AAA Auto Group N.V.

Annual Report 2008

AAA AUTO

describe the four main areas we focused on and what we have managed to achieve in each of them:

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

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

9 Cost-cutting & efficiency ±the Company has undergone an extremely strict cost diet, has changed its business model to more efficient branches adopting the so-far very successful Äbaby bazaar modeO and merged hundreds of job positions to achieve so-called multi-skilling. Thanks to these we have reduced our operating expenses from EUR 27.4 mil. in 4Q07 to EUR 15.5[1] mil. in 4Q08, increased the cost-efficiency of each branch as well as the average number of cars sold per employee (from 21 cars per employee per year in 2007 to 42 cars in 2008). Unfortunately, we were forced to reduce our headcount from 3,834 (at end of 2007 when our expansionary strategy peaked) to 1,440. Stricter profitability requirements were set for each branch and if they were not met the branch was closed. As a result, we have reduced the number of branches from 45 down to 35 at the end of 2008 and further to 30 at the end of March 2009.

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

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

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

The first half of the year in the Czech Republic, our strongest market, brought about a strong surge of the Czech crown while other local currencies followed suit. This led to a massive

[1] The operating expenses are net of EUR 10.4 mil. write-offs booked in 4Q08

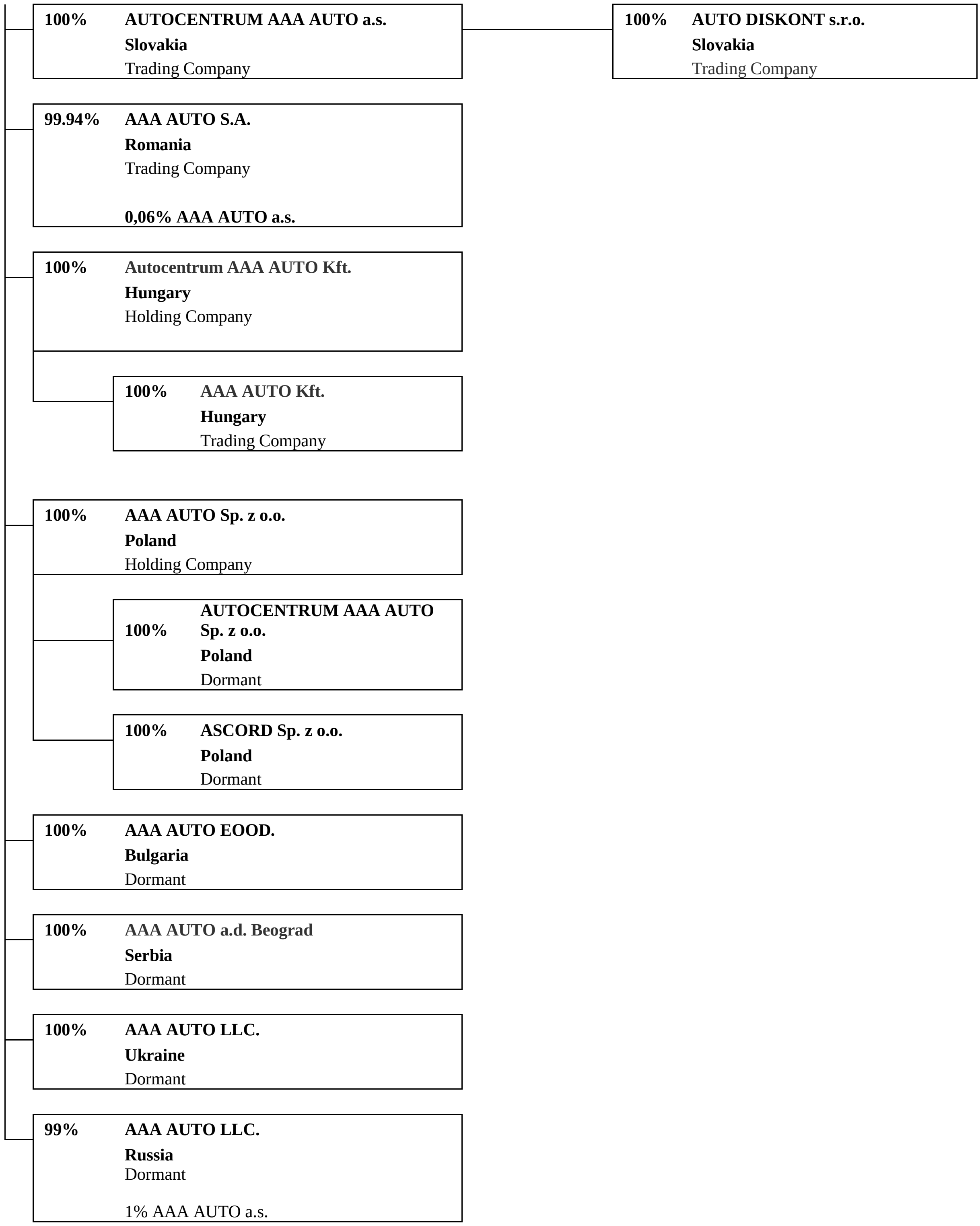
increase of individual imports of cheap, low-quality cars mainly into the Czech Republic and Poland, markets with highly price-sensitive customers. Also, world oil prices grew to historic highs, peaking in mid-July making petrol an expensive commodity which forced people to postpone their car purchases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

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

On the side of the financial performance, the company recorded total revenues of EUR 364.3 million in 2008 on the sale of 60,557 cars representing a 23% decline when compared to 2007. The two main factors behind the decline were decreasing demand and the closure of 22% of unprofitable branches. The decision to close down these branches led to, on the one hand, a reduction in the number of cars sold by the Group in 2008 while, on the other hand, it alleviated the Company¶V ILQDQFLDO UHVXOWV IURP ORVVHV JHQHU
As a result, despite diminishing sales, the Company has managed to significantly improve its financial performance throughout the year compared to the 4Q 2007 when it first dipped into loss. While webroke even on the operating level in the 3Q08, the EBITDA loss was reduced to EUR 1.3 mil.[2] in 4Q08 compared to the EBITDA loss of EUR 8.0 mil. in 4Q07. However, due to the decision to discontinue operations in Hungary, Poland and Romania, the Company had to book write-offs and fair-value adjustments of EUR 10.4 mil. in the 4Q08 as stipulated by IFRS UHTXLUHPHQWV ZKLFK VXEVWDQWLDOO\ LQIOXHQFH
The total EBITDA loss for 2008 amounted to EUR 15.2 mil. and the net income loss amounted to EUR 28.0 mil. When adjusted for the afore-mentioned accounting charges they stood at EUR 4.8 mil. and EUR 17.6 mil., respectively. (Please note that these accounting charges had no cash-flow impact.)

We believe that the extremely stringent restructuring program and the elimination of the loss-making foreign operations have made us better prepared for an economic downturn than we were a year ago and even though we are facing what may become even more challenging year for our sector than was 2008, we believe we are better positioned to turn profit even during economic recession. We plan to break even at the level of net income in the seasonally strongest second quarter of 2009 and to achieve a net profit for the whole of 2009 provided that there are no unexpected, extraordinary influences in the market.
During the first quarter of 2009, we have already seen some encouraging seasonal revival of car sales in the CR and Slovakia measured by a month-on-month growth which give us confidence that our 2009 goals are indeed attainable.

[2] The EBITDA loss is net of EUR 10.4 mil. write-offs booked in 4Q08



Corporate Governance

AAA Auto Group N.V. is a public company with limited liability under the laws of the Netherlands. The Company was incorporated on 12 December 2003 as Automobile Group B.V. and converted into legal form of public limited liability company (Naamloze Vennootschap) under the name AAA Auto Group N.V. on 29 December 2006. In view of the

- Kamil Ziegler (25th April 2008 ±20th June 2008).

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

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

Antonius Mattheus Kemp
Executive Member of the Management Board from 29th December 2006 to 25th April 2008.

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

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

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

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

A graduate of the University of Economics in Prague, Business Faculty and the Southern Methodist University, Dallas. He occupied a number of important posts in the banking sector, ranging from the Executive and Financial Director of .RPHUþQt EDQND DV W to the Deputy of WKH *HQHUDO 'LUHFWRU DQG 0HPEHU RI WKH %RDUG RI and to the position of the Chairman of the Board of Directors and the Managing Director of Raiffeisenbank a.s. Beginning in 2004, he worked in PPF Group and since August 2007, he has been the Vice-Chairman of the Board of Directors of PPF a.s.

Non-Executive Members

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

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

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

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

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

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

A graduate from the University of Economics and the European Business School in Prague. From 1992 to 1997 he was the director of Robert Bosch. In April 1997 he was elected to the SRVLWLRQ RI WKH &KDLUPDQ RI WKH %RDUG RI 'LUHFWR and from October 2004 until 2007 he was the Chairman of its Supervisory Board. From 1997 to 2007 he was the President of the Association of the Automobile Industry of the Czech Republic and Vice President of the Union of Industry and Transport in the Czech Republic. Since 2002, he has been a member of the World Executive Committee of the International Chamber of Commerce in Paris. He is the President of the Czech Institute of Directors, a member of the 6XSHUYLVRU\ %RDUG RI .RRSHUDWLYD SRMLãRYQD D V Economics, the Management Board of Charles University, the Executive Committee of the Czech Olympic Committee and is a member of the Association of Exporters.

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

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

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

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

Deputy to the Chief Executive Officer

He graduated from the University of Economics in Prague, in the field of Finance and Accounting. Since the beginning of his career he has worked in the automotive industry. In the position of financial analyst for the international company Continental Teves he acquired practical knowledge in the controlling and accounting fields. From there he worked with âNRGD $XWR ZKHUH KH GHDOW ZLWK WKH PDQDJHPHQW began working in the financial department of AAA AUTO in the position of internal audit manager; one year later he was appointed to the position of the Chief Financial Manager of the Company and Deputy to the CEO. He speaks English and German.

Ralph Howie
Executive Director for Car Purchasing Area

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

Conflict of Interests

We did recognize potential conflict of interests in transactions between the company and its VXEVLGLDULHV DQG WKH 'XWFK FRPSDQ\ &DU CarWay +ROGLQJ Group´ LQ AAA AUTOompany is owner of 5% share in CarWay Holding B.V. and 95% share in CarWay Holding B.V. is beneficially owned by Anthony James Denny our CEO and 100% owner of our principal shareholder Automotive Industries S.a r.l. AAA AUTO and CarWay Group cooperated in the area of car rent, roadside assistance, car insurance and car repairs and the partnership finished in the second half of 2008. The Company is currently in liquidation.
We rented our Company cars from the Carway Group and we brokered car insurance, roadside assistance and car repairs in cooperation with them. The cooperation was agreed on terms that are customary in the sector concerned and on an arms-length basis.

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

Internal Audit in 2008

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

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

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

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

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

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

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

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

Share Option Plan

In accordance with the General Rules of the Share Option Plan of the company, the general meeting of Shareholders met on 25 April 2008 to discuss and approve share options for the

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. 8QGHU 'XWFK ODZ SD\PHQW RI GLYLGHQGV PD\ EH PDGH Company exceeds the sum of the called up and paid-in share capital of the Company increased with the reserves required to be maintained by law and the Articles of Association of the Company and, if it concerns an interim payment of dividend, the compliance with this requirement is evidenced by an interim statement of assets and liabilities as referred to in Section 2:105, subsection 4, of the Dutch Civil Code. Claims to dividends and other distributions in cash that have not been made within five years and two days after having become due and payable lapse and any such amounts shall revert to the Company.

General Meetings of Shareholders and Voting Rights

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

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

The notice convening any General Meeting of Shareholders shall be sent no later than the 15th day prior to the meeting and shall include an agenda stating the items to be dealt with. Holders of Shares (including holders of the rights conferred by law upon holders of depositary receipts) who, alone or in the aggregate, own shares representing at least 1% of our issued and outstanding capital have the right to request the Management Board to place items on the agenda of the General Meeting of Shareholders. If such proposals are submitted to the Management Board in time for the board to put these proposals on the agenda for the next meeting, or announce them prior to the meeting by means of a supplementary notice with due observance of the aforementioned notice period, the Board shall be obliged to do so, provided that no important interest of the company dictates otherwise.

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

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

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

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

Amendment of the Articles of Association and Change of Corporate Form

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

Compliance with the Dutch Code

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

Management Board (Part II of the Dutch Code)

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

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

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

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

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

According to Best Practice Provision II.2.6, the Management Board shall draw up regulations concerning ownership of and transactions in securities by board members, other than VHFXULWLHV LVVXHG E\ WKH &RPSDQ\ ³RZQ´ Company. The regulations shall be posted on the Company¶V website. A Management Board member shall give periodic notice, but in any event at least once per quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Management Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

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

Supervisory Board (Part III of the Dutch Code)

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

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

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

According to Best Practice Provision III.7.3, the Supervisory Board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by Supervisory Board Members (Non-Executive Management Board Members), other than VHFXULWLHV LVVXHG E\ WKH &RPSDQ\ ³RZQ´ Company. The regulations shall be posted on the website. A Supervisory Board member shall give periodic notice, but in any event at least once per quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Supervisory Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

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

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

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

According to Best Practice Provision IV.1.1, the General Meeting of Shareholders of a Company not having statutory two-WLHU VWDWXV *structuur regime* LQ 'XWFK PD\³ SDVV D resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

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

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

The cost of compliance with this provision would be disproportionate. We therefore believe that applying this provision is not in our best interest.

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

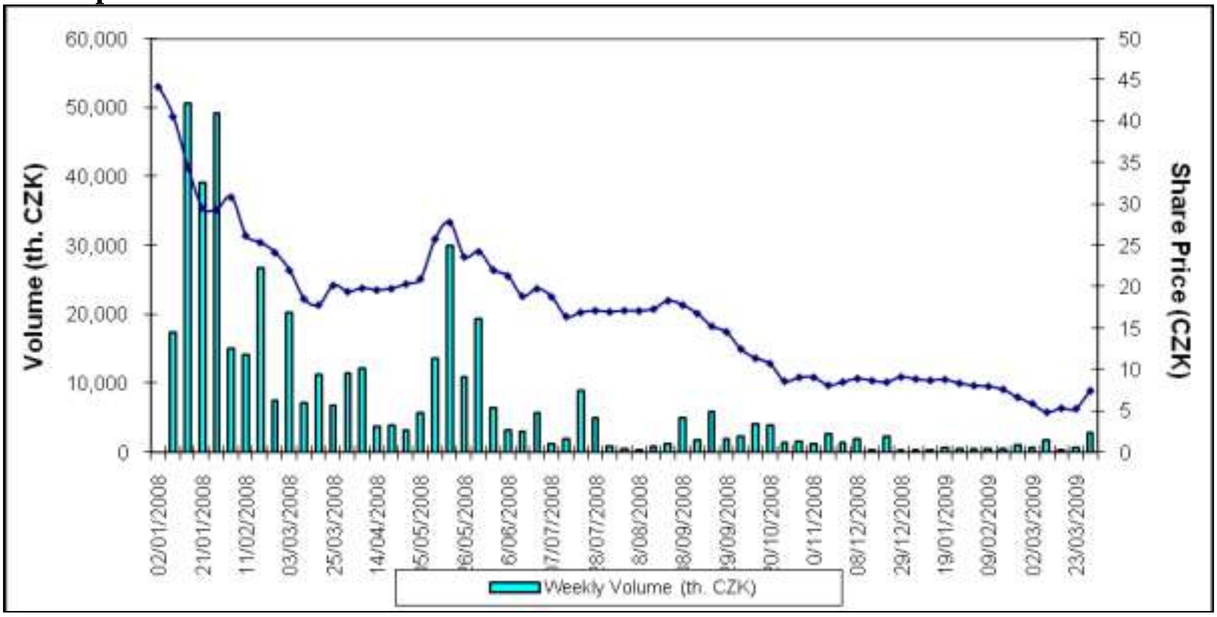
According to Best Practice Provision V.3.1, the External Auditor and the Audit Committee shall be involved in drawing up the work schedule of the Internal Auditor. They shall also take cognizance of the findings of the Internal Auditor.

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

Mission, Objectives and Vision of the Company

exchanges, and ±similar as in neighbouring CEE countries - recorded a slump of 52.7% (e.g. main indexes of the stock exchanges in Poland and Hungary recorded a loss of around 50% in 2008).

Development of AAA Share Price and Volume Traded on the PSE



Source: PSE

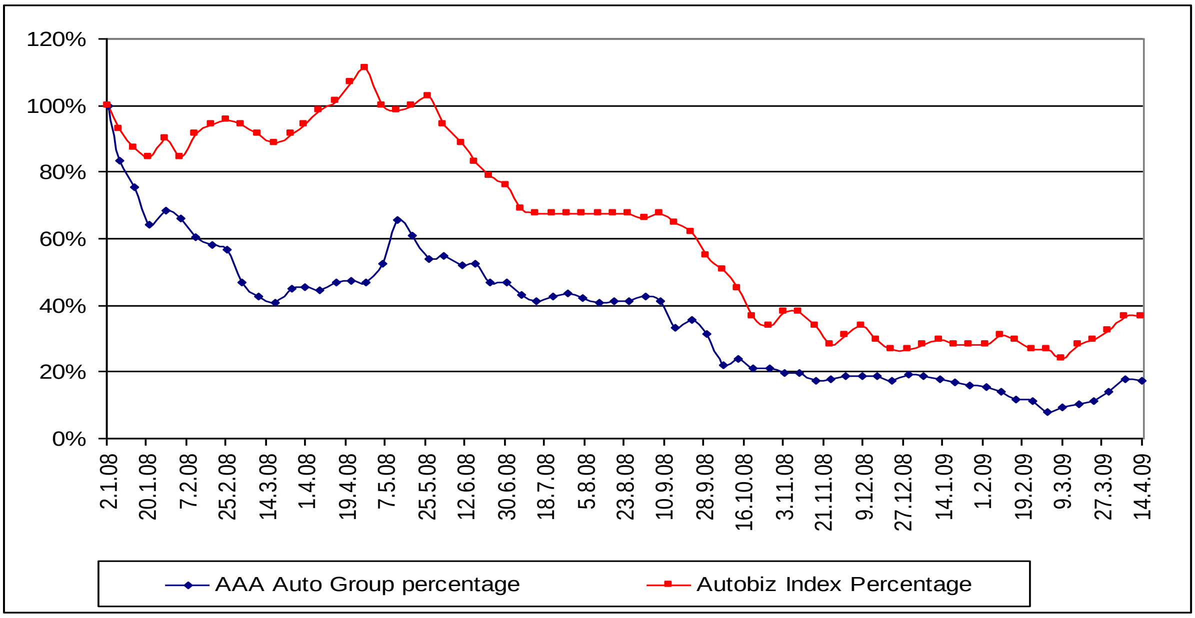
In a relative comparison, the share price of AAA AUTO underperformed the PX Index PDLQO\ DW WKH EHJLQQLQJ RI ZKHQ WKH PDUNHW U XQH[SHFWHG ZRUVHQLQJ RI WKH JURXS¶V SHUIRUPDQFH following months, however, the share price followed the trend of the PX Index.

Relative Performance of AAA Shares and PX Index

Source: PSE

In comparison with AUTOBIZ Index which covers 12 largest European car retailers listed on GLIIHUHQW VWRFN H[FKDQJHV DFURVV (XURSH LW¶V DS development of AAA AUTO with the car sector in Europe.

Relative Performance of AAA Shares and Autobiz Index



Source: Autobiz

Public Relations

I. Corporate Social Responsibility

The international character of the operations of the AAA AUTO Group, and the requirements of the application of the chosen business strategy, generates the need for the maximum harmonization of the GURXS¶V EXVLQHVV VWUDWHJ\ QRW RQO\ ZLW economic environment of the given countries and to provide for compatibility with the EU legal framework.

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

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

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

Education, Training, Development

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

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

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

Local Community and Sponsoring

In addition to its business activities, AAA AUTO Group carries out and supports related activities not only in the field of motoring. An important component of the community support is the corporate sponsoring and support of non-profit organizations. In 2007 the &RPSDQ\¶V VSRQVRULQJ VWUDWHJ\ ZDV IRFXVHG RQ W sports, important institutions of the society and culture, and philanthropy. The sponsoring activities of AAA AUTO in 2008 further developed the strategy of awareness-raising and image-building of the brand; However, as part of the cost-cutting program emplemented at the beginning of the year the Company reduced its sponsoring activities in 2008.

AAA AUTO is a generous patron of charitable organizations such as the Tereza Maxová Foundation DQG WKH &KLOGUHQ¶V 5RDG 7UDIILF)RXQGDWLR children and youth-related problems. By sponsoring and actively participating in the scope of DFWLYLWLHV RI WKH &KLOGUHQ¶V 5RDG 7UDIILF)RXQGD several years now, to overcome difficult living situations for children orphaned due to tragic traffic accidents involving their parents. Similarly in Slovakia, AAA AUTO is an important partner to the &KLOGUHQ¶V)XQG RI. WKH 6ORYDN 5HSXEOLF

Cooperation with Consumer Organizations

Association for the Defence of Consumers of the Czech RepuEOLF 6GUXåHQt REUDQ\ VSRWĜHELWHOĤ ÈHVNpUHSXEOLN\ 626

the Company by both current and prospective clients which, in turn, should have a positive impact upon the Company¶V XOWLPDWH profitability. The PR department is responsible for the uniform and sophisticated presentation of the company.

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

III. Marketing

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

In terms of the marketing mix, print media were still the most dominant marketing expenditure in 2008. Online advertising did, however, catch up with the radio advertising, and was followed by outdoor advertising. In 2008 increasing requirments of customers dictated that the design and functional structure of the AAA AUTO Group online presentation were revamped not only on the main Czech site www.aaaauto.cz but also on the other language YHUVLRQV RI WKH .&RPSDQ\¶V ZHEVLWH

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

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

In Slovakia, which ±after the Czech Republic ±is the Group¶V second largest market, the communication activities focused, among other things, on the opening of two new branches in 3ULHYLG]D DQG 5XåRPEHURN 6DOHV SURPRWLRQ in local print campaigns in 11 Slovak branches proved to be a very effective tool.

In the second half of 2008, the marketing activity responded to the transition from the Slovak currency to euro. Improving computer literacy and internet penetration in Slovakia resulted also in a rather significant re-distribution of marketing initiatives in favour of online advertising and direct mail campaigns.
In the context of the ever-changing market, AAA AUTO Group deployed interactive campaigns in its marketing communication in 2008 on a much greater scale; these included consumer competitions, customer surveys and promotions., ³:LQ D)HUUDUL´ LQ WK 5HSXEOLF DQG ³:LQ D 3RUVFKH´ LQ 6ORYDNLD /RV 0DQLD just to name but a few

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

Market conditions were increasingly difficult during the first half of the year characterized by two main factors: first, strengthening the local currencies which made imported cars more affordable and thus heightened the competitive pressure on the market significantly and second, soaring oil prices to a record high (culminating in mid-July 2008) which led people to postpone the purchase of their car depressing the already cooling demand even further and to opt for more economical, smaller-engine cars.
Meanwhile, the second half of 2008 brought about a positive change. The depreciation of local currencies led to a partial easing of pressure from cheap, low quality imports in the last months of the year. Secondly, the effect of decreasing petrol prices, which would normally be the single most important factor in supporting demand for used cars, was this time unfortunately more than offset by the deteriorating economic conditions which spelt into increasingly negative consumer sentiment.

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

Car Sales

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

Comparison of the Number of Cars Sold in Individual Countries in 2007 and 2008

	2007	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**	***2008/2007***
Czech Republic	45,874	10,062	9,347	9,071	7,007	35,487	-23%
Slovakia	18,537	4,498	4,355	3,577	2,427	14,857	-20%
Hungary	8,396	2,551	1,745	1,508	842	6,646	-21%
Romania	2,641	484	361	348	241	1,434	-46%
Poland	4,423	1,194	774	165	-	2,133	-52%
Group	**79,871**	**18,789**	**16,582**	**14,669**	**10,517**	**60,557**	**-24%**

Source: Company data

The number of cars sold by AAA AUTO Group has been decreasing throughout the year 2008. The decrease in sales was the result of cooling consumer demand on used car markets

Hungary	67%	67%	67%	69%	66%	67%
Romania	30%	25%	27%	42%	33%	31%
Poland *	29%	32%	35%	±	±	33%
Group	**48%**	**51%**	**54%**	**55%**	**51%**	**53%**

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

As expected, the revenues from financial services and up-sale products were depressed in the last quarter of the year due to the shift in consumer preference to cheaper cars (which implies lower financing volumes as well as less-sophisticated and thus, less-expensive up-sale products), an increasingly cautious approach of consumers to take credit and the tightening by banks of retail credit scoring . This was reflected by a decrease in the volume of financial services and up-sale products provided and by a decrease in the financial penetration in 4Q08. Even though the penetration still remains at a high 53% level the EDQNV¶ more prudent approach in their lending is bound to limit potential growth in the future. Therefore, at these FXUUHQW WLPHV RI LQFUHDVLQJ FUHGLW WLJKWHQLQJ $ close and long-term relationship with its banking and leasing partners in the CR and Slovakia is the CRPSDQ\¶V NH\ EHQH and the cornerstone for its future strategy.

Revenues

AAA AUTO Group reported total revenues of EUR 364.3m on 60,557 cars sold in 2008 compared to EUR 470.1m on 79,871 cars sold in 2007. Besides the decreasing demand, the main reason for the drop in overall sales was the Company¶V GHFLVLRQ WR FORVH G of unprofitable branches. The Company also recorded a shift in demand to cheaper cars in 2008 which, coupled with lower prices on the used-car market, resulted in diminishing revenues from car sales especially in the 4Q08. The total car sales amounted to EUR 318.4m in 2008 compared to EUR 422.7m in 2007 (-24.7% year-on-year).

The total revenues from financial services amounted to EUR 37.5m in 2008, down by 9.3% yoy which implies a strong outperformance compared to revenues from cars which decreased by 24.7% yoy. The revenues from up-sale products grew by a strong 40.1% yoy to EUR 8.4m in 2008 from EUR 6.0m in 2007.

Total Revenues and their Breakdown in 2007 and 2008

EUR ths	**2007**	**2008**	***2008/2007***
Revenues from cars	422.7	318.4	*-25%*
Revenues from financial services	41.3	37.5	*-9%*
Other revenues (up-sale products)	6.0	8.4	*40%*
Total REVENUES	**470.1**	**364.3**	***-23%***

Source: Company data

Gross Profit

Despite the decreasing car sales, the Company managed to increase the gross profit margin throughout the year. While it was successful in maintaining a high metal margin (9.1% in 2008 vs. 8.4% in 2007), the key profitability drivers throughout the year were financial services and up-sale products.

The gURXS¶V JURVV SURILW PDUJLQ RQ VDOHV JUHZ VWHDG
for the whole of 2008, up from 17.0% in 2007. While the absolute amount of gross profit on sales reached the amount of EUR 71.2m, which translates into a decline of 11.1% compared to 2007, the result still implies a strong core-business profitability performance given the 22.5% yoy decline in total revenues. The development of the gross profit represents the best measure for the core-EXVLQHVV SHUIRUPDQFH DV LW¶V DQ LQGLF
profitability without any influences of accounting charges or one-off costs.

Gross Profit on Sales and Gross Profit Margin ± Yearly and Quarterly Development

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Source: Company data

The gross profit margin grew significantly in 4Q08 as demand shifted to cheaper cars which yielded higher profit margins, also the share of Hungary which has lower margins was diminishing in 4Q08.

In 2008 the contribution of financial services and up-VDOH SURGXFWV WR WKH *UR
grew to 59.5% from 55.8% in 2007.

II. Cost-cutting and Restructuring Program

In 2008 AAA AUTO Group underwent a substantial restructuring program with the aim to re-align the cRPSDQ\¶V FRVW EDVH WR WKH QHZ PDUNHW HQYLUR
in order to bring the Company back to profit in 2009. As the world financial crisis affected the used-car retail market as one of the first sectors - the first impact was seen already in 4Q07
ZKHQ $$$ $872¶V H[SDQVLRQ endeavor peaked - the Company was forced to employ a

stringent cost-cutting program in early 2008. By the end of the year when the crisis fully hit the CE region, the Company has been significantly downsized and made more cost-efficient.

The Company successfully met all operating targets set to be achieved at the end of 2008. Due to the weak markets and diminishing sales the company was forced to lower the number of employees to 1,440[3] by end 2008 from 3,834 employees at end 2007 when the Company was realizing strong expansionary plans. This implies a headcount reduction of 62% yoy. This measure brought about a substantial cost savings as the personnel expenses account for around 50% of the overall operating expenditures in the group.
The headcount reduction was also a key tool in the cRPSDQ\¶V HIIRUW WR HPSC
efficient business model based on leaner, more cost-efficient and more profitable branches. The model is based primarily on a strong employee multi-skilling, efficient rostering (management of shifts ±allocating the best performing salesmen to peak hours) and more efficient car stock management at each branch. As a result of implementation, the number of employees per branch was reduced from 85 in 2007 to 41 in 2008. This significantly lowered the operating costs per branch and the requirements for working capital and increased one of the Company's key performance indicators, the number of cars sold per employee, to 42 cars in 2008 from 21 cars in 2007.

Car stock was also lowered significantly during the year, by 44% yoy to 5,024 cars from 9,049 cars at the end of 2007. This helped to increase the stock turnover and profitability per car sold. The car stock reduction also lowered the strain on capital requirements and translated into savings in interest expense.

The Company also met most of its financial targets. The management implemented a strict control system of every cost category with weekly reviews during the whole of 2008. As a result, the quarterly personal costs were reduced by 27% yoy (4Q08 vs. 4Q07), marketing costs by 36% and other operating expenses by 68%[4]. This translates into a reduction of total operating expenses by 43%[2] in 4Q 2008 compared to 4Q 2007 when the expansionary strategy peaked and the cost base was extremely inflated.

Note that other operating expenses and personnel costs were inflated throughout the year by one-off cost charges such as those related to the closure of the Polish division (e.g. car stock re-evaluation) and the employee lay-offs across the Group. Even though the majority of such one-off charges, that were related to the laid-off stuff as well as to the closure of foreign operations, were booked in 2008, it can be expected that some other related costs will affect also the results for 1Q 2009.

Operating Expenses - Quarterly Development

	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	*4Q08/4Q07*
Personnel costs*	13.662	12.636	11.708	9.821	9.968	*-27%*
Marketing	3.578	2.298	2.354	1.573	2.282	*-36%*

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

[4] Note that other operating expenses and total operating expenses are net of write-offs booked in 4Q 2008

costs						
Other OPEX	10.152	9.031	8.518	6.748	3,291**	*-68%*
Total OPEX	**27.392**	**23.965**	**22.58**	**18.142**	**15,541****	***-43%***

Note: *Personnel costs were inflated throughout 2008 by severance costs (EUR 1m in 2Q08, EUR 0.8m in 3Q08, EUR 0.8m in 4Q08)
**Other operating expenses and total OPEX in 4Q08 are net of write-offs of EUR 10.384 mil.
Source: Company data

Part of the restructuring program was also branch network optimisation under which if a branch failed to meet its performance targets it was closed down. At the end of 2008, AAA AUTO Group had 35 car centres in 4 countries down from 45 centres in 5 countries at the end of 2007. After the Company¶V GHFLVLRQ WR UHWUHDW The Group retains LWV IRU 20 branches in the Czech Republic and 10 in Slovakiaas of the end of March 2009.

Finally, the last pillar framing the restructuring program was the group asset optimisation. Around 50% of the gURXS¶V SURSHUW\ SRUWIROLR ZDV HDUPDUNH 18 months. The time span for the sale has been prolonged as the cRPSDQ\¶V VWUDWHJ\ achieve the highest possible price rather than an immediate sale. The Company managed to sell the first three properties in the 3Q08 and realise an EUR 1.2 million profit from the sale. Apart from redundant property, some property earmarked for divestments are existing branches. Here the company plans to lease or rent them back. AAA AUTO Group also closed down its new-car sales division at the end of 2008 to focus on its core and more profitable business of used-car sales. Both decisions should release tied up capital, lower the Company debt, and decrease interest expenses.

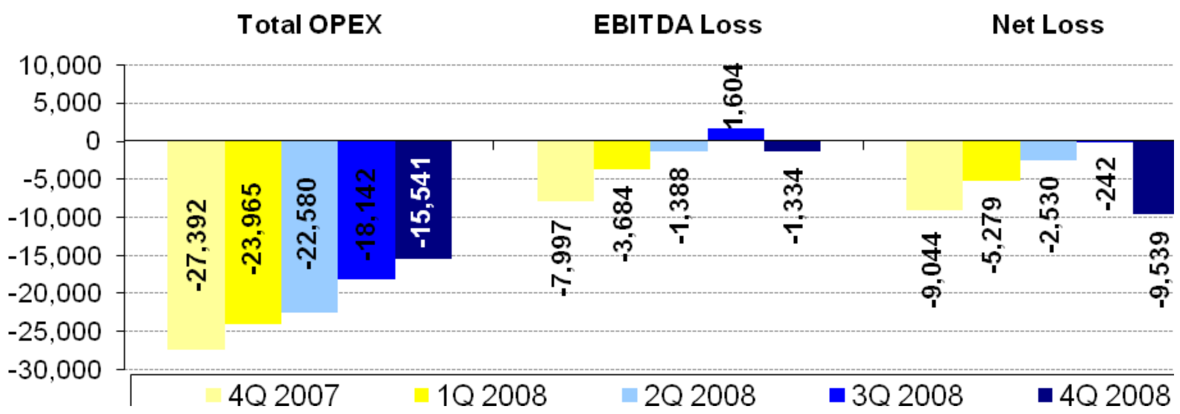
III. Accounting Charges for Discontinued Operations

Due to the decision to discontinue operations in Hungary, Poland and Romania the Company had to book a bulk of accounting charges for write-offs and fair-value adjustments of assets, in line with the IFRS requirements. Also the new-car division close down triggered similar write-off charges.

The total amount of the write-offs which were booked under EBITDA in 4Q08 amounted to EUR 10.4m. The main items in the write-offs were against the value of car stock in the foreign operations, the office, IT and operating equipment of the closed-down branches, and other write-offs associated with the closure of the discontinued operations, and finally, the fair-value adjustment of the BV of property the Company holds in Hungary, Poland and the new-car division.

The amount of the operating loss (EBITDA) for 2008 adjusted for the impact of these write-offs was EUR 4.8m compared to the EBITDA profit of EUR 4.0m in 2007. The net loss for 2008 adjusted for the write-offs amounted to EUR 17.6m compared to the net loss of EUR 4.8m in 2007.

Operating Expenses, EBITDA Loss and Net Loss - Quarterly Development



Note: * EBITDA and Net Income in 3Q 08 includes the property sale of EUR 1.2m classified as Other Operating Income.
** For comparison purposes total OPEX, EBITDA loss and Net Loss in 4Q 2008 are net of write-offs of EUR 10.384 mil.
Source: Company data

Outlook

1Q 2009 Market Development

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

Monthly Sales in the Czech Republic and Slovakia in 1Q 2009

Source: Company data

Note that this version of the 2008 Annual Report contains only preliminary financial results as published by AAA AUTO Group on 26th March 2009. The final version of the 2008 Annual Report with audited financial results will be published by the end of May 2009.

Preliminary 2008 Unaudited Consolidated Financial Results of AAA AUTO Group N.V.

&RQVROLGDWHG ,QFRPH 6WDWH

		12 months ended 31 December	
	Notes	2008	2007
Revenue		**364 273**	**470 058**
Other income		4 204	3 255
Work performed by the entity and capitalised		0	9 231
Cost of goods sold		(293 054)	(389 939)
Advertising expenses		(8 507)	(10 522)
Employee benefit expenses		(44 133)	(51 080)
Depreciation and amortisation expense		(5 261)	(3 886)
Other expenses		(37 972)	(27 028)
Finance cost		(6 668)	(4 711)
Profit/(loss) before tax		**(27 118)**	**(4 622)**
Income tax expense		(857)	(161)
Net Profit/(loss)		**(27 975)**	**(4 783)**
Attributable to:			
Equity holders of the parent		(27 975)	(4 779)
Minority interest		0	(4)
Earnings per share			
Basic/Diluted (EUR/share)		(0,514)	0,088

Consolidated Statement of Chan J H V L Q (T X L W \

	Share capital	Share premium	Equity reserve	Foreign curreny translation reserve	Retained earnings	Equity atributable to holders of the parent	Minority interest	Total equity
Balance at 1.1.2007	**5 000**	**0**	**291**	**1 551**	**10 704**	**17 546**	**4**	**17 550**
Foreign currency translation differences	-	-	-	(370)	-	(370)	-	(370)
Net income (expense) recognized directly in equity	-	-	-	(370)	-	(370)	-	(370)
Profit for the period	-	-	-	-	2 948	2 948	(2)	2 946
Total recognized income and expense	-	-	-	(370)	2 948	2 578	(2)	2 576
Dividends to equity holders	-	-	-	-	(7 859)	(7 859)		(7 859)
Balance at 30.6.2007	**5 000**	**0**	**291**	**1 181**	**5 793**	**12 265**	**2**	**12 267**
Balance at 1.1.2008	**6 776**	**31 409**	**124**	**1 818**	**(1 934)**	**38 192**	**0**	**38 193**
Foreign currency translation differences	-	-	0	0	-	0	-	0
Net income recognized directly in equity	-	2 331	0	(4 500)	-	(2 169)	-	(2 169)
Profit for the year	-	-	(3)	-	(27 832)	(27 835)	-	(27 835)
Total recognized income and expense	0	-	-	0	0	0	-	0
Issue of new ordinary shares						0		0
Acquisition of subsidiaries from related parties						0		0
Sale of subsidiary						0		0
Dividends to equity holders						0		0
Balance at 31.12.2008	**6 776**	**33 740**	**121**	**(2 682)**	**(29 766)**	**8 189**	**0**	**8 189**