AAA AUTO

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

**Prague / Budapest 26th March 2009 – According to the preliminary 2008 financial results, AAA AUTO Group N.V. reported a total turnover of EUR 364.3 mil. on the back of 60,557 cars sold in five countries of the Czech Republic, Slovakia, Hungary, Poland[1] and Romania. Due to the difficult economic situation and the relative underperformance in the Group, the company decided to temporarily retreat from Hungary as at end-March 2009. As a result, the company had to book a bulk of accounting charges which substantially influenced the Group's financial results in the 4Q08 but had zero cash-flow impact. The operating loss (EBITDA) for the full year 2008 amounted to EUR 15.2m of which EUR 10.4m were write-offs for discontinued operations, while the net loss came at EUR 28.0m of which EUR 12.3m were write-offs and other accounting charges.**

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

Due to the worsening economic situation in Hungary and the currently very low demand in the used-car sector, the Board of Directors of AAA AUTO Group N.V. approved at its meeting yesterday the management's recommendation to temporarily close down operations in Hungary. The company does not intend to delist its shares from the Budapest Stock Exchange and plans to come back to the Hungarian market in 2 to 3 years time when the economic situation recovers.

A month ago the company signed a contract with a local partner SIXT New Kopel about a joint venture in Romania. AAA AUTO Group will hold 5% in the Romanian company with an option to increase its stake up to 49%. The company withdrew from Poland already at the end of June 2008. Thus, the company opted for a strategy to focus during the times of the economic crisis only on its core markets where it controls the strongest position and whose local economies have been outperforming the CE region. The company intends to return and tap the potential of foreign markets as soon as the local market situation improves.

### Preliminary unaudited consolidated financial results for the full year 2008

- Total revenues of EUR 364.3m (-22.5% year-on-year)
- Despite the challenging market conditions profit margins grew steadily throughout 2008 (to 19.6% from 17.0% in 2007) including the 4Q08 (up by 3.6%)
- Leasing/credit penetration somewhat eroded in 4Q08 (by 4%) in line with expectations, however for the whole year 2008 increased to a very strong level of 53% from 48% in 2007
- Contribution of the highly profitable financial services and up-sale products grew to a combined 59.5% of the Group's gross profit in 2008 from 55.8% in 2007
- Gross profit on sales of EUR 71.2m (-11.1% yoy)

[1] AAA AUTO Group closed down its division in Poland as at the end of June 2008

- Total operating expenses (OPEX) of EUR 80.2m[2] maintained flat (+2% yoy) despite the significantly higher average number of employees and branches in 2008 compared to 2007

- EBITDA loss reached EUR 15.2m, while EBITDA adjusted for write-offs amounted to a loss of EUR 4.8m, compared to an EBITDA profit of EUR 4.0m in 2007

- Net loss of EUR 28.0m, when adjusted for write-offs and other charges amounted to EUR 15.6m compared to a net loss of EUR 4.8m in 2007

The main factors that influenced the financial results of AAA AUTO Group in 2008 were the core-business performance, cost-cutting program and accounting charges for discontinued operations.

**Core-business performance**

The year 2008 proved to be one of the most challenging years in the retail automotive history. The world economic crises resulted in extremely cautious consumer sentiment and increasing price pressure from new-car dealers in the attempt to attain the diminishing demand on the market, impacts which culminated at the turn of 2008 and 2009.

In reaction AAA AUTO Group employed in 2008 the following strategy:

- ✓ Focus on car stock – the company holds only the best-selling car models, has reduced stock and increased turnover – this proved to be an efficient strategy in times of low demand and decreasing market prices. In many cases the competition failed to follow suit in time.

- ✓ Focus on high profit margin financial services and up-sale products – the company strong foothold in the used-car credit market in the CR and Slovakia proves to be its competitive advantage

- ✓ Focus on costs & efficiency – the company have changed its business model – more efficient branches, more efficient processes; has implemented a strict cost control system and has been downsized at all levels.

AAA AUTO Group reported total revenues of EUR 364.3 mil. on 60,557 cars sold in 2008 compared to EUR 470.1 mil. on 79,871 cars sold in 2007. There was a shift in demand to cheaper cars which, coupled with lower prices on the used-car market and the company's decision to close down a number of unprofitable branches, resulted in a drop in the Group's car sales especially in the 4Q08. The total car sales in 2008 amounted to EUR 318.4m compared to EUR 422.7m in 2007 (-25% yoy).

On the other hand, the gross profit margin from cars (metal margin) grew significantly in 4Q08 (to 16.4%) as the demand shifted to cheaper cars which yield higher profit margins. For the full year 2008 the metal margin grew to 9.1% from 8.4% in 2007.

On the contrary, the sale of financial services and up-sale products which were the profitability drivers throughout the year were depressed in the last quarter by the consumer shift to cheaper cars, increasingly cautious approach of consumers to take credit and banks' tightening of retail credit scoring. As a result, the financial penetration (number of cars sold on credit or leasing) was somewhat eroded in 4Q08 (by 4%) in line with expectations. However, the Group's financial penetration increased to a very strong level of 53% in 2008 up from 48% in 2007. The total revenues from financial services amounted to EUR 37.5m in 2008, down by 9% yoy which implies a strong outperformance compared to revenues from cars which decreased by 25% yoy. AAA AUTO's strong foothold in the used-car credit market in the CR and Slovakia remains one of the company's strongest competitive advantages.

Also the strong performance of up-sale products visible throughout the year was weakened in the last quarter on the back of lower unit sales, lower sales of financial services - which up-sale products are

---

[2] The amount of OPEX is net of write-offs of EUR 10.38 million for discontinued operations booked in 4Q 2008

more easily bundled with than with a cash sale - and finally, the fact that cheaper cars yield normally less sophisticated and thus less expensive up-sale products. However, the sale of up-sale products has been the company's strategic focus and despite the decreasing overall car sales the company has managed to increase the amount of up-sale products per car sold by 85% to EUR 139 in 2008 from EUR 75 in 2007. This was mainly thanks to the introduction of attractive full-scale portfolio of products and the offer of discounted product packages. The total revenues from up-sale products grew 40% yoy to EUR 8.4m in 2008 from EUR 6.0m in 2007.

As a result, the Group's total gross profit margin on sales grew to a strong 19.6% in 2008 from 17.0% in 2007, while the absolute amount of gross profit on sales reached the amount of EUR 71.2m, down 11% compared to 2007.

**Cost-cutting program**

In 2008 AAA AUTO Group undergone a substantial restructuring program with the aim to bring the company back to profit in 2009. As the world financial crisis affected the used-car retail market as one of the first sectors - the first impact was seen already in 4Q07 when AAA AUTO's expansionary policy 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. The number of employees of AAA AUTO Group has been lowered to 1,440[3] by end 2008 from 3,834 employees at end 2007 when the company was realizing a 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 expenses of the Group.

The car stock has been lowered during the year by 44% yoy to 5,024 cars from 9,049 cars at end 2007, while the company's key strategy was to focus only on the 15 top best-selling car models. 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 personal costs were reduced by 27% yoy (on a quarterly basis 4Q08 vs. 4Q07), marketing costs by 36% and other OPEX by 68% translating into a reduction of total operating expenses by 43% yoy. (The costs are net of the write-offs booked in 4Q08.)

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 end 2007. After the company's decision to retreat from its foreign markets, the Group will have 30 branches in the Czech Republic (20) and Slovakia (10) as at the end of March 2009.

**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 sales division was closed down at the end of 2008 so that the company can focus on its core business of used cars sales, which 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 of 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 and Poland. The amount of the operating profit (EBITDA) for 2008 adjusted for the impact of these accounting charges was EUR 4.8m compared to a EBITDA profit of EUR 4.0m in 2007.

At the level of financial income and taxes there were other accounting charges at the value of EUR 2 mil. All of the above mentioned write-offs and the other accounting charges booked in the 4Q08 had

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

zero cash-flow impact. The Net Income for the full year 2008 adjusted for these charges amounted to EUR 15.6 mil. compared to a net loss of EUR 4.8 mil. in 2007.

**Outlook 2009**

While the whole of 2008 the markets showed a persistently declining trend, AAA AUTO has been experiencing a revival in sales in the 1Q 2009. As Anthony James Denny, CEO of AAA AUTO Group, commented: *"This is 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.

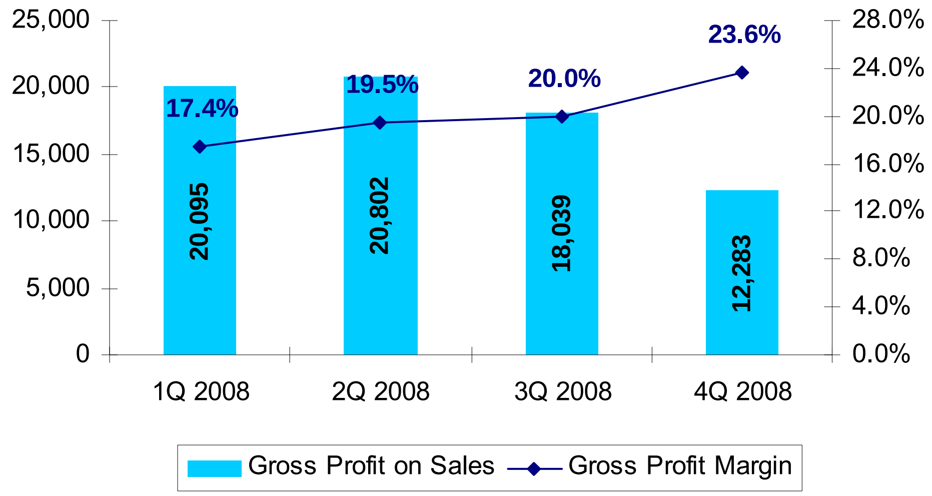
In the first quarter 2009 among the main factors that helped to revive demand have been: slowly increasing prices of new cars, prices of used cars fell to record low levels, people finally realizing car purchases which they have been postponing and the establishment of the emission tax in the CR. Despite the current seasonal revival the company maintains its cautious outlook for the market development in 2009 and expects even more challenging year than in 2008.

**Guidance**

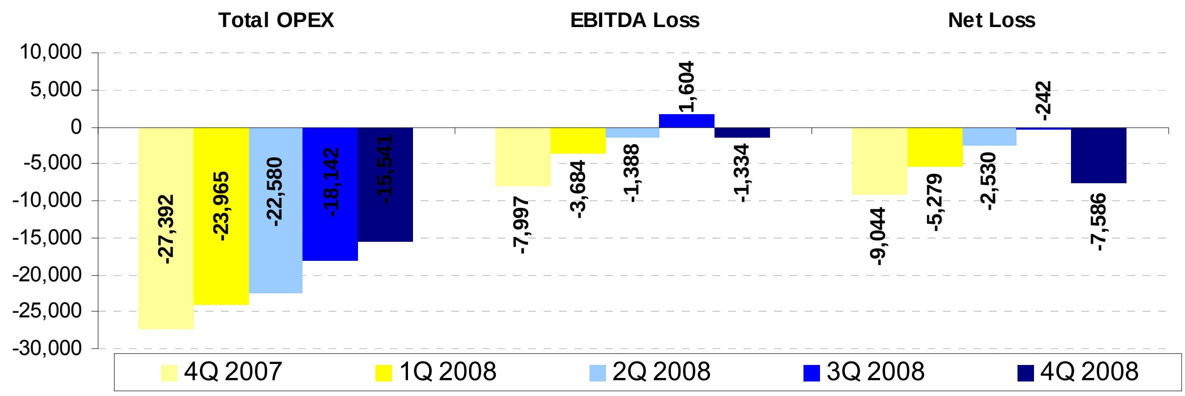
One of the primary aims of the strict cost-cutting and efficiency program was to lower the break-even point of the Group to the level where the company can be profitable even during an economic downturn. Anthony James Denny commented: *„It will be easier for us to return to profit when operating only on our main markets of the Czech Republic and Slovakia which have also been the most profitable ones. Moreover, after the elimination of the losses incured from foreign operations, the break-even point of the Group has been lowered significantly. We reiterate our guidance that we want to achieve profit on the Net Income level in 2009, while our target is to break even in the second quarter of the year provided that there are no further extraordinary influences in the market.*" And added: *„These targets are based on the core business performance net of the income from potential property sales in 2009."*

## ***Graphs:***

### I. Quarterly Development of Gross Profit on Sales and Gross Profit Margin



## Quarterly decrease of OPEX, EBITDA Loss and Net Loss



Contacts:

Vladan Crha
Group Communications Director
AAA AUTO ● Dopraváků 723 ● 184 00 Prague 8 ● Czech Republic
Tel.:+420 283 068 227
Email:vladan.crha@aaaauto.cz

Lucie Tůmová
IR Manager
AAA AUTO ● Dopraváků 723 ● 184 00 Prague 8 ● Czech Republic
Tel.: + 420 283 068 238
Email: lucie.tumova@aaaauto.cz

The AAA AUTO group has been in operation for 16 years and gradually expanded from the Czech Republic to other countries. At present, it operates a network of 31 branches in three countries: the Czech Republic, Slovakia and Hungary. According to preliminary sales results the AAA AUTO group sold 60 557 vehicles in 2008. In September 2007, the Netherlands-based parent company AAA Auto Group N.V. entered the stock exchanges in Prague and Budapest. According to studies performed by Ernst & Young, the AAA AUTO Group placed in 2007 among the top ten largest vehicle distributors in Europe last year.

***Appendix:***

## Financial Report for the 12 Months Ended 31st December 2008

Prepared in accordance with International Financial Reporting Standards
Unaudited

The financial report was drawn up according to the same accounting principles and calculation methods as the previous financial statement, for the period that ended on 30th September 2008.

**Consolidated Income Statement (´000 €)**

| | | 12 months ended 31 December 2008 | |
|---|---|---|---|
| | **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 Balance Sheet (´000 €)

| ASSETS | Notes | 31.12.2007 | 31.12.2008 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill and other intangible assets | | 1 748 | 743 |
| Property, plant and equipment | | 61 547 | 45 373 |
| Investment property | | 2 930 | 0 |
| Other financial assets | | 428 | 0 |
| Available for sale financial assets | | 55 | 1 |
| Long term receivables | | 373 | 170 |
| Deferred tax assets | | 707 | 7 |
| Total non-current assets | | 67 360 | 46 294 |
| **Current assets** | | | |
| Inventories | | 57 452 | 24 178 |
| Trade and other receivables | | 22 034 | 21 653 |
| Current tax asset | | 1 486 | 698 |
| Other financial assets | | 483 | 720 |
| Cash and cash equivalents | | 5 791 | 3 334 |
| Non-current assets classified as held for sale | | 369 | 0 |
| Total current assets | | 87 614 | 50 583 |
| **TOTAL ASSETS** | | **154 974** | **96 877** |

| EQUITY AND LIABILITIES | Notes | 31.12.2007 | 31.12.2008 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | | 38 185 | 40 516 |
| Reserves | | 1 941 | -2 561 |
| Retained earnings | | -1 933 | -29 766 |
| **Equity attributable to equity holders of the parent** | | **38 193** | **8 189** |
| Minority interest | | 0 | 0 |
| **Total equity** | | **38 193** | **8 189** |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | 40 211 | 30 662 |
| Deferred tax liabilities | | 662 | 219 |
| Obligation under finance lease | | 2 675 | 1 757 |
| Total non-current liabilities | | 43 548 | 32 638 |
| **Current liabilities** | | | |
| Trade and other payables | | 23 361 | 12 952 |
| Current tax liabilities | | 305 | 80 |
| Bank overdrafts and borrowings | | 43 356 | 35 551 |
| Provisions | | 976 | 1 967 |
| Obligation under finance lease | | 3 975 | 2 704 |
| Other liabilities | | 1 260 | 2 796 |
| Total current liabilities | | 73 233 | 56 050 |
| **Total liabilities** | | **116 781** | **88 687** |
| **TOTAL EQUITY AND LIABILITIES** | | **154 974** | **96 876** |

## Consolidated Cash Flow Statement (`000 €)

| | Notes | 12 months ended 30 December 2008 | 2007 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | | (27 975) | (4 783) |
| Adjustments for: | | | |
| Income tax expense | | 857 | 161 |
| Depreciation and amortisation expense | | 5 261 | 3 886 |
| Provisions | | 6 295 | 1 432 |
| (Gain)/loss on disposal of property, plant and equipment | | 189 | (276) |
| Interest income/expense | | 5 610 | 4213 |
| Foreign exchange (gain)/loss | | 764 | 93 |
| Negative goodwill/ Fair value revaluation | | 0 | (1 877) |
| Decrease/(increase) in inventories | | 33 273 | (13 914) |
| Decrease/(Increase) in receivables and other assets | | 347 | (9 103) |
| Increase/(decrease) in payables and other liabilities | | (8 797) | 9 594 |
| Interest paid/received | | (1 957) | (2 945) |
| Income tax paid | | (2 061) | (3 736) |
| Net cash provided by operating activities | | 11 806 | (17 256) |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | | 0 | (1 794) |
| Payments for property, plant and equipment | | 11 497 | (27 670) |
| Proceeds from disposals of property, plant and equipment | | 7 026 | 2 990 |
| Net cash used in investing activities | | 18 523 | (26 474) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 0 | 33 185 |
| Proceeds from third party borrowings | | 15 065 | 34 875 |
| Repayment of third party borrowings | | (38 528) | (19 700) |
| Payment of finance lease liabilities | | (8 725) | (1 652) |
| Dividens paid to shareholders | | 0 | 0 |
| Net cash from financing activities | | (32 188) | 46 708 |
| **Net increase (decrease) in cash and cash equivalents** | | (1 858) | 2 979 |
| **Cash and cash equivalents at the BOP** | | 5 791 | 3 136 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | (598) | (324) |
| **Cash and cash equivalents at the EOP** | | 3 334 | 5 791 |

## Consolidated Statement of Changes in Equity (`000 €)

| | 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** |