with or arising out of the Shares.

### **Notice to Prospective Investors**

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. No action has been or will be taken in any jurisdiction that would permit a public

offering of the Offer Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction other than the Czech Republic and Hungary. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country of jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer, subscription and sale of the Offer Shares including those set out below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY. SUBJECT TO CERTAIN EXCEPTIONS, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Prospectus has been prepared on the basis that any offer of the Offer Shares other than pursuant to the Offering will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus. Accordingly any person making or intending to make any offer of Offer Shares within the EEA should only do so in circumstances in which no obligation arises for the Company or the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorised, nor do they authorise, the making of any offer of Offer Shares through any financial intermediary, other than pursuant to the Offering.

The Company and the Managers reserve the right, in their sole and absolute discretion, to reject any purchase of Offer Shares that the Company or the Managers or any agents thereto believe may give rise to a breach or a violation of any law, rule or regulation. Further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Prospectus is set out under the caption “*Selling Restrictions*”.

In the ordinary course of its business, the Global Coordinator, directly or through its affiliates, may have engaged, and in the future may engage, in commercial banking, investment banking, private banking, advisory and/or consulting services with us and our affiliates for which it has been or will be paid customary fees. In addition, the Global Coordinator may have held and in the future may hold our securities for investment purposes in the ordinary course of its business.

The Global Coordinator has in the past provided, and may in the future from time to time provide, investment banking services to us for which it has in the past received, and may in the future receive, fees and commissions and may come to have interests that may not be aligned or could potentially conflict with your and our interest.

In connection with the Offering, the Global Coordinator and any of its affiliates, acting as an investor for its own account, may take up the Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities or related investments and may offer or sell such securities or other related investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Shares being offered or placed should be read as including any offering or placement of securities to the Global Coordinator and any of its affiliates acting in such capacity. The



Global Coordinator does not intend to disclose any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Global Coordinator has indicated that it does not accept responsibility to any potential investors for providing protections or for rendering advice in relation to the Offering, the contents of the Prospectus or any transaction or arrangement or other matter referred to in this Prospectus.

## **Stabilisation**

During a period of 30 days following the date of adequate public disclosure of the final Offer Price, the Global Coordinator, as the stabilising manager, or its affiliates may (but are not obliged to) purchase and sell the Shares in the open market in compliance with applicable law in particular the provision of European Commission Regulation No.2273/03 of 22 December 2003 regarding implementation of Directive 2003/06/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (the “**Stabilisation Regulation**”), implemented in relation to transactions carried out in the Czech Republic by Act No. 256/2004 coll., as amended with a view to stabilising or maintaining the price of the Shares on the main markets of the PSE (the “**Stabilisation Transactions**”). In compliance with Article 10-1 of the Stabilisation Regulation, the Stabilisation Transactions may not be effected at a price greater than the final Offer Price. The Stabilisation Transactions may affect the market price of the Shares and may result in a price for the Shares that is higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Global Coordinator or its affiliates at any time. The Global Coordinator may over-allot up to the number of Offer Shares covered by the Over-allotment Option.

## **Presentation of Financial and Other Information**

### *Presentation of Financial Information*

In this Prospectus, the “**Group**”, “**we**”, “**us**” and similar terms refer to AAA Auto Group N.V. and its subsidiaries, unless the context requires otherwise.

This Prospectus contains audited consolidated financial statements for the Company prepared in accordance with International Financial Reporting Standards (the “**IFRS**”) as at and for the years ended 31 December 2006, 2005 and 2004, including the notes thereto (the “**Financial Statements**”).

### *Statutory Auditors*

The Company’s Financial Statements were audited in accordance with the International Standards on Auditing (the “**ISA**”) by BDO CampsObers Audit & Assurance B.V., with its registered office at Krijgsman 9, 1186 DM Amstelveen, the Netherlands, who examined these statements and issued an unqualified audit opinion appearing herein. BDO CampsObers Audit & Assurance B.V. is registered with the relevant Dutch authorities.

### *Currency*

The Company presents its financial statements in euro, unless otherwise specified or the context otherwise requires. In this Prospectus, the following currency terms are used:

- “**Euro**”, “**EUR**” or “**€**” means the lawful currency of the Member States that adopted the single currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Union, as amended;
- “**Czech koruna**” or “**CZK**” means the lawful currency of the Czech Republic;
- “**Slovak koruna**” or “**SKK**” means the lawful currency of Slovakia;
- “**Hungarian forint**” or “**HUF**” means the lawful currency of Hungary;

- “**Polish zloty**” or “**PLN**” means the lawful currency of Poland; and
- “**Romanian leu**” or “**RON**” means the lawful currency of Romania.

### *Rounding*

Some numerical and percentage amounts included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical and percentage amounts shown as totals in certain tables may not be an arithmetic aggregation of the amounts that preceded them.

### *Exchange Rates*

The following tables set forth, for the periods indicated, certain information regarding the exchange rates for the Czech koruna, Slovak koruna, Hungarian forint, Polish zloty, Romanian leu (each a “**Reference Rate**”) and Euro, as reported by the website of the European Central Bank expressed as the relevant local currency per EUR 1.00. This rate may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Prospectus. We make no representation that amounts in local currencies or Euro referred to in this Prospectus have been, could have been or could, in the future be converted into Euro or any other of the local currencies, as the case may be, at any particular rate, if at all.

The following table sets forth exchange rate of Czech koruna and Euro:

| <b>Year</b>                        | <b>CZK per EUR 1.0</b> |            |                              | <b>Period End</b> |
|------------------------------------|------------------------|------------|------------------------------|-------------------|
|                                    | <b>High</b>            | <b>Low</b> | <b>Average<sup>(1)</sup></b> |                   |
| 2004.....                          | 33.33                  | 30.40      | 31.90                        | 30.46             |
| 2005.....                          | 30.55                  | 28.86      | 29.79                        | 29.00             |
| 2006.....                          | 29.04                  | 27.42      | 28.34                        | 27.49             |
| January through 31 July 2007 ..... | 28.77                  | 27.46      | 28.24                        | 28.01             |

Note:

<sup>(1)</sup> The average of the CZK Reference Rates on the last business day of each month during the relevant period.

The following table sets forth exchange rate of Slovak koruna and Euro:

| <b>Year</b>                        | <b>SKK per EUR 1.0</b> |            |                              | <b>Period End</b> |
|------------------------------------|------------------------|------------|------------------------------|-------------------|
|                                    | <b>High</b>            | <b>Low</b> | <b>Average<sup>(1)</sup></b> |                   |
| 2004.....                          | 41.17                  | 38.62      | 39.79                        | 38.80             |
| 2005.....                          | 39.78                  | 37.56      | 38.61                        | 37.85             |
| 2006.....                          | 38.71                  | 34.34      | 37.22                        | 34.57             |
| January through 31 July 2007 ..... | 35.28                  | 32.88      | 34.03                        | 33.42             |

Note:

<sup>(1)</sup> The average of the SKK Reference Rates on the last business day of each month during the relevant period.

The following table sets forth exchange rate of Hungarian forint and Euro:

| <b>Year</b>                        | <b>HUF per EUR 1.0</b> |            |                              | <b>Period End</b> |
|------------------------------------|------------------------|------------|------------------------------|-------------------|
|                                    | <b>High</b>            | <b>Low</b> | <b>Average<sup>(1)</sup></b> |                   |
| 2004.....                          | 270.00                 | 243.42     | 251.76                       | 245.93            |
| 2005.....                          | 255.93                 | 241.42     | 248.04                       | 252.73            |
| 2006.....                          | 282.69                 | 249.55     | 263.80                       | 252.30            |
| January through 31 July 2007 ..... | 258.46                 | 244.96     | 250.58                       | 250.55            |

Note:

<sup>(1)</sup> The average of the HUF Reference Rates on the last business day of each month during the relevant period.

The following table sets forth exchange rate of Polish zloty and Euro:

| Year                               | PLN per EUR 1.0 |      |                        |            |
|------------------------------------|-----------------|------|------------------------|------------|
|                                    | High            | Low  | Average <sup>(1)</sup> | Period End |
| 2004.....                          | 4.91            | 4.05 | 4.53                   | 4.08       |
| 2005.....                          | 4.26            | 3.82 | 4.02                   | 3.86       |
| 2006.....                          | 4.11            | 3.76 | 3.90                   | 3.83       |
| January through 31 July 2007 ..... | 3.94            | 3.74 | 3.84                   | 3.79       |

Note:

<sup>(1)</sup> The average of the PLN Reference rates on the last business day of each month during the relevant period.

The following table sets forth exchange rate of Romanian leu and Euro:

| Year                               | RON per EUR 1.0 |      |                        |            |
|------------------------------------|-----------------|------|------------------------|------------|
|                                    | High            | Low  | Average <sup>(1)</sup> | Period End |
| 2004.....                          | 4.14            | 3.76 | 4.05                   | 3.97       |
| 2005.....                          | 3.93            | 3.40 | 3.62                   | 3.68       |
| 2006.....                          | 3.64            | 3.37 | 3.52                   | 3.38       |
| January through 31 July 2007 ..... | 3.41            | 3.11 | 3.29                   | 3.17       |

Note:

<sup>(1)</sup> The average of the Ron Reference Rates on the last business day of each month during the relevant period.

## Market, Economic and Industry Data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Company's knowledge of sales and markets. In certain cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, none of the Company or the Managers have independently verified that data and therefore cannot guarantee their accuracy or completeness. Information in this Prospectus which is based on third-party sources has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, none of the Company or the Managers can assure investors of the accuracy and completeness of, or takes any responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Prospectus.

The Company has included its own estimates, assessments, adjustments and judgements in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed exclusively to a third party source, to a certain degree subjective. While the Company believes that its own estimates, assessments, adjustments and judgements are reasonable and that the market information prepared by the Company appropriately reflects the industry and the markets in which it operates, there is no assurance that the Company's own estimates, assessments, adjustments and judgements are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein. The Company does not intend, and does not assume, any obligations to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result,

investors should be aware that data in this Prospectus and estimates based on that data may not be reliable indicators of future results.

### **Documents Incorporated by Reference**

In making an investment decision, investors must rely on their own examination of the Company and the Group and the terms of the Offering, including the merits and risks involved. Any decision to purchase the Offer Shares should be based solely on the information contained in this Prospectus. No documents or contents of any website (including the contents of the Company's website), are incorporated by reference in this Prospectus and any decision to purchase the Offer Shares should not be made in reliance on such information.

### **Forward-Looking Statements**

This Prospectus contains statements under the captions "Summary", "Risk Factors", "Operating and Financial Review" and elsewhere that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes", "estimates", "anticipates", "expects", "predicts", "projects", "aims", "anticipates", "intends", "targets", "may", "will", "plans", "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements appear in a number of places throughout this Prospectus and include but are not limited to, statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, growth strategies and dividend policy of the Company and the markets in which it, directly and indirectly, will invest or currently operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Company's operations, financial condition and liquidity, and the development of the countries and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Company operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Prospectus and include, among others, the following:

- overall business conditions, including competition in the industries in which the Company participates;
- changes in demand for the Company's products and services;
- governmental factors, including the costs of compliance with regulations and the impact of regulatory changes;
- macroeconomic factors, in particular rising interest rates and economic growth in the countries in which the Company operates;
- the success of the Company's strategy of expansion into new markets; and
- the timing, impact and other uncertainties of future actions, including the factors described under "*Risk Factors*".

**These and other factors are discussed in more detail in the section entitled “*Risk Factors*” which should be read in conjunction with other cautionary statements that are included in this Prospectus. Many of these factors are beyond the Company’s control. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. Subject to applicable regulation, the Company does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set out in this Prospectus, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision and should not place undue reliance on these forward-looking statements, which are based on facts known to us only as of the date of this Prospectus.**

## SELECTED FINANCIAL INFORMATION

The selected financial data provided below have been derived from, and should be read in conjunction with, and are qualified in their entirety by, the Company's Financial Statements for the years ended 31 December 2006, 2005 and 2004 included in this Prospectus, starting on page F-1, which were prepared in accordance with IFRS and audited by BDO CampsObers Audit & Assurance B.V.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report in respect of such financial statements included herein. See also "Presentation of Financial and Certain Other Information" above.

### **Consolidated Income Statement**

|  | Years ended 31 December           |                |                |
|--|-----------------------------------|----------------|----------------|
|  | 2004                              | 2005           | 2006           |
|  | <i>(amounts in EUR thousands)</i> |                |                |
| <b>Total revenues</b> .....            | <b>224,831</b>                    | <b>269,863</b> | <b>348,417</b> |
| Revenues from cars .....               | 198,344                           | 241,081        | 313,297        |
| Revenues from financial services ..... | 23,056                            | 24,712         | 28,355         |
| Other revenues .....                   | 3,431                             | 4,070          | 6,765          |
| <b>Gross profit</b> .....              | <b>41,251</b>                     | <b>49,676</b>  | <b>63,899</b>  |
| Operation expenses .....               | 35,409                            | 41,147         | 48,963         |
| <b>Profit for the year</b> .....       | <b>1,450</b>                      | <b>2,369</b>   | <b>7,068</b>   |

### **Consolidated Balance Sheet**

|                                     | As at 31 December                 |               |               |
|-------------------------------------|-----------------------------------|---------------|---------------|
|                                     | 2004                              | 2005          | 2006          |
|                                     | <i>(amounts in EUR thousands)</i> |               |               |
| <b>Assets</b> .....                 | <b>50,348</b>                     | <b>67,952</b> | <b>98,722</b> |
| Non current assets .....            | 18,736                            | 23,883        | 39,818        |
| Current assets <sup>(1)</sup> ..... | 31,612                            | 44,069        | 58,904        |
| <b>Equity</b> .....                 | <b>2,636</b>                      | <b>5,739</b>  | <b>17,550</b> |
| <b>Liabilities</b> .....            | <b>47,712</b>                     | <b>62,213</b> | <b>81,172</b> |
| Non current liabilities .....       | 22,950                            | 32,012        | 37,081        |
| bank and other liabilities .....    | 22,484                            | 31,300        | 36,047        |
| other non current liabilities ..... | 466                               | 712           | 1,034         |
| Current liabilities .....           | 24,762                            | 30,201        | 44,091        |

Note:

<sup>(1)</sup> Includes inventory, EUR 20,605,000, EUR 29,376,000 and EUR 38,197,000 as of 31 December 2004, 2005 and 2006, respectively.

### **Consolidated Cash Flow Statement**

|  | Years ended 31 December           |         |          |
|--|-----------------------------------|---------|----------|
|  | 2004                              | 2005    | 2006     |
|  | <i>(amounts in EUR thousands)</i> |         |          |
| Cash flows from operating activities .....                 | (2,899)                           | (8,028) | (2,418)  |
| Net cash used in investing activities .....                | (8,135)                           | (6,913) | (15,402) |
| Net cash from financing activities .....                   | 12,102                            | 14,160  | 17,946   |
| Net increase (decrease) in cash an cash equivalents .....  | 1,068                             | (781)   | 126      |
| Net foreign exchange difference .....                      | (98)                              | 104     | 42       |
| Cash and cash equivalents at the beginning of period ..... | 2,675                             | 3,645   | 2,968    |
| Cash and cash equivalents at the end of period .....       | 3,645                             | 2,968   | 3,136    |

## Other Financial Data

|                                   | Years ended 31 December           |              |               |
|-----------------------------------|-----------------------------------|--------------|---------------|
|                                   | 2004                              | 2005         | 2006          |
|                                   | <i>(amounts in EUR thousands)</i> |              |               |
| <b>EBITDA<sup>(1)</sup></b> ..... | <b>5,842</b>                      | <b>8,529</b> | <b>14,936</b> |
| Depreciation .....                | 1,607                             | 1,952        | 2,382         |
| <b>EBIT<sup>(2)</sup></b> .....   | <b>4,235</b>                      | <b>6,577</b> | <b>12,554</b> |

Notes:

<sup>(1)</sup> EBITDA is obtained by adding the profit before tax, finance cost and depreciation (data from the consolidated income statement).

$$\text{EBITDA 2004} = 2,145 + 2,090 + 1,607 = 5,842$$

$$\text{EBITDA 2005} = 3,573 + 3,004 + 1,952 = 8,529$$

$$\text{EBITDA 2006} = 9,701 + 2,853 + 2,382 = 14,936$$

<sup>(2)</sup> EBIT is calculated as profit before tax plus finance costs (data from the consolidated income statement).

$$\text{EBIT 2004} = 2,145 + 2,090 = 4,235$$

$$\text{EBIT 2005} = 3,573 + 3,004 = 6,577$$

$$\text{EBIT 2006} = 9,701 + 2,853 = 12,554$$

## USE OF PROCEEDS

We intend to raise approximately EUR 39.96 million in gross proceeds from the issue of the Offer Shares in the Offering, assuming that the final Offer Price is EUR 2.25, the maximum number of Offer Shares is issued and the Over-allotment Option is not exercised. The net proceeds which we will receive from the issue of Offer Shares in the Offering are estimated to be up to approximately EUR 37.56 million after deducting the estimated commissions, costs and expenses in the amount of approximately EUR 2.40 million. We will publish final details of the net proceeds within two weeks of the Settlement Date by way of a press release and in a manner consistent with Czech, Hungarian and Dutch law.

The purpose of the Offering is to facilitate the continued growth and development of the Company. We intend to use the net proceeds from the Offering to:

- finance general corporate core business expansion, including acquisition or development of new car retail sales centres in the Czech Republic, Slovakia, Poland and Hungary (approximately EUR 24.03 million);
- reduce the outstanding working capital loan facilities financing of the stock of vehicles (approximately EUR 5 million); and
- partially repay the outstanding shareholder's loan, including the accrued interest to the Principal Shareholder (approximately EUR 8.53 million).

Any excess funds will be used for general corporate purposes.



## **DIVIDEND POLICY**

Our general dividend policy following the Offering is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. We target a maximum dividend amount of up to 20% of our consolidated net earnings. Any recommendation to pay dividends on the Shares in the future will be at the discretion of the Management Board and will be dependent upon our results of operations, expansions, financial condition, working capital requirements, capital expenditures, the availability of dividend payments from its subsidiaries, the requirements of applicable law and other factors deemed relevant by the Management Board.

No dividends were paid prior to December 2006. In June 2006, the general meeting of shareholders of GLOBAL DIRECT s.r.o. approved the payment of dividend to the Company in the amount of EUR 1.05 million and to the minority shareholder in the amount of EUR 0.06 million. The dividend was paid to the Company in December 2006 and to the minority shareholder in March 2007.

In June 2007, the general meeting of shareholders of AAA AUTO a.s. and AUTOCENTRUM AAA AUTO a.s. approved the payment of a dividend to the Company in the amount of EUR 5.50 million from AAA AUTO a.s. and EUR 2.36 million from AUTOCENTRUM AAA AUTO a.s. Subsequently, the general meeting of shareholders of the Company approved a payment of a dividend to the Principal Shareholder in the amount of EUR 7.86 million.

## CAPITALISATION AND INDEBTEDNESS

The table below sets forth the consolidated unaudited capitalisation of the Company as of 30 June 2007, which was derived from the interim management accounts prepared in accordance with IFRS on: (i) an actual basis; and (ii) as adjusted to reflect the assumed gross proceeds of the sale of the Offer Shares of EUR 39.96 million assuming the sale of 17,757,875 Offer Shares at an assumed Offer Price of EUR 2.25 and no exercise of the Over-allotment Option less the estimated commissions, costs and expenses related to the Offering of EUR 2.40 million. This table should be read in conjunction with the Financial Statements and related notes, included elsewhere in this Prospectus. See also “*Operating and Financial Review*”.

A EUR 0.10 increase (decrease) in the assumed Offer Price of EUR 2.25 would increase (decrease) each of additional paid-in capital and total stockholders’ equity by EUR 1.80 million, assuming the number of Offer Shares, as set forth on the cover of this document, remains the same and after deducting the estimated commissions, costs and expenses payable by the Company in connection with the Offering.

|  | As of 30 June 2007               |                |
|--|----------------------------------|----------------|
|  | Actual                           | As adjusted    |
|  | <i>(amounts in EUR thousand)</i> |                |
| <b>Short term debt</b>                           |                                  |                |
| Short term bank borrowings .....                 | 2,973                            | 2,973          |
| Overdraft .....                                  | 19,257                           | 19,257         |
| Stock financing .....                            | 17,044                           | 12,044         |
| Related parties debts .....                      | 95                               | 95             |
| Current maturities of long term debt .....       | 7,787                            | 7,787          |
| <b>Total short term debt</b> .....               | 47,156                           | 42,156         |
| Long term debt (net of current maturities) ..... | 11,798                           | 11,798         |
| Shareholders loans .....                         | 22,010                           | 13,480         |
| <b>Total long term debt</b> .....                | 33,808                           | 25,278         |
| <b>Share capital<sup>(1)</sup></b> .....         | 5,000                            | 42,560         |
| <b>Total capitalisation</b> .....                | <b>85,964</b>                    | <b>109,994</b> |

Note:

<sup>(1)</sup> Translation reserve and accumulated profits (losses) not included.

Since 30 June 2007, there have been no material changes to the table above except for the following:

- We have entered into three new loan agreements in the Czech Republic (a new loan agreement in the amount of CZK 55 million (EUR 1.98 million) with Československá obchodní banka, a.s., another new loan agreement in the amount of CZK 30 million (EUR 1.08 million) with Československá obchodní banka, a.s., and a new loan agreement in the amount of CZK 70 million (EUR 2.52 million) with HSBC BANK PLC, a.s.) and one new loan agreement in Hungary (in the amount of HUF 140 million (EUR 0.55 million) with HiTex Zrt.).
- We have increased existing loan limits with sAutoúvěr, a.s. from CZK 70 million to CZK 100 million (increase by EUR 1.08 million), with Všeobecná úverová banka, a.s. from SKK 80 million to SKK 100 million (increase by EUR 0.59 million), with B.R.D. – Groupe Societe Generale from EUR 1.5 million to EUR 2.5 million (increase by EUR 1 million), with Budapest Bank Nyrt. from HUF 280 million to HUF 500 million (increase by EUR 0.86 million), ERSTE BANK HUNGARY NYRT. from HUF 200 million to HUF 350 million (increase by EUR 0.58 million), and with Bank Plus Bank Close Inc. from HUF 280 million to HUF 500 million (increase by EUR 0.86 million).

In total, from 30 June 2007 until the date of this Prospectus, the borrowings have increased by EUR 11.10 million.

## OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in our results of operations and financial condition as at and for each of the three years ended 31 December 2006, 2005 and 2004 . Historical results may not indicate future performance. The following discussion contains forward looking statements which are subject to a variety of risk, uncertainties and other factors that could cause actual results to differ materially from those contemplated or implied by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in the section headed "Important Information" under "Forward-looking Statements" and in "Risk Factors". In this Prospectus, the Financial Statements presented are those of the Company. This discussion is based on the Financial Statements and should be read in conjunction with the Financial Statements appearing elsewhere in this Prospectus.*

### Overview

We are one of the leading used car retailers and car financing intermediaries in terms of market share in CEE countries, focusing on selling high quality used cars. We have been present in this region since 1992 and were the first to develop a western-style and professional large used cars business. We have pioneered this concept throughout CEE whilst building a strong track record of successful operations in the Czech Republic and in Slovakia. We sell used cars and in addition we offer, as an intermediary, financing for vehicle purchases, extended service contracts and insurance products to our customers.

Our business operations are geographically diverse. Currently, we operate 38 auto centres (branches where we both sell and purchase cars) and purchase centres (branches where we only purchase cars) (16 auto centres and five purchase centres in the Czech Republic, six auto centres and two purchase centres in Slovakia, three auto centres and two purchase centres in Hungary, two auto centres in Poland and one auto centre and one purchase centre in Romania). In 2006, with 61,939 vehicles sold (including 61,494 used cars and 445 new cars) by our Group, we were one of the largest used car retailers and car finance intermediaries in the Czech Republic (among other CEE countries) in terms of annual car sales by volume and revenue.

### Recent Developments

Since January 2007, we have opened three new auto centres (Chomutov, Tábor, Hradec Králové) and two purchase centres (Most and Kolín) in the Czech Republic, one new auto centre (Nitra) and two purchase centres (Trenčín and Lučenec) in Slovakia, two new auto centres (Pecs and Budaors) and two purchase centres (Szeged and Miskolc) in Hungary , one new auto centre in Poland (Łódz) and one new purchase centre in Romania (Brasov).

We expect to open ten new auto centres in the CEE region before the end of 2007, including three in the Czech Republic (Kladno, Prague 6 – Řepy and Liberec), three in Slovakia (Poprad, Bratislava/AUTO DISKONT branch and Košice/AUTO DISKONT branch), two in Hungary (Debrecen and Szekesfehervar), one in Poland (Dabrowa Gornicza) and one in Romania (Timisoara). Moreover, in Romania, we have moved our auto centre in Bucharest to a new location in Bucharest West Park.

### Principal Factors Affecting the Company's Results of Operations and Financial Condition

In 2006, 76% of our revenues were generated in the Czech Republic but this proportion will decrease in the future because of the expansion of the Group in other countries.

From a financial point of view, the following factors have significant effect on our results:

- The gross profit on sold cars. This is the difference between the selling price and the purchase price of the cars. We have an extensive data base with prices for all types and ages of cars and therefore are able to limit the risk of purchasing inventory at inappropriate price levels. We estimate that if the margin percentage decreases by 1%, it would generate a decrease of the gross profit of EUR 3.1 million.

- The conditions of financial services. In 2006, our financial services (relating to both used and new cars) generated EUR 28.4 million in revenues and EUR 28.4 million in gross margin, representing 8.1% and 44.4% of total revenues and gross margin, respectively. If the conditions of financial services worsen by 10%, it would translate into a decrease of the gross profit by EUR 2.8 million.
- The payroll costs. Our business is labour-intensive and is therefore affected by the payroll costs. In 2006, payroll costs amounted to EUR 25.1 million, representing 7.2% of the revenue and 39% of the gross profit. Payroll costs are the biggest operating expense. A certain part of the payroll costs from some categories of employees (especially salesman and purchase representatives) is variable and relates to the car sales volume. Therefore we can partly limit the increase in payroll costs in case of a decrease of car sales.
- The number of cars sold and the number of cars for which we arranged financing from external partners. Shall the number of cars sold or the number of cars for which we arranged financing decline, our results of operation and financial condition would be negatively affected.

Our results are further affected by the following less significant factors:

- success or failure of upsale of products;
- the depreciation of real estate owned by us and the rental levels of leased real estate;
- the financial conditions of the borrowings;
- costs of the marketing strategy; and
- exchange rates when translating local financial statements into consolidated statements.

## **Results of Operations**

### ***Explanation of Income Statement Line Items***

The following discussion provides a description of the composition of certain of our income statement line items for the period under review.

#### *Revenue*

Revenue come from the sales of used and new cars, sales of spare parts, the commissions received from intermediates (leasing companies, insurance companies) and from servicing of new cars.

#### *Gross Profit*

The gross profit consists of the difference between the revenues and the costs occurred to generate these revenues including all the costs linked to the purchase of the cars (*i.e.*, costs to prepare the cars, such as cleaning, accessories, verification of origin, technical control, transport of the cars and buyers' payroll).

#### *Personnel Costs*

These costs include all costs related to the wages, social health insurance and other costs directly linked to the staff as work clothes or meal vouchers.

#### *Advertising Expenses*

These costs consist of advertising, public relationships and sponsoring expenses.

### *Depreciation and Amortisation Expense*

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 (except for items mentioned below the table), using the straight-line method, as follows:

| <u>Class of property, plant and equipment</u>                        | <u>Number of Years</u> |
|--|------------------------|
| Buildings .....  | 10 – 50                |
| Company cars .....   | 3 – 6                  |
| Plant, equipment and furniture (purchase cost above EUR 1,400) ..... | 3 – 12                 |

Property, plant and equipment with value up to EUR 350 are put directly into expenses and property, plant and equipment with value between EUR 350–1,400 are depreciated over 18 months. 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.

### *Other Selling, General and Administrative Expenses*

This heading is composed of the costs of rental, energy, telecommunication, company cars, travelling, gains or losses resulting from the sale of fixed assets, fees, depreciation and some other services.

### *Financial Cost*

This heading is composed of interest expenses and exchange differences losses or gains.

The following table sets forth, for the periods indicated, our consolidated results of operations and the percentages of our total revenue represented by certain items reflected in our income statement.

|   | <u>Years ended 31 December</u>                        |             |                |             |                |             |
|---|---|-------------|----------------|-------------|----------------|-------------|
|   | <u>2004</u>   |             | <u>2005</u>    |             | <u>2006</u>    |             |
|   | <i>(amounts in EUR thousands, except percentages)</i> |             |                |             |                |             |
| <b>Revenue:</b>   |   |             |                |             |                |             |
| Sale of vehicles.....                                   | 198,344   | 88.2%       | 241,081        | 89.3%       | 313,297        | 89.9%       |
| Parts.....  | 233   | 0.1%        | 323            | 0.1%        | 507            | 0.2%        |
| Finance and Insurance .....                             | 26,254  | 11.7%       | 28,459         | 10.6%       | 34,614         | 9.9%        |
| <b>Total revenue .....</b>                              | <b>224,831</b>  | <b>100%</b> | <b>269,863</b> | <b>100%</b> | <b>348,417</b> | <b>100%</b> |
| Cost of goods sold .....                                | 183,581   | 81.7%       | 220,187        | 81.6%       | 284,518        | 81.7%       |
| Gross profit.....                                       | 41,251  | 18.3%       | 49,676         | 18.4%       | 63,899         | 18.3%       |
| Personnel costs .....                                   | 16,036  | 7.1%        | 18,817         | 7.0%        | 25,133         | 7.2%        |
| Advertising expenses .....                              | 8,896   | 4.0%        | 10,461         | 3.9%        | 9,618          | 2.8%        |
| Other selling, general and administrative expenses..... | 12,084  | 5.4%        | 13,820         | 5.1%        | 16,593         | 4.8%        |
| Financial cost:   |   |             |                |             |                |             |
| Interest expenses.....                                  | (1,632)   | 0.7%        | (2,086)        | 0.8%        | (2,631)        | 0.8%        |
| Other financial expenses net.....                       | (458)   | 0.2%        | (919)          | 0.3%        | (223)          | 0.1%        |
| <b>Profit before taxes .....</b>                        | <b>2,145</b>  | <b>1.0%</b> | <b>3,573</b>   | <b>1.3%</b> | <b>9,701</b>   | <b>2.8%</b> |
| Provision for taxes.....                                | 695   | 0.3%        | 1,204          | 0.4%        | 2,633          | 0.8%        |
| <b>Profit for the year .....</b>                        | <b>1,450</b>  | <b>0.6%</b> | <b>2,369</b>   | <b>0.9%</b> | <b>7,068</b>   | <b>2.0%</b> |

### *Comparison of the Years Ended 31 December 2006 and 2005*

#### *Revenue*

Total revenue increased by 29.1% in fiscal year 2006 compared to fiscal year 2005. Half of the increase is due to the opening of new auto centres in Slovakia (Košice, Žilina and Banská Bystrica) where the total revenues of this country increased from EUR 36.6 million to EUR 71.5 million which represents

an increase of 95%. The increase is also due to the increase of the revenues of our auto centre in Bucharest (Romania) for which the revenues increased from EUR 7.9 million to EUR 24.4 million in 2006 and due to the opening of a new auto centre in Budapest (Hungary) which realised a revenue of EUR 9.3 million from August 2006. Moreover, all comparable auto centres (a comparable auto centre is an auto centre which operated for a full year in both 2005 and in 2006) increased their revenues in 2006 compared to 2005.

The Group bought the company AUTO DISKONT in 2006 which has generated total revenue of EUR 5.3 million.

#### *Gross Profit*

The Gross profit increased by EUR 14.2 million between 2006 and 2005 which represents an increase of 28.6%. This increase is in line with the increase of total revenues. The ratio gross profit/total revenues remained stable (18.4% compared to 18.3%). The commissions on finance and insurance (this amount includes also revenues from other services) increased from EUR 28.5 million in 2005 to EUR 34.6 million in 2006 which represents an increase of 21.6%, which is less than the percentage increase in total revenues for the following two reasons:

- when we start business in a new country, we do not have sufficient volume to negotiate good finance conditions but after reaching a sufficient size, we have more power and can increase its finance commission; and
- the financial market in new countries such as Romania is not “mature” yet and therefore the number of cars sold which are financed by one of our partners is lower compared to other countries such as the Czech Republic.

Finance and insurance commissions in 2006 represented 8.1% of the total revenues in 2006 and 9.2% in 2005.

#### *Personnel Costs*

Personnel costs increased from EUR 18.8 million in 2005 to EUR 25.1 million in 2006 which represents an increase of 34.0%. This difference is explained by the recruitment of new employees in the headquarters to staff our expansion. In 2006, staff expenses represented 7.2% of the total revenues and 7.0% in 2005.

#### *Advertising Expenses*

Advertising costs decreased from EUR 10.5 million in 2005 to EUR 9.6 million in 2006; this represents a decrease of 8.1%. Two main reasons explain this decrease:

- achievement of the brand recognition at a targeted level in the Czech Republic and Slovakia; and
- review and analysis of marketing processes.

In 2005, Advertising expenses represented 3.9% of the total revenues and 2.8% in 2006.

#### *Other Selling, General and Administrative Expenses*

The other selling, general and administrative expenses increased from EUR 13.8 million to EUR 16.6 million in 2006 which represents an increase of 20.1%.

Depreciation increased from EUR 2.0 million in 2005 to EUR 2.4 million in 2006.

Other selling, general and administrative expenses represented 5.1% of the total revenue in 2005 and 4.8% of the total revenues in 2006.

### Interest Expenses

Interest expenses increased from EUR 2.1 million in 2005 to EUR 2.6 million in 2006 which represents an increase of 26.1% due to the increase of borrowings to finance our expansion. Generally, interest expenses occur before starting the sale of cars and before generating revenues. Interest expenses represented 0.8% of the total revenues in 2005 and in 2006.

### Comparison by Geographical Segment of the Years 2006 to 2005

The following table shows total assets by geographical segment for the periods indicated:

|                                 | Years ended 31 December                              |             |              |             |
|---------------------------------|--|-------------|--------------|-------------|
|                                 | 2005   |             | 2006         |             |
|                                 | Total Assets   | %           | Total Assets | %           |
|                                 | <i>(amounts in EUR millions, except percentages)</i> |             |              |             |
| Czech Republic .....            | 53.6   | 79%         | 59.2         | 60%         |
| Slovakia.....                   | 9.4  | 14%         | 20.0         | 20%         |
| Other.....                      | 3.3  | 5%          | 21.8         | 22%         |
| Unallocated & elimination ..... | 1.7  | 2%          | (2.3)        | (2%)        |
| <b>Total.....</b>               | <b>68.0</b>  | <b>100%</b> | <b>98.7</b>  | <b>100%</b> |

Total assets in the Czech Republic increased by 10.6% to EUR 59.2 million in 2006 from EUR 53.6 million in 2005. This increase was mainly due to the increase in Property, plant and equipment (+ EUR 2.8 million) and due to an increase of trade and other receivable for an amount of EUR 2.8 million. The total assets in Slovakia increased by 114.2% to EUR 20 million in 2006 from EUR 9.4 million in 2005. This increase was due to an increase in property, plant and equipment by an amount of EUR 5.4 million and to an increase of the inventory by an amount of EUR 3.7 million. The total assets in other geographic segments increased by 566.0% to EUR 21.8 million in 2006 from EUR 3.3 million in 2005. This increase was due to an increase in property, plant and equipment by an amount of EUR 8.1 million and by an increase of the inventory by an amount of EUR 4.9 million. The total assets in all geographical segments increased by 45.3% to EUR 98.7 million in 2006 from EUR 68.0 million in 2005.

The following table shows capital expenditures by geographical segment for the periods indicated:

|                      | Years ended 31 December                               |             |                      |             |
|----------------------|---|-------------|----------------------|-------------|
|                      | 2005  |             | 2006                 |             |
|                      | Capital Expenditures                                  | %           | Capital Expenditures | %           |
|                      | <i>(amounts in EUR thousands, except percentages)</i> |             |                      |             |
| Czech Republic ..... | 5,838   | 69%         | 5,645                | 37%         |
| Slovakia.....        | 2,378   | 28%         | 5,350                | 35%         |
| Other.....           | 0.270   | 3%          | 4,294                | 28%         |
| <b>Total.....</b>    | <b>8,486</b>  | <b>100%</b> | <b>15,289</b>        | <b>100%</b> |

Capital expenditure in the Czech Republic decreased by 3.3% to EUR 5.6 million in 2006 from EUR 5.8 million in 2005. Capital expenditure in Slovakia increased by 125% to EUR 5.4 million in 2006 from EUR 2.4 million in 2005. This increase was due to the additional property and equipment for the new sites. Capital expenditure in other geographical segments increased by 1490% to EUR 4.3 million in 2006 from EUR 0.3 million in 2005. This increase was due to the acquisition of property, plant and equipment in Hungary and in Poland. Total capital expenditure in all geographical segments increased by 80.2% to EUR 15.3 million in 2006 from EUR 8.54 million in 2005.

The following table shows revenues by geographical segment for the periods indicated:

|                      | Years ended 31 December                              |             |              |             |
|----------------------|--|-------------|--------------|-------------|
|                      | 2005   |             | 2006         |             |
|                      | Revenues   | %           | Revenues     | %           |
|                      | <i>(amounts in EUR millions, except percentages)</i> |             |              |             |
| Czech Republic ..... | 219.7  | 81%         | 241.6        | 69%         |
| Slovakia.....        | 36.6   | 14%         | 71.5         | 21%         |
| Other.....           | 13.6   | 5%          | 35.3         | 10%         |
| <b>Total.....</b>    | <b>269.9</b>   | <b>100%</b> | <b>348.4</b> | <b>100%</b> |

Revenue in the Czech Republic increased by 10.0% from EUR 219.7 million in 2005 to EUR 241.6 million in 2006. This increase was due to a general increase of all comparable auto centres (a comparable auto centre is an auto centre which operated a full year in 2005 and in 2006) and due to the new auto centres opened during the year 2005 which did not operate a full year in 2005 but did in 2006. In 2006, the Company did not open any new auto centres in the Czech Republic.

The revenues in Slovakia increased by 95.0% to EUR 71.5 million in 2006 from EUR 36.6 million in 2005. This increase was due to the two new sites opened during the year 2005 (Košice and Žilina) and due to the two new auto centres opened in 2006 (Banská Bystrica and Prešov).

Revenues in other geographical territories increased by 161.0% to EUR 35.3 million in 2006 from EUR 13.6 million in 2005. This increase was due to our growth in two new countries in 2006 (Hungary and Poland). The opening of the auto centre of Bucharest (Romania) in 2005 also had a positive impact and revenue there increased by 194%.

Total revenues in all geographical segments increased by 29.1% to EUR 348.4 million in 2006 from EUR 269.9 million in 2005.

### ***Comparison of the Years Ended 31 December 2005 and 2004***

#### *Revenue*

Total revenue increased from EUR 224.8 million in 2004 to EUR 269.9 million in 2005, which represents an increase of 20.0%. This increase is mainly due to the expansion in Slovakia, where the Company opened a new auto centre in Bratislava in 2005, and realised revenues of EUR 36.7 million. In 2005, the Group also expanded to Romania where it opened its first auto centre in Bucharest. Its revenue amounted to EUR 7.9 million.

#### *Gross Profit*

Gross profit increased to EUR 49.7 million in 2005 from EUR 41.3 million in 2004 which represents an increase of 20.4%. This increase is mainly due to the opening of new auto centres in new countries as described above (in the “Revenue” section).

Gross profit represented 18.3% of the total revenue in 2004, whilst it represented 18.4% in 2005.

#### *Personnel Costs*

Staff expenses increased from EUR 16.0 million in 2004 to EUR 18.8 million in 2005 which represents an increase of 17.3%. Personnel costs increased less rapidly than the revenue (20.3%). This increase in personnel costs is due to the opening of new auto centres (as explained above). The ratio personnel costs/total revenue remained at a stable level between 2004 and 2005 (7.1% in 2004 and 7.0% in 2005).



### Advertising Expenses

Advertising expenses increased from EUR 8.9 million in 2004 to EUR 10.5 million in 2005 which represents an increase of 17.6% in line with the increase in revenue. However, the advertising expenses/total revenue ratio remained stable between 2004 and 2005 (3.9% in 2005 and 4.0% in 2004).

### Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses increased from EUR 12.1 million in 2004 to EUR 13.8 million in 2005 which represents an increase of 14.4%, which is smaller than the increase of the total revenue by 5.6%.

Other selling, general and administrative expenses represented 5.4% of the total revenue in 2004 and had decreased to 5.1% in 2005.

### Comparison by Geographical Segment of the Years 2005 to 2004

The following table shows total assets by geographical segment for the periods indicated:

|                                 | Years ended 31 December                              |             |              |             |
|---------------------------------|--|-------------|--------------|-------------|
|                                 | 2004   |             | 2005         |             |
|                                 | Total Assets   | %           | Total Assets | %           |
|                                 | <i>(amounts is EUR millions, except percentages)</i> |             |              |             |
| Czech Republic .....            | 45.4   | 90%         | 53.6         | 79%         |
| Slovakia.....                   | 3.7  | 7%          | 9.4          | 14%         |
| Other.....                      | 1.8  | 4%          | 3.3          | 5%          |
| Unallocated & elimination ..... | (0.6)  | (1%)        | 1.7          | 2%          |
| <b>Total.....</b>               | <b>50.3</b>  | <b>100%</b> | <b>68.0</b>  | <b>100%</b> |

The total assets in the Czech Republic increased by 18.0% from EUR 45.4 million in 2004 to EUR 53.6 million in 2005. This increase was due to the acquisition of new property, plant and equipment for the new sites opened in the Czech Republic. The total assets in Slovakia increased by 156.0% to EUR 9.4 million in 2005 from EUR 3.7 million in 2004. This increase was due to the acquisition of new sites in this country. The total assets in other geographic segments increased by 83.0% to EUR 3.3 million in 2005 from EUR 1.8 million in 2004. The total assets in all geographical segments increased by 35.2% to EUR 68.0 million in 2005 from EUR 50.3 million in 2004.

The following table shows capital expenditure by geographical segment based on cash movements for the periods indicated:

|                      | Years ended 31 December                             |             |                     |             |
|----------------------|---|-------------|---------------------|-------------|
|                      | 2004  |             | 2005                |             |
|                      | Capital Expenditure                                 | %           | Capital Expenditure | %           |
|                      | <i>(amount is EUR millions, except percentages)</i> |             |                     |             |
| Czech Republic ..... | 6,187   | 75%         | 5,838               | 69%         |
| Slovakia.....        | 1,950   | 24%         | 2,378               | 28%         |
| Other.....           | 0,087   | 1%          | 0.270               | 3%          |
| <b>Total.....</b>    | <b>8,224</b>  | <b>100%</b> | <b>8,486</b>        | <b>100%</b> |

Capital expenditure in the Czech Republic decreased by 5.6% to EUR 5.8 million in 2005 from EUR 6.2 million in 2004. Capital expenditures in Slovakia increased from EUR 2.0 million in 2004 to EUR 2.4 million in 2005. Capital expenditure in other geographical segments was not material in 2004 and in 2005. Total capital expenditures in all geographical segments increased by 3.2% to EUR 8.5 million in 2005 from EUR 8.2 million in 2004.

The following table shows revenues per geographical segment for the periods indicated:

|                      | Years ended 31 December                             |             |              |             |
|----------------------|---|-------------|--------------|-------------|
|                      | 2004  |             | 2005         |             |
|                      | Revenue   | %           | Revenue      | %           |
|                      | <i>(amount is EUR millions, except percentages)</i> |             |              |             |
| Czech Republic ..... | 217.3   | 97%         | 219.7        | 81%         |
| Slovakia.....        | 0.0   | 0%          | 36.6         | 14%         |
| Other.....           | 7.5   | 3%          | 13.6         | 5%          |
| <b>Total.....</b>    | <b>224.8</b>  | <b>100%</b> | <b>269.8</b> | <b>100%</b> |

The revenues in the Czech Republic increased by 1.1% to EUR 219.7 million in 2005 from EUR 217.3 million in 2004. The Company focused in that period on growth in other countries.

The revenues in Slovakia amounted to EUR 36.6 million in 2005 when the Slovak business was set up (none in 2004).

The revenues in other geographical territories increased by 80.0% to EUR 13.6 million in 2005 from EUR 7.5 million in 2004. This increase was due to the opening of the new auto centre in Bucharest (Romania).

The total revenues in all geographical segments increased by 20.0% to EUR 269.8 million in 2005 from EUR 224.8 million in 2004.

## Liquidity and Capital Resources

### *Liquidity*

Our liquidity requirements arise principally from the need to finance our existing operations (working capital) and the need to finance investments (capital expenditures). In 2006, the increase of the working capital was financed mainly from cash provided by operating activities while the capital expenditures were financed by borrowings. To the extent that cash flows from operating activities would not be sufficient to fund our capital investments program, including acquisitions, our management intends to use the net proceeds from the Offering as well as borrowings. Reference is made to our working capital statement under “Working Capital” below.

### *Cash Flows*

Our cash flow is strongly influenced by the cash inflow from operating activities, by the increase in inventory (purchase of cars before the starting of sales when we open a new auto centre), by the purchase of property, plant and equipment for our new auto centres (this was especially true in 2006) and by the proceeds from borrowings.

As of 31 December 2006, we held EUR 3.1 million of cash and cash equivalents. Cash is held at commercial banks in demand and in petty cash in all our different auto centers.

The following table sets out our consolidated cash flows for the periods indicated:

|   | Years ended 31 December           |                |                 |
|---|-----------------------------------|----------------|-----------------|
|   | 2004                              | 2005           | 2006            |
|   | <i>(amounts in EUR thousands)</i> |                |                 |
| <b>Cash flows from operating activities</b>   |                                   |                |                 |
| Profit for the period .....   | 1,450                             | 2,369          | 7,068           |
| Adjustments for:  |                                   |                |                 |
| Income tax expense.....   | 695                               | 1,204          | 2,632           |
| Depreciation and amortisation .....   | 1,607                             | 1,952          | 2,382           |
| Provisions .....  | 656                               | 751            | 583             |
| (Gain)/loss on disposal of property, plant and equipment .....                          | (143)                             | (52)           | 494             |
| Interest income .....   | (18)                              | (139)          | (151)           |
| Interest expense .....  | 1,632                             | 2,086          | 2,631           |
| Foreign exchange (gain)/loss .....  | (201)                             | 681            | (203)           |
| Negative goodwill.....  |                                   |                | (1,296)         |
| Decrease/(increase) in inventories .....  | (7,496)                           | (8,771)        | (8,081)         |
| Decrease/(Increase) in receivables and other assets.....                                | (3,495)                           | (3,647)        | (5,439)         |
| Increase/(decrease) in payables and other liabilities .....                             | 3,172                             | (1,739)        | (483)           |
| Interest paid .....   | (488)                             | (1,810)        | (1,146)         |
| Interest received.....  | 3                                 | 11             | 46              |
| Income tax paid .....   | (273)                             | (924)          | (1,455)         |
| <b>Net cash provided by operating activities .....</b>                                  | <b>(2,899)</b>                    | <b>(8,028)</b> | <b>(2,418)</b>  |
| <b>Cash flows from investing activities</b>   |                                   |                |                 |
| Acquisition of subsidiary, net of cash acquired .....                                   | (1,244)                           |                | (1,946)         |
| Purchase of property, plant and equipment.....  | (8,225)                           | (8,569)        | (15,092)        |
| Proceeds from disposals of property, plant and equipment..                              | 1,334                             | 1,656          | 1,636           |
| <b>Net cash used in investing activities.....</b>                                       | <b>(8,135)</b>                    | <b>(6,913)</b> | <b>(15,402)</b> |
| <b>Cash flows from financing activities</b>   |                                   |                |                 |
| Proceeds from issue of share capital .....  |                                   |                | 4,982           |
| Proceeds from borrowings .....  | 16,045                            | 18,662         | 29,386          |
| Repayment of borrowings.....  | (3,721)                           | (4,226)        | (16,113)        |
| Payment of finance lease liabilities.....   | (222)                             | (276)          | (309)           |
| Dividends paid to shareholders.....   |                                   |                |                 |
| <b>Net cash from financing activities.....</b>  | <b>12,102</b>                     | <b>14,160</b>  | <b>17,946</b>   |
| <b>Net increase (decrease) in cash and cash equivalents .....</b>                       | <b>1,068</b>                      | <b>(781)</b>   | <b>126</b>      |
| <b>Cash and cash equivalents at the beginning of year.....</b>                          | <b>2,675</b>                      | <b>3,645</b>   | <b>2,968</b>    |
| Effect of exchange rate changes on the balance of cash held in foreign currencies ..... | (98)                              | 104            | 42              |
| <b>Cash and cash equivalents at the end of year .....</b>                               | <b>3,645</b>                      | <b>2,968</b>   | <b>3,136</b>    |

#### Cash flows from operating activities

Net cash used in operating activities amounted to a need of EUR 2.42 million for the year ended 31 December 2006 due to mainly the following three factors: (i) a negative goodwill resulting from the acquisition of two Polish companies (Ascord and ASC); (ii) the increase of inventory for an amount of EUR 8.1 million resulting from the purchase of cars for our new auto centers and from the increase of car stock in our existing auto centers; and (iii) the increase of the receivables for an amount of EUR 5.4 million from our stock financing partners.

In 2006, the net cash flow provided by operating activities improved compared to 2005 and 2004 due to a higher profit after taxation which increased by 198% to EUR 7.1 million in 2006 from EUR 2.4 million in 2005. This means that the acquisitions of subsidiaries and the purchase of property, plant and equipment were financed mainly by the increase of the share capital and by loans.

For the year ended 31 December 2005, net cash used in operating activities amounted to a need of EUR 8.0 million mainly due to the increase of inventories (initial stock of our new auto centers) and for the year ended 31 December 2004 amounted to a need of EUR 2.9 million due to: (i) the increase of the inventory (initial stock of our new auto centers); (ii) the increase of payables for an amount of EUR 3.2 million resulting from the increase of cars purchase; and (iii) the increase of the receivables for an amount of EUR 3.5 million resulting from our stock financing partner. Generally, cash flows from operating activities are principally affected by changes in inventory while we open new autocentres as we have to increase the stock of cars when we open new auto centres (initial stock). We have opened three, seven and another seven new auto centres and purchase centres in 2004, 2005 and 2006, respectively.

#### Cash flows from investing activities

In 2006, the net cash used in investing activities amounted to a need of EUR 15.4 million mainly due to the purchase of property, plant and equipment (EUR 15.1 million) included the acquisition of the Hungarian company F23 Realty Kft. owning in Budapest a former supermarket consisting of land and a building suitable for conversion into an auto centre. It has been acquired for an amount of EUR 2.7 million.

The net cash used in investing activities in 2006 has also been influenced by the two following acquisitions:

- Czech company KAPITÁL AUTOMOTIVE a.s. owning land suitable for expansion of our existing auto centre in Brno. It has been acquired for an amount of EUR 1 million; and
- Polish company ASCORD Sp.z.o.o. acquired as a holding company of two other Polish companies mentioned above, including a company that is currently our main operating company in Poland (AUTOCENTRUM AAA AUTO Sp.z.o.o.). It has been acquired for an amount of EUR 1 million.

In 2005, the net cash used in investing activities amounted to a need of EUR 6.9 million mainly due to the investment in property, plant and equipment for an amount of EUR 8.6 million while in 2004 it amounted to a need of EUR 8.1 million due to the acquisition of the company Zlin-Car spol. s r.o. and due to the purchase of property, plant and equipment for an amount of EUR 8.2 million.

#### Cash flows from financing activities

In 2006, the Company converted its legal form from a BV (a private company with limited liability) (in Dutch “*besloten vennootschap*”) to an NV (public company with limited liability) (in Dutch “*naamloze vennootschap*”) and increased its share capital to an amount of EUR 5 million.

We did not pay any dividends during the years 2004 to 2006.

The cash and cash equivalents at the end of 2004, 2005 and at the end of 2006 remained relatively stable and amounted respectively to EUR 3.6 million, EUR 3 million and to EUR 3.1 million.

### **Balance Sheet Overview**

The following balance sheet overview contains the line items that are key to describing our business. Loans with a remaining maturity of less than one year are treated as current liabilities. Other loans are treated as non-current liabilities. In the comparison of net assets as of 31 December 2006, 2005 and 2004, each section below begins with a short breakdown of the items that fall under each such balance sheet line item.

|  | <b>As at 31 December</b>          |               |               |
|--|-----------------------------------|---------------|---------------|
|  | <b>2004</b>                       | <b>2005</b>   | <b>2006</b>   |
|  | <i>(amounts in EUR thousands)</i> |               |               |
| <b>Assets</b>  |                                   |               |               |
| <b>Non-current assets</b>  |                                   |               |               |
| Goodwill and other intangible assets .....                       | 503                               | 645           | 1,197         |
| Property, plant and equipment .....                              | 17,343                            | 22,732        | 38,168        |
| Other financial assets .....                                     | 841                               | 406           | 324           |
| Deferred tax assets .....  | 49                                | 100           | 129           |
| Total non-current assets .....                                   | 18,736                            | 23,883        | 39,818        |
| <b>Current assets</b>  |                                   |               |               |
| Inventories .....  | 20,605                            | 29,376        | 38,197        |
| Trade and other receivables .....                                | 4,702                             | 6,298         | 11,812        |
| Current tax asset .....  | 5                                 | 18            | 11            |
| Other financial assets .....                                     | 2,529                             | 5,015         | 5,471         |
| Cash and cash equivalents .....                                  | 3,645                             | 2,968         | 3,136         |
| Non-current assets classified as held for sale .....             | 126                               | 394           | 277           |
| Total current assets .....                                       | 31,612                            | 44,069        | 58,904        |
| <b>Total Assets</b> .....  | <b>50,348</b>                     | <b>67,952</b> | <b>98,722</b> |
| <b>Equity</b>  |                                   |               |               |
| <b>Equity</b>  |                                   |               |               |
| Share capital .....  | 18                                | 18            | 5,000         |
| Reserves .....   | 286                               | 630           | 1,842         |
| Retained earnings .....  | 1,210                             | 3,722         | 10,704        |
| <b>Equity attributable to equity holders of the parent</b> ..... | <b>1,514</b>                      | <b>4,370</b>  | <b>17,546</b> |
| Minority interest .....  | 1,122                             | 1,369         | 4             |
| <b>Total equity</b> .....  | <b>2,636</b>                      | <b>5,739</b>  | <b>17,550</b> |
| <b>Liabilities</b>   |                                   |               |               |
| <b>Non-current liabilities</b>                                   |                                   |               |               |
| Bank and other borrowings .....                                  | 22,484                            | 31,300        | 36,047        |
| Deferred tax liabilities .....                                   | 209                               | 454           | 705           |
| Other liabilities .....  | 257                               | 258           | 329           |
| Total non-current liabilities .....                              | 22,950                            | 32,012        | 37,081        |
| <b>Current liabilities</b>                                       |                                   |               |               |
| Trade and other payables .....                                   | 12,548                            | 11,132        | 13,874        |
| Current tax liabilities .....                                    | 465                               | 606           | 1,739         |
| Bank overdrafts and borrowings .....                             | 10,251                            | 16,774        | 26,966        |
| Provisions .....   | 331                               | 429           | 561           |
| Other liabilities .....  | 1,167                             | 1,260         | 951           |
| Total current liabilities .....                                  | 24,762                            | 30,201        | 44,091        |
| <b>Total liabilities</b> .....                                   | <b>47,712</b>                     | <b>62,213</b> | <b>81,171</b> |
| <b>Total Equity and Liabilities</b> .....                        | <b>50,348</b>                     | <b>67,952</b> | <b>98,722</b> |

### *Non-Current Assets*

Most of non-current assets are comprised of buildings and lands. They increased from EUR 10.1 million as of 31 December 2004 to EUR 16.0 million as of 31 December 2005. The increase was primarily due to the purchase of new land in Ostrava (Czech Republic) and the purchase of land and construction of buildings in Bratislava (Slovakia). At the end of 2006, buildings and lands increased by 85% from EUR 16.0 as of 31 December 2005 to EUR 29.6 million as of 31 December 2006, primarily due to the purchase of additional land and buildings in Budapest (Hungary), acquisition of new companies in Poland and expansion within Slovakia of our operations.

### *Current Assets*

Current assets include inventories (in particular cars for sale), trade and other receivables, other financial assets and cash and cash equivalents. Total current assets increased by 39.4% from EUR 31.6 million as of 31 December 2004 to EUR 44.1 million as of 31 December 2005. The increase was primarily due to the expansion of our business leading to a higher numbers of cars on stock (increase by 42%). At the end of 2006, total current assets were EUR 58.9 million representing an increase of 33.6% from the end of 2005, primarily due to an increase in inventories (expansion of business) and trade receivables (increase of sales of cars and commissions).

### ***Non-Current Liabilities***

Non-current liabilities include long-term borrowing from commercial banks and shareholders, deferred tax liabilities for future tax obligations and other non-current liabilities (mainly long-term part of finance lease payments). Total non-current liabilities increased from EUR 22.9 million as of 31 December 2004 to EUR 32.0 million as of 31 December 2005 representing an increase of 39.5%. The increase was primarily due to new borrowings obtained from GE Money Bank (Czech Republic), VUB (Slovakia) and shareholders. At the end of 2006, total non-current liabilities increased by 15.8% to EUR 37.1 million from the end of 2005. This increase was primarily due to new borrowings obtained in new markets, where we started to operate (CIB Bank in Hungary and Credit Bank in Poland).

### ***Current Liabilities***

Current liabilities increased by 21.9% from EUR 24.8 million as of 31 December 2004 to EUR 30.2 million as of 31 December 2005. This increase was primarily due to the new borrowings for financing the inventory of cars. Current liabilities increased by 46% to EUR 44.1 million as of 31 December 2006 from the end of 2005. This increase was primarily due to new borrowing received in Poland, Hungary and Romania for stock financing.

### ***Working Capital***

Working capital is a financial metric which represents the amount of day-by-day operating liquidity available to a business. Also known as operating capital, it is calculated as current assets minus current liabilities.

The following table sets forth our working capital for the periods indicated:

|                           | <b>Years ended 31 December</b>    |             |             |
|---------------------------|-----------------------------------|-------------|-------------|
|                           | <b>2004</b>                       | <b>2005</b> | <b>2006</b> |
|                           | <i>(amounts in EUR thousands)</i> |             |             |
| Current assets .....      | 31,612                            | 44,069      | 58,904      |
| Current liabilities ..... | 24,762                            | 30,201      | 44,091      |
| Working capital .....     | 6,850                             | 13,868      | 14,813      |

Our current cash resources, together with our existing finance facilities, provide us with sufficient working capital for the next 12 months following the date of this Prospectus.

## Borrowings

The following table sets forth our net debt for the periods indicated:

|                                     | Years ended 31 December           |               |               |
|-------------------------------------|-----------------------------------|---------------|---------------|
|                                     | 2004                              | 2005          | 2006          |
|                                     | <i>(amounts in EUR thousands)</i> |               |               |
| Current portion.....                | 10,251                            | 16,774        | 26,966        |
| Maturity between 1 and 2 years..... | 985                               | 190           | 0             |
| Maturity between 2 and 5 years..... | 19,029                            | 28,793        | 33,868        |
| Maturity over 5 years.....          | 2,471                             | 2,317         | 2,180         |
| <b>Total debt</b> .....             | <b>32,736</b>                     | <b>48,074</b> | <b>63,013</b> |
| Cash and cash equivalents.....      | 3,645                             | 2,968         | 3,136         |
| Current financial assets.....       | 2,529                             | 5,015         | 5,470         |
| Non-current financial assets.....   | 127                               | 394           | 277           |
| <b>Net debt</b> .....               | <b>26,435</b>                     | <b>39,697</b> | <b>54,130</b> |

## Capital Expenditures and Commitments

### Capital Expenditures

Our capital expenditures have increased from EUR 9.2 million in 2005 to EUR 14.4 million in 2006, primarily as a result of new buildings and land for our new sites in Hungary and in Poland.

The following table shows total historical capital expenditure of the Company for the periods indicated:

| The Company's capital expenditure for: | Years ended 31 December          |            |             |
|--|----------------------------------|------------|-------------|
|  | 2004                             | 2005       | 2006        |
|  | <i>(amounts in EUR millions)</i> |            |             |
| Buildings and land.....                | 3.4                              | 5.5        | 9.4         |
| Company cars.....                      | 2.3                              | 2.8        | 3.4         |
| Fixtures and equipment.....            | 1.1                              | 0.9        | 1.6         |
| <b>Total</b> .....                     | <b>6.8</b>                       | <b>9.2</b> | <b>14.4</b> |

We have planned capital expenditures for 2007 of EUR 23.5 million. The capital expenditures in 2007 are expected to include the expansion of our business in the Czech Republic, in Slovakia and in Hungary and associated investments in real estate and acquisitions. Our capital expenditure for the next three years is expected to represent approximately 4% of our total revenues each year and will be used for the expansion in Poland, Serbia, Bulgaria, Ukraine and Russia. We expect to fund our capital expenditures from the proceed of the Offering and from bank loans.

The following table sets forth our budgeted capital expenditures for the year ended 31 December 2007, by region:

|   | Year ended<br>31 December 2007                |
|---|---|
|   | <i>(Budgeted amounts in<br/>EUR millions)</i> |
| Czech Republic.....                             | 10.0  |
| Slovakia.....                                   | 2.9   |
| Hungary.....                                    | 7.4   |
| Other regions.....                              | 3.2   |
| <b>Total budgeted capital expenditure</b> ..... | <b>23.5</b>                                   |

## Commitments

The following table provides the aggregate amounts of our contractual obligations based on their maturity, excluding capital expenditure (see “*Capital Expenditures*” above) and certain other commitments incurred in the ordinary course of business, such as trade payables, wages and tax expenses, as of 31 December 2006:

| Contractual obligations                        | Maturity           |                                   |                      | Total         |
|--|--------------------|-----------------------------------|----------------------|---------------|
|  | Less than one year | One to five years                 | More than five years |               |
|  |                    | <i>(amounts in EUR thousands)</i> |                      |               |
| Short-term debt.....                           | 26,608             |                                   |                      | 26,608        |
| Bank loans and overdrafts.....                 | 357                | 33,868                            | 2,180                | 36,405        |
| Capital leases.....                            | 220                | 328                               |                      | 548           |
| <b>Total contractual cash obligations.....</b> | <b>27,185</b>      | <b>34,196</b>                     | <b>2,180</b>         | <b>63,561</b> |

The aforesaid contractual obligations reflect our needs for financing:

- Short term credits up to one year are arranged for the needs of stock financing in the form of short term credits provided by the cooperating leasing companies. The same applies also for the financing of our operations. We have, until now, always had short term credit arrangements extended by one year on maturity, and we expect to be able to extend them in the future. Our business plan assumes that, following recent developments, the cash flow that our operations will generate over the next three years will enable us to settle all short term credits.
- Middle term and long term credits are connected with financing of the acquisitions and purchase of real estate.

## Current Trading Information and Prospects

We currently have the following principal capital expenditures:

- We are in the process of developing a new showroom and office building in the Czech Republic with expected completion term by the end of 2007. The total cost of this project is expected to be EUR 1.9 million, of which 85.0% will be covered by a bank loan.
- On the 12th of July 2007, we have signed a letter of intent in order to purchase 100% of the shares of the limited liabilities company H&K Partners s.r.o. The potential amount of the transaction will be approximately CZK 51 million (EUR 1.8 million), of which 85% will be covered by a bank loan. This company operates two Opel and Hyundai dealerships (new and used cars) in the Czech Republic (Kladno and Prague 6).
- We have entered into a contract on future contract for purchasing a real estate property and for construction works for an auto centre in Katowice, Poland with expected completion term being spring 2008. The total cost of this project is expected to be EUR 2 millions, of which 70.0% will be covered by a bank loan.
- We are also in the process of purchasing a real estate property in Dabrowa Gornicza, Poland and plan to convert the property to an auto centre with expected purchase term autumn 2007. The purchase price is expected to be EUR 0.9 million.
- In Hungary we are in the process of purchasing a real estate property in Debrecen and plan to rebuild the property to auto centre with expected completion in September 2007. The purchase price is expected to be EUR 2.7 million.

In 2007, the Company anticipates increasing the stock inventory from 6,225 cars at end of 2006 to 9,800 cars at end of 2007, representing an increase of 57.0%.



The Company estimates that the average selling price of cars bought without third party financing will increase from EUR 5,000 to 5,100 EUR during the year 2007 and that the average selling price of cars bought with third party financing will decrease from EUR 6,500 to EUR 5,900.

## **Market Risks**

Our financial risk management focuses on five major types of risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk.

### *Foreign exchange risk*

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech koruna, the Slovak koruna, the Hungarian forint, the Polish zloty, and the Romanian leu. Foreign exchange risk arises from recognised monetary assets and liabilities and net investments in foreign operations. We do not hedge our foreign exchange risks. Salaries, overhead expenses, purchase of inventory, building refurbishment and construction costs are denominated in local currencies. Loans and sales of inventory are denominated in the local currency, with the exception of investment loans in Hungary which are Euro denominated.

### *Price risk*

We are exposed to used vehicles price risk. Our activities are spread over different countries that each undergo specific business cycles.

### *Credit risk*

We have no significant concentrations of credit risk as we only arrange third-party financing for the used vehicles that we sell but do not provide our own financing. Cash transactions are limited to high-credit-quality financial institutions. We limit the amount of credit exposure to any financial institution.

### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of our assets, principally consisting of used vehicle inventory and real estate, we are subject to a liquidity risk.

### *Interest rate risk*

As we have no significant interest-bearing assets, our income is substantially independent of changes in market interest rates. Our interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. We have now started the process of preparation to hedge some of our variable interest rates by entering into swap transactions. The total amount of our swap transactions would not be material. We take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on our financial position and cash flows.

## **Off-Balance Sheet Arrangements**

We do not currently utilise any off-balance sheet financing arrangements.

## **Principal Accounting Policies and Estimates**

The discussion and analysis of our results of operation and financial position are based upon our historical financial information set out in the Company's Financial Statements, which were prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, turnover and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate estimates, including those related to deferred tax, goodwill, tangible fixed assets, general provisions, pension

plans and unlisted investments, long term investment return, long term business provision, acquisition costs, present value of acquired in-force business and claims. Our estimates are based on historical experience and on various other assumptions that our management believes to be reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from the estimates under different assumptions and conditions.

We believe that the following principal accounting policies are important in understanding the historical financial information contained elsewhere in this Prospectus:

The Financial Statements have been prepared in accordance with IFRS. The Financial Statements are the first annual Financial Statements which the Group has prepared in accordance with IFRS and consequently the Group has complied with IFRS 1 First-time adoption of International Financial Reporting Standards.

### ***Basis of Preparation***

The Financial Statements are presented in thousands of EUR. However, Euro is not the currency of the primary economic environment in which we operate and consequently we use the local currency in each country where we operate. The Financial Statements have been prepared under IFRS where certain financial instruments and separately identifiable intangibles acquired on business combinations have been measured at fair value.

### ***Basis of Consolidation***

The Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies, but in accordance with local GAAP. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

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. 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the Group's interest in fair value of the net assets exceeds the cost of the business combination, the excess is recognised directly in the income statement.

The equity and profit for the period attributable to minority interests are shown as separate items in the Financial Statements.

### ***Goodwill***

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is initially recognised as an asset at cost and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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

### ***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 result and financial position of each entity are expressed in EUR, which is the functional currency of the parent company and the presentation currency for the Financial Statements of the Group.

Transactions in currencies other than EUR are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### ***Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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.

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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Consolidated corporate tax returns cannot be filed. For each individual company of the Group, the corporate income tax is calculated in accordance with its national tax regulations.

### ***Property, Plant and Equipment***

Property, plant and equipment are stated at historical cost less accumulated depreciation and where necessary, any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset, are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

### ***Impairment of Tangible and Intangible Assets excluding Goodwill***

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 as income immediately.

### ***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 less all estimated costs of completion and estimated costs necessary to make the sale.

### ***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.

### **Recent Accounting Pronouncements**

The following new International Financial Reporting Standards, amendments to standards and interpretations were not yet effective for the year ended 31 December 2006, and have not been applied in preparing our Financial Statements:

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

- IAS 23 *Borrowing Costs* (amendment) (effective for annual periods 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. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. 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 7 *Financial Instruments: Disclosures* and the complementary Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new and widespread disclosures relating to financial instruments and financial risks. This standard does not have any impact on the classification and valuation of the Group's financial instruments. The Group will apply IFRS 7 from 1 January 2007, 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 periods 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 material impact on the Group’s financial position and result of its operations. However, it will probably result in different segment disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group’s operations;
- IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any material impact on the Group’s financial position and result of its operations.
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group is not party to any embedded derivatives, IFRIC 9 is currently not relevant to the Group’s financial position and result of its operations.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any material impact on the Group’s financial position and result of its operations.
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity’s parent should be accounted for as cash-settled or equity-settled in the entity’s financial statements. The Group will apply IFRIC 11 from 1 January 2008, but it is not expected to have any material impact on the Group’s financial position and result of its operations.
- IFRIC 12 Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008). IFRIC 12 relates to the arrangements whereby a government or other public

sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. As the Group does not provide public services under the concession arrangement, IFRIC 12 is not relevant to the Group's operations.

## INDUSTRY OVERVIEW

*The information in this section is derived from various government publications, publicly available information and industry sources. Neither we nor any other person connected with the Offering have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.*

We believe that the countries of Central and Eastern Europe (the "CEE") provide vast opportunities in the used vehicles business and share a number of characteristics which make them very attractive. We conduct our business in the Czech Republic, Slovakia, Hungary, Poland and Romania and are actively examining further opportunities in these and other neighbouring countries (including Serbia, Bulgaria, Ukraine, Russia and Turkey).

The geographic location of our business operations is indicated on the following map:

**Geographic location of our business operations**



### Economic Overview of the CEE Region

General economic trends in the CEE region over the last five years have been positive, with GDP growth, increased domestic liquidity, declining interest rates and increasing foreign investment flows into the region. The investment environment in the CEE region has become increasingly attractive since the accession of several countries in the region to the EU in May 2004 and January 2007.

Reform-oriented governments have implemented economically beneficial changes, including easing tax regimes and restrictions on foreign ownership, which have facilitated foreign investment and improved sovereign financial stability. These reforms have accelerated real wage growth and decreased unemployment levels which, combined with easier access to consumer loans, have contributed to an increase in personal consumption. Rapid growth has not come without problems, however, as these countries have experienced increased fiscal tightening in order to curb growing budget deficits. Recently, the Czech Republic, Hungary and Slovakia have also shown some degree of political instability which followed general elections to national parliaments. Political parties with often different political programmes and orientation have taken the lead in elections and formed new coalition governments. See “*Risk Factors— Risks Relating to the Czech Republic and other CEE Countries*”.

The following table sets forth the annual GDP growth in selected countries in the years indicated:

|                      | Annual GDP growth             |      |      |      |      |
|----------------------|-------------------------------|------|------|------|------|
|                      | 2002                          | 2003 | 2004 | 2005 | 2006 |
|                      | <i>(in percentage points)</i> |      |      |      |      |
| Czech Republic ..... | 1.9                           | 3.6  | 4.6  | 6.5  | 6.4  |
| Slovakia.....        | 4.1                           | 4.2  | 5.4  | 6.0  | 8.3  |
| Hungary.....         | 4.3                           | 4.1  | 4.9  | 4.2  | 3.9  |
| Poland.....          | 1.4                           | 3.8  | 5.3  | 3.5  | 5.8  |
| Romania .....        | 5.1                           | 5.2  | 8.4  | 4.1  | 7.7  |

Source: National statistical offices.

The following table sets forth inflation rates in selected countries in the years indicated:

|                     | Yearly inflation rates        |      |      |      |      |
|---------------------|-------------------------------|------|------|------|------|
|                     | 2002                          | 2003 | 2004 | 2005 | 2006 |
|                     | <i>(in percentage points)</i> |      |      |      |      |
| Czech Republic .... | 1.8                           | 0.1  | 2.8  | 1.8  | 2.5  |
| Slovakia.....       | 3.3                           | 8.5  | 7.5  | 2.8  | 4.4  |
| Hungary.....        | 5.3                           | 4.6  | 6.8  | 3.6  | 3.9  |
| Poland.....         | 1.9                           | 0.8  | 3.5  | 2.1  | 1.0  |
| Romania .....       | 22.5                          | 15.3 | 11.9 | 9.0  | 6.6  |

Source: National statistical offices.

The following table sets forth average annual registered unemployment rates in selected countries in the years indicated:

|                      | Average annual registered unemployment rates |      |      |      |      |
|----------------------|--|------|------|------|------|
|                      | 2002   | 2003 | 2004 | 2005 | 2006 |
|                      | <i>(in percentage points)</i>                |      |      |      |      |
| Czech Republic ..... | 7.3  | 7.8  | 8.3  | 7.9  | 7.1  |
| Slovakia.....        | 18.7   | 17.6 | 18.2 | 16.3 | 13.4 |
| Hungary.....         | 5.8  | 5.9  | 6.1  | 7.2  | 7.5  |
| Poland.....          | 19.9   | 19.6 | 19.0 | 17.7 | 13.8 |
| Romania .....        | 8.4  | 7.0  | 8.1  | 7.2  | 7.3  |

Source: Eurostat.



The following table sets forth average annual exchange rates of local currencies to Euro in the years indicated:

|                      | Average annual exchange rates   |        |        |        |        |
|----------------------|---------------------------------|--------|--------|--------|--------|
|                      | 2002                            | 2003   | 2004   | 2005   | 2006   |
|                      | <i>(local currency to euro)</i> |        |        |        |        |
| Czech Republic ..... | 30.82                           | 31.84  | 31.90  | 29.79  | 28.30  |
| Slovakia .....       | 42.68                           | 41.48  | 40.03  | 38.61  | 37.24  |
| Hungary .....        | 242.85                          | 253.51 | 251.76 | 248.04 | 264.18 |
| Poland .....         | 3.85                            | 4.40   | 4.53   | 4.02   | 3.89   |
| Romania .....        | 3.13                            | 3.76   | 4.05   | 3.62   | 3.52   |

Source: Reuters.

### Used Vehicles Market Overview in the CEE Region

The CEE used vehicles market offers attractive business opportunities due to a number of socio-economic factors and a positive economic outlook. Rising income, greater borrowing capacity and positive employment outlook should contribute to the rising demand for cars. Besides the influence of rising income, the demand for cars is supported by demographic and social restructuring, which are reflected in the higher need for mobility and travelling flexibility.

The current structure and size of the car population in the CEE region also supports the demand for cars. Passenger car density, especially in Romania, Slovakia, Hungary, Bulgaria and Poland, is lower than the average in the EU with a smaller difference in the case of the Czech Republic. Average car age is usually high in the CEE region and a significant number of cars is therefore likely to be deregistered and replaced in the coming years. For instance, while more than 60% of the registered cars in the Czech Republic are older than 10 years, in the other EU countries this figure is much lower at around 30-40%. Indeed, both the recent aggregate registration figures and used car imports (which show a tendency of growth starting from 2004) confirm the assumption of a strong demand for used vehicles in the Czech Republic and other CEE countries and a relatively high propensity to purchase used cars in the coming years.

Used vehicle retailing is one of the largest retail markets in the CEE region, and newer, high-quality used vehicles now comprise a larger part of the used vehicle market. The used vehicle market is split between used vehicle dealers and privately negotiated transactions.

The following table sets forth used cars market performance data in selected countries in 2006:

| Used vehicles market overall share statistics for 2006 |  |  |   |
|--|--|--|---|
|  | Size of the used car market<br>(indicating number of sold<br>used cars) <sup>(1)</sup> | Number of used cars sold by<br>the Group in 2006 | Market share of the Group in<br>2006 <sup>(2)</sup> |
| Czech Republic.....                                    | 250,000 – 300,000  | 43,015   | 23%   |
| Slovakia.....  | 100,000  | 13,617   | 16%   |
| Hungary.....   | 350,000 – 400,000  | 1,455  | 1.1 – 1.2%  |
| Poland.....  | 750,000 – 800,000  | 286  | 0.2%  |
| Romania.....   | N/A  | 3,121  | N/A   |

Notes:

- (1) This information is based on our own internal estimates and has not been verified by any independent third party. We are not aware of any official statistical data being available. This number also includes sales of used cars by particulars.
- (2) Cars sold by particulars have been excluded. The percentage represents our share in the used cars sold by used vehicle dealers only.

Due to the proximity to Germany, and the other western European used car markets, providing the supply of relatively high quality used cars, this increased demand can be easily satisfied by individual import or by the intermediary of used vehicles dealers. The CEE used car market also benefits from relatively cheap automotive maintenance and repair services due to lower labour costs.

Among the most important factors that will affect the used car market are environmental regulations. On the EU level, the European Commission has proposed new fuel exhaust standards (Euro 5) aiming to further curb emissions (from both petrol and diesel cars) of carbon monoxide (CO), hydrocarbons (HC), oxides of nitrogen (NO<sub>x</sub>) and particulate matters (PM). Additionally, Euro 6 standard would probably lay down even lower emission limits for NO<sub>x</sub> emissions from diesel cars (it is planned to enter into force 5 years after Euro 5). The EU also plans to set a standard for average CO<sub>2</sub> emissions per kilometre travelled, and possibly a tax linked to CO<sub>2</sub> emissions. Therefore, new car prices are likely to rise in the future primarily due to stricter regulations and environmental concerns. While part of the legislation may also have a direct impact on the used car market, it is unlikely that the used car market will be significantly affected by the strict regulations that are being progressively imposed on the sales of new vehicles. As new car prices rise so will the demand for used cars.

#### ***Czech Used Vehicles Market Overview***

According to the Czech Association of the Automotive industry (*Sdružení automobilového průmyslu*), there were 183,143 used cars imported and registered in the Czech Republic for the first time in 2006. The ratio of used cars to new cars registered in 2006 was approximately 106%. The number of used cars registered grew by 16.68% and 24% in 2005 and 2006, respectively. This growth reflects easing of the import restrictions after EU enlargement in 2004, their further loosening in 2006 and a strong demand for used cars in the Czech Republic.

#### ***Slovak Used Vehicles Market Overview***

According to the Central Register of the Slovak Police Presidium (*Centrálny register Prezídia policajného zboru*), approximately 71,500 used cars were imported and registered in Slovakia for the first time in 2006. The ratio of used cars to new cars imported and registered in 2006 was approximately 91%. There were only 15,500 used cars imported in 2004, thus used car imports have increased by more than 500% over the two years since 2004. The reason can be found in the strict regulation of car imports, their quality and technical checks which initially restricted the import of used cars. However the market as whole, including individual importers, then took measures to comply with the requirements and adapted to the new conditions.

The used car market is generally very segmented, but for some exceptions, with most of the used cars dealers selling used cars on a commission basis.

#### ***Hungarian, Polish and Romanian Used Vehicles Market Overview***

Currently, very few of the used cars registered each year in Hungary are imported, principally due to the introduction of a registration tax for imported cars, which not only caused a significant drop in imports but also affected the used car market structure, as many small dealers were forced into bankruptcy. The registration process for selling and buying cars in Hungary is rather complicated and lengthy, which can represent a competitive advantage to a provider with access to a central database for legal checks and offering a quicker registration service.

Sales of new cars have risen in Poland in 2006 mostly as a consequence of an increased tax burden and regulation related to used car imports. Nevertheless, the EC intends to bring an action at the European Court of Justice on the subject of the used car imports to Poland, claiming that imported used cars are disadvantaged on the Polish markets due to regulations and taxation. Used car imports were strong before 2006, especially in the period from 2004 when Poland entered the EU. Used cars, imported mostly from Germany, satisfied the demand for passenger cars especially created by the middle and low income individuals and families. The age of imported cars was usually high and the average age of cars in Poland is therefore also high. Assuming the income level in Poland will rise further and imported used cars will not be disadvantaged, there is a good basis for a strong demand for both new cars and relatively new used cars in good condition and with low mileage.

In Romania, the used car market bears all the typical characteristics of an emerging market economy with a large "shadow market" and all the negative consequences that it entails. The main characteristic

is low income per head connected with a limited ability to buy higher quality used cars in the typical used car target group. Other factors are a limited access to the western economies and an insufficient source of quick and cheap imports of used vehicles from the developed markets. Nevertheless, the market for both new and used cars grew significantly in 2006.

### **Financial Services Intermediation Market in the CEE Region**

Financial services, especially the financing of private properties purchases, are variable in the CEE region, copying the country-by-country general economic development and the stage of reforms from the former social and economical systems to the modern market economy.

The most developed markets in the CEE region with sophisticated financial products and educated customers can be found in the Czech Republic, Hungary and Slovakia, followed by Poland, with the worst situation existing in Romania.

#### *General Market Features*

The leasing industry is experiencing a strong growth in the CEE region as a result of a positive economic outlook and the prospects of steady increase in average wages. People are thus willing to buy more expensive equipment on credit. This positive trend can be partly attributed to a standardisation of financial markets in the CEE region, reflected also by much lower interest rates and margins, which are a result of increased confidence and trust of the credit institutions in the borrowing capacity of the local population. In the Czech Republic, which is our main market, the leasing industry is the largest in the CEE and the 13<sup>th</sup> largest in the whole of Europe. Over the past three years, the volume of assets financed has remained at roughly the same level, but the size of the operations of the leading leasing companies has continued to grow as they develop retail finance products, such as instalment sales, consumer credits and operating leases, including the more sophisticated fleet management and full service leasing products. In Slovakia, there has been a market shift from the peak annual growth of 48% in 2001. Since 2004, growth now remains steady at around 5%. Although other areas of leasing are starting to catch up, the bedrock of the entire leasing industry in the CEE region remains car finance.

#### *Czech Loans and Leasing Market Overview*

According to the Czech Leasing and Financial Association's webpage, its member companies, representing 97% of the Czech market, provided financing of equipment with a total value of EUR 3.8 billion (excluding VAT). Leasing of privately owned cars represented EUR 1.1 billion. The value of equipment financed by leasing increased year-on-year by 5.8% in 2006.

The market of leasing providers is very concentrated in the Czech Republic (the five largest providers of equipment leasing accounted for 57.7% market share and the fifteen largest accounted for 80% of market). The largest leasing companies are ČSOB Leasing, a.s., CAC Leasing, a.s., ŠkoFIN s.r.o., SG Equipment Finance Czech Republic s.r.o. and VB Leasing CZ, s.r.o.

Consumer loans provided by the banking sector amounted to EUR 3.6 billion in 2006, representing a 27.2% yearly increase.

In the sphere of consumer loans in the non-banking sector, the leasing companies represent the majority of market. They account for a similar majority in the case of consumer loan products for both households and corporations. The total value of goods financed by consumer loans via leasing companies was EUR 6.8 billion, from which households accounted for EUR 2.0 billion (30%). The main reason for the high level of activity among the leasing companies in the field of consumer loans is a result of changes in taxation regarding the leasing which made leased equipment more expensive for customers and therefore leasing companies had to adapt their product portfolio to be able to compete with the banking sector.

### *Slovak Loans and Leasing Market Overview*

According to statistics published by the Association of Leasing Companies SR on its webpage, its member companies provided financing of equipment with a total value of EUR 1.5 billion in 2006 in Slovakia. Leasing of privately owned cars represented EUR 0.4 billion. The total value of equipment financed by leasing increased year-on-year by 17.0% in 2006. The Slovak leasing market increased for 26.5% year-on-year in 2006 and reached a total amount of EUR 1.9 billion. Loans for personal cars reached in 2006 EUR 0.6 billion, a year-on-year increase of 13.4%.

The largest leasing companies are ČSOB Leasing, a.s., CAC Leasing Slovakia, a.s., VB Leasing SK s.r.o., Tatra Leasing, s.r.o. and Volkswagen Finančné služby Slovensko, s.r.o. (2005).

New car financing accounted for 73.0% of the EUR 0.6 billion total for personal cars while used cars accounted for the remaining 27.0%.

### *Hungarian, Polish and Romanian Loans and Leasing Market Overview*

According to data published by the Hungarian Leasing Association, the total value of assets leased in Hungary in 2006 amounted to EUR 4 billion, representing a 7.2% increase compared to 2005, out of which EUR 2.5 billion was vehicle financing. The top five vehicle leasing providers financed 60.3% of vehicles, while top 10 companies provided financing for 86.2% of vehicles. Consumer loans provided by the banking sector amounted to EUR 5.3 billion in 2006, representing a 47.1% year-on-year increase and 5.9% of the GDP.

According to the Polish Association of Leasing Companies (*Konferencja Przedsiębiorstw Leasingowych*), the total value of assets which were acquired through leasing in Poland in 2006 amounted to EUR 5.5 billion representing a 33.1% increase compared to 2005, out of which EUR 3.1 billion was generated by vehicle financing and EUR 1 billion by passenger car financing. The top 5 vehicle leasing providers financed 49.8% of vehicles, whilst the top 10 companies accounted for a 79.5% share. Consumer loans provided by the banking sector amounted to EUR 19.7 billion in 2006, representing a 27.6% year-on-year increase and 7.3% of the GDP.

According to the Romanian Leasing Association ([www.aslr.ro](http://www.aslr.ro)), the total value of the leasing market amounted to EUR 806 million in Romania by the end of 2005, representing an increase of over 50% compared to 2005. The majority of the total volume was generated by leasing of vehicles, arranged mostly for passengers cars. Consumer loans provided by the banking sector amounted to EUR 8.8 billion in 2006, representing a 93% year-on-year increase and a 9.1% share of the GDP. Despite an immense growth of the leasing market in Romania, products and procedures connected with individual leasing are rather complicated and the market is not as developed as would be desirable compared with other countries in the region. Economical reforms, preparation for entering the EU and significant changes in the financial markets, including acquisitions of local financial companies by western multinational groups, started with a considerable delay.

## BUSINESS OVERVIEW

### Overview

With 61,939 vehicles sold in 2006 (including 61,494 used cars and 445 new cars) and approximately 5,350 used vehicles in stock per day on average in 2006 through one of the largest retail networks, we are one of the leading used vehicle retailers and vehicle-oriented financial services intermediaries in the highly fragmented markets of the CEE region in terms of market share and brands of cars offered. We purchase, recondition and sell used vehicles (representing approximately 47.5% of our gross profit without Auto Diskont and 48.9% with Auto Diskont) and at the same time arrange financing for vehicle purchases through third-party lenders (representing approximately 43.7% of our gross profit without Auto Diskont and 44.2% with Auto Diskont). In addition, we offer our customers an extensive range of automotive products and related services, such as vehicle accessories or vehicle registration (representing approximately 3.9% of our gross profit without Auto Diskont and 4.0% with Auto Diskont). Moreover, we have started to sell new cars at some of our branches (representing approximately 2.9% of our gross profit). We conduct our business in the Czech Republic, Slovakia, Hungary, Poland and Romania and actively examine further business opportunities in these and other neighbouring countries. The great majority of our business is currently located in the Czech Republic.

We have pioneered and implemented operating strategies and offer a broad selection of used vehicles that we believe enhances customer satisfaction and loyalty and maximises operating efficiencies. Our strategy has been designed to better serve the CEE region by addressing what we believe to be the major sources of dissatisfaction with traditional used vehicle retailing while at the same time maximising operating efficiencies with sophisticated systems and standardised operating procedures and auto centres format. In several of our markets, we have a significant market share for used vehicles sales by used vehicles dealers, including 23% in the Czech Republic and 16% in Slovakia.

### History and Development

Our origin traces back to 1992 when the founding member of the Group, Anthony James Denny, our current CEO and beneficial owner of 100% of the Shares of the Company, started used vehicle business in the Czech Republic. In 1994, he incorporated AAA - AUTO Praha spol s.r.o., a Czech limited liability company, which company developed our current business model and concept. At the end of the year 1999, the enterprise (in Czech “*podnik*”) of AAA - AUTO Praha spol s.r.o. was sold to Automobile Group a.s., a Czech joint stock company, which in turn transferred its assets to AAA AUTO a.s., our current operating company in the Czech Republic. The Company was incorporated in the Netherlands as a private company with limited liability on 12 December 2003 to act as the holding company for the operations of the Group and subsequently all the shares in AAA AUTO a.s. were transferred to the Company.

We were the first used vehicle retailer to offer a large selection of quality used vehicles at low, “no-haggle” prices while using a customer friendly sales process in attractive and modern sales facilities and providing our customers with the opportunity to purchase vehicles in the same way that they buy other retail products. Our professional approach of the used car sale process, combined with high demand for used vehicles led to our rapid expansion and the increasing number of vehicles sold. In 2000, we reached EUR 100 million in gross annual revenues and since that time we have increased the gross annual revenues approximately three-fold to more than EUR 348 million for the financial year ending 31 December 2006. In 2003, our Czech subsidiary AAA AUTO a.s. was ranked for the first time by the Consortium Czech Top 100 in the “Czech Top 100” list, which consists of the top 100 Czech companies based on annual revenues. While it took us until 2001 to sell our 100,000<sup>th</sup> car, we sold our 200,000<sup>th</sup> car in 2004 and our 300,000<sup>th</sup> car in 2006.

The increased demand for our products and services led in 1998 to the opening of a second branch in Brno, the second largest city in the Czech Republic, and was followed by 14 other auto centres and five purchase centres in the Czech Republic. In 2005, we began international expansion by entering the Slovak used vehicle market. We have grown both organically and through acquisition of other car retail

companies. We currently operate 38 auto centres (branches where we both sell and purchase cars) and purchase centres (branches where we only purchase cars) (16 auto centres and five purchase centres in the Czech Republic, six auto centres and two purchase centres in Slovakia, three auto centres and two purchase centres in Hungary, two auto centres in Poland and one auto centre and one purchase centre in Romania). Headquarters of the Group are located in Prague, Czech Republic, with all the necessary infrastructure to ensure the operations of all our auto centres and purchase centres.

### **Organization Structure**

Our corporate structure can be divided into three sub-groups of companies: (i) companies specialising in the sale of mid to high quality used cars; (ii) companies specialising in the sale of new cars; and (iii) companies specialising in cheaper lower quality used cars, with the last two groups of companies being insignificant as the companies specialising in the sale of mid to high quality used cars (including car financing) generated approximately EUR 334 million in revenues and EUR 61 million in gross profit in 2006, representing 95.9% and 95.1% of total revenues and gross profit, respectively.

The core of our business is concentrated in the following operating companies selling mid to high quality used cars in each country where we operate: AAA AUTO a.s. in the Czech Republic, AUTOCENTRUM AAA AUTO a.s. in Slovakia, Autocentrum AAA AUTO Kft. in Hungary, AUTOCENTRUM AAA AUTO Sp. z.o.o. in Poland and AAA AUTO S.A. in Romania. Due to various business and operating reasons, the operating companies in Hungary and Poland are not owned directly by the Company but through intermediate local holding companies, AAA AUTO Kft. in Hungary and AAA AUTO Sp.z.o.o. in Poland. In some countries, there are also real state holding companies that own real estate and rent it to the operating companies selling used cars, such as WOTEG GWG-Group owning real estate in Ostrava, Czech Republic, and F-23 REALTY Kft. and F-22 INVEST Kft. owning real estate in Budapest, Hungary. We also have shelf companies that were established to be used for various purposes in the future or were acquired incidentally with other companies in the past, namely European Auto Sales s.r.o., AAA AUTO PRAHA s.r.o., ASKO, spol. s r.o. and Autocentrum AAA AUTO s.r.o. in the Czech Republic, and ASCORD Sp.z.o.o. in Poland. Currently, none of these companies conducts any material business activities. In addition, we have established shelf companies in certain countries where we are considering starting business operations, namely AAA AUTO EOOD in Bulgaria, AAA AUTO a.d. in Serbia and OOO AAA ABTO in Ukraine.

In the new cars group, the most important companies are GENERAL AUTOMOBIL, a.s., selling General Motors new cars in the Czech Republic, and GENERAL AUTOMOBIL CZECH s.r.o., selling new Škoda cars in the Czech Republic. In addition, GENERAL AUTOMOBIL Kft. in Hungary and GENERAL AUTOMOBILE POLAND Sp.z.o.o. in Poland were set up in connection with future sales of new vehicles in these countries but currently do not sell cars yet.

The sales of cheaper and lower quality used cars operations are concentrated underneath KAPITÁL AUTOMOTIVE a.s., a Czech holding company, selling low-cost used cars in the Czech Republic through AUTO DISKONT s.r.o. (a Czech subsidiary) and planning to start selling low-cost used cars in Slovakia through AUTO DISKONT s.r.o. (a Slovak subsidiary). We also plan to rename the Polish company ASCORD Sp.z.o.o. to AUTO DISKONT Sp.z.o.o. by the end of 2007 and use it for future sales of cheaper lower quality used cars in Poland.

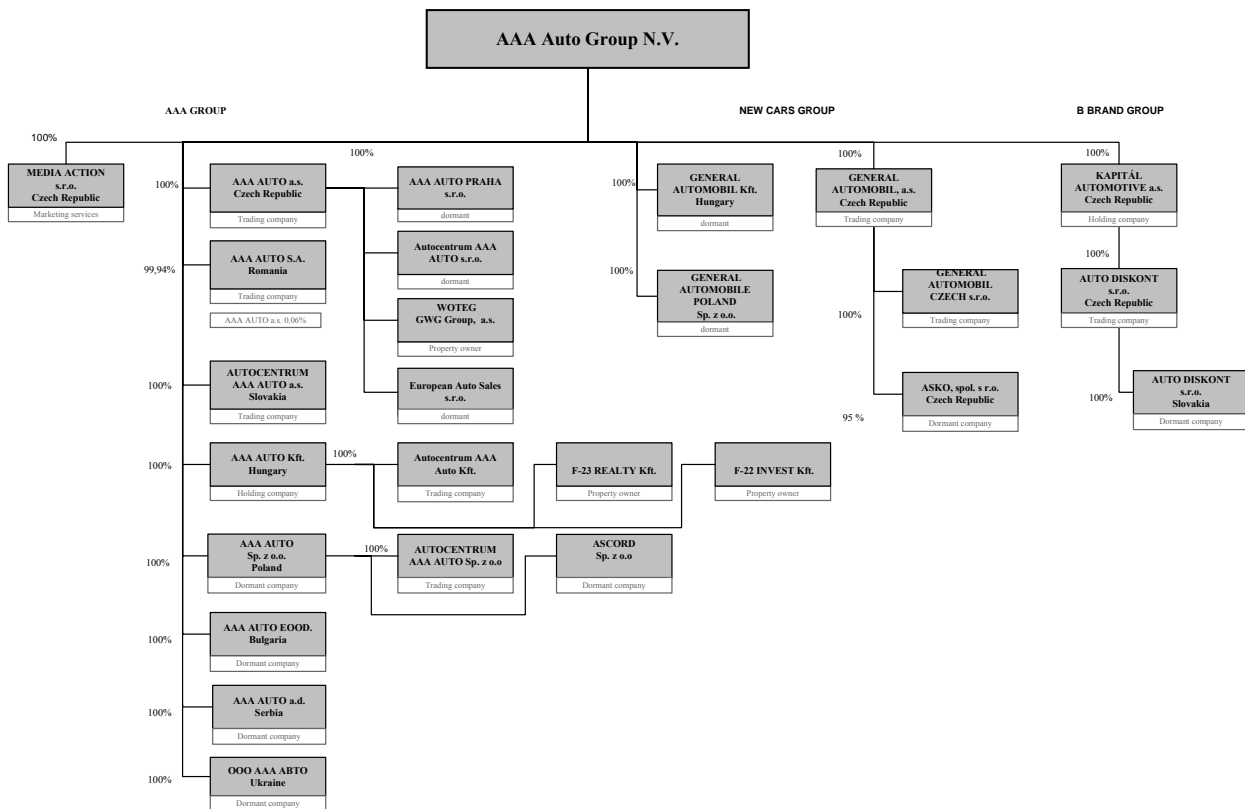
In addition, we plan to merge the Polish operating company AUTOCENTRUM AAA AUTO Sp. z.o.o. and the Polish holding company AAA AUTO Sp.z.o.o. in 2008. We also plan to merge the Hungarian operating company Autocentrum AAA AUTO Kft., the holding company AAA AUTO Kft. and property companies F-23 REALTY Kft. and F-22 INVEST Kft. in 2008.

There are also plans to transfer the business of the Czech company GENERAL AUTOMOBIL, a.s. to the Czech company GENERAL AUTOMOBIL CZECH s.r.o. and to transfer all the shares of GENERAL AUTOMOBIL CZECH s.r.o. to the Company by the end of 2007 due to various business reasons and also for the purposes of simplification of the Group structure.

We are also in the process of establishing GENERAL AUTOMOBIL S.r.l. in Romania for future new cars business in Romania. We expect that this subsidiary will be registered in the business register by the end of September 2007.

The following chart shows our current organisational structure:

Group Structure as of 31 August 2007



As the companies selling mid to high quality used cars under our AAA brand generated 95.9% of our total revenues and 95.1% of our gross profit in the financial year ending 31 December 2006, this “*Business Overview*” will relate to this part of our business only, excluding the new cars business and the sale of cheaper and lower quality cars under our AUTO DISKONT brand, unless indicated otherwise.

### Competitive Strengths

With 61,494 used vehicles sold in 2006 and approximately 5,350 used vehicles in stock on average in 2006 through the one of the largest retail networks, we are one of the industry and market leaders in the highly fragmented markets of the CEE region in terms of market share and brands offered. We have pioneered and implemented operating strategies and offer a broad selection of vehicles that we believe enhances customer satisfaction and loyalty and maximises operating efficiency. Our strategy has been designed to better serve this market by addressing what we believe to be the major sources of dissatisfaction with traditional used vehicle retailing while at the same time maximising operating efficiencies with sophisticated systems and standardised operating procedures and auto centres format.

### Competitive, “No-Haggle” Prices

The key to the success in our business is the ability to provide our customers with competitive prices of mid to high quality vehicles. We have implemented an everyday low-price strategy under which we set “no-haggle” prices on the vehicles at or below the best negotiated price in the market. The prices are clearly displayed on each vehicle’s information sticker, on [www.aaaauto.cz](http://www.aaaauto.cz) and in paper advertising. To be able to offer used vehicles at competitive prices, we purchase used vehicles for cash, as opposed

to most of our competitors who act only as sales intermediaries on a commission basis. People are willing to sell their vehicles at lower prices if they can receive cash immediately.

In addition, we offer the possibility of purchasing vehicles with an existing leasing contract, as well as the possibility of trade-ins for the customers intending to sell their old car and buy a new one. Other important sources of quality cars at competitive prices are the purchases of large fleets of used vehicles directly from manufacturers, leasing companies, car rental companies or traders from abroad, primarily Western Europe, which provides us with access to newer models of quality used vehicles at advantageous prices that are otherwise locally unavailable. Moreover, because of the large number of cars sold, we are able to estimate more precisely the resale value of the vehicles that we purchase allowing us to lower the provisions connected with the resale price risk. All vehicles are evaluated on the basis of their wholesale and reconditioning costs, and, for off-site purchases, cost of delivery to the auto centre where they will be reconditioned.

As for the vehicles the acquisition of which our customers decide to finance through our services, we are able to sell such vehicles at lower or no car margins at all and make profit principally or only on commissions for arranging the financing. Regarding the financing that we arrange for our customers, our size and sales volume give incentive to the providers of the financing to offer the financing at competitive fees compared to the industry norms resulting in competitive advantages and a lower cost of the financing for our customers.

### ***Offer of High Quality Used Vehicles***

Quality of used vehicles on our offer is as important as competitive pricing. We focus on the sale of mid to high quality used vehicles. All cars offered in our auto centres must meet certain minimum mechanical and safety standards. Each car that we purchase undergoes a comprehensive quality inspection, testing approximately 107 criteria and covering all major mechanical systems and all safety functions, such as engine, cooling and fuel system, drive axle, transmission, electronic systems, suspension, brake system, steering, air conditioning, as well as certain appearance criteria. Each vehicle is also examined during a testdrive. Based on the results of the inspection, we might decide to repair the car if the repair will translate into higher added value. Otherwise, the defects are disclosed to customers who will then be able to purchase the car at a lower price and have the car repaired on their own. Each car is thoroughly cleaned up and undergoes general maintenance. Each car is then double-checked by the stock management team. To control the quality, the reconditioning and repairs are carried out in-house. In addition to the technical aspects, we verify the legal origin of the vehicles for which we provide a lifetime warranty. In the Czech Republic and Slovakia, our customers can also take advantage of a discretionary 24 hour trade-in guarantee (for cars sold for EUR 3,600 or more in the Czech Republic and EUR 2,800 or more in Slovakia) if certain conditions are met, such as that the car has not been damaged or excessively driven by the customer.

### ***Broad Geographic Footprint***

One of our biggest advantages is the high number of auto centres with a broad geographic coverage, which is an important factor for ensuring growth and principally stability of our revenues. Due to the broad geographic coverage of our auto centres network, better performance of one auto centre can balance underperformance of another auto centre.

### ***Customer Driven Stock Management and Business Analysis***

Effective management of the composition of the cars in stock is another comparative advantage that distinguishes us from our competitors. Our computerised inventory management and auto centre system, unique to the automobile retailing business, allows us to effectively manage the vehicle inventory mix to reflect local demand at each auto centre and minimize inventory carrying costs. From the time we appraise a used vehicle until the vehicle is sold, all relevant information relating to that vehicle is captured by our information system, including the make, model and features of the vehicle, the acquisition cost, the nature and cost of the reconditioning, retail price and how long the vehicle has been in our inventory. Using the information provided by our stock management system and applying



sophisticated statistical modelling techniques, we are able to optimise our inventory mix and display by store, anticipate future inventory needs at each store based on customer needs, evaluate sales consultant performance and refine our vehicle pricing strategy.

Our analytical team re-evaluates our inventory on a daily basis with respect to mix, price, store location and other factors. The information provided by our stock management system is supplemented with data from customer and market surveys and from private and governmental reports analysing local and regional vehicle-purchasing trends. If warranted, appropriate adjustments to our inventory are recommended to the specific auto centre's purchasing manager focusing on vehicles for which there is an increased demand and which thus have a high turnover rate. Based on an average of fiscal year-end inventory values, we have turned our used-vehicle inventory approximately twelve times during 2006. Based on the number of the days that they are held in stock, any vehicles that have not been sold in accordance with our strict inventory aging policies are offered at progressively lower margins, are reconditioned or transferred to another auto centre to provide balanced inventories of used vehicles at each location.

In addition, we try to purchase specific vehicles through branches where there has historically been the lowest acquisition cost for such vehicles and subsequently transfer them for sale to an auto centre where the resale value of such vehicles has been historically the highest, thus providing us with another competitive advantage. In 2006, 50% of vehicles were sold in different auto centres than the ones in which they were originally acquired.

As the stock management and a sophisticated buying policy is one of our strongest points and a key factor in our existing business model, a specialised Business Analysis Department is being established with the main objective to further analyze buying and pricing processes, to increase effective usage of marketing data concerning the local demand, to further enhance stock logistics and stock management with a focus on improving efficiency of all process stages to make the car pricing more profitable and our car stock more liquid.

### ***Customer Driven Sales Process Creating a Positive Customer Experience***

By addressing the major causes of consumer dissatisfaction with the traditional car-buying experience, such as confrontational negotiations between potential customers and sales consultants or hidden costs and inflated prices embedded in the sales process, we have developed a streamlined, innovative and customer-friendly sales process that redefines the way consumer buy vehicles. The entire process, including the test drive and financing, can be completed in less than two hours. Our "no-haggle" policy allows our sales consultants to focus solely on our customers' needs. Satisfied customer translate into repeat and referral business.

Thanks to the interconnection of our call centre and our sales consultants, our sales consultants are able to anticipate our customers' needs in advance of their visit of our auto centres and prepare vehicles that correspond to their requirements or expectations. Similarly, our customers can check through our website our inventory for vehicles that meet their model and feature requirements, as well as price range. Our website displays a colour picture of each vehicle and optionally generates a vehicle information sheet with the vehicle price and selected features for the customer's reference and a map directing the customer to the vehicle's location.

Within 15 minutes of the customer reaching a specific auto centre, we try to have one of our sales consultants to begin assisting the customer. If there are no vehicles at a specific outlet that fit the needs of our customers, they can check our entire inventory at our "computer kiosks" available at each auto centre and we can arrange the transfer of a specific vehicle from another auto centre or we can bring the customer to another auto centre to have a look at and buy a specific vehicle chosen by the customer from the inventory of our other auto centres (in such cases the conversion rate approaches 72%).

Once our customers have decided to buy a specific vehicle, we provide them with a quick and efficient way to secure financing for their purchase. Our consultants use our information system to electronically check whether a specific customer meets the financing eligibility criteria (pre-scoring) and submit

financing applications and receive responses from a variety of third-party lenders. Pre-scoring typically takes less than five minutes and the whole process of arranging the financing of the car for the customer usually takes 25 to 30 minutes. Our customers are then able to review online the offered financing options and terms from each financing source, including the amount financed, interest rates, terms and monthly payments.

Upon entering any of our auto centres, every customer receives a customer card where all of their requirements and needs are recorded. These cards are subsequently processed and taken into account when improving the sales process.

### ***Diversified Revenue Streams***

We offer a diversified range of mid to high-quality domestic and imported vehicles in terms of brand and price mix appealing to a large range of potential customers. Our auto centres vary in inventory size from 100 to 1,400 vehicles, depending on local market size and consumer demand, with the standard size auto centre stocking about 400 vehicles. We offer cars that are on average less than seven years old (compared with the average age of the car park in the CCE region of more than 11 years), have mileage of less than 91,000 km kilometres and generally cost around EUR 5,058 (not including VAT). We offer 40 brands, such as Škoda, Renault, Ford, Peugeot and Opel.

Moreover, we offer automotive products and services beyond used vehicles, such as vehicle financing intermediation services and other automotive products and related services. We arranged customer financing on over 51% of the vehicles that we sold in 2006, earning finance commissions. In addition to the finance commissions, each of these transactions creates other highly profitable sales opportunities, including extended service contracts and various insurance-related products for our customers. Products and services beyond used vehicles produce generally higher margins/net income as a percentage of revenue than sales of used vehicles. In the financial year ending 31 December 2006, 43.7% of our total gross profit originated from the financial intermediation services while such services accounted for only 8.0% of our total revenue. We believe that this decreases our vulnerability because our diverse brand, product and price mix enables us to reduce our exposure to specific product supply shortages, changing customer preferences or negative publicity concerning a particular vehicle model.

Further, we believe that the diversification of our portfolio of auto centres in terms of geography and range of used vehicles offered will help us to weather adverse local or regional cycles or problems associated with a particular brand of vehicles. As of 31 December 2006, we had 6,225 used vehicles in stock in 25 auto centres and purchase centres. For comparison, Auto Esa, our largest competitor in the Czech Republic and regionally, had according to the information posted on its website 600 used vehicles in stock in one auto centre in Prague, while the average competitors cannot even compare with these amounts at all.

### ***Strong Brand***

We believe that we own some of the most recognisable and well-known used vehicle auto centres in the Czech Republic and Slovakia, while the public recognition of our auto centres in other countries where we operate is constantly rising. Our brand recognition is very high, more than 96% people in the Czech Republic are familiar with our brand according to a survey conducted by Ipsos Tambor, s.r.o., a market research company, in June 2007. The brand recognition is due to our market competitiveness and well-developed marketing strategies. The brand awareness helps us to attract more customers for whom we are the first choice when they decide to purchase a used vehicle. They prefer to visit well known and reliable used car centres instead of the unknown ones. Our brand and products are often known to the customers of a new location before we launch our business in such a location.

### ***Effective Trade Marketing***

Our marketing strategy dramatically changed since 1998 in connection with the expansion of new branches throughout the Czech market, resulting in establishing an in-house call centre and unified 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 used vehicle retail industry in the CEE has traditionally used locally produced, largely unprofessional materials. With EUR 9.6 million translating into an average of EUR 155 per vehicle sold, we believe that we have the single largest marketing budget of all used vehicle retail companies in the CEE. We have created common marketing materials using professional advertising agencies. In addition to print advertising campaigns, we have established an in-house call centre to support the sale of the cars through interactive connection and communication between the in-house call centre, the sales department and marketing department. This enables us to react promptly to the market changes and demand and to address the right customers at the right time in the right location and using the right communication channels, making thus marketing an efficient sales tool.

The largest number of our customers had a first contact with us through the printed advertising and/or internet. Our multilingual website offers advanced inventory and pricing search capabilities. Inventory information on the more than 8,200 used vehicles (as of 30 June 2007) is updated daily with an individual and detailed presentation of each car, including pictures of each vehicle, prices, features, specifications and store locations. The internet is generating better-informed customers improving the efficiencies of the sales process. We believe that these features make it easier for customers to meet all of their auto research needs on our website, which is one of the top five most visited automotive websites in Czech Republic with more than 3.3 million separate visitors in 2006. We also support our internet presence by offering our cars on the main regional automotive websites. Thanks to our internet presence, we are well positioned to capitalise on trends in the automotive retail e-commerce marketplace by giving us the greatest capacity to both obtain and fulfil customer leads generated on-line.

### ***Efficient In-House Call Centre***

More than 54% of our business has been generated with the support of our in-house call centre. Our in-house call centre, located in our Prague headquarters, is an integral part of our trade marketing and a key factor in achieving our results, as we use it to actively reach out to our customers. Our in-house call centre answered/placed more than 2.8 million incoming/outgoing phone calls in 2006 and we expect to reach more than 3 million incoming/outgoing phone calls in 2007. The principal focus of the call centre is to help our customers to choose the most suitable car for them, provide information on the car financing and arrange a personal meeting at the nearest auto centre. Our CRM system provides the operator with full history of all contacts and calls between such customer and us. In case that the customer is interested in a car that is not in our stock, the system is able to notify our operators automatically when such car is purchased by us and if it meets the customer's requirements. In comparison with out-sourced call centres, our in-house call centre can adjust with a higher degree of flexibility to customers' preferences and demands and can support more effectively our selling processes.

Our 224 in-house trained and motivated multinational call centre operators speak 13 languages and are fully trained professionals striving to address the requirements and expectations of our clients. The call centre is divided into four departments, each having a specific role: (i) Operators Team (in charge of processing incomings calls and identifying customers, discovering their demands and transferring the call to the appropriate salesman with specific skills); (ii) Telephone Salesmen Team (in charge of dealing with customers, providing several customer-related services, such as planning callbacks, walk-ins, answering e-mail inquiries, on-line and printed advertisement support); (iii) Customer Service Centre (in charge of calling back customers to obtain feedback, noting customers' suggestions with respect to potential for improvement of buying and selling processes); and (iv) Research Team (in charge of market research based on planned company expansion).

The following table sets forth the number of calls processed by our call centre in the years indicated:

| Year    | Number of calls processed |           |  | Note  |
|---------|---------------------------|-----------|--|---|
|         | Calls                     |           | Call Centre Share to<br>Total Business<br>(sold and bought cars) |   |
|         | Incoming                  | Outgoing  |  |   |
| 2004... | 1,172,534                 | 2,593,927 | 52%  | system without “non-business related calls” filtration<br>1 <sup>st</sup> quarter system without “non-business related calls”<br>filtration, then with “non-business related calls” filtration<br>system with “non-business related calls” filtration |
| 2005... | 730,726                   | 1,627,051 | 53%  |   |
| 2006... | 631,633                   | 2,201,148 | 54%  |   |

Our Customer Service Centre (“CSC”) constantly improves the processes within the Group to achieve full customer satisfaction on the basis of direct feedback from our customers. Two days after the sale of each car our operators call to the customers to get information about their satisfaction with our services, and this feedback is then used for further developments. This system helps us to achieve and develop a high level of customer satisfaction.

### ***Trained and Incentivised Management and Employees***

We have a strong senior management team with extensive experience in the automotive retailing and financial intermediary services. Our founding member, Anthony James Denny, is one of the pioneers of the used car retailing in the CEE region. We have also developed a unique in-house training program, custom-designed for specific positions (such as salesmen, stock analysts and car price specialists). We leverage the experience of our senior management, along with third-party trainers. Our in-house training department constantly improves our training programs on the basis of the feedback from other departments involved in the selling process. We believe that our comprehensive training of our employees provides us with an advantage over our competitors in the development and retention of our workforce.

To stimulate the performance of our managers and employees, especially in the call centre, buying, selling and financial services departments, we tie compensation to performance by relying upon an incentive-based pay system. At the auto centre and call centre level, individual incentives depend on fulfilment of monthly and quarterly targets directly connected with the number of vehicles sold and the prices at which they are sold, as well as the financing arranged for such vehicles. This incentive system plays a key role in achieving our financial targets. In addition, our incentive-based compensation structure helps us to manage expenses in an economic downturn. In particular, incentive schemes represent approximately 40% of the wages of employees in buying, selling, financial services and call centre departments. In addition, the employees in the selling support department also benefit of the incentive based compensation structure with incentives representing up to 20% of their wages.

### ***Centralised Management with Locally Transferable Business Model***

Our centralised management enables us to achieve a unified implementation of our unique business model and know-how in different markets and regions where we operate. Our business model consists of clear guidelines and rules, both as to the business processes and management system that we apply in all of our auto centres, with room for some adjustments to the specific local environment on a case-by-case basis. Central management creates opportunities to build and develop relationships with strategic business partners and to negotiate more advantageous business terms and conditions on the international level. Through centralized accounting, personnel, financing and certain other functions, we realise cost savings.

While our centralised management enables us to achieve unified global decision making on the strategic level as described above, the day-to-day responsibility for auto centres in specific countries rests with the individual country managers to provide market-specific responses to sales, service, marketing and inventory requirements based on local conditions and environment. The great majority of cars are bought and sold within the same country. The local managers follow the business model of the Group while adopting its execution to local conditions.

Each country manager is a locally recruited employee with the knowledge of the local market and conditions. Each country manager is supported by a local management team consisting of managers in charge of specific auto centres, which are operated as distinct profit centres with separate profit targets. Each country manager, in cooperation with the other local managers, addresses the best practices and operational challenges and formulates goals for the operations in the specific country in an environment that promotes an entrepreneurial spirit and the achievement of team goals.

### **Business Strategy**

We believe that conditions in the used vehicle retail market, coupled with our strategy that combines the “best in class” operating practices, such as our ability to determine appropriate store formats or to effectively manage pricing and inventory mix with the advantages of our established customer base, the CEE regional presence and strong brand recognition, provide us with the opportunity for further growth and increased profitability. We have developed and are implementing several growth strategies to capitalise on our competitive advantages, including the following:

#### ***Continued Growth through Opening of New Auto Centres Providing Further Geographic Diversity***

We intend to continue to grow internally through the opening of new auto centres in new geographic markets outside of the Czech Republic. The development of the Group in the 1990s focused on the Czech used vehicles market. After setting up our operations in Prague, we have successfully reproduced our business model in other cities in the Czech Republic until we have reached the limits of further development there.

Because countries in the CEE region share many economical, social and political characteristics, regional expansion was a natural next step after reaching the limits of the market in the Czech Republic. Similarly to the Czech Republic, the used vehicles market in other countries in the CEE region was highly fragmented, with insufficient services and inappropriate sales facilities while at the same time the average age of cars was more than 10 years and the number of cars per inhabitant low. Such an environment created ideal conditions for the export of our business model to other countries in the region.

Given the close historical and cultural ties with the Czech Republic, the first country chosen for our international expansion was Slovakia. We opened our first auto centre in Bratislava, the capital city, in 2005, three more auto centres in 2006 and three in 2007. Starting in the first year, the operating profit in Slovakia exceeded our expectations and confirmed the transferability of our business model.

The success of our Slovak expansion led in 2006 and 2007 to the opening of new auto centres in Hungary, Poland and Romania. Other branch offices have been opened in these countries and the scheduled expansion keeps covering other locations. We are currently examining further business opportunities in other countries in the CEE region, including Serbia, Ukraine, Bulgaria, Russia and Turkey.

#### ***Opening of “Baby Auto Centres”***

We expand not only in new countries and metropolitan areas but have also successfully tested and implemented in the Czech Republic the concept of “baby auto centres” placed in selected towns with 50,000 to 100,000 inhabitants. The “baby auto centres” are a replica of our standard auto centres but on a much smaller scale. Despite the success of our large stores in Prague, Bratislava and Budapest, in smaller metropolitan markets, customers are not willing to travel great distances to large-format auto centres, making a large-format store too large and undeserving of our target customer base. Instead, customers in these markets seem to prefer smaller-scale stores closer to their home. If they cannot find a vehicle of their choice at such a smaller auto centre, they always have the possibility to ask to have a specific car brought in from another auto centre. A “baby auto centre” will have on average an inventory of 100 cars as opposed to 400 cars for a standard size auto centre. It allows us to increase our penetration of the market, as well as to achieve a higher return on our investment with lower risk, as it provides us with the opportunity to better anticipate the number, location and types of stores suitable for

such markets. The “baby auto centres” require little or no incremental advertising and produce opportunities for additional operating efficiencies and economies of scale, promote increased name recognition and provide us with better opportunities for repeat and referral business. This concept is currently also being implemented outside the Czech Republic.

### ***Commitment to Customer Care***

We are constantly reviewing our business model to provide a high level of customer service to meet the needs of an increasingly sophisticated and demanding automotive consumer. We continually evaluate innovative ways to improve the buying experience for our customers and believe that our ability to share the best practices across our auto centres gives us an advantage over other used vehicle retailers. Our sales people employ varying friendly, low-pressure sales methods to address changes in consumer preferences. We design our service at auto centres not only to meet the needs of our customers but also to establish relationships that will result both in repeat business and additional business through customer referrals. Moreover, our call centre engages in extensive follow-up to foster long-term relationships.

### ***Enhancement of Margins***

Starting in 2005, we have initiated a profit improvement program that targets the following elements: (i) reduction of costs through improved operational effectiveness and sales, and auto centres productivity; (ii) incremental sales opportunities through retail service and accessory sales producing higher margins than used vehicle sales; and (iii) increase of margins by decreasing the inventory replacement period by focusing on more liquid cars with the objective of reducing our inventory financing interest expense and carrying costs. As a result, our profitability increased in 2006. We further pursue this strategy.

### ***Continuous Offer of a Diverse Range of Automotive Products and Services***

Our strategy is to continue to offer a broad range of automotive products and services, including a wide selection of used vehicles, financing and related products and services. Offering a variety of used vehicles at a broad range of prices increases our customer base, reduces exposure to changing customer preferences and to supply problems.

### ***Increase of Efficiencies of Scale***

Due to our size and centralised management, we are able to realise efficiencies of scale and use our resources, including material, technological and human ones, in the most optimal way. All important back-office operations such as call centre, imports and logistics, know-how implementation, IT and development of strategic business alliances are served from our Prague headquarters. Any newly opened auto centre is immediately supported by our headquarters with the aim of quickly achieving operating efficiencies.

A good example of our efficiencies of scale is our call centre. For the whole CEE region, we have a single call centre located at our Prague headquarters with staff speaking all the languages of the countries where we operate. Our customers from other countries dial local telephone numbers and are automatically diverted to our Prague call centre and serviced by an operator in their native language. Thanks to new technologies, the quality of telecommunication connections constantly improves while the cost decreases. A unique call centre is a much cheaper solution than opening a new call centre in each country where we operate.

Another example is advertising, which is managed and processed by MEDIA ACTION, one of our Czech subsidiaries, preparing all of our communication plans and centrally preparing marketing materials for all our subsidiaries, while successfully negotiating volume discounts from third-party providers.

International purchases of used cars and their transport to the various countries where we operate are also organised and managed by the Prague headquarters, allowing us to have better prices for bulk

purchases of cars and to reduce the total costs of operation and transport of these cars thanks to the central processing of orders.

We use our size and volume of business generated in many other ways to achieve efficiencies of scale, including the achievement of better pricing and conditions with our partners, such as leasing companies and banks whose financial products we offer to our customers.

We plan to further increase the operating efficiencies by implementing a new unified IT system in all countries where we operate with all information available in one centralised system which will enable us to work with unified and comparable outputs to achieve more flexible and efficient decision making.

### ***Further Development of Marketing and Advertising***

The main purpose of our marketing and business analysis strategy is not only to develop the awareness of our brand and advantages of shopping at our auto centres but also to increase our profitability by attracting customers who are already in the market to purchase a vehicle and by targeting specific segments of the market through special promotions. Our marketing efforts focus on mass marketing in our local markets and are designed to build up a successful business with a wide range of new, as well as repeat customers. Advertising communication is realised through national and regional campaigns. Direct interconnection between marketing, call centre and sales department enables online evaluation of the success of each performed campaign. This online evaluation facilitates effective planning of campaigns and if necessary also support for selected branches or application of other promotion. All the campaigns for all companies in the Group are prepared and managed by MEDIA ACTION, one of our Czech subsidiaries. The advantage of an in-house advertising agency lies in the flexibility of cooperation with the other Group members, in reduced development costs due to unified advertising formats and mainly in our ability to achieve lower prices for advertising and other marketing and public relation services from external suppliers.

In terms of costs of advertising, our largest marketing medium is press (60%), followed by radio and TV broadcasting (30%), internet (7%) and handouts, brochures and display posters production (3%). Newspaper advertisement promotes our broad selection of vehicles and price competitiveness, targeting consumers with immediate purchase intentions, while broadcasting advertisement is primarily oriented at increasing our brand awareness. Our website acts as a marketing tool for communicating our offer with a great level of detail since it allows customers can choose their cars according to their criteria inserted in a sophisticated search engine, and arrange viewing of the car directly at the selling place. Our total expenses in advertising and marketing activities were approximately EUR 9.6 million in 2006 and we expect an investment in the amount of almost EUR 10.5 million for advertising and marketing in 2007, with this increase being primarily due to entering new markets and opening new branches. The public relation strategy of the Group also goes hand in hand with the marketing strategy.

### **Our Business**

We offer a diverse range of new and used vehicles, automotive products and related services. A broad range of cars of all types is the Group's significant competitive advantage. The same goes for our financial and complementary services.

The following table sets forth revenue and gross profit overview per our products in the years indicated:

|                           | <b>Revenue and Gross Profit Overview Per Our Products</b> |              |             |              |             |              |
|---------------------------|---|--------------|-------------|--------------|-------------|--------------|
|                           | <b>Years ended 31 December</b>                            |              |             |              |             |              |
|                           | <b>2004</b>   |              | <b>2005</b> |              | <b>2006</b> |              |
|                           | Revenue   | Gross Profit | Revenue     | Gross Profit | Revenue     | Gross Profit |
|                           | <i>(as percentage of overall sales)</i>                   |              |             |              |             |              |
| Cars (used and new) ..... | 88.2%   | 45.6%        | 89.3%       | 49.2%        | 89.9%       | 49.5%        |
| Financial Services .....  | 10.3%   | 55.9%        | 9.2%        | 49.7%        | 8.1%        | 44.4%        |
| Other .....               | 1.5%  | (1.5%)       | 1.5%        | 1.1%         | 1.9%        | 6.1%         |

The following table sets forth the number of cars sold and revenue during the first half year 2007, as compared to first half year 2006:

|                      | <b>Number of cars sold</b>           |                                      | <b>Variance</b> |
|----------------------|--------------------------------------|--------------------------------------|-----------------|
|                      | <b>Period ended<br/>30 June 2006</b> | <b>Period ended<br/>30 June 2007</b> |                 |
| Czech Republic ..... | 21,980                               | 23,764                               | 8.1%            |
| Slovakia.....        | 5,612                                | 8,551                                | 52.4%           |
| Romania.....         | 1,338                                | 1,283                                | (4.1%)          |
| Hungary.....         |                                      | 3,033                                |                 |
| Poland .....         |                                      | 1,986                                |                 |
| <b>Total .....</b>   | <b>28,930</b>                        | <b>38,617</b>                        | <b>33,5%</b>    |

In Czech Republic, the number of cars sold increased by 8.1% from 21,980 units for the first six months in 2006 to 23,764 units for the first six months in 2007, mainly due to the opening of three additional auto centres in the beginning of 2007 (Teplice, Tábor and Chomutov). In Slovakia, the number of cars sold increased by 52.4% for the same period, due to the opening of two auto centres at the end of 2006 (Banská Bystrica and Prešov). We have started our operations in Hungary and Poland in the second half of the year 2006 and therefore no variations are shown. The number of cars sold in Romania has decreased due to the relocation of our existing auto centre in Bucharest.

The following table sets forth our revenue per main categories of our business during the first half of 2007, as compared to first half of 2006:

|                   | <b>Period ended<br/>30 June 2006</b>                      | <b>Period ended<br/>30 June 2007</b> | <b>Variance<br/>expressed in<br/>EUR</b> | <b>Variance<br/>expressed in %</b> |
|-------------------|---|--------------------------------------|--|------------------------------------|
|                   | <i>(amounts in EUR thousands, except for percentages)</i> |                                      |  |                                    |
| Cars .....        | 144,754   | 203,522                              | 58,768                                   | 40.60%                             |
| Commissions ..... | 12,132  | 17,196                               | 5,063                                    | 41.73%                             |
| Services .....    | 3,666   | 3,675                                | 8  | 0.23%                              |
| <b>Total.....</b> | <b>160,552</b>  | <b>224,392</b>                       | <b>63,840</b>                            | <b>39.76%</b>                      |

Our total revenue in the first six months of 2007 increased by 39.76% as compared to the first six months of 2006. Both revenues generated by sales of cars and revenues generated from the commissions on finance and insurance products increase by 40.60% and 41.73%, respectively. This increase, higher than the increase of the number of cars sold, underlines the strength of our business model.

Revenues from services show an increase of only 0.23% as we mainly focus on the sale of cars rather than on selling new services or products. Revenues from services shall further increase in the future after we start offering them in the new markets where we have recently started our business operations.

#### *Offer of Used Vehicles*

In 2006, our used vehicles sales (excluding AUTO DISKONT) generated EUR 302 million in revenues and EUR 30 million in gross profit, representing 86.8% and 47.5% of total revenues and gross profit, respectively. We have a broad offer of used vehicles, ranging from a Trabant 601 for EUR 180 to a Porsche Cayenne for EUR 46,000, with a focus on highly liquid mid to high quality vehicles that are purchased for stock based on our knowledge of the existing customer demands and trends. We offer approximately 40 brands of cars, light trucks and sport utility vehicles at a broad range of prices. The three most important brands of used vehicles sold in 2006 at our auto centres were Škoda, Renault and Ford, representing 25.0%, 9.7% and 9.6% of the number of cars sold and 34.3%, 9.2% and 8.4% of used vehicle sales revenue, respectively. The most important factor in connection with the purchase of a used vehicle is its price, which is directly linked to the vehicle class, age and mileage, plus certain other factors that tend to have a smaller importance. Some of these criteria are also important for the customers intending to finance their purchase through leasing as the third-party lenders tend to decline



financing for cars older than eight years or with a mileage of more than 100,000 km. More than half of our customers financed the purchase of their vehicle from us by financing from third-party lenders. The top three selling cars at our auto centres in 2006 were Škoda Felicia, Škoda Fabia and Škoda Octavia.

The average price of our cars sold in 2006 was approximately EUR 5,058 (not including VAT). The cars within the EUR 1,500 to EUR 10,000 range represented in 2006 more than 80% of our cars sold. We notice a growing demand for more expensive cars. This demand is enhanced by the flexible and competitive financing that we can arrange for our customers, allowing them to purchase more expensive cars than what they had originally intended.

The most demanded and best selling category is lower class, eventually lower middle class. Of the total cars sold in 2006, 6.1% were pick-up and vans, 2.7% MPVs and 2.5% 4x4 cars.

Another important criteria is the car age. Cars between four to eight years are the most popular with our customers and represented 53% of cars sold in 2006. A growingly popular and sought-after category is nearly new vehicles with a very limited mileage (often below 20,000 km) sold at used vehicle prices. They are mostly supplied directly by manufacturers or new-car dealers and represented 8.1% of our cars sold in 2006.

The last of the three most important criteria is the car mileage. Cars with 70,000 to 150,000 km mileage represented 55.5% of our cars sold in 2006.

Other criteria, such as colour (grey/silver being the most common colour, representing 23.3% of the cars sold in 2006) and air conditioning (39.4% of cars sold in 2006 had air-conditioning).

The following table sets forth the main characteristics of the cars sold by us in 2006:

| <b>Characteristics of cars sold in 2006</b> |   |                 |                              |                             |                |
|---|---|-----------------|------------------------------|-----------------------------|----------------|
|   | <b>Czech Republic</b>   | <b>Slovakia</b> | <b>Hungary<sup>(1)</sup></b> | <b>Poland<sup>(2)</sup></b> | <b>Romania</b> |
|   | <i>(as percentage of overall number of cars sold, except for the total number of cars sold)</i> |                 |                              |                             |                |
| <b>Brand</b>                                |   |                 |                              |                             |                |
| Škoda .....                                 | 37.2  | 39.6            | 5.7                          | 2.8                         | 2.5            |
| Renault .....                               | 9.1   | 7.7             | 9.3                          | 9.4                         | 17.3           |
| Ford .....                                  | 9.7   | 5.5             | 8.4                          | 9.7                         | 9.8            |
| Peugeot .....                               | 7.4   | 5.5             | 7.7                          | 19.0                        | 8.2            |
| Opel .....                                  | 7.0   | 7.5             | 12.7                         | 10.0                        | 11.1           |
| Other .....                                 | 29.6  | 34.1            | 56.2                         | 49.1                        | 51.1           |
| <b>Price range</b>                          |   |                 |                              |                             |                |
| EUR 0 - EUR 1,500 .....                     | 7.7   | 3.5             | 3.3                          | 1.0                         | 0.1            |
| EUR 1,501 – EUR 10,000 .....                | 84.7  | 91.3            | 88.4                         | 81.0                        | 68.1           |
| EUR 10,001 and more .....                   | 7.6   | 5.2             | 8.3                          | 18.0                        | 31.8           |
| <b>Age</b>                                  |   |                 |                              |                             |                |
| 0 to 3 years .....                          | 18.1  | 11.7            | 16.1                         | 17.7                        | 33.8           |
| 4 to 8 years .....                          | 50.9  | 56.6            | 60.2                         | 57.1                        | 61.8           |
| 9 years and more .....                      | 31.0  | 31.7            | 23.7                         | 25.3                        | 4.4            |
| <b>Mileage</b>                              |   |                 |                              |                             |                |
| 0 – 20,000 km .....                         | 8.3   | 3.2             | 6.8                          | 7.3                         | 14.4           |
| 20 001 – 70,000 km .....                    | 18.6  | 19.7            | 36.3                         | 24.9                        | 35.5           |
| 70 001 – 150,000 km .....                   | 56.4  | 56.5            | 45.4                         | 49.5                        | 44.3           |
| 150,001 km and more .....                   | 16.7  | 20.6            | 11.5                         | 18.3                        | 5.8            |
| <b>Car classification</b>                   |   |                 |                              |                             |                |
| Sedan .....                                 | 11.7  | 15.1            | 14.4                         | 17.0                        | 26.8           |
| Hatchback .....                             | 51.2  | 56.7            | 40.7                         | 52.9                        | 53.4           |
| Combi .....                                 | 22.2  | 15.4            | 6.8                          | 20.1                        | 12.1           |
| Convertible .....                           | 0.1   | 0.1             | 0.0                          | 0.0                         | 0.1            |
| Van .....                                   | 2.9   | 1.4             | 3.6                          | 1.4                         | 3.8            |
| Mini Bus .....                              | 1.3   | 0.5             | 0.0                          | 0.0                         | 0.1            |
| Off Road .....                              | 0.6   | 0.3             | 1.2                          | 1.0                         | 1.5            |
| Other .....                                 | 10.0  | 10.5            | 33.3                         | 7.6                         | 2.2            |
| <b>Colour</b>                               |   |                 |                              |                             |                |
| Grey/Silver .....                           | 23.0  | 21.7            | 32.3                         | 28.7                        | 30.4           |
| Blue .....                                  | 22.5  | 22.8            | 17.6                         | 23.1                        | 25.8           |
| Red .....                                   | 19.6  | 18.5            | 8.2                          | 15.8                        | 12.5           |
| Green .....                                 | 14.3  | 16.3            | 11.4                         | 10.4                        | 7.5            |
| Black .....                                 | 4.4   | 4.8             | 9.1                          | 6.9                         | 8.3            |
| Other .....                                 | 16.2  | 15.9            | 21.4                         | 15.1                        | 15.5           |
| <b>Type of engine</b>                       |   |                 |                              |                             |                |
| Petrol .....                                | 70.2  | 80.9            | 84.0                         | 73.7                        | 50.8           |
| Diesel .....                                | 29.8  | 19.1            | 16.0                         | 26.3                        | 49.2           |
| <b>Total number of cars sold</b>            | <b>43,460</b>   | <b>13,617</b>   | <b>1,455</b>                 | <b>286</b>                  | <b>3,121</b>   |

Notes:

<sup>(1)</sup> We opened our auto centre in Budapest in Hungary only in August 2006.

<sup>(2)</sup> We opened our auto centre in Warsaw in Poland only in October 2006.

### *Offer of Financial Services*

We have a broad offer of financial services such as customer loans, leasing and insurance. In 2006, our financial services generated EUR 27.9 million in revenues and EUR 27.9 million in gross profit, representing 8.0% and 43.7% of total revenues and gross profit, respectively.

Currently more than 50% of the vehicles that we sell are financed by leasing or customer loans and we try to increase this number constantly, as it brings us not only financial resources from commissions from business partners, but it also significantly enhances our ability to sell vehicles to customers who do not have sufficient financial resources to buy the vehicles for cash. Moreover, it enhances our ability to sell more expensive cars to our customers. Financial products are provided by our strategic partners, such as GE Money, Santander Consumer Finance, Erste Group and KBC Group and tailored according

to our specific needs to be more attractive for our customers. Due to long-term relationships and the volume of the business that we bring to our strategic partners, we have attractive commission schemes related to these financial products and privileged communication channels and conditions enabling us to offer to our customers faster and more flexible financing of their vehicle purchases. Our sales representatives submit financing applications of our customers electronically directly at our auto centres and receive responses in real time from the lenders.

We provide a variety of financing and leasing alternatives in order to meet the specific needs of each potential customer. Our ability to obtain customer-tailored financing provides us with an advantage over many of our competitors, especially smaller competitors that do not generate sufficient volume to attract the diversity of financing sources that we can offer to our customers. We arrange third-party financing instead of directly financing sales as it eliminates our exposure to loss from financing activities. We receive a commission from the third-party lenders for each financing that we arrange. In general, there are no chargeback fees provisions in the contracts with our strategic partners. We arrange two main types of financing – consumer loans, representing 95% of the financing that we arrange, and leasing, representing the rest. Customer loans enjoy greater popularity because the customers become owners of the car (contrary to the leasing) and also due to the tax considerations.

In the consumer loans category, we offer three types of financing: instalment sale contracts (the loan is not secured by the car financed), secured consumer loans (the loan is secured by the car financed and the customer cannot sell the car before the loan is paid off), and back loans (the customer gets the loan from a leasing company and this loan is secured by the car that he already owns).

In the leasing products category, we offer two types of financing: financial leasing and lease back, where the customer sells his car to the leasing company and then he leases it back from the leasing company.

In the field of insurance, we act as insurance brokers (except for our operation in Slovakia, where it is done through an affiliated company) and arrange for our customers motor third party liability insurance, crash insurance (insurance against crash, natural disaster, theft, vandalism and various combinations of insurance of the specified risks), secondary types of insurance (insurance of road side assistance services, casualty insurance for passengers, baggage insurance and car glass insurance). We arrange insurance from some of the biggest insurance companies, such as Allianz, Generali, Vienna Insurance Group and Uniqa Group.

#### *Sale of Other Products and Services (Upsales)*

In 2006, other products and services generated EUR 3.9 million in revenues and EUR 2.5 million in gross profit, representing 1.1% and 3.9% of total revenues and gross profit, respectively. Although we do not specifically focus on it, we consider the sale of other products and services as an integral part of our overall approach to the customer service as it provides additional opportunities to build long-term customer relationships. It increases the comfort of our customers by providing them with complementary services and products under one roof (one-stop-shop concept), such as car roadside assistance services, special loyalty programs and car accessories (CD players, medical kits, highway stickers, theft deterrent systems, etc.). Upon customers' requests we can arrange the issuance of a special certificate of legal origin of the car from an independent agency. Beside this, we also guarantee the legal origin of each car for all of our customers. All this helps to promote customer satisfaction and loyalty and thus increases the likelihood of repeat and referral business.

Moreover, we constantly seek to add new products and services to our offer to further enhance our ability to satisfy our customers' needs. Especially, we see a potential in the implementation of our upsale products to all new branches and development of new tailor-made products in cooperation with our partners.

## Recent Developments

We acquired in 2006 the Czech company AUTO DISKONT s.r.o., a cheaper and lower quality used cars dealer, to further strengthen our existing market position, to diversify our product portfolio and customer base, and to improve our critical mass negotiating potential.

At the end of 2006, we also started the opening of “baby auto centres”, as described in greater detail in “*Business Strategy - Opening of ‘Baby Auto centres’*” above, with the opening of our first “baby auto centre” in Teplice. In 2007, we opened another “baby auto centre” in Chomutov, in addition to opening two auto centres (in Hradec Králové and Tábor) and one purchase centre in Most in the Czech Republic. Furthermore, we expect to open three new “baby auto centres” or auto centres in the Czech Republic by the end of the year 2007. In Slovakia, we opened an auto centre in Nitra in the spring 2007, then in Lučenec and Trenčín in summer 2007, and we plan to open one new “baby auto centre” in Poprad by the end of the year 2007, as well as first two Slovak branches of AUTO DISKONT (Bratislava and Košice). Two new auto centres and two purchase centres were opened in Hungary in 2007, and we plan to develop the existing two purchase centres into auto centres and open two new “baby auto centres” by the end of 2007. In Poland, we opened a new auto centre in Lodz and we prepare a property acquisition for opening a new auto centre in Dabrowa Gornicza in autumn 2007. We plan to extend the Brasov purchase centre in Romania into a “baby auto centre” later in 2007 and open a new auto centre in Timisoara by the end of the year 2007.

The further development and regional growth moved our business relations with strategic partners (especially in banking and FI co-operations) to a multinational level. We are now able to negotiate business terms and conditions on the Group level, making our business partnerships more stable and providing us with better terms and conditions (both on revenue and costs side). We have also gained a critical mass to provide a better service to our customers.

## Competition

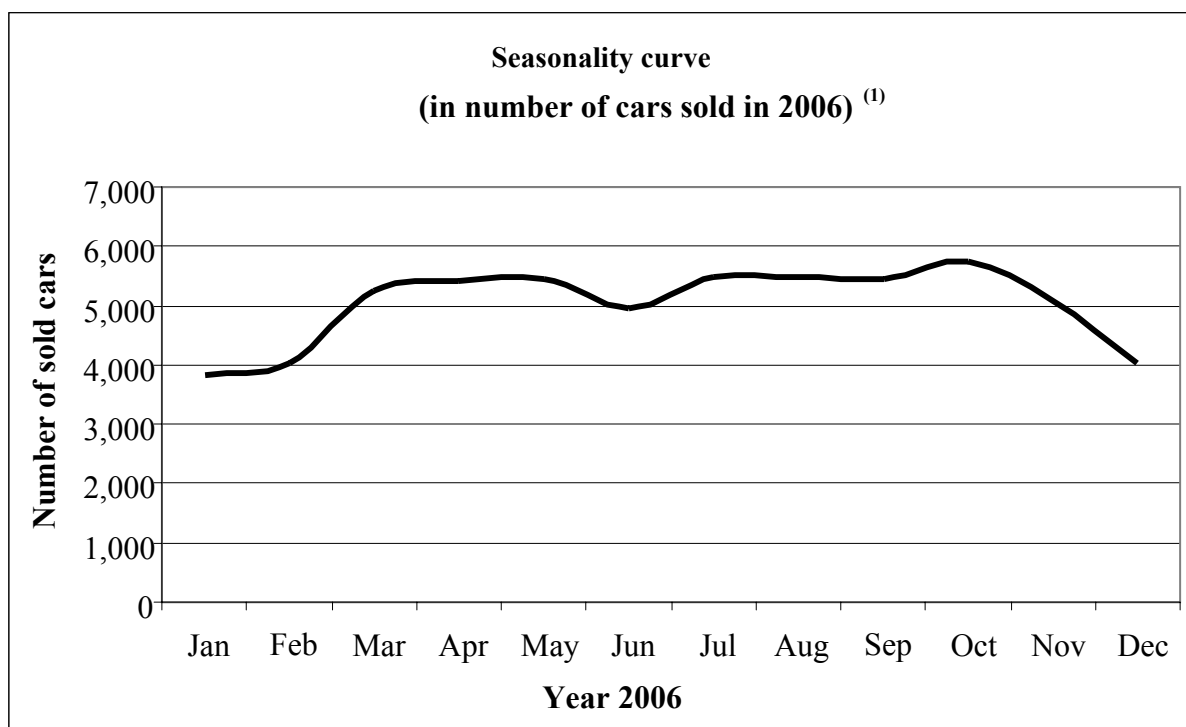
The automotive retailing industry is very competitive and consumers generally have a number of choices in deciding where or how to purchase a used vehicle. The principal competitive factors are the quality and condition of the vehicles, and price and the quality of customer service. We principally compete with private parties for supply and resale of used vehicles and in a limited way with independent used car retailers, as there is no similar company in the CEE region that would be comparable by its size, geographic reach of its network, marketing reach or sophistication of our business model. As to the size, all other companies specialized in the sale of used cars are considerably smaller than us and from a global point of view they do not represent any real competition for us. However, we can face competition locally from bazaars of local importance. The biggest of them are Auto Esa in Prague, Czech Republic, Eurocar in Brno, Czech Republic or Darex in Slovakia. Auto Esa has about 600 cars in stock offered in one branch in Prague. Eurocar has about 700 cars in stock offered in one branch in Brno. Darex has about 500 cars in stock offered in three branches in Slovakia. In 2006, AUTO DISKONT, one of our main competitors in the Czech Republic, was acquired by United Pensioen Fund B.V., a related party of the Company and subsequently we acquired AUTO DISKONT from United Pensioen Fund B.V. in December 2006. We also face some competition from new car dealerships that sell used cars, and this competition is significant especially in Hungary. Moreover, we can sense potential competition from new car dealers selling cheap Chinese cars. However, it still might take several years for the Chinese manufacturers before being able to comply with the European technical norms and standards.

In our vehicle financing business, we compete with a broad range of financial institutions, including banks providing consumer loans, as well as with independent private consumer loans providers. We believe that the principal competitive factors in arranging financing are convenience, interest rates and financing terms. Through leveraging our volume of business, we try to reduce the cost of funding for our customers and also offer the convenience of “one stop shopping” by offering to arrange vehicle financing directly at the point of purchase, giving us an edge as compared with entities specialized in providing each product or service separately.

## Seasonality

Our business operations are subject to seasonal variations, with the months of March to October contributing more revenues and operating profits than the months of November to January. Seasonality is principally caused by weather conditions (fewer cars are bought during harsh winters) and consumer buying trends (customers buy new cars for spring and namely summer months, for both personal travels and business use). Accordingly, we expect our revenue and operating income to be generally lower in the months of December to February and June, as compared with the other months.

The following graph sets forth the seasonality curve of the Group in 2006:



Notes:

<sup>(1)</sup> The number is without sales of our Hungarian and Polish auto centres that opened only during the year 2006.

## Regulations Related to the Group Business

The Group business is subject to regulations regarding the import and registration of the cars which differ in each country. Especially import regulations in Hungary restrict considerably the import of used cars but these restrictions do not affect our business adversely, as we focus in Hungary more on the local buying of used cars. There are also consumer protection laws implemented in each country that we must follow, especially in relation to the sales and customer care and warranties.

We must also comply with various environmental, health, work safety regulations and construction rules, especially in connection with operating of servicing of cars and construction of our facilities. Especially, we are subject to environmental laws and regulations regarding discharges and storage of petroleum substances and chemicals, handling and disposal of wastes, and remediation of contamination arising from spills and leaks. As with automobile auto centres generally, and service and repair centre operations in particular, our business involves the generation, use, handling and disposal of hazardous or toxic substances or wastes that are subject to complex regulation establishing methods for handling, storage, treatment, transportation and disposal of such regulated substances and wastes with which we must comply.

The complexity of environmental laws and regulations makes it very difficult for businesses that routinely handle hazardous and no hazardous wastes to achieve and maintain full compliance with all

applicable environmental laws. Like virtually any network of automobile retail and vehicle service facilities, from time to time, we might be expected to experience incidents and encounter conditions that will not be in full compliance with environmental laws and regulations. However, none of our auto centres have been subject to any material environmental liabilities in the past. We believe that our auto centres substantially comply with all applicable laws and regulations affecting our business and that we do not have any material liabilities under such laws and regulations, and that compliance with all such laws and regulations does not and will not, individually or in the aggregate, have a material adverse effect on our capital expenditures, earnings or competitive position. Nevertheless, environmental laws and regulations and their interpretation and enforcement change frequently, and we believe that the trend of more expensive and stricter environmental legislation and regulation is likely to continue. Hence, there can be no assurance that compliance with environmental laws or regulations or the future discovery of unknown environmental conditions will not require additional expenditures by us or that such expenditures would not be material. See “*Risk Factors*”.

We are also subject to various consumer protection laws that were adopted and harmonized in the CEE region on the basis of EU legislation. However, specific implementation of these regulations varies from country to country. As for the liability for defects of the used cars, we guarantee the legal origin of the cars to our customers and we are liable for hidden technical defects that the cars have at the time of their sale. We must also respect various rules relating to after sale reclamation procedures. Especially in relation to the insurance brokerage, which is licensed and supervised by government authorities, we must comply with strict statutory regulations with respect to the offer, presentation and sale of insurance products to our customers. Similar provisions apply to brokerage of car financing for our customers in connection with which we have obligations regarding proper disclosure of information to the customers about financial products.

## **Facilities**

We have 38 facilities in five countries. The facilities consist of 28 auto centres, used for purchase and sale of used and new vehicles, and 10 purchase centres, used only or principally for purchases of used vehicles (16 auto centres and five purchase centres in the Czech Republic, six auto centres and two purchase centres in Slovakia, three auto centres and two purchase centres in Hungary, two auto centres in Poland and one auto centre and one purchase centre in Romania). Auto centres can be further divided into “baby auto centres” and regular auto centres. “Baby auto centres” have up to 5,000 m<sup>2</sup> of vehicle sales area, whereas average regular auto centre has about 14,700 m<sup>2</sup> of vehicle sales area. All of our branches combined, we dispose of 382,244 m<sup>2</sup> of vehicle sales area. On the sales area, cars are displayed with segments according to types and prices. All auto centres have also an administrative building. An administrative building is a complex of showroom, servicing area and back-office area. One of the principal factors considered by us when we evaluate the opening of a new auto centre is its location. We prefer auto centres along major thoroughfares with ease of access that can be conveniently visited by our prospective customers. The auto centres are usually located along major roads/highways near shopping malls and other retail centres.

We own most of our real estate and rent primarily purchase centres, smaller buying/selling branches and additional land next to our existing operations that are in our ownership. We exceptionally rent also regular size auto centres (Prague and Bucharest branches). When we decide to buy a property, we prefer to buy an existing new car dealership with extended parking area because it has ready-built facilities that we need for our business - showroom, servicing area and back-office area.

As of 31 December 2006, the book value of our own real estate was approximately EUR 29.6 million. Due to our rapid expansion plans, there are several negotiations regarding the acquisition of additional facilities, especially in Hungary, Poland and Slovakia.

The following table sets forth certain information relating to the properties that we use in our business as of 1 August 2007:

**Overall area of auto centres and purchase centres in the respective countries**

|                     | Auto centres   |  | Purchase Centres |               |
|---------------------|----------------|--|------------------|---------------|
|                     | Owned          | Leased                                       | Owned            | Leased        |
|                     |                | <i>(vehicle sales area in square metres)</i> |                  |               |
| Czech Republic..... | 117,454        | 62,344                                       | 6,895            | 12,286        |
| Slovakia.....       | 44,990         | 18,998                                       |                  | 6,246         |
| Hungary.....        | 76,079         | 13,503                                       |                  |               |
| Poland.....         | 35,929         | 12,907                                       |                  | 1,388         |
| Romania.....        |                | 14,718                                       |                  | 2,000         |
| <b>Total.....</b>   | <b>274,452</b> | <b>122,470</b>                               | <b>6,895</b>     | <b>21,920</b> |

In Czech Republic and Hungary, some of our real estate assets are owned through a special purpose property holding company due to specific conditions relating to the acquisition of such real estate assets. We acquired the company owning the real estate established as a real estate holding company.

Our real estates properties are subject to mortgages securing loans from banks and our car inventory is encumbered to secure the inventory financing loans from leasing companies and banks.

### Intellectual Property

We own a number of registered trademarks, among others AAA AUTO, which is subject to international protection in 55 countries around the world, and have several pending applications to register additional trademarks. The current registrations of our trademarks in all countries, where we have a business activity, are effective for varying periods of time, which we may renew periodically, provided that we comply with all applicable laws.

We face a legal dispute over the use of the trademark “AAA AUTO” in Slovakia, where we are being sued by our competitor Darex, the registered holder of the Slovak national trademark “AAA”, seeking to prevent us from using the AAA brand in Slovakia. A preliminary injunction was issued, confirmed by the court of appeals, pursuant to which we are prohibited from using the “AAA” trademark for any advertising purposes in Slovakia. The final judgment regarding the use of our trade name “AAA AUTO” and the use of expression “AAA” in connection with our business in Slovakia has not yet been rendered.

As the registered holder of the international “AAA AUTO” trademark, which was registered also in Slovakia, we have countersued Darex and its related companies to prevent them from using the “AAA” brand in Slovakia and to change the name of their subsidiary AAA AUTO, s.r.o. The first instance court dismissed our action but we have appealed and the appeal proceedings are still pending. The results of this litigation cannot be predicted with certainty but even in case of unfavourable decisions it shall not have any significant financial impact on our financial situation.

Pursuant to agreements with vehicle manufacturers, we have the right to use and display manufacturers’ trademarks, logos and designs at our dealerships and in our advertising and promotional materials, subject to certain restrictions.

### Employees

As of 31 December 2006, we employed 2,880 people, of whom approximately 4.7% were employed in managerial positions, 18.3% were employed in non-managerial sales positions, 14.5% were employed in non-managerial positions in the car purchase department, and 8.8% in in-house call centre, 34.5% were employed in non-managerial parts and service positions, and 19.2% were employed in administrative support positions.

The following table sets forth the number of our employees in selected countries as of 31 December in the years indicated:

|                     | Number of employees |              |              |
|---------------------|---------------------|--------------|--------------|
|                     | As of 31 December   |              |              |
|                     | 2004                | 2005         | 2006         |
| Czech Republic..... | 1,746               | 1,740        | 2,007        |
| Slovakia.....       | 7                   | 205          | 452          |
| Romania.....        | 0                   | 98           | 129          |
| Hungary.....        | 0                   | 0            | 171          |
| Poland.....         | 0                   | 0            | 121          |
| <b>Total.....</b>   | <b>1,753</b>        | <b>2,043</b> | <b>2,880</b> |

In addition to the recruitment of managers with previous managerial experience in the automotive or related industry, such as financial services and retail sector, we have instituted a system of internal promotion, giving our employees the possibility to grow professionally, this being especially true for the employees in the call centre, buying and selling departments.

We believe that our relationship with our employees is positive. None of our employees is represented by a labour union.

### Information Technology

Our information technology (“IT”) system currently consists of various country specific solutions. Main software applications are FEIS, Wizcount, Comvar, stock system application, leasing deals application and insurance application. The most used software applications for our call centre are CRM (Customer Relationship Management), Stock System, CCS (CCSupervision) and Recording System. All systems are physically located at one central location, providing service to individual sites remotely. The system support of our business processes is currently sufficient. However, as our business strategy is based on expansion into new markets, the IT systems are in process of migration into one consolidated and centralised ERP solution, based on the Navision platform, unifying all elements of the system into one common environment and enabling a higher effectiveness of processing and utilization of the data, their transfer and archiving. We are in the process of implementation of this system in rollout stages. We expect that Hungarian, Slovak and Czech operations will be supported by this new IT platform in September 2007.

Our system support is organised in three levels: 1<sup>st</sup> level IT support is located in the specific country, 2<sup>nd</sup> level support is located at our Prague headquarters and 3<sup>rd</sup> level support is provided by our programming team (for software developed internally) or by vendors (for software purchased from external suppliers).

Our IT department performs the following activities for all IT systems: IT services continuity requirements definition, risk analysis of key IT services interruptions, preparation of the IT services recovery plan, business contingency planning, testing of recovery and contingency plans, improvement of contingency and recovery plans, definition, testing and planning data backups, execution of recovery and contingency plans in case of IT services interruption and/or systems malfunction.

Business data are being backed up using Legato technology in real time, cold backups are being done on daily basis overnight. All connections to remote locations are provided by two independent lines. Disaster recovery tests are being performed on a bi-monthly basis. The Navision platform is based on high availability architecture. When possible and reasonable, the IT department provides the business department with temporary internet secure tunnel connectivity using CISCO VPN technology and mobile internet access. Business contingency plans are based on paper processing of business transactions and connection with our business partners, such as leasing companies providing financing to our customers, via mobile phones. After restoration of IT services, business transactions that have been processed on paper only are manually transferred to our IT system.



The organisational breakdown of our IT department, consisting of almost 70 IT specialists, is based on a pool principle where the pools are grouped into the following departments and/or teams: IT infrastructure and support, business office, development, training, testing and documentation, country teams and data entry team. The head office of the IT department is based in Prague. We invested approximately EUR 1.24 million into IT in 2006 and we expect further investment in an amount of approximately EUR 2.05 million into IT in 2007.

### **Legal Proceedings and Insurance**

We are involved in a number of court proceedings (both as plaintiffs and defendants) arising in the ordinary course of business. There have been no legal or arbitration proceedings, pending or threatened, of which we are aware, during a period covering the past 12 months, which may have, or have had in the recent past significant effect on our financial position or profitability. See “*Intellectual Property*” above for discussion of the intellectual property dispute with Darex.

Because of its vehicle inventory and nature of business, the automobile retail business generally requires significant levels of insurance covering a broad variety of risks. We have insurance on our real property, general liability insurance and errors and omissions insurance in connection with our vehicle sales and financing activities and all other activities in the business area. The stock of our cars is insured on the basis of special umbrella insurance policies. The cars are automatically insured at the moment of purchase and the insurance expires as of the day of sale of the car to the end customer. The insurance of car stock covers the insurance of liability for damages caused by operation of the car, crash insurance if the car is test driven in specified routes and natural disaster insurance. Our total expenses for insurance were more than EUR 0.4 million in 2006 and we expect to spend more than EUR 0.5 million on insurance in 2007. The increased insurance spendings are due to the increased number of new branches and cars in stock.

## DIRECTORS AND MANAGEMENT

### General

Set out below is a summary of relevant information concerning the management board of the Company (the “**Management Board**”) and Senior Management (as defined herein). In addition, we set out a brief summary of certain significant provisions of Dutch corporate law and the articles of association of the Company currently in force (the “**Articles of Association**”) in respect of the Management Board.

### Management Board

The Management Board consists of executive members (the “**Executive Members**”) and non-executive members (the “**Non-Executive Members**”). The Management Board shall be entrusted with the management of the Company. The Management Board as a whole is authorised to represent the Company.

Resolutions of the Management Board with respect to a material change of the identity or the character of the Company or its enterprise, as referred to in section 2:107a of the Dutch Civil Code, are subject to the approval of the general meeting of shareholders.

The general meeting of shareholders may require the 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. We currently do not have any committees composed by Executive or Non-Executive Members.

### Executive Members

The Executive Members shall be 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 for those acts that are prohibited by law or by the Articles of Association. Any two Executive Members acting jointly shall be authorised to represent the Company.

Pursuant to the Articles of Association, the number of Executive Members shall be determined by the general meeting of shareholders, provided that the Company shall have at least one Executive Member.

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. A 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 following table sets forth our current Executive Members:

| <u>Name</u>                  | <u>Age</u> | <u>Position</u>         | <u>Member Since</u> | <u>Term</u> |
|------------------------------|------------|-------------------------|---------------------|-------------|
| Anthony James Denny .....    | 45         | Chief Executive Officer | 29 December 2006    | indefinite  |
| Antonius Mattheus Kemp ..... | 44         | Executive Officer       | 29 December 2006    | indefinite  |
| Matyáš Kofínek .....         | 32         | Executive Officer       | 24 May 2007         | indefinite  |

The business address of each Executive Member is De Boelelaan 7, 1083HJ Amsterdam, the Netherlands.

Set forth below is a brief description of the business experience of the Executive Members:

*ANTHONY JAMES DENNY* has served as the Chief Executive Officer of the Company since December 2006. Anthony James Denny graduated from Ryde College of Horticulture. He acquired over twenty years of experience in the used car business in the Australian, European and American markets. He has been living in the Czech Republic since 1992 where he first imported used cars from the USA. In 1994, he founded a used car sales centre which has progressively expanded into the Group. He is the founder and most experienced officer of the Group.

*ANTONIUS MATTHEUS KEMP* has served as the Executive Officer of the Company since December 2006. He graduated from Erasmus University in Rotterdam, the Netherlands, in 1989. 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 CEE since 1989, including from 2001 as a partner at Linklaters, an international law firm. He has advised the Company on international legal and tax issues as a lawyer since 1997.

*MATYÁŠ KOŘÍNEK* has served as Executive Officer of the Company since May 2007. He holds a Master's degree in Psychology from the Faculty of Philosophy and Arts and another one from the Faculty of Physical Education and Sports of Charles University in Prague. He joined us after more than three-years at Citibank – Global Consumer Bank where he was responsible for external acquisition and sales network of dealers. He began his career with AAA AUTO a.s., one of the subsidiaries of the Company, with responsibility for the department of insurance sale, customer and credit cards, assistance services, guarantees and other complementary products. Until May 2007, he served as Group Sales Manager in AAA AUTO a.s. and since May 2007 he has served as Chief Operations Officer of AAA AUTO a.s.

### **Non-Executive Members**

The Non-Executive Members are responsible for the supervision of the day-to-day affairs of the Company and the preparation of proposals relating to the policy governing the general affairs of the Company.

Non-Executive Members shall not be authorised to represent the Company, provided that the Management Board as a whole is authorised to represent the Company.

Pursuant to the Articles of Association of the Company, the number of Non-Executive Members shall be determined by the general meeting of shareholders.

Non-Executive Members 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.

No Non-Executive Members have currently been appointed. We are currently seeking four suitable candidates for this position and expect to propose such candidates to the general meeting of shareholders of the Company at the next annual general meeting of the shareholders in 2008 for appointment.

## Senior Management

The Executive Members are supported by the senior members of the management team (the “**Senior Management**”) listed hereafter:

| <u>Name</u>              | <u>Position</u>                    | <u>Company</u> |
|--------------------------|------------------------------------|----------------|
| Jiří Trnka .....         | Deputy to the CEO                  | AAA AUTO a.s.  |
| Karolína Topolová.....   | Chief Operations Officer           | AAA AUTO a.s.  |
| Emmanuel Leonard.....    | Chief Financial Officer            | AAA AUTO a.s.  |
| Igor Mandík .....        | Group Development Director         | AAA AUTO a.s.  |
| Milena Beránková.....    | Group Company Operational Director | AAA AUTO a.s.  |
| Petr Vaněček.....        | Group Buying Director              | AAA AUTO a.s.  |
| Vladimíra Jičínská ..... | Group Legal Manager                | AAA AUTO a.s.  |
| Martin Terance Emes..... | Group Stock Controller             | AAA AUTO a.s.  |

The business address of each member of the Senior Management is Dopraváků 723, 184 00 Praha 8 - Čimice. Set forth below is a brief description of the business experience of our Senior Management.

*JIRÍ TRNKA* studied Finance and Accounting at the University of Economy in Prague. He has worked in the automotive industry from the beginning of his career. He acquired practical knowledge in controlling and accounting at the position of financial analyst of the international company Continental Teves (brake systems). Later he worked for Škoda Auto where he dealt with project management in the area of finance. He joined the financial department of AAA AUTO a.s. in the second half of 2004 and his responsibility has been to implement and develop an internal audit system. He was promoted to the position of financial director in 2005. Currently he serves as Deputy to our CEO.

*KAROLÍNA TOPOLOVÁ* studied British TTA with an Oxford curriculum in operative management focusing on establishing and training personnel of call centres. She currently studies andragogy at the University of Jan Amos Komenský (UJAK). She began her career as an Assisting Programme Manager of Hilton Diamond Club. Later she became a HDC Programme Manager of telemarketing sales team, in charge of selected VIP clients of the Hilton hotel network, at Prague Hilton Atrium hotel. In 1998, she established the call centre of the Group, which has grown from five employees to a professional team of more than 200 persons. In autumn 2005, she took over the HR division of the Company as a Group HR Director. Currently she serves as Chief Operations Officer.

*EMMANUEL LEONARD* graduated from the business school of Solvay and since 1990 has worked in a number of companies in the fields of real estate, media and customer service in Poland, France and in the Czech Republic. From 2001 to 2004, Mr. Leonard served as Regional Chief Finance Manager of France Antilles Company. Before joining us, he worked for Orco Company. He has been employed with AAA AUTO a.s. since November 2006. Currently he serves as Chief Financial Officer.

*IGOR MANDÍK* is a graduate of the University of Economics in Prague. Previously he served as Business and Marketing Director in the company ABA (Autoklub Bohemia Assistance). He was also a member of several Boards of Directors of real estate funds, where he was mostly responsible for acquisition projects and strategy. He has served as Business Development Director since he joined AAA AUTO a.s. Besides being responsible for external financing and relations with financial institutions, he has been managing the Department of Acquisitions and Development Projects. Currently he serves as Group Development Director and is also responsible for managing relations with our main business partners.

*MILENA BERÁNKOVÁ* studied at the School of Economics in Usti nad Labem. She worked as Senior Assistance Coordinator in the EuroAlarm assistance centre of *Evropská cestovní pojišťovna* for over five years. She completed several trainings abroad and gained further experience in Rossmann, a Dutch company. She started to work for AAA AUTO a.s. as Operations Manager in January 2001 and currently she serves as Group Company Operational Director.

*PETR VANĚČEK* joined AAA AUTO a.s. in February 1999 while studying Finance and Accounting at the University of Economics in Prague. First he started working part-time as a supervisor at our call centre. Then he moved to the position of Manager for Mobile Buyers for two years before returning back to our call centre as Senior Supervisor. He has then worked as Group Buying Manager starting in December 2003 and in 2006 he was promoted to the position of Group Buying Director.

*VLADIMÍRA JIČÍNSKÁ* graduated from the Faculty of Law of the Charles University in Prague. In 2002, she obtained her Doctorate Degree and completed a postgraduate two years course organised by the University of Cambridge. In 2003, she was admitted to the Czech Bar Association. She started her legal career in a Czech law office. After five years of practical experience, she joined AAA AUTO a.s. as in-house layer in 2004. Currently she serves as Group Legal Manager.

*MARTIN TERANCE EMES* graduated from the University of Wales Coleg Gwent, Royal London Institute in 1985. Mr. Emes has over 25 years of experience in the automotive industry, starting already during his university studies. His retail management experience began with Hartwell and VW Audi UK, running a pilot for the "new retail concept" and "approved used" car programs. He first came to the Czech Republic in 1999 and joined AAA AUTO a.s. as leasing manager for three years. In 2005, with his extensive experience in Central European markets, he founded AUTO DISKONT s.r.o., which became one of the largest used car dealers in the Czech Republic. In 2006, AUTO DISKONT s.r.o. was acquired by us. He currently serves as Group Stock Controller.

The following table sets out the names of all companies and partnerships of which the members of the Management Board and Senior Management currently are, or have been at any time in the previous five years, members of the administrative, management or supervisory bodies or partners:

| <b>Name/ Company</b>                                | <b>Country of registration and incorporation</b> | <b>Position</b>                    |
|---|--|------------------------------------|
| <b>Anthony James Denny</b>                          |  |                                    |
| DĚTSKÁ DOPRAVNÍ NADACE .....                        | Czech Republic                                   | Member of the board of directors   |
| CAPITAL INVESTMENTS s.r.o.....                      | Czech Republic                                   | Executive Director                 |
| CAPITAL INVESTMENTS s.r.o.....                      | Czech Republic                                   | Partner                            |
| CZECH INVESTMENTS, spol. s r.o. in liquidation..... | Czech Republic                                   | Executive Director                 |
| CZECH INVESTMENTS, spol. s r.o. in liquidation..... | Czech Republic                                   | Partner                            |
| PRIORITY INVESTMENTS s.r.o. ....                    | Czech Republic                                   | Executive Director                 |
| PRIORITY INVESTMENTS s.r.o. ....                    | Czech Republic                                   | Partner                            |
| CREDIT INVESTMENTS s.r.o. ....                      | Czech Republic                                   | Executive Director                 |
| CREDIT INVESTMENTS s.r.o. ....                      | Czech Republic                                   | Partner                            |
| AUTOMOBILE GROUP a.s., in liquidation.....          | Czech Republic                                   | Chairman of the Board of Directors |
| GLOBAL DIRECT s.r.o. ....                           | Czech Republic                                   | Executive Director                 |
| GLOBAL DIRECT s.r.o. ....                           | Czech Republic                                   | Partner                            |
| CENTRAL INVESTMENTS s.r.o. ....                     | Czech Republic                                   | Executive Director                 |
| CENTRAL INVESTMENTS s.r.o. ....                     | Czech Republic                                   | Partner                            |
| GLOBAL ASSISTANCE SLOVAKIA s.r.o.....               | Slovakia   | Partner                            |
| GLOBAL CAR CHECK s.r.o. ....                        | Slovakia   | Partner                            |
| GLOBAL INSURANCE s.r.o. ....                        | Slovakia   | Partner                            |
| AUTOMOTIVE INDUSTRIES S.a.r.l.....                  | Luxembourg                                       | Director                           |

**Antonius Mattheus Kemp**

|  |                |                          |
|--|----------------|--------------------------|
| RTF Capital s.r.o. ....                    | Czech Republic | Executive Director       |
| RTF Capital s.r.o. ....                    | Czech Republic | Partner                  |
| Alliance Praha, v.o.s. in liquidation..... | Czech Republic | Statutory Body - Partner |
| Alliance Praha, v.o.s. in liquidation..... | Czech Republic | Partner                  |
| Rodamco Pankrác a.s. ....                  | Czech Republic | Board Member             |
| Rodamco Česká republika a.s.....           | Czech Republic | Board Member             |
| Centrum Černý Most a.s.....                | Czech Republic | Board Member             |
| Centrum Praha Jih-Chodov s.r.o. ....       | Czech Republic | Executive Director       |
| Linklaters .....                           | Czech Republic | Partner                  |
| Kemp, Hoogstad & Partners.....             | Czech Republic | Partner                  |

**Matyáš Kořínek**

|  |                |                                    |
|--|----------------|------------------------------------|
| GLOBAL CAR CHECK s.r.o. ....                                 | Czech Republic | Managing Director                  |
| GLOBAL DIRECT s.r.o. ....                                    | Czech Republic | Executive Director                 |
| AUTOMOBILE GROUP a.s., in liquidation.....                   | Czech Republic | Member of the Board of Directors   |
| FIRST OUTSOURCING, s.r.o. odštěpný závod F.O. Financial .... | Czech Republic | Director of a Branch of a Business |
| GLOBAL CAR CHECK s.r.o. ....                                 | Slovakia       | Executive Director                 |
| GLOBAL CAR RENTAL s.r.o.....                                 | Slovakia       | Executive Director                 |
| GLOBAL INSURANCE s.r.o. ....                                 | Slovakia       | Executive Director                 |
| GLOBAL AUTO ASSISTANCE S.R.L. ....                           | Romania        | Sole Director                      |
| DIRECT AUTOMOTIVE BROKER DE ASIGURARE S.R.L.....             | Romania        | Sole Director                      |
| GLOBAL ASSISTANCE Sp. z o.o.....                             | Poland         | President of the Management Board  |
| GLOBAL DIRECT ASSISTANCE Kft.....                            | Hungary        | Managing Director                  |

**Jiří Trnka**

|                              |          |                    |
|------------------------------|----------|--------------------|
| GLOBAL INSURANCE s.r.o. .... | Slovakia | Executive Director |
|------------------------------|----------|--------------------|

**Karolína Topolová**

|   |                |                                  |
|---|----------------|----------------------------------|
| AUTOMOBILE GROUP a.s., v likvidaci..... | Czech Republic | Member of the Board of Directors |
|---|----------------|----------------------------------|

**Igor Mandík**

|  |                |   |
|--|----------------|---|
| HOS KARTOGRAFIK, s.r.o. ....           | Czech Republic | Executive Director                        |
| HOS KARTOGRAFIK, s.r.o. ....           | Czech Republic | Partner                                   |
| GLOBAL CAR RENTAL, s.r.o. ....         | Czech Republic | Executive Director                        |
| GLOBAL CAR SERVICE s. r.o. ....        | Czech Republic | Executive Director                        |
| YES CAR CREDIT s. r.o.....             | Czech Republic | Executive Director                        |
| ABA Press Servis, s.r.o. ....          | Czech Republic | Executive Director                        |
| IMOB a.s.....                          | Czech Republic | Chairman of the Board of Directors        |
| Českomoravská realitní, a.s.....       | Czech Republic | Member of the Board of Directors          |
| VPÚ DECO CITY a. s. ....               | Czech Republic | Deputy Chairman of the Board of Directors |
| Autoklub Bohemia Assistance, a.s. .... | Czech Republic | Member of the Board of Directors          |
| GLOBAL CAR RENTAL s.r.o.....           | Slovakia       | Executive Director                        |
| GLOBAL ASSISTANCE Sp. z o.o.....       | Poland         | Member of the Management Board            |

**Milena Beránková**

|  |                |                                 |
|--|----------------|---------------------------------|
| AUTOMOBILE GROUP a.s., in liquidation..... | Czech Republic | Member of the Supervisory Board |
|--|----------------|---------------------------------|

**Martin Emes**

|                               |                |                    |
|-------------------------------|----------------|--------------------|
| AUTOBAZAR VÝHODNÝ s.r.o. .... | Czech Republic | Executive Director |
| AUTOBAZAR VÝHODNÝ s.r.o. .... | Czech Republic | Partner            |
| AUTO DISKONT s.r.o. ....      | Czech Republic | Executive Director |
| AUTO DISKONT s.r.o. ....      | Czech Republic | Partner            |
| AUTO EURO CZ s.r.o.....       | Czech Republic | Executive Director |
| AUTO EURO CZ s.r.o.....       | Czech Republic | Partner            |
| AUTO DISKONT s.r.o. ....      | Slovakia       | Executive Director |

**Remuneration Policy**

According to our Articles of Association, the general meeting of shareholders adopts the remuneration policy in respect of the remuneration of the Management Board. The remuneration policy will be submitted to the shareholders of the Company at the next annual general meeting of shareholders in 2008.

The remuneration paid to the Executive Members in 2006 was as follows:

| <b>Name</b>                 | <b>Amount</b>                |
|-----------------------------|------------------------------|
| Anthony James Denny.....    | EUR 54,707 <sup>(1)</sup>    |
| Antonius Mattheus Kemp..... | no remuneration paid in 2006 |
| Matyáš Kořínek.....         | EUR 68,564 <sup>(1)</sup>    |

The aggregated remuneration paid to Senior Management members was EUR 289,138 in 2006.

Note:

<sup>(1)</sup> As these Executive Members were appointed on 29 December 2006, they did not receive any remuneration for this position in 2006 and aforesaid remuneration relates to their position as members of the Senior Management during 2006.

The objective of our remuneration policy is to provide a compensation programme that allows us to attract, retain and motivate members of the Management Board who have the character traits, skills and background to successfully lead and manage the Company.

We do not provide pension, retirement or similar benefits to the Executive Members and Non-Executive Members or members of the Senior Management.

### **Share Option Plan**

The Management Board plans to adopt 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.

The options granted to the Executive Members will not be exercisable during the first three years from the date of grant. All options will expire on the day preceding the tenth anniversary thereof and will be exercisable at any time after the three years period from the date of grant by the Executive Members or from the date of grant by others and prior to the expiry of the ten-year period commencing on the date of grant.

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.

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.

No options are currently granted under the Share Option Plan as it is not in existence yet.

## **Conflicts of Interest**

We are not aware of any potential conflict of interest between the private interests or other duties of the members of our Management Board or Senior Management and their duties and responsibilities to the Company that is material to the Offering.

## **Family Relationships**

There are no family relationships among the Executive Members, members of the Senior Management and/or the Executive Members and members of the Senior Management, except that Mr. Trnka, Deputy to the CEO, is brother-in-law of Mr. Denny, CEO.

## **Conduct**

Within the five years prior to the date of this Prospectus, none of the Executive Members or members of the Senior Management:

- was convicted of any fraudulent offences;
- was associated with any bankruptcies, receiverships or liquidations of companies or partnerships of which he acted as a director or senior manager;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or
- has been disqualified by a court from acting as a member of the administrative, executive or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

## **Employment or Cooperation Agreements**

The Company or its subsidiaries has employment or cooperation agreements with each of the members of our Management Board and Senior Management. These employment or cooperation agreements have an indefinite term and can be terminated, subject to the statutory notice period. The employment or cooperation agreements do not provide for severance payments in the event of termination.

## **Indemnification**

The Company shall indemnify each member of the Management Board as well as each former member of the Management Board against all expenses (including reasonably incurred and substantiated attorneys' fees), financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, provided he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company or out of his mandate, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. Notwithstanding the foregoing, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or wilful misconduct in the performance of his duty to the Company.



## PRINCIPAL SHAREHOLDER

As at the date of this Prospectus, 100% of the Company's share capital is held by AUTOMOTIVE INDUSTRIES S.à.r.l., with its registered seat at 20, Rue de la Poste, L-2346 Luxembourg, registered in the Commercial Register in Luxembourg under file no. B 95921 (the "**Principal Shareholder**"), which is 100% beneficially owned by Anthony James Denny, our current CEO.

The following table indicates our shareholding structure as at the date of this Prospectus and after the Offering, assuming that the maximum number of the Offer Shares is issued and the Over-allotment Option is not exercised or is exercised, respectively.

| <b>Shareholders</b>        | <b>As at the date of<br/>this Prospectus</b> | <b>No exercise of the<br/>Over-allotment<br/>Option</b> | <b>Assuming full<br/>exercise of the<br/>Over-allotment<br/>Option</b> |
|----------------------------|--|---|--|
| Principal Shareholder..... | 100.00%                                      | 73.79%  | 71.91%   |
| Market .....               | 0.00%  | 26.21%  | 28.09%   |
| <b>Total.....</b>          | <b>100.00%</b>                               | <b>100.00%</b>  | <b>100.00%</b>   |

After the Offering, the Principal Shareholder will thus keep the power to control and/or significantly influence the results of shareholders votes, including (but not limited to) the election of members of our Management Board and the entering into transactions involving a potential change of control. The Principal Shareholder may support strategies and directions that are in its best interest but these may differ from the interests of the Group and our other shareholders.

The Shares held by the Principal Shareholder have no different voting rights from the voting rights of the Offer Shares.

To ensure that the control and/or significant influence by the Principal Shareholder is not abused, we are already subject to regular audits conducted by independent auditors. In addition, four independent Non-Executive Members will be appointed at the next annual general meeting of shareholders in 2008 and guidelines containing rules regarding the relationships with related parties will be implemented in 2008.

## **DESCRIPTION OF SHARES AND CORPORATE GOVERNANCE**

### **Authorised and Issued Share Capital**

At the date of this Prospectus, the authorised share capital of the Company amounts to EUR 25,000,000 and is divided into 250,000,000 Shares with a nominal value of EUR 0.10 each. At the date of this Prospectus, the Company had issued 50,000,000 Shares with a nominal value of EUR 0.10 each.

The Shares are in registered form.

Currently, neither the Company nor any of its subsidiaries hold any Shares. All Shares that are outstanding as of the date of this Prospectus are fully paid up.

### **Issue of Shares and Pre-emptive Rights**

In general, each holder of 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 competent company body 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. See also “*Dividend Policy*”.

## **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 or the municipality of 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 15<sup>th</sup> 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 and in the Dutch Official Gazette (in Dutch “*Staatscourant*”). The Company is also subject to publication requirements issued by the PSE and the BSE (see “*Czech and Hungarian Securities Markets and Selected Regulatory Considerations - Czech Republic - Selected Czech Regulatory Considerations – Reporting Obligations*” and “*Czech and Hungarian Securities Markets and Selected Regulatory Considerations - Hungary - Selected Hungarian Regulatory Considerations – Reporting Obligations*”).

The Management Board shall be authorized 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.

### **Statutory Merger and Statutory Demerger**

The general meeting of shareholders may resolve that the Company enters into a statutory merger or demerger (which term includes both a split-up and a spin-off). In the event the Company is the acquiring company, the Management Board may resolve to enter into a statutory merger or demerger, unless one or more shareholders representing at least 5% of the issued share capital of the Company request the Management Board within one month of the announcement of the merger or demerger, to convene a general meeting of shareholders.

### **Dissolution and Liquidation**

The Company may only be dissolved by a resolution of the general meeting of shareholders.

In the event of a dissolution, the business of the Company will be liquidated in accordance with Dutch law and the Articles of Association. The members of the Management Board will (unless otherwise determined by the general meeting of shareholders) become liquidators. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible.

The balance remaining after settlement of debts of the dissolved Company shall be transferred to the Shareholders in proportion to the aggregate nominal value of the Shares held by each of them.

### **Dutch Corporate Governance Code**

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code (the “**Code**”). The Governance 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.

Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Code that relate to the executive board or supervisory board and, if they do not apply, to explain the reasons why. The Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code.

### **Czech Corporate Governance**

In July 2004, the Czech Securities Commission (the former Czech regulator) issued a codex of corporate governance based on the OECD principles. The Company is not obliged to comply with this codex by the CNB or the PSE. The CNB only recommends that the a declaration about the compliance with the codex is included in the annual report of the Company.

### **Hungarian Corporate Governance**

Under Hungarian law and the rules of procedure of the BSE, the issuer must announce which points of the corporate governance recommendations of the BSE it wishes to follow.

### **Non-Compliance with the Code**

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

#### ***Management Board (Part II of the 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 control system. It shall, in any event, employ as instruments of the internal risk management and control 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 after the listing of our Shares.

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 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 directors and are independent within the meaning of best practice provision III.2.2.

We are seeking to find four additional suitable candidates to accept a position as Non-Executive Member. In this search, we are striving to find candidates who are independent within the meaning of the Code.

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 a 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 Code)***

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

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

#### **Disclosure of Information**

As a Dutch company listed on a regulated market, we will be required to make our annual accounts (including the annual report) available to the public within five months of the end of the period to which the information relates. We will be required to publish our annual accounts within four months after the end of each financial year and our half-yearly figures within two months after the end of the first six months of each financial year following the implementation of EU Directive 2004/109/EC (the "Transparency Directive"). In addition, the Company is obliged to publish quarterly reports pursuant to the PSE rules (see "*Czech and Hungarian Securities Markets and Selected Regulatory Considerations - Czech Republic - Selected Czech Regulatory Considerations - Reporting Obligations*").

The laws of the Netherlands contain specific rules intended to prevent insider trading. Pursuant to these rules, we have adopted a code of conduct in respect of the reporting and regulation of transactions in our securities (see "*Market Abuse Regime*" below). The Company is also subject to requirement under the Hungarian Capital Market Act and rules issued by the PSE (see "*Czech and Hungarian Securities Markets and Selected Regulatory Considerations - Czech Republic - Selected Czech Regulatory Considerations – Insider Dealing*" and "*Czech and Hungarian Securities Markets and Selected Regulatory Considerations - Hungary - Selected Hungarian Regulatory Considerations – Insider Dealing*").

#### **Obligations of Shareholders to Make a Public Offer**

The European Directive on Takeover Bids (2004/25/EC) (the "**Takeover Directive**") will be implemented in Dutch legislation in the Act on Takeover Bids (in Dutch "*Wet openbaar overnamebod*"), which has been adopted by the Dutch Parliament, but has not yet been enacted. Pursuant to this Act, a shareholder who has acquired 30% of our Shares or of our voting rights will be

under the obligation to launch a public offer for all shares and depositary receipts issued for shares. The legislation also applies to shareholders acting in concert.

### **Squeeze Out Procedures**

Pursuant to section 2:92a of the Dutch Civil Code, a shareholder who for his own account contributes at least 95% of our issued capital may institute proceedings against our other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber of the Amsterdam Court of Appeal (in Dutch “*Ondernemingskamer van het Gerechtshof te Amsterdam*”, the “**Enterprise Chamber**”) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (in Dutch “*Wetboek van Burgerlijke Rechtsvordering*”). The Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary upon advice of one or three experts. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he shall also publish the same in a newspaper with a national circulation.

With the implementation of the Takeover Directive into the Act on Takeover Bids, the rules for squeeze out procedures will be supplemented. This legislation explicitly confirms that the offeror under a public offer is also entitled to start a squeeze out procedure, within three months after the public offer, if following the public offer he contributes at least 95% of the class of shares subject to the public offer and represents at least 95% of the total voting rights attached to these shares. A mandatory offer price is in principal deemed to be a reasonable price, which has to be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable as long as 90% of the shares subject to the public offer have been acquired. Should the offeror’s offer of a squeeze out not be forthcoming, then the minority shareholders that have not previously tendered their shares are also entitled to the right of a squeeze out, if the offeror has acquired at least 95% of the class of shares subject to the public offer and at least 95% of the voting rights attached thereto. With regard to price, the same procedure as for squeeze out proceedings applies.

### **Notification of Holdings of Voting Rights and Capital Interest**

Pursuant to the FSA, certain notification requirements apply to us as well as to holders of our Shares. The notification requirements are summarized below.

Pursuant to the FSA, each person whose holding of voting rights and/or capital interest, directly or indirectly, at the time of admission of our Shares to listing on the PSE and the BSE, amounts to 5% or more must notify the AFM without delay by means of a standard form or through the automated notification system of the AFM. Once our shares are admitted to the listing, any person who, directly or indirectly, acquires or disposes of an interest in our share capital or voting rights must without delay give written notice to the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person, directly or indirectly, reaches, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

We are required to notify the AFM of any changes in our share capital and voting rights. More specifically, we are required to notify the AFM without delay of any changes in our share capital if our share capital has changed by 1% or more compared to the previous disclosure in respect of our share capital. We are also required to notify the AFM without delay of any changes in the voting rights, insofar as it has not already been notified at the same time as a related change in our share capital. Changes in our share capital and voting rights of less than 1% must also be notified; these changes can be notified at any time but at the latest within eight days after the end of each calendar quarter. The AFM will publish such notifications in a public register. If, as a result of such change, a person’s direct or indirect interest in our share capital or voting rights passively reaches, exceeds or falls below the abovementioned thresholds the person in question must give notice to the AFM no later than the



fourth trading day after the AFM has published the change in our share capital and/or voting rights in the public register.

In addition, annually within four weeks after the end of the calendar year, every holder of 5% or more of our Shares or voting rights whose interest has changed in the period after his most recent notification to the AFM, which change relates to the composition of the notification as a result of certain acts (*e.g.*, the exchange of Shares (an actual interest) for depositary receipts for Shares (which is a potential interest) or the exercise of a right to acquire Shares (pursuant to which the potential interest becomes an actual interest)) must notify the AFM of such changes.

A person is deemed to hold the interest in our share capital or voting rights that is held by its subsidiaries as defined in the FSA. The subsidiary does not have a duty to notify the AFM because the interest is attributed to the (ultimate) parent, which as a result has to notify the interest as an indirect interest. Any person, including an individual, may qualify as a parent for the purposes of the FSA. A person who has a 5% or larger interest in our share capital or voting rights and who ceases to be a subsidiary for purposes of the FSA must without delay notify the AFM. As of that moment, all notification obligations under the FSA will become applicable to the former subsidiary.

For the purpose of calculating the percentage of capital interest or voting rights, amongst others, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person; (ii) shares or depositary receipts for shares or voting rights held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney); and (iii) shares or depositary receipts for shares or voting rights which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (including, but not limited to, on the basis of convertible bonds). As a consequence, the notification should indicate whether the interest is held directly or indirectly, and whether the interest is an actual or a potential interest.

A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the FSA, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts for shares, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for shares, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for shares. Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property.

The FSA contains detailed rules that set out how its requirements apply to certain categories of holders, including but not limited to (managers of) investment funds, investment managers, custodians, market makers, clearing and settlement institutions, brokers and credit institutions.

Pursuant to the FSA, members of our Management Board, must without delay give written notice to the AFM of all ordinary Shares and voting rights held in us at the time of admission of our ordinary shares to listing on the PSE and the BSE. Once our Shares are admitted to the listing, they must also notify the AFM of their interest in our share capital and voting rights within two weeks of their appointment as a member of our Management Board. Any subsequent change of their interest in our share capital and voting rights must be notified to the AFM without delay.

The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

### **Market Abuse Regime**

The rules on preventing market abuse set out in the FSA are applicable to us, the members of our Management Board, other insiders and persons performing or conducting transactions in our securities. Certain important market abuse rules set out in the FSA that are relevant for investors are described hereunder.

It is prohibited for any person to make use of inside information within or from the Netherlands or a non-EU member state by conducting or effecting a transaction in our Shares. In addition, it is prohibited for any person to pass on inside information to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for or the price of the securities.

Once we have made a request for admission of our Shares to trading on the PSE and the BSE, our insiders within the meaning of the FSA are obliged to notify the AFM when they carry out or cause to be carried out, for their own account, a transaction in our Shares or in securities the value of which is at least in part determined by the value of our Shares. Insiders within the meaning of the FSA in this respect are: (i) members of our Management Board and members of a supervisory board, if any; (ii) other persons who have a managerial position and in that capacity are authorised to make decisions which have consequences for our future development and business prospects and who, on a regular basis, can have access to inside information relating, directly or indirectly, to us; and (iii) certain persons closely associated with the persons mentioned under (i) and (ii) designated by the Dutch Market Abuse Decree (in Dutch “*Besluit marktmisbruik Wft*”).

This notification must be made no later than the fifth business day after the transaction date on a standard form drawn up by the AFM. This notification obligation does not apply to transactions based on a discretionary management agreement as described in section 8 of the Dutch Market Abuse Decree. Under certain circumstances, the notification may be delayed until the date on which the value of the transactions amounts to EUR 5,000 or more in the calendar year in question.

If a member of our Management Board has notified a transaction to the AFM under the FSA as described above under “*Notification of Holdings of Voting Rights and Capital Interest*”, such notification is sufficient for purposes of the FSA as described in this paragraph.

We have adopted a code of conduct in respect of the holding of and carrying out of transactions in our Shares by the members of our Management Board and our employees. Further, we have drawn up a list of those persons working for the Company who could have access to inside information on a regular or incidental basis and we have informed the persons concerned of the rules on insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

## **CZECH AND HUNGARIAN SECURITIES MARKETS AND SELECTED REGULATORY CONSIDERATIONS**

### **CZECH REPUBLIC**

In the Czech Republic, there are two regulated markets for trading shares: the Prague Stock Exchange and the RM System. Shares are also traded in two free markets, one of which is organised by the RM-System and has operated since August 2005, and the other one was opened by the Prague Stock Exchange in 2006, none of them meeting however the standards of a regulated market. In addition to the regulated and free markets, trading of book-entered securities is also conducted over-the-counter (the “**OTC market**”).

The operations of the Prague Stock Exchange, securities brokers, clearing entities and other securities market professionals in the Czech Republic are regulated by the Capital Markets Act (as defined herein) and by the Czech National Bank, which is the Czech capital markets regulator. As of July 2007, the regulatory standards of capital markets in the Czech Republic generally comply with the applicable directives and regulations of the European Union, although the Directive 2004/39/EC, on Markets in Financial Instruments (“**MiFID**”), is yet to be implemented.

#### ***Prague Stock Exchange***

The Prague Stock Exchange is the principal market in the Czech Republic for trading investment securities, including mainly shares and bonds. These securities may be traded in the two segments of the PSE regulated official market, namely the main market and the official free market. The secondary market, which used to be the third segment of the PSE regulated official market, ceased to exist and was merged into the PSE main market as of July 2007. The PSE also enables admission and trading of investments certificates and warrants on the official free market. In addition thereto, the PSE launched derivatives trading as of 5 October 2006. The derivatives (so far, the PX index and single stock futures contracts) are traded in the special market, which forms a part of the PSE regulated (but not official) market.

As noted above, the PSE also operates a free, unregulated market, the main purpose of which is to enable trading with foreign shares already listed on foreign exchanges.

The PSE is a private organisation, currently comprised of 22 members. Only entities incorporated in the Czech Republic or another EU member state holding an investment services license issued by the Czech National Bank or by the respective home state regulator, which meet other conditions set forth by the PSE rules, are eligible for membership in the PSE. Under Czech law, only members of the PSE and other specified entities, including the Czech National Bank, the Czech Consolidation Agency and the Czech Republic acting through the Ministry of Finance, are allowed to trade directly on the PSE, either on their own account or on the account of their clients. Non-members can only trade indirectly through a PSE member.

The Act No. 256/2004 Coll., on Conducting Business in Capital Markets, as amended (the “**Capital Markets Act**”) extensively regulates the listing of securities on regulated official markets in the Czech Republic. It sets minimum listing requirements and specifies certain reporting obligations. In addition, the PSE has specific listing and reporting rules for each of its markets.

For information on the market capitalisation, value and volumes of trades on the PSE during the past three years, please see the following table:

|   | Years ended 31 December |                |                |
|---|-------------------------|----------------|----------------|
|   | 2004                    | 2005           | 2006           |
| <b>MARKET OF SHARES AND UNITS</b>             |                         |                |                |
| <b>Trade Value</b>                            |                         |                |                |
| Total Trade Value (CZK billions).....         | 479.7                   | 1,041.2        | 848.9          |
| Of which: Main Market.....                    | 440.6                   | 1,004.6        | 829.9          |
| Secondary Market .....                        | 9.8                     | 0.9            | 0.5            |
| Official Free Market .....                    | 29.3                    | 35.7           | 18.5           |
| <b>Trade Volume</b>                           |                         |                |                |
| Total (millions pieces) .....                 | 1,179.1                 | 1,764.9        | 1,072.1        |
| Of which: Main Market.....                    | 1,155.4                 | 1,761.4        | 1,070.2        |
| Secondary Market .....                        | 21.7                    | 0.8            | 0.4            |
| Official Free Market .....                    | 2.0                     | 2.7            | 1.5            |
| <b>Market Capitalisation at 31 December</b>   |                         |                |                |
| Total (CZK billions) .....                    | 975.8                   | 1,330.8        | 1,592.0        |
| Of which: Main Market.....                    | 778.3                   | 1,207.9        | 1,520.2        |
| Secondary Market .....                        | 137.7                   | 81.1           | 44.1           |
| Official Free Market .....                    | 59.8                    | 41.8           | 27.7           |
| <b>Number of Issues at 31 December</b>        |                         |                |                |
| Total .....                                   | 55                      | 39             | 32             |
| Of which: Main Market.....                    | 6                       | 8              | 10             |
| Secondary Market .....                        | 29                      | 19             | 11             |
| Official Free Market .....                    | 20                      | 12             | 11             |
| <b>MARKET OF BONDS</b>                        |                         |                |                |
| <b>Trade Value</b>                            |                         |                |                |
| Total Trade Value (CZK billions).....         | 692.5                   | 533.2          | 598.9          |
| Of which: Main Market.....                    | 610.6                   | 484.2          | 543.8          |
| Secondary Market .....                        | 43.7                    | 14.8           | 11.8           |
| Official Free Market .....                    | 38.2                    | 34.2           | 44.3           |
| <b>Number of Issues at 31 December</b>        |                         |                |                |
| Total .....                                   | 79                      | 96             | 110            |
| Of which: Main Market.....                    | 24                      | 27             | 28             |
| Secondary Market .....                        | 20                      | 15             | 15             |
| Official Free Market .....                    | 35                      | 54             | 67             |
| <b>TOTAL TRADE VALUE (CZK billions) .....</b> | <b>1,172.1</b>          | <b>1,574.4</b> | <b>1,447.8</b> |

Source: PSE statistics.

As of 1 May 2004, the PSE became a member of the Federation of the European Securities Exchanges. In May 2004, the U.S. Securities and Exchange Commission officially granted “designated offshore securities market” status to the PSE and included it on the list of reliable offshore exchanges.

#### *Admission of Securities to Trading on Official Market*

In order for a company to have its equity securities admitted to an official market (including the PSE main market or official free market), the following principal criteria must ordinarily, among other, be satisfied: (i) the securities to be admitted must be fully paid and must be tradable without any restrictions; (ii) the minimum issue value must be at least EUR 1 million; (iii) the minimum free float must be at least 25%; (iv) the issuer shall have published its financial statements for at least three preceding years or, if shorter, the period of its existence; and (v) a prospectus describing the business activities and financial standing of the issuer and approved by the Czech National Bank or the respective EU member state regulator must be published.

The Prague Stock Exchange Committee on Listing (the “**PSE Listing Committee**”) decides whether to admit a security to trading and has certain discretion to deviate from the admission requirements described above. Application for admission of a security to trading on PSE can be filed by an issuer or

by a member of the PSE. The application must provide certain basic data with regard to the issuer and the issue, and the prospectus must be approved by the Czech National Bank or another EU member state regulator. The PSE Listing Committee reviews and approves the application.

A company admitted to an official market is required to make certain financial information publicly available. In particular, such company must file with the CNB and PSE audited annual financial statements, unaudited semi-annual statements, information about convocation of a general meeting and certain corporate resolutions. In addition to the above, company whose shares have been admitted to the main market must also submit to the PSE unaudited quarterly and preliminary annual financial statements and report certain changes in its financial or business condition, including: (i) information about any default with monetary obligations exceeding 5% of the issuer's equity capital; (ii) any legal or commercial dispute involving an amount of 5% or more of the issuer's assets; (iii) the issue of a bankruptcy order against the issuer or any of its significant subsidiaries; (iv) information about any significant monetary obligation becoming due and payable based on a creditor's decision or automatically due to cross-default; (v) change in the shareholder structure or holdings by major shareholders; and (vi) any changes of members of the statutory and/or supervisory body of the company. The official free market imposes lower disclosure standards and thus enables companies to have their securities publicly traded without having to comply with the extensive disclosure requirements applicable to companies whose securities are admitted to the PSE main market.

### *Trading*

The PSE is an electronic exchange and trades are effected via its automated trading system. The exchange trading and information system automatically processes the buy and sell orders entered into the system by members of the PSE. The PSE currently enables the following types of prompt trades:

- trades with the participation of market makers in the "SPAD" system (*Systém pro Podporu Akcii a Dluhopisů*, or the "**System Supporting the Trading of Shares and Bonds**");
- automatic trades; or
- block trades.

SPAD is based on the participation of market makers. A market maker is a PSE member who has entered into an official contract with the PSE to act as a market maker for selected issues. Trading is divided into either an open or closed phase. During the open phase, market makers make their quotations and the price is set by the best quotation. During the closed phase, market makers are not obliged to make quotations and trading can be made within the allowed spread defined by the best quotation set during the open phase.

Automatic trading is performed in two ways: (i) auction trading, which is based on the accumulation of buy and sell orders through the automated trading system at a particular time, at which a single price for the security is fixed. The price fixed on a given day can differ from the price fixed on the preceding day by a maximum of 5%; and (ii) continuous trading for the same day based on a further accumulation of previously unmatched and new orders for which the price may be, within certain limits, variable during the day.

Block trades are performed in two ways: (i) block trades between the PSE members; and (ii) block trades between a PSE member and a non-member. For these trades, both the price and the number of securities are determined by an agreement between the buyer and seller, but the trade is registered and settled in the PSE's automatic trading system.

Securities traded at the PSE are divided into three trading groups. The first trading group consists of all securities, except for issues traded in the SPAD system and issues of certificated securities, the second trading group consists of all issues in certificated form and the third trading group consists of securities traded in the SPAD system.

In addition to the types of trades described above, the PSE also enables trades with the participation of a specialist and futures trades. Trading with the participation of a specialist is intended for trading of products where it is not possible to provide for a sufficient number of market makers when trading in SPAD. This method of trading is currently intended only for trading with investment certificates and warrants. As to the futures trades, futures are traded on the same basis as SPAD trading, meaning that also in this case, market liquidity is ensured by market makers, whose task is to maintain supply and demand for assigned futures series.

#### *Conditional Trading on the PSE*

Before the commencement of official trading of securities but in any case after the fixing of the offer price and the final number of the offered securities, the PSE may enable conditional trading of the securities, subject to approval of an application for conditional trading by the PSE general director and satisfaction of other conditions, such as: (i) approval of a prospectus by, or submission thereof (with a view of its approval) to, the competent supervisory authority; (ii) approval or expected approval of the admission to trading by the PSE Listing Committee and fulfilment of other conditions set out by the PSE Listing Committee. Parameters of the conditional trading need to be established by the PSE Trading Committee; in any case, conditional trading may not begin earlier than 10 days before the commencement of the official trading.

#### *Settlement*

Univyc, a wholly-owned subsidiary of the PSE, is licensed by the Czech National Bank primarily to settle trades on the PSE.

The manner in which trades are settled depends on whether the securities are in a certificated or book-entry form. The majority of securities traded on the PSE are in a book-entry form and are registered at the Securities Centre, a computerised register of all Czech book-entry form securities.

Settlement of trades on the PSE is generally effected on the third business day following the trading day. Univyc maintains PSE member accounts and a number of non-member accounts and records the securities traded. Univyc ensures cash settlement through the Clearing Centre of the Czech National Bank and through the delivery of the securities in a book-entry form to the purchaser on its account at the Securities Centre, or through its account with Univyc, where applicable.

PSE members created the Guarantee Fund of the Prague Stock Exchange, administered by Univyc, to guarantee the fulfilment of the obligations of members of the PSE arising from automatic trades and trades in the SPAD system.

#### *Indices*

The main official index of the PSE is the PX index. The PX index was calculated for the first time on 20 March 2006 when it replaced the PX 50 and PX-D indices. The PX index assumed the historical values of the PX 50 and continues in its development. The PX index is described as a price index of blue chip issues with a variable number of base issues updated quarterly. The contribution of each issue in the calculation is based on its market capitalisation, the maximum weight being 25% (on a decisive day).

The following table sets forth the PX index base as of 24 July 2007:

| <i>Issue</i>           | <i>ISIN</i>  | <i>Reduced Number of Securities</i> | <i>Reduced Market Capitalisation (CZK million)</i> | <i>Weight (%)</i> |
|------------------------|--------------|-------------------------------------|--|-------------------|
| ČEZ .....              | CZ0005112300 | 267,725,710                         | 294,230.6  | 25.42             |
| ERSTE BANK .....       | AT0000652011 | 174,054,123                         | 276,746.1  | 23.91             |
| TELEFÓNICA O2 C.R..... | CZ0009093209 | 322,089,890                         | 190,612.8  | 16.47             |
| KOMERČNÍ BANKA .....   | CZ0008019106 | 38,009,852                          | 157,816.9  | 13.63             |
| CETV .....             | BMG200452024 | 34,321,889                          | 68,746.7   | 5.94              |
| UNIPETROL .....        | CZ0009091500 | 181,334,764                         | 54,636.2   | 4.72              |
| ZENTIVA .....          | NL0000405173 | 38,136,230                          | 54,611.1   | 4.72              |
| ORCO .....             | LU0122624777 | 8,656,673                           | 26,619.3   | 2.30              |
| PHILIP MORRIS ČR ..... | CS0008418869 | 1,913,698                           | 19,232.7   | 1.66              |
| PEGAS NONWOVENS ..     | LU0275164910 | 9,229,400                           | 7,418.6  | 0.64              |
| ECM .....              | LU0259919230 | 3,862,500                           | 6,798.0  | 0.59              |
| <b>Total.....</b>      |              |                                     | <b>1,157,468.8</b>                                 | <b>100.00</b>     |

Source: PSE.

In addition to the PX index, the PSE also calculates a global price index, PX-GLOB. The PX-GLOB index has been officially published since 6 April 1995, and is described as a broad-base price index with a variable number of base issues that can be updated each exchange day. The contribution of each issue in the calculation is based on its market capitalisation, the maximum weight being 25% (on defined days).

Historically, there used to be two other general (PX-50 and PX--D) and 10 sector indices calculated by the PSE which tracked the daily prices on the PSE. The PX-50 was an official index of the PSE calculated since April 1994 and tracked the 16 most liquid stocks on the PSE. The PX-D comprised so-called “blue chip” issues only. The PSE terminated the calculation of PX 50 and PX-D indices, effective 17 March 2006. Although the calculation of the PX-D index was terminated, it is still possible to calculate its value using the PX-D coefficient (equal to 2.55576) multiplied by the PX index value. The calculations of most of the sector indices have also been terminated.

In addition to the above, there are numerous other indices calculated by other capital market participants. The most widely followed are the Reuters HN-WOOD and HN-WOOD. The oldest index, HN-WOOD, has been calculated using the methodology of the International Financial Corporation since September 1993 by Wood & Co., a Prague brokerage company, and which is published in the “*Hospodářské noviny*” newspaper.

### ***The RM System***

The RM System is a privately owned entity in which securities trading takes place through a computerised bid and offer matching system that operates every business day. Trades through the RM System may be placed either by a securities broker or directly by an investor. Trading on the RM System is conducted through a network of 57 designated locations. The auction price varies during the course of the day according to the actual bids and offers. Settlement takes place on the same trading day. Book-entry securities traded on the RM System are settled through the Securities Centre. The RM-SYSTEM operates an official, regulated, and a free, non-regulated market.

### ***The OTC Market***

In addition to the regulated and free securities markets, a portion of securities trading is conducted on the OTC market.

OTC market trades of shares in book-entry form are settled in the Securities Centre. The Securities Centre publishes the volumes and prices of securities traded on the OTC market on a weekly basis.

### ***Czech Capital Market Regulator***

The main regulator of the capital markets in the Czech Republic used to be the Czech Securities Commission. It was established on 1 April 1998 with a mission to foster investor confidence in the capital market through the protection of investors, to develop Czech capital markets and to promote public knowledge of investing. The Czech Securities Commission supervised capital market professionals' compliance with applicable laws and regulations, issued licenses to professionals operating on the Czech capital market, supervised the offering of securities, approved prospectuses, supervised reporting and other issuer and capital market professional obligations, and performed all other roles of a market regulator.

Pursuant to Act No. 57/2006 Coll., on the Amendment of Acts in connection with the Integration of Financial Market Supervision, the Czech Securities Commission ceased to exist on 31 March 2006 and the role of the market regulator was transferred to the Czech National Bank (the central bank of the Czech Republic) as of 1 April 2006.

The Czech National Bank has also taken over the activities of the Office for Supervision over Insurance Companies and Pension Funds, previously established at the Ministry of Finance, and the activities of the Office for Supervision over Credit Unions. As a result, the Czech National Bank now has the role of an integrated regulator and supervisor in the areas of banking, foreign exchange regulation, capital markets, insurance, pension funds and credit unions.

In its role as an integrated regulator, the Czech National Bank now issues bank licenses, supervises compliance with applicable laws and regulations by banks and other financial market professionals, governs Czech monetary policy and issues the respective licenses. It also supervises insurers, pension funds and credit unions, and performs all the activities of the former Czech Securities and Exchange Commission.

### ***Selected Czech Regulatory Considerations***

Although the Company is incorporated under the laws of the Netherlands, its Shares will be listed on a regulated market in the Czech Republic and, as a result, certain Czech legal considerations may also be relevant, especially with regard to the rights and obligations arising in connection with the admission to trading of the Shares on the main market of the PSE, trading in the Shares on the PSE and the rights and obligations of its shareholders.

In particular, the Company will become subject to the regulations and acts which constitute the legal framework of the Czech capital markets and the PSE and contain provisions relating to the securities listed in the Czech Republic and their issuers, mainly: (i) the Capital Markets Act; and (ii) the PSE rules and regulations.

### ***Reporting Obligations***

After the admission of the Shares to trading on the main market of the PSE, the Company will be required to comply with certain reporting obligations under the Capital Markets Act and the PSE rules and regulations. Such obligations include: (i) disclosure and publication of inside information (any information which is not publicly known and which, after publication, could have a significant influence on the price of or proceeds from the Shares); (ii) disclosure and publication of any information significant for protection of the investors or proper functioning of the market; and (iii) disclosure and publication of current information (information relating to general meetings, such as notice of convening and decisions of such meetings) and periodic information (*e.g.*, annual, semi-annual and quarterly reports, annual list of published information about the Company).

Under the PSE rules and regulations, the Company will be required to report immediately any changes to the structure of the shareholders holding at least 10% of the voting rights in the Company or more, or amounting to 5% if they are known to the Company but always after obtaining a report from the register of shareholders with an indication of parties acting in concert. The Company will be further obliged to



ensure simultaneous publication of all information on the PSE and BSE and any other regulated market where the Shares may be listed.

### *Insider Dealing*

The Capital Markets Act prohibits insider dealing and market manipulation with respect to securities admitted to trading on a regulated market in the EEA. Generally, Czech law defines inside information as any precise information relating to investment or other instrument traded on a regulated market in an EEA member state, which is not publicly known and which (after its publication) could significantly affect the price of or proceeds from such instrument. The Capital Markets Act defines an insider as any person which has acquired such inside information in connection with: (i) its employment, profession or position; (ii) its share in the registered capital or voting rights of the issuer; (iii) fulfilment of its obligations; or (iv) a criminal offence; as well as (v) any other person who acquires inside information in any other manner and knows or may know that the information is inside information. An insider:

- must not use the inside information, directly or indirectly, for purchase or sale (even attempted), for its own or a third person's account, of the respective instrument to which the inside information relates;
- must not give any direct or indirect investment recommendations to third parties for the purchase or sale of the respective financial instrument to which the inside information relates; and
- must keep the inside information confidential and prevent access to it by other persons, unless communication of the respective information to other persons constitutes the insider's normal course of activities.

Breach of the obligations relating to inside information may constitute an administrative or even a criminal, offence, and can result in financial sanctions of up to CZK 10,000,000 (or EUR 356,633).

### *Market Manipulation*

Czech law also prohibits market manipulation, meaning any action that may: (i) distort a market participant's perception as to the value of, supply of, or demand for a financial instrument; or (ii) distort the price of a financial instrument in any other manner, while certain acts (such as stabilisation or buyback in accordance with the Stabilisation Regulation) are specifically deemed not to be market manipulation. Breach of the prohibition on market manipulation is an administrative offence and can result in financial penalties of up to CZK 20,000,000 (or EUR 713,267) and, when intentional, can lead to a potential criminal liability.

Any institutional investors, securities dealers (brokers) and banks have the obligation to report to the CNB any trades which they suspect could be executed on the basis of an inside information or constitute market manipulation.

### *Corporate Governance*

For a discussion of Czech corporate governance issues, see "*Description of Shares and Corporate Governance – Czech Corporate Governance*".

## **HUNGARY**

In Hungary, there is one regulated market for the trading of shares: the Budapest Stock Exchange. In addition to the regulated market, the trading of book entered securities is also conducted over the counter.

The operations of the BSE, securities brokers, clearing entities and other securities market professionals in Hungary are regulated by the Hungarian Capital Markets Act; furthermore, the by-laws of the BSE also apply to transactions concluded at the Budapest Stock Exchange. The HFSA acts as the general supervisory authority, while the Budapest Stock Exchange supervises the transactions conducted at the

BSE. The regulatory standards of capital markets in Hungary, generally, comply with the applicable directives and regulations of the European Union.

### ***Budapest Stock Exchange***

The Budapest Stock Exchange re-opened in 1990 with 42 banks and brokerage firms. The BSE is a self-governing and self-regulating organisation, which elects its own bodies and officials, adopts its own regulations, defines its operating rules and fixes the fees charged for its services. The BSE is a key actor in the Hungarian securities market, being the official trading platform for publicly traded securities.

The BSE was transformed from such sui generis status into a company limited by shares on 30 June 2002. As a closed company, the BSE has registered capital in the amount of HUF 541,348,100. As of 20 July 2007, the owners of the BSE having a stake which exceeds 5% are as follows:

| <b>Name</b>  | <b>%</b> |
|--|----------|
| UniCredit Bank Hungary Zrt. ....                   | 25.2     |
| Wiener Börse AG .....                              | 12.5     |
| Österreichische Kontrollbank AG.....               | 12.5     |
| National Bank of Hungary .....                     | 6.95     |
| Erste Bank der Österreichischen Sparkassen AG..... | 6.37     |
| Raiffeisen Zentralbank Österreich AG.....          | 6.37     |
| Erste Befektetési Zrt. ....                        | 5.84     |
| KBC Securities Hungarian Branch .....              | 5.19     |
| Concorde Értékpapír Zrt. ....                      | 5.08     |

As of 2 July 2007, 40 companies' 41 share issues were listed on the BSE, including large corporations, credit institutions and energy companies. Furthermore, compensation notes (1 series), investment notes (77 series), corporate bonds (21 series), government bonds (23 series) and treasury bonds (9 series) were traded at the BSE.

For information on the market capitalisation, value and volumes of trades on the BSE during the past three years, please see the following table:

|   | Years ended 31 December |                |                 |
|---|-------------------------|----------------|-----------------|
|   | 2004                    | 2005           | 2006            |
| <b>MARKET OF SHARES AND UNITS</b>             |                         |                |                 |
| <b>Trade Value</b>                            |                         |                |                 |
| Total Trade Value (HUF billions) .....        | 2,611.40                | 4,832.2        | 6,506.43        |
| Of which: Shares .....                        | 2,609.9                 | 4,830.5        | 6,500.5         |
| Investment notes .....                        | 0.7                     | 1.5            | 4.8             |
| Compensation coupons .....                    | 0.8                     | 0.2            | 1.2             |
| <b>Trade Volume</b>                           |                         |                |                 |
| Total (millions pieces) .....                 | 880.1                   | 1,187.3        | 1,455.3         |
| Of which: Shares .....                        | 879.2                   | 1,186.8        | 1,453.8         |
| Investment notes .....                        | 0.2                     | 0.2            | 0.6             |
| Compensation coupons .....                    | 0.7                     | 0.2            | 0.8             |
| <b>Market Capitalisation at 31 December</b>   |                         |                |                 |
| Total (HUF billions) .....                    | 5,367.9                 | 7,200.4        | 8,369.1         |
| Of which : Shares .....                       | 5,129.1                 | 6,971.9        | 7,994.6         |
| Investment notes .....                        | 43.6                    | 80.4           | 220.1           |
| Compensation coupons .....                    | 195.2                   | 148.1          | 154.4           |
| <b>Number of Issues at 31 December</b>        |                         |                |                 |
| Total .....                                   | 74                      | 81             | 119             |
| Of which: Shares .....                        | 54                      | 48             | 48              |
| Investment notes .....                        | 19                      | 32             | 70              |
| Compensation coupons .....                    | 1                       | 1              | 1               |
| <b>MARKET OF BONDS</b>                        |                         |                |                 |
| <b>Trade Value</b>                            |                         |                |                 |
| Total Trade Value (HUF billions) .....        | 335.9                   | 295.6          | 384.3           |
| Of which: Mortgage bonds .....                | 87.2                    | 75.3           | 77.8            |
| Corporate bonds .....                         | 103.1                   | 122.8          | 143.3           |
| Treasury Bonds .....                          | 106.5                   | 80.2           | 130.0           |
| Treasury Bills .....                          | 39.2                    | 17.3           | 33.2            |
| <b>NUMBER OF ISSUES AT 31 DECEMBER</b>        |                         |                |                 |
| Total .....                                   | 191                     | 143            | 147             |
| Of which: Mortgage bonds .....                | 70                      | 71             | 75              |
| Corporate bonds .....                         | 24                      | 21             | 24              |
| Treasury Bonds .....                          | 74                      | 28             | 25              |
| Treasury Bills .....                          | 23                      | 23             | 23              |
| <b>TOTAL TRADE VALUE (HUF BILLIONS)</b> ..... | <b>2,947.3</b>          | <b>5,127.9</b> | <b>6,890.72</b> |

Source: BSE

#### Markets of the BSE

The BSE operates in the following market: commodity trading; equity and debt securities trading; and derivatives trading.

As of September, 2005, the Budapest Commodity Exchange operates in an integrated form with the BSE.

In respect of equities trading, securities representing ownership (shares, investment notes), as well as compensation notes are traded. Shares are traded in "A" and "B" categories.

For the shares of an issuer to be listed in category "A" (the category in which the ordinary shares are listed on the BSE), the exchange capitalisation of shares to be introduced may not be lower than HUF 2.5 billion (EUR 9,978,048) and at least 25% of the shares in the series to be listed must be publicly held. If the 25% minimum public ownership requirement is not met, it is also sufficient if shares having a value of at least HUF 2 billion (EUR 7,982,439), calculated at exchange value, are publicly held. If such requirement is not met, the shares may only be listed in category "A" if such series of shares is held by at least 500 owners. In any case it must also be proven that the series to be

listed is held by at least 100 owners. Furthermore, the issuer shall have three full business years, certified by an auditor. The series of shares to be listed may contain only registered shares.

Debt securities trading includes securities representing lending, such as discount treasury bills, government bonds, corporate bonds, bonds issued by international institutions and mortgage bonds.

Derivatives trading is the youngest and most dynamic section of the BSE. It includes the BUX index and equity futures and options, as well as currency and interest rate futures such as futures and option contracts. The derivative products listed on the BSE are standardised, i.e., the characteristics of the traded contracts are determined by the BSE in a standardised way (e.g., maturity, contract size, etc.).

### *Trading and Settlement*

Trading on the BSE is supported by four systems: MMTS I, MMTS II, K2 and XETRA. As of 1998, on the MMTS I (Multi Market Trading System), brokers of the equities and debt securities markets no longer trade in the stock exchange hall of the BSE; transactions can be concluded exclusively through remote trading workstations. Therefore, the MMTS I is a real time, online remote trading computerised system, which works as an order-ranking and automated computerised trading system in a closed system, which permits 7.5 hours of daily trading. In 2000, the BSE launched its new trading system, MMTS II, developed specifically to serve the derivatives market. This system allows trading in a public form or in “fix” form, where only the two participating parties can privately see the offer, i.e. the offer will not be recorded in the public book of offers (in Hungarian “*nyilvános ajánlati könyv*”). K2 is the connection supplier system, which provides a real-time large-capacity connection between the central computer of the trading system and the network of the trading companies and related back offices. It supports the adapted systems access to data and transactions in the trading system.

As of August, 2003, within the framework of a contract between the BSE and Deutsche Börse AG, the BSE provided direct technical access to the Xetra trading system as a so-called multi-member service provider.

### *Trading and Settlement using Keler*

The BSE undertakes settlement through the clearing system of Keler. The direct participants in settlement are the clearing members (banks and brokerage firms holding a section membership and meeting the requirements of Keler). The settlement of transactions is carried out in the securities and restricted cash accounts managed by Keler on behalf of its members.

Keler operates as a closed company owners of Keler are the National Bank of Hungary, which has a 53.55 percent share, and the BSE, which has a 46.67 percent share.

The main functions of Keler can be divided into the following three categories:

- Keler acts as the central depository of Hungarian securities those listed on the BSE, including the release and recording of dematerialised securities, as well as the ISIN code;
- The settlement of trades made on the BSE, ensuring full administration of spot and derivative transactions, in accordance with international recommendations. In the over-the-counter securities market, due to its special role in the real-time giro system (“VIBER”) of the National Bank of Hungary, it provides a real time delivery versus payment settlement facility; and
- In addition to share registrar and other supplementary services (e.g., dividend payment and transformation of shares into dematerialised securities) rendered to issuers, it offers its products in a competitive situation as well as a market intermediary and custodian in the field of cross-border securities settlement.

Trading in securities is regulated by the Hungarian Capital Markets Act. In the framework of its central depository activity, the Keler system maintains a central securities account in a breakdown of its own and customer’s securities. The Keler system operates a separate account for each securities

intermediary and maintains a central securities account in the name of the issuer as part of the creation process of dematerialised securities.

When a securities intermediary makes a transfer of securities from a securities account to the credit of a securities account maintained by another securities intermediary, the transaction must include the central securities account number to which the relevant securities are attributed.

The securities intermediaries are considered to be clients under the Keler system. Each securities intermediary has a primary securities account with the Keler system. The debiting and crediting of the securities on the primary securities account is effected by way of sub-accounts opened under the primary securities account. Upon the request of a securities intermediary which is a client of the Keler system, the Keler system may open any number of sub-accounts under the primary securities account and will register the dematerialised securities in the ownership of the clients of the securities intermediary on a separate sub-account.

Transactions at the BSE are settled on the basis of the delivery versus payment principle. Accordingly, the delivery of cash and the securities is dependant on each other, if one of these is not delivered, the delivery of the other will fail. The settlement of the transactions concluded in respect of equities and debt securities (with the exception of fixed and auction deals) takes place together, on a rolling basis. Settlement takes place in respect of equities by way of a T+3 business day cycle and in respect of debt securities by way of a T+2 business day cycle, based upon the principle of multilateral offsetting.

### *Indices*

The main official index of the BSE is the BUX. The BUX index was set at 1,000 as of 2 January 1991 and officially released as of 1 January 1995. The BUX index is described as a price index calculated on the basis of the prices of blue chip securities traded at the BSE. The basket of the BUX contains 12 to 25 securities, which are selected twice a year, in March and September.

As of 20 July 2007, the following securities are included in the basket of the BUX:

| <i>Issue</i>        | <i>ISIN</i>  | <i>Weight (%)</i> |
|---------------------|--------------|-------------------|
| Danubius.....       | HU0000074067 | 0.91%             |
| Econet.....         | HU0000058987 | 0.11%             |
| Egis.....           | HU0000053947 | 1.9%              |
| ÉMÁSZ.....          | HU0000074539 | 0.44%             |
| FHB.....            | HU0000078175 | 1.14%             |
| Fotex.....          | HU0000075189 | 0.96%             |
| Magyar Telekom..... | HU0000073507 | 11.97%            |
| MOL.....            | HU0000068952 | 32.87%            |
| OTP.....            | HU0000061726 | 34.6%             |
| Pannonplast.....    | HU0000073440 | 0.48%             |
| Rába.....           | HU0000073457 | 0.56%             |
| Richter.....        | HU0000067624 | 13.5%             |
| Synergon.....       | HU0000069950 | 0.3%              |
| TVK.....            | HU0000073119 | 0.27%             |

*Source: BSE*

In addition to the BUX index, the BSE also calculates and publishes further indices. One such index is the Budapest Stock Exchange Mid- and SmallCap Index (official abbreviation: BUMIX), which operates (similarly to BUX) as a total return index, i.e., the dividend payout also plays a role in its performance evaluation. The base value of the index was set as of 5 January 2004, with an initial value of 1,000 points. The Budapest Stock Exchange has calculated and published the BUMIX index, which reflects the performance of listed shares with medium and small capitalisation, since 1 June 2004 on a continuous base.

Another such index is the CETOP20, which was created as a regional TOP index from the securities listed on the developing markets of the region, as an index surpassing CESI and applicable for several

purposes. The CETOP20 is a price index with a free-float capitalisation weighting. The value of the index is computed by the BSE in Euros. 20 blue chip securities of the Central European region are included in the index basket; the current basket of the index consists of equities listed on five stock exchanges (Budapest, Prague, Warsaw, Ljubljana and Zagreb). The base date of the index is 2 January 2001, with a value of 1,000 points; the official publication of which began on 2 January, 2002. The index is computed once per day, following the closing of the aforementioned five stock exchanges.

Still another such index is the RAX, which is the official abbreviation for the Bamosz Equity Investment Fund Portfolio Index, which was developed by the Association of Investment Fund Managers in Hungary and has been officially published by the BSE since 15 February 1999, for the performance evaluation of equity funds. The base of the index is 1,000 points, reflecting the circumstances as of 7 January 1998.

The DWIX (the Daiwa-MKB Treasury Yield Index) is another such index which was first published by Daiwa-MKB Investment and Securities Rt. in November, 1992. The index value changes every week, following the evaluation of the treasury bill auction for that week. On 11 May 1998, DAIWA transferred all of its rights and obligations to the BSE. Thus, as of such time, the ownership of the index was transferred to the BSE.

### ***Hungarian Capital Market Regulator***

State control and supervision of the Hungarian capital markets is carried out by the HFSA. The HFSA is the single regulator which supervises the institutions of the Hungarian capital markets. It was established on 1 April 2000, as the legal successor of: (i) the State Financial and Capital Market Supervision; (ii) the State Insurance Supervision; and (iii) the State Fund Supervision.

The HFSA issues licenses and monitors whether the following are complying with the applicable law: capital market and money market participants; the stock exchange; insurance companies; investment funds; home saving banks; pension funds; mortgage credit institutions; and financial enterprises. In its role as regulator, the HFSA may ask for further information, review specific activities and transactions, and take numerous measures and impose fines upon finding a failure to comply with the applicable law.

### ***Selected Hungarian Regulatory Considerations***

Even though the Company is incorporated under the laws of the Netherlands, since its Shares will be listed in Hungary, certain Hungarian legal considerations may also be relevant, especially with regard to the rights and obligations arising in connection with the trading of the Shares on the BSE. In particular, the Company will be subject to the regulations and acts constituting the legal framework of the Hungarian capital markets, and the by-laws of the BSE will apply to the Shares.

The information below outlines selected provisions of Hungarian law which are applicable to the public trading of securities and to publicly listed companies.

The Hungarian Capital Markets Act regulates all aspects of capital markets in Hungary, including, inter alia, the private placement and public offering and trading of securities (including government securities), the institutional framework of the Hungarian capital market (such as stock exchanges, investment funds and clearinghouses) and takeover offers in respect of Hungarian public limited companies.

The Hungarian Capital Markets Act, for the most part, closely follows certain important EU capital markets directives, including the Prospectus Directive and the Takeover Directive.

### ***Reporting Obligations***

Under the Hungarian Capital Markets Act, the issuer of publicly traded securities is obliged to comply with certain reporting obligations from time to time by way of ordinary and extraordinary notifications



to the public and the HFSA. Such reporting obligations cover a wider range of topics than those required by the corresponding EU directives and guidelines.

In respect of the ordinary reporting requirements, the issuer is obliged to inform the public of its financial condition and operations on an annual and semi-annual basis (using “fast reports”), as well as release an audit of itself on an annual basis. These fast reports must be prepared within 60 days of the end of the relevant financial year or the half-year, and the annual audit must be prepared within 120 days of the end of the relevant financial year. These fast reports and audit must be published and sent to the HFSA within the above-mentioned timeframe.

Both these fast reports and audit must include the interim and annual corresponding reports of the issuer, together with an analysis thereof.

In respect of the extraordinary reporting requirements, the issuer must send to the HFSA and publish all information immediately, but no later than one day after the occurrence of the underlying event which either directly or indirectly affects the value or the yield of its securities.

The BSE by-laws also require issuers to provide quarterly reports (using flash reports) and annual reports to the BSE, and to publish these reports on the website of the BSE pursuant to the by-laws of the BSE concerning publication. The purpose of the flash report is to provide significant information on the issuer to the investors in order to enable them to make informed investment decisions, and to provide information on the financial position and performance of the issuer. The issuer must draw up a flash report in respect of each quarter within 60 days of the last day of the relevant quarter.

#### *Insider Dealing*

In 2005 and 2006, provisions of the EU Market Abuse Directive concerning insider trading and market manipulation were implemented into the Hungarian Capital Markets Act. The main such amendments regarding insider trading became effective as of 1 July 2005 and further minor amendments were introduced as of 1 November 2005 and 1 January 2006.

The Capital Markets Act imposes an obligation on issuers of securities (and other persons acting on their behalf) to draw up insider persons lists. Insider persons lists must include all persons who work for the issuers either on an employment or agency basis, and have access to inside information related, directly or indirectly, to the issuer. It should be noted that the issuers of securities can appoint third party persons to be responsible for keeping and updating their insider lists.

#### *Market Manipulation*

Under the Capital Markets Act, market manipulation means: (i) the conclusion of a transaction or an order to conclude a transaction which gives, or is likely to give, a false or misleading indication on demand, supply or market price of the relevant financial instrument; (ii) the conclusion of a transaction or an order to conclude a transaction which results in the setting of the market price of a financial instrument on an artificial level; (iii) the conclusion of a transaction or an order to conclude a transaction which is a fake transaction or is misleading or manipulative in any way; and (iv) the dissemination or making available to the public of any unfounded, misleading or false information, provided that the person disseminating the information knows, or with reasonable due diligence should have been aware, of the false or misleading nature of the information.

#### *Book-Entry Form of Shares and Share Certificates*

The title to dematerialised securities may only be transferred by way of the simultaneous debit and credit of the relevant securities accounts. Thereby, unless evidenced to the contrary, the holder of the securities in question is the person whose account is credited.

*Corporate Governance*

For a discussion of Hungarian corporate governance issues, see “*Description of Shares and Corporate Governance – Hungarian Corporate Governance*”.



## OFFERING

### General Information on the Offer Shares and Offering

We are offering for subscription up to 17,757,875 Offer Shares to be newly issued by us. In addition thereto, up to 1,775,788 newly issued Offer Shares may be offered pursuant to the Over-allotment Option representing 10% of the aggregate number of Offer Shares available in the Offering (before any exercise of the Over-allotment Option). The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process. In total, up to 19,533,663 Offer Shares are being offered in this Offering.

The Offering consists of a public offering to investors in the Czech Republic and Hungary, and a concurrent international private placement to institutional investors in certain jurisdictions outside the Czech Republic and Hungary, in each case outside the United States in reliance on Regulation S under the U.S. Securities Act. No public offering will take place in the Netherlands, although certain actions have been and will be taken in the Netherlands, as our home state, for the purposes of the public offering in the Czech Republic and Hungary.

For information on applicable selling restrictions in respect of the Offer Shares, see “*Selling Restrictions*” and for information regarding the rights pertaining to the Shares, see “*Description of Shares and Corporate Governance*”.

### Dilution

Upon completion of the Offering, the amount and percentage of the immediate maximum dilution of the Company’s Shares will be as follows:

|                          | Before the Offering |             | After the Offering without exercise of the Over-allotment Option |             | After the Offering and after full Exercise of the Over-allotment Option |             |
|--------------------------|---------------------|-------------|--|-------------|---|-------------|
|                          | No. of Shares       | %           | No. of Shares  | %           | No. of Shares   | %           |
| Existing Shares .....    | 50,000,000          | 100%        | 50,000,000   | 73.79%      | 50,000,000  | 71.91%      |
| Newly-Issued Shares..... |                     |             | 17,757,875   | 26.21%      | 19,533,663  | 28.09%      |
| <b>Total.....</b>        | <b>50,000,000</b>   | <b>100%</b> | <b>67,757,875</b>  | <b>100%</b> | <b>69,533,663</b>   | <b>100%</b> |

### Timetable of the Offering

The timetable below lists key dates relating to the Offering. All times and dates referred to in this timetable are based on CET time and may be adjusted by us. In case of such adjustment, we will notify the AFM, CNB and HFSA, and will publish such fact in a manner compliant with applicable regulations, as well as market practices in the Netherlands, the Czech Republic and Hungary.

|   |   |
|---|---|
| Subscription Period and book-building for institutional investors .....                   | From 10-21 September 2007 (2:00 p.m. CET) |
| Subscription Period and book-building for retail investors.....                           | From 10-21 September 2007 (2:00 p.m. CET) |
| Allotment Date and pricing.....   | On or about 21 September 2007             |
| Start of conditional trading on the PSE.....  | On or about 24 September 2007             |
| Settlement and Payment Date .....   | 26 September 2007                         |
| Delivery Date.....  | On or about 26 September 2007             |
| Official listing of, and start of official trading in, the Shares on the PSE and BSE..... | On or about 26 September 2007             |

Any extension of the timetable for the Offering will be announced in a press release (together with any related revision of the expected dates of pricing, allocation and closing), at least three hours before the expiration of the original Subscription Period. Any extension of the timetable for the Offering will be for a minimum of one full business day.

The Company, together with the Managers, plans to begin marketing the Offer Shares by contacting selected institutional investors in the context of the private placement prior to the start of the Offering to

retail investors. Both the private placement and the Offering to retail investors shall however end on the same date.

### **Eligible Investors**

The Offer Shares may be acquired in the Offering in the Czech Republic and Hungary by individuals, as well as by corporate entities (legal persons) and non-corporate entities, other than individuals, having their registered office within the territory of the Czech Republic or Hungary.

In addition, the Offer Shares will be offered in a private placement to selected institutional investors in certain jurisdictions outside of the Czech Republic and Hungary, where such offering may be lawfully conducted.

No separate tranches of the Shares have been created in connection with the Offering for the various categories of investors (such as retail and institutional investors or Czech/Hungarian investors and investors from other jurisdictions). Consequently, we reserve the right to allocate the Offer Shares between such groups of investors at our absolute discretion, following consultation with the Managers. As a result, all of the Offer Shares may be subscribed solely by institutional or solely by retail investors, Czech, Hungarian or foreign, as the case may be. No preferential treatment will be given based on the firm through which the subscriptions are placed.

All investors that intend to acquire any of the Offer Shares, and in particular Czech and Hungarian retail investors, should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to subscribe for the Offer Shares.

### **Currency of the Offering**

All monetary amounts used in this Offering will be expressed in euro. In particular, the Offer Price will be set and the book-building process will be carried out in euro.

### **Maximum Offer Price**

The maximum price at which the Offer Price may be set (the “**Maximum Price**”) is 2.25 per share. The Maximum Price does not necessarily reflect what the Offer Price will be in the Offering.

Any change in the Maximum Price will be notified to the AFM, the CNB and HFSA and, following approval by the AFM, will be published in the form of a supplement to this Prospectus in accordance with applicable regulations.

### **Determination of the Offer Price**

During the Subscription Period, a book-building process with the investors will take place, during which such investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, not higher than the Maximum Price, which they will be willing to pay.

The Offer Price will be determined by us upon recommendation of the Managers and will not exceed the Maximum Price. The Offer Price will take into account mainly: (i) results of the book-building process; (ii) size and price sensitivity of demand during the book-building process; and (iii) the then current and anticipated situation on the Czech, Hungarian and international capital markets. The Offer Price will be published in a manner compliant with applicable regulations, as well as the respective market practices, including daily newspapers in the Czech Republic and Hungary and filing of a pricing statement with the AFM.

The final Offer Price will be the same for all Offer Shares, as well as for all categories of investors and will be set in euro.

## **Final Number of the Offer Shares**

The final number of the Offer Shares in the Offering will not exceed 19,533,663 Shares.

Until the completion of the book-building process we reserve the right to reduce the number of the Offer Shares and allocate in total a smaller number of the Offer Shares than 19,533,663, based on: (i) the results of the book-building process; (ii) the volume and quality of demand during the book-building process; and (iii) the then current and anticipated situation on the Czech, Hungarian and international capital markets.

The final number of the Offer Shares and the Offer Price will be published in daily press in the Czech Republic and Hungary and in a pricing statement filed with the AFM, as well as in the other forms compliant with the respective market practices in the Netherlands, Czech Republic and Hungary.

## **Maximum Number of Offer Shares per One Subscription Order**

There is no minimum or maximum size of purchase order.

## **General Rules for Placing Subscription Orders**

In the event that the Lead Managers determine or have reason to believe that investors have submitted multiple orders, such orders may be ignored. Withdrawal and/or modification of orders by the investors is not possible, unless we publish a supplement to this Prospectus (see “*Supplements to the Prospectus*” below). Subscription orders from retail investors can be submitted through Patria Direct, a.s. in the Czech Republic and KBC Securities Hungarian Branch Office and its selling agent KBC Equitas Bróker Zrt. (including internet based online subscriptions), in Hungary.

By placing a subscription order, each prospective investor will be deemed to have read this Prospectus, accepted the terms of the Offering, including the possibility of being allotted a lower number of the Offer Shares than the number specified in such investor’s order (or, in the case of retail investors, as a result of a shortfall in funds paid in due to exchange rate differences between the date the payment by the investor and the date of publication of the exchange rates), and consented to not being allocated any Offer Shares at all, in accordance with the terms of the Offering as set forth herein.

Amounts payable for the Offer Shares will be expressed in EUR as a base currency. The settlement of the subscription following the closing of the books will be in EUR. However, Czech retail investors, may pay for the Offer Shares allocated to them in CZK.

For the purpose of currency conversion from EUR to CZK, retail subscribers will be asked to deposit their total subscription amounts in CZK with applying the exchange rate on the day of the subscription in line with the general business terms and conditions of Patria Direct, a.s., acting as the manager for the retail Offering in the Czech Republic (the “**Czech Retail Manager**”), applicable for such subscribers. At the pricing date, the conversion of the deposited amount will be done at the rate quoted by Czech Retail Manager, thus the subscribers’ accounts will be debited or credited with the difference resulting from the eventual difference of the exchange rate of the day of the subscription and the exchange rates of the day of the pricing date, respectively.

Hungarian retail investors shall pay for the Offered Shares allocated to them in HUF only, unless otherwise agreed. For the purpose of currency conversion from EUR to HUF, retail subscribers will be asked to deposit their total subscriptions amount in HUF with applying the exchange rate on the day of the subscription in line with the general business terms and conditions of KBC Securities Hungarian Branch Office, as the manager for the retail Offering in Hungary (the “**Hungarian Retail Manager**”), applicable for such subscribers. At the pricing date, the conversion of the deposited amount will be done at the rate quoted by Hungarian Retail Manager, thus the subscribers’ accounts will be debited or credited with the difference resulting from the eventual difference of the exchange rate of the day of the subscription and the exchange rate of the day of the pricing date, respectively.

## **General Principals of Share Allotment**

We will not give preferential treatment to or discriminate against and between retail investors. In case of an excess demand indicated by the retail investors compared with the final number of the Offer Shares allotted to them, their allocations will be reduced pro-rata (separately for Czech and Hungarian retail investors, if any), regardless of the price per Offer Share proposed by each of them, as long as such price is not below the Offer Price. Subscription orders placed at a price below the Offer Price will be disregarded and fractional allocations (after the proportionate reduction, if any) will be rounded down. Any unallocated shares will then be allocated to the remaining orders, from the largest to the smallest, with any remaining shares allocated by the Lead Managers at their discretion.

With regard to institutional investors, we will allocate the Offer Shares to institutional investors which: (i) will be invited by the Lead Managers to participate in the book-building; (ii) will subscribe for the Offer Shares for a price not lower than the Offer Price; and (iii) will be included in the allotment list. The allocation to institutional investors will be made in our absolute discretion, but upon consultation with the Lead Managers.

Institutional investors will be notified of their allocations by the Lead Managers. Retail investors will receive relevant notifications in accordance with the applicable regulations of their brokerage accounts.

The results of the Offering, including in particular the final Offer Price (which for Czech and Hungarian retail investors shall also be expressed in the local currency equivalent of EUR), the final number of the Offer Shares and allocation among the various categories of investors, will be published promptly upon allotment, in a manner compliant with all applicable regulations, as well as market practices.

### **Subscription and Payment of the Offer Price by Institutional Investors**

Institutional investors included in the allotment list, will be required to pay amounts in euro, unless otherwise agreed, corresponding to the product of the number of the Offer Shares that was allocated to them and the Offer Price, not later than on the Settlement Date and in a manner agreed with the Lead Managers.

Institutional investors, and in particular, entities managing securities portfolios on behalf of their clients should liaise with the Lead Managers in order to discuss actions required to place subscription orders and to pay for allocated Offer Shares.

### **Subscription and Payment of the Offer Price by Czech Retail Investors**

Retail investors subscribing for the Offer Shares in the Czech Republic (the “**Czech Retail Investors**”) are required to follow the information which will be published by the Czech Retail Manager.

The Czech Retail Manager will administer the retail Offering in the Czech Republic and placement of the Offer Shares in the Czech Republic, and publish the terms and conditions of such public offering in accordance with Czech law. It will be at the discretion of the Czech Retail Manager after having consulted the Company and Global Coordinator, how it will administer the retail Offering in the Czech Republic. The retail Offering in the Czech Republic will in particular depend on market conditions and the results of the book-building process.

Czech Retail Investors will be required to pay a deposit equal at least to the product of the highest price accepted by such retail investor and the number of Offer Shares it is willing to purchase. The deposit must be paid in immediately available funds into an account of the respective Czech Retail Investor held with the Czech Retail Manager. Until the end of the Subscription Period, the relevant Czech Retail Investor must not dispose of the cash balance in such account.

If the Offer Price is higher than the highest price accepted by the respective Czech Retail Investor, no Offer Shares will be delivered to such an investor. Any excess in cash balance at the internal account of the respective Czech Retail Investor with the Czech Retail Manager after the delivery date will be disposed of in accordance with the instructions of such investor.

Should we, in agreement with the Global Coordinator, decide to modify the terms of the retail Offering in the Czech Republic, such change will be published as a supplement to this Prospectus to be approved by the AFM, notified to the CNB and, separately, to the PSE and published in accordance with all applicable regulations and the respective market practices. Changing the terms of the retail Offering in the Czech Republic will invalidate purchase orders that have already been submitted.

Purchase orders from the Czech Retail Investors can be submitted through the Czech Retail Manager in euro only, unless otherwise agreed. The Czech Retail Investors who have not been allotted any Offer Shares or whose orders have been reduced shall receive reimbursements in accordance with instructions provided by them, without any interest or any other compensation.

The closing of the Offering outside the Czech Republic and in the Czech Republic will be conditional upon each other.

### **Subscription and Payment of the Offer Price by Hungarian Retail Investors**

Retail investors subscribing for the Offer Shares in Hungary (the “**Hungarian Retail Investors**”) are required to follow the information which will be published by the Hungarian Retail Manager and KBC Equitas Bróker Zrt., as selling agent to the Hungarian Retail Manager.

The Hungarian Retail Manager will administer the retail Offering in Hungary and placement of the Offer Shares in Hungary, and publish the terms and conditions of such public offering in accordance with Hungarian law. It will be at the discretion of the Hungarian Retail Manager after having consulted the Company and the Global Coordinator how it will administer the retail Offering in Hungary. The retail Offering in Hungary will in particular depend on market conditions and the results of the book-building process.

Hungarian Retail Investors will be required to pay a deposit equal at least to the product of the highest price accepted by such retail investor and the number of Offer Shares it is willing to purchase. The deposit must be paid in immediately available funds into an account of the respective Hungarian Retail Investor held with the Hungarian Retail Manager or with its selling agent. Until the end of the Subscription Period, the relevant Hungarian Retail Investor must not dispose of the cash balance in such account.

If the Offer Price is higher than the highest price accepted by the respective Hungarian Retail Investor, no Offer Shares will be delivered to such an investor. Any excess in cash balance at the internal account of the respective Hungarian Retail Investor with the Hungarian Retail Manager after the delivery date will be disposed of in accordance with the instructions of such investor.

Should we, in agreement with the Global Coordinator, decide to modify the terms of the retail Offering in Hungary such change will be published as a supplement to this Prospectus to be approved by the AFM, notified to the HFSA and, separately, to the BSE and published in accordance with all applicable regulations and the respective market practices. Changing the terms of the retail Offering in Hungary may invalidate purchase orders that have already been submitted. See “*Supplements to the Prospectus*” below.

Purchase orders from the Hungarian Retail Investors can be submitted through the Hungarian Retail Manager in euro only, unless otherwise agreed. The Hungarian Retail Investors who have not been allotted any Offer Shares or whose orders have been reduced shall receive reimbursements in accordance with instructions provided by them, without any interest or any other compensation.

The closing of the Offering outside Hungary and in Hungary will be conditional upon each other.

### **Supplements to the Prospectus**

In accordance with the FSA and relevant regulations in force in the Czech Republic and Hungary applicable to public offerings and admission of securities to trading on a regulated market, any

significant change to the Prospectus, as defined in the aforementioned regulations, shall be communicated in the form of a supplement to the Prospectus.

If a supplement to the Prospectus is published after commencement of the Subscription Period and relates to events or circumstances which occurred prior to the Allotment Date and about which we or the Managers have learnt prior to the allotment, investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions within two business days from the publication of the supplement to this Prospectus. In such a case and if necessary the Settlement Date will be adjusted in order to enable the investors to withdraw their subscriptions.

### **Cancellation of the Offering**

We may cancel the Offering, upon recommendation of the Global Coordinator or at its own initiative, at any time prior to the Allotment Date. We may also change the dates of opening and closing of the Subscription Period, or decide that the Offering will be postponed and that new dates of the Offering will be provided by us later. Information on change of dates or suspension of the Offering will be announced in the form of a supplement to the Prospectus.

We may also cancel this Offering, upon recommendation of the Global Coordinator or at its own initiative, at any time after beginning of the Subscription Period, but not later than on the Allotment Date, if we consider it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the PSE and BSE, as well as any other official stock exchange in the United States and the EU; (ii) sudden and material adverse change in the economic or political situation in the Czech Republic, Hungary, the Netherlands or worldwide; (iii) a material loss or interference with our business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of our operations or the operations of our subsidiaries; or (v) an insufficient, in ours or the Global Coordinator's opinion, expected free float of the Shares on the PSE and BSE.

In such event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation. All dealings in the Offer Shares prior to the commencement of the official trading on the PSE and the BSE, and in particular transactions executed under the conditional trading regime on the PSE, will be at the sole risk of the investor concerned. If the Offering is terminated prior to the time at which the Shares will be ready for listing, the admission of the Shares to the PSE and the BSE will not become effective. Any decision on cancellation of the Offering will be published in a manner compliant with applicable regulations, as well as the respective market practices in the Netherlands, Czech Republic and Hungary. The Offering may not be cancelled or suspended after the Settlement Date.

### **Purchase of Shares by the Principal Shareholder and the Members of the Management Board**

To the best of our knowledge, neither the Principal Shareholder nor any members the Management Board intend to purchase any Offer Shares in the Offering.

### **Underwriting Agreement**

On the Allotment Day, we, the Principal Shareholder, the Global Coordinator and the other underwriters named therein expect, but are under no obligation to, enter into an underwriting agreement (the "**Underwriting Agreement**") in respect of the Offering. The entering into the Underwriting Agreement may depend on various factors including, but no limited to, market circumstances and the result of the book-building process. Subject to the terms and conditions to be set forth in the Underwriting Agreement, the Company will agree to issue up to 19,533,663 Offer Shares in connection with the Offering and up to 1,775,788 Offer Shares in connection with the Over-allotment Option, and the Global Coordinator and the other underwriters named therein will commit on a firm commitment basis to subscribe for the Offer Shares for up to the maximum of the Offer Price less a global commission in the aggregate amount of up to 3.5% of the gross proceeds of the Offering. The Global

Coordinator and the other underwriters named therein will be under no obligation whatsoever to purchase any Offer Shares prior to the execution of the Underwriting Agreement.

The Global Coordinator and the other underwriters named therein will distribute the Offer Shares to investors, subject to prior sale, when, as and if delivered subject to the satisfaction or waiver of the conditions that will be contained in the Underwriting Agreement.

The Underwriting Agreement provides that the obligations of the Global Coordinator and the other underwriters named therein are subject to certain conditions precedent. If any or all of these conditions (such as delivery of customary legal opinions and comfort letters), are not met or waived, or if any of the circumstances referred to in the Underwriting Agreement (such as suspension of trading on the PSE or BSE, any material adverse change in respect of our financial status or results, or any material adverse change in the global financial markets) occur prior to payment for and delivery of the Offer Shares, the Global Coordinator and the other underwriters named therein may, at their sole discretion, terminate the Underwriting Agreement and their obligation to subscribe for any Offer Shares will lapse.

The Underwriting Agreement will contain representations and warranties by us and the Principal Shareholder (within the range of the agreed amounts, where applicable) as well as an indemnity by us and the Principal Shareholder of the Global Coordinator and the other underwriters named therein against liabilities, claims or costs that may occur in the relation to the Underwriting Agreement.

### **Over-allotment Option**

In connection with the Offering, we have granted the Global Coordinator an option (the “**Over-allotment Option**”), exercisable in whole or in part for 30 days after the announcement of the Offer Price, to purchase up to an additional 1,775,788 Offer Shares, representing up to 10% of the aggregate number of Offer Shares available in the Offering (before any exercise of the Over-allotment Option), to be newly issued by us at the Offer Price less the global commission. The Over-allotment Option may be exercised from time to time and is exercisable solely to cover over-allotments, if any, created in the Offering, or to cover short positions resulting from stabilisation transactions, as described below. Any Offer Shares sold under the Over-allotment Option are to be sold on the same terms and conditions as the other Offer Shares being sold in the Offering.

### **Price Stabilisation and Short Positions**

In connection with the Offering, the Global Coordinator, as stabilisation manager, or its affiliates or agents may engage in transactions on the PSE and BSE, respectively, with the aim of supporting the market price of the Shares at a level higher than would otherwise prevail. Such stabilisation shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback programmes and stabilisation of financial instruments (the “**Stabilisation Regulation**”). In compliance with the Stabilisation Regulation, the Stabilisation Transactions may not be effected at a price greater than the final Offer Price in the Offering. The Stabilisation Transactions may affect the market price of the Shares and may result in a price for the Shares that is higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Global Coordinator or its affiliates at any time. The Global Coordinator may over-allot up to the number of shares covered by the Over-allotment Option.

No assurance can be given that stabilisation transactions will actually be effected. If such stabilisation is commenced, however, it may be discontinued at any time without prior notice. The stabilising actions, if any, will be undertaken, between the first day of trading or conditional trading in the Shares on the PSE and the BSE, whichever is earlier, and no later than 30 days after the announcement of the Offer Price and may result in a market price of our Shares that is higher than the price that would otherwise prevail. Stabilisation of the Shares will not, in any circumstance, be executed above the Offer Price.

The Global Coordinator, as stabilisation manager, will disclose all details of any stabilisation transactions effected by it to the CNB (with respect to transactions carried out on the PSE) and the HFSA (with respect to transactions carried out on the BSE) and no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week of the end of the stabilisation period the Global Coordinator, as stabilisation manager, will disclose to the public in a manner compliant with applicable regulations, as well as market practices: (i) whether or not stabilisation was undertaken; (ii) the date on which stabilisation started; (iii) the date on which stabilisation last occurred; and (iv) the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

For the purpose of the aforementioned stabilisation, additional Offer Shares up to the number of the over-allotment Shares may be over-allocated to investors by the Global Coordinator on the Allotment Date at the Offer Price. Should a short position arise (*i.e.*, if the Global Coordinator sells more Shares than listed on the cover page of this Prospectus), the Global Coordinator may close such short position by exercising the Over-allotment Option (in whole or in part) or by open-market purchases or by a combination of both. The exercise of the Over-allotment Option will be promptly disclosed to the public. This disclosure will contain all appropriate details, including the date of exercise and the number of the Over-allotment Shares purchased.

### ***Lock-Up Arrangements***

Subject to certain exceptions as may be agreed between the parties and except as described in this Prospectus, we and the Principal Shareholder will undertake with the Global Coordinator that subject to certain exceptions between the date of this Prospectus and the date falling 180 days thereafter for the Company and 360 days thereafter for the Principal Shareholder, they will not, without the prior written consent of the Global Coordinator, issue, offer, pledge, sell, contract to sell any equity securities in the Company or any securities convertible into or exchangeable for equity securities in the Company. Specifically, we have agreed for 180 days and the Principal Shareholder has agreed for 360 days after the date of this Prospectus not to directly or indirectly:

- offer, pledge, sell or contract to sell any Shares;
- sell any option or contract to purchase any Shares;
- authorise the issuance by us of any Shares;
- purchase any option or contract to sell any Shares;
- grant any option, right or warrant for the sale of any Shares;
- lend or otherwise dispose of or transfer any Shares, except that in connection with the Stabilisation Transactions, the Principal Shareholder may lend up to 1,775,788 Shares to the Global Coordinator for a period of up to 30 days following the date of adequate public disclosure of the final Offer Price; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any Shares whether any such swap or transaction is to be settled by delivery of Shares or other securities, in cash or otherwise.

This lock-up provision applies to the Shares and to securities convertible into or exchangeable or exercisable for or repayable with the Shares. It also applies to Shares owned now or acquired later by us or the Principal Shareholder executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **Listing and Trading**

The Shares (including the Offer Shares) are not listed on any public market yet. We have applied for admission to listing and trading on the main market of the PSE and the main market of the BSE of all



Shares, including the Offer Shares. Following the completion of the Offering, the free float of the Shares is expected to be approximately 26.21% (or 28.09% if the Over-allotment Option is exercised), provided that all Offer Shares are sold.

With respect to the listing on the PSE, the approval of the admission and trading is expected to be granted on or about 4 September 2007. With respect to the listing on the BSE, the approval of the admission to listing and trading is expected to be granted on or about 24 September 2007. Conditional trading in the Shares on the PSE is expected to commence on or about 24 September 2007 and official trading on both the PSE and BSE is expected to commence on or about 26 September 2007, or as soon as possible thereafter.

With respect to the planned listing of the Shares on the PSE, all trades in the Offer Shares executed at the PSE will be settled and cleared through Univyc. As noted above, Univyc is a 100% subsidiary of the PSE and acts as the clearing and settlement system of the PSE.

In addition, with respect to the planned listing of our shares on the BSE, all trades in the Offer Shares at the BSE will be settled and cleared, through Keler, which is the central clearing house and depository of securities in Hungary, including those listed on the BSE.

### **Listing Agents**

We have appointed Patria Finance, a.s., to act as our listing agent with respect to the Shares for the purposes of admission to trading on the main market of the PSE and KBC Securities Hungarian Branch Office to act as our listing agent with respect to the Shares for the purposes of admission to trading on the main market of the BSE.

### **Expenses of the Offering**

The total estimated expenses to be incurred by us in connection with the Offering (including the fees and commissions of the Managers and our other advisers and the fees related to the listings of the Shares on the PSE and BSE) are approximately EUR 2.40 million. The Managers will not charge any commissions or fees on the subscription orders collected from investors participating in the Offering.

## SETTLEMENT AND DELIVERY

### Registration and Delivery of the Offer Shares

The Shares are in registered form. Shareholders may hold them, either by being directly entered into the share register kept in the Netherlands by or on behalf of the Company, or in book-entry form with a bank or professional securities depository or other qualified financial intermediary, which will hold them through Clearstream, either directly as a participant of that system or indirectly through participants of Univyc or Keler.

Upon issue, the Shares which are to be held in book-entry form through Clearstream will be registered in the name of Euroclear Nederland, with its registered office at Postbus 19163, 1000 GD Amsterdam, Damrak 70, 1012 LM Amsterdam, the Netherlands (“**Euroclear Nederland**”), acting as common depository in the name and on behalf of Clearstream, in the share register kept in the Netherlands by or on behalf of the Company.

So long as the Shares are registered in the name of the common depository, the common depository will be the sole registered owner or holder of the Shares for all purposes. The persons shown in the records of Clearstream, Univyc or Keler, as the holders of the Shares will, in principle, not have the Shares registered in their names and, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Shares and will not be considered registered owners or holders thereof. Those who hold interests in the Shares through any of Clearstream, Univyc or Keler, will only be able to transfer their interests in accordance with the rules and procedures of such clearing systems.

As noted above, shareholders may also hold the Shares by being directly entered into the share register kept in the Netherlands by or on behalf of the Company. However, in order to trade the Shares on either the PSE or the BSE, the Shares must be in book-entry form. Shareholders directly registered in the Company’s share register must therefore, in order to be able to trade their Shares on one of the stock exchanges where the Shares are quoted, deposit them first into one of the settlement systems.

Settlement (delivery and payment) of transactions on the PSE and the BSE will only be effected through a settlement system recognised by the PSE and the BSE respectively. As regards settlements on PSE, Univyc, a wholly-owned subsidiary of the PSE, is licensed by the CNB primarily to settle trades on the PSE. Univyc is an accountholder with Clearstream and interests in the Shares held by Univyc will be recorded on its account. As a result, Univyc will hold all the Shares to be settled for transactions on the Prague Stock Exchange. Univyc will hold interests in the Shares for the benefit of Univyc accountholders and will record interests of Univyc accountholders in the Shares in book-entry form.

Settlements for the BSE are conducted by Keler. Keler is also an accountholder with Clearstream and interests in the Shares held by Keler will be recorded on its account. As a result, Keler will hold all the Shares to be settled for transactions on the BSE. Keler will hold interests in the Shares for the benefit of its accountholders and will record interests of Keler accountholders in the Shares in book-entry form.

As regards trades on the PSE, each applicant must designate, in a manner and time as instructed by the respective Manager, its local custodian who must be a member of Univyc, and the applicant must instruct such local custodian to perform all steps necessary for settlement of the Shares. In particular, the local custodian must be instructed to enter an instruction into the Univyc system to receive the allocated Shares from the respective Manager in accordance with Univyc rules and operating procedures. The manner, in which the applicant intends to hold the allocated Shares (for instance whether on the applicant’s own account opened with Univyc or through a custodial account) and the manner of funding the purchase of the allocated Shares shall be agreed between the applicant and its local custodian. As regards trades on the BSE, there are similar requirements, *i.e.*, each applicant must designate its local custodian who must be a member of Keler, and the applicant must instruct such local custodian to perform all steps necessary for settlement of the Shares. The manner, in which the applicant intends to hold the allocated Shares and the manner of funding the purchase of the allocated Shares shall be agreed between the applicant and its local custodian.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by investors in a manner and time as instructed by the Managers upon subscription, through the facilities of Clearstream and onwards through the facilities of Univyc (for investors who will elect to deposit their shares with custodians and brokers which are members of Univyc) or Keler (for investors who will elect to deposit their shares with custodians and brokers which are members of Keler). No assurance can be given that the Shares will be properly delivered unless the applicants comply with all relevant instructions of the Managers.

Payment for the Shares will be effected in EUR, as agreed between the respective Manager and applicant. Payment for the Shares registered with Univyc will be effected through the Czech National Bank Clearing Centre on a delivery-versus-payment basis (if in CZK) or on a delivery-free-of-payment basis (if in other currency). Payment for the Shares at the BSE will be effected through Keler on a delivery-versus-payment basis.

Delivery of the Offer Shares is expected to take place on or about 26 September 2007 (the “Delivery Date”), subject to unforeseen circumstances. The exact delivery date will depend on the actual timing of a share transfer from Clearstream to the Univyc and Keler systems. The relevant Univyc accounts are expected to be credited with interest in the Shares on or about 26 September 2007. The relevant Keler accounts are expected to be credited with interest in the Shares on or about 26 September 2007. Investors who will elect to hold the Offer Shares through direct participants of Clearstream or Euroclear are expected to receive their Shares on or about 26 September 2007.

As of the date of publication of the Prospectus, all of the existing Shares and Shares to be issued in connection with the Offering have been assigned ISIN NL0006033375.

#### ***Secondary Settlement and Paying Agents***

Transfers of the interests in the Shares between Clearstream account-holders will be effected in the customary way in accordance with the rules and operating procedures of Clearstream.

Transfers of the interests in the Shares between Univyc accountholders will be effected in accordance with Univyc rules and operating procedures. Trading in the Shares on the PSE will be settled only through Univyc and will be recorded in book-entry form on accounts of Univyc accountholders. Trades in the shares concluded on the PSE may not be settled directly through Clearstream. Trades in the Shares concluded on the PSE will be reflected in the records of Univyc accountholders only, and there will be no change to accounts opened with Clearstream.

Transfers of the interests in the Shares between Keler accountholders will be effected in accordance with Keler rules and operating procedures. Trading in the Shares on the BSE will be settled only through Keler and will be recorded in book-entry form on accounts of Keler accountholders. Trades in the Shares concluded at the BSE may not be settled directly through Clearstream and will be reflected in the records of Keler accountholders only. There will be no change to accounts opened with Clearstream, provided that all participants of the specific transaction manage their account with Clearstream.

#### ***Paying Agents and Payment of Dividends***

ING BANK N.V., a public company established under the laws of the Netherlands, having its registered office at Van Heenvlietlaan 220, 1083 CN Amsterdam, the Netherlands, will act as a principal paying agent in the Netherlands for the Shares based on a paying agency agreement to be signed on or about the Allotment Date. Clearstream will act as international sub-paying agent, Univyc will act as a sub-paying agent in the Czech Republic and Keler will participate in the payment method in Hungary.

Distributions of dividends and other payments with respect to the book-entry interests in the Shares held through Clearstream will be credited, to the extent received by the respective systems, to the cash accounts of the Clearstream account holders in accordance with the rules and procedures of Clearstream.

Distributions of dividends and other payments with respect to the book-entry interests in the Shares held through Univyc will be credited, to the extent received by Univyc, to the cash accounts of Univyc members in accordance with the Univyc system rules and procedures for further distribution to Univyc account-holders.

Distributions of dividends and other payments with respect to the book-entry interests in the Shares held through Keler will be credited, to the extent received by Keler, to the cash accounts of Keler members in accordance with the Keler system rules and procedures for further distribution to Keler account-holders.

## SELLING RESTRICTIONS

### *General*

The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs which follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer to subscribe for or purchase any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Purchasers of the Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price set forth on the cover page of this Prospectus.

### *No Public Offering Outside the Czech Republic and Hungary*

No action has been or will be taken in any country or jurisdiction other than the Czech Republic and Hungary that would permit an offer of the Offer Shares or possession or distribution of this Prospectus or any other offering material in any jurisdiction where action for that purpose is required.

Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published in or from any country or jurisdiction (other than the Czech Republic and Hungary) except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

This Prospectus may only be distributed to the public and Offer Shares may only be offered for sale purchase or barter in the Czech Republic in compliance with the Capital Markets Act and in Hungary in compliance with the Hungarian Capital Markets Act and other applicable mandatory provisions of law, as amended.

### *United States*

THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN TRANSACTIONS NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT. THE SHARES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATIONS UNDER THE US SECURITIES ACT.

### *European Economic Area*

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") (except for the Czech Republic and Hungary), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State under the following

exemptions under the Prospectus Directive, if such exemptions have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### ***United Kingdom***

Each Manger has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) received by it in connection with the issue or sale of the Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

## TAXATION

*The following is a general description of certain Dutch and Czech tax considerations relating to the Shares. It does not purport to be a complete analysis of all tax considerations relating to the Shares, whether in those countries or elsewhere. Prospective purchasers of the Shares should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Shares and receiving dividend payments and/or other amounts under the Shares and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Shares.*

### THE NETHERLANDS

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Shares. Prospective holders of Shares should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Shares.

The following summary is based on the tax laws of the Netherlands, as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, “**Dutch Taxes**” shall mean taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

#### *Taxes on Income and Capital Gains*

This section does not purport to describe the possible Dutch tax considerations or consequences that may be relevant to a holder of Shares who receives Shares or has received any Shares or benefits from the Shares as employment income, deemed employment income or otherwise as compensation.

#### *Residents of the Netherlands*

The description of certain Dutch tax consequences in this paragraph is only intended for the following holders of Shares:

- (i) Individuals who are resident or deemed to be resident of the Netherlands for the purposes of Dutch income tax;
- (ii) Individuals who opt to be treated as a resident of the Netherlands for purposes of Dutch income tax ((i) and (ii) jointly “**Dutch Individuals**”); and
- (iii) Entities that are subject to Dutch corporate income tax under the Dutch Corporate Income Tax Act 1969 (“**CITA**”) and are a resident or deemed to be a resident of the Netherlands for the purposes of the CITA, excluding:
  - pension funds (in Dutch “*pensioenfondsen*”) and other entities, that are wholly or partially exempt from Dutch corporate income tax; and
  - investment institutions (in Dutch “*beleggingsinstellingen*”) as defined in article 28 of the CITA;

(Hereafter referred to as the “**Dutch Corporate Entities**”).

Dutch Individuals not having a (fictitious) substantial interest and not engaged or deemed to be engaged in an enterprise or earning benefits from miscellaneous activities

Generally, Dutch Individual holders of Shares who do not have a (fictitious) substantial interest (in Dutch “*fictief aanmerkelijk belang*”) in the Company and who hold Shares that are not attributable to: (i) an enterprise from which he derives profits as an entrepreneur (in Dutch “*ondernemer*”) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur; or (ii) to miscellaneous activities (in Dutch “*overige werkzaamheden*”), will be subject annually to an income tax imposed on a fictitious yield on such Shares.

The Shares held by such Dutch Individual will be taxed under the regime for savings and investments (in Dutch “*inkomen uit sparen en beleggen*”). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Shares, is set at a fixed amount. The fixed amount equals 4% of the average net fair market value of these assets and liabilities at the beginning and end of every calendar year. The current tax rate under the regime for savings and investments is a flat rate of 30%.

#### Dutch Individuals having a (fictitious) substantial interest

- generally, a holder of Shares has a substantial interest (in Dutch “*aanmerkelijk belang*”) if such holder of Shares, alone or together with his partner, has directly or indirectly:
- the ownership of, or certain rights over, Shares representing five percent or more of the total capital of the Company; or
- the rights to acquire Shares, whether or not already issued, representing five percent or more of the total capital of the Company; or
- the ownership of, or certain rights over, profit participating certificates that relate to five percent or more of the annual profit of the Company or to five percent or more of the liquidation proceeds of the Company.

A holder of Shares will also have a substantial interest if his partner or one of certain relatives of that holder or of his partner has a (fictitious) substantial interest.

Generally, a holder of Shares has a fictitious substantial interest (in Dutch “*fictief aanmerkelijk belang*”) if he has disposed of, or is deemed to have disposed of, all or part of a substantial interest.

Any benefits derived or deemed to be derived from Shares (including any capital gains realised on the disposal thereof) that are held by a Dutch Individual who has a (fictitious) substantial interest ((fictief) *aanmerkelijk belang*) in the Company, are generally subject to income tax at a flat rate of 25% (or 22% in 2007, for benefits up to EUR 250,000).

#### Dutch Individuals engaged or deemed to be engaged in an enterprise or earning benefits from miscellaneous activities

Any benefits derived or deemed to be derived by a Dutch Individual from Shares (including any capital gains realised on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise, or attributable to miscellaneous activities (*overige werkzaamheden*), including, without limitation, activities which are beyond the scope of active portfolio investment activities, are generally subject to income tax at statutory progressive rates with a maximum of 52%.

#### Dutch Corporate Entities

Any benefits derived or deemed to be derived from Shares (including any capital gains realised on the disposal thereof) that are held by Dutch Corporate Entities are generally subject to corporate income tax at a statutory rate currently 25.5%. Reduced rates apply to taxable profits of up to EUR 60,000.



### *Non-residents of the Netherlands*

A holder of Shares who is not a resident or deemed to be a resident of the Netherlands or, in case of an individual, who has not opted to be treated as a resident of the Netherlands, will not be subject to any Dutch taxes on income or capital gains in respect of the ownership and disposal of the Units, except if:

- the holder of Shares derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur, which enterprise is, in whole or in part, carried on through a permanent establishment (in Dutch “*vaste inrichting*”) or a permanent representative (in Dutch “*vaste vertegenwoordiger*”) in the Netherlands, to which the Shares are attributable; or
- the holder of Shares is an individual and derives benefits from miscellaneous activities (in Dutch “*resultaat uit overige werkzaamheden*”) carried out in the Netherlands in respect of Shares, including, without limitation, activities which are beyond the scope of active portfolio investment activities; or
- the holder of Shares is entitled, other than by way of the holding of securities, to a share of the profits of an enterprise that is effectively managed in the Netherlands and to which the Shares are attributable.

### **Withholding Tax**

We are generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by us.

Dutch Individuals and Dutch Corporate Entities are generally allowed to credit Dutch withholding tax against their personal or corporate income tax liability, and are generally entitled to a refund of such withholding tax to the extent it exceeds, together with other creditable taxes, their Dutch personal or corporate income tax liability.

Non-resident holders of Shares may be eligible for full or partial relief from withholding tax, on the basis of the Tax Convention for the Kingdom (in Dutch “*Belastingregeling voor het Koninkrijk*”), tax treaties concluded by the Netherlands, and/or the EU Parent Subsidiary Directive, provided the non-resident Holder of Shares fulfils all the relevant conditions for obtaining relief.

Dutch anti dividend stripping rules deny reduction of withholding tax in situations where the holder of Shares, be it a Dutch Individual, Dutch Corporate Entity or non-resident Holder of Shares, is not considered as the “beneficial owner” (legally defined term) of the dividend.

### **Gift Tax and Inheritance Tax**

No Dutch gift tax or inheritance tax is due in respect of any gift of Shares by, or inheritance of Shares on the death of, a holder of Shares, except if:

- The holder of Shares is a resident or is deemed to be a resident of the Netherlands; or
- At the time of the gift or death of the holder of Shares, his Shares are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in part, carried on through a permanent establishment (in Dutch “*vaste inrichting*”) or permanent representative (in Dutch “*vaste vertegenwoordiger*”) in the Netherlands to which the Shares are attributable; or
- The Shares are acquired by way of a gift from a holder of Shares who passes away within 180 days after the date of the gift and who is not and is not deemed to be at the time of the gift, but is, or is deemed to be at the time of his death, a resident of the Netherlands; or
- The holder of Shares is entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Shares are attributable.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of the Netherlands if he has been a resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be a resident of the Netherlands if he has been a resident of the Netherlands at any time during the 12 months preceding the date of the gift. Furthermore, under circumstances, a holder of Shares will be deemed to be a resident of the Netherlands for purposes of Dutch gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

### ***Other Taxes and Duties***

No other taxes and duties (including stamp duty) are due by or on behalf of a holder of Shares in respect of or in connection with the purchase, ownership and disposal of the Shares.

### ***Residency***

A holder of Shares will not become a resident, or deemed resident of the Netherlands for tax purposes by reason only of holding the Shares.

## **CZECH REPUBLIC**

### ***General***

The comments below are of a general nature and are based on current laws of the Czech Republic and practice of the Czech authorities at the date of this Prospectus. Except as otherwise stated, the summary only discusses certain Czech tax consequences of holding the Shares for the beneficial owners of the Shares who satisfy all of the following conditions: (i) are resident in the Czech Republic for tax purposes; (ii) are not resident in the Netherlands for tax purposes; and (iii) do not have a permanent establishment or fixed base outside of the Czech Republic with which the holding of the Shares is connected (the “**Czech Holders**”).

In addition, the summary assumes that the Czech Holder does not either directly or indirectly control 10% or more of the voting power or basic capital of the Company and is not deemed to have a substantial or significant influence over the Company for other reasons.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Czech Holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under Czech law and practice of the Czech authorities, of the acquisition, ownership and disposal of the Shares in their own particular circumstances, by consulting their own tax advisers.

### ***Withholding Tax on Dividends***

As discussed in “*Taxation—the Netherlands—Withholding Tax*”, under current Dutch law, payments of dividends by the Company to foreign investors are subject to a 15% Dutch withholding tax. Based on the 1974 Income and Capital Tax Convention between the Netherlands and the Czech Republic, as amended (the “**Convention**”), Dutch withholding tax on the dividends paid to Czech Holders should generally be reduced to 10%.

In addition, the Czech Holders will have to include the gross amount of dividends in a separate tax base for Czech corporate/personal income tax purposes which is subject to a 15% tax rate. In the case of individuals, they may alternatively opt for including the dividends in an ordinary personal income tax base which is subject to a progressive tax rate of 12% to 32%. The tax withheld in the Netherlands may generally be credited by the Czech Holder against this Czech tax liability, subject to the conditions stipulated by the Convention.

### ***Revaluation of the Shares***

Most Czech Holders subject to Czech accounting standards for entrepreneurs (*e.g.*, most companies other than financial institutions; certain individuals engaged in active business) who hold Shares for the purpose of trading will be required to revalue the Shares to fair value for accounting purposes, whereby the revaluation differences would be accounted for as income or expense. Such income is generally taxable or the corresponding expense is generally tax deductible for Czech corporate/personal income tax purposes, assuming the general tax deductibility conditions are met by the particular Czech Holder.

Irrespective of whether the Czech Holder is required to keep the accounting books according to International Financial Reporting Standards or not, the above-mentioned tax consequences should remain the same as the current Czech tax law requires that the impact of International Financial Reporting Standards on the tax base of the taxpayers be eliminated.

### ***Taxes on Income and Capital Gains***

Capital gains realised by corporate Czech Holders upon the sale of Shares will be subject to Czech corporate income tax. In the case of individuals, any gain is exempt from Czech personal income tax if the holding period of the Shares exceeds six months and the Shares have not been held in connection with business activities of the individual. In all other cases, the capital gains are generally subject to ordinary Czech personal income tax.

Potential losses realised by corporate Czech Holders upon the sale of Shares should generally be considered as tax deductible for corporate Czech Holders, assuming the general deductibility conditions are met. In the case of individuals holding Shares in connection with their business activities and being subject to Czech accounting standards for entrepreneurs, the loss is generally considered as tax deductible similarly to corporate Czech Holders. In the case of individuals holding the Shares with no relation to their business activities, the loss is generally considered as tax deductible for Czech income tax purposes only if the holding period of the Shares does not exceed six months and only against other taxable capital gains realised on the sale of securities in a given tax period. Otherwise, the loss is generally considered as tax non-deductible for such individual Czech Holders.

### ***Securing Tax***

Czech law requires Czech tax residents and Czech tax non-residents having a permanent establishment in the Czech Republic to which the Shares are attributable to withhold a 1% securing tax from the purchase price when purchasing investment instruments, such as the Shares, from a Czech tax non-resident who is tax resident outside the European Union and the European Economic Area. A double taxation treaty concluded by the Czech Republic could eliminate such securing tax if such treaty is applicable.

## **HUNGARY**

The following is a summary of certain Hungarian tax considerations that may be relevant to the acquisition, ownership and disposition of the Offer Shares. The summary relates to Hungarian tax law and regulations in force on the date of this Prospectus and is subject to any changes in Hungarian law, including any double taxation treaty entered into by Hungary, which may take effect after the date of this Prospectus. The summary is for general information purposes only and does not address all possible tax consequences relating to an investment in the Offer Shares. Prospective purchasers are advised to consult their own tax advisers concerning tax consequences in their particular circumstances.

Except as otherwise stated, the summary only discusses certain Hungarian tax consequences of holding the Offer Shares for the beneficial owners of the Offer Shares who satisfy the following conditions: (i) are resident in Hungary for tax purposes; and (ii) do not have a permanent establishment or fixed base outside of Hungary with which the holding of the Offer Shares is connected.

This summary does not purport to describe the possible Hungarian tax considerations or consequences that may be relevant to a holder of Offer Shares who receives Offer Shares or received any Offer Shares

or benefits from the Offer Shares as employment income, deemed employment income or otherwise as compensation.

### ***Taxation of Hungarian Resident Shareholders other than Individuals***

Hungarian resident shareholders other than individuals are exempt from Hungarian corporate income tax and "solidarity" surtax on dividends received in respect of the Offer Shares. However, as discussed in "*Taxation—the Netherlands—Withholding Tax*", under current Dutch law, payments of dividends by the Company to foreign investors may be subject to a Dutch withholding tax. This withholding tax may not be deducted as an expense either from the corporate income tax base or the "solidarity" surtax base of the Hungarian taxpayer. While this withholding tax may not be credited to the corporate income tax liability of the Hungarian taxpayer, it may, under certain conditions, be credited to the solidarity surtax payment obligation of the taxpayer.

Capital gains realised by Hungarian resident shareholders other than individuals on the disposition of any Offer Shares are subject to tax in Hungary as part of the shareholders' corporate income tax base and "solidarity" surtax base. The applicable tax rates of the corporate income tax and the "solidarity" surtax are 16% and 4%, respectively. Subject to certain conditions, 50% of the capital gains realised at the Budapest Stock Exchange or any other regulated stock exchange, as defined in the Hungarian Capital Markets Act, is exempt from corporate income tax.

### ***Taxation of Individual Hungarian Resident Shareholders***

Dividends paid on the Offer Shares to individual Hungarian resident shareholders are subject to 10% tax, as long as the Offer Shares are listed on the Budapest Stock Exchange or any other regulated exchange of the European Union. Based on the 1987 Income and Capital Tax Convention between the Netherlands and Hungary (the "Dutch Convention"), the tax withheld in the Netherlands may generally be credited by the Hungarian holder against this Hungarian tax liability, subject to the conditions stipulated by the Dutch Convention and in the Hungarian Personal Income Tax Act.

Capital gains realised on the disposition of the Offer Shares by individual Hungarian resident shareholders at the Budapest Stock Exchange or any other regulated market within the European Union or within a member of the Organisation for Economic Co-operation and Development (OECD) are subject to 20% tax in Hungary.

As long as the Company is traded at the Budapest Stock Exchange or any other regulated market within the European Union, no health care contribution is payable on any dividends received or capital gains realised with respect to the Offer Shares.

### ***Other Tax Considerations***

The sale and other disposition of the Offer Shares as well as the purchase or receipt of the Offer Shares are not subject to transfer taxes or stamp duties in Hungary.

The receipt of the Offer Shares may only subject the recipient to Hungarian transfer tax (gift tax) if the Offer Shares are transferred gratuitously (by way of gift or otherwise for no consideration) and are physically handed over in Hungary. Heirs of the Offer Shares are subject to Hungarian inheritance tax when the Offer Shares are deposited and held within Hungary. As long as the Offer Shares are deposited and held outside Hungary by an heir who is a Hungarian citizen, an individual residing in Hungary or a non-individual whose place of incorporation is in Hungary, the inheritance will only be subject to Hungarian inheritance taxes if no inheritance tax or equivalent charge is levied by the jurisdiction where the Offer Shares are deposited and held.

## GENERAL INFORMATION

### Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the FSA (which implemented the Prospectus Directive into Dutch law), for the purpose of giving the information with regard to the Group and the Shares it intends to offer pursuant to this Prospectus, which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 5 of Prospectus Directive and article the 5:15 paragraph 1 under a of the FSA. This Prospectus has been filed with and approved by the AFM, which is the competent authority in the Netherlands to approve this document as a prospectus. Under the Prospectus Directive and section 5:11 of the FSA, this Prospectus, once approved by the competent authority of one member state of the EU (“home member state”) may be used for making a public offering and admission of securities to listing on a regulated market in another member state of the EU (“host member state”), provided that the competent authority of the home member state provides the competent authority of the host member state with a certificate of approval of the Prospectus (in accordance with section 18 of the Prospectus Directive and section 5:11 of the FSA).

In accordance with the Prospectus Directive and the FSA, the Prospectus will be notified to the Czech National Bank, as the Czech regulator, for the purposes of the public offering in the Czech Republic, as well as the Hungarian Financial Supervisory Authority, as the Hungarian regulator, for the purposes of the public offering in Hungary. Accordingly, Czech and Hungarian translations of the Prospectus summary will be provided and published in the same manner as the Prospectus.

### The Company

The Company was incorporated in the Netherlands as a private company with limited liability (in Dutch “*besloten vennootschap met beperkte aansprakelijkheid*”) for an unlimited duration on 15 December 2003 under the name Automobile Group B.V. (changed to AAA Auto Group N.V. on 29 December 2006) and is registered with the Dutch Commercial Register in Amsterdam, the Netherlands, under number 34199203. The Company operates under the laws of the Netherlands and its subsidiaries operate under the laws of the Czech Republic, Slovakia, Hungary, Poland and Romania. The Company changed its name to AAA Auto Group N.V. and changed its legal form to public company with limited liability (in Dutch “*naamloze vennootschap*”) on 29 December 2006. Prior to the publication of this Prospectus, the Company shall amend its articles of association in view of the proposed listing of the Shares (the “**Articles of Association**”). The deed of incorporation and Articles of Association of the Company have been published in the trade register of the Chamber of Commerce of Amsterdam, the Netherlands. The registered office and principal place of business of the Company is at De Boelelaan 7, 1083HJ Amsterdam, the Netherlands. The telephone number of the Company’s registered office is +31 206 614 549 and its fax number is +31 206 618 897. The principal place of business of our main operating and trading company, AAA AUTO a.s., is at Dopraváků 723, 184 00 Praha 8, Czech Republic. Its telephone number is +420 283 060 107 and its fax number is +420 283 060 636.

The object of the Company is used vehicle business and vehicle-oriented financial services. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

Pursuant to article 3 of the Articles of Association, the corporate objects of the Company are:

- to incorporate, to participate in any way 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 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 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, trade marks, 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.

### **Corporate Resolutions**

Prior to the Settlement Date, the Management Board will resolve to issue such number of Offer Shares to the extent necessary for this Offering and will resolve to exclude the related pre-emptive rights of existing holders of Shares.

### **Related Party Transactions**

There are certain related party transactions between member companies of the Group. The details of these related party transactions are described in the notes to the Financial Statements included elsewhere herein.

In addition to related party transactions between member companies of the Group, on 29 December 2006, Automotive Industries S.a.r.l., of which the Principal Shareholder is a 100% beneficial owner, has entered into a claim assignment contract with the company Financial Acceptance Corporation B.V., pursuant to which Automotive Industries S.a.r.l. was assigned EUR 19.65 million long term loan facility, the main purpose of which is to support our business activities and expansion, in addition to customary third party (bank) financing. The loan has not been secured by any mortgage over our assets and is subordinated to our principal bank financing facilities. The terms and conditions were set up following the prevailing market practices and interest rates.

On 28 June 2007, the general meeting of shareholders 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 the general meeting of shareholders of the Company decided about payment of dividend to Automotive Industries S.a.r.l. in the amount of EUR 7.9 million.

On 30 June 2007, an agreement was concluded between AAA AUTO a.s. and Automotive Industries S.a.r.l. in which the two following receivables were assigned by AAA AUTO a.s. to Automotive Industries S.a.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; and

- (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 30 June 2007, an agreement was concluded between the Company, AAA AUTO a.s. and Automotive Industries S.a.r.l. regarding the settlement for a total amount of CZK 125.6 million (EUR 4.4 million) of:

- the assignment of receivable of AAA AUTO a.s. to Automotive Industries S.a.r.l.;
- the liability from payment of dividend from AAA AUTO a.s. to AAA Auto Group N.V.; and
- the liability from payment of dividend from AAA Auto Group N.V. to Automotive Industries S.a.r.l.

The remaining part of dividend payment in the amount of EUR 3.5 million remains as the Company liability against Automotive Industries S.a.r.l.

On the 30 June 2007, it was agreed between the Company and Automotive Industries S.a.r.l. that the amount of dividend payment from AUTOCENTRUM AAA AUTO a.s. in the amount of EUR 2.40 million shall be converted into a shareholders' loan. As of 31 December 2006, shareholders' loan to the Company was equal to an amount of EUR 19.65 million and as the result of this agreement the shareholders' loan to the Company increased to EUR 22.01 million as of 30 June 2007. The Company intends to use part of the net proceeds from the Offering to partially repay the shareholders loan, including accrued interest, in an aggregate amount of up to approximately EUR 8.5 million.

At end of June 2007, the Company owned to the related party AUTOMOBILE GROUP a.s. (in dissolution proceedings) an amount of EUR 314,000 due to the payment for the shares of AUTOCENTRUM AAA AUTO a.s.

The Company owned to the related entity CENTRAL INVESTMENTS s.r.o. an amount of EUR 42,000 for certain property rentals.

The related entity GLOBAL DIRECT s.r.o. has a payable to the Company in an amount of EUR 63,000 relating to certain insurance commissions and has a receivable relating to the provision of certain services provided for an amount of EUR 14,000.

Other than the related party transactions described above and in the notes to the Financial Statements included elsewhere herein, there no other material related parties transactions.

### **Significant Change in the Company's Financial or Trading Position**

Save as described in "*Operating and Financial Review – Current Trading Information and Prospects*", there has been no significant change in the Company's financial or trading position since 31 December 2006.

### **Material Contracts**

Save as disclosed in "*Operating and Financial Review – Liquidity and Capital Resources – Cash Flows*", we have not entered into any contracts (not being contracts entered into in the ordinary course of business) within the three years immediately preceding the date of this prospectus which are material, or at any other time and containing provisions under which we have an obligation or entitlement that is material as of the date of this Prospectus.

### **Availability of Documents**

Paper copies of the following documents will, when published, be available for the life of the Prospectus for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company:

- the deed of incorporation and the Articles of Association of the Company;
- the Financial Statements;
- this Prospectus; and
- all future audited consolidated financial statements of the Company.

In addition, electronic copies of this Prospectus are available on the website of the Company ([www.aaaauto.nl](http://www.aaaauto.nl) and [www.aaaauto.cz](http://www.aaaauto.cz)) and on the website of the financial intermediaries ([www.patria.cz](http://www.patria.cz), [www.patria-direct.cz](http://www.patria-direct.cz) and [www.kbcsecurities.hu](http://www.kbcsecurities.hu)). Paper copies of the Prospectus are also made available at the offices of ING Bank N.V., Van Heenvlietlaan 220, 1083 CN Amsterdam, the Netherlands.



**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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| CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 ..... | F-4  |
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BDO CampsObers  
Audit & Assurance B.V.

Office address:  
P.O. Box 71730, 1008 DE Amsterdam  
Krijgsman 9, 1186 DM Amstelveen  
The Netherlands  
Telephone: +31 (0)20-543 21 00  
Fax: +31 (0)20-543 21 66  
E-mail: info@bdo.nl

To: The management and shareholders of AAA Auto Group N.V.

## AUDITOR'S REPORT

We have audited the consolidated financial statements for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 of AAA Auto Group N.V., Amsterdam, as included on pages F-4 until F-82, which comprise the consolidated balance sheets as at December 31, 2006, December 31, 2005 and December 31, 2004, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the years then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.



*Opinion*

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, 2006, December 31, 2005 and December 31, 2004, and of its result and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Amstelveen, August 17, 2007

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

A handwritten signature in blue ink, appearing to read 'J.A. de Rooij', written over the text 'for and on behalf of it,'.

J.A. de Rooij RA

**AAA AUTO GROUP N.V.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED**  
**31 DECEMBER 2006 AND 2005**

**PREPARED IN ACCORDANCE WITH**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

AAA Auto Group N.V.

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2006 and 2005 (amounts in EUR thousands)

| ASSETS   | Notes | 31.12.2006    | 31.12.2005    |
|--|-------|---------------|---------------|
| <b>Non-current assets</b>                            |       |               |               |
| Goodwill and other intangible assets .....           | 11    | 1,197         | 645           |
| Property, plant and equipment .....                  | 12    | 38,168        | 22,732        |
| Other financial assets .....                         |       | 324           | 406           |
| Deferred tax assets .....                            | 16    | 129           | 100           |
| <b>Total non-current assets .....</b>                |       | <b>39,818</b> | <b>23,883</b> |
| <b>Current assets</b>                                |       |               |               |
| Inventories .....                                    | 13    | 38,197        | 29,376        |
| Trade and other receivables .....                    | 14    | 11,812        | 6,298         |
| Current tax asset .....                              |       | 11            | 18            |
| Other financial assets .....                         |       | 5,471         | 5,015         |
| Cash and cash equivalents .....                      |       | 3,136         | 2,968         |
| Non-current assets classified as held for sale ..... | 12    | 277           | 394           |
| <b>Total current assets .....</b>                    |       | <b>58,904</b> | <b>44,069</b> |
| <b>TOTAL ASSETS .....</b>                            |       | <b>98,722</b> | <b>67,952</b> |

| EQUITY AND LIABILITIES   | Notes | 31.12.2006    | 31.12.2005    |
|--|-------|---------------|---------------|
| <b>Equity</b>  |       |               |               |
| Share capital .....  | 21    | 5,000         | 18            |
| Reserves .....   | 22    | 1,842         | 630           |
| Retained earnings .....  |       | 10,704        | 3,722         |
| <b>Equity attributable to equity holders of the parent .....</b> |       | <b>17,546</b> | <b>4,370</b>  |
| Minority interest .....  |       | 4             | 1,369         |
| <b>Total equity .....</b>  |       | <b>17,550</b> | <b>5,739</b>  |
| <b>Non-current liabilities</b>                                   |       |               |               |
| Bank and other borrowings .....                                  | 15    | 36,047        | 31,300        |
| Deferred tax liabilities .....                                   | 16    | 705           | 454           |
| Other liabilities .....  |       | 329           | 258           |
| <b>Total non-current liabilities .....</b>                       |       | <b>37,081</b> | <b>32,012</b> |
| <b>Current liabilities</b>                                       |       |               |               |
| Trade and other payables .....                                   | 18    | 13,874        | 11,132        |
| Current tax liabilities .....                                    |       | 1,739         | 606           |
| Bank overdrafts and borrowings .....                             | 15    | 26,966        | 16,774        |
| Provisions .....   | 19    | 561           | 429           |
| Other liabilities .....  |       | 951           | 1,260         |
| <b>Total current liabilities .....</b>                           |       | <b>44,091</b> | <b>30,201</b> |
| <b>Total liabilities .....</b>                                   |       | <b>81,171</b> | <b>62,213</b> |
| <b>TOTAL EQUITY AND LIABILITIES .....</b>                        |       | <b>98,722</b> | <b>67,952</b> |

AAA Auto Group N.V.

**CONSOLIDATED INCOME STATEMENT**  
**For the Years Ended 31 December 2006 and 2005** (amounts in EUR thousands)

|   | Notes | 2006           | 2005           |
|---|-------|----------------|----------------|
| <b>Revenue</b> .....                              | 3     | <b>348,417</b> | <b>269,863</b> |
| Other income .....                                |       | 914            | 837            |
| Gain on acquisition of subsidiaries .....         |       | 1,281          |                |
| Work performed by the Group and capitalised ..... |       | 5,987          | 4,216          |
| Cost of goods sold .....                          |       | (284,518)      | (220,187)      |
| Advertising expenses .....                        |       | (9,618)        | (10,461)       |
| Employee benefits expenses .....                  | 6     | (31,118)       | (23,032)       |
| Depreciation and amortisation expense .....       |       | (2,382)        | (1,952)        |
| Other expenses .....                              | 5     | (16,408)       | (12,706)       |
| Finance cost .....                                | 7     | (2,854)        | (3,005)        |
| <b>Profit before tax</b> .....                    |       | <b>9,701</b>   | <b>3,573</b>   |
| Income tax expense .....                          | 8     | (2,633)        | (1,204)        |
| <b>Profit for the year</b> .....                  |       | <b>7,068</b>   | <b>2,369</b>   |
| Attributable to:                                  |       |                |                |
| Equity holders of the parent .....                |       | 6,864          | 2,512          |
| Minority interest .....                           |       | 204            | (143)          |

AAA Auto Group N.V.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the Years Ended 31 December 2006 and 2005 (amounts in EUR thousands)**

|   | Share capital | Equity reserve | Foreign currency translation reserve | Retained earnings | Equity attributable to holders of the parent | Minority interest | Total equity  |
|---|---------------|----------------|--------------------------------------|-------------------|--|-------------------|---------------|
| <b>Balance at 1.1.2005</b>  | <b>18</b>     | <b>46</b>      | <b>240</b>                           | <b>1,210</b>      | <b>1,514</b>                                 | <b>1,122</b>      | <b>2,636</b>  |
| Exchange differences arising on translation of foreign operations.....          |               |                | 345                                  |                   | 345  | 60                | 405           |
| <b>Net income (expense) recognized directly in equity</b> .....                 |               |                | <b>345</b>                           |                   | <b>345</b>                                   | <b>60</b>         | <b>405</b>    |
| Profit for the year.....  |               |                |                                      | 2,512             | 2,512  | (143)             | 2,369         |
| <b>Total recognized income and expense</b> .....                                |               |                | <b>345</b>                           | <b>2,511</b>      | <b>2,856</b>                                 | <b>(83)</b>       | <b>2,774</b>  |
| Increase of share capital and cover of losses of minority interest .....        |               |                |                                      |                   |  | 329               | 329           |
| <b>Balance at 31.12.2005</b>  | <b>18</b>     | <b>46</b>      | <b>585</b>                           | <b>3,721</b>      | <b>4,370</b>                                 | <b>1,369</b>      | <b>5,739</b>  |
| Exchange differences arising on translation of foreign operations.....          |               |                | 1,086                                |                   | 1,086  | 56                | 1,142         |
| <b>Net income (expense) recognized directly in equity</b> .....                 |               |                | <b>1,086</b>                         |                   | <b>1,086</b>                                 | <b>56</b>         | <b>1,142</b>  |
| Profit for the year.....  |               |                |                                      | 6,864             | 6,864  | 204               | 7,068         |
| <b>Total recognized income and expense</b> .....                                |               |                | <b>1,086</b>                         | <b>6,864</b>      | <b>7,950</b>                                 | <b>260</b>        | <b>8,210</b>  |
| Issue of new ordinary shares while transferring the Company to N.V. entity..... | 4,982         |                |                                      |                   | 4,982  |                   | 4,982         |
| Business combinations involving entities under common control.....              |               | 402            |                                      |                   | 402  | (1,558)           | (1,156)       |
| Sale of subsidiary .....  |               | (157)          | (119)                                | 119               | (157)  | (67)              | (224)         |
| <b>Balance at 31.12.2006</b>  | <b>5,000</b>  | <b>291</b>     | <b>1,551</b>                         | <b>10,704</b>     | <b>17,546</b>                                | <b>4</b>          | <b>17,550</b> |

**AAA Auto Group N.V.**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Years Ended 31 December 2006 and 2005** (amounts in EUR thousands)

|  | <b>31.12.2006</b> | <b>31.12.2005</b> |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities</b>  |                   |                   |
| Profit for the period.....   | 7,068             | 2,369             |
| Adjustments for:   |                   |                   |
| Income tax expense.....  | 2,632             | 1,204             |
| Depreciation and amortization expense .....  | 2,382             | 1,952             |
| Expense recognized in profit or loss in respect of provisions .....                    | 583               | 751               |
| (Gain)/loss on disposal of property, plant and equipment.....                          | 494               | (52)              |
| Interest revenue.....  | (151)             | (139)             |
| Interest expense.....  | 2,631             | 2,086             |
| Net foreign exchange (gain)/loss .....   | (203)             | 681               |
| Gain on acquisition of subsidiaries .....  | (1,296)           |                   |
| Decrease/(increase) in inventories .....   | (8,081)           | (8,771)           |
| Decrease/(increase) in receivables and other assets .....                              | (5,439)           | (3,647)           |
| Increase/(decrease) in payables and other liabilities .....                            | (483)             | (1,739)           |
| Interest paid .....  | (1,146)           | (1,810)           |
| Interest received.....   | 46                | 11                |
| Income tax paid.....   | (1,455)           | (924)             |
| <b>Net cash provided by operating activities .....</b>                                 | <b>(2,418)</b>    | <b>(8,028)</b>    |
| <b>Cash flows from investing activities</b>  |                   |                   |
| Acquisition of subsidiary, net of cash acquired.....                                   | (1,946)           |                   |
| Payments for property, plant and equipment.....  | (15,092)          | (8,569)           |
| Proceeds from disposals of property, plant and equipment.....                          | 1,636             | 1,656             |
| <b>Net cash used in investing activities .....</b>                                     | <b>(15,402)</b>   | <b>(6,913)</b>    |
| <b>Cash flows from financing activities</b>  |                   |                   |
| Proceeds from issue of share capital .....   | 4,982             |                   |
| Proceeds from borrowings .....   | 29,386            | 18,662            |
| Repayment of borrowings.....   | (16,113)          | (4,226)           |
| Payment of finance lease liabilities.....  | (309)             | (276)             |
| <b>Net cash from financing activities.....</b>   | <b>17,946</b>     | <b>14,160</b>     |
| <b>Net increase (decrease) in cash and cash equivalents.....</b>                       | <b>126</b>        | <b>(781)</b>      |
| <b>Cash and cash equivalents at beginning of year .....</b>                            | <b>2,968</b>      | <b>3,645</b>      |
| Effect of exchange rate changes on the balance of cash held in foreign currencies..... | 42                | 104               |
| <b>Cash and cash equivalents at end of year .....</b>                                  | <b>3,136</b>      | <b>2,968</b>      |



## **Note 1 - GENERAL INFORMATION**

AAA Auto Group N.V. (the “**Company**”) was incorporated as a private company with limited liability on 12 December 2003 under the name Automobile Group B.V. On 29 December 2006, Automobile 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.

The sole shareholder of the company is Automotive Industries S.A.R.L. Ave. JR. Kennedy 46a, Luxembourg. The ultimate controlling party is Mr. Anthony James Denny.

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.

## **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Basis for preparation**

The consolidated financial statements of Automobile Group N.V. and all of its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS). No consolidated financial statements under other GAAP were prepared previously. 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 2006.

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

- 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. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. 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 7 *Financial Instruments: Disclosures and the complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures* (effective for annual period beginning on or after 1 January 2007). IFRS 7 introduces new and widespread disclosures relating to financial instruments and financial risks. This standard does not have any impact on the classification and valuation of the Group’s financial instruments. The Group will apply IFRS 7 from 1 January 2007, 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.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for annual period beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations;
- IFRIC 8 *Scope of IFRS 2* (effective for annual period beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial position and result of its operations.
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual period beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group does not present any embedded derivatives, IFRIC 9 is not currently relevant to the Group's financial position and result of its operations.
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual period beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial position and result of its operations.
- IFRIC 11 *IFRS 2: Group and Treasury Share Transactions* (effective for annual period beginning on or after 1 March 2007). IFRIC 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Group will apply IFRIC 11 from 1 January 2008, but it is not expected to have any impact on the Group's financial position and result of its operations.
- IFRIC 12 *Service Concession Arrangements* (effective for annual period beginning on or after 1 January 2008). IFRIC 12 relates to the arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. As the Group does not provide public services under the concession arrangement, IFRIC 12 is not relevant to the Group's operations.

- IFRIC 13 *Customer Loyalty Programmes* (effective for annual period beginning on or after 1 July 2008). IFRIC 13 provides guidance on how to account for a loyalty programmes that are used by entities as incentives for customers to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits. The customer can redeem the award credits for awards such as free or discounted goods or services. IFRIC 13 requires an entity to account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. As the Group does not provide any loyalty programme, IFRIC 13 is not currently relevant to the Group's operations.
- 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). IFRIC 14 contains an additional explanation how to apply the specific requirements of IAS 19 for defined benefits plan. As the Group does not operate any defined benefits plan, IFRIC 14 is not currently relevant to the Group's operations.

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 2006 is provided in the note 10.

### **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.

## **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 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 and health insurance premiums paid by subsidiaries on behalf of their employees.

### **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):

| <u>Class of property, plant and equipment</u> | <u>Year</u> |
|---|-------------|
| Buildings.....                                | 10 - 50     |
| Company cars .....                            | 3 - 6       |
| Plant, equipment and furniture.....           | 3 - 12      |

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

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

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

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

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the



asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

## **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.

### **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.

#### ***Business combinations under common control***

In 2004, the Group acquired several companies from related parties that are controlled by the same entity as the Group. These business combinations are defined in IFRS 3 as business combinations under common control and are not included in the scope of IFRS. Therefore, the management of the Group decided to use the accounting policy where the net assets acquired are measured at acquiree's carrying amounts (not in fair value as IFRS 3 required) and the difference between the cost and the carrying amount of net assets acquired 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.

#### ***Consolidation of controlled entities***

These consolidated financial statements include accounts of the companies – GENERAL AUTOMOBIL, a.s. and KAPITÁL AUTOMOTIVE a.s. that are not owned by the Group but by the Company. However, the companies are controlled by the Group, mostly through the board of directors. The business activity of the companies lies in acquisitions of new entities for the Group's extension. Therefore, the management's decision to consolidate these companies is in accordance with IFRS's condition of control. At the end of 2006, these two companies were owned by the Company.

#### ***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.

### ***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.

During normal course of business tax issues arise which can have a material impact on the financial statements. Such risks lead to possible obligations. The management believes that the Company has satisfactory fulfilled all its tax obligations.

### ***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.

## **Note 3 - REVENUE**

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

|   | <b>2006</b>                       | <b>2005</b>           |
|---|-----------------------------------|-----------------------|
|   | <i>(amounts in EUR thousands)</i> |                       |
| <b>Revenue from the sale of goods</b>           |                                   |                       |
| Cars.....                                       | 313,297                           | 241,081               |
| Spare parts.....                                | 507                               | 324                   |
| Total.....                                      | <u>313,804</u>                    | <u>241,405</u>        |
| <b>Revenue from the rendering of services</b>   |                                   |                       |
| Commissions revenue (leasing, insurance..)..... | 28,355                            | 24,712                |
| Services (car repairs, maintenance, other)..... | <u>6,258</u>                      | <u>3,746</u>          |
| Total.....                                      | <u>34,613</u>                     | <u>28,458</u>         |
| <b>Total</b> .....                              | <b><u>348,417</u></b>             | <b><u>269,863</u></b> |

## Note 4 - 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 turnover 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 three principal geographical areas - the Czech Republic, Slovakia, and the rest of Europe (including Hungary, Poland, and Romania). Romania, Hungary, or 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.

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 2006 and 2005 is as follows:

|                            | Czech Republic | Slovakia | Rest of Europe <sup>(1)</sup> | Elimination | Consolidated                      |
|----------------------------|----------------|----------|-------------------------------|-------------|-----------------------------------|
| <b>2006</b>                |                |          |                               |             |                                   |
|                            |                |          |                               |             | <i>(amounts in EUR thousands)</i> |
| Revenue                    |                |          |                               |             |                                   |
| External sales .....       | 241,554        | 71,535   | 35,329                        |             |                                   |
| Inter-segment sales....    | 23,240         | 228      | 15                            | (23 483)    |                                   |
| Total Revenue .....        | 264,794        | 71,763   | 35,344                        | (23 483)    | 348,417                           |
| Result .....               |                |          |                               |             |                                   |
| Segment result.....        | 8,175          | 4,617    | (140)                         | (98)        | 12,554                            |
| Unallocated expenses ..... |                |          |                               |             | (2,854)                           |
| Profit before tax.....     |                |          |                               |             | 9,701                             |
| Income tax expense ...     |                |          |                               |             | (2,632)                           |
| Profit for the year .....  |                |          |                               |             | 7,068                             |

Note:

<sup>(1)</sup> Including Hungary, Poland and Romania.

|   | <b>Czech Republic</b> | <b>Slovakia</b> | <b>Rest of Europe<sup>(1)</sup></b> | <b>Unallocated</b> | <b>Eliminations</b> | <b>Group</b> |
|---|-----------------------|-----------------|-------------------------------------|--------------------|---------------------|--------------|
| <b>Other information</b>                        |                       |                 | <i>(amounts in EUR thousands)</i>   |                    |                     |              |
| Segment assets .....                            | 59,230                | 20,030          | 21,803                              | 39,761             | (42,102)            | 98,722       |
| Segment liabilities ...                         | 13,528                | 4,392           | 6,181                               | 98,799             | (41,728)            | 81,172       |
| Capital expenditure ..                          | 5,645                 | 5,350           | 4,294                               |                    |                     |              |
| Depreciation.....                               | 1,974                 | 262             | 161                                 |                    |                     |              |
| Non-cash expenses other than depreciation ..... | 3,105                 | 640             | 1,385                               |                    |                     |              |

Note:

<sup>(1)</sup> Including Hungary, Poland and Romania.

|                            | <b>Czech Republic</b> | <b>Slovakia</b> | <b>Rest of Europe<sup>(1)</sup></b> | <b>Elimination</b> | <b>Consolidated</b> |
|----------------------------|-----------------------|-----------------|-------------------------------------|--------------------|---------------------|
| <b>2005</b>                |                       |                 | <i>(amounts in EUR thousands)</i>   |                    |                     |
| Revenue                    |                       |                 |                                     |                    |                     |
| External sales ....        | 219,702               | 36,606          | 13,555                              |                    |                     |
| Inter-segment sales .....  | 20,702                | 138             | 2,594                               | (23,434)           |                     |
| Total Revenue ...          | 240,404               | 36,744          | 16,149                              | (23,434)           | 269,863             |
| Result                     |                       |                 |                                     |                    |                     |
| Segment result ..          | 5,054                 | 1,657           | (237)                               | 103                | 6,577               |
| Unallocated expenses ..... |                       |                 |                                     |                    | (3,004)             |
| Profit before tax          |                       |                 |                                     |                    | 3,573               |
| Income tax expense .....   |                       |                 |                                     |                    | (1,204)             |
| Profit for the year .....  |                       |                 |                                     |                    | 2,369               |

Note:

<sup>(1)</sup> Including Hungary, Poland, the Netherlands and Romania.

|  | <b>Czech Republic</b> | <b>Slovakia</b> | <b>Rest of Europe<sup>(1)</sup></b> | <b>Unallocated</b> | <b>Eliminations</b> | <b>Group</b> |
|--|-----------------------|-----------------|-------------------------------------|--------------------|---------------------|--------------|
| <b>Other information</b>                       |                       |                 | <i>(amounts in EUR thousands)</i>   |                    |                     |              |
| Segment assets .                               | 53,573                | 9,353           | 3,272                               | 10,718             | (8,964)             | 67,952       |
| Segment liabilities .....                      | 12,566                | 2,580           | 1,432                               | 54,249             | (8,614)             | 62,213       |
| Capital expenditure .....                      | 5,838                 | 2,378           | 270                                 | 82                 |                     |              |
| Depreciation.....                              | 1,817                 | 89              | 46                                  |                    |                     |              |
| Non-cash expenses other than depreciation..... | 1,215                 | 347             | 476                                 |                    |                     |              |

Note:

<sup>(1)</sup> Including Hungary, Poland, the Netherlands and Romania.



## Note 5 - OTHER EXPENSES

|   | 2006                              | 2005          |
|---|-----------------------------------|---------------|
|   | <i>(amounts in EUR thousands)</i> |               |
| Material used.....  | 2,884                             | 2,064         |
| Energy.....   | 763                               | 590           |
| Repairs.....  | 149                               | 193           |
| Travel expenses.....  | 911                               | 722           |
| Rent.....   | 2,976                             | 2,315         |
| Communication expenses.....                                 | 1,655                             | 1,459         |
| Transport services.....                                     | 1,152                             | 901           |
| Consulting services (tax, legal, audit and accounting)..... | 1,049                             | 476           |
| Taxes and fees.....   | 542                               | 346           |
| Insurance.....  | 454                               | 411           |
| Loss on disposal of property, plant and equipment.....      | 565                               | 52            |
| Write down of inventories to NRV.....                       | 652                               | 760           |
| Other expenses.....   | 2,656                             | 2,417         |
| <b>Total other expenses.....</b>                            | <b>16,408</b>                     | <b>12,706</b> |

## Note 6 - EMPLOYEE BENEFITS EXPENSE

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

|  | 2006                              | 2005          |
|--|-----------------------------------|---------------|
|  | <i>(amounts in EUR thousands)</i> |               |
| Wages and salaries.....                          | 22,895                            | 16,966        |
| Social security costs.....                       | 8,223                             | 6,067         |
| Total short-term employee benefits expense.....  | 31,118                            | 23,033        |
| Less: employee benefits expense capitalized..... | (5,985)                           | (4,216)       |
| <b>Total.....</b>                                | <b>25,133</b>                     | <b>18,817</b> |

Employee benefits expense that is directly attributable to the purchase of inventories is capitalized and recognized as a component of the initial measurement of inventories.

### Compensation of key management personnel

Key management personnel include members of the Board of Directors, Supervisory Board and Executive Directors of the Group.

In 2006, the key management personnel included 19 persons (in 2005: 22).

The remuneration of the Group's key management personnel comprised only of short-term benefits of EUR 1,484 thousand (2005: EUR 981 thousand).

|                            | 2006                              | 2005       |
|----------------------------|-----------------------------------|------------|
|                            | <i>(amounts in EUR thousands)</i> |            |
| Wages and salaries.....    | 1,023                             | 600        |
| Social security costs..... | 358                               | 210        |
| Other remuneration.....    | 103                               | 171        |
| <b>Total.....</b>          | <b>1,484</b>                      | <b>981</b> |

## Note 7 - FINANCE COSTS

|  | <b>2006</b>                       | <b>2005</b>  |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
| Interest on bank overdrafts and loans.....                   | 2,608                             | 2,149        |
| Interest on obligations under finance leases.....            | 23                                | 32           |
| Less: amounts included in the cost of qualifying assets..... |                                   | (95)         |
| <b>Total interest expenses.....</b>                          | <b>2,631</b>                      | <b>2,086</b> |
| Net foreign exchange (gain)/losses.....                      | (202)                             | 681          |
| Other (various fees).....                                    | 425                               | 238          |
| <b>Total financial costs.....</b>                            | <b>2,854</b>                      | <b>3,005</b> |

Borrowing costs included in the cost of qualifying assets during the year arose on funds borrowed specifically for the purpose of obtaining a qualifying asset and therefore are determined as the actual borrowing costs incurred on that borrowing during the period.

In particular, borrowing costs included in the cost of qualifying assets during 2005 relate to an acquisition of the premises in Bratislava, where the Slovakian branch AUTOCENTRUM AAA AUTO a.s. carries out its business.

Information regarding interest rates on borrowings is included in note 15.

## Note 8 - INCOME TAX EXPENSE (BENEFIT)

|  | <b>2006</b>                       | <b>2005</b>  |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
| Current tax expense.....   | 2,418                             | 1,026        |
| of which: adjustment in respect of current income tax of previous periods..... |                                   | 26           |
| Deferred tax expense.....  | 214                               | 178          |
| <b>Total tax expense.....</b>  | <b>2,632</b>                      | <b>1,204</b> |

Corporation tax in the Czech Republic is calculated at 24% (2005: 26%) of the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

|  | <b>2006</b>                       | <b>2005</b>  |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
| Profit before tax.....                                 | 9,701                             | 3,573        |
| Expected income tax expense.....                       | 2,447                             | 1,062        |
| Permanent differences and unrecognized tax losses..... | (29)                              | (37)         |
| <b>Total income tax expense.....</b>                   | <b>2,418</b>                      | <b>1,025</b> |
| Effective income tax rate.....                         | 25%                               | 29%          |

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

## Note 9 - 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:

|   | 2006        | 2005 |
|---|-------------|------|
| Profit for the year attributable to equity holders of the parent (equals earnings used in the calculation of total basic earnings per share)..... | € 6,863,711 | N/A  |
| Weighted average number of ordinary shares .....  | 50,000,000  | N/A  |
| Basic / Diluted earnings per share (EUR/share) .....  | 0.137       | N/A  |

For the year ended 31 December 2005, the earnings per share calculation is not applied (N/A) because the form of the Company had a closed group of shareholders unlike the new form. The Company was incorporated as a private company with limited liability on 12 December 2003 under the name Automobile Group B.V. On 29 December 2006, Automobile Group B.V. was converted into a public company with limited liability and changed its name into AAA Auto Group N.V.

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.

## Note 10 - CONSOLIDATED ENTITIES

Details of the Company's subsidiaries whose financial statements are consolidated and included on the consolidated financial statements as at 31 December 2006 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 Sale 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                            | new car sales               | 95.0%                                |
| AUTO DISKONT s.r.o. ....           | Czech Republic                            | used car sales              | 100.0%                               |
| AUTOBAZAR VYHODNY s.r.o. ....      | Czech Republic                            | non-active                  | 100.0%                               |
| MEDIA ACTION s.r.o. ....           | Czech Republic                            | advertising and PR services | 100.0%                               |
| GENERAL AUTOMOBIL, a.s. ....       | Czech Republic                            | new car sales               | 100.0%                               |
| GENERAL AUTOMOBIL ZLIN a.s. ....   | Czech Republic                            | new car sales               | 100.0%                               |
| KAPITÁL AUTOMOTIVE a.s. ....       | Czech Republic                            | financing company           | 100.0%                               |
| 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%                               |
| 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              | 99.8%                                |
| AAA AUTO a.d. ....                 | Serbia                                    | non-active                  | 100.0%                               |
| AAA AUTO EOOD. ....                | Bulgaria                                  | non-active                  | 100.0%                               |
| AAA AUTO Sp.z.o.o. ....            | Poland                                    | holding company             | 100.0%                               |
| European Auto Sales Sp.z.o.o. .... | Poland                                    | non-active                  | 100.0%                               |
| ASCORD Sp.z.o.o. ....              | Poland                                    | non-active                  | 100.0%                               |
| ASC Warszawa Sp.z.o.o. ....        | Poland                                    | used cars sales             | 100.0%                               |

Furthermore, the Group owns 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 approximately 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.

The Group has consolidated the company Global direct s.r.o. during all the year 2006; this company was sold out of the Group at the end 2006.

The company European Auto Sales B.V. has been consolidated for the ten first months of the year 2006; after it was sold out of the Group.

## Note 11 - GOODWILL AND OTHER INTANGIBLE ASSETS

|                               | 31.12.2006                        | 31.12.2005 |
|-------------------------------|-----------------------------------|------------|
|                               | <i>(amounts in EUR thousands)</i> |            |
| Goodwill.....                 | 328                               | 311        |
| Other intangible assets ..... | 1,235                             | 452        |
| Amortization .....            | (367)                             | (118)      |
| <b>Total</b> .....            | <b>1,196</b>                      | <b>645</b> |

### Goodwill

| Cost                             | <i>(amounts in EUR thousands)</i> |            |
|----------------------------------|-----------------------------------|------------|
| <b>At 1 January 2005</b> .....   |                                   | <b>297</b> |
| Exchange differences .....       |                                   | 14         |
| <b>At 31 December 2005</b> ..... |                                   | <b>311</b> |
| Exchange differences .....       |                                   | 17         |
| <b>At 31 December 2006</b> ..... |                                   | <b>328</b> |

The useful live 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.

During the year, goodwill was reviewed for impairment in accordance with IFRS 3. For the purposes of this 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. The Group performed an impairment test using discount rates between 4.73% (average interest rate of the Group's borrowings) to 25% 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 whatever a discount rate between 4.73% and 25%) and therefore no impairment had to be charged. 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.

In 2006 the Group acquired two Polish companies **ASCORD Sp.z.o.o. and ASC Warszawa Sp.z.o.o.** An excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of EUR 1,264 thousands was recognised as a gain in profit and loss statement for 2006 (see next table).

|   | Book value                        | Fair value<br>adjustments | Fair value   |
|---|-----------------------------------|---------------------------|--------------|
|   | <i>(amounts in EUR thousands)</i> |                           |              |
| Tangible assets .....   | 2,028                             | 1,257                     | 3,285        |
| Intangible assets .....   | 4                                 |                           | 4            |
| Other current assets .....  | 309                               | (214)                     | 94           |
| Cash and cash equivalents .....   | 5                                 | (1)                       | 4            |
| Loans and finance leases .....  | (510)                             |                           | (510)        |
| Minority shareholders interest .....  |                                   |                           | 0            |
| Other creditors .....   | (556)                             | (20)                      | (576)        |
| <b>Net assets acquired .....</b>  | <b>1,280</b>                      | <b>1,022</b>              | <b>2,301</b> |
| Goodwill/Excess of the Group's interest in the net fair value of acquiree's identifiable assets ..... |                                   |                           | (1,264)      |
| Total consideration .....   |                                   |                           | 1,038        |
| <b>Satisfied by:</b>  |                                   |                           |              |
| Cash .....  |                                   |                           | 1,038        |
| Deferred consideration .....  |                                   |                           |              |
| <b>Net cash outflow arising on acquisition .....</b>  |                                   |                           | <b>1,038</b> |

### Other intangible assets

| COST  | Software                          | Trade marks | Intangible<br>assets in the<br>course of<br>acquisition | Total        |
|---|-----------------------------------|-------------|---|--------------|
|   | <i>(amounts in EUR thousands)</i> |             |   |              |
| <b>Balance at 1 January 2005</b> .....          | 176                               | 81          |   | <b>257</b>   |
| additions .....                                 | 64                                | 1           | 214   | 279          |
| additions from internal developments .....      | 22                                |             |   | 22           |
| disposals .....                                 |                                   |             | (122)   | (122)        |
| net foreign currency exchange differences ..... | 10                                | 4           | 2   | 16           |
| <b>Balance at 1 January 2006</b> .....          | <b>272</b>                        | <b>86</b>   | <b>94</b>   | <b>452</b>   |
| additions .....                                 | 687                               | 1           | 706   | 1,394        |
| acquisitions through business combination ..... | 12                                | 1           | 1   | 14           |
| disposals .....                                 | (41)                              | (1)         | (630)   | (675)        |
| net foreign currency exchange differences ..... | 35                                | 5           | 7   | 49           |
| <b>Balance at 31 December 2006</b> .....        | <b>965</b>                        | <b>92</b>   | <b>178</b>  | <b>1,235</b> |

**ACCUMULATED AMORTISATION  
and IMPAIRMENT**

|  | <i>(amounts in EUR thousands)</i> |            |  |              |
|--|-----------------------------------|------------|--|--------------|
| <b>Balance at 1 January 2005</b> .....         | (51)                              |            |  | <b>(51)</b>  |
| amortisation expense.....                      | (64)                              |            |  | (64)         |
| net foreign currency exchange differences..... | (3)                               |            |  | (3)          |
| <b>Balance at 1 January 2006</b> .....         | <b>(118)</b>                      |            |  | <b>(118)</b> |
| charge for the year.....                       | (292)                             | (1)        |  | (293)        |
| eliminated on disposals.....                   | 58                                |            |  | 58           |
| net foreign currency exchange differences..... | (14)                              |            |  | (14)         |
| <b>Balance at 31 December 2006</b> .....       | <b>(366)</b>                      | <b>(1)</b> |  | <b>(367)</b> |

**Carrying amount**

|                             |     |    |     |     |
|-----------------------------|-----|----|-----|-----|
| As at 31 December 2005..... | 153 | 86 | 95  | 334 |
| As at 31 December 2006..... | 600 | 91 | 178 | 868 |

No impairment was charged to intangible assets during the periods presented. The amortisation charge is presented in the income statement under the heading depreciation and amortisation.

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

Useful lives of trademarks (as registered in 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 2006 and 2005 any research and development expenses.

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

In 2006 and 2005 no intangible assets were pledged as security over payables to financial institutions.

At 31 December 2006, 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 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 or 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.

### **“Best in class” operating practices**

The Group’s operating practises represent a unique know-how comprising ability to determine appropriate store formats, effectively managed pricing and inventory mix, effective trade marketing, customer driven sales process and centralised management with locally transferable business model.

The centralised management of the Group enables to achieve unified implementation of the unique business model and know-how in different markets and regions where the Group operates. The business model consists of clear guidelines and rules both as to the business processes and management system that we apply in all of our auto centres, with some adjustments to the specific local environment on a case-by-case basis. Central management creates opportunities to build and develop relationships with strategic business partners and to negotiate advantageous condition of cooperation on an international level. Through centralizing accounting, personnel, financing and other functions we realise cost savings.

While our centralised management enables us to achieve unified global decision making on the strategic level as described above, the day-to-day responsibility for auto centres in specific countries rests with the individual country managers to provide market-specific responses to sales, service, marketing and inventory requirements based on local conditions and environment. The great majority of cars are bought and sold within the same country. The local managers follow the business model of the Group while adopting its execution to local conditions.

The entire sale process, including the test drive and financing, can be completed in less than two hours. Thanks to the interconnection of a call centre and sales consultants that are able to anticipate customers’ needs in advance of their visit of our auto centres and prepare vehicles that correspond to their requirements or expectations. If there are no vehicles at a specific outlet that fit customers needs, they can check the entire inventory at our “computer kiosks” available at each auto centre. Additionally, customers can check through our website inventory for vehicles that meet their model and feature requirements, as well as price range.

Our consultants use our information system to electronically check whether a specific customer meets the financing eligibility criteria (pre-scoring) and submit financing applications and receive responses from a variety of third-party lenders. Pre-scoring typically takes less than five minutes and the whole process of arranging the financing of the car for the customer usually takes 25 to 30 minutes. Customers are then able to review online the offered financing options and terms from each financing source, including the amount financed interest rates, terms and monthly payments.

The principal focus of the call centre is to help customers to choose the most suitable car for them, provide information on the car financing and arrange a personal meeting at the nearest auto centre. The Group has developed a CRM system providing the operator with full history of all contacts and calls between such customer and the Group. In case that the customer is interested in a car that is not in our stock, the system is able to notify our operators automatically when such car is purchased by us and if it meets the customer’s requirements. In comparison with out-sourced call centres our in-house call centre can adjust with a higher degree of flexibility to customer’s preferences and demands and can support more effectively the selling processes of the Group.

## Note 12 - PROPERTY, PLANT AND EQUIPMENT (PPE)

| COST   | Buildings<br>and land | Company<br>cars | Fixtures and<br>equipment | PPE in the<br>course of<br>construction | Total         |
|--|-----------------------|-----------------|---------------------------|---|---------------|
| <i>(amounts in EUR thousands)</i>                  |                       |                 |                           |   |               |
| <b>Balance at 1 January 2005</b> .....             | <b>10,478</b>         | <b>4,117</b>    | <b>3,020</b>              | <b>1,712</b>                            | <b>19,327</b> |
| additions .....                                    | 5,544                 | 2,837           | 924                       | 7,341                                   | 16,647        |
| disposals .....                                    | (15)                  | (58)            | (122)                     | (8,277)                                 | (8,473)       |
| reclassified as held for sale .....                |                       | (2,358)         |                           |   | (2,358)       |
| net foreign currency exchange<br>differences ..... | 618                   | 206             | 158                       | 38                                      | 1,020         |
| <b>Balance at 1 January 2006</b> .....             | <b>16,624</b>         | <b>4,744</b>    | <b>3,980</b>              | <b>815</b>                              | <b>26,163</b> |
| additions .....                                    | 9,440                 | 3,407           | 1,581                     | 15,587                                  | 30,015        |
| acquisitions through business<br>combination ..... | 3,191                 | 71              | 152                       | 174                                     | 3,588         |
| disposals .....                                    | (448)                 | (86)            | (501)                     | (15,813)                                | (16,848)      |
| reclassified as held for sale .....                |                       | (2,559)         |                           |   | (2,559)       |
| net foreign currency exchange<br>differences ..... | 1,800                 | 319             | 288                       | 55                                      | 2,462         |
| <b>Balance at 31 December 2006</b> .....           | <b>30,607</b>         | <b>5,896</b>    | <b>5,500</b>              | <b>818</b>                              | <b>42,822</b> |

### ACCUMULATED DEPRECIATION and IMPAIRMENT

|   |                |                |                |  |                |
|---|----------------|----------------|----------------|--|----------------|
| <b>Balance at 1 January 2005</b> .....                    | <b>(381)</b>   | <b>(662)</b>   | <b>(941)</b>   |  | <b>(1,985)</b> |
| depreciation expense .....                                | (232)          | (734)          | (916)          |  | (1,882)        |
| eliminated on disposals .....                             | 2              | 13             | 43             |  | 57             |
| eliminated on reclassification as<br>held fore sale ..... |                | 506            |                |  | 506            |
| net foreign currency exchange<br>differences .....        | (24)           | (45)           | (58)           |  | (127)          |
| <b>Balance at 1 January 2006</b> .....                    | <b>(636)</b>   | <b>(922)</b>   | <b>(1,873)</b> |  | <b>(3,431)</b> |
| depreciation expense .....                                | (363)          | (745)          | (1,001)        |  | (2,109)        |
| eliminated on disposals .....                             | 20             | 14             | 360            |  | 394            |
| eliminated on reclassification as<br>held fore sale ..... | 0              | 711            | 0              |  | 711            |
| net foreign currency exchange<br>differences .....        | (35)           | (60)           | (123)          |  | (218)          |
| <b>Balance at 31 December 2006</b> .....                  | <b>(1,014)</b> | <b>(1,002)</b> | <b>(2,637)</b> |  | <b>(4,654)</b> |

### Carrying amount

|                              |        |       |       |     |        |
|------------------------------|--------|-------|-------|-----|--------|
| As at 31 December 2005 ..... | 15,988 | 3,822 | 2,107 | 815 | 22,732 |
| As at 31 December 2006 ..... | 29,593 | 4,894 | 2,862 | 818 | 38,168 |

Included in the balance of fixtures and equipment are bazaar equipment, computer equipment, furniture, office equipment.

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 recognised loss of EUR 12 thousand in 2006 (2005: EUR 10 thousand).

Additions in 2006 and 2005 are connected with an expansion of the Group's business activities and primarily include buying of new buildings, plants and land situated in the Czech Republic, Slovakia, Hungary and Poland.



In 2005, a company Woteg s.r.o. was purchased and included into the Group. In connection with this acquisition property, plant and equipment was increased primarily by a plot of land in Ostrava. As this company did not own any other assets but the land, this transaction was treated in the consolidation as purchase of PPE and not as a business combination under IFRS 3.

In 2006, three other acquisitions occurred: Hungarian company F-23 REALTY Kft. and Polish companies ASCORD Sp.z.o.o and ASC Warszawa Sp.z.o.o. were purchased and included in the Group. In connection with these acquisitions property, plant and equipment was increased primarily by buildings and land situated in Warsaw.

The carrying amount of the Group's PPE includes an amount of EUR 636 thousand (2005: EUR 792 thousand.) in respect of assets held under finance leases.

The Group has pledged land and buildings having a carrying amount of approximately EUR 13 million (2005: EUR 10 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets.

At 31 December 2006, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to EUR 230 thousand (2005: EUR 167 thousand).

### Note 13 - INVENTORIES

|   | 31.12.2006                        | 31.12.2005    |
|---|-----------------------------------|---------------|
|   | <i>(amounts in EUR thousands)</i> |               |
| Raw materials (spare parts and consumables) ..... | 1,050                             | 943           |
| Merchandise (cars and accessories).....           | 37,147                            | 28,434        |
| <b>Total</b> .....                                | <b>38,197</b>                     | <b>29,377</b> |

The cost of inventories recognised as an expense includes EUR 668 thousand (2005: EUR 654 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 17,429 thousand (2005: EUR 10,241 thousand) are pledged as security for bank and other corporate borrowings that the Group uses for financing of stock.

### Note 14 - TRADE AND OTHER RECEIVABLES

|  | 31.12.2006                        | 31.12.2005   |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
| Trade receivables .....                              | 7,000                             | 4,497        |
| Allowances for doubtful debts .....                  | (229)                             | (430)        |
| Trade receivables, net.....                          | 6,771                             | 4,067        |
| Prepayments .....                                    | 2,227                             | 1,030        |
| Other receivables (tax, employees and accruals)..... | 2,814                             | 1,201        |
| <b>Total</b> .....                                   | <b>11,812</b>                     | <b>6,298</b> |

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 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 aging method whose limits and rates are revised annually is primarily used by the Group for a calculation of allowances for bad debts. The amount resulted from the calculation is recognized in profit or loss.

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

## Note 15 - BANK AND OTHER BORROWINGS

|   | 2006                              | 2005          |
|---|-----------------------------------|---------------|
|   | <i>(amounts in EUR thousands)</i> |               |
| Bank overdrafts.....  | 14,484                            | 10,732        |
| Bank and other loans.....   | 37,561                            | 32,682        |
| Stock financing.....  | 10,968                            | 4,660         |
| <b>Total</b> .....  | <b>63,013</b>                     | <b>48,074</b> |
| The borrowings are repayable as follows:                                    |                                   |               |
| - On demand or within one year.....   | 26,966                            | 16,774        |
| - In the second year.....   |                                   | 190           |
| - In the third to fifth years inclusive.....                                | 33,867                            | 28,793        |
| - After five years.....   | 2,180                             | 2,317         |
| Less: Amount due for settlement within 12 months (current liabilities)..... | 26,966                            | 16,774        |
| Amount due for settlement after 12 months ( non-current liabilities).....   | 36,047                            | 31,300        |

### Analysis of loans and borrowings by currency

|                    | 2006               |   | 2005               |   |
|--------------------|--------------------|---|--------------------|---|
|                    | currency<br>amount | <i>(amounts<br/>in EUR<br/>thousands)</i> | currency<br>amount | <i>(amounts<br/>in EUR<br/>thousands)</i> |
| CZK.....           | 746,987            | 27,138                                    | 1,052,017          | 36,220                                    |
| SKK.....           | 281,897            | 8,188                                     | 209,312            | 5,528                                     |
| EUR.....           | 19,601             | 19,601                                    | 5,525              | 5,525                                     |
| RON.....           | 5,073              | 1,512                                     | 2,943              | 801                                       |
| HUF.....           | 988,548            | 3,934                                     |                    |   |
| PLN.....           | 10,100             | 2,640                                     |                    |   |
| <b>Total</b> ..... |                    | <b>63,013</b>                             |                    | <b>48,074</b>                             |

| <b>Weighted average interest rates</b>            | <b>2006</b>  | <b>2005</b>  |
|---|--------------|--------------|
| Bank overdrafts.....                              | 4.16%        | 3.66%        |
| Bank and other loans.....                         | 4.93%        | 4.36%        |
| Stock financing.....                              | 4.67%        | 3.56%        |
| <b>Total weighted average interest rate</b> ..... | <b>4.71%</b> | <b>4.12%</b> |

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 14,485 thousand (2005: EUR 10,733 thousand) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 4.16 percent (2005: 3.66 percent) per annum.

The Group has the following principal loans:

- (i) A loan from Automotive Industries S.à.r.l. totalling at EUR 19,6 million originated in 2006. This loan was assigned from Financial Acceptance Corporation B.V. at the end of 2006. The loan is not secured and carry an average interest rate 5.5%;

- (ii) A revolving loan from GE Money bank of EUR 3,996 thousand (2005: EUR 3,443 thousand) secured by stock and company cars of the Group. The bank loan carries a floating interest rate at 1M PRIBOR + 2.25% (2005: 1M PRIBOR + 2.25%) per annum; and
- (iii) An investment loan from VUB a.s. of EUR 4,381 thousand (2005: EUR 2,641 thousand) that was used to construct the site in Bratislava and Žilina, Slovakia. The bank loan carries a floating interest rate at 3M BRIBOR + 1.15% (2005: 3M BRIBOR + 1.15%) per annum.

At 31 December 2006, the Group had available EUR 4,958 thousand (2005: EUR 4,439 thousand) of non drawn committed borrowing facilities in respect of which all conditions precedent had been met.

### ***Financial risk management***

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

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

### ***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. The objective of the Group's interest rate management policy is to reduce the volatility of the interest charge. Interest rate exposure is managed through an optimum mix of fixed and floating rate debt. At 31 December 2006, approximately 32 percent (2005: 18 percent) of the Group's borrowings are at a fixed rate of interest.

### ***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 Romania, its results can be affected significantly by movements in the local exchange rate vs. EUR. During the year, EUR weakened against Czech koruna, as well as Slovak koruna. 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.

### ***Liquidity risk***

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

## Note 16 - DEFERRED TAX

|                               | 31.12.2006                        | 31.12.2005 |
|-------------------------------|-----------------------------------|------------|
|                               | <i>(amounts in EUR thousands)</i> |            |
| Deferred tax liabilities..... | 705                               | 454        |
| Deferred tax assets.....      | 129                               | 100        |

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

|  | 2006                              |            | 2005                              |            |
|--|-----------------------------------|------------|-----------------------------------|------------|
|  | Asset                             | Liability  | Asset                             | Liability  |
|  | <i>(amounts in EUR thousands)</i> |            | <i>(amounts in EUR thousands)</i> |            |
| Accelerated tax depreciation.....      | 54                                | 697        | 2                                 | 398        |
| Allowances for doubtful debts.....     | 161                               |            | 21                                |            |
| Write-down of inventories.....         | 19                                | 156        | 24                                | 53         |
| Payables.....                          | 15                                | 2          |                                   |            |
| Other.....                             | 1                                 |            |                                   |            |
| Unused tax losses carried forward..... | 30                                |            | 76                                |            |
| Consolidation adjustments.....         |                                   |            |                                   | 26         |
| Total gross deferred taxes.....        | 280                               | 855        | 123                               | 477        |
| Set off <sup>(1)</sup> .....           | (151)                             | (150)      | (23)                              | (23)       |
| <b>Total net deferred taxes.....</b>   | <b>129</b>                        | <b>705</b> | <b>100</b>                        | <b>454</b> |

Note:

<sup>(1)</sup> Gross deferred tax assets and liabilities were offset for each individual subsidiary of the group when applicable.

Temporary differences arising in connection with interests in associates are insignificant.

### Unused tax losses for which no deferred tax asset is recognised

|  | 31.12.2006                        | 31.12.2005   |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
|  | <b>1,671</b>                      | <b>1,032</b> |

At the balance sheet date, the Group has unused tax losses of EUR 2,048 thousand (2005: EUR 2,054 thousand) available for offset against future profits. A deferred tax asset has been recognized in respect of EUR 377 thousand (2005: EUR 1,022 thousand) of such losses. No deferred tax asset has been recognized in respect of the remaining EUR 1,671 thousand (2005: EUR 1,032 thousand) due to the unpredictability of future profit streams. The losses may be carried forward generally over five years.

In 2006 and 2005 there were no benefits arising from previously unrecognised tax losses and other temporary differences which were not considered for deferred tax calculation in previous periods. No write down or reversal of a previous write down of a deferred tax asset was recognised in 2006 and 2005.

## Note 17 - OBLIGATIONS UNDER FINANCE LEASES

|  | Minimum lease payments            |            | Present value of minimum lease payments |            |
|--|-----------------------------------|------------|---|------------|
|  | 31.12.2006                        | 31.12.2005 | 31.12.2006                              | 31.12.2005 |
|  | <i>(amounts in EUR thousands)</i> |            |   |            |
| not later then 1 year .....                        | 235                               | 248        | 220                                     | 229        |
| later then 1 year and not later then 5 years ..... | 354                               | 274        | 328                                     | 259        |
|  | 589                               | 522        | 548                                     | 488        |
| Less future finance charges .....                  | (41)                              | (34)       |   |            |
| Present value of minimum lease payments.....       | 548                               | 488        | 548                                     | 488        |

It is the Group's policy to lease most of its company cars, fixtures, equipment, and tow trucks under finance leases. The average lease term is 3-4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Lease obligations are denominated in Czech koruna and in Slovak koruna.

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.

## Note 18 - TRADE AND OTHER PAYABLE

|  | 31.12.2006                        | 31.12.2005    |
|--|-----------------------------------|---------------|
|  | <i>(amounts in EUR thousands)</i> |               |
| Trade payables .....                   | 8,075                             | 6,619         |
| Accrued employee compensation.....     | 1,805                             | 1,125         |
| Tax payables and social security ..... | 2,411                             | 1,185         |
| Accrued expenses.....                  | 894                               | 1,119         |
| Other payables.....                    | 689                               | 1,057         |
| <b>Total</b> .....                     | <b>13,874</b>                     | <b>11,105</b> |

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.

Main items of accrued expenses include not invoiced audit services and utilities.

## Note 19 - PROVISIONS

|                        | 31.12.2006                        | 31.12.2005 |
|------------------------|-----------------------------------|------------|
|                        | <i>(amounts in EUR thousands)</i> |            |
| Employee benefits..... | 500                               | 428        |
| Law suits .....        | 62                                | 2          |
| <b>Total</b> .....     | <b>562</b>                        | <b>430</b> |

Movements in each class of provision during 2006 and 2005 were as follows:

|                                       | <b>Employee<br/>benefits</b>      | <b>Law suits</b> | <b>Total</b> |
|---------------------------------------|-----------------------------------|------------------|--------------|
|                                       | <i>(amounts in EUR thousands)</i> |                  |              |
| <b>Balance at 1.1.2005</b> .....      | <b>330</b>                        | <b>2</b>         | <b>332</b>   |
| Amounts used.....                     | (330)                             |                  | (330)        |
| Additional provisions recognized..... | 428                               |                  | 428          |
| <b>Balance at 1.12.2006</b> .....     | <b>428</b>                        | <b>2</b>         | <b>430</b>   |
| Amounts used.....                     | (428)                             |                  | (428)        |
| Additional provisions recognized..... | 500                               | 60               | 560          |
| <b>Balance at 31.12.2006</b> .....    | <b>500</b>                        | <b>62</b>        | <b>562</b>   |

This note has to be read in relationship with the note 24 “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 (see contingency note 24 a). Additionally, the Group is involved in a law suit regarding the use of the trade mark AAA AUTO in Slovakia. There is a risk that the Group cannot use this trade mark in Slovakia any more. But if it happens it will not have a financial impact (see contingency 24 c).

Provisions for law suits include a provision in the amount of EUR 16 thousands for the law suit with the Hungarian Competition Office. In June 2007, a Hungarian court decided that the Group’s slogan used in Hungary had a misleading nature and levied a penalty of approximately EUR 16 thousand (see contingency 24 d).

## **Note 20 - OPERATING LEASE ARRANGEMENTS**

The Group leases under operating mainly lands, offices, parking places, show-rooms, billboards and flats. The operating lease expense amounted to EUR 2,976 thousand (2005: 2,315 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.

## **Note 21 - SHARE CAPITAL**

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 50,000,000 shares were issued and fully paid-up. The increase of capital of EUR 4,982 thousands from EUR 18 thousand to EUR 5 million was paid by contribution in kind by the settlement of a loan from the shareholder, Automotive Industries S.à.r.l. to the Company.

The only shareholder of the Company is Automotive Industries S.à.r.l. The Company has one class of ordinary shares which carry no right to fixed income.

The reserves arise on translation of financial statements from local currency of the subsidiaries of the Group into the presentation currency.

## Note 22 - RESERVES

| Equity reserve                      | 2006                              | 2005      |
|-------------------------------------|-----------------------------------|-----------|
|                                     | <i>(amounts in EUR thousands)</i> |           |
| Balance at beginning of year .....  | 46                                | 46        |
| Acquisition of:                     |                                   |           |
| General Automobile Group .....      | 115                               |           |
| KAPITÁL AUTOMOTIVE a.s. Group ..... | 287                               |           |
| Sale of                             |                                   |           |
| Global Direct s.r.o. ....           | (157)                             |           |
| <b>Balance at end of year .....</b> | <b>291</b>                        | <b>46</b> |

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

|   | 2006                              | 2005       |
|---|-----------------------------------|------------|
|   | <i>(amounts in EUR thousands)</i> |            |
| Balance at beginning of year .....                    | 584                               | 240        |
| Translation of foreign operations .....               | 1,086                             | 344        |
| Gain recycled on disposal of foreign subsidiary ..... | (119)                             |            |
| <b>Balance at end of year .....</b>                   | <b>1,551</b>                      | <b>584</b> |

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

## Note 23 - BUSINESS COMBINATIONS

|   | Date acquired  | Voting equity instruments acquired | Cash paid on acquisition net of cash acquired |
|---|----------------|------------------------------------|---|
| ASCORD Sp.z.o.o.....                    | 24 August 2006 | 100%                               | € 726,707                                     |
| ASC Warszawa Sp.z.o.o.....              | 24 August 2006 | 100%                               | € 293,232                                     |
| AUTO DISKONT Group <sup>(1)</sup> ..... | 30 June 2006   | 100%                               | € 12,634                                      |

Note:

<sup>(1)</sup> AUTO DISKONT Group consists of AUTO DISKONT s.r.o., Autobazar Vyhodny s.r.o and AUTO DISKONT s.r.o. Slovakia.

### ASC Warszawa Sp.z.o.o, ASCORD Sp.z.o.o

On August 24, 2006, the Group acquired 100% of the issued share capital of ASC Warszawa Sp.z.o.o and 100% of the issued share capital of ASCORD Sp.z.o.o for cash consideration of EUR 1,016,028.

The reason of this acquisition was to acquire valuable property owned by ASC Warszawa Sp.z.o.o, which is 100% subsidiary of ASCORD Sp.z.o.o. ASCORD Sp.z.o.o has no assets except 100% of shares in ASC Warszawa Sp.z.o.o.

Therefore for the purposes of consolidation, the acquisition of these two companies is treated as a single transaction.

|                                  | <b>Book value</b>                 | <b>Fair value adjustments</b> | <b>Fair value</b> |
|----------------------------------|-----------------------------------|-------------------------------|-------------------|
|                                  | <i>(amounts in EUR thousands)</i> |                               |                   |
| Tangible assets .....            | 2,028                             | 1,257                         | 3,285             |
| Intangible assets .....          | 4                                 |                               | 4                 |
| Other current assets .....       | 308                               | (214)                         | 94                |
| Cash and cash equivalents.....   | 5                                 | (1)                           | 4                 |
| Loans and finance leases .....   | (510)                             |                               | (510)             |
| Other creditors.....             | (556)                             | (20)                          | (576)             |
| <b>Net assets acquired .....</b> | <b>1,280</b>                      | <b>1,022</b>                  | <b>2,301</b>      |

|  |              |
|--|--------------|
| Excess of the Group's interest in the net fair value of acquiree's net assets over cost..... | (1,264)      |
| Total consideration already satisfied in cash .....  | 1,038        |
| <b>Net cash outflow arising on acquisition: .....</b>  | <b>1,038</b> |

### **AUTO DISKONT Group**

Since the first of July 2006, the Company has controlled entities included in AUTO DISKONT GROUP:

- (i) AUTO DISKONT s.r.o. (seated in Czech Republic and parent of two following companies);
- (ii) AUTOBAZAR VYHODNY s.r.o. (seated in the Czech Republic); and
- (iii) AUTO DISKONT s.r.o. (seated in Slovakia).

The group was wholly acquired by United Pensioen Fund B.V. that is a related party of the Company and both companies are under common control. The aim of the whole acquisition was divided into two steps. The first step lied in an acquisition of AUTO DISKONT Group where the acquirer was United Pensioen Fund B.V. The next step consisted of a transaction between companies under common control in which the Company acquired AUTO DISKONT Group from United Pensioen Fund B.V. This transaction was concluded in December 2006, tightly before the end of the year. So control and ownership is held by the Company at the end of 2006. However, AUTO DISKONT Group is consolidated since the first of July 2006.

|                                  | <b>Book value</b>                 | <b>Fair value adjustments</b> | <b>Fair value</b> |
|----------------------------------|-----------------------------------|-------------------------------|-------------------|
|                                  | <i>(amounts in EUR thousands)</i> |                               |                   |
| Tangible assets .....            | 293                               | 9                             | 302               |
| Intangible assets .....          | 15                                |                               | 15                |
| Other current assets .....       | 1,211                             | 10                            | 1,221             |
| Cash and cash equivalents.....   | 130                               |                               | 130               |
| Loans and finance leases .....   | (367)                             |                               | (367)             |
| Other creditors.....             | (1,214)                           | (38)                          | (1,252)           |
| <b>Net assets acquired .....</b> | <b>67</b>                         | <b>(18)</b>                   | <b>49</b>         |

|  |           |
|--|-----------|
| Goodwill/Excess of the Group's interest in the net fair value of acquiree's identifiable assets..... | (32)      |
| Total consideration already satisfied in cash .....  | 13        |
| <b>Net cash outflow arising on acquisition: .....</b>  | <b>13</b> |



## **Note 24 - 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.
- Proceedings with leasing companies – the Group is convinced that this case will be won.
- Proceedings regarding the use of trade mark AAA AUTO in Slovakia. The potential risk is that the Group will not be allowed to use the trade mark; in case of losing this case – the Company doesn't have any or extra costs.
- Other proceedings with maximum financial effect of EUR 82 thousand.

### **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.

## **Note 25 - RELATED PARTY TRANSACTIONS**

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

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

## Trading transactions

During 2006 and 2005 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

|  | Sale of goods and services |              | Purchase of goods and services |              | Amounts owed by related parties |           | Amounts owed to related parties |            |
|--|----------------------------|--------------|--------------------------------|--------------|---------------------------------|-----------|---------------------------------|------------|
|  | 2006                       | 2005         | 2006                           | 2005         | 31/12/06                        | 31/12/05  | 31/12/06                        | 31/12/05   |
| <i>(amounts in EUR thousands)</i>                |                            |              |                                |              |                                 |           |                                 |            |
| AUTOMOBILE GROUP                                 |                            |              |                                |              |                                 |           |                                 |            |
| a.s., v likvidaci.....                           | 4                          | 3            |                                |              |                                 | 4         | 283                             | 278        |
| Automotive Industries S.A.R.L. ....              |                            |              |                                |              |                                 |           |                                 |            |
| CAPITAL INVESTMENTS                              |                            |              |                                |              |                                 |           |                                 |            |
| s.r.o.....                                       | 1                          |              | 12                             | 53           | 1                               |           | 15                              | 22         |
| Central European Models s.r.o.....               | 5                          |              | 1                              |              | 1                               | 2         |                                 |            |
| CENTRAL INVESTMENTS                              |                            |              |                                |              |                                 |           |                                 |            |
| s.r.o.....                                       | 21                         | 2,859        | 2,846                          | 8,341        | 47                              | 39        | 82                              | 90         |
| CREDIT INVESTMENTS                               |                            |              |                                |              |                                 |           |                                 |            |
| s.r.o.   | 1                          |              | 11                             | 10           | 1                               |           |                                 | 4          |
| CZECH INVESTMENTS, spol. s r.o. v likvidaci..... |                            | 39           | 5                              |              | 1                               | 1         | 15                              | 15         |
| Česká Miss s.r.o.....                            |                            |              |                                |              |                                 | 2         |                                 |            |
| European Auto Sales – Utrecht.....               | 11                         |              | 4                              |              | 22                              |           | 52                              |            |
| GLOBAL CAR CHECK s.r.o. ....                     | 5                          |              |                                | 1            | 2                               | 28        | 10                              |            |
| GLOBAL CAR RENTAL s.r.o.....                     | 17                         | 1            | 1                              |              | 2                               | 1         |                                 |            |
| GLOBAL CAR SERVICE s.r.o.....                    | 3                          |              |                                |              | 2                               | 5         |                                 |            |
| GLOBAL DIRECT S.R.L. ....                        |                            | 1            |                                |              | 2                               | 1         | 2                               |            |
| GLOBAL DIRECT s.r.o. ....                        | 78                         |              | 86                             |              | 1                               |           |                                 |            |
| KAPITAL KREDIT s.r.o. v likvidaci.....           | 7                          | 436          | 6                              | 7            | 3                               | 9         | 9                               | 5          |
| Miss Marketing s.r.o.                            | 47                         | 181          | 59                             | 50           | 247                             |           |                                 | 1          |
| Mr. Gary Mazzotti.....                           |                            | 17           |                                |              |                                 | 1         |                                 |            |
| Mrs. Helena Denny.....                           |                            |              |                                |              | 8                               | 1         |                                 |            |
| PRIORITY INVESTMENTS                             |                            |              |                                |              |                                 |           |                                 |            |
| s.r.o. ....                                      | 1                          | 3            |                                |              | 1                               | 4         |                                 |            |
| YES CAR CREDIT s.r.o. ....                       | 3                          |              |                                |              | 2                               |           |                                 |            |
| <b>Total.....</b>                                | <b>185</b>                 | <b>3,631</b> | <b>3,041</b>                   | <b>8,989</b> | <b>343</b>                      | <b>98</b> | <b>185</b>                      | <b>146</b> |

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 company received guarantees from the following related parties: CAPITAL INVESTMENTS s.r.o. CENTRAL INVESTMENTS s.r.o. and from PRIORITY INVESTMENTS s.r.o. in order to secure bank loans. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

In 2006, CAPITAL INVESTMENTS s.r.o. invoiced the Company for guarantees given and the Company invoices the related party for accounting and administrative services. Moreover, in 2005, Capital Investments s.r.o. invoiced the Company for renting a building in Troja (Prague).

In 2005 and in 2006, KAPITAL KREDIT s.r.o. bought new cars which were sold to the Company. Moreover, the Company invoiced KAPITAL KREDIT for accounting and administrative services provided.

During both years, the Company invoiced the related party Miss Marketing s.r.o. for advertising, purchase of equipment and furniture and rental of cars while the related party invoiced the Company for marketing services and rental (only in 2006). Miss Marketing s.r.o. was sold out of the Group in 2007.

During 2005 and 2006, CENTRAL INVESTMENTS s.r.o. invoiced the Company for guarantees given, for sales of cars and for rental of flats in Prague and the Company invoiced the related party for accounting and administrative service and for sales of cars.

The Company owned to the related party AUTOMOBILE GROUP a.s. (in dissolution proceedings) an amount of EUR 283 thousands at end of 2006 (EUR 278 thousand at end of 2005) due to the payment of the shares of AUTOCENTRUM AAA AUTO a.s. by this related party.

### Loans to and borrowings from related parties

|  | Loans to related parties          |              | Borrowings from related parties |               |
|--|-----------------------------------|--------------|---------------------------------|---------------|
|  | 31/12/06                          | 31/12/05     | 31/12/06                        | 31/12/05      |
|  | <i>(amounts in EUR thousands)</i> |              |                                 |               |
| Automotive Industries S.A.R.L.....               |                                   |              | 19,650                          |               |
| CAPITAL INVESTMENTS s.r.o.....                   | 496                               | 503          |                                 |               |
| Central European Models s.r.o.....               |                                   | 136          |                                 |               |
| CENTRAL INVESTMENTS s.r.o.....                   | 4,755                             | 2,724        |                                 |               |
| CZECH INVESTMENTS, spol. s r.o. v likvidaci..... |                                   |              |                                 | 630           |
| Financial Acceptance Corporation B.V.....        |                                   |              |                                 | 23,218        |
| Miss Marketing s.r.o.....                        | 18                                | 737          |                                 |               |
| <b>Total.....</b>                                | <b>5,269</b>                      | <b>4,100</b> | <b>19,601</b>                   | <b>23,848</b> |

The conditions of the loans and borrowings were as follows:

|  | Amounts repayable | Interest rate |
|--|-------------------|---------------|
| Automotive Industries S.A.R.L.....               | within 1 year     | **            |
| CAPITAL INVESTMENTS s.r.o.....                   | within 1 year     | 2.1%          |
| Central European Models s.r.o.....               | within 1 year     | 7.2%          |
| CENTRAL INVESTMENTS s.r.o.....                   | within 1 year     | 1.4%          |
| CZECH INVESTMENTS, spol. s r.o. v likvidaci..... | 1-5 years         | 1.4%          |
| Miss Marketing s.r.o.....                        | 1-5 years         | 7.2%          |

Note:

(1) The interest rate on the loans from Automotive Industries S.a.r.l. carried in 2006 partly a fixed interest between 2% and 5% and partly a variable interest rate of Pribor+2% or Bribor+2.5%

Other financial assets include loans granted to related parties in the amount of EUR 5.26 million for financing purchase of real estates in Prague. These properties have been pledged as a security for certain bank loans of the Group. Beginning 2007, these properties were sold with the intention to repay the loans to the Group.

## **Note 26 - EVENTS AFTER THE BALANCE SHEET DATE**

In February 2007, the Company acquired company F-22 INVEST Kft. for EUR 846,000. The amount of consideration represents a carrying value of the property. This acquisition is not treated as a business combination as the only asset of F-22 INVEST Kft. is a plot of land. F-22 INVEST Kft. did not carry out any business activity except for the leasing of the land. Consequently, this acquisition is out of scope of IFRS 3 *Business combination* and for consolidation purposes will be treated as a purchase of PPE.

On the 28<sup>th</sup> 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.a.r.l. in the amount of EUR 7.9 million.

On the 30<sup>th</sup> of June, an agreement was concluded between AAA AUTO a.s. and Automotive Industries S.a.r.l. in which the two following receivables were assigned by AAA AUTO a.s. to Automotive Industries S.a.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.a.r.l. regarding the settlement for a total amount of CZK 125.6 million (EUR 4.4 million) of:

- the assignment of receivable of AAA AUTO a.s. to Automotive Industries S.a.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.a.r.l.

The remaining part of dividend payment in the amount of EUR 3.5 million remains as the Company liability against Automotive Industries S.a.r.l.

On the 30<sup>th</sup> of June, 2007 it was agreed between the Company and Automotive Industries S.a.r.l. that the amount of dividend payment from AUTOCENTRUM AAA AUTO a.s. in the amount of EUR 2.40 million shall be converted into a shareholders loan. As of 31 December 2006, shareholders loan to the Company was equal to an amount of EUR 19.65 million and as the result of this agreement the shareholders loan to the Company increased to EUR 22.01 million as of 30 June 2007. The Company intends to use part of the net proceeds from the Offering to partially repay the shareholders loan, including accrued interest, in an aggregate amount of up to approximately EUR 8.5 million.

On the 12th of July 2007, the Company has signed a letter of intent in order to purchase 100% of the shares of the limited liabilities company H&K Partners s.r.o. The potential amount of the transaction will be approximately CZK 51 million (EUR 1.8 million). This company operates two Opel and Hyundai dealerships (new and used cars) in the Czech Republic (Kladno and Prague 6).

The Company has entered into a contract on future contract for purchasing a real estate property and for construction works for an auto centre in Poland with expected completion term in Spring 2008. The total cost of this project is expected to be EUR 2 millions, of which 70% will be covered by a bank loan.

By the date of releasing these consolidated financial statements, the Group opened the following new branches:

|                      |  |
|----------------------|--|
| Czech Republic ..... | Teplice, Tábor, Chomutov, Kolín, Hradec Králové and Most |
| Slovakia .....       | Nitra, Lučenec, Trenčín                                  |
| Poland .....         | Lodz   |
| Hungary .....        | Pecs, Budaors  |
| Romania .....        | Brasov   |

**Note 27 - APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements of the Company will be approved by the annual meeting of shareholders and authorized for issue.

**AAA AUTO GROUP N.V.**  
**(FORMERLY AUTOMOBILE GROUP B.V.)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED**  
**31 DECEMBER 2005 AND 2004**  
  
**PREPARED IN ACCORDANCE WITH**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

AAA Auto Group N.V.

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2005 and 2004 (amounts in EUR thousands)

| ASSETS  | Notes | 31.12.2005    | 31.12.2004    |
|---|-------|---------------|---------------|
| <b>Non-current assets</b>                                       |       |               |               |
| Goodwill and other intangible assets.....                       | 10    | 645           | 503           |
| Property, plant and equipment.....                              | 11    | 22,732        | 17,343        |
| Other financial assets .....                                    |       | 406           | 841           |
| Deferred tax assets .....                                       | 15    | 100           | 49            |
| <b>Total non-current assets .....</b>                           |       | <b>23,883</b> | <b>18,736</b> |
| <b>Current assets</b>   |       |               |               |
| Inventories.....  | 12    | 29,376        | 20,605        |
| Trade and other receivables.....                                | 13    | 6,298         | 4,702         |
| Current tax asset.....  |       | 18            | 5             |
| Other financial assets .....                                    |       | 5,015         | 2,529         |
| Cash and cash equivalents.....                                  |       | 2,968         | 3,645         |
| Non-current assets classified as held for sale .....            | 11    | 394           | 126           |
| <b>Total current assets.....</b>                                |       | <b>44,069</b> | <b>31,612</b> |
| <b>TOTAL ASSETS.....</b>  |       | <b>67,952</b> | <b>50,348</b> |
| <b>EQUITY AND LIABILITIES</b>                                   |       |               |               |
| <b>Equity</b>   |       |               |               |
| Share capital.....  | 20    | 18            | 18            |
| Reserves .....  | 21    | 630           | 286           |
| Retained earnings .....   |       | 3,722         | 1,210         |
| <b>Equity attributable to equity holders of the parent.....</b> |       | <b>4,370</b>  | <b>1,514</b>  |
| Minority interest.....  |       | 1,369         | 1,122         |
| <b>Total equity.....</b>  |       | <b>5,739</b>  | <b>2,636</b>  |
| <b>Non-current liabilities</b>                                  |       |               |               |
| Bank and other borrowings .....                                 | 14    | 31,300        | 22,484        |
| Deferred tax liabilities.....                                   | 15    | 454           | 209           |
| Other liabilities.....  |       | 258           | 257           |
| <b>Total non-current liabilities.....</b>                       |       | <b>32,012</b> | <b>22,950</b> |
| <b>Current liabilities</b>                                      |       |               |               |
| Trade and other payables.....                                   | 17    | 11,132        | 12,548        |
| Current tax liabilities.....                                    |       | 606           | 465           |
| Bank overdrafts and borrowings .....                            | 14    | 16,774        | 10,251        |
| Provisions.....   | 18    | 429           | 331           |
| Other liabilities.....  |       | 1,260         | 1,167         |
| <b>Total current liabilities .....</b>                          |       | <b>30,201</b> | <b>24,762</b> |
| <b>Total liabilities .....</b>                                  |       | <b>62,213</b> | <b>47,712</b> |
| <b>TOTAL EQUITY AND LIABILITIES .....</b>                       |       | <b>67,952</b> | <b>50,348</b> |

**AAA Auto Group N.V.****CONSOLIDATED INCOME STATEMENT**  
**For the Years Ended 31 December 2005 and 2004 (amounts in EUR thousands)**

|   | <b>Notes</b> | <b>2005</b>    | <b>2004</b>    |
|---|--------------|----------------|----------------|
| <b>Revenue</b> .....                              | 3            | <b>269,863</b> | <b>224,831</b> |
| Other income.....                                 |              | 837            | 758            |
| Work performed by the Group and capitalised ..... |              | 4,216          | 4,013          |
| Cost of goods sold.....                           |              | (220,187)      | (183,581)      |
| Advertising expenses .....                        |              | (10,461)       | (8,896)        |
| Employee benefits expenses.....                   | 6            | (23,032)       | (20,049)       |
| Depreciation and amortisation expense.....        |              | (1,952)        | (1,607)        |
| Other expenses.....                               | 5            | (12,706)       | (11,234)       |
| Finance cost .....                                | 7            | (3,005)        | (2,090)        |
| <b>Profit before tax</b> .....                    |              | <b>3,573</b>   | <b>2,145</b>   |
| Income tax expense.....                           | 8            | (1,204)        | (695)          |
| <b>Profit for the year</b> .....                  |              | <b>2,369</b>   | <b>1,450</b>   |
| Attributable to:                                  |              |                |                |
| Equity holders of the parent .....                |              | 2,512          | 1,233          |
| Minority interest.....                            |              | (143)          | 217            |



AAA Auto Group N.V.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the Years Ended 31 December 2005 and 2004** (amounts in EUR thousands)

|  | Share<br>capital | Equity<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Equity<br>attributable<br>to holders of<br>the parent | Minority<br>interest | Total<br>equity |
|--|------------------|-------------------|---|----------------------|---|----------------------|-----------------|
| <b>Balance at 1.1.2004</b>   | <b>18</b>        | <b>(161)</b>      | <b>(14)</b>                                   | <b>(22)</b>          | <b>(179)</b>  | <b>1,558</b>         | <b>1,379</b>    |
| Exchange differences<br>arising on translation of<br>foreign operations .....  |                  |                   | 254   |                      | 254   | 10                   | 264             |
| <b>Net income (expense)<br/>recognized directly in<br/>equity</b> .....        |                  |                   | <b>254</b>                                    |                      | <b>254</b>  | <b>10</b>            | <b>264</b>      |
| Profit for the year .....  |                  |                   |   | 1,232                | 1,232   | 217                  | 1,449           |
| <b>Total recognized<br/>income and expense</b> ....                            |                  |                   | <b>254</b>                                    | <b>1,232</b>         | <b>1,486</b>  | <b>227</b>           | <b>1,713</b>    |
| Business combinations<br>involving entities under<br>common control .....      |                  | 207               |   |                      | 207   | (663)                | (456)           |
| <b>Balance at 31.12.2004.</b>  | <b>18</b>        | <b>46</b>         | <b>240</b>                                    | <b>1,210</b>         | <b>1,514</b>  | <b>1,122</b>         | <b>2,636</b>    |
| Exchange differences<br>arising on translation of<br>foreign operations .....  |                  |                   | 345   |                      | 345   | 60                   | 405             |
| <b>Net income (expense)<br/>recognized directly in<br/>equity</b> .....        |                  |                   | <b>345</b>                                    |                      | <b>345</b>  | <b>60</b>            | <b>405</b>      |
| Profit for the year .....  |                  |                   |   | 2,512                | 2,512   | (143)                | 2,369           |
| <b>Total recognized<br/>income and expense</b> ....                            |                  |                   | <b>345</b>                                    | <b>2,511</b>         | <b>2,856</b>  | <b>(83)</b>          | <b>2,774</b>    |
| Increase of share capital<br>and cover of losses of<br>minority interest ..... |                  |                   |   |                      |   | 329                  | 329             |
| <b>Balance at 31.12.2005.</b>  | <b>18</b>        | <b>46</b>         | <b>585</b>                                    | <b>3,721</b>         | <b>4,370</b>  | <b>1,369</b>         | <b>5,739</b>    |

**AAA Auto Group N.V.**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Years Ended 31 December 2005 and 2004** (amounts in EUR thousands)

|  | <b>2005</b>    | <b>2004</b>    |
|--|----------------|----------------|
| <b>Cash flows from operating activities</b>  |                |                |
| Profit for the period.....   | 2,369          | 1,450          |
| Adjustments for:   |                |                |
| Income tax expense.....  | 1,204          | 695            |
| Depreciation and amortisation expense.....   | 1,952          | 1,607          |
| Expense recognised in profit or loss in respect of provisions.....                     | 751            | 656            |
| (Gain)/loss on disposal of property, plant and equipment.....                          | (52)           | (143)          |
| Interest revenue.....  | (139)          | (18)           |
| Interest expense.....  | 2,086          | 1,632          |
| Net foreign exchange (gain)/loss.....  | 681            | (201)          |
| Decrease/(increase) in inventories.....  | (8,771)        | (7,496)        |
| Decrease/(increase) in receivables and other assets.....                               | (3,647)        | (3,495)        |
| Increase/(decrease) in payables and other liabilities.....                             | (1,739)        | 3,172          |
| Interest paid.....   | (1,810)        | (488)          |
| Interest received.....   | 11             | 3              |
| Income taxes paid.....   | (924)          | (273)          |
| <b>Net cash provided by operating activities.....</b>                                  | <b>(8,028)</b> | <b>(2,899)</b> |
| <b>Cash flows from investing activities</b>  |                |                |
| Acquisition of subsidiary, net of cash acquired.....                                   |                | (1,244)        |
| Payments for property, plant and equipment.....  | (8,569)        | (8,225)        |
| Proceeds from disposals of property, plant and equipment.....                          | 1,656          | 1,334          |
| <b>Net cash used in investing activities.....</b>                                      | <b>(6,913)</b> | <b>(8,135)</b> |
| <b>Cash flows from financing activities</b>  |                |                |
| Proceeds from borrowings.....  | 18,662         | 16,045         |
| Repayment of borrowings.....   | (4,226)        | (3,721)        |
| Payment of finance lease liabilities.....  | (276)          | (222)          |
| <b>Net cash from financing activities.....</b>   | <b>14,160</b>  | <b>12,102</b>  |
| <b>Net increase (decrease) in cash and cash equivalents.....</b>                       | <b>(781)</b>   | <b>1,068</b>   |
| <b>Cash and cash equivalents at beginning of year.....</b>                             | <b>3 645</b>   | <b>2,675</b>   |
| Effect of exchange rate changes on the balance of cash held in foreign currencies..... | 104            | (98)           |
| <b>Cash and cash equivalents at end of year.....</b>                                   | <b>2,968</b>   | <b>3,645</b>   |

## **Note 1 - GENERAL INFORMATION**

AAA Auto Group N.V. (formerly Automobile Group B.V.) (the “**Company**”) is a limited liability company incorporated under Dutch Law by Founder’s Deed on 12 December 2003. The address of its registered office is De Boelelaan 7, 1083HJ, Amsterdam, The Netherlands.

The sole owner of the Company is Automotive Industries S.A.R.L. Ave. JR. Kennedy 46a, Luxembourg. The ultimate controlling party is Mr. Anthony James Denny.

The main activity of the Company is to act as a holding, finance and services company for its subsidiaries. The principal business 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.

## **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Statement of compliance and first-time adoption of International Financial Reporting Standards**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements are the first annual financial statements which the Group has prepared in accordance with IFRS and consequently the Group has complied with IFRS 1 *First-time adoption of International Financial Reporting Standards*.

The Group’s date of transition to IFRS is 1 January 2004 and comparative information in the financial statements is restated to reflect the Group’s adoption of IFRS except where otherwise required or permitted by IFRS 1. IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first financial statements prepared under IFRS. As a general rule, IFRS 1 requires such standards to be applied retrospectively. However, the standard allows several optional exemptions from full retrospective application. The Group has elected to take advantage of the following exemptions:

- The Group has adopted IFRS 3 Business Combinations to the extent that it applies to the business combinations occurred after 1 January 2004. Acquisitions before that date are recorded as under previous accounting rules as the Group has taken advantage of the exemption allowed in IFRS 1 regarding business combinations recognized before the date of transition to IFRS. All goodwill and intangibles will be tested for impairment, as required by IAS 36 Impairment of Assets; goodwill on an annual basis and intangibles when there is an indicator of impairment. In addition, the Group has taken advantage of the exemption allowed in IFRS 1 not to apply IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRS.
- The Group has elected to take advantage of the exemption allowed in IFRS 1 regarding cumulative translation differences. Accordingly, the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

The disclosures required by IFRS 1 concerning the transition from the previous accounting rules to IFRS are not applicable because the Company did not present consolidated financial statements before.

These consolidated financial statements prepared as at and for the years ended 31 December 2005 and 2004 are released together with the consolidated financial statements prepared as at and for the years

ended 31 December 2006 and 2005. The disclosures relate to the Standards and Interpretation in issue but not yet effective is provided in the notes to consolidated financial statements for 2006 and 2005.

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 2005 and 2004 is provided in the note 9.

### **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.

## **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 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 and health insurance premiums paid by subsidiaries on behalf of their employees.

### **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 acquirer'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):

| <u>Class of property, plant and equipment</u> | <u>Year</u> |
|---|-------------|
| Buildings .....                               | 10 - 50     |
| Company cars .....                            | 3 - 6       |
| Plant, equipment and furniture .....          | 3 - 12      |

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

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

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

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

### Impairment of tangible and intangible assets excluding goodwill

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### **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.

### **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.

### ***Business combinations under common control***

In 2004, the Group acquired several companies from related parties that are controlled by the same entity as the Group. These business combinations are defined in IFRS 3 as business combinations under common control and are not included in the scope of IFRS. Therefore, the management of the Group decided to use the accounting policy where the net assets acquired are measured at acquiree's carrying amounts (not in fair value as IFRS 3 required) and the difference between the cost and the carrying amount of net assets acquired 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.

### ***Consolidation of controlled entities***

These consolidated financial statements include accounts of the companies – GENERAL AUTOMOBIL, a.s. and KAPITÁL AUTOMOTIVE a.s. a.s. that are not owned by the Group, especially by the Company. However, the companies are controlled by the Group, mostly through the board of directors. The business activity of the companies lies in acquisitions of new entities for the Group's extension. Therefore, the management's decision to consolidate these companies is in accordance with IFRS's condition of control.

### ***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.

### ***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.

During normal course of business tax issues arise which can have a material impact on the financial statements. Such risks lead to possible obligations. The management believes that the Company has satisfactory fulfilled all its tax obligations.

### ***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.

## **Note 3 - REVENUE**

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

|   | <b>2005</b>                       | <b>2004</b>    |
|---|-----------------------------------|----------------|
|   | <i>(amounts in EUR thousands)</i> |                |
| Revenue from the sale of goods                      |                                   |                |
| Cars.....   | 241,081                           | 198,344        |
| Spare parts .....                                   | 324                               | 233            |
| Total.....  | 241,405                           | 198,577        |
| Revenue from the rendering of services              |                                   |                |
| Commissions revenue (leasing, insurance, etc.)..... | 24,712                            | 23,056         |
| Services (car repairs, maintenance, other) .....    | 3,746                             | 3,198          |
| Total.....  | 28,458                            | 26,254         |
| <b>Total.....</b>                                   | <b>269,863</b>                    | <b>224,831</b> |

## **Note 4 - 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 turnover 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 three principal geographical areas - the Czech Republic, Slovakia, and the rest of Europe (including The Netherlands (in 2004 and 2005) and Romania (in 2005)). Romania, or the Netherlands 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.

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 2005 and 2004 is as follows:

| <b>2005</b>                    | <b>Czech Republic</b> | <b>Slovakia</b> | <b>Rest of Europe<sup>(1)</sup></b> | <b>Elimination</b> | <b>Consolidated</b> |
|--------------------------------|-----------------------|-----------------|-------------------------------------|--------------------|---------------------|
|                                |                       |                 | <i>(amounts in EUR thousands)</i>   |                    |                     |
| <b>Revenue</b>                 |                       |                 |                                     |                    |                     |
| External sales.....            | 219,702               | 36,606          | 13,555                              |                    |                     |
| Inter-segment sales.           | 20,702                | 138             | 2,594                               | (23,434)           |                     |
| <b>Total Revenue .....</b>     | <b>240,404</b>        | <b>36,744</b>   | <b>16,149</b>                       | <b>(23,434)</b>    | <b>269,863</b>      |
| <b>Result</b>                  |                       |                 |                                     |                    |                     |
| Segment result.....            | 5,054                 | 1,657           | (237)                               | 103                | 6,577               |
| Unallocated expenses .....     |                       |                 |                                     |                    | (3,004)             |
| Profit before tax.....         |                       |                 |                                     |                    | 3,573               |
| Income tax expense             |                       |                 |                                     |                    | (1,204)             |
| <b>Profit for the year ...</b> |                       |                 |                                     |                    | <b>2,369</b>        |

Note:

<sup>(1)</sup> Including the Netherlands and Romania.

| <b>Other information</b>                        | <b>Czech Republic</b> | <b>Slovakia</b> | <b>Rest of Europe<sup>(1)</sup></b> | <b>Unallocated</b> | <b>Eliminations</b> | <b>Group</b> |
|---|-----------------------|-----------------|-------------------------------------|--------------------|---------------------|--------------|
|   |                       |                 | <i>(amounts in EUR thousands)</i>   |                    |                     |              |
| Segment assets.....                             | 53,573                | 9,353           | 3,272                               | 10,718             | (8,964)             | 67,952       |
| Segment liabilities .                           | 12,566                | 2,580           | 1,432                               | 54,249             | (8,614)             | 62,213       |
| Capital expenditure                             | 5,838                 | 2,378           | 270                                 | 82                 |                     |              |
| Depreciation .....                              | 1,817                 | 89              | 46                                  |                    |                     |              |
| Non-cash expenses other than depreciation ..... | 1,215                 | 347             | 476                                 |                    |                     |              |

Note:

<sup>(1)</sup> Including the Netherlands and Romania.



| <b>2004</b>                       | <b>Czech<br/>Republic</b> | <b>Slovakia</b> | <b>Rest of<br/>Europe<sup>(1)</sup></b> | <b>Unallocated</b> | <b>Eliminations</b> | <b>Group</b>   |
|-----------------------------------|---------------------------|-----------------|---|--------------------|---------------------|----------------|
| <i>(amounts in EUR thousands)</i> |                           |                 |   |                    |                     |                |
| Revenue                           |                           |                 |   |                    |                     |                |
| External sales.....               | 217,291                   | 18              | 7,523                                   |                    |                     |                |
| Inter-segment sales               | 11,428                    | 5               | 2,821                                   |                    | (14,255)            |                |
| <b>Total Revenue .....</b>        | <b>228,719</b>            | <b>23</b>       | <b>10,344</b>                           |                    | <b>(14,255)</b>     | <b>224,831</b> |
| Result                            |                           |                 |   |                    |                     |                |
| Segment result.....               | 4,744                     | (244)           | (260)                                   |                    | (6)                 | 4,234          |
| Unallocated expenses .....        |                           |                 |   |                    |                     | (2,089)        |
| Profit before tax.....            |                           |                 |   |                    |                     | 2,145          |
| Income tax expense                |                           |                 |   |                    |                     | (695)          |
| <b>Profit for the year ..</b>     |                           |                 |   |                    |                     | <b>1,450</b>   |

Note:

<sup>(1)</sup> Including the Netherlands.

| <b>Other information</b>                        | <b>Czech<br/>Republic</b> | <b>Slovakia</b> | <b>Rest of<br/>Europe<sup>(1)</sup></b> | <b>Unallocated</b> | <b>Eliminations</b> | <b>Group</b> |
|---|---------------------------|-----------------|---|--------------------|---------------------|--------------|
| <i>(amounts in EUR thousands)</i>               |                           |                 |   |                    |                     |              |
| Segment assets.....                             | 45,437                    | 3,651           | 1,785                                   | 8,722              | (9,247)             | 50,348       |
| Segment liabilities ...                         | 14,920                    | 1,251           | 1,033                                   | 39,710             | (9,202)             | 47,712       |
| Capital expenditure...                          | 6,187                     | 1,950           | 87                                      |                    |                     |              |
| Depreciation .....                              | 1,580                     | 11              | 16                                      |                    |                     |              |
| Non-cash expenses other than depreciation ..... | 1,556                     | (41)            | 136                                     |                    |                     |              |

Note:

<sup>(1)</sup> Including the Netherlands.

## **Note 5 - OTHER EXPENSES**

|   | <b>2005</b>   | <b>2004</b>   |
|---|---------------|---------------|
| <i>(amounts in EUR thousands)</i>                           |               |               |
| Material used .....   | 2,064         | 2,528         |
| Energy .....  | 590           | 368           |
| Repairs.....  | 193           | 352           |
| Travel expenses .....                                       | 722           | 984           |
| Rent .....  | 2,315         | 2,238         |
| Communication expenses .....                                | 1,459         | 1,194         |
| Transport services.....                                     | 901           | 746           |
| Consulting services (tax, legal, audit and accounting)..... | 476           | 546           |
| Taxes and fees .....  | 346           | 172           |
| Insurance.....  | 411           | 376           |
| Loss on disposal of fixed assets .....                      | 52            | 143           |
| Write down of inventories to NRV .....                      | 760           | 473           |
| Other expenses.....   | 2,417         | 1,114         |
| <b>Total other expenses .....</b>                           | <b>12,706</b> | <b>11,234</b> |

## Note 6 - EMPLOYEE BENEFITS EXPENSE

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

|   | 2005                              | 2004          |
|---|-----------------------------------|---------------|
|   | <i>(amounts in EUR thousands)</i> |               |
| Wages and salaries .....                          | 16,966                            | 14,793        |
| Social security costs.....                        | 6,067                             | 5,256         |
| Total short term employee benefits expense.....   | 23,033                            | 20,049        |
| Less: employee benefits expense capitalised ..... | (4,216)                           | (4,013)       |
| <b>Total</b> .....                                | <b>18,817</b>                     | <b>16,036</b> |

Employee benefits expense that is directly attributable to the purchase of inventories is capitalized and recognized as a component of the initial measurement of inventories.

### Compensation of key management personnel

Key management personnel include members of the Board of Directors, Supervisory Board and Executive Directors of the Group. In 2005, the key management personnel included 22 persons (2004: 21).

The remuneration of the Group's key management personnel comprised only of short-term benefits of EUR 981 thousand (2004: EUR 690 thousand).

|                            | 2005                              | 2004       |
|----------------------------|-----------------------------------|------------|
|                            | <i>(amounts in EUR thousands)</i> |            |
| Wages and salaries.....    | 600                               | 411        |
| Social security costs..... | 210                               | 144        |
| Other remuneration.....    | 171                               | 135        |
| <b>Total</b> .....         | <b>981</b>                        | <b>690</b> |

## Note 7 - FINANCE COSTS

|  | 2005                              | 2004         |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
| Interest on bank overdrafts and loans .....                  | 2,149                             | 1,622        |
| Interest on obligations under finance leases .....           | 32                                | 24           |
| Less: amounts included in the cost of qualifying assets..... | (95)                              | (14)         |
| <b>Total interest expenses</b> .....                         | <b>2,086</b>                      | <b>1,632</b> |
| Net foreign exchange (gain)/losses.....                      | 681                               | (201)        |
| Other (various fees).....                                    | 238                               | 659          |
| <b>Total finance costs</b> .....                             | <b>3,005</b>                      | <b>2,090</b> |

Borrowing costs included in the cost of qualifying assets during the years 2005 and 2004 arose on funds borrowed specifically for the purpose of obtaining a qualifying asset and therefore are determined as the actual borrowing costs incurred on that borrowing during the period.

In particular, borrowing costs included in the cost of qualifying assets during 2005 relate to an acquisition of the premises in Bratislava, where the Slovakian branch AUTOCENTRUM AAA AUTO a.s. carries out its business.

In 2004, borrowing costs included in the cost of qualifying assets are not considered as material (EUR 14.000).

Information concerning the interest rates on borrowings is included in note 14 for both years 2005 and 2004.

## Note 8 - INCOME TAX EXPENSE (BENEFIT)

|  | 2005                              | 2004       |
|--|-----------------------------------|------------|
|  | <i>(amounts in EUR thousands)</i> |            |
| Current tax expense .....  | 1,026                             | 660        |
| of which: adjustment in respect of current income tax of previous periods .....              | 26                                |            |
| Deferred tax expense relating to the origination and reversal of temporary differences ..... | 178                               | 35         |
| <b>Total tax expense .....</b>   | <b>1,204</b>                      | <b>695</b> |

Corporation tax in the Czech Republic is calculated at 26% (2004: 28%) of the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

|   | 2005                              | 2004  |
|---|-----------------------------------|-------|
|   | <i>(amounts in EUR thousands)</i> |       |
| Profit before tax .....                                 | 3,573                             | 2,145 |
| Expected income tax expense .....                       | 1,062                             | 819   |
| Permanent differences and unrecognized tax losses ..... | (37)                              | (159) |
| Total income tax expense .....                          | 1,025                             | 660   |
| Effective income tax rate .....                         | 29%                               | 31%   |

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

## Note 9 - CONSOLIDATED ENTITIES

Details of the Company's subsidiaries whose financial statements are consolidated and included in the consolidated financial statements as at 31 December 2005 are as follows:

| Company                            | Country of registration and incorporation | Principal activity          | Proportion of ownership interest (%) at end 2005 | Proportion of ownership interest (%) at end 2004 |
|------------------------------------|---|-----------------------------|--|--|
| AAA AUTO a.s.....                  | Czech Republic                            | used car sales              | 100.0%   | 100.0 %  |
| AAA AUTO PRAHA s.r.o.....          | Czech Republic                            | non-active                  | 100.0%   | 100.0%   |
| Autocentrum AAA AUTO s.r.o.....    | Czech Republic                            | non-active                  | 100.0%   | 100.0%   |
| AAA SYSTEM SECURITY s.r.o.....     | Czech Republic                            | security services           | 100.0%   | 100.0%   |
| MEDIA ACTION s.r.o.....            | Czech Republic                            | advertising and PR services | 100.0%   | 100.0%   |
| WOTEG GWG-Group, a.s.....          | Czech Republic                            | real estate owner           | 100.0%   | -  |
| AAA AUTO Sp. z o.o.....            | Poland                                    | non-active                  | 100.0%   | 100.0%   |
| European Auto Sales Sp. z o.o..... | Poland                                    | non-active                  | 100.0%   | 100.0%   |
| AAA AUTO Kft.....                  | Hungary                                   | non-active                  | 100.0%   | 100.0%   |
| European Auto Sales Kft.....       | Hungary                                   | non-active                  | 100.0%   | 100.0%   |
| AUTOCENTRUM AAA AUTO a.s.....      | Slovakia                                  | used car sales              | 100.0%   | 100.0%   |
| AAA AUTO S.A.....                  | Romania                                   | used car sales              | 99.6%  | -  |
| AAA AUTO a.d.....                  | Serbia                                    | non-active                  | 100.0%   | -  |
| AAA AUTO EOOD.....                 | Bulgaria                                  | non-active                  | 100.0%   | -  |
| European Auto Sales B.V.....       | Netherlands                               | used car sales              | 100.0%   | 100.0%   |
| GLOBAL DIRECT s.r.o.....           | Czech Republic                            | Insurance services          | 95.0 %   | 95.0%  |
| GENERAL AUTOMOBIL s.r.o.....       | Czech Republic                            | new car sales               | 0%   | 0%   |
| GENERAL AUTOMOBILE ZLÍN s.r.o..... | Czech Republic                            | new car sales               | 0%   | 0%   |
| ASKO, spol. s.r.o.....             | Czech Republic                            | new car sales               | 0%   | 0%   |
| KAPITÁL AUTOMOTIVE a.s.....        | Czech Republic                            | real estate owner           | 0%   | 0%   |

The Company does not own any equity shares of GENERAL AUTOMOBIL, a.s. (and indirectly its subsidiaries) and KAPITÁL AUTOMOTIVE a.s. (and indirectly its subsidiaries) and consequently it does not control more than half of the voting power of those shares. The board of Directors of GENERAL AUTOMOBIL, a.s. and KAPITÁL AUTOMOTIVE a.s. is composed of key personnel of the Company. As the Company is the dominating party in this relationship, the Company has the power to cast the majority of votes at the meetings of the board of directors. Consequently, General Automobile Group (included GENERAL AUTOMOBIL, a.s., General Automobil Zlin, s.r.o. and ASKO, spol. s r.o.) and KAPITÁL AUTOMOTIVE a.s. are controlled by the Company and are consolidated in these consolidated financial statements in 2005 and 2004 (IFRS 27.13d)

Neither GENERAL AUTOMOBIL, a.s. nor KAPITÁL AUTOMOTIVE a.s. have legal restrictions to transfer funds to the parent or to repay loans or advances. There is a restriction on the ability to pay cash dividend to the parent because from the legal standpoint the Company is not a shareholder of these companies and therefore is not entitled to cash dividend.

Furthermore, the Group owns a 15% share in the company GLOBAL ASSISTANCE a.s., a company operating in the road assistance business. The carrying amount of the investment stands at approximately 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.

#### Note 10 - GOODWILL AND OTHER INTANGIBLE ASSETS

|                              | 31.12.2005                        | 31.12.2004 |
|------------------------------|-----------------------------------|------------|
|                              | <i>(amounts in EUR thousands)</i> |            |
| Goodwill.....                | 311                               | 297        |
| Other intangible assets..... | 452                               | 257        |
| Amortization.....            | (118)                             | (51)       |
| <b>Total.....</b>            | <b>645</b>                        | <b>503</b> |

#### Goodwill

| <b>Cost</b>                                    | <i>(amounts in EUR thousands)</i> |
|--|-----------------------------------|
| <b>At 1 January 2004.....</b>                  | <b>0</b>                          |
| Recognised on acquisition of a subsidiary..... | 297                               |
| <b>At 31 December 2004.....</b>                | <b>297</b>                        |
| Exchange differences.....                      | 14                                |
| <b>At 31 December 2005.....</b>                | <b>311</b>                        |

At the end of 2004 the Group acquired the company Zlin-Car spol. s r.o. where a goodwill of EUR 297 thousand was recognised. The whole amount of goodwill was allocated to one cash generating unit in Zlin. This cash generating unit comprises business activities of General Automobil Zlin s.r.o. and a branch of AAA AUTO a.s. as both entities are using the same land and plant.

The Group thought that this goodwill was worth from the following reasons:

- This acquisition enabled the Group to enter into a new business segment which is sale of new cars, in particular Škoda brand. Establishment of contacts with Škoda can be useful for the primary Group's business, i.e. sales of old cars as well.
- Next to the sales of the new cars, the acquired property is used by another Group's entities for selling used cars and thus a higher synergy can be achieved.

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. During the year, goodwill was reviewed for impairment in accordance with IFRS 3. For the purposes of this 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. The Group performed an impairment test using discount rates between 4.73% (average interest rate of the Group's borrowings) to 25% 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 whatever discount rate between 4.73% and 25%) and therefore no impairment had to be charged. 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.

### Other intangible assets

|   | Software     | Trade<br>marks | Intangible assets<br>in the course of<br>acquisition | Total        |
|---|--------------|----------------|--|--------------|
| <b>COST</b>                                     |              |                |  |              |
| <b>Balance at 1 January 2004</b> .....          | <b>51</b>    |                | <b>2</b>   | <b>53</b>    |
| Additions .....                                 | 114          | 77             |  | 191          |
| acquisitions through business combination.....  | 3            |                |  | 3            |
| Disposals.....                                  |              |                | (2)  | (2)          |
| net foreign currency exchange differences ..... | 8            | 4              |  | 12           |
| <b>Balance at 1 January 2005</b> .....          | <b>176</b>   | <b>81</b>      |  | <b>257</b>   |
| Additions .....                                 | 64           | 1              | 214  | 279          |
| additions from internal developments.....       | 22           |                |  | 22           |
| Disposals.....                                  |              |                |  |              |
| .....   |              |                | (122)  | (122)        |
| net foreign currency exchange differences ..... | 10           | 4              | 2  | 16           |
| <b>Balance at 31 December 2005</b> .....        | <b>271</b>   | <b>86</b>      | <b>95</b>  | <b>452</b>   |
| <b>Accumulated amortisation and impairment</b>  |              |                |  |              |
| <b>Balance at 1 January 2004</b> .....          | <b>(14)</b>  |                |  | <b>(14)</b>  |
| amortisation expense .....                      | (34)         |                |  | (34)         |
| net foreign currency exchange differences ..... | (3)          |                |  | (3)          |
| <b>Balance at 1 January 2005</b> .....          | <b>(51)</b>  |                |  | <b>(51)</b>  |
| charge for the year .....                       | (64)         |                |  | (64)         |
| net foreign currency exchange differences ..... | (3)          |                |  | (3)          |
| <b>Balance at 31 December 2005</b> .....        | <b>(118)</b> |                |  | <b>(118)</b> |
| <b>Carrying amount</b>                          |              |                |  |              |
| As at 31 December 2004.....                     | 125          | 81             |  | 206          |
| As at 31 December 2005.....                     | 153          | 86             | 95   | 334          |

No impairment was charged to intangible assets during the periods presented. The amortisation charge is presented in the income statement under the heading depreciation and amortisation.

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

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

The trademark additions in 2004 represent a purchase of AAA AUTO and Automobile Group trademarks from AUTOMOBILE GROUP a.s.

The Group did not incur in the periods 2005 and 2004 any research and development expenses.

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

In 2005 and 2004 no intangible assets were pledged as security over payables to financial institutions.

At 31 December 2005, 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 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, 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.

### **“Best in class” operating practices**

The Group's operating practises represent a unique know-how comprising ability to determine appropriate store formats, effectively managed pricing and inventory mix, effective trade marketing, customer driven sales process and centralised management with locally transferable business model.

The centralised management of the Group enables to achieve unified implementation of the unique business model and know-how in different markets and regions where the Group operates. The business model consists of clear guidelines and rules both as to the business processes and management system that we apply in all of our auto centres, with some adjustments to the specific local environment on a case-by-case basis. Central management creates opportunities to build and develop relationships with strategic business partners and to negotiate advantageous condition of cooperation on an international level. Through centralizing accounting, personnel, financing and other functions we realise cost savings.

While our centralised management enables us to achieve unified global decision making on the strategic level as described above, the day-to-day responsibility for auto centres in specific countries rests with the individual country managers to provide market-specific responses to sales, service, marketing and inventory requirements based on local conditions and environment. The great majority of cars are bought and sold within the same country. The local managers follow the business model of the Group while adopting its execution to local conditions.

The entire sale process, including the test drive and financing, can be completed in less than two hours. Thanks to the interconnection of a call centre and sales consultants that are able to anticipate customers'

needs in advance of their visit of our auto centres and prepare vehicles that correspond to their requirements or expectations. If there are no vehicles at a specific outlet that fit customers needs, they can check the entire inventory at our “computer kiosks” available at each auto centre. Additionally, customers can check through our website inventory for vehicles that meet their model and feature requirements, as well as price range.

Our consultants use our information system to electronically check whether a specific customer meets the financing eligibility criteria (pre-scoring) and submit financing applications and receive responses from a variety of third-party lenders. Pre-scoring typically takes less than five minutes and the whole process of arranging the financing of the car for the customer usually takes 25 to 30 minutes. Customers are then able to review online the offered financing options and terms from each financing source, including the amount financed interest rates, terms and monthly payments.

The principal focus of the call centre is to help customers to choose the most suitable car for them, provide information on the car financing and arrange a personal meeting at the nearest auto centre. The Group has developed a CRM system providing the operator with full history of all contacts and calls between such customer and the Group. In case that the customer is interested in a car that is not in our stock, the system is able to notify our operators automatically when such car is purchased by us and if it meets the customer’s requirements. In comparison with out-sourced call centres our in-house call centre can adjust with a higher degree of flexibility to customer’s preferences and demands and can support more effectively the selling processes of the Group.

#### Note 11 - PROPERTY, PLANT AND EQUIPMENT

| COST   | Buildings<br>and land             | Company<br>cars | Fixtures and<br>equipment | PPE in the<br>course of<br>construction | Total         |
|--|-----------------------------------|-----------------|---------------------------|---|---------------|
|  | <i>(amounts in EUR thousands)</i> |                 |                           |   |               |
| <b>Balance at 1 January 2004</b> .....             | <b>6,222</b>                      | <b>2,925</b>    | <b>1,925</b>              | <b>276</b>                              | <b>11,348</b> |
| Additions .....                                    | 3,417                             | 2,320           | 1,127                     | 7,300                                   | 14,164        |
| acquisitions through business<br>combination ..... | 567                               | 23              | 31                        |   | 621           |
| Disposals.....                                     | (286)                             | (5)             | (221)                     | (5,932)                                 | (6,444)       |
| reclassified as held for sale .....                |                                   | (1,380)         |                           |   | (1,380)       |
| net foreign currency exchange<br>differences ..... | 558                               | 234             | 158                       | 68                                      | 1,018         |
| <b>Balance at 1 January 2005</b> .....             | <b>10,478</b>                     | <b>4,117</b>    | <b>3,020</b>              | <b>1,712</b>                            | <b>19,327</b> |
| Additions .....                                    | 5,544                             | 2,837           | 924                       | 7,341                                   | 16,647        |
| Disposals.....                                     | (15)                              | (58)            | (122)                     | (8,277)                                 | (8,473)       |
| reclassified as held for sale .....                |                                   | (2,358)         |                           |   | (2,358)       |
| net foreign currency exchange<br>differences ..... | 618                               | 206             | 158                       | 38                                      | 1,020         |
| <b>Balance at 31 December 2005</b> .....           | <b>16,624</b>                     | <b>4,744</b>    | <b>3,980</b>              | <b>815</b>                              | <b>26,163</b> |

**ACCUMULATED DEPRECIATION  
and IMPAIRMENT**

|   | <b>Buildings<br/>and land</b>     | <b>Company<br/>cars</b> | <b>Fixtures and<br/>equipment</b> | <b>PPE in the<br/>course of<br/>construction</b> | <b>Total</b>   |
|---|-----------------------------------|-------------------------|-----------------------------------|--|----------------|
|   | <i>(amounts in EUR thousands)</i> |                         |                                   |  |                |
| <b>Balance at 1 January 2004</b> .....                    | <b>(228)</b>                      | <b>(198)</b>            | <b>(265)</b>                      |  | <b>(691)</b>   |
| depreciation expense.....                                 | (108)                             | (734)                   | (670)                             |  | (1,512)        |
| eliminated on disposals.....                              | (25)                              | 1                       | 33                                |  | 9              |
| eliminated on reclassification as held<br>fore sale ..... |                                   | 310                     |                                   |  | 310            |
| net foreign currency exchange<br>differences .....        | (21)                              | (41)                    | (39)                              |  | (101)          |
| <b>Balance at 1 January 2005</b> .....                    | <b>(381)</b>                      | <b>(662)</b>            | <b>(941)</b>                      |  | <b>(1,985)</b> |
| depreciation expense.....                                 | (232)                             | (734)                   | (916)                             |  | (1,882)        |
| eliminated on disposals.....                              | 2                                 | 13                      | 43                                |  | 57             |
| eliminated on reclassification as held<br>fore sale ..... |                                   | 506                     |                                   |  | 506            |
| net foreign currency exchange<br>differences .....        | (24)                              | (45)                    | (58)                              |  | (127)          |
| <b>Balance at 31 December 2005</b> .....                  | <b>(636)</b>                      | <b>(922)</b>            | <b>(1,873)</b>                    |  | <b>(3,431)</b> |

**Carrying amount**

|                             |        |       |       |       |        |
|-----------------------------|--------|-------|-------|-------|--------|
| As at 31 December 2004..... | 10,096 | 3,455 | 2,079 | 1,712 | 17,342 |
| As at 31 December 2005..... | 15,988 | 3,822 | 2,107 | 815   | 22,732 |

Included in the balance of fixtures and equipment are mainly bazaar equipment, computer equipment, furniture and other office equipment.

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 recognised loss of EUR 10 thousand in 2005 (2004: EUR 3 thousand).

Additions in 2005 and 2004 are connected with an expansion of the Group's business activities and primarily include buying of new buildings, plants and land situated in the Czech Republic and Slovakia.

In 2004, a company Zlin-Car s.r.o. (currently General Automobil Zlin, s.r.o.) was purchased and included into the Group. In connection with this acquisition property, plant and equipment was increased primarily by a building of the Škoda dealership in Zlin.

On 1.8.2005, a company Woteg s.r.o. was purchased and included into the Group. In connection with this acquisition property, plant and equipment was increased primarily by a plot of land in Ostrava.

The carrying amount of the Group's PPE includes an amount of EUR 792 thousand (2004: EUR 707 thousand) in respect of assets held under finance leases.

The Group has pledged land and buildings having a carrying amount of approximately EUR 10 million (2004: EUR 2 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets.

At 31 December 2005, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to EUR 167 thousand (2004: EUR 130 thousand).



## Note 12 - INVENTORIES

|  | 31.12.2005                        | 31.12.2004    |
|--|-----------------------------------|---------------|
|  | <i>(amounts in EUR thousands)</i> |               |
| Raw materials (spare parts and consumables)..... | 943                               | 733           |
| Merchandise (cars and accessories) .....         | 28,434                            | 19,873        |
| <b>Total</b> .....                               | <b>29,377</b>                     | <b>20,606</b> |

The cost of inventories recognised as an expense includes EUR 654 thousand (2004: EUR 439 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 10,241 thousand (2004: EUR 9,642 thousand) are pledged as security for bank and other corporate borrowings that the Group uses for financing of stock.

## Note 13 - TRADE AND OTHER RECEIVABLES

|   | 31.12.2005                        | 31.12.2004   |
|---|-----------------------------------|--------------|
|   | <i>(amounts in EUR thousands)</i> |              |
| Trade receivables .....                               | 4,497                             | 2,910        |
| Allowances for doubtful debts .....                   | (430)                             | (295)        |
| Trade receivables, net .....                          | 4,067                             | 2,615        |
| Prepayments .....                                     | 1,030                             | 938          |
| Other receivables (Tax, Employees and Accruals) ..... | 1,201                             | 1,149        |
| <b>Total</b> .....                                    | <b>6,298</b>                      | <b>4,702</b> |

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 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 aging 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 in 2005 and in 2004.

## Note 14 - BANK AND OTHER BORROWINGS

|                            | 2005                              | 2004          |
|----------------------------|-----------------------------------|---------------|
|                            | <i>(amounts in EUR thousands)</i> |               |
| Bank overdrafts .....      | 10,732                            | 7,287         |
| Bank and other loans ..... | 32,682                            | 23,383        |
| Stock financing.....       | 4,660                             | 2,066         |
| <b>Total</b> .....         | <b>48,074</b>                     | <b>32,736</b> |

The borrowings are repayable as follows:

|   |        |        |
|---|--------|--------|
| - On demand or within one year .....          | 16,774 | 10,251 |
| - In the second year .....                    | 190    | 985    |
| - In the third to fifth years inclusive ..... | 28,793 | 19,029 |
| - After five years.....                       | 2,317  | 2,471  |

|   |        |        |
|---|--------|--------|
| Less: Amount due for settlement within 12 months (current liabilities)..... | 16,774 | 10,251 |
| Amount due for settlement after 12 months (non-current liabilities).....    | 31,300 | 22,485 |

## Analysis of loans and borrowings by currency

|                   | 2005               | (amounts in EUR<br>thousands) | 2004               | (amounts in EUR thousands) |
|-------------------|--------------------|-------------------------------|--------------------|----------------------------|
|                   | currency<br>amount |                               | currency<br>amount |                            |
| CZK.....          | 1,052,017          | 36,220                        | 808,622            | 26,543                     |
| SKK.....          | 209,312            | 5,528                         | 70,618             | 1,820                      |
| EUR.....          | 5,525              | 5,525                         | 4,373              | 4,373                      |
| RON.....          | 2,943              | 801                           |                    |                            |
| <b>Total.....</b> |                    | <b>48,074</b>                 |                    | <b>32,736</b>              |

The weighted average effective interest rates paid were as follows:

|  | 2005         | 2004         |
|--|--------------|--------------|
| Bank overdrafts.....                             | 3.66%        | 4.10%        |
| Bank and other loans.....                        | 4.36%        | 6.72%        |
| Stock financing.....                             | 3.56%        | 4.80%        |
| <b>Total weighted average interest rate.....</b> | <b>4.12%</b> | <b>6.01%</b> |

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

Bank overdrafts are repayable on demand. Overdrafts of EUR 10,733 thousand (2004: EUR 7,287 thousand) have been secured by a charge over the Group's inventories. The average effective interest rate on bank overdrafts approximates 3.66 percent (2004: 4.10 percent) per annum.

The Group has the following principal loans:

Several loans from Financial Acceptance Corporation totalling at EUR 23.2 million (2004: EUR 17.5 million) originated during 2004 and 2005. The loans are not secured and carry an average interest rate of 5%.

A revolving loan from GE Money bank of EUR 3,443 thousand (2004: EUR 985 thousand) secured by stock of company cars of the Group. The bank loan carries a floating interest rate at 1M PRIBOR + 2.25% (2004: 1M PRIBOR + 2.5%) per annum.

An investment loan from VUB a.s. of EUR 2,641 thousand (2004: EUR 1,820 thousand) that was used to construct the site in Bratislava, Slovakia. The bank loan carries a floating interest rate at 3M BRIBOR + 1.15% (2004: 3M BRIBOR + 1.15%) per annum.

At 31 December 2005, the Group had available EUR 4,439 thousand (2004: EUR 11,149 thousand) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

## Financial risk management

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

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

### ***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. The objective of the Group's interest rate management policy is to reduce the volatility of the interest charge. Interest rate exposure is managed through an optimum mix of fixed and floating rate debt. At 31 December 2005, approximately 18 percent (2004: 23 percent) of the Group's borrowings are at a fixed rate of interest.

### ***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 the Group has significant operations in the Czech Republic (in 2005 and 2004), Slovakia (in 2005), its results can be affected significantly by movements in the local exchange rate vs. EUR. During the years 2005 and 2004, EUR weakened against Czech koruna, as well as Slovak koruna. 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.

### ***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 Financial Acceptance Corporation, a private financing vehicle. Debt is largely sourced from the bank market.

## **Note 15 - DEFERRED TAX**

|                                | 31.12.2005                        | 31.12.2004 |
|--------------------------------|-----------------------------------|------------|
|                                | <i>(amounts in EUR thousands)</i> |            |
| Deferred tax liabilities ..... | 454                               | 209        |
| Deferred tax assets.....       | 100                               | 49         |

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2005 and 2004:

| <b>Key components of deferred taxes</b> | <b>2005</b>                       |                  | <b>2004</b>  |                  |
|---|-----------------------------------|------------------|--------------|------------------|
|   | <b>Asset</b>                      | <b>Liability</b> | <b>Asset</b> | <b>Liability</b> |
|   | <i>(amounts in EUR thousands)</i> |                  |              |                  |
| Accelerated tax depreciation.....       | 2                                 | 398              |              | 219              |
| Allowances for doubtful debts.....      | 21                                |                  | 52           |                  |
| Write-down of inventories.....          | 24                                | 53               |              | 57               |
| Payables.....                           |                                   |                  | 2            |                  |
| Other.....                              |                                   |                  |              |                  |
| Unused tax losses carried forward.....  | 76                                |                  | 62           |                  |
| Consolidation adjustments.....          |                                   | 26               |              |                  |
| Total gross deferred taxes.....         | 123                               | 477              | 116          | 276              |
| Set off <sup>(1)</sup> .....            | (23)                              | (23)             | (67)         | (67)             |
| <b>Total net deferred taxes.....</b>    | <b>100</b>                        | <b>454</b>       | <b>49</b>    | <b>209</b>       |

Note:

<sup>(1)</sup> Gross deferred tax assets and liabilities were offset for each individual subsidiary of the group when applicable.

Temporary differences arising in connection with interests in associates are insignificant.

#### Unused tax losses for which no deferred tax asset is recognised

|  | 31.12.2005                        | 31.12.2004   |
|--|-----------------------------------|--------------|
|  | <i>(amounts in EUR thousands)</i> |              |
|  | <b>1 032</b>                      | <b>1 931</b> |

At the balance sheet date, the Group has unused tax losses of EUR 2,054 thousand (2004: EUR 2,258 thousand) available for offset against future profits. A deferred tax asset has been recognised in respect of EUR 1,022 thousand (2004: EUR 327 thousand) of such losses. No deferred tax asset has been recognised in respect of the remaining EUR 1,032 thousand (2004: EUR 1,931 thousand) due to the unpredictability of future profit streams.

In 2005 and 2004 there were no benefits arising from previously unrecognised tax losses and other temporary differences which were not considered for deferred tax calculation in previous periods. No write down or reversal of a previous write down of a deferred tax asset was recognised in 2005 and 2004.

#### Note 16 - OBLIGATIONS UNDER FINANCE LEASES

|   | Minimum lease payments            |            | Present value of minimum lease payments |            |
|---|-----------------------------------|------------|---|------------|
|   | 31.12.2005                        | 31.12.2004 | 31.12.2005                              | 31.12.2004 |
|   | <i>(amounts in EUR thousands)</i> |            |   |            |
| not later than 1 year .....                       | 248                               | 198        | 229                                     | 168        |
| later than 1 year and not later than 5 years..... | 274                               | 270        | 259                                     | 257        |
|   | 522                               | 468        | 488                                     | 425        |
| Less future finance charges.....                  | (34)                              | (43)       | -                                       | -          |
| Present value of minimum lease payments .....     | 488                               | 425        | 488                                     | 425        |

It is the Group's policy to lease most of its company cars, fixtures, equipment, and tow trucks under finance leases. The average lease term is 3-4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Lease obligations are denominated in Czech koruna and in Slovak koruna.

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.

#### Note 17 - TRADE AND OTHER PAYABLE

|                                       | 31.12.2005                        | 31.12.2004    |
|---------------------------------------|-----------------------------------|---------------|
|                                       | <i>(amounts in EUR thousands)</i> |               |
| Trade payables .....                  | 6,619                             | 9,509         |
| Accrued employee compensation .....   | 1,125                             | 973           |
| Tax payables and social security..... | 1,185                             | 817           |
| Accrued expenses .....                | 1,119                             | 835           |
| Other payables .....                  | 1,057                             | 414           |
| <b>Total</b> .....                    | <b>11,105</b>                     | <b>12,548</b> |

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.

Main items of accrued expenses include not invoiced audit services and utilities.

#### Note 18 - PROVISIONS

|                         | 31.12.2005                        | 31.12.2004 |
|-------------------------|-----------------------------------|------------|
|                         | <i>(amounts in EUR thousands)</i> |            |
| Employee benefits ..... | 428                               | 330        |
| Law suits.....          | 2                                 | 2          |
| <b>Total.....</b>       | <b>430</b>                        | <b>332</b> |

Movements in provisions during 2005 and 2004 were as follows:

|  | Employee<br>benefits              | Law suits | Total      |
|--|-----------------------------------|-----------|------------|
|  | <i>(amounts in EUR thousands)</i> |           |            |
| <b>Balance at 1.1.2004 .....</b>       | <b>60</b>                         | <b>6</b>  | <b>66</b>  |
| Amounts used .....                     | (60)                              | (6)       | (66)       |
| Additional provisions recognized ..... | 330                               | 2         | 332        |
| <b>Balance at 31.12.2004 .....</b>     | <b>330</b>                        | <b>2</b>  | <b>332</b> |
| Amounts used .....                     | (330)                             |           | (330)      |
| Additional provisions recognized ..... | 428                               |           | 428        |
| <b>Balance at 31.12.2005 .....</b>     | <b>428</b>                        | <b>2</b>  | <b>430</b> |

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

#### Note 19 - OPERATING LEASE ARRANGEMENTS

The Group leases under operating mainly lands, offices, parking places, show-rooms, billboards and flats. The operating lease expense amounted to EUR 2,315 thousand (2004: 2,238 thousand).

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

#### Note 20 - SHARE CAPITAL

The subscribed capital is composed of 90,000 ordinary shares with a par value of € 1.00 per share of which 18,001 shares were issued and fully paid-up. The only shareholder of the Company is Automotive Industries S.à.r.l. There had been no change in number of shares outstanding during the periods.

## Note 21 - RESERVES

### Equity reserve

|  | 2005                              | 2004      |
|--|-----------------------------------|-----------|
|  | <i>(amounts in EUR thousands)</i> |           |
| Balance at beginning of year .....       | 46                                | (161)     |
| Additions resulted from acquisitions of: |                                   |           |
| MEDIA ACTION s.r.o. ....                 |                                   | 61        |
| GLOBAL DIRECT s.r.o. ....                |                                   | 156       |
| AUTOCENTRUM AAA AUTO a.s. ....           |                                   | (10)      |
| <b>Balance at end of year .....</b>      | <b>46</b>                         | <b>46</b> |

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 acquirer'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 on business combinations involving entities under common control is recognized in the Group's consolidated balance sheet during the years 2005 and 2004. 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

|   | 2005                              | 2004       |
|---|-----------------------------------|------------|
|   | <i>(amounts in EUR thousands)</i> |            |
| Balance at beginning of year.....                     | 240                               | (14)       |
| Translation of foreign operations.....                | 344                               | 254        |
| Deferred tax arising from translation .....           |                                   |            |
| Gain recycled on disposal of foreign subsidiary ..... |                                   |            |
| <b>Balance at end of year .....</b>                   | <b>584</b>                        | <b>240</b> |

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

## Note 22 - BUSINESS COMBINATIONS

On 15.12.2004, the Group acquired 100 percent of the issued share capital of **Zlin-Car, spol. s.r.o.** for cash consideration of EUR 711 thousand. GENERAL AUTOMOBIL, a.s. is the parent company of Zlin-Car, spol. s.r.o. which is involved in sales and servicing of new Škoda cars. This transaction has been accounted for by the purchase method.

|   | <b>Book value</b>                 | <b>Fair value<br/>adjustments</b> | <b>Fair value</b> |
|---|-----------------------------------|-----------------------------------|-------------------|
|   | <i>(amounts in EUR thousands)</i> |                                   |                   |
| Property, plant and equipment.....                  | 660                               | (13)                              | 647               |
| Intangible assets.....                              |                                   | 3                                 | 3                 |
| Prepaid expenses .....                              | 2                                 |                                   | 2                 |
| Inventories.....                                    | 500                               |                                   | 500               |
| Trade and other receivables.....                    | 13                                |                                   | 13                |
| Cash and cash equivalents.....                      | 49                                |                                   | 49                |
| Trade and other payables.....                       | 770                               |                                   | 770               |
| Deferred tax liabilities.....                       | 16                                | (3)                               | 13                |
| Contingent liabilities.....                         |                                   |                                   |                   |
| Other liabilities.....                              | 2                                 |                                   | 2                 |
| Net assets acquired.....                            | 436                               | (7)                               | 429               |
| Goodwill.....                                       |                                   |                                   | 296               |
| Total consideration.....                            |                                   |                                   | <b>725</b>        |
| <b>Satisfied by:</b>                                |                                   |                                   |                   |
| Cash.....   |                                   |                                   | 711               |
| Deferred consideration.....                         |                                   |                                   | 14                |
| Cash consideration.....                             |                                   |                                   | 711               |
| Cash and cash equivalents acquired.....             |                                   |                                   | (49)              |
| <b>Net cash outflow arising on acquisition.....</b> |                                   |                                   | <b>662</b>        |

The goodwill arising from the acquisition of Zlin-Car, spol. s r.o. is attributable to the anticipated profitability of the new car dealership in connection with used car sales which are carried out at the same site.

If the acquisition of Zlin-Car, spol. s r.o. had been completed on the first day of the financial year, group revenues for the period would have been EUR 2 768 thousand higher and group profit attributable to equity holders of the parent would have been EUR 76 thousand higher.

## **Note 23 - CONTINGENCIES**

### ***Contingent liabilities***

The Group is involved as a defendant in court proceedings as follows:

- (i) Disagreements on a liability of the Company for cars sold with no material impact;
- (ii) Proceedings with leasing companies – the Group is convinced that this case will be won;
- (iii) Proceedings regarding the use of trade mark AAA AUTO in Slovakia. The potential risk is that the Group will not be allowed to use the trade mark; in case of losing this case – the Company doesn't have any or extra costs; and
- (iv) Other various proceedings.

### ***Contingent assets***

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

- (i) Breaching the future contract for sale of the land in Ostrava, estimated financial effect of 70 thousand EUR; and
- (ii) Proceedings over unpaid amounts due from customers for used cars, estimated financial effect of 89 thousand EUR.

## Note 24 - RELATED PARTY TRANSACTIONS

The Company is wholly owned and controlled by Automotive Industries S.A.R.L. (incorporated in Luxembourg) that does not produced any consolidated financial statements (including the Company), only separate financial statements. The ultimate controlling party is Mr Anthony James Denny.

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

### Trading transactions

During 2005 and 2004 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

|   | Sale of goods and services |              | Purchase of goods and services |              | Amounts owed by related parties |              | Amounts owed to related parties |            |
|---|----------------------------|--------------|--------------------------------|--------------|---------------------------------|--------------|---------------------------------|------------|
|   | 2005                       | 2004         | 2005                           | 2004         | 31/12/05                        | 31/12/04     | 31/12/05                        | 31/12/04   |
| <i>(amounts in EUR thousands)</i>                             |                            |              |                                |              |                                 |              |                                 |            |
| AUTOMOBILE GROUP a.s., v likvidaci.....                       | 3                          |              |                                |              | 4                               |              | 278                             | 251        |
| CAPITAL INVESTMENTS s.r.o. Central European Models s.r.o..... |                            | 7            | 53                             | 42           | 0                               | 4            | 22                              | 44         |
| CENTRAL INVESTMENTS s.r.o.                                    | 2,859                      | 446          | 8,341                          | 4,148        | 39                              | 106          | 90                              | 185        |
| CREDIT INVESTMENTS s.r.o.                                     | 0                          | 0            | 10                             | 2            |                                 | 76           | 4                               | 2          |
| CZECH INVESTMENTS, spol. s r.o. v likvidaci.....              | 39                         |              |                                |              | 1                               |              | 15                              |            |
| Česká Miss s.r.o.....   |                            | 1            |                                |              | 2                               | 1            |                                 |            |
| GLOBAL CAR CHECK s.r.o. ....                                  |                            | 1            | 1                              |              | 28                              | 1            |                                 |            |
| GLOBAL CAR RENTAL s.r.o. ....                                 | 1                          |              |                                |              | 1                               |              |                                 |            |
| GLOBAL CAR SERVICE s.r.o. ....                                |                            | 1            |                                |              | 5                               | 1            |                                 |            |
| GLOBAL DIRECT S.R.L.....                                      | 1                          |              |                                |              | 1                               |              |                                 |            |
| KAPITAL KREDIT s.r.o. v likvidaci.....                        | 436                        | 786          | 7                              | 30           | 9                               | 123          | 5                               | 5          |
| Miss Marketing s.r.o.....                                     | 181                        | 68           | 50                             | 5            | 0                               | 87           | 1                               |            |
| Mr. Gary Mazzotti.....  | 17                         |              |                                |              | 1                               |              |                                 |            |
| Mrs. Helena Denny.....  |                            | 16           |                                | 7            | 1                               | 38           |                                 |            |
| PRIORITY INVESTMENTS s.r.o. ...                               | 3                          |              |                                |              | 4                               |              |                                 |            |
| <b>Total.....</b>   | <b>3,631</b>               | <b>1,357</b> | <b>8,989</b>                   | <b>4,819</b> | <b>98</b>                       | <b>1,121</b> | <b>146</b>                      | <b>236</b> |

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 purchase 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 company received guarantees from the following related parties: CAPITAL INVESTMENTS s.r.o. CENTRAL INVESTMENTS s.r.o. and from PRIORITY INVESTMENTS s.r.o. in order to secure bank loans. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

In 2004 and 2005, CAPITAL INVESTMENTS s.r.o. invoiced the Company for renting a building in Troja (Prague) and the Company invoiced CAPITAL INVESTMENTS s.r.o. for accounting and administrative services.

In 2004 and in 2005, KAPITAL KREDIT s.r.o. bought new cars which were sold to the Company. Moreover, the Company invoiced KAPITAL KREDIT for accounting and administrative services provided.

In 2004, the Company invoiced the related party Miss Marketing s.r.o. for advertising, purchase of equipment and furniture while the related party invoiced the Company for rental of offices. In 2005, the Company invoiced the related party Miss Marketing s.r.o. for advertising, purchase of equipment and furniture and rental of cars while the related party invoiced the Company for marketing services.

During 2004 and 2005, CENTRAL INVESTMENTS s.r.o. invoiced the Company for guarantees given, for sales of cars and for rental of flats in Prague and the Company invoiced the related party for accounting and administrative service and for sales of cars.

The Company owned to the related party AUTOMOBILE GROUP a.s. (in dissolution proceedings) an amount of EUR 278 thousands at end of 2005 (EUR 251 thousand at end of 2004) due to the payment of the shares of AUTOCENTRUM AAA AUTO a.s. by this related party.

#### Loans to and borrowings from related parties

|   | Loans to<br>related parties       |              | Borrowings from<br>related parties |               |
|---|-----------------------------------|--------------|------------------------------------|---------------|
|   | 31/12/05                          | 31/12/04     | 31/12/05                           | 31/12/04      |
|   | <i>(amounts in EUR thousands)</i> |              |                                    |               |
| CAPITAL INVESTMENTS s.r.o.....            | 503                               | 531          |                                    |               |
| Central European Models s.r.o.....        | 136                               | 5            |                                    |               |
| CENTRAL INVESTMENTS s.r.o.....            | 2,724                             | 2,314        |                                    |               |
| Miss Marketing s.r.o.....                 | 737                               | 202          |                                    |               |
| Financial Acceptance Corporation B.V..... |                                   |              | 23,218                             | 17,503        |
| <b>Total.....</b>                         | <b>4,100</b>                      | <b>3,052</b> | <b>23,218</b>                      | <b>17,503</b> |

The conditions of the loans and borrowings were as follows.

|   | Amounts repayable | Interest rate% |
|---|-------------------|----------------|
| CAPITAL INVESTMENTS s.r.o.....            | 1-5 years         | 2.1%           |
| Central European Models s.r.o.....        | 1-5 years         | 7.2%           |
| Miss Marketing s.r.o.....                 | 1-5 years         | 7.2%           |
| CENTRAL INVESTMENTS s.r.o.....            | 1-5 years         | 1.4%           |
| Financial Acceptance Corporation B.V..... | within 1 year     | 5%             |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

## Note 25 - EVENTS AFTER THE BALANCE SHEET DATE

In 2006 the authorized capital of the Company was increased to EUR 25,000,000 divided into 250,000,000 shares with a par value of EUR 0.1 per share of which 50,000,000 shares were issued and fully paid-up. The increase of capital of EUR 4,982 thousands from EUR 18 thousand to EUR 5 million was paid by contribution in kind by the settlement of a loan from the shareholder, Automotive Industries S.à.r.l. to the Company.

In 2006 the Group acquired two Polish companies **ASCORD Sp.z.o.o. and ASC Warszawa Sp.z.o.o.** An excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of EUR 1,264 thousands was recognised as a gain in profit and loss statement for 2006 (see next table).

|   | <b>Book value</b>                 | <b>Fair value adjustments</b> | <b>Fair value</b> |
|---|-----------------------------------|-------------------------------|-------------------|
|   | <i>(amounts in EUR thousands)</i> |                               |                   |
| Tangible assets.....  | 2,028                             | 1,257                         | 3,285             |
| Intangible assets.....  | 4                                 |                               | 4                 |
| Other current assets.....   | 309                               | (214)                         | 94                |
| Cash and cash equivalents .....   | 5                                 | (1)                           | 4                 |
| Loans and finance leases.....   | (510)                             |                               | (510)             |
| Minority shareholders interest .....  |                                   |                               | 0                 |
| Other creditors .....   | (556)                             | (20)                          | (576)             |
| <b>Net assets acquired .....</b>  | <b>1,280</b>                      | <b>1,022</b>                  | <b>2,301</b>      |
| Goodwill/Excess of the Group's interest in the net fair value of acquiree's identifiable assets ..... |                                   |                               | (1,264)           |
| Total consideration .....   |                                   |                               | 1,038             |
| <b>Satisfied by:</b>  |                                   |                               |                   |
| Cash.....   |                                   |                               | 1,038             |
| Deferred consideration.....   |                                   |                               |                   |
| <b>Net cash outflow arising on acquisition.....</b>   |                                   |                               | <b>1,038</b>      |

In 2006, the Company acquired the Hungarian company F-23 REALTY Kft.

The Group has pledged land and buildings having a carrying amount of approximately EUR 13 million (2005: EUR 10 million) to secure banking facilities granted to the Group. Property acquired under finance leases are secured by the lessors' charges over the leased assets.

At 31 December 2006, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to EUR 230 thousand (2005: EUR 167 thousand).

GLOBAL DIRECT s.r.o. was sold out of the Group at the end 2006.

European Auto Sales B.V. was sold out of the Group in November 2006.

## Note 26 - APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements of the Company will be approved by the annual meeting of shareholders and authorised for issue.

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