



**A N N U A L   R E P O R T   2 0 0 4**



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#### **Annual report 2004**

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## The company

### Profile

Spyker Cars N.V. is a public limited liability company (here after “the Company”) incorporated under the laws of the Netherlands with its statutory seat in Zeewolde, the Netherlands. The Company is listed at the Euronext Amsterdam stock exchange since 27 May 2004.

Under the Spyker brand the Company designs, engineers, manufactures, markets and distributes high-end sports cars and markets personal luxury items supporting the overall brand image. The Company’s distribution network includes dedicated Spyker dealerships in its selected markets.

Spyker Cars N.V. is the holding company of a group of companies, consisting of two wholly owned subsidiaries in the Netherlands (Spyker Automobielen B.V. and Spyker Squadron B.V.), one in the United States of America (Spyker of North America LLC), one in the United Kingdom (Spyker Cars UK Ltd.) and has a 51% interest in Spyker of China Ltd., established in the Peoples Republic of China. The shares in all subsidiaries and 51% of the shares in Spyker of China Ltd. are directly held by Spyker Cars N.V.

### Mission statement

The management board’s mission, incorporating its ambition and aim for success, is to become a leading and durably successful European sports car manufacturer with a strong brand in the high-end sports car market.

### Products

Spyker Cars manufactures high-end sports cars. Within this product line, Spyker Cars has introduced four models. The Spyker C8 Spyder introduced in October 2000, also appears in a wide body version, the Spyker C8 Spyder T and a race version, the C8 Spyder GT2R. The Spyker C8 Lavolette, Spyker’s second model, was presented in February 2001. Seven months later; in September 2001, the Spyker C8 Double12 was introduced. The latter model, which has a longer wheel base, appears in a racing version, the Spyker C8 Double12 R, and in standard road design, the Spyker C8 Double12 S. These three models are all equipped with an Audi 4.2 litre all-aluminium V8 engine.

Recently, in March 2005, Spyker Cars presented the Spyker C12 LaTurbie in Geneva. It will be the first Spyker powered by the 6.0 litre W12 Audi engine. It is a long wheel base model and has a 10 cm wider body as well. Each Spyker car is built with a stiff space frame manufactured from aluminium sheet and extrusions, clad in hand crafted aluminium body panels. One of the distinctive styling features are the electrically operating tilting doors with a very strong and lightweight single-point aluminium hinge. The front and rear body sections are also fully opening and reveal the adjustable stainless steel independent front and rear suspension. The lack of a header rail creates an unobstructed view providing an ‘open air’ feeling. Customers may have their Spyker car built as per their wishes with respect to a number of features. Design details such as the handmade aluminium side mirrors as well as the Magnesium 19” Spyker Aeroblade™ wheels with central locking are further distinctive features of a Spyker car.

### History

In 1898, Jacobus and Hendrik-Jan Spijker, coach builders in Amsterdam, pioneered their first Benz-engined motorcar and won immediate acclaim for the craftsmanship of the bodywork of the motorcar. The construction of the Golden State Coach in 1898, which was commissioned to commemorate the forthcoming coronation of the Dutch Queen Wilhelmina, and is still in use today, marked the pinnacle of their coach building activities and progression to car manufacturing. Subsequently, the brothers registered their business under the name Spyker, written with a “Y” for easier recognition in foreign markets.

The building of the 1903 60 HP grand prix racer was an important milestone, featuring the world’s first six cylinder engine as well as permanent four-wheel drive. Other Spyker models followed with their characteristic circular radiators and they enjoyed particular success in Britain and the Dutch East Indies. A second place in the 1907 Peking-Paris race put Spyker on the international racing map at the time. After a temporary emphasis on aircraft construction in the period 1914-1918, during which the Company constructed 100 fighter aircraft and 200 aero-engines, car production resumed in 1919 with luxury models that were highly individualistic in terms of character and quality, and were supplied to royalty around the globe.

By this time the slogan “Nulla tenaci in via est via” (For the tenacious no road is impassable) was introduced on the radiator badges of Spyker automobiles. The Maybach-engined C4 models enjoyed recognition as “the Rolls Royce of the continent”, but also proved their sporty character by setting the Brooklands Double-Twelve speed record in 1922, clocking an average speed of 119 km per hour in the hands of renowned racer S.F. Edge. The last of the original Spyker cars were built in 1925.

Many aviation and racing styling elements from the original Spyker brand in the period 1898-1925, have been incorporated in the present Spyker sports cars. The automobiles are handcrafted in the same tradition as the original Spyker cars by industry craftsmen using top quality materials only.

After the founders started Spyker’s car manufacturing activities in 2000, the first Spyker C8 Spyder with chassis number 001 was built in less than seven months.



## Key figures

	2004	2003	2002
	€ ('000)	€ ('000)	€ ('000)
<b>Results</b>			
Total revenues	4,203	2,895	1,188
Net sales	3,697	910	215
Cost of materials and other external costs	3,042	2,723	880
Selling, general and administrative expenses	6,073	4,388	1,546
Operating result	-4,912	-4,216	-1,238
Result before taxes	-5,730	-5,143	-1,713
Net result	-4,986	-4,808	-1,122
<b>Balance sheet data</b>			
Fixed assets	21,403	14,838	9,973
Group equity	16,342	-4,339	-1,294
Balance sheet total	29,819	17,559	11,500
<b>Average number of employees (in FTE)</b>			
	60	34	10
<b>Cash flow from operating activities</b>			
	-6,138	-3,965	-1,868
<b>Shares of Spyker Cars N.V.</b>			
Weighted average number of shares	1,735,871	671,140	467,814
Equity per share	€ 9.41	€ -6.47	€ -2.77
Net result per share	€ -2.87	€ -7.16	€ -2.40
Cash flow from operating activities	€ -3.54	€ -5.91	€ -3.59
Outstanding shares as at 31 December with a par value of € 0.04	2,491,303	708,400	506,000

# Report of the supervisory board

## To the shareholders of Spyker Cars NV

The 2004 annual report includes:

- The financial statements, which have been audited by Deloitte Accountants B.V. and provided with an unqualified opinion, to which an emphasis of matter paragraph is added, as described on page 37
- The management board's report

We concur with the report and propose:

- To accordingly approve the 2004 financial statements
- To deduct the net result over 2004 from the other reserves
- Not to pay any dividend

## Supervision

Spyker Cars's initial public offering ("IPO") took place on 27 May 2004. On that same day, the Company was converted into a public limited liability company and the supervisory board was set up. The board has drawn up a profile commensurate with its size and structure. At least one member has to be a financial expert. Preferably, one member should possess know how on production and/or assembly processes and one member should have knowledge about marketing. Hence, Spyker Cars' supervisory board consists of three members. Mr Lindenbergh represents the financial expertise, Mr Liebrechts represents expertise on production and technology and Mr Hugenholtz has wide experience in marketing and in the world of endurance racing.

The supervisory board is of the opinion that each of its members is independent according to the definitions of the Netherlands Corporate Governance Code (the "Code").

In view of its size, the supervisory board has decided not to appoint separate audit, remuneration or nomination committees.

The supervisory board members step down periodically in accordance with a rotation plan drawn up by the board. Each supervisory board member thus stepping down is eligible for reappointment. The remuneration of each member of the supervisory board was determined by the general meeting in 2004.

Spyker Cars' articles of association do not prescribe compulsory retirement of supervisory board members due to their age or the duration of their membership. Nevertheless, the board has adopted recommendation III.3.5 of the Code, which recommends limiting

supervisory board membership to three times four years.

Since its establishment the board was regularly informed about the developments in the Company. The supervisory board met three times in 2004 and all the board members attended these meetings. In these meetings, the operational and financial targets of the Company were discussed as well as the strategy to be adopted to realise these targets. Thus, the board investigated the Company's production forecasts and realisation, the instruments for cost reduction, the budget and the financing of the budget, the strategy regarding the sales areas, the progress regarding the US certification targets and the interim report for 2004.

In October 2004, the board approved of the issue of 100,000 ordinary shares, with a par value of € 0.04 per share, at an issue price of € 13.00 per share.

The first annual meeting without the management board, to evaluate the functioning of the management board and that of the supervisory board, is scheduled for June 2005, one year after Spyker Cars' IPO.

In three instances, a Spyker car was sold to a member of the supervisory board respectively the management board. These sales took place in the ordinary course of business.

The supervisory board has prepared a remuneration report which is included in the management board's report under the heading "Remuneration". The Company's remuneration policy will be submitted to the annual general meeting of shareholders for approval.

Deloitte Accountants B.V. has attended part of the March 2005 supervisory board meeting in which the annual report was discussed.

The supervisory board is of the opinion that Spyker Cars has adequately implemented the recommendations of the Code. A detailed report on corporate governance is included in a separate segment.

Furthermore, the board would like to express its confidence in the Company's strategy and its near term plans.

Finally the supervisory board would like to thank all employees of Spyker Cars for their commitment and energy.

Zeewolde, 23 March 2005

J.H.M. Lindenbergh, chairman

J.B.Th. Hugenholtz

F.J.M. Liebrechts

# Management board's report

## Highlights

- **Successful IPO on the Euronext Amsterdam Stockmarket**
- **Car production in 2004 reached 31 cars**
- **Order backlog increased to 99 cars**
- **Distribution network expanded with new dealers in key markets USA, Asia and Europe**
- **Cost price reduction programme on track**
- **Workforce increased from 40 to 63 FTE's at the end of the year**
- **US certification programme for short wheel base models finalized in the 1st quarter of 2005**

## Strategy

The management board believes that it can create growth by properly managing the current business and developing Spyker as an important brand in the high-end sports car industry. The management board also believes that proper management of a sports car brand entails among other things assuring a distinct product of outstanding quality, strictly controlled distribution, continuous innovation and consistent investment in marketing and communication.

Accordingly, Spyker Cars' strategy is focussed on the following objectives:

- to position the Spyker brand as a premium brand for exclusive and handbuilt sports cars and related products in the high-end sports car market with a high-end distribution network to match;
- to create a distinctive, custom-made, high-end product incorporating aviation and racing styling elements derived from the original Spyker brand in the period 1898-1925 in the form of a high-tech package with state-of-the-art underpinnings, and
- to prove reliability and quality, and to create credibility and brand recognition, by engaging in active racing in the international endurance race arena.

## Technology Partnerships

Spyker Cars has arrangements with several suppliers for parts and technology. These suppliers include Volkswagen Group/Audi Group for the supply of the driveline, Coventry Prototype Panels Ltd for the supply of bodies in white and chassis, Cosworth Technologies Ltd for the development of the motor management system and Philips for the supply of automotive lighting.

## Marketing and branding

Spyker cars are marketed via face-to-face presentations at high profile (lifestyle) events emphasising the aviation heritage and racing history of the original Spyker brand from the period 1898-1925. Promotional presentations included:

- Participation in selected car shows, such as the Los Angeles Motor Show, Amsterdam Motor Show (RAI), Salon d'Automobiles in Geneva, Auto China in Beijing and motor shows in New York, Mexico City and elsewhere;
- Renowned car events such as the Concours d'Elegance of Pebble Beach, Villa d'Este and other high-end concourses;
- F1 Grand Prix of Monaco. Spyker entered into an exclusive arrangement in the sports car segment with the Automobile Club de Monaco to drive on the F1 track during the race days in between practices and races;
- Participate in endurance racing at Sebring and Le Mans with hospitality for (potential) customers and sponsors that proved to be very effective in 2002 and 2003. Spyker is back at Sebring and Le Mans in 2005 with its brand new Spyker C8 Spyder GT2R. Participations are to be continued in selected events in the future.

### **Distribution and services**

Spyker Cars distributes cars directly from the factory, through dedicated Spyker dealers and through a limited number of high-end dealers in designated markets. The dealers are usually multi-brand distributors with a customer base similar to or overlapping the Spyker target client group, e.g. Rolls Royce, Bentley, Ferrari, Lamborghini and Aston Martin dealers. Delivery at the factory, even for U.S. clients, is appreciated by customers as it underpins the heritage of the car and adds to the total "Spyker experience" the customer is looking for.

Spyker Cars' sales and distribution focused in 2004 on the following countries and geographic areas: United States of America, China, Russia, Switzerland, Monaco, Benelux, United Kingdom, and the Middle East. In 2004 new dealers have been appointed in Moscow, Monaco, Sherman Oaks (California) and Lausanne (Switzerland). Spyker of Harrogate in the UK was officially opened in November 2004.

### **Product development**

Product development is an ongoing objective of Spyker Cars. The general trend in the industry is that a model continues to remain in production for a minimum of 7 years. As a consequence it is expected that the Spyker C8 Spyder (T) will continually be upgraded and will not be replaced by a new product before September 2008, to be followed by a successor to the C8 Laviolette, the closed-top version of the Spyker C8 Spyder in September 2009. The Spyker C8 Double12 is expected to remain in production until September 2009 as well.

At the Geneva Motorshow in March 2005, Spyker Cars introduced its new flagship, the Spyker C12 LaTurbie. This is the first Spyker to run the 6.0 litre Audi W12 aluminum engine. The C12 LaTurbie will go in production in 2006 and may last well into the next decade.

### **Accessories and merchandise**

In 2003 Spyker Cars started to sell accessories and merchandise. Spyker launched several accessories lines on sale through its virtual internet web-shop, including miniature cars.

In 2002, Spyker Cars entered into a license agreement with Sony Computer Entertainment, Inc. (Sony) for the use of a Spyker C8 Laviolette in their Gran Turismo 2 game for the Play Station II platform. In 2004, Spyker Cars granted new licenses for the use of a Spyker car model in a play game to Oxygen Interactive software Ltd., Sony and Microsoft Corporation, USA.

At the Salon d'Automobile in Geneva in March 2003, Spyker Cars released a prototype of a Spyker watch made by Chronoswiss Uhren GmbH which became available to the general public in December 2004 and is sold very successfully.

In general, the merchandise and accessories market segment remains an opportunity for the Company and Spyker Cars intends to develop this business through extending further licenses.

### **Production**

In 2004, Spyker Cars took 38 cars into production, of which 31 were completed before the year end. Of these cars, 15 were delivered to clients. Of the remaining cars, 11 were delivered in Q1 2005, of which 8 were USA specification cars. Those were delivered following the obtaining of USA certification and were as a consequence not included in 2004 net sales. Two cars will be used as test vehicles and crash cars, while 3 cars will be employed as prototypes and demonstrators. Another 2 cars, which were built in 2003, were delivered in 2004. One of these cars was used as a test vehicle, the other as a race car.

An overview of the initial purpose of each car produced between 2002 and 2004 is included in the following table:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
External sales	15	3	2
Company purpose			
Demonstrator models	3	2	0
Development cars (certification U.S.)	2	6	1
Stock	11	1	0
Total	<u>31</u>	<u>12</u>	<u>3</u>

The Company managed to increase sales, strengthen marketing and expand network of dealers considerably. Order backlog, as per the IPO date, 27 May 2004, amounted to 57 cars. Effective 31 December 2004 backlog had increased to 99 cars.

Spyker Cars' investment policy is primarily focussed on continuing the increase in production of existing and new Spyker models and modifying them to various international standards and further technological improvements.

Further extension of the Company's production capacity and the development of new models are important investments in the future.

## **Human resources**

During 2004 Spyker Cars employed an average of 60 full time equivalent (fte's) employees (2003:34). At the end of the financial year the number of fulltime employees amounted to 63 fte's (2003:40). This sharp increase is mainly attributable to growth in car sales and production. The Company expects a moderate increase of its personnel for 2005.

## **Pension schemes**

According to the collective labour agreement for the metal industry sector, pension schemes ("Pensioenfond Metaal en Techniek") have been set up for those employees who are employed by Spyker Automobielen B.V. In the last quarter of 2004, after Spyker Squadron B.V. was also placed under this collective labour agreement, pension schemes were set up for the personnel of Spyker Squadron B.V. Both pension schemes are set up by the principle of defined contribution and are externally insured at "MN Services".

Spyker Cars N.V. also intends to set up a pension scheme for its employees in the near future.

## **Remuneration**

### *Remuneration of the management and supervisory board*

All members of the management board are statutory directors of Spyker Cars. However, they work for Spyker Cars under management contracts concluded between the Company and their management companies. Their management contracts are similar in all material respects.

The management contracts provide for a base remuneration of € 150,000 a year. Each management contract has been entered into for an indefinite period of time; two can be terminated with a prior notice period of two months and the third with a prior notice period of one month. No severance payments have been agreed with the members of the management board.

On 24 May 2004, Spyker Car's general meeting of shareholders approved to grant Mr. Jaharia's management company, as of the first listing date of 27 May 2004, unconditional option rights to acquire a number of shares, representing 2.5 per cent of the outstanding shares as per the first listing date. The exercise price for these options is the same as the issue price of € 15.50. These options can be exercised for a period of five years.

No pension schemes have been set up for the members of the management board.

The supervisory board was established on 27 May 2004.

According to a resolution of the general meeting of shareholders, the chairman is entitled to a remuneration of € 20,000 per year and each of the members to a remuneration of € 15,000 per year.

No other compensations, bonuses or options have been agreed upon with the members of the supervisory board.

### *Remuneration policy*

According to the supervisory board's report, which is posted on the Company's website, the remuneration includes a fixed and a variable part. The variable part is linked to previously determined, measurable and influenceable targets, and is, among other things, dependant on the Company's results and performance. The maximum variable part consists solely of conditional option rights, see "employee share option plan" below, and become unconditional only when the management board members have fulfilled predefined performance criteria.

The importance of the variable remuneration component is to strengthen the board members' commitment to the Company and its objectives.

The fixed part consists solely of a base remuneration in the form of a management fee. No other fixed compensations or pension schemes have been granted. The present management contracts were already in force when Spyker Cars obtained its listing at the stock exchange. Spyker Cars intends to submit the appointment of any new management board members to the general meeting, each time proposing a maximum term of employment of four years. No severance payments have currently been agreed on.

The shares in Spyker Cars held by the members of the supervisory board and the management board, qualify as long-term investments.

### *Employee Share Option Plan*

By resolutions of 25 March 2004 and 24 May 2004, the Company's general meeting of shareholders adopted an employee share option plan (ESOP). Under the ESOP, a number of option rights to acquire newly issued shares will be granted to the members of the management board and a number of (key) employees. For five consecutive years, each year the maximum aggregate amount of new ordinary shares, that may be issued upon exercise of all vested option rights under the ESOP, is 2% of the outstanding ordinary shares as at 27 May 2004 (2% of 2,391,302 shares). According to the ESOP, the exercise price for options granted at IPO is the issue price of € 15.50. The exercise price for options granted thereafter is 100% of the economic value of the Spyker shares per the date the options are granted. The option rights are granted for five years and each year 20% thereof will vest if the performance criteria for that year are met. These performance criteria are determined each year by the supervisory board before 1 March of that year.

In the light of the business developments in 2004, the supervisory board decided to start granting conditional option rights from 2005 onwards. The performance criteria for 2005 have been determined by the supervisory board and stipulate two requirements. Firstly, Spyker Cars has to meet the US homologation requirements before the end of 2005, since the US is the most important sales market for Spyker Cars. Secondly, the Company has to meet its annual budget, approved by the supervisory board.

### **Financial Position**

The first half of 2004 was dominated by Spyker Cars N.V.'s listing process at the Amsterdam Euronext Stock Exchange, which was successfully completed on 27 May, 2004. The Company's management was heavily involved in the listing process. The gross proceeds of the share issue amounted to € 12.8 million and were used for redemption of a bank loan from HBU (€ 6.3 million), payment of the listing costs, working capital requirements related to increased production and used for general purposes. Moreover € 13.2 million in shareholders loans was converted into stock and share premium as per the listing date increasing equity by an aggregate of € 26.0 million.

The prime objective of the listing was to create credibility for the Spyker brand in the markets Spyker Cars is already active in and in those Spyker wishes to open up. The positive impact of the listing on customers, dealers, partners and suppliers was instantaneous. The effects were felt particularly during Spyker Cars' first international appearance after the IPO: the Beijing Motor Show in China in June 2004. The IPO further allowed Spyker Cars to start a comprehensive cost price reduction program.

In 2004, the balance sheet total grew from € 17.6 million to € 29.8 million at year end. In October 2004, the financial position was strengthened through the issue of 100,000 new ordinary shares at € 13.00 per share placed with a private investor. In November 2004 all 588,000 shares held by Talpa Holding N.V. were acquired by the Dutch listed Company De Vries Robbé Groep N.V. This transaction did not affect the Company's financial position.

### **Financial results**

The Company's total revenues increased from € 2.9 million in 2003 to € 4.2 million in 2004. Operating expenses increased and costs of materials and other costs rose strongly as a result of the strong increase in production during 2004. The net result for the year 2004 was a loss of € 5.0 million.

In 2004, net financial expenses decreased to € 818,000 as result of the IPO. The shareholders' loans were converted into shareholders' equity as at the IPO date, which led to lower net financial expenses.

### **Risk factors**

At the time of the IPO, the Company made an in-depth analysis of its risk factors. The risk factors were elaborated in the Company's prospectus. Spyker Cars has developed a risk management and control system, which addresses the aspects of finance, operations and safety. The management board has reported to the supervisory board about the implementation of this system. Further improvement of the risk management system is envisaged for 2005.

## Recent Events

The following material post balance sheet events have occurred since year-end 2004.

### Environmental Protection Agency (EPA)

On 2 March 2005 Spyker Cars announced that, after a challenging period of thorough and intense preparations, it obtained the highly desired approval for its C8 short wheel base models (Spyder, Laviolette and Wide Body) by the EPA in the United States of America. Spyker Cars is currently awaiting the final approval by the National Highway Traffic Safety Administrator (NHTSA) of two waiver applications, upon receipt of which the company will be fully US road legal. NHTSA's decision is expected shortly.

### Introduction of C12 LaTurbie

The Spyker C12 LaTurbie was unveiled at the 2005 Salon d'Automobiles in Geneva and will run Audi's 6.0 litre W12 engine. It is 10 cm (4 1/2 inches) wider than a C8 Double12 S and has a different front and rear end. It is anticipated that this car will go into production in 2006.

### Karmann

Spyker Cars has signed a letter of intent for a production agreement with Wilhelm Karmann GmbH of Osnabrück, Germany, for the production of chassis and bodies in white for 350 C8 Spyderys to be delivered as from September 2005. These chassis and bodies will be supplied to Spyker, E-coated and painted. Spyker Cars expects improved consistency of its products, reduced delivery time and cost price as a result of this agreement.

### Outlook for 2005

The management board expects an additional investment in product development of approximately € 2 million to further upgrade Spyker's current models (e.g. the C12 LaTurbie) and to fortify its competitive position in important markets. For this investment and to finance its increased working capital needs, funding will be raised, preferably by way of a new share issue with an anticipated issue price in the range of € 11.00 - 13.00 per share. Without a share issue, Spyker will have to attract other financial means, such as additional loans or extension of its current credit facilities.

The management board perceives excellent opportunities for an increase in the Company's revenue and results for 2005 as compared with the 2004 result from ordinary business operations. Supply chain imperfections which restrained the Company to meet 2004 production targets are remedied and Spyker expects to produce 50 to 60 cars in 2005, all of which have been ordered. The year 2005 will be a year of transition into expected profitable operations in the following years. However, there can be no assurance that such improvement will occur due to a number of factors, such as availability of resources and the terms of funding.

Zeewolde, 23 March 2005

Spyker Cars N.V.

On behalf of the management board:  
Victor R. Muller, Chief Executive Officer

## Corporate Governance

Spyker Cars N.V. has a management board and a supervisory board, both consisting of three members. The management board is accountable for the daily management, the pursuit of the Company policies, the corporate strategy and product development.

The supervisory board supervises the management board. The annual report is presented to the supervisory board and then submitted by this board to the general meeting of shareholders to be adopted. During the general meeting, the management board has to account for its policies pursued and the supervisory board for the supervision hereof.

The Dutch Corporate Governance Code, published by the Tabaksblat Committee on 9 December 2003, gained a lawful basis by the provision of section 391 (4), Book 2 of the Netherlands Civil Code. The so called "Algemene Maatregel van Bestuur" mentioned herein has been effective as of 1 January 2005; consequently, Spyker Cars has to report about its compliance to the Code. Spyker Cars agrees to comply with most of the principles and the best practices of the Code. In some cases, Spyker Cars deviates from the Code due to the present situation as it is, but intends to comply in the future (see hereunder). In other cases, it intends to further implement the Code (see the heading "Risk factors" in the management board's report). Also, some of the Code's principles and best practices do not apply (for example, the Company has no depositary receipts and no one-tier structure).

In the year under review, the following rules and regulations were drawn up and posted on the Company's website: (i) rules of procedure for the management board, (ii) rules of procedure for the supervisory board, (iii) insider trading rules, (iv) rules of procedure for private investments in securities by the management board members, (v) rules of procedure for private investments in securities by the supervisory board members and (vi) a whistleblower policy. Furthermore, the supervisory board has prepared a profile of its size and structure, which is also posted on the website.

As mentioned above, Spyker Cars in some respects deviates from the Code's principles and best practices. Deviations are accounted for in the overview mentioned hereunder. Discussion of the

Corporate Governance Code is put on the agenda for the annual general meeting on 14 April 2005.

### *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 of not more than four years at a time.*

#### Explanation of deviation

Spyker Cars has three management board members, who are each in person statutory director. All are working with the Company pursuant to a management contract with each of their management companies. Their management contracts are similar in all material respects. Each of the management contracts has been entered into for an indefinite period of time. Two of the management contracts can be terminated with a prior notice period of two months, the third has a prior termination period of one month.

In case of vacancies in the management board, Spyker Cars intends to submit the appointment of such new board member to the general meeting for a maximum term of four years at a time. The foundation Stichting Prioriteit Spyker Cars ("the Priority Shareholder") has the right to determine the size of the management board, with a minimum of one member. A management board member may not be the chairman of the supervisory board of a listed company.

In view thereof, Mr. Muller as per 22 April 2004 has resigned as chairman of the supervisory board of McGregor Fashion Group N.V.

### *Best practice provision II.1.3*

*The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system: (a) (.....); (b) a code of conduct which should, in any event, be published on the company's website; (c) (...)*

#### Explanation of deviation

The Company is preparing a code of conduct, which will be finalised in 2005 and will be posted on its website.

*Best practice provision II.2.7.*

*The remuneration in the event of dismissal is one year's salary (the fixed remuneration component). If the maximum of one year's salary would be manifested unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.*

Explanation of deviation

The present management contracts do not provide for any dismissal remuneration.

*Principle III.5*

*If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee.*

Explanation of deviation

In view of its size of three members, the supervisory board has decided not to appoint an audit committee, remuneration committee or selection and appointment committee. The matters to be discussed by these committees are dealt with by the full board.

*Best practice provision IV.3.1*

*Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's 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 webcasting of telephone lines. After the meetings, the presentations shall be posted on the Company's website.*

Explanation of deviation

Due to its limited size, Spyker Cars is not able to provide for the means to enable all shareholders to follow these meetings and presentations in real time. However, all press releases are posted on the Company's website.

*Best practice provision IV.1.7*

*The company shall determine a registration date for the exercise of the voting rights and the rights relating to meetings.*

Explanation of deviation

According to the Company's articles of association the management board may determine a registration date.





### **Financial statements**

- Consolidated balance sheet
- Consolidated profit and loss account
- Consolidated statement of cash flow
- Notes to the consolidated balance sheet and the consolidated profit and loss account
- Statutory balance sheet
- Statutory profit and loss account
- Notes to the statutory balance sheet and the statutory profit and loss account

**Consolidated balance sheet as at 31 December 2004**

(before appropriation of result)

<b>Assets</b>		<b>31.12.2004</b>	<b>31.12.2003</b>
<b>Fixed assets</b>			
Intangible fixed assets:			
Development costs	1	15,915	10,083
Intellectual property rights	2	50	0
		<u>15,965</u>	<u>10,083</u>
Tangible fixed assets	3	3,084	3,315
Financial fixed assets	4	2,354	1,440
<b>Current assets</b>			
Inventories:			
Raw materials	5	1,318	714
Work in process	6	377	531
Finished products	7	2,081	0
		<u>3,776</u>	<u>1,245</u>
Receivables:			
Trade debtors		3,272	639
Group companies		0	12
Receivables from participants	8	402	0
Taxes and social security contributions		250	624
Other receivables		473	201
		<u>4,397</u>	<u>1,476</u>
Cash at hand		243	0
		<u>29,819</u>	<u>17,559</u>



## Consolidated profit and loss account for the year 2004

			2004		2003
Net sales	14	3,697		910	
Movement in work in process		169		738	
Other revenues	14	337		1,247	
<b>Total revenues</b>			4,203		2,895
Raw materials and consumables		2,832		1,397	
Subcontracted work and other external costs		210		1,326	
Wages and salaries	15	1,735		1,020	
Social security charges	15	274		144	
Amortization and depreciation of tangible and intangible fixed assets	16	1,443		903	
Other operating expenses		2,621		2,321	
<b>Total operating expenses</b>			9,115		7,111
<b>Operating result</b>			-4,912		-4,216
Financial income and expenses:					
Interest income		0		7	
Interest charges		-818		-934	
			-818		-927
<b>Result on ordinary operations before taxation</b>			-5,730		-5,143
Taxation	17		633		335
Result third parties			111		0
<b>Net result</b>			<b>-4,986</b>		<b>-4,808</b>
Net result per share			-2.87		-7.16
Net result per share on fully diluted bases			-2.78		-7.16

## Consolidated statement of cash flow

(under the indirect method)

		2004		2003
<i>Cash flow from operating activities</i>				
Operating result		-4,912		-4,216
Adjusted for:				
Amortization and depreciation	1,443		903	
Addition to provisions	42	1,485	10	913
Movements in working capital:				
Receivables	-2,921		-782	
Inventories	-2,531		-412	
Short-term liabilities	3,559	-1,893	1,459	265
Cash flow from interest and taxes:				
Interest income / charges	-818		-927	
Corporate income tax paid / received	0	-818	0	-927
Cash flow from operating activities		-6,138		-3,965
<i>Cash flow from investment activities</i>				
Investments in fixed assets	-7,851		-6,178	
Disposal of fixed assets	476		324	
Cash flow from investment activities		-7,375		-5,854
<i>Cash flow from financing activities</i>				
Increase in loans	3,082		6,058	
Accrued interest	366		628	
Redemption of long-term liabilities	-15,555		-1,255	
Net proceeds from new share issues	25,778		2,184	
Cash flow from financing activities		13,671		7,615
Increase in short-term financing		158		-2,204
Balance of cash and short-term credit institutions as at 31 December		-4,541		-4,699
Balance of cash and short-term credit institutions as at 1 January		-4,699		-2,495
Movement in short-term financing		158		-2,204

# Notes to the consolidated balance sheet and the consolidated profit and loss account

## Activities

The activities of Spyker Cars N.V. and its subsidiaries comprise the design, production, purchase and sale of motorcars in the broadest sense of the word.

## General

Spyker Cars N.V. is a public limited liability company incorporated under the laws of the Netherlands with its statutory seat in Zeewolde, the Netherlands. The company is listed at the Amsterdam stock exchange since 27 May 2004.

All amounts in the financial statements are presented in thousands of euros unless stated otherwise.

## Continuity

The company has shown negative operating results and cash flows in the preceding years, due to the start-up stage of its activities. In view of the anticipated growth of the company's operations, it is expected that additional financing will need to be attracted shortly to fulfil the company's cash requirements resulting from current operations and further development activities.

The company is in the process of preparing a new share issue to raise sufficient funds for further investments in development and to finance its increased working capital needs. In addition, the company is contemplating to extend its current financing arrangements. However, this has not been finally agreed yet.

As the company's management board is confident to be able to raise funds sufficient to fulfil its cash requirements, it is not impossible that the business operations will be maintained in the longer term. Accordingly, the accounting principles applied are based on the assumption that the company will be able to continue as a going concern.

## Preparation of the financial statements

The consolidated financial statements of Spyker Cars N.V. have been prepared on the basis of accounting principles generally accepted in the Netherlands ("Netherlands GAAP").

Valuation principles of assets and liabilities and determination of financial results have not been changed and are consistent with those applied in the preceding year. As from 1 January 2005, Spyker will implement the international accounting principles according to IFRS in its consolidated financial statements. Internal preparations are in progress. The impact of the IFRS implementation on Spyker Cars' balance sheet and profit- and loss account has not been determined yet, but is not expected to be substantial.

## Consolidation principles

The consolidated financial statements include the financial information of Spyker Cars N.V. along with those of the group companies over which it is able to exercise effective control. These participating interests are fully included in the consolidation, taking into account an interest held by third parties related to Spyker of China Ltd.

Since the company's profit and loss account for 2004 is included in full in the consolidated financial statements, it is presented in an abridged form, as permitted by the provisions of Section 402, Part 9, Book 2, of the Netherlands Civil Code.

## Foreign currency translation

The balance sheet and the profit and loss account of group companies denominated in foreign currencies are translated into Euros at the exchange rates prevailing on the balance sheet date.

All other exchange differences are taken in the Companies' profit and loss account directly. Foreign sales transactions of the company are in Euros.

The group companies included in full in the consolidated financial statements are:

- Spyker Automobielen B.V. (100%), incorporated in Baarn
- Spyker Squadron B.V. (100%), incorporated in Baarn
- Spyker of North America LLC (100%), incorporated in Delaware, USA
- Spyker Cars UK Ltd. (100%), incorporated in Coventry, UK
- Spyker of China Ltd. (51%), incorporated in Hong Kong, China

**Notes to the consolidated cash flow statement**

The cash flow statements have been prepared according to the indirect method. The funds stated in the cash flow statement are comprised of liquid funds and the debts to credit institutions. Cash flows in foreign currencies are translated at average exchange rates for the year. Interest income, interest charges and profit tax paid are included in cash flow from operating activities.

**General accounting principles**

Valuation of assets and liabilities and determination of financial results are based on the historical cost convention. Assets and liabilities are stated at face value, unless mentioned otherwise. Income and expenses are accounted for on an accrual basis. Profits are recognised insofar as realised at the balance sheet date. Losses and risks originating before the end of the year are accounted for if they have become known before the preparation of the financial statements.

## **Principles for valuation of assets and liabilities**

### **Intangible fixed assets**

Intangible fixed assets are stated at cost, less accumulated depreciation.

The development costs stated under this heading relate to the design, innovation, improvement and preparation of new or substantially improved motorcars. The capitalised development costs are amortised in 5 years by a fixed amount for each car.

Spyker Cars has applied for registration of several intellectual property rights, such as trademarks, logo's and models. The costs hereof, as well as the costs of the registrations itself are amortised in 10 years on a straight-line basis.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation under the straight-line method based on the estimated useful life of the respective assets, taking into account a residual value, if any.

### **Financial fixed assets**

Carry-forward losses in corporate income tax are stated at the applicable corporate income tax rate in the expected realisation period, and, if deemed necessary, a downward valuation adjustment is applied for uncertainties in respect of realisation.

### **Inventories**

Raw materials are stated at acquisition cost less any provisions for obsolescence deemed necessary. Work in process and finished products are stated at directly incurred costs, increased by a surcharge for indirect costs, less a provision for expected losses, if needed. Profits on sales are accounted per date of delivery.

### **Receivables**

Receivables are stated at face value, less a provision for estimated uncollectible amounts, based on individual assessment.

## **Principles for determination of the result**

### **Net sales**

Net sales comprise the revenues from goods and services supplied during the year, net of discounts, VAT and other sales taxes. The applicable "Belasting Personenwagens en Motorvoertuigen" (BPM) for cars registered in the Netherlands is accounted for by the company's customers.

**Notes to the specific items of the consolidated balance sheet**

**Intangible fixed assets**

**1. Capitalised development costs**

	<u>2004</u>	<u>2003</u>
Balance as at 1 January	10,083	6,437
Adjustment prior years	0	-643
Reclassification to tangible fixed assets	0	-318
Investments	6,257	4,707
Amortization	<u>-425</u>	<u>-100</u>
Balance as at 31 December	<u>15,915</u>	<u>10,083</u>
Accumulated amortization as at 31 December	<u>548</u>	<u>123</u>

'Adjustment prior years' reflects a correction of the amounts capitalised in the years 2000, 2001 and 2002 totalling € 643, which have been expensed as per 1 January 2003 as these are considered to no longer meet the criteria for capitalisation. The capitalized development costs up to 31 December 2003 are general development costs. The amortization hereof started in 2003. The majority of capitalised development costs in 2004 are related to the US homologation program. These 2004 development costs are amortized from 2005, after obtaining the necessary licences, permits and other requirements for the sale, delivery and permanent registration of the Spyker C8 Spyder, Laviolette and wide body in the U.S. For 2005 investments in development costs are estimated at € 2 million.

**2. Intellectual property rights**

	<u>2004</u>	<u>2003</u>
Balance as at 1 January	0	0
Reclassification from tangible fixed assets	46	0
Investments	11	0
Depreciation	<u>-7</u>	<u>0</u>
Balance as at 31 December	<u>50</u>	<u>0</u>
Accumulated depreciation as at 31 December after reclassification	<u>16</u>	<u>0</u>

Depreciation charges are calculated in accordance with the straight line method based on historical cost. Intellectual property rights are depreciated by 10% per year.

### 3. Tangible fixed assets

	<b>Furniture, fixtures and equipment</b>	<b>Prototypes, test- models</b>	<b>Le Mans racing cars</b>	<b>Other</b>	<b>2004 Total</b>	<b>2003 Total</b>
Balance as at 1 January	78	1,541	538	1,158	3,315	2,596
Reclassification	0	0	0	-46	-46	318
Investments	481	342	273	206	1,302	1,471
Disposals	0	-156	-281	-39	-476	-267
Depreciation	-27	-321	-173	-490	-1,011	-803
Balance as at 31 December	<u>532</u>	<u>1,406</u>	<u>357</u>	<u>789</u>	<u>3,084</u>	<u>3,315</u>
Accumulated depreciation as at 31 December	<u>39</u>	<u>556</u>	<u>233</u>	<u>1,424</u>	<u>2,252</u>	<u>1,474</u>

Tangible fixed assets include prototypes, demonstrators, test models, racing cars, fixtures, fittings and equipment, trade fair stands and promotion material. Financial lease contracts are arranged for most of the prototypes, test models and racing cars. Repair costs of the tangible fixed assets are charged to the profit and lost account.

The following depreciation rates apply:

- Fixtures, fittings and equipment	33 1/3%
- Prototypes, test models (residual value 25%)	20%
- Le Mans racing cars	20%
- Trade fair and promotion material	33 1/3%

### 4. Financial fixed assets

The amounts capitalised to reflect the value of available carry-forward tax losses can be specified as follows:

	<b>2004</b>	<b>2003</b>
Balance as at 1 January	1,440	940
Adjustment prior years	0	222
Other	0	-57
Add: Corporate income tax calculated for the year	1,888	1,775
Add: Corporate income tax calculated for the IPO-costs	281	0
Less: Provision	-1,067	-1,440
Less: Adjustment prior year related to change in tax rate	-188	0
Balance as at 31 December	<u>2,354</u>	<u>1,440</u>

This deferred tax asset will not be realised within one year.

## 5. Raw materials

The raw materials consist of parts to be used in the production.

## 6. Work in process

Work in process at year end can be specified as follows:

	<u>2004</u>	<u>2003</u>
Cost of work in process	1,322	1,153
Provision on cost of work in process	-540	0
Instalments invoiced	<u>-405</u>	<u>-622</u>
Balance as at 31 December	<u><u>377</u></u>	<u><u>531</u></u>

## 7. Finished products

At year end, Spyker had 11 finished cars held in stock.

## 8. Receivables from participants

The receivables include a receivable of € 217 on one member of the management board and a receivable of € 185 on a supervisory board member. Both amounts have been received in 2005.

## 9. Group equity

The shareholders' equity is specified in note 3 to the statutory balance sheet. Interest of third parties reflects 49% of the equity of Spyker of China Ltd.

## 10. Provisions

	<u>2004</u>	<u>2003</u>
Balance as at 1 January	10	0
Additions	<u>42</u>	<u>10</u>
Balance as at 31 December	<u><u>52</u></u>	<u><u>10</u></u>

Provisions relate to the 2 years warranty period.

## Long-term liabilities

### 11. Credit institutions

Credit institutions comprise of financial leases. The lease commitments relate to the financial lease of mainly test models with a varying duration up to 25 September 2008. The interest payments vary from 5.5 to 7.9% per year. The Company has provided the following collateral for these lease commitments: a right of pledge

on transport vehicles (partly), prototypes, test models and a part of the trade fair stands.

## 12. Loans granted by shareholders

	<u>2004</u>	<u>2003</u>
Balance as at 1 January	11,833	7,040
Withdrawals	1,178	4,258
Interest	366	628
Repayments	0	-93
Converted into equity	<u>-13,377</u>	<u>0</u>
Balance as at 31 December	<u><u>0</u></u>	<u><u>11,833</u></u>

All shareholders loans, increased with 7% accrued interest, were converted into shareholders' equity on the 27 May 2004.

## Short-term liabilities

Amounts included in this item are due and payable within one year.

## 13. Credit institutions

The Company has a current account facility for which the stocks, fixtures and fittings, intangible assets and receivables are pledged as collateral.

## Off balance sheet commitments

### Financial commitments

The Company has leased accommodation in Zeewolde for an amount of € 149 a year in 2004. The lease contract will expire on 31 December 2007 subject to a five year extension.

A storage space has been leased for an initial period of two years to the amount of € 16 a year. The latter contract may be terminated at three months' notice before the expiry date. The annual operational lease commitments amount to € 42. The total financial commitments for the period 2006 up to 2011 amount to € 605.

### Tax group liability

Spyker Cars N.V. has applied for group tax treatment for VAT and corporate income tax. The group companies are:

- Spyker Automobielen B.V.
- Spyker Squadron B.V.

The group companies are jointly and severally liable for the tax payable by the group. In the financial statements of Spyker Cars N.V. any tax liability has been determined on the consolidated result for reporting purposes. The tax liability is attributed to the subsidiaries proportionately to their result for financial reporting purposes.

### Notes to specific items of the consolidated profit and loss account

#### 14. Total revenues

The total revenues (excluding movements in work in process) are split by geographic area as follows:

	<u>2004</u>	<u>2003</u>
United states	1,422	235
Europe	2,209	1,520
Other countries	<u>403</u>	<u>402</u>
	<u>4,034</u>	<u>2,157</u>

#### Related party transactions

Total revenues include sales to companies related to a member of the management board and a member of the supervisory board totalling € 681.

#### 15. Personnel costs

The specification is as follows:

	<u>2004</u>	<u>2003</u>
Wages and salaries	1,735	1,020
Social security charges	196	111
Pension costs	<u>78</u>	<u>33</u>
	<u>2,009</u>	<u>1,164</u>

The remuneration of the management board and supervisory board is not included in the above mentioned personnel costs.

### 16. Amortization and depreciation of tangible and intangible fixed assets

The amortization and depreciation of tangible and intangible fixed assets can be specified as follows:

	<u>2004</u>	<u>2003</u>
Amortization development costs	425	100
Amortization intellectual property rights	7	0
Depreciation of tangible fixed assets	<u>1,011</u>	<u>803</u>
	<u>1,443</u>	<u>903</u>

#### 17. Taxes

The Company has recorded an estimated value of carry-forward losses in Dutch corporate income tax. This item has been included as a deferred tax asset under financial fixed assets in the balance sheet. The taxation has been calculated as follows:

	<u>2004</u>	<u>2003</u>
Consolidated result before taxes	-5,730	-5,143
Less: result of foreign participations	<u>259</u>	<u>0</u>
Taxable amount	-5,471	-5,143
Effective rate of taxation (34.5%)	1,888	1,775
Less: provision	<u>-1,067</u>	<u>-888</u>
Effective taxation	821	887
Adjustment related to change in tax rate	<u>-188</u>	<u>-552</u>
Taxation	<u>633</u>	<u>335</u>

The deferred tax assets are calculated based on the expected future taxable profit of the company, less a provision for the uncertainty in respect of realization. The amount is calculated with the anticipated tax rate in expected realization period.

#### Research and development

Apart from the amortization of intangible fixed assets, no research and development expenses are included in the profit and loss account.

## **Other notes**

### **Staff and remuneration**

The group employed at average 60 full-time equivalents in 2004 (2003: 34).

All members of the management board are statutory directors of Spyker Cars. However, they work for Spyker Cars under management contracts concluded between the Company and their management companies. Their management contracts are similar in all material respects.

The management contracts provide for a base remuneration of € 150 a year. Each management contract has been entered into for an indefinite period of time; two can be terminated with a prior notice period of two months and the third with a prior notice period of one month. No severance payments have been agreed with the members of the management board.

On May 24, 2004, Spyker Car's general meeting of shareholders approved to grant Mr. Jaharia's management company, as of the first listing date of 27 May 2004, unconditional option rights to acquire a number of shares, representing 2.5 per cent of the outstanding shares as per the first listing date. The exercise price for these options is the same as the issue price of € 15.50. These options can be exercised for a period of five years.

No pension schemes have been set up for the members of the management board.

The supervisory board was established on 27 May 2004. According to a resolution of the general meeting of shareholders, the chairman is entitled to a remuneration of € 20 per year and each of the members to a remuneration of € 15 per year. No other compensations, bonuses or options have been agreed upon with the members of the supervisory board.

By resolutions of 25 March 2004 and 24 May 2004, the Company's general meeting of shareholders adopted an employee share option plan (ESOP). Under the ESOP, a number of option rights to acquire newly issued shares will be granted to the members of the management board and a number of (key) employees. For five consecutive years, each year the maximum aggregate amount of new ordinary shares, that may be issued upon exercise of all vested option rights under the ESOP, is 2% of the outstanding ordinary shares as at 27 May 2004 (2% of 2,391,302 shares).

According to the ESOP, the exercise price for options granted at IPO is the issue price of € 15.50. The exercise price for options granted thereafter is 100% of the economic value of the Spyker shares per the date the options are granted. The option rights are granted for five years and each year 20% thereof will vest if the performance criteria for that year are met. These performance criteria are determined each year by the supervisory board before 1 March of that year.

In the light of the business developments in 2004, the supervisory board decided to start granting conditional option rights from 2005 onwards.

**Statutory balance sheet as at 31 December 2004**

(before appropriation of result)

<b>Assets</b>		<b>31.12.2004</b>		<b>31.12.2003</b>
<b>Fixed assets</b>				
Intangible fixed assets:				
Development costs	15,821		10,083	
Intellectual property rights	50	15,871	0	10,083
	<u>50</u>		<u>0</u>	
Tangible fixed assets		3,079		3,255
Financial fixed assets				
Participating interests	1 0		0	
Deferred tax asset	2,354	2,354	1,440	1,440
	<u>2,354</u>		<u>1,440</u>	
<b>Current assets</b>				
Receivables:				
Group companies	150		0	
Trade debtors	3		0	
Taxes and social security contributions	250		0	
Other receivables	230	633	0	0
	<u>230</u>		<u>0</u>	
		<u>21,937</u>		<u>14,778</u>
		<u><u>21,937</u></u>		<u><u>14,778</u></u>

**Shareholders' equity, provisions  
and liabilities**

		<b>31.12.2004</b>		<b>31.12.2003</b>
<b>Shareholders' equity</b>	2			
Issued share capital		100		28
Share premium reserve		12,325		2,534
Legal reserves		15,915		0
Other reserves (deficit)		-6,901		-2,093
Unallocated result		-4,986	16,453	-4,808
<b>Provisions</b>	3		1,207	875
<b>Long-term liabilities</b>				
Credit institutions		1,863		2,137
Loans granted by shareholders		0	1,863	10,519
<b>Short-term liabilities</b>				
Credit institutions		1,750		3,945
Current portion of lease commitments		0		489
Group companies		1		377
Accounts payable		360		0
Taxes and social security contributions		11		12
Other liabilities		292		109
Accrued development costs		0	2,414	654
			21,937	14,778

**Statutory profit and loss account for the year 2004**

		<b>2004</b>		<b>2003</b>
Income from participating interests after taxation		-2,074		-2,159
Other income and expenses after taxation		-2,912		-2,649
<b>Net result</b>		<b>-4,986</b>		<b>-4,808</b>

## Notes to the Statutory balance sheet and Statutory profit and loss account

### General

The Company financial statements and the consolidated financial statements have been prepared under the same accounting principles. For the accounting principles applied for valuation of assets and liabilities and determination of results, reference is made to the notes to the consolidated balance sheet and consolidated profit and loss account included on pages 24 to 26.

### Notes to specific items of the Statutory balance sheet and Statutory profit and loss account

#### 1. Participating interests

The item participating interests includes the following companies:

<b>Participations</b>	<b>Share in issued capital</b>	<b>Book-value as per 31.12.2003</b>	<b>Results from participating interest</b>	<b>Loans receivable</b>	<b>Provision</b>	<b>Book-value as per 31.12.2004</b>
Spyker Automobielen B.V.	100%	0	-2,091	1,682	409	0
Spyker Squadron B.V.	100%	0	165	57	-222	0
Spyker of North America LLC, USA	100%	0	-30	1	29	0
Spyker Cars UK Ltd.	100%	0	-2	2	0	0
Spyker of China Ltd.	51%	0	-116	0	116	0
		<u>0</u>	<u>-2,074</u>	<u>1,742</u>	<u>332</u>	<u>0</u>

Due to negative results in 2003 and 2004, the participating interests have a negative net asset value. For this reason, the participating interests and loans receivable are provided and a provision for the remaining deficit has been recorded.

#### 2. Shareholders' equity

##### Issued share capital

The authorised share capital of the Company amounts to a sum of € 400 thousand, divided into 9,999,999 ordinary shares and one priority share, with a nominal value of € 0.04 each. Per 31 December 2004, 2,491,302 ordinary shares and one priority share were issued and paid in full.

##### Share premium reserve

As result of the Initial Public Offering, (i) all 61,600 shares of Spyker International Motor Holding B.V. in issue were converted into 708,400 ordinary shares of Spyker Cars N.V., and (ii) 1,682,902 ordinary shares were newly issued. Per 19 October 2004, 100,000 ordinary shares were newly issued. The difference between the issue price and nominal value of these 1,782,902 shares resulted into a share premium reserve of € 27,300.

Movements in equity can be specified as follows.

	<b>Issued capital</b>	<b>Share premium reserve</b>	<b>Legal reserve</b>	<b>Other reserves (deficit)</b>	<b>Un- allocated result</b>	<b>Total</b>
Balance as at 1 January	28	2,534	0	-2,093	-4,808	-4,339
Allocation of result	0	0	0	-4,808	4,808	0
Proceeds from new share issues	72	27,293	0	0	0	27,365
Costs of IPO	0	-1,587	0	0	0	-1,587
Legal reserve	0	-15,915	15,915	0	0	0
Unallocated result	0	0	0	0	-4,986	-4,986
Balance as at 31 December	<u>100</u>	<u>12,325</u>	<u>15,915</u>	<u>-6,901</u>	<u>-4,986</u>	<u>16,453</u>

Pursuant to Section 365(2), Book 2 of the Netherlands Civil Code, a legally-required reserve is formed for capitalised development costs to the amount of 15,915 (2003: 10,083).

### 3. Provisions

Provision for participating interest	<b>2003</b>	<b>Addition</b>	<b>2004</b>
Spyker Automobielen B.V.	653	409	1,062
Spyker Squadron B.V.	222	-222	0
Spyker of North America LLC, USA	0	29	29
Spyker Cars UK Ltd.	0	0	0
Spyker of China Ltd.	0	116	116
	<u>875</u>	<u>332</u>	<u>1,207</u>

Due to negative results in 2003 and 2004 the participating interests and loans receivable are valued at nil and a provision for the remaining deficit has been recorded.

### Signing of the financial statements

Zeewolde, 23 March 2005

#### Management Board:

V.R. Muller

O.N. Jaharia

(Mr. M.J. de Bruijn has not signed the financial statements due to his temporary absence)

#### Supervisory Board:

J.H.M. Lindenberg

J.B.Th. Hugenholtz

F.J.M. Liebregts

## **Additional information**

### **Statutory rules concerning appropriation of the result**

Article 29 of the Company's articles of association includes the following provisions regarding result appropriation:

1. The management board shall annually, with the approval of the supervisory board, determine which part of the profits - the positive balance on the profit and loss account - is added to the reserves.
2. From the profits remaining after transfer to the reserves in accordance with the previous paragraph, a dividend is distributed on the priority share of six per cent (6%) of the nominal paid up amount.
3. Any remaining profit after application of paragraph 1 and 2 of this article is available to the general meeting.

### **Proposed allocation of the result for the financial year 2004**

A proposal will be made to deduct the loss incurred in 2004 from the other reserves (deficit).

This proposal has not yet been reflected in the balance sheet.

### **Priority Share**

The Priority Share is held by the foundation Stichting Prioriteit Spyker Cars ("Stichting Prioriteit" or "Priority Shareholder"). When the Priority Share was issued to the Stichting Prioriteit, the latter granted Spyker Cars a call option right to buy the Priority share for a price equal to its nominal value of € 0.04. This right may be exercised by Spyker Cars after a period of three years as of the issue date of 27 May 2004.

The board of the Stichting Prioriteit consists of (i) the members of the management board appointed by the general meeting of shareholders of Spyker Cars either on the nomination of the Priority Shareholder or with the recommendation or consent of the Priority Shareholder, (ii) the members of the supervisory board appointed by the general meeting of shareholders of Spyker Cars either on the nomination of the Priority Shareholder or with the recommendation or consent of the Priority Shareholder, and (iii) a representative of each shareholder, holding five per cent,

or more of the issued capital of Spyker Cars for a consecutive period of at least three months.

The Priority Shareholder has the following rights and privileges: (i) the right to make a proposal to nominate members of the management board and the supervisory board; (ii) the right to make a proposal to suspend or dismiss members of the management board and the supervisory board; (iii) the right to propose to amend the Articles of Association and to dissolve Spyker Cars; (iv) the right to convene an extraordinary meeting of shareholders; (v) prior approval of whole or partial transfer of control over Company activities and the entering into or amendment of agreements between the Company on the one hand, and shareholders, members of the management board or members of the supervisory board, as individuals, on the other hand, or between the Company and legal entities over which the aforementioned persons have direct or indirect control; (vi) the right to receive, before any other shareholders, a dividend of 6% of the nominal amount of the Priority Share of € 0.04.

The board of Stichting Prioriteit consists of three categories of members: (i) board members who are also members of the management board, (ii) board members who are also members of the supervisory board and (iii) board members who are shareholders holding five per cent, or more of the Company's issued share capital for a consecutive period of at least three months. Each category of board members has an equal vote in the Stichting Prioriteit 's board meeting (33 1/3 per cent).

A shareholder-board member (its director or direct or indirect majority shareholder) who is also a management board-board member or a shareholder-board member (its director or direct or indirect majority shareholder) who is also a supervisory board-board member, is limited in his capacity to cast a vote, together with the votes cast by the management board-board members respectively the supervisory board-board members as applicable, to fifty per cent, of the total votes cast in the Stichting Prioriteit 's board meeting.

# **Auditors' report**

## **Introduction**

We have audited the financial statements of Spyker Cars N.V., Zeewolde for the year 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

## **Scope**

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code.

## **Emphasis of matter**

Without qualifying our opinion above, we draw attention to Note 'Continuity' included in the financial statements, which refers to the company's ability to raise sufficient funds to continue as a going concern. However, the explanation provided shows that it is not impossible that the business operations will be maintained in the longer term. As a consequence, the accounting principles applied are based on the assumption that the company will be able to continue as a going concern.

Amsterdam, 23 March 2005

Deloitte Accountants B.V.

## Personalia

### Members of the supervisory board

*Hessel, J.H.M. Lindenberg (1943, male, Dutch), chairman*

Hessel Lindenberg is a former member of the managing board of ING Group N.V. Currently, Mr. Lindenberg is a supervisory board member of the following companies: Deutsche Börse A.G., DHV Holding N.V., Gamma Holding N.V., NIB Capital N.V., Koninklijke Numico N.V., N.V. Bank voor de Bouwnijverheid, Ortec International B.V. Zeeman Groep B.V., Reggeborgh Groep. Mr Lindenberg was appointed chairman of the Supervisory Board per 27 May 2004 and will retire, according to the rotation plan, in the annual meeting of 2008.

*Hans, J.B.Th. Hugenholtz (1950, male, Dutch), vice chairman*

Hans Hugenholtz is chief executive officer and owner of the following companies: (i) Hugenholtz Holding B.V. and its subsidiary Berlinetta Beheer B.V., which organises and sponsors auto-sport events, (ii) Milestone Beheer B.V., one of the company's Pre-IPO Shareholders, which concentrates on venture capital investments, (iii) Nerons Holding B.V., a holding company with three affiliated companies that import and distribute helmets, motor clothing and accessories and scooters, (iv) Hugenholtz Project Holding B.V., a holding company with two affiliated companies which develop commercial real estate, and (v) HPG Belgium N.V. which develops and renovates real estate in Belgium. Hans Hugenholtz is an advisor to AstraCom B.V., FROG Systems B.V. and IC/h Holding Hilversum B.V. He completed his study Business Economics at the Erasmus University of Rotterdam in 1979.

Before the IPO, Mr Hugenholtz acquired a share interest in the company. Per 31 December 2004, he holds a 7.03% interest in the company.

Mr Hugenholtz was appointed as Supervisory Board member of Spyker Cars NV per 27 May 2004 and will retire, according to the rotation plan, in the annual meeting of 2007.

*Frans J. M. Liebregts (1946, male, Dutch)*

Frans Liebregts is vice president technology of Cogent-Power Ltd., a company specialised in electrical steel and laminations with its head office in New Port, South Wales, U.K. Previously, Mr. Liebregts worked at Polynorm N.V., an engineering and production company of car body panels and structures. At Polynorm N.V., Mr. Liebregts held the position of vice president. Mr. Liebregts also worked at Steelweld B.V., a designer and manufacturer of automated assembly systems for the production of car bodies and car body components. He has been working in the car industry for more than thirty years and has a broad experience in all areas of car production. Frans Liebregts holds a Masters degree in mechanical engineering with a specialisation in production technology from the Technical University of Eindhoven.

He was appointed as Supervisory Board member of Spyker Cars N.V. per 27 May 2004 and will retire, according to the rotation plan, in the annual meeting of 2006.

### Members of the management board

*Victor R. Muller (1959, male, Dutch), Chief Executive Officer*

Victor Muller is one of the two founders of the company in 2000. As Chief Executive Officer of the company, he is responsible for implementing the overall strategy of Spyker. After completing his study of law at the University of Leiden in 1984, Victor Muller started his career in 1984 as a lawyer at Caron & Stevens / Baker & McKenzie, Amsterdam. In 1989, he became a member of the management team of the offshore construction company Heerema in Leiden and was involved in several acquisitions. He became partial owner of Wijsmuller Salvage and Towage, IJmuiden, as a member of a consortium through a management buy-out. From 1992, he has managed and restructured several companies including Emergo Fashions Group B.V. that went public under the name McGregor Fashion Group N.V. in April 1999. Through his wholly owned company Investeringsmaatschappij Helvetia B.V., Mr. Muller owns 36.89% of the issued share capital of Spyker.

*Oedith N. Jaharia (1966, male, Dutch), Chief Financial Officer*

As Chief Financial Officer, Oedith Jaharia's main responsibilities are in the areas of finance, organisation, information technology and purchase management. Mr. Jaharia has 14 years of senior management experience in several industries such as printing, steel and machinery. He has been Chief Financial Officer of Meyn Food Processing (Oostzaan, the Netherlands) and Nedstaal B.V. (Alblasserdam, the Netherlands). After obtaining a bachelors degree in Business Accounting (SPD) and a Master's degree in Management and Organization (TIAS, business school of Tilburg University, the Netherlands), Mr. Jaharia is currently part time pursuing a Doctor of Philosophy (PhD) degree in Technology Management at the Eindhoven Centre for Innovation Studies (ECIS), part of Eindhoven University of Technology, the Netherlands. Mr. Jaharia joined the company in September 2003. Per 27 May 2004, Mr. Jaharia's management company was granted unconditional option rights to acquire a number of ordinary shares, representing 2.5 per cent. of the company's issued share capital as remuneration for its activities in preparation for the IPO. The exercise price for these options is equal to the IPO issue price of € 15.50. These options can be exercised for a period of five years.

*Maarten J. de Bruijn (1965, male, Dutch), Chief Creative Officer*

Maarten de Bruijn is co-founder of the company and the company's Chief Creative Officer. He is responsible for the design and technical development of the Spyker models. Mr. De Bruijn studied Economics at the University of Amsterdam, the Netherlands. After two years of study he changed his course and graduated in 1996 with a Master's degree in City Planning at the same University. During his studies, he professionalised in various disciplines of designing and car-engineering by taking classes at the Technical University as an auditor. With these skills, he made preparations for setting up a car company and started developing the first road going prototype. From 1990 until 1996, he designed and built the necessary tooling and initiated the design of the chassis and body, incorporating the (Audi) driveline, i.e. engine and gearbox. Through his wholly owned company Vice Versa Holding B.V., Mr. De Bruijn owns 9.23% of the issued share capital of Spyker.

# A u t h o r i s e d S p y k e r D e a l e r s

## **Spyker of Kensington**

Hunt & Keal LTD  
18-23 Radley Mews  
Stratford Road, Kensington  
London W8 6JP  
United Kingdom  
Tel.: +44 2079 37 8487  
Fax: +44 2079 37 1097  
www.spykerofkensington.com

## **Spyker of Harrogate**

The Lenz  
Hornbeam Park  
Harrogate  
North Yorkshire HG2 8QT  
United Kingdom  
Tel.: +44 1423 871 863  
Fax: +44 1423 815 987  
www.spykerharrogate.com

## **Spyker of Moscow**

12 Vosdvizhenka str.  
Moscow, 105523  
Russia  
Tel.: +7 095 247 2076  
Fax: +7 095 933 3752  
www.spykermoscow.com

## **Spyker of Switzerland**

Speedy Garage SA  
Chemin de Boissonnet 76-90  
CH 1010 Lausanne  
Switzerland  
Tel.: +41 21 653 12 33  
Fax: +41 21 653 13 94  
www.spykerofswitzerland.com

## **Spyker of the Middle East**

Future Motors  
Al Wahda Building  
Port Saeed Road, Deira  
P.O. Box 36226, Dubai  
UAE  
Tel.: + 971 4 2959000  
Fax: + 971 4 2953434  
www.spykerofthemiddleeast.com

## **Spyker of China Ltd.**

701-4 Jianwai Soho  
4 Jianguomenwai Avenue  
Chaoyang District, Beijing  
100022, P.R. China  
Tel.: +86 10 5869 0864  
Fax: +86 10 5869 0964  
www.spykerofchina.com

## **Spyker of Mexico**

Scuderia Mondiale S.A. de C.V.  
Av. Presidente Masaryk 219-2  
Col. Polanco  
11560 Mexico D.F.  
Mexico  
Tel.: +52 55 280 1303  
Fax: +52 55 280 2059  
www.spykermexico.com

## **USA dealers**

### **Spyker of North America LLC**

189 Franklin Avenue  
Nutley, NJ 07110, USA  
Tel.: +1 866 SPYKERC8  
+1 415 777 5023  
Fax: +1 415 634 1481  
Email: button@spykercars.com  
www.spykercars.com

### **Spyker of Portland**

Gran Prix Import  
25300 SW Parkway Avenue  
Wilsonville, 97070 Oregon  
USA  
Tel.: +1 503 570 1019  
Fax: +1 503 570 1162  
www.spykerportland.com

### **Spyker of Silicon Valley**

66 East Main Street  
Los Gatos CA 95030  
USA  
Tel.: +1 408 354 4000  
Fax: +1 408 354 3996  
www.spykersiliconvalley.com

## **Spyker of Newport Beach**

Desert European Motorcars  
1100 West Coast Highway  
Newport Beach, CA 92663  
USA  
Tel.: +1 949 515 6200  
Fax: +1 949 515 6224  
www.spykernewportbeach.com

## **Spyker of the Desert**

Desert European Motorcars  
71-387 Highway 111  
Rancho Mirage CA 92270  
USA  
Tel.: +1 760 773 5000  
Fax: +1 760 773 4406  
www.spykerofthedesert.com

## **Spyker of Scottsdale**

Motorsports of Scottsdale  
8053 E. Raintree Drive  
Scottsdale, AZ 85260  
USA  
Tel.: +1 480 483 9300  
Fax: +1 480 483 9301  
www.spykerscottsdale.com

## **Spyker of San Diego**

Symbolic Motor Car Company  
7440 La Jolla Boulevard  
La Jolla, CA 92067-5029  
USA  
Tel.: +1 858 454 1800  
Fax: +1 858 454 1890  
www.spykersandiego.com

## **Spyker of Atlanta**

Lamborghini Atlanta  
7865 Roswell Road  
Atlanta, GA 30350  
USA  
Tel.: +1 404 233 4269  
Fax: +1 770 604 9481  
www.spykeratlanta.com

## **Spyker of Manhattan**

Manhattan Motors  
270 Eleventh Street  
New York, NY 10001  
USA  
Tel.: +1 212 594 6200  
Fax: +1 212 594 4430  
www.spykermanhattan.com

## **Spyker of Chicago**

834, North Rush Street  
Chicago, Illinois IL 60610  
USA  
Tel.: +1 312 280 4848  
Fax: +1 312 280 9910  
www.spykerchicago.com

## **Spyker of New England**

449 Western Avenue Brighton  
Massachusetts MA 02135  
USA  
Tel.: +1 617 783 1800  
Fax: +1 617 254 1733  
www.spykerofnewengland.com



## **SPYKER CARS N.V.**

Edisonweg 2, 3899 AZ Zeewolde, The Netherlands / Tel.: +31 36 535 8787 / Fax: +31 36 535 8780 / Email: [info@spykercars.com](mailto:info@spykercars.com)  
[www.spykercars.com](http://www.spykercars.com)