

## MANAGEMENT REPORT

**Of the Board of Directors of "VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, TRADING AND INDUSTRIAL ENTERPRISES" to the General Meeting of Shareholders, on the Draft Merger Agreement dated 15 July 2015 regarding the acquisition of "VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, COMMERCIAL AND INDUSTRIAL ENTERPRISES" and "TECHNOCAR SA, MANUFACTURING & TRADING ENTERPRISES" by "AUTOHELLAS TOURIST AND TRADING ANONYMOUS COMPANY".**

Kifissia, 15/07/2015

Dear Shareholders,

At their meeting dated 28.2.2015 and 29.06.2015, the Directors of **"AUTOHELLAS TOURIST AND TRADING ANONYMOUS COMPANY"** (hereinafter: **"Acquiring Company"**), **"VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, TRADING AND INDUSTRIAL ENTERPRISES"** (hereinafter: **"Acquired Company A"**) and **"TECHNOCAR SA, MANUFACTURING & TRADING ENTERPRISES"** (hereinafter: **"Acquired Company B"**), (hereinafter collectively referred to as **"the Acquired Companies"** and collectively with the Acquiring Company the **"Companies in Merger"**), decided to enter the procedure of merger by acquisition, for the acquisition of the Acquired Companies by the Acquiring Company, in accordance with Articles 69 et seq. of Codified Law 2190/1920 and the provisions of 4172/2013, as in force (hereinafter: the **"Merger"**).

The final resolution on the Merger is to be adopted by the General Meetings of Shareholders of the Companies in Merger. Such resolution is subject to the qualified quorum and majority requirements of Article 29(3) and Article 31 of C.L. 2190/1920.

This Management Report is drawn up and submitted to the General Meeting pursuant to Article 69(4) of Codified Law 2190/1920, as in force, for the purpose of explaining and substantiating to the shareholders, from a legal and financial standpoint, the Draft Merger Agreement dated 15 July 2015 (hereinafter: **"DMA"**). In particular, the Board of Directors brings before the General Meeting the following:

### **I. Summary of the basic DMA terms**

The Merger shall be carried out by way of acquisition of the Acquired Companies by the Acquiring Company, in accordance with Articles 69-77 of Codified Law 2190/1920, as in force, subject to the provisions and exemptions of Law 4172/2013, as in force.

The final resolution on the Merger is to be adopted by the competent bodies of the Companies in Merger in accordance with Article 72(1) of Codified Law 2190/1920, as in force. Such resolution is subject to the qualified quorum and majority requirements of Article 29(3) and Article 31 of C.L. 2190/1920.

Upon completion of the Merger, the Acquiring Company shall generally succeed the Acquired Companies in all their rights, obligations and assets, and all effects of Article 75 of C.L. 2190/1920 shall generally apply.

Based on the above, upon completion of the Merger, the Acquired Companies shall be dissolved without entering liquidation and their share certificates shall be cancelled, whereas their assets and liabilities, as same are recorded in their books and in the valuation balance sheets dated 30.04.2015 prepared in accordance with Article 73 of Codified Law 2190/1920, shall be transferred to the Acquiring Company in their current status as at the time the Merger procedure is completed. By decision of the Directors of the Acquired Companies, "ORION CHARTERED ACCOUNTANTS SA" (Chartered Accountants' Association Reg. No. 146) was assigned the task of providing an assessment of the accounting value of the Acquired Companies' assets, which was eventually carried out by its members Konstandinos Niforopoulos (Chartered Accountants' Association Reg. No. 16541) and Fotios Lolas (Chartered Accountants' Association Reg. No. 34011), in accordance with Article 9 of Codified Law 2190/1920, as currently in force. All assets, rights, obligations and claims of the Acquired Companies shall be transferred to the Acquiring Company by virtue of the merger agreement and also by force of law, as a result of the Merger, and the Acquiring Company shall undertake and assume all rights and obligations of the Acquired Companies under the merger agreement and also by force of law.

The **Acquiring Company's** share capital amounts to €3,890,400.00 and consists of 12,157,500 ordinary registered shares with voting rights, with a nominal value of €0.32 each.

The share capital of **Acquired Company A** amounts to €26,069,406.00 and consists of 8,689,802 ordinary registered shares with voting rights, with a nominal value of €3.00 each. The share capital of **Acquired Company B** amounts to €15,548,400.00 and consists of 5,182,800 ordinary registered shares with voting rights, with a nominal value of €3.00 each.

Upon completion of the Merger, the share capital of the Acquiring Company, as same shall be formed after the Merger, shall increase by €18,000.00 through issue of 56,250.00 new ordinary registered shares with a nominal value of €0.32 each.

### **Share exchange ratio / Acquiring Company's share capital after the Merger**

The accounting value of the Acquired Companies was assessed based on the generally accepted valuation principles and methods applied internationally in respect of each of the Acquired Companies, which were reasonably applied to the Merger. The results arising from their application were taken into consideration based on the level of applicability of each principle/method.

No difficulties or problems were identified during the application of such valuation methods.

In assessing the value of the Acquired Companies the following methods were applied:

- The adjusted net book worth method, as such worth arises from the Valuation Balance Sheet dated 30.04.2015 of each of the Acquired Companies (hereinafter: Valuation Balance Sheet of Acquired Company A and Valuation Balance Sheet of Acquired Company B) and the reformed consolidated balance sheet dated 30.04.2015 of the Acquiring Company (hereinafter: Valuation Balance Sheet of the Acquiring Company), given that the Acquiring Company has holdings in subsidiaries

and consortia (the Valuation Balance Sheet of Acquired Company A, the Valuation Balance Sheet of Acquired Company B and the Valuation Balance Sheet of the Acquiring Company being collectively hereinafter referred to as the "Valuation Balance Sheets" and - the fair value method, based on the fair value of the Acquired Companies.

The adjusted net worth of the Acquired Companies was assessed based on the Valuation Balance Sheet of Acquired Company A, the Valuation Balance Sheet of Acquired Company B and the Valuation Balance Sheet of the Acquiring Company.

The fair value of the Acquired Companies was assessed under the free cash flows method.

#### Assessed values and exchange ratio

Based on the outcome of the aforementioned valuation methods, the range of values of Acquired Company A, Acquired Company B and of the Acquiring Company, as same is reported under each valuation method in the audit reports dated 13.07.2015 of "ORION CHARTERED ACCOUNTANTS SA" (Chartered Accountants' Association Reg. No. 146), in particular in the reports of Konstandinos Niforopoulos (Chartered Accountants' Association Reg. No 16541) and Fotios Lolas (Chartered Accountants' Association Reg. No. 34011) on the Valuation Balance Sheets of the Acquired Companies (each report being hereinafter individually referred to as the "Report on the Valuation Balance Sheet of Acquired Company A" or the "Report on the Valuation Balance Sheet of Acquired Company B", and collectively referred to as the "Auditors' Reports") is as follows:

#### Acquiring Company - Acquired Company A

	Adjusted Net Worth	Fair value	Range of values	
			Based on the Adjusted Net Worth	Based on Fair Value
Weighting Percentage (%)				
AUTOHELLAS ATEE	181,437,136.16	155,000,000.00	99.95%	99.93%
VELMAR	90,055.82	112,250.90	0.05%	0.07%
<b>Total</b>	<b>181,527,191.98</b>	<b>155,112,250.90</b>	<b>100.00%</b>	<b>100.00%</b>

According to the Report on the Valuation Balance Sheet of Acquired Company A, the share exchange ratio between the Acquiring Company and Acquired Company A ranges from 99.93% to 99.95% for the shareholders of the Acquiring Company, and from 0.05% to 0.07% for the shareholders of Acquired Company A.

## Acquiring Company - Acquired Company B

	Adjusted Net Worth	Fair value	Range of values	
			Based on the Adjusted Net Worth	Based on Fair Value
Weighting Percentage (%)				
AUTOHELLAS ATEE	181,437,136.16	155,000,000.00	99.57%	99.67%
TECHNOCAR	776,291.36	508,749.10	0.43%	0.33%
<b>Total</b>	<b>182,213,427.52</b>	<b>155,508,749.10</b>	<b>100.00%</b>	<b>100.00%</b>

According to the Report on the Valuation Balance Sheet of Acquired Company B, the share exchange ratio between the Acquiring Company and Acquired Company B ranges from 99.57% to 99.67% for the shareholders of the Acquiring Company, and from 0.33% to 0.43% for the shareholders of Acquired Company B.

Based on the foregoing, as regards in particular the share exchange ratio between the Acquiring Company and Acquired Company A, the Directors of both companies have weighted the values arising under the adjusted net worth method at the rate of 0.431910 and the values arising under the fair value method at the rate of 0.568090. Based on the final values of the above companies (weighted as above), amounting to €166,418,463.48 for the Acquiring Company, and to €102,664.62 for Acquired Company A, we propose a share exchange ratio between the Acquiring Company and Acquired Company A equal to 99.938% for the shareholders of the former and to 0.062% for the shareholders of the latter.

The table below provides a thorough description of such weighting and its results:

	Adjusted Net Worth based on Weighting Rates	Fair value based on Weighting Rates	Total Weighted Values	Exchange Ratio
Weighting Percentage (%)	0.431910	0.568090		
AUTOHELLAS ATEE	78,364,513.48	88,053,950.00	166,418,463.48	99.938%
VELMAR	38,896.01	63,768.61	102,664.62	0.062%
<b>Total</b>	<b>78,403,409.49</b>	<b>88,117,718.61</b>	<b>166,521,128.10</b>	<b>100.000%</b>

Accordingly, as regards in particular the share exchange ratio between the Acquiring Company and Acquired Company B, the Directors of both companies have weighted the values arising under the adjusted net worth method at the rate of 0.698190 and the values arising under the fair value method at the rate of 0.301810. Based on the final values of the above companies (weighted as above), amounting to €173,458,144.10 for the Acquiring Company, and to €695,544.43 for Acquired Company B, we propose a share exchange ratio between the Acquiring Company and Acquired Company B equal to 99.601% for the shareholders of the former and to 0.399% for the shareholders of the latter.

The table below provides a thorough description of such weighting and its results:

	<b>Adjusted Net Worth based on Weighting Rates</b>	<b>Fair value based on Weighting Rates</b>	<b>Total Weighted Values</b>	<b>Exchange Ratio</b>
Weighting Percentage (%)	0.698190	0.301810		
AUTOHELLAS ATEE	126,677,594.10	46,780,550.00	173,458,144.10	99.601%
TECHNOCAR	541,998.87	153,545.57	695,544.43	0.399%
<b>Total</b>	<b>127,219,592.96</b>	<b>46,934,095.57</b>	<b>174,153,688.53</b>	<b>100.000%</b>

Based on the above, we propose as a fair and reasonable exchange ratio, the rate of 99.5395% for the shareholders of the Acquiring Company, the total rate of 0.4605% (over the total share capital of the Acquiring Company after the share capital increase to take place due to the Merger) for both the shareholders of Acquired Company A and those of Acquired Company B (in particular 0.0614% for the former and 0.3991% for the latter).

It is noted that Acquired Company B maintains a holding of 37.29% in Acquired Company A; therefore, some confusion is expected to arise in respect of such holding during the share capital increase of the Acquiring Company. To wit, the amount of the contributed net assets of Acquired Company A, amounting to €53,551, which corresponds to Acquired Company B, has been taken into consideration in assessing the share exchange ratio between the Acquiring Company and Acquired Company B.

Hence, for each share of Acquired Company A its shareholders will assume 0.001376305 new shares of the Acquired Company, whereas for each share of Acquired Company B its shareholders will assume 0.009406113 new shares of the Acquiring Company.

### ***Share Capital of the Acquiring Company after the Merger***

The Acquiring Company's share capital after the Merger will stand at the amount of €3,908,400.00, consisting of 12,213,750 shares of a nominal value of €0.32 each. The Acquiring Company's share capital will increase by €18,000.00 in total, which corresponds to 56,250 new shares of a nominal value of €0.32 each to be allocated

to the shareholders of Acquired Company A and to those of Acquired Company B. Out of the total amount of increase of the Acquiring Company's share capital due to Merger, €2,400.00 amounts to Acquired Company A and €15,600.00 to Acquired Company B.

The difference (equal in total to €848,347.18) from the value of the net contributed assets of Acquired Company A (€143,606.79) and the net contributed assets of Acquired Company B (€722,740.39), i.e. equal in total to €866,347.18, shall be entered in a special Reserve Account of the Acquiring Company's net worth,

which is further broken down as follows: (a) Share capital of Acquired Company A and Acquired Company B: €41,599,805.00 (b) Reserves of Acquired Company A and Acquired Company B: €4,141,783.18 (c) Valuation difference of the Balance Sheet of Acquired Company A and that of Acquired Company B: €18,915,804.85 and (d) Deferred Losses of Acquired Company A and Acquired Company B: (€63,809,045.85).

Any fractional share balances to arise do not entitle the relevant shareholders to fractional shares but rather, they are summed up into a whole number of shares, which are sold by resolution of the Acquiring Company's BoD, and the sale proceeds are allocated to the entitled shareholders.

The above shareholders are not entitled to any additional compensatory cash payments in accordance with Articles 68(2) of Codified Law 2190/1920.

#### Formalities governing the delivery of the new share certificates issued by the Acquiring Company

As soon as the Merger is completed, the Acquiring Company's Board of Directors shall take all action necessary for the allocation of the new shares issued by the Acquiring Company to the shareholders of the Acquired Companies based on the aforementioned share exchange ratios and their registration in the DSS accounts of their beneficiaries, in accordance with the law.

The Acquiring Company shall proceed to all necessary amendments to its Articles of Association to legitimise the actions envisaged in this DMA, and ensure their consistency with the terms of its AoA.

## **II. Financial aspect of the Merger**

The Board of Directors of Acquired Company A considers this merger to be beneficial for the following reasons:

- a) The company to arise from the Merger will establish synergies and economies of scale, both on administrative and operational level, As regards in particular the exploitation of its workshops / car body repair shops.
- b) The Merger is bound to cause a reduction in the company's average cost of financing.
- c) The Merger is bound to generate the liquidity required due to the expected development of the retail car market, which currently amounts merely to 15% of its pre-crisis level.

### **III. Legal aspect of the Merger**

The authorised merging method is that of merger by acquisition, in accordance with Articles 69 et seq. of Codified Law 2190/1920 and the provisions of Law 4172/2013, as in force.

The conduction of the Merger in accordance with the aforementioned provisions is considered appropriate, as it allows for utilisation of the incentives offered under the national law, such in particular:

a) Accounting incentives, such as the valuation of the Acquired Companies' assets by a chartered accountant;

b) Legal incentives, as, upon completion of the Merger, the Acquiring Company shall subrogate the Acquired Companies, as a quasi general successor, in all their legal relationships, rights, obligations and powers, as same are regulated under the applicable laws.

### **IV. Recommendation**

For the financial and legal reasons set out above, and considering that the adoption of all decisions necessary for the completion of the Merger by the competent bodies of the Acquired Companies and the execution of a Draft Merger Agreement have been carried out in accordance with the provisions of Codified Law 2190/1920 and Law 4172/2013, as in force, we consider that the Merger is totally justified and imperative, and we further recommend to the Shareholders to authorise the Draft Merger Agreement for the acquisition of "VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, TRADING AND INDUSTRIAL ENTERPRISES" and "TECHNOCAR SA, MANUFACTURING & TRADING ENTERPRISES" by "AUTOHELLAS TOURIST AND TRADING ANONYMOUS COMPANY", and to proceed to such other actions, declarations or transactions as may be necessary to that effect.

The Board of Directors of  
VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, TRADING  
AND INDUSTRIAL ENTERPRISES

ON ACCOUNT OF THE BOARD OF DIRECTORS OF ACQUIRED COMPANY A  
"VELMAR HELLENIC AUTOMOBILES AND AGENCIES SA, TRADING AND INDUSTRIAL  
ENTERPRISES"

ST. KOUTELOPOULOS  
GENERAL MANAGER & VICE-CHAIRMAN OF THE BoD