



# **Automotive Components Europe S.A.**

## **Quarterly Consolidated Report**

**for the**

**Quarter ended September 30, 2007**

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## **A. Director's report**

### **1. Introduction**

ACE ("Company") is a public limited liability company (*société anonyme*) incorporated pursuant to, and governed by the laws of Luxembourg under the legal and commercial name, of Automotive Components Europe S.A. (in abbreviated form A.C.E. S.A.). ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and has its registered office located 6 rue Adolphe, L-1116 Luxembourg, Grand Duchy of Luxembourg. Since August 1, 2007 the corporate seat of the Company has been moved to 82 route d'Arlon, L-1150 Luxembourg.

ACE, as a holding company incorporated in Luxembourg has two operating companies: iron casting division (Fuchosa) in Spain and aluminium casting division (EBCC) in Poland, as well as one non-operative company, EBCC Germany (a branch of our Polish plant).

ACE is a specialised supplier to the European automotive industry having a leading position in brake systems components, and focusing on the manufacture of iron anchors (a safety component of a Disc Brake system, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of a Disc Brake system that houses the brake pads and pistons; in the braking process it is responsible for supporting the hydraulic pressure).

During the IPO, which took place in May 2007 the Company increased its shareholding capital from 20 050 100 to 22 115 260 outstanding shares. Under the same prospectus three existing shareholders of ACE – Casting Brake ,EB Holding and Halberg Holding sold together 10 423 316 Company's shares (less the shares bought with the over-allotment option (319.389) meant 10.103.927 shares sold). The first listing of ACE on Warsaw Stock Exchange took place on June 1<sup>st</sup>, 2007.

ACE's business is managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board. The Chief Executive Officer, in the performance of the day-to-day management of ACE is supported by a Management Committee constituted of senior officers of ACE, appointed by the Board.

Composition of the Management bodies of ACE as of September 30, 2007

#### Management Committee:

|                             |   |
|-----------------------------|---|
| <i>Jose Manuel Corrales</i> | <i>Chief Executive Officer</i>                      |
| <i>Raul Serrano</i>         | <i>Senior Officer, Chief Financial Officer</i>      |
| <i>Carlos Caba</i>          | <i>Senior Officer, Business Development Manager</i> |
| <i>Zbigniew Pawlucki</i>    | <i>Senior Officer, Head of Aluminium Activities</i> |

#### Board of Directors:

|                             |                             |
|-----------------------------|-----------------------------|
| <i>Andrzej Bartos</i>       | <i>Class A Director</i>     |
| <i>Arkadiusz Podziewski</i> | <i>Class A Director</i>     |
| <i>Marek Adamiak</i>        | <i>Class A Director</i>     |
| <i>Jose Manuel Corrales</i> | <i>Class B Director</i>     |
| <i>Raul Serrano</i>         | <i>Class B Director</i>     |
| <i>Jerzy Szymczak</i>       | <i>Independent Director</i> |
| <i>Paweł Szymański</i>      | <i>Independent Director</i> |

The condensed consolidated quarterly report for the third quarter of 2007 was prepared according to International Accounting Standards. The content of the report directly refers to the IAS standard, however due to a short history and the fact that the Company was not reporting on quarterly basis last year, ACE is not able to present comparable data for the third quarter of 2006 and cumulative performance for the first three quarters of the previous year.

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007

## 2. Financial Highlights

in '000 Euro

| <i>Selected consolidated financial items</i>                           | <i>For the third quarter of 2007<br/>From July 1<sup>st</sup> to September 30<sup>th</sup>, 2007</i> | <i>For the first three quarters of 2007<br/>Cumulative<br/>From Jan 1<sup>st</sup> to Sept 30<sup>th</sup>, 2007</i> |
|--|--|--|
| Revenues from sales  | 19 205   | 65 723   |
| Operating Profit   | 1 823  | 8 009  |
| Profit before tax  | 1 713  | 7 383  |
| Net profit   | 1 473  | 6 026  |
| Net profit attributable to equity holders of the parent company        | 1 473  | 6 026  |
| Cash flow from operating activities                                    | -660   | 8 883  |
| Cash flow from investment activities                                   | -1 384   | -2 308   |
| Cash flow from financial activities                                    | -12 035  | -7 256   |
| Net cash flow  | -14 078  | -731   |
| Current assets   | 32 261   | 32 261   |
| Fixed assets   | 35 331   | 35 331   |
| Total Assets   | 67 592   | 67 592   |
| Liabilities  | 35 217   | 35 217   |
| Long-term Liabilities  | 15 963   | 15 963   |
| Short term Liabilities   | 19 254   | 19 254   |
| Shareholders Equity  | 32 375   | 32 375   |
| Shareholders equity attributable to shareholders of the parent company | 32 375   | 32 375   |
| Share capital  | 3 317  | 3 317  |
| No of shares outstanding   | 22 115 260   | 22 115 260   |
| Net profit (loss) per share  | 0.07   | 0.27   |
| Book value per share   | 1.46   | 1.46   |

## 3. Financial performance

### Consolidated Profit & Loss Statement

in '000 Euro

|                             | <i>The third quarter of 2007<br/>From July 1<sup>st</sup> to Sept 30<sup>th</sup>, 2007</i> | <i>The first three quarters of 2007<br/>Cumulative<br/>From January 1<sup>st</sup> to Sept 30<sup>th</sup>, 2007</i> |
|-----------------------------|---|--|
| Revenues from sales         | 19 205  | 65 723   |
| Cost of goods sold          | 14 325  | 48 200   |
| Gross profit                | 4 879   | 17 523   |
| <i>GP margin</i>            | 25.4%   | 26.7%  |
| G&A expenses                | 2 000   | 6 103  |
| EBITDA                      | 2 880   | 11 420   |
| <i>EBITDA margin</i>        | 15.0%   | 17.4%  |
| Depreciation & amortisation | 1 057   | 3 412  |
| Operating profit            | 1 823   | 8 009  |
| <i>OP margin</i>            | 9.5%  | 12.2%  |
| Financial income            | 194   | 974  |
| Financial costs             | 303   | 1 599  |
| Profit before tax           | 1 713   | 7 383  |
| Tax                         | 240   | 1 357  |
| Net profit                  | 1 473   | 6 026  |
| <i>NP margin</i>            | 7.7%  | 9.2%   |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Sources of sales revenues**

The main source of ACE Group's sales revenues are the sales of iron anchors and aluminium callipers. The remaining, minority part of the Company's sales, comprises of revenues from the after-production scrap, toolings and prototypes sales.

| <i>Sales revenues in '000 Euro</i>  | <i>The first three quarters of 2007 cumulative</i> |             | <i>2006</i>   | <i>%</i>    |
|-------------------------------------|--|-------------|---------------|-------------|
| <i>Sales of products*</i>           | 62 713   | 95,4%       | 76 384        | 96.5%       |
| <i>Sales of goods and materials</i> | 3 010  | 4,6%        | 2 787         | 3.5%        |
| <b><i>Total sales revenue</i></b>   | <b>65 723</b>                                      | <b>100%</b> | <b>79 172</b> | <b>100%</b> |

\* includes rental of office space in Poland of 141 000 Euro in 2006

| <i>Sales of products in '000 Euro</i> | <i>The first three quarters of 2007 cumulative</i> |             | <i>2006</i>   | <i>%</i>    |
|---------------------------------------|--|-------------|---------------|-------------|
| <i>Sales of iron castings</i>         | 34 423   | 54,9%       | 43 484        | 57.0%       |
| <i>Sales of aluminium castings</i>    | 28 290   | 45,1%       | 32 759        | 43.0%       |
| <b><i>Total sales of products</i></b> | <b>62 713</b>                                      | <b>100%</b> | <b>76 243</b> | <b>100%</b> |

| <i>Sales volumes in million pieces</i> | <i>The first three quarters of 2007 cumulative</i> |  | <i>2006</i> |
|--|--|--|-------------|
| <i>Iron anchors</i>                    | 20.5   |  | 27.5        |
| <i>Aluminium callipers</i>             | 4.6  |  | 5.6         |

If the geographical structure of sales is concerned it shows directly location of major client's factories producing complete braking systems.

| <i>Revenues by country</i> | <i>The first three quarters of 2007 cumulative</i> |  | <i>2006</i>   |
|----------------------------|--|--|---------------|
| <i>Germany</i>             | 35,3%  |  | 34.6%         |
| <i>Czech Republic</i>      | 25,2%  |  | 25.5%         |
| <i>France</i>              | 9,9%   |  | 11.3%         |
| <i>Spain</i>               | 10,0%  |  | 11.3%         |
| <i>Portugal</i>            | 5,3%   |  | 7.1%          |
| <i>Other</i>               | 14,4%  |  | 10.2%         |
| <b><i>Total</i></b>        | <b>100,0%</b>                                      |  | <b>100.0%</b> |

**Direct production costs and gross profit**

The third quarter of 2007 is primarily characterized by a seasonal fall of activity as regards previous two quarters, only Euro 19 205 thousand recorded in the reported period are below Company's performance in the first quarter by – 4 412 thousand Euro and in the second quarter by – 3 696 thousand Euro. Nevertheless, in both two first quarters ACE's sales were above budget. The seasonality due to holidays period and the delay experienced in some aluminium projects explains the difference of turnover.

On the other hand, there is also a significant increase of inventories over the period and therefore an increase of production costs not followed by a realization of margin on sales.

In addition, some variable expenses do not decrease in the same proportion as the volumes.

This shortfall of volume causes a drop of the gross profit for the period to 4 879 thousand Euros, 25,4% on sales, placing the cumulative figure in 17 523 Thousand Euros, 26,7% on sales.

**General & administrative expenses**

In general, G&A expenses are in line with precedent quarters of year 2007, but somehow there is an effect of under absorption due to lower volumes.

**EBITDA and operating profit**

Due to the shortfall of volume in the period, third quarter EBITDA of 2 880 thousand Euro lays below the previous quarters (15% compared with 18,4%) which places the cumulative in 11 420 thousand Euro, 17,4% on sales.

**Financial items**

As regards previous quarters of 2007, there is an increase of financials result of -109 thousand Euro against – 516 thousand Euro in first half due to financial optimization of funds.

On one hand there is a decrease of financial income, 195 thousand Euro against 1<sup>st</sup> half 780 thousand Euro despite the increase of ACE Holding due to the financial optimization of IPO proceeds and because (i) of the higher income in second quarter coming from hedging and (ii) the reduction of cash to prepay one of the loan facilities in the subsidiaries. On the other hand, and in a mayor extent there is a decrease of financial expenses, 303 thousand Euro against first half 1 296 thousand Euro mostly due to repayment of debt.

**Profit before tax and tax**

There is a significant decrease of effective tax rate in third quarter mostly because of new tax credits and non taxable interests of debt prepayment in EBCC.

**Net profit**

Net profit in the period amounts to 1 473 thousand Euro, 7,7% of the sales. In year to date the result rises to 6 026 thousand Euro, 9,2% of the sales.

**Performance against the budget (forecasts)**

|                   | <i>3 Quarters of 2007</i> | <i>Forecast full year 2007</i> | <i>as % of 2007 forecast</i> |
|-------------------|---------------------------|--------------------------------|------------------------------|
| <i>Revenues</i>   | 65 723                    | 86 392                         | 76,1%                        |
| <i>EBITDA</i>     | 11 420                    | 17 199                         | 66,4%                        |
| <i>EBIT</i>       | 8 009                     | 12 364                         | 64,8%                        |
| <i>Net Profit</i> | 6 026                     | 9 577                          | 62,9%                        |

Even though part of the drop of the activity was already discounted in the forecast as seasonality decrease of business due to holiday period, the extra decrease due to lower sales of calipers on top of it is the main reason to explain underperformance in the profitability of the quarter. On the other hand, new agreements reached with the customers in terms of aluminium prices, reflecting general pressure on margins, does also contribute to enlarge this difference. Finally, though in a minor extent, there is also a negative impact at the level of iron productivity.

Even so, after three quarters consolidated sales are still above the forecast despite lower activity. On operating profit the Company is 10 pp below its forecast mainly due to higher production costs and increasing pressure on margins. Nevertheless, other negative impact in cost experienced throughout the year like energy and some other purchasing prices have been in a great extend compensated by means of the price agreements reached with some customers.

## 4. Business overview

### European Automotive Industry

Performance of ACE depends on trends in automotive industry as well as on the behaviour of major brake systems producers. Due to the current market positions of both production plants, the ACE Group limit its operations to Europe, where it has a strong position and competitive advantage. However, the Company does not exclude expansion to new geographical markets should favourable acquisition opportunities occur. The conditions of the European automotive market are the major factors influencing performance of the Shares because of close-knit relationships in the supply chain structure.

The European automotive production remains constant or increases slightly despite lower production in countries considered to be European leaders (*e.g.* Germany and France). According to PWC Autofacts, EU and Eastern Europe countries accounted for a 31.6% share in the global automotive production in 2006. In the future, this share is expected to remain constant. Within Europe the producers are shifting their production facilities to the CEE region. Central and Eastern Europe has become a new hub for manufacturing motor vehicles, especially passenger cars, and is sometimes called "East Detroit". This production zone spreads over southern Poland, north-eastern Czech Republic and Slovakia down to the northern part of Hungary, where a network of manufacturing facilities with significant capacity have recently been set up with more facilities under construction.

### European Brake Industry Structure

With respect to brake components such as anchors and callipers, most of the business is outsourced from Tier 1 brake system assemblers to Tier 2 suppliers specialised in foundry parts and castings. ACE is an integrated Tier 2 supplier of front and rear axle iron anchors and aluminium callipers for passenger cars brake systems.

Tier 2 suppliers deliver their products to Tier 1 producers which, in turn, are responsible for assembling brake systems and delivering them to car manufacturers (OEMs). Production of Tier 1 and Tier 2 manufacturers is highly dependant on the performance of OEMs, particularly in the passenger car segment. The relations are structured through open contracts covering capacity, price and product range. Contracts are normally signed or agreed on a long term basis, however, key terms such as capacity and prices are negotiated every year. The product optimisation and the development processes cause significant client lock-in effect. Suppliers are usually locked in for the production during the entire production life of a given car platform. Tier 1 brake component manufacturers require from Tier 2 casting suppliers capabilities of cooperation in product development of casting items (design, material, etc.), certified, reliable manufacturing process, high level of quality and competitive price. Machining of aluminium brake components, such as callipers, is mostly outsourced to CEE suppliers such as ACE's plant in Poland or LeBelier in Hungary.

All new cars produced in Europe are equipped with disc brakes, as far as the front axle is concerned. As for rear axle, disc brakes are applied in around 72% of newly produced cars. The remaining 28% of cars still use drum brakes in rear axle. In all disc brake systems the anchors are made of nodular iron castings. Currently, nodular iron is by far the best material for anchors. As far as callipers are concerned, these parts are usually made of nodular iron in front axles. However, since the late nineties aluminium castings are becoming increasingly popular, especially in rear disc brakes. Automakers are using more aluminium to improve fuel economy, reduce emissions and enhance performance, as aluminium helps to reduce the weight of the vehicle. Due to the fact that aluminium callipers are less durable than those made of nodular iron they are applied in rear axle disc brakes, as these brakes contribute to 20–30% of braking power. In front disc brake systems aluminium callipers are extremely exceptional, as they need to be significantly bigger than nodular iron callipers, and are currently used only in high-end cars. However, this segment represents high growth potential.

### Main Products

The core business of the ACE Group focuses on production of high quality brake components for Disc Brake system (Tier 1) manufacturers. Aluminium casting division adds gravity aluminium casting and machining to the ACE Group's product range.

Anchors are safety parts expected to meet high technological requirements such as: very high strength resistance, elongation, machining, torsion, resilience, thermal stability and dampen vibration. Anchors are responsible for fixing the brake module to the chassis. ACE's anchors are made of nodular iron. Iron anchors are currently applied in most of the newly produced cars.

Callipers are also essential components of disc brake systems that house the brake pads and pistons. In the process of braking they are responsible for supporting the hydraulic pressure in the brake moment. Aluminium callipers currently produced by ACE are applied in rear brakes. ACE's focus on rear callipers is in line with the current technological trends, according to which the predominant application of aluminium callipers is the rear axle brake.

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ACE continuously cooperates with its clients on the redesign and development of anchors and callipers used in new models of cars, which are introduced to the market. There are currently several projects, in which both divisions are involved, focused on refurbishment and improvement of produced brake system elements.

As on the end of the third quarter of 2007 both subsidiaries maintained their strong market position in compare with 2006.

Future development strategy of the Company includes development and introduction a number of new products to diversify sales revenues. At the moment one of the most important projects of this type is introduction of a master cylinder (TMC) production by our Polish plant.

Ace has been recently nominated by two customers as their supplier for the TMC product.

The series production will start:

- In case of the first customer in the fourth quarter of 2007 with a yearly volume estimated to be around 300.000 parts (full year).
- In case of the second customer in the first quarter of 2008 with a yearly volume estimated to be around 100.000 parts (full year)

The second project covered by the same division is development of aluminium front calipers which are implemented in high-end cars. The subsidiary was nominated by two of its clients as a future supplier of front calipers. The project is after tests and in the middle of a validation stage. The first production output is expected by the end of 2008 or early 2009.

Beside development of its production facilities ACE spends a lot of effort on integration of all companies in the group. Currently both divisions introduce an unified ERP system and IT platforms. Financial modules have been already completed though consolidation facilities are now under construction, while supply chain and commercial modules are in the process.

### Main clients

ACE Group supplies its products to the following Continental plants: Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia). As far as TRW Automotive is concerned, ACE delivers its products to the plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany), and Pontypool (Wales). The supplies to Bosch are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). The following table reflects the percentage of the total sales of the ACE Group to its main clients.

| <i>(in % of total sales)</i> | <i>As on the end of Sept 2007</i> | <i>2006</i> |
|------------------------------|-----------------------------------|-------------|
| <i>Continental</i>           | 25 874                            | 34 640      |
| <i>TRW</i>                   | 25 246                            | 29 300      |
| <i>Bosch</i>                 | 11 411                            | 12 076      |
| <i>Other</i>                 | 181                               | 227         |

The Company did not experience any fluctuations of sales linked with changes in seasonal demand. In the reporting period sales were smooth and based mainly on long term agreements.

### Main Suppliers

Due to the fact that ACE's production plants use different production materials and technologies, they are responsible for their own supplies. Thus discussion of the supplies structure on the consolidated level might be misleading. For the purpose of this report we would like to present the items which have the strongest impact on financial performance of both subsidiaries and the whole group.

In general, the contracts executed by Spanish plant have a one year duration period and mainly concern the purchase and supply of electricity, and sand. Scrap supply contracts have a shorter duration, normally of one month. As a general rule, upon expiration, the terms of such raw material contracts are re-negotiated and adapted to market prices.

The main suppliers of our iron casting division are: Iberdrola for electricity, Metalimpex and Reimasa for steel scrap, Alcan International and Esfemetal for ferroalloys, Exaloid for brent and coal and Funsider for pig iron.

The plant experienced growth prices of raw materials (10,6% of steel scrap as regards average 2006) and energy (9,7% as regards average 2006). Nevertheless, plant quotes the price for the finished product, such price being reviewed every three months so as to reflect any change in steel scrap prices and when the agreed base price is exceeded, to pass on a material portion of any relevant increase in the price of steel scrap to the ordering client. For the energy we have reached with our customers some other agreements to compensate these and other external price increases.

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Aluminium casting division does not execute long-term written agreements with its major production material suppliers. Purchases of materials are effected on an order-by-order basis on the terms and conditions (including prices) agreed therein. The plant cooperates with three strategic suppliers: Hydro Aluminium and Elkem which are leading aluminium suppliers to the European market and Mapal (diamond machining tools).

The plant also has three utilities suppliers. Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. is a supplier for water through the water supply system and also discharges domestic sewage and industrial wastewater into sewage system operated by this supplier. The electricity is supplied to the plant by Zakład Energetyczny Wrocław S.A. and GZ-50 high-methane content natural gas for heating and general purposes is supplied by the branch of Polskie Górnictwo Naftowe i Gazownictwo S.A. located in Wrocław.

Polish plant experienced growth prices of raw materials (+12,4% of Aluminium as regards average 2006), gas (+10,8% as regards average 2006) and energy (+3% as regards average 2006). The price of aluminium is composed of the base price, which is index-linked to the market price of aluminium as quoted on London Metal Exchange, and a premium, which is added by the supplier. Similar to our Spanish plant the Polish one compensates some justified increase of raw materials and energy prices with appropriate pricing of finished goods.

### **Research & Development**

The ACE's research and development is entirely carried out at the level of its subsidiaries.

The iron casting division has a well performing and highly organised product development system, fully adequate to the requirements of its clients in the automotive industry. Compared to other brake casting manufacturers the plant has leading edge capabilities in product development. Human resources and equipment are designed to keep the front position in anchor development. Product development capabilities are concentrated on only one product family (anchors) and a very limited number of clients. This allows them to be a client- and product-oriented company providing its clients with customised engineering.

A few years ago our aluminium casting division started to invest in its own R&D capacity. At present, by the application of specialised simulation and CAD software, Their R&D department is capable of designing and developing new products and technology processes. This capacity has been proven by the latest projects.

Currently ongoing projects:

*Development of a new calculation program to support its iron casting technology* based not only in traditional geometrical and thermal concepts but also on the self-supply capacity of the metal, modulated by means of cooling curves. The project is carried out in cooperation with the Azterlan Technological Center ("*Centro Tecnológico Azterlan*").

*Collaboration with Tier 1 on a new brake concept.* – Both divisions are collaborating with the engineering department of one of the most important clients in the development of a new concept of brake design process and improvement of brake performance.

*Collaboration with TRW in EUREKA project:* The main two goals of the project are reduction of the product development timing by 30-40% due to establishment of a new cooperative design procedure between ACE and its client. And reduction of noise produced during braking actions thanks to innovative modeling of braking system elements. Thanks to this project ACE will become a technological reference in the automotive industry. ACE and TRW will be supported in measurements and simulations by technical universities from Bilbao (Spain) and Krakow (Poland). Thanks to its innovative approach the project was recently awarded the European EUREKA label.

*New technology for the production of front calipers:* Our plant in Poland is developing a special innovative and environmental friendly technology solution for the production of front calipers, which has the additional benefit of cost reduction. They are presently conducting preliminary work to apply for a patent for the innovative technology used in the production of aluminium front calipers.

ACE is deploying an important commercial effort in order to keep its position in iron anchors (iron plant is today almost full capacity) and increase his volume in aluminum though the existing capacity in his aluminum segment.

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The R&amp;D expenses in Q3 by company are as follows:

Aluminium casting division in '000 Euro

|                                   | <i>3Q 2007</i> | <i>3Q cumulative<br/>2007</i> | <i>2006</i> |
|-----------------------------------|----------------|-------------------------------|-------------|
| Investments in R&D                | 7              | 140                           | 172         |
| Investments in IT systems for R&D | 0              | 0                             | 0           |
| Costs regarding R&D               | 104            | 298                           | 350         |
| <b>Total R&amp;D expenses</b>     | <b>111</b>     | <b>438</b>                    | <b>522</b>  |

Iron casting division in '000 Euro

|  | <i>3Q 2007</i> | <i>3Q cumulative<br/>2007</i> | <i>2006</i>  |
|--|----------------|-------------------------------|--------------|
| Internal R&D: Wages, travel expenses   | 389            | 1108                          | 1 438        |
| R&D materials                          | 11             | 259                           | 59           |
| Licences & Software                    | 0              | 16                            | 19           |
| Training                               | 3              | 9                             | 39           |
| Marketing                              | 0              | 0                             |              |
| Design & works - production / supplies | 24             | 124                           | 227          |
| Machinery & equipment purchase         | 40             | 40                            | 191          |
| Total Internal R&D                     | 466            | 1556                          | 1 973        |
| External R&D: R&D Acquisitions         | 64             | 174                           | 175          |
| <b>Total R&amp;D</b>                   | <b>530</b>     | <b>1730</b>                   | <b>2 148</b> |

### **Strategic investments**

During the IPO the Company declared that a substantial part of proceeds coming from capital raising will be used for acquisitions of new companies. The main goal of this process is not only an increase of ACE's production capacity and market share but also diversification of its product range. According to the strategy of ACE the Company is looking for additional capacity in iron foundry business in one of CEE countries.

Preliminary selection of potential targets has been already completed and currently the Management Committee of ACE focuses on direct negotiations with two potential prospects, which should lead to particular investment decisions.

Negotiations with one of the prospects are very advanced and ACE is about to finish a due diligence process there. But any decision will be made after the process is fully completed.

In addition, and though the company still has free capacity in aluminium, ACE is also looking for potentially attractive acquisition targets in aluminium business. The potential target should be placed in the growth area of ACE, the CEE countries.

## 5. Outlook for the following months of 2007

In the upcoming months ACE will focus mainly on the following issues:

- Merger & Acquisitions – ACE will continue negotiations with selected targets and the final decisions will be taken in the following months.
- Capacity development and diversification of a product range – It is currently focused mainly on development of new products – TMC and front calipers. Aluminium casting division which will be the producer of both parts is going to start production of TMCs in the fourth quarter of 2007. Currently placed orders secure production output of around 400k pieces for the next year, however Management Committee's intention is to further increase TMC production level in 2008 and capture additional orders from other customers. Front calipers will be in a series production in late 2008 or early 2009. Introduction of new products is a very important step in diversification of ACE's portfolio and additional source of future revenues as well as a good starting point to further improvement of its market position. However, entering a new market segment is linked with introduction of a new technology and new relations with customers.
- Management Information System – In the following months all companies in the group will continue introduction of a common ERP system and IT platforms. This will improve reporting capabilities and quality as well as will help on day-to-day business management of ACE's subsidiaries. Currently, implementation of financial consolidation module as well as common purchasing and distribution systems is taking place, and will allow further performance improvement and better integration of all production plants.
- Technology improvements – All projects of this kind are carried out by R&D departments of both production subsidiaries. Although specific goals of ongoing projects are different, all of them will lead to further improvement of production technology and design procedures. The intention of ACE is not only to maintain its dominant position in anchors and calipers but also to be a technical reference for other suppliers of these parts. In the following months all projects described in the R&D section will be continued.
- Financial outlook: Company's turnover of its core business (anchors and calipers) in the first three quarters of 2007 was in line with the budget. Although, in general, prospects for the last quarter of the year are good and both production plants will be running at budgeted capacities, the delay in some aluminium project will generate some reduction of activity, in compare with the forecast, which will be visible in the following months. Decrease in third quarter results will also impact full year profitability of the Company. Although ACE is trying to compensate this underperformance with higher sales of its traditional products – anchors and calipers, there is a potential risk that not whole underperformance from previous months will be recovered. Basing on today Management's knowledge, the full year EBITDA result might be 10-12% below the forecast with sales staying at unchanged level.

## 6. Additional information

### Major shareholders (over 5% of shareholder's equity) as of November 14, 2007

To the best of the Company's knowledge as of the date of publication of this consolidated report for the third quarter of 2007, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

|  | <i>No of shares as of<br/>November 14, 2007<br/>(% of share capital)<br/>(***)</i> | <i>Increase/<br/>decrease<br/><br/>No of<br/>shares</i> | <i>No of shares as on<br/>September 30, 2007<br/>(% of share capital)<br/>(***)</i> | <i>No of shares as of<br/>December 31, 2006 (*)<br/>(% of share capital)</i> |
|--|--|---|---|--|
| EB Holding (Luxemburg) (**)                                | 6 535 593<br>(29.55%)  | -   | 6 535 593<br>(29.55%)   | 16 040 080<br>(80%)  |
| Casting Brake (Spain) (**)                                 | 2 980 607<br>(13.48%)  | -   | 2 980 607<br>(13.48%)   | 4 010 020<br>(20%)   |
| Templeton Asset Management Ltd.                            | 1 183 485<br>(5.35%)   | -   | 1 183 485<br>(5.35%)  | -  |
| PKO Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A. | 1 250 000<br>(5.65%)   | -   | 1 250 000<br>(5.65%)  | -  |
| AIG Towarzystwo Funduszy Inwestycyjnych S.A.               | 1 556 579<br>(7.04%)   | -   | 1 556 579<br>(7.04%)  | -  |
| ING Nationale Nederlanden Polska OFE                       | 1 150 000<br>(5.20%)   | -   | 1 150 000<br>(5.20%)  | -  |

\* Before the IPO and capital increase by issue of 2 065 160 new shares in May 2007

\*\* Old shareholders selling part of their shares during IPO

\*\*\* After the partial repurchase of the over-allotment as stated in the Prospectus

### Changes in ownership of shares and rights to shares by Board of Directors' members

Board of Directors and Management Committee members do not have directly any shares of ACE or its subsidiaries or any rights to them, although indirectly some of them hold a stake in the Company.

### Issued guarantees for loans as of the end of the third quarter of 2007

No new guarantees issued during the period other than described in prospectus and oppositely it has been cancelled the pledge on the shares in favor of Halberg Holding.

### Information on any one or more transactions concluded by the issuer or its subsidiary with related parties

ACE entered into two transactions with related parties (as this term is defined in the Regulation (EC) No 1606/2002) that are material to the Company, before September 30, 2007:

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007

- Agreement for 3m Euro loan to Retorgal dated June 1, 2007 in order to fully repay Vendor Note & Acknowledgement of Debt
- Agreement for 7m Euro loan to EBCC dated September 18, 2007 in order to fully repay the Erste Bank loan.

There have been no additional material transactions since closing the books on Sep 30, 2007 and until the date of publication of this report.

ACE and its subsidiaries have entered into some transactions with related parties over the course of the period 2004–2006 which may have affected the financial position and profit and loss of the ACE in future. All these transactions are described in details in the prospectus.

**Information on any proceedings pending before a court, a competent arbitration body or any public administration authority**

Our Spanish plant has appealed an administrative decision according to which it was denied a tax credit of 81.821 € in favour of this company coming from expenses relative to the capture and transport of waste.

Otherwise, the Company is not aware about any proceedings pending before a court, a competent arbitration body or any public administration authority as on the date of the publication of this report.

**Information on paid or planned dividend**

The company is not envisaging any payment of dividends for the current year since oppositely they have been recently raised some funds in the stock exchange market for new acquisitions. In the near future, and after completing this acquisition the dividend policy of ACE remains unchanged as regards the policy stated in the Prospectus.

**Changes of the Company's managing or supervisory persons in the third quarter of 2007**

On September 12, 2007 the Extraordinary Shareholders Meeting approved resignation of Mr. Hugh Aiken from his Class A Director's position and approved nomination of three new directors:

|                        |                             |
|------------------------|-----------------------------|
| <i>Marek Adamiak</i>   | <i>Class A Director</i>     |
| <i>Jerzy Szymczak</i>  | <i>Independent Director</i> |
| <i>Paweł Szymański</i> | <i>Independent Director</i> |

Since the EGSM the new Board of Directors is composed of 7 members.

**Information on the supervision of employee stock option plans**

There is no a general stock option plan for all employees within ACE Group. Only certain managers of ACE's production plant in Poland (EBCC Sp. z o.o.) will benefit from the plan. An employee share option plan was approved by the Board at their meeting on February 22, 2007. The plan gives specified persons the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting on March 14, 2007 approved the introduction of an authorised share capital for the purposes of, *inter alia*, the plan. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date, and shall be exercisable on an annual basis from the second anniversary of the completion of the Offer. Options that have not yet vested upon the voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon the termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in the voluntary resignation or dismissal for gross negligence, fraud, willful misconduct all rights to Shares vested over the last 12 month period are cancelled.

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Information on the revenues and net results of individual business segments and geographical segments**

Geographical segments in '000 Euro

|                | <i>For the first three quarters of 2007<br/>(cumulative)</i> |
|----------------|--|
| Western Europe | 42 883   |
| Eastern Europe | 22 782   |
| Other          | 58   |
| <b>Total</b>   | <b>65 723</b>  |

Business segments in '000 Euro

|                               | <i>Iron castings</i> | <i>Aluminium<br/>castings</i> | <i>Other</i> | <i>Consolidated</i> |
|-------------------------------|----------------------|-------------------------------|--------------|---------------------|
| Total revenues                | 34 423               | 28 290                        | 3 010        | 65 723              |
| <b>Profit for the segment</b> | <b>2 569</b>         | <b>3 543</b>                  | <b>-86</b>   | <b>6 026</b>        |

## ***B. Condensed Consolidated Financial Statements for the quarter ended September 30, 2007***

The condensed consolidated quarterly report for the third quarter of 2007 was prepared according to International Accounting Standards. The content of the report directly refers to the IAS standard, however due to a short history and the fact that the Company was not reporting on quarterly basis last year, ACE is not able to present comparable data for the third quarter of 2006 and cumulative performance for the first three quarters of the previous year.

### **Applied Exchange rates**

As ACE is incorporated in Luxembourg, its statutory reporting currency is euro. However, Polish plant uses *zloty* for both statutory and internal reporting. For the consolidation within ACE, the financial monthly statements of this division were converted into euro by being its functional currency.

The following table shows certain information regarding the exchange rate between *zloty* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the National Bank of Poland on its website [www.nbp.gov.pl](http://www.nbp.gov.pl).

Investors should also note that the average rates are simple arithmetic averages for each given period.

| <i>PLN per 1 Euro</i> | <i>Average</i> | <i>High</i> | <i>Low</i> | <i>Period end</i> |
|-----------------------|----------------|-------------|------------|-------------------|
| 2006                  | 3.8959         | 4.1065      | 3.7565     | 3.8312            |
| Jan 1 – Sep 30, 2007  | 3.8263         | 3.9385      | 3.7443     | 3.7775            |
| Jul 1 – Sep 30, 2007  | 3.7895         | 3.8477      | 3.7443     | 3.7775            |

### **Consolidated Balance Sheet as of September 30, 2007 in thousands of Euros**

| <i>Assets</i>                    | <i>As of Sep 30, 2007</i> | <i>As of Jun 30, 2007</i> | <i>As of Dec 31, 2006</i> |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Non current assets</b>        |                           |                           |                           |
| Property, plant and equipment    | 34 545                    | 34 187                    | 35 712                    |
| Intangible assets                | 180                       | 190                       | 116                       |
| Available for sale investments   | 319                       | 319                       | 320                       |
| Derivative financial instruments | 226                       | 291                       | 140                       |
| Deferred tax assets              | 60                        | 47                        | 524                       |
| <b>Total non-current assets</b>  | <b>35 331</b>             | <b>35 034</b>             | <b>36 812</b>             |
| <b>Current assets</b>            |                           |                           |                           |
| Inventories                      | 7 062                     | 5 703                     | 5 199                     |
| Trade and receivables            | 14 102                    | 15 836                    | 14 282                    |
| Other current assets             | 1 910                     | 1 719                     | 805                       |
| Derivative financial instruments | 0                         | 0                         | 235                       |
| Cash and cash equivalents        | 9 187                     | 23 266                    | 9 919                     |
| <b>Total current assets</b>      | <b>32 261</b>             | <b>46 524</b>             | <b>30 440</b>             |
| <b>Total assets</b>              | <b>67 592</b>             | <b>81 558</b>             | <b>67 252</b>             |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007

| <i>Equity and Liabilities</i>        | <i>As of Sep 30, 2007</i> | <i>As of Jun 30, 2007</i> | <i>As of Dec 31, 2006</i> |
|--------------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Capital and reserves</b>          |                           |                           |                           |
| Share capital                        | 3 317                     | 3 317                     | 3 008                     |
| Share premium                        | 9373                      | 9390                      | 24                        |
| Retained earnings                    | 13 658                    | 13 694                    | 8 906                     |
| Net profit for the period            | 6 026                     | 4 553                     | 4 057                     |
| <b>Total equity</b>                  | <b>32 375</b>             | <b>30 954</b>             | <b>15 995</b>             |
| <b>Non current liabilities</b>       |                           |                           |                           |
| Non current bank borrowings          | 11 491                    | 24 109                    | 25 913                    |
| Other loans                          | 0                         | 0                         | 3 000                     |
| Deferred income                      | 378                       | 389                       | 401                       |
| Deferred tax liabilities             | 3 493                     | 3 391                     | 3 402                     |
| Other non current liabilities        | 0                         | 0                         | 33                        |
| Long term provisions                 | 601                       | 662                       | 551                       |
| <b>Total non current liabilities</b> | <b>15 963</b>             | <b>28 551</b>             | <b>33 300</b>             |
| <b>Current liabilities</b>           |                           |                           |                           |
| Current bank borrowings              | 2 651                     | 2 562                     | 3 067                     |
| Trade and other payables             | 12 663                    | 13 445                    | 10 828                    |
| Current tax liabilities              | 1 623                     | 2 350                     | 2 462                     |
| Other current liabilities            | 1 447                     | 2 411                     | 754                       |
| Provisions                           | 870                       | 1 285                     | 846                       |
| <b>Total current liabilities</b>     | <b>19 254</b>             | <b>22 053</b>             | <b>17 957</b>             |
| <b>Total equity and liabilities</b>  | <b>67 592</b>             | <b>81 558</b>             | <b>67 252</b>             |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Consolidated Income Statement for the period from July 1 to September 30, 2007  
in thousands of Euros**

|                                  | <i>From Jul 1 to Sep 30, 2007</i> | <i>From Jan 1 to Sep 30, 2007</i> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Revenues                         | 19 205                            | 65 723                            |
| Costs of sales                   | 14 325                            | 48 200                            |
| Gross profit                     | 4 879                             | 17 523                            |
| Other operating income           | 118                               | 479                               |
| Distribution costs               | 606                               | 1 985                             |
| Administrative expenses          | 2 212                             | 7 252                             |
| Other operating expenses         | 356                               | 756                               |
| Operating profit                 | 1 823                             | 8 009                             |
| Financial income                 | 194                               | 974                               |
| Financial expenses               | 303                               | 1 599                             |
| Financial result                 | -110                              | -626                              |
| <b>Profit before tax</b>         | <b>1 713</b>                      | <b>7 383</b>                      |
| Income tax expense               | 240                               | 1 357                             |
| <b>Net profit for the period</b> | <b>1 473</b>                      | <b>6 026</b>                      |

**Consolidated Statement of changes in Shareholders' Equity for the period from January 1 to September 30, 2007 in  
thousands of Euros**

Attributable to equity holders of the Parent

|  | <i>Share<br/>capital</i> | <i>Share<br/>premium</i> | <i>Retained<br/>earnings</i> | <i>Profit for<br/>the period</i> | <i>Net Equity</i> |
|--|--------------------------|--------------------------|------------------------------|----------------------------------|-------------------|
| <b>Balance as of Jan 1, 2007</b>           | <b>3 008</b>             | <b>24</b>                | <b>8 906</b>                 | <b>4 057</b>                     | <b>15 995</b>     |
| Allocation of year 2006 profit             |                          |                          | 4 057                        | -4 057                           | <b>0</b>          |
| Increase in share capital                  | 309                      | 9 349                    |                              |                                  | <b>9 658</b>      |
| Profit / Loss for the period               |                          |                          |                              | 6 026                            | <b>6 026</b>      |
| Change in fair value of consideration paid |                          |                          | 348                          |                                  | <b>348</b>        |
| Recognition of share-based payments        |                          |                          | 391                          |                                  | <b>391</b>        |
| Other                                      |                          |                          | -43                          |                                  | <b>-43</b>        |
| <b>Balance as of Sep 30, 2007</b>          | <b>3 317</b>             | <b>9 373</b>             | <b>13 659</b>                | <b>6 026</b>                     | <b>32 375</b>     |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Consolidated Cash Flow Statement for the period from January 1 to September 30, 2007**  
**in thousands of Euros**

|  | <i>From Jan 1 to Sep<br/>30, 2007</i> | <i>From Jul 1 to Sep<br/>30, 2007</i> |
|--|---------------------------------------|---------------------------------------|
| <b>Cash flow from ordinary activities</b>                                      |                                       |                                       |
| Profit before tax  | 7 383                                 | 1 713                                 |
| Adjusted for:  |                                       |                                       |
| Amortisation and depreciation  | 3 412                                 | 1 057                                 |
| Equity-settled share based payments transactions                               | 391                                   | 0                                     |
| Net financial result   | 626                                   | 110                                   |
| Losses on sale of property, plant and equipment                                | 19                                    | 0                                     |
| Gains and losses on changes in fair values of derivative financial instruments | 149                                   | 65                                    |
| Others   | -288                                  | 10                                    |
| <b>Operating losses before changes in working capital</b>                      | <b>11 691</b>                         | <b>2 954</b>                          |
| Increase/decrease in receivables and other current assets                      | -1 963                                | 581                                   |
| Increase/decrease in inventories   | -1 863                                | -1 359                                |
| Increase/decrease in trade and other payables                                  | 1 712                                 | -2 682                                |
| <b>Cash from operating activities</b>  | <b>9 577</b>                          | <b>-506</b>                           |
| Income tax paid  | -744                                  | -154                                  |
| <b>Net cash from ordinary activities</b>                                       | <b>8 833</b>                          | <b>-660</b>                           |
| <b>Cash flows from investing activities</b>                                    |                                       |                                       |
| Acquisition of property, plant and equipment                                   | -2 213                                | -1 289                                |
| Acquisition of other intangible assets   | -95                                   | -95                                   |
| Acquisition of non current financial assets                                    |                                       |                                       |
| <b>Net cash from investing activities</b>                                      | <b>-2 308</b>                         | <b>-1 384</b>                         |
| <b>Cash flows from financing activities</b>                                    |                                       |                                       |
| Proceeds from issue of equity shares   | 11 088                                | 0                                     |
| Proceeds from bank financing   | -14 837                               | -12 481                               |
| Proceeds from other loans  | -3 000                                | 0                                     |
| Change in other non current liabilities  | 118                                   | 104                                   |
| Net of interest paid or received   | -626                                  | 342                                   |
| Acquisition of treasury shares   | 0                                     | 0                                     |
| <b>Net cash from financing activities</b>                                      | <b>-7 256</b>                         | <b>-12 035</b>                        |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007

|  |              |              |
|--|--------------|--------------|
| Net increase/(decrease) in cash and cash equivalents     | -731         | -14 078      |
| Cash and cash equivalents at the beginning of the period | 9 919        | 23 266       |
| <b>Cash and cash equivalents as of September 30</b>      | <b>9 188</b> | <b>9 188</b> |

**Notes to condensed financial statements**Accounting policies

The accounting principles and measurement basis of these Condensed Consolidated Financial Statements are consistent with those applied in the prospectus and have remained unchanged. In the preparation of these financial statements, the Company has followed the IAS interim condensed financial reporting standard. Due to a short history of the ACE (registered in July 2006) and no interim reporting obligations a fully comparable information for the third quarter of 2006 is not available.

Consolidated entities

| <i>Company name</i> | <i>Status</i>     | <i>Ownership</i> | <i>Consolidation method</i> |
|---------------------|-------------------|------------------|-----------------------------|
| Fuchosa S.L.        | Operational       | 100%             | Full                        |
| EBCC Sp. z o.o.     | Operational       | 100%             | Full                        |
| Retorgal (*)        | Non – operational | 100%             | Full                        |

(\*) Fuchosa and Retorgal merged in the end of September 2007.

Share capital changes

During IPO which took place in May 2007 the Company issued 2 065 160 new shares, which were offered to new investors of ACE as well as 10 103 927 existing shares which were sold by old shareholders. Changes in the share capital are illustrated in the following table.

|                 | <i>Before IPO</i>   |             | <i>After IPO</i>    |             |
|-----------------|---------------------|-------------|---------------------|-------------|
|                 | <i>No of shares</i> | <i>%</i>    | <i>No of shares</i> | <i>%</i>    |
| Existing shares | 20 050 100          | 100%        | 20 050 100          | 90.66%      |
| New shares      | -                   | -           | 2 065 160           | 9.34%       |
| <b>Total</b>    | <b>20 050 100</b>   | <b>100%</b> | <b>22 115 260</b>   | <b>100%</b> |

Non-recurring items affecting assets, liabilities, equity, net income or cash flows for the 3<sup>rd</sup> quarter

There has been no any non-recurring effects on consolidated financial statements of the company in the 3<sup>rd</sup> quarter of 2007 except for the IPO and share capital increase described in the share capital changes above.

The nature and amount of changes in estimates of amounts reported in previous financial reports having material effect in the current financial report.

There has been no change in estimates of amounts since publication of the Prospectus. All valuation methods applied in this report are consistent with those used for financial statements presented in the Prospectus.

Dividends Paid in the period of the 3<sup>rd</sup> quarter of 2007

The Company did not paid any dividend in the reported period.

Issuances, repurchases and repayments of debt and equity securities

In third quarter the one of the subsidiaries of the Company has fully repaid the bank loan with Erste amounting 11 000 thousand €.

In addition, the company has fully repaid the Vendor Note and of the Acknowledgement of Debt to Halberg Guss as described in the prospectus. With this purpose, ACE has lent 3 000 Thousand € to Retorgal to fund this company via subordinated loan.

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007

Material events after the end of the 3<sup>rd</sup> quarter of 2007 that have not been reflected in the financial statements

There have been no any material events impacting consolidated financial statements of ACE after the end of the 3<sup>rd</sup> quarter and until the date of publication of this report.

Changes in the composition of the Company during 3<sup>rd</sup> quarter of 2007

To simplify a group structure and to reduce some operational costs two entities Fuchosa and Retorgal merged in the end of September 2007. After the merger Fuchosa is 100% directly ACE owned company.

Changes in the contingent liabilities or contingent assets since the end of 2006

All current contingent assets and contingent liabilities were described in the Prospectus. There has been no change of these items since publication of the Prospectus and until the end of the 3<sup>rd</sup> quarter of 2007.

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Non – consolidated Balance Sheet Statement as of September 30, 2007**  
**in thousands of Euros**

| <i>Assets</i>                                | <i>As of Sep 30,<br/>2007</i> | <i>As of Dec 31,<br/>2006</i> |
|--|-------------------------------|-------------------------------|
| <b>Non current assets</b>                    |                               |                               |
| Property, plant and equipment                | 2                             |                               |
| Intangible assets                            |                               | 22                            |
| Available for sale investments               |                               |                               |
| Investment in Group and associated companies | 3 032                         | 3 032                         |
| Derivative financial instruments             |                               |                               |
| Receivables and other financial assets       | 10 019                        |                               |
| Deferred tax assets                          |                               |                               |
| <b>Total non-current assets</b>              | <b>13 053</b>                 | <b>3 054</b>                  |
| <b>Current assets</b>                        |                               |                               |
| Inventories                                  |                               |                               |
| Trade and receivables                        | 23                            | 2                             |
| Other current assets                         | 2                             | 7                             |
| Derivative financial instruments             |                               |                               |
| Cash and cash equivalents                    | 123                           | 50                            |
| <b>Total current assets</b>                  | <b>148</b>                    | <b>59</b>                     |
| <b>Total assets</b>                          | <b>13 201</b>                 | <b>3 113</b>                  |
| <b>Equity and Liabilities</b>                |                               |                               |
|  | <i>As of Sep 30,<br/>2007</i> | <i>As of Dec 31,<br/>2006</i> |
| <b>Capital and reserves</b>                  |                               |                               |
| Share capital                                | 3 317                         | 3 008                         |
| Share premium                                | 9 373                         | 24                            |
| Retained earnings                            | -98                           |                               |
| Net profit for the period                    | -87                           | -98                           |
| <b>Total equity</b>                          | <b>12 505</b>                 | <b>2 934</b>                  |
| <b>Non current liabilities</b>               |                               |                               |
| Non current bank borrowings                  |                               |                               |
| Other loans                                  | 200                           |                               |
| Deferred income                              |                               |                               |
| Deferred tax liabilities                     |                               |                               |
| Other non current liabilities                |                               |                               |
| Long term provisions                         |                               |                               |
| <b>Total non current liabilities</b>         | <b>200</b>                    | <b>0</b>                      |
| <b>Current liabilities</b>                   |                               |                               |
| Current bank borrowings                      |                               | 50                            |
| Trade and other payables                     | 451                           | 71                            |
| Current tax liabilities                      |                               |                               |
| Other current liabilities                    |                               | 8                             |
| Provisions                                   | 45                            | 50                            |
| <b>Total current liabilities</b>             | <b>496</b>                    | <b>179</b>                    |
| <b>Total equity and liabilities</b>          | <b>13 201</b>                 | <b>3 113</b>                  |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Non – consolidated Income Statement for the third quarter of 2007  
in thousands of Euros**

|                                  | <i>From Jul 1 to Sep 30, 2007</i> | <i>From Jan 1 to Sep 30, 2007</i> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Revenues                         |                                   |                                   |
| Costs of sales                   |                                   |                                   |
| Gross profit                     |                                   |                                   |
| Other operating income           |                                   |                                   |
| Distribution costs               |                                   |                                   |
| Administrative expenses          |                                   |                                   |
| Other operating expenses         | -188                              | -65                               |
| Operating profit                 | -188                              | -65                               |
| Financial income                 | 130                               | 128                               |
| Financial expenses               | -29                               | -28                               |
| Financial result                 | 102                               | 100                               |
| <b>Profit before tax</b>         | <b>-87</b>                        | <b>35</b>                         |
| Income tax expense               | 0                                 | 0                                 |
| <b>Net profit for the period</b> | <b>-87</b>                        | <b>35</b>                         |

**Non – consolidated changes in Shareholders Equity from January 1 to September 30, 2007  
in thousands of Euros**

|                                   | <i>Share<br/>capital</i> | <i>Share<br/>premium</i> | <i>Retained<br/>earnings</i> | <i>Profit for<br/>the period</i> | <i>Net Equity</i> |
|-----------------------------------|--------------------------|--------------------------|------------------------------|----------------------------------|-------------------|
| <b>Balance as of Jan 1, 2007</b>  | <b>3 008</b>             | <b>24</b>                | <b>0</b>                     | <b>-98</b>                       | <b>2 934</b>      |
| Allocation of year 2006 profit    |                          |                          | -98                          | 98                               | 0                 |
| Increase in share capital         | 309                      | 9 349                    |                              |                                  | 9 658             |
| Profit/Loss for the period        |                          |                          |                              | -87                              | -87               |
| <b>Balance as of Sep 30, 2007</b> | <b>3 317</b>             | <b>9 373</b>             | <b>-98</b>                   | <b>-87</b>                       | <b>12 505</b>     |

Quarterly Consolidated Report for the quarter ended September 30<sup>th</sup>, 2007**Non – consolidated Cash Flow Statement for the period from January 1 to September 30, 2007  
in thousands of Euros**

|  | <i>From Jan 1 to<br/>Sep 30, 2007</i> |
|--|---------------------------------------|
| <b>Cash flow from ordinary activities</b>                                      |                                       |
| Profit before tax  | -87                                   |
| Adjusted for:  |                                       |
| Amortisation and depreciation  | 23                                    |
| Equity-settled share based payments transactions                               |                                       |
| Net financial result   | -102                                  |
| Losses on sale of property, plant and equipment                                |                                       |
| Gains and losses on changes in fair values of derivative financial instruments |                                       |
| Others   |                                       |
| <b>Operating cash flow before changes in working capital</b>                   | <b>-166</b>                           |
| Increase/decrease in receivables and other current assets                      | -16                                   |
| Increase/decrease in inventories   |                                       |
| Increase/decrease in trade and other payables                                  | 367                                   |
| <b>Cash from operating activities</b>  | <b>185</b>                            |
| Income tax paid  | 0                                     |
| <b>Net cash from ordinary activities</b>                                       | <b>185</b>                            |
| <b>Cash flows from investing activities</b>                                    |                                       |
| Acquisition of property, plant and equipment                                   | -2                                    |
| Acquisition of other intangible assets   |                                       |
| Acquisition of non current financial assets                                    |                                       |
| <b>Net cash from investing activities</b>                                      | <b>-2</b>                             |
| <b>Cash flows from financing activities</b>                                    |                                       |
| Proceeds from issue of equity shares   | 9 658                                 |
| Proceeds from other loans  | 150                                   |
| Proceeds from bank financing   | -10 019                               |
| Net of interest paid and received  | 102                                   |
| <b>Net cash from financing activities</b>                                      | <b>-109</b>                           |
| Net increase/(decrease) in cash and cash equivalents                           | 73                                    |
| Cash and cash equivalents at the beginning of the period                       | 50                                    |
| <b>Cash and cash equivalents at September 30</b>                               | <b>123</b>                            |