# Automotive Components Europe S.A.

## Quarterly Consolidated Report

**for the**

**Quarter ended December 31st, 2008**

# CONTENTS

# 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 ACE S.A.). ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and had its registered office located in 82 Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in August 1, 2007 from the former address in 6 rue Adolphe, L-1116 Luxembourg.

ACE, as a holding company incorporated in Luxembourg has three operating companies (Group): iron casting division compound by Fuchosa in Spain and Feramo (consisting of Feramo Metallum International and Feramo Trans) in Czech Republic, and aluminium casting division compound by EBCC in Poland.

ACE is a specialized 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 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 1st, 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 December 31, 2008

<u>Management Committee:</u>

| | |
|---|---|
| *Jose Manuel Corrales* | *Chief Executive Officer* |
| *Raul Serrano* | *Senior Officer, Chief Financial Officer* |
| *Carlos Caba* | *Senior Officer, Business Development Manager* |

On September 15, 2008 Board of Directors adopted a resolution on leave of Mr Zbigniew Pawłucki – Senior Officer of ACE and CEO of EBCC Sp. z o.o. - upon his request due to personal reasons.

<u>Board of Directors:</u>

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

The condensed consolidated quarterly report for the fourth quarter of 2008 was prepared according to International Accounting Standards.

# 2. Financial Highlights

in '000 Euro

| ***Selected consolidated financial items*** | ***For the 4th quarter of 2008 From Oct 1st to December 31st, 2008*** | ***From Jan 1st to Dec 31st, 2008 Cumulative*** | ***For the 4th quarter of 2007 From Oct 1st to December 31st, 2007*** | ***From Jan 1st to Dec 31st, 2007 Cumulative*** |
|---|---|---|---|---|
| *Revenues from sales* | 18 543 | 94 395 | 20 136 | 85 859 |
| *Operating Profit* | -1 211 | 4 758 | 2 422 | 10 431 |
| *Profit before tax* | -7 570 | 159 | 3 158 | 10 541 |
| *Net profit* | -6 155 | 330 | 2 668 | 8 694 |
| *Net profit attributable to equity holders of the parent company* | -6 155 | 330 | 2 668 | 8 694 |
| *Cash flow from operating activities* | 4 167 | 10 613 | 5 655 | 14 538 |
| *Cash flow from investment activities* | -1 505 | -12 289 | -939 | -3 247 |
| *Cash flow from financial activities* | 4 338 | 2 489 | -1 316 | -8 572 |
| *Net cash flow* | 6 084 | -103 | 1 247 | 515 |
| *Current assets* | 34 783 | 34 783 | 35 467 | 35 467 |
| *Fixed assets* | 47 175 | 47 175 | 35 977 | 35 977 |
| *Total Assets* | 81 958 | 81 958 | 71 444 | 71 444 |
| *Liabilities* | 47 185 | 47 185 | 33 640 | 33 640 |
| *Long-term Liabilities* | 19 084 | 19 084 | 14 072 | 14 072 |
| *Short term Liabilities* | 28 101 | 28 101 | 19 568 | 19 568 |
| *Shareholders Equity* | 34 773 | 34 773 | 37 804 | 37 804 |
| *Shareholders equity attributable to shareholders of the parent company* | 34 773 | 34 773 | 37 804 | 37 804 |
| *Share capital* | 3 317 | 3 317 | 3 317 | 3 317 |
| *No of shares outstanding* | 22 115 260 | 22 115 260 | 22 115 260 | 22 115 260 |
| *Net profit (loss) per share* | -0.28 | 0.01 | 0.12 | 0.40 |
| *Book value per share(Euro)* | 1.57 | 1.57 | 1.71 | 1.71 |

# 3. Financial performance

**Consolidated Profit & Loss Statement**

in '000 Euro

| | ***For the 4th quarter of 2008 From Oct 1st to December 31st, 2008*** | ***From Jan 1st to Dec 31st, 2008 Cumulative*** | ***For the 4th quarter of 2007 From Oct 1st to December 31st, 2007*** | ***From Jan 1st to Dec 31st, 2007 Cumulative*** |
|---|---|---|---|---|
| *Revenues from sales* | 18 543 | 94 395 | 20 136 | 85 859 |
| *Cost of goods sold* | -16 908 | -76 150 | -14 462 | -62 662 |
| *Gross profit* | 1 635 | 18 245 | 5 674 | 23 197 |
| *GP margin* | *8.8%* | *19.3%* | *28.1%* | *27.0%* |
| *G&A expenses* | -1 300 | -8 316 | -2 591 | -8 693 |
| *EBITDA* | 335 | 9 929 | 3 083 | 14 504 |
| *EBITDA margin* | *1.8%* | *10.5%* | *15.3%* | *16.8%* |
| *Depreciation & amortisation* | -1 546 | -5 171 | -661 | -4 073 |
| *Operating profit* | -1 212 | 4 758 | 2 422 | 10 431 |
| *OP margin* | *-6.5%* | *5.0%* | *12.0%* | *12.1%* |
| *Negative goodwill* | 0 | 1 433 | 0 | 0 |
| *Financial income* | -420 | 930 | 790 | 1 763 |
| *Financial costs* | -5 938 | -6 962 | -54 | -1 653 |
| *Profit before tax* | -7 570 | 159 | 3 158 | 10 541 |
| *Tax* | -1 415 | 171 | -490 | -1 847 |
| *Net profit* | -6 155 | 330 | 2 668 | 8 694 |
| *NP margin* | *-33.1%* | 0.3% | *13.2%* | *10.1%* |

**Sources of sales revenues**

The main source of ACE Group's sales revenues are the sales of iron anchors in nodular technology and aluminium calipers for automotive market, and grey iron parts for different purposes. The remaining, minority part of the Group's sales, comprises of revenues from the after-production scrap, tooling and prototypes sales.

| ***Sales revenues in '000 Euro*** | ***Four quarters of 2008 cumulative*** | ***%*** | ***Four quarters of 2007 cumulative*** | ***%*** |
|---|---|---|---|---|
| *Sales of products* | 89 050 | 94.3% | 81 507 | 94.9% |
| *Sales of goods and materials* | 5 345 | 5.7% | 4 352 | 5.1% |
| ***Total sales revenue*** | **94 395** | **100%** | **85 859** | **100%** |

| ***Sales of products in '000 Euro*** | ***Four quarters of 2008 cumulative*** | ***%*** | ***Four quarters of 2007 cumulative*** | ***%*** |
|---|---|---|---|---|
| *Sales of nodular iron castings* | 43 346 | 48.67% | 44 594 | 54.7% |
| *Sales of grey iron castings* | 12 245 | 13.75% | 0 | 0.0% |
| *Sales of aluminium castings* | 33 459 | 37.58% | 36 913 | 45.2% |
| ***Total sales of products*** | **89 050** | **100%** | **81 507** | **100%** |

| ***Sales volumes in million pieces*** | ***Four quarters of 2008 cumulative*** | ***Four quarters of 2007 cumulative*** |
|---|---|---|
| *Iron anchors* | 22.6 | 26.8 |
| *Grey iron castings* | 2 0 | 0 |
| *Aluminium callipers* | 5.8 | 6.1 |
| ***Total products sold*** | **30.4** | **32.9** |

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

| ***Revenues by country*** | ***Four quarters of 2008 cumulative*** | ***Four quarters of 2007 cumulative*** |
|---|---|---|
| *Czech Republic* | 28.9% | 27.7% |
| *Germany* | 24.7% | 29.4.% |
| *France* | 11.4% | 9.3% |
| *Spain* | 8.2% | 10.6% |
| *Portugal* | 4.1% | 5.5% |
| *Other* | 22.7% | 17.4% |
| ***Total*** | **100.0%** | **100.0%** |

Following comments refers only to 4th quarter of 2008.

In fourth quarter of 2008, sales of automotive market in Western Europe decreased by -20% as regards the same period of 2007 (Source: JD Power), placing the year to date difference in -7,5%. According same source, in the concerned period production of cars was reduced by around 1 000 Thousand cars or -28% (around 1300 thousand cars less than 2007 in full year or -9%). In addition, the profile of cars sold was lower thus many of them holding drum brakes in the rear axle and not incorporating our parts performed for disc brakes.

Matching this evolution in last quarter period, sales volume in whole group decreased by 20% or 1 500 thousand parts comparing with same quarter of 2007. However, if we focus only in automotive companies, sales volume decrease was -36% or 2 700 thousand parts. Most of this reduction is allocated in Nodular iron business, though in aluminium segment the sale of machined parts has also decreased significantly by -40%.

Total sales turnover shows a reduction by only 8% or 1 600 Thousand Euros. However, with the same consolidation scope as 2007 the reduction was 29% or 5 900 Thousand Euros. Thus the reason of this unbalanced value of sales as regards volume is mostly the higher value of raw materials and energy re-invoiced to the customers but also the value of sales other than parts like tooling that are usually invoiced to the customer in the last part of the year.

## Direct production costs and gross profit

Despite lower sales in both volume and value, production costs are increasing as regards same period of 2007. This is so due to following main reasons:

- Full quarter consolidation of direct production expenses corresponding to new acquisition. It is important to remark that new acquisition is not yet contributing to add a significant margin despite representing around 1/4 of total turnover in this quarter. Though general performance of Feramo is fulfilling expectations, the volatility experienced by purchasing prices of raw materials produces an unbalance between the real price of raw materials and the index used for the agreements reached with the customers which is causing that this mechanism is not yet fully working and thus not covering 100% of price increases. After some stability period starting since the end of the last quarter of 2008, today this mechanism is matching its expectations and we do not expect further losses derived from them in the near future.
- Fixed or not variable nature of part the expenses included within production costs, like depreciation or partly staff costs.
- Increase of energy prices, especially in Spain, but though in a minor extent also in Poland.

Reduction of gross profit is also influenced by the general lowering of margins as a consequence of different breakdown of products linked to the reduction of sales volume.

Mostly as a consequence of the lower sales especially in December and unbalance of indexation agreements in the new acquisition, gross profit margin is reduced by Euro 4 Million as regards same quarter of 2007.

## General & administrative expenses

On one hand there are important savings at selling and distribution cost level (Euro 722 Thousand) due to lower sales volume and some reclassifications made in the Czech company compared with the previous period. On the other there are also some overruns in general and administration expenses (Euro 892 Thousand). The increase experienced in the period is directly linked not only to the expenses added by the new acquisition but also with some other expenses in R&D related to the Spanish operating company which have been subject of important subsidies recorded in other operating income, higher than 2007 by Euro 609 Thousand.

## EBITDA and operating profit

Mostly due to the general reduction of activity, operating profit of fourth quarter of Euro -1 212 Thousand is lower by Euro 3 635 Thousand as regards previous year. EBITDA is also reducing in a much lower extent by Euro 2 750 Thousand, raising a final amount of Euro 334 Thousand (1.8% on sales).

## Financial items

Weakening of polish zloty during the period provoked fair value losses associated to Group hedging derivative financial instruments in place to hedge polish zloty by around Euro 4.7 Million. Additionally, other currency exchange losses amounts around Euro 1.4 Million. Comparing with positive results in fourth quarter of 2007 of Euro 0.7 Million, split of these differences matches with total financial losses difference by Euro 7.1 Million.

Information of outstanding hedging contracts as of December 31st, 2008

| Contract Number | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Partner | BRE Bank | BRE Bank | BZ WBK | BZ WBK | BRE Bank | BRE Bank |
| Amount per 1 transactions [EUR] | | | | | | |
| PUT | 100 000 | 100 000 | 100 000 | 100 000 | 100 000 | 100 000 |
| CALL | 300 000 | 300 000 | 300 000 | 300 000 | 300 000 | 200 000 |
| Number of transaction for the month | 1 | 1 | 1 | 1 | 1 | 1 |
| Duration (date of last transaction) | AUG 2010 | AUG 2010 | AUG 2010 | FEB 2011 | JUL 2011 | DEC 2010 |
| Strike | 3.9317 | 3.9825 | 3.8000 | 3.7100 | 3.4087 | 3.4700 |

Weighted average strike in 2008 was at 3.8139 PLN/EURO which is above the average exchange rate of 3.5129 PLN/EURO. This means that on average our realized hedging transactions were positive and the Company earned 412k euro in the whole year 2008.

**Profit before tax and tax**

As a consequence of negative operating profit and mostly hedging losses, Profit before tax amounts to Euro -7 570 Thousand. The decrease by Euro 10 729 Thousand as regards previous year is reflecting the decrease of activity at the operating level and unrealized losses coming from fair valuation of hedging contracts. Due to pre-tax losses, Corporate Income Tax in the different companies is then adjusted to match it with new full year results thus having a positive impact at tax level by Euro 1 415 Thousand (positive difference of Euro 1 905 Thousand compared with last quarter of 2007).

**Net profit**

For all the reasons stated above and in a higher extent due to unrealized fair value of hedging contracts, Net profit of the period rises to Euro -6 155 Thousand or Euro -8 823 Thousand lower than previous year. Even so, year to date Net profit is still positive by Euro 330 Thousand (0.35% on sales).

**Financial Position**

Despite lowering of Net Profit, yearly operating cash flow is still above Euro 10 Million and even after huge investments made in the period, partial reimbursement of share premium and treasury shares acquisition, cash position of the Group is very strong and keeps stable arising Euro 10 276 Thousand.

**Performance against the budget (forecasts)**

Following comment refers to full year performance.

The Company did not publish any official forecast for 2008, but some guidelines referred to growth expectations in sales and Net Profit. According these guidelines sales in both volume and value should grow in 2008 by 7 – 10% while net profit by 10 – 15% in comparison with 2007. As of the end of third quarter of 2008 and in sight of market environment we already anticipated the review of these guidelines, and stated that it would be difficult to meet Net Profit target, “being its final size highly depending on performance of Polish zloty”, as it was the case. In exchange, what we did anticipate at that time as not so much depending on foreign exchange currency volatility was the final level of the operating performance (EBITDA), which was expected to be in the range from 30 to 40% lower than year 2007

The real fact was that sales in value grew by around 10%, but most of this difference is due to new acquisition, not included in our initial guidelines. With the same scope than in year 2007, sales in value were lower by around 5% whereas in volume decreased by around 13%, which means that we are below a range of 7-10% growth published in the guidelines. This big difference is a direct consequence of the customer orders decrease which besides the general reduction of sales volume in units produces a delay of start on production in some new projects and the decrease of machining business which is also part of our customer’s competence and in these circumstances of under-activity they keep for themselves.

The main reason behind this underperformance of sales is the automotive market fall experienced in Western Europe especially in second half of the year and more sharply in the last quarter. Sales of cars in Western European market decreased in 2008 by 7.5% compared with year 2007, whereas production decreased by more than 9% in the same period.

As regards Net Profit full year results of Euro 330 Thousand is much more far away of our initial target, in a range of Euro 9.6 to 10 Million. As we described when explaining fourth quarter results, on one hand due to market fall impacting on our activity and on the other negative results of hedging contracts especially concentrated in the fourth quarter.

In our opinion it is important to remark that this underperformance results from rapidly worsening general automotive and currency exchange market situation rather than company specific issues.

Finally what we did really met was the estimation of the EBITDA which was strongly positive and in fact only 31.5% lower than year 2007, in comparison with the range of estimate from 30 to 40% that we issued to the public market.

# 4. Business overview

**European Automotive Industry**

Performance of ACE depends on trends in automotive industry as well as on the behavior of major brake systems producers. Due to the current market positions of both production plants, the ACE Group limits 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 favorable 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.

So far the European automotive production remained constant and even increased. However, after relatively stable first half of the year the fourth quarter of 2008, like the previous one, was very dynamic in terms of reduction of sales of new cars in West European countries. According JD Power, in first half 2008 the sales in Western Europe showed a reduction of around 221 thousand cars compared with same period 2007 (-2.8%). In the third quarter the difference increased by additional 340 thousand cars (-10% in the period placing year to date difference in 4.9%) and in the fourth quarter by additional 683 thousand cars (-20% in the period placing year to date difference in 7.5%). In this scenario almost all the Car Manufacturers and Tier 1, and consequently the rest of component producers, took several actions addressed to reduce their activity to match it with expected sales.

However, within Europe the producers are shifting their production world wide 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 has 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 specialized 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 optimization 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. Up to year 2007 main assumptions in terms of using of disc brakes in cars were: 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. Due to lower profile of cars sold in year 2008 it is very probable that the a.m. percentage of estimated disc brake per car have decreased in favor of drum brakes.

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 that 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.

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. This is the key of our future business development since ACE cooperates jointly with its customers between one to three years before start on production (SOP).

The recently acquired company Feramo in Czech Republic offers a wide range of grey iron castings for engineering, hydraulical, electro technical and automotive sectors, as well as for a small urban architecture projects. Sales for an automotive sector constitute less than 15% of Feramo's sales.

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 has already started in 2008, and though the expected volume for the year will not represent a significant stake, the Company is already prepared to undertake the production of new references of this product.

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 in the validation stage. The first production output is expected for 2009.

ACE has been nominated by one of the current customers to supply the machining of iron casting parts SOP is expected in the beginning of 2009. This is the first project in iron machining and represents, given the important presence of ACE in iron casting a very interesting opportunity for growing this business.

## 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.

Since the acquisition of Feramo in May 2008 some other customers have joined the portfolio of ACE (shown in line "Grey iron castings" of tables above and in line "Other" of table below). Currently this company has approximately 100 customers from the Czech Republic and abroad. The major ten customers generate circa 70% of total sales revenue and the structure of customer is relative stable on a year-on-year basis. Main sectors what Feramo supplies to are engine parts, construction, automotive and urban furniture.

| ***(in thousands €)*** | ***Four quarters of 2008 cumulative*** | ***Four quarters of 2007 cumulative*** |
|---|---|---|
| *Continental* | 30 714 | 33 356 |
| *TRW* | 33 612 | 33 447 |
| *Bosch* | 13 095 | 14 568 |
| *Other* | 11 629 | 236 |

The Company did not usually experience any important fluctuation of sales linked with changes in seasonal demand. In the reporting period, however, sales were affected by sharp decrease of sales of new cars in West European countries.

Nevertheless, during Easter, summer and Christmas periods the activity decreases due to holidays and maintenance stop of facilities.

## 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 month duration period and mainly concern the purchase and supply of Scrap As a general rule, upon expiration, the terms of such raw material contracts are re-negotiated and adapted to market prices.. Sand. supply contracts have a longer duration, normally of one year whereas electricity is supplied on quarterly basis.

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

The plant experienced growth prices of raw materials (36.4% of steel scrap as regards average 2007) and energy (38% in compare with the last quarter of 2007). 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. It could then represent a quarterly gain when raw material price trend is decreasing and oppositely a loss if raw material price is increasing. To avoid these effects, in 2008 it was agreed with the customers to apply some corrections on monthly basis.For the energy we have reached with our customers some other agreements to compensate these and other external price increases.

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 Aluminum 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 changes of prices of raw materials (-6.5% of Aluminium as regards average 2007), gas (+17.7% as regards average 2007) and energy (+19.2% as regards average 2007). 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.

The Company has no raw material and energy evolution data comparables for Feramo since the plant is in the ACE Group since May 2008.

**<u>Research & Development</u>**

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

The iron casting division has a well performed and highly organized 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 specialized simulation and CAD software, 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*") and this new calculation program permit several applications and improvements in the development and production phases.

*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 reduce its exposure to automotive market evolution, to keep its position in iron anchors and to increase its volume in aluminum through the existing capacity in the aluminum segment.

The R&D expenses in the fourth quarter of 2008 by company are as follows:

Aluminium casting division in '000 Euro

| | ***For the 4th quarter of 2008 From Oct 1st to December 31st, 2008*** | ***From Jan 1st to Dec 31st, 2008 Cumulative*** | ***For the 4th quarter of 2007 From Oct 1st to December 31st, 2007*** | ***From Jan 1st to Dec 31st, 2007 Cumulative*** |
|---|---|---|---|---|
| Investments in R&D | 3 271 | 3 720 | 4 | 144 |
| Investments in IT systems for R&D | 119 | 119 | 0 | 0 |
| Costs regarding R&D | 91 | 297 | 112 | 410 |
| **Total R&D expenses** | **3 481** | **4 136** | **117** | **555** |

Iron casting division in '000 Euro

| | ***For the 4th quarter of 2008 From Oct 1st to December 31st, 2008*** | ***From Jan 1st to Dec 31st, 2008 Cumulative*** | ***For the 4th quarter of 2007 From Oct 1st to December 31st, 2007*** | ***From Jan 1st to Dec 31st, 2007 Cumulative*** |
|---|---|---|---|---|
| Internal R&D: Wages, travel expenses | 836 | 2 315 | 611 | 1 719 |
| R&D materials | 0 | 5 | 0 | 259 |
| Licences & Software | 2 | 28 | 6 | 22 |
| Training | 1 | 5 | 5 | 14 |
| Marketing | 0 | 0 | 0 | 0 |
| Design & works - production / supplies | 28 | 198 | 38 | 162 |
| Machinery & equipment purchase | 12 | 12 | 0 | 40 |
| Total Internal R&D | 879 | 2 563 | 660 | 2 216 |
| External R&D: R&D Acquisitions | 55 | 235 | 82 | 256 |
| **Total R&D** | **934** | **2 798** | **743** | **2 473** |

**Strategic investments**

On May 12, 2008 the Company signed a final purchase agreement for acquisition, from a private individual, 100% of shares of Feramo Metallum International, one of the largest Czech grey iron foundries, for 160 Mio CZK (6,34 Mio €). It was a follow up of an agreement under conditions precedent signed on April 23rd, 2008. The transaction was financed from own funds and IPO raised capital recovered with a new loan from BRE Bank of 5 Mio € to be effective since the day of the transaction.

Feramo, located in Brno (Czech Republic), specializes in grey iron technology and produces castings for various industries, including automotive sector, which accounts for around 15% of their sales. The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

After completion of 100 days integration programme with success, the company is focused to develop an overall efficiency programme and reorganize some critical areas for the future development.

One of the main targets after acquisition and stabilization is to develop an important investment programme. The investment programme for Feramo was in principle planned for the next 3 years, with a value of more than EUR 9 million. It will allow the annual production capacity of the Czech plant to increase from current 15 to about 42 thousand tones of iron and most of the new capacity will be a high value added nodular iron technology used for demanding automotive castings. Taking into consideration the current market environment and our priorities thereof we should be prudent on the estimation of the launch of this capex plan though this conjuncture does not affect our long term growth strategy.

## 5. Outlook for the following months of 2009

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

- In terms of year 2009 expectations, JD Power shows a decline of 16.5% of sales of cars in Western Europe for year 2009 as regards 2008, but the above forecast does not include possible support for the sector announced by governments from Germany and France. In current environment is very difficult to rely on market forecasts and our work nowadays is focused on the most immediate implementation of actions to reduce in a significant manner our costs and adapt it as much as possible to reduced level of volumes.

The company already started in year 2008 to shorten its headcount in all operating companies and within following weeks and months the Group will continue into this saving programme by reducing additional 130 people or 15% of total staff with derived yearly savings of Euro 1.900 Thousand (already communicated to employees and Unions). Additionally, in the production plant of Spain in November 2008 it was launched an overall temporary layoff affecting to all its workforce during 54 working days until July 2009 and reducing the wage expenses in this period by around Euro 600 Thousand.

There is also a big effort made in maintenance and other general and administration expenses in order to reduce and rationalize costs and also a working capital improvement plan in place to preserve and save cash as much as possible.

On the other hand, and although we are focusing our efforts at the moment to use our free capacity for other projects, our medium and long term strategy assumes introduction of new products and customers to grow the business even in the situation in which the automotive sector is not performing like in the previous years. And it is clear for us that our current financial structure allow us to face this situation in a better standing, and that companies which manage to deal better with the new environment will be reinforced after the slowdown.

# 6. Additional information

**Major shareholders (over 5% of shareholder's equity) as of December 31st, 2008**

On December 31 the Company's share capital was made up of 22 115 260 shares and has not changed since the end of 2007. The corresponding number of voting rights was 22 115 260 votes and their number has not changed since the end of 2007. To the best of the Company's knowledge as of the end of the fourth quarter of 2008, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

| | *As of December 31, 2008 (% of share capital)* | *As of December 31, 2007 (% of share capital)* |
|---|---|---|
| EB Holding (Luxemburg) | 6 535 593 (29.55%) | 6 535 593 (29.55%) |
| Casting Brake (Spain) | 2 980 607 (13.48%) | 2 980 607 (13.48%) |
| AIG Towarzystwo Funduszy Inwestycyjnych S.A. | 1 240 837 (5.61%) | 1 556 579 (7.04%) |
| Templeton Asset Management Ltd. | 1 363 442 (6.17%) | 1 173 000 (5.30%) |
| PKO Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A. | 1 844 506 (8.34%) | 1 250 000 (5.65%) |
| ING Nationale Nederlanden Polska OFE | 1 169 602 (5.29%) | 1 150 000 (5.20%) |

On February 9, 2009 he Company received an official notification from Templeton Asset Management Ltd., in behalf of managed funds, that due to market transactions which took place on February 6, 2009 the total number of the Company shares/votes owned by the funds went below 5% of total number of outstanding shares/votes. Before those transactions funds managed by Templeton Asset Management Ltd. had 1 363 442 shares/votes of Automotive Components Europe S.A.

**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 fourth quarter of 2008**

No new guarantees issued during the period.

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

The Company did not conclude any transactions with its subsidiaries or related parties in the fourth quarter of 2008.

**Information on paid or planned dividend**

Though the dividend policy of ACE remains unchanged as regards the policy stated in the Prospectus, in the near future we do not envisage company outflows due to this item for the sake of preserving current resources for business needs and market opportunities.

**Changes of the Company's managing or supervisory persons in the fourth quarter of 2008**

There were no changes of the Company's Management Committee or Board of Directors 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.

**Information on the revenues and net results of individual business segments and geographical segments**

Geographical segments in '000 Euro

| | *Four quarters of 2008 cumulative* | *Four quarters of 2007 cumulative* |
|---|---|---|
| Western Europe | 56 147 | 52 632 |
| Eastern Europe | 37 756 | 33 155 |
| Other | 492 | 72 |
| **Total** | **94 395** | **85 859** |

Business segments in '000 Euro

| | *Iron castings* | *Aluminium castings* | *Other* | *Consolidated* |
|---|---|---|---|---|
| Total revenues | 55 591 | 33 459 | 5 345 | 94 395 |
| **Operating Profit for the segment** | **1 623** | **1 511** | **-2 804** | **330** |

# 7. Stock Market Information

**Basic Information**

| | |
|---|---|
| Fiscal Year: | January 1 to December 31 |
| ISIN Code: | LU0299378421 |
| Nominal Value: | 0.15 € |
| Market of Quotations: | Warsaw Stock Exchange |

**Share Price Evolution**

% of change at the end of Q4 2008

| | *Compared to the end of 2007* |
|---|---|
| ACE S.A. | - 85.08% |
| WIG Index | - 50.77% |
| SWIG80 Index | - 56.72% |

**Stock Market Data**

| | *Four quarters of 2008* | *2007* |
|---|---|---|
| Market Capitalisation at the end of the period (in M PLN and M€) | PLN 38.9m<br>€ 9.3m | PLN 261.0m<br>€ 72.4m |
| Share Price **(in PLN)** | | |
| - Highest | 12.23 | 24.53 |
| - Lowest | 1.66 | 10.42 |
| - Average | 7.51 | 18.55 |
| - At the end of the period | 1.76 | 11.80 |
| Shareholders Equity per share **(in €)** | 1.57 | 1.71 |

**Per Share Data**

| | *Four quarters of 2008* | *2007* |
|---|---|---|
| Earnings per share (in €) | 0.01 | 0.40 |
| Cash Flow per share (in €) | - 0.01 | 0.02 |
| Dividend per share (in €) | - | 0.11 |

# *B. Condensed Consolidated Financial Statements for the quarter ended December 31st, 2008*

The condensed consolidated quarterly report for the fourth quarter of 2008 was prepared according to International Accounting Standards.

**Applied Exchange rates**

As ACE is incorporated in Luxembourg, its statutory reporting currency is euro. However, Polish plant uses *zloty* and Feramo uses Czech korona 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.
Investors should also note that the average rates are simple arithmetic averages for each given period.

| *PLN per 1 Euro* | *Average* | *High* | *Low* | *Period end* |
|---|---|---|---|---|
| 2007 | 3.7843 | 3.9385 | 3.5699 | 3.5820 |
| Jan 1 – Dec 31, 2008 | 3.5129 | 4.1848 | 3.2026 | 4.1724 |

The following table shows certain information regarding the exchange rate between *korona* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the Czech National Bank on its website www.cnb.cz.
Investors should also note that the average rates are simple arithmetic averages for each given period.

| *CZK per 1 Euro* | *Average* | *High* | *Low* | *Period end* |
|---|---|---|---|---|
| 2007 | 27.7621 | 28.7750 | 26.0000 | 26.6200 |
| Jan 1 – Dec 31, 2008 | 24.9425 | 26.9300 | 22.9700 | 26.9300 |

**Consolidated Balance Sheet as of December 31st , 2008 in thousands of Euros**

| *Assets* | *As of Dec 31, 2008* | *As of Sep 30, 2008* | *As of Dec 31, 2007* |
|---|---|---|---|
| **Non current assets** | | | |
| Intangible assets | 278 | 205 | 299 |
| Property, plant and equipment | 46 248 | 47 234 | 34 501 |
| Investments in associates | 20 | 21 | 20 |
| Derivative financial instruments | 0 | 175 | 233 |
| Deferred tax assets | 628 | 0 | 624 |
| Trade and other receivables | 1 | 0 | 300 |
| **Total non-current assets** | **47 175** | **47 635** | **35 977** |
| **Current assets** | | | |
| Inventories | 10 799 | 12 216 | 8 566 |
| Trade and receivables | 13 075 | 19 668 | 16 075 |
| Derivative financial instruments | 0 | 567 | 392 |
| Deferred income tax assets | 633 | 280 | 0 |
| Cash and cash equivalents | 10 276 | 4 135 | 10 434 |
| **Total current assets** | **34 783** | **36 866** | **35 467** |
| **Total assets** | **81 958** | **84 501** | **71 444** |

| *Equity and Liabilities* | *As of Dec 31, 2008* | *As of Sep 30, 2008* | *As of Dec 31, 2007* |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 3 317 | 3 317 | 3 317 |
| Share premium | 6 931 | 6 828 | 9 292 |
| Retained earnings | 24 646 | 25 194 | 16 501 |
| Exchange differences | -451 | 194 | |
| Net profit for the period | 330 | 6 485 | 8 694 |
| **Total equity** | **34 773** | **42 018** | **37 804** |
| **Non current liabilities (*)** | | | |
| Non current borrowings | 12 952 | 13 525 | 11 503 |
| Deferred income | 376 | 356 | 389 |
| Deferred tax liabilities | 3 389 | (**) 2 356 | 1 862 |
| Derivative financial instruments (NCL) | 2 266 | 0 | 0 |
| Provisions for other liabilities and charges (NCL) | 101 | 455 | 318 |
| **Total non current liabilities** | **19 084** | **16 692** | **14 072** |
| **Current liabilities (*)** | | | |
| Trade and other payables | 15 651 | 20 167 | 15 269 |
| Current borrowings | 9 128 | 3 045 | 2 921 |
| Derivative financial instruments (CL) | 2 032 | 0 | 0 |
| Current Deferred income tax liabilities | 0 | (**) 631 | 0 |
| Other current liabilities | 407 | 540 | 209 |
| Provisions for other liabilities and charges (CL) | 884 | 1 408 | 1 169 |
| **Total current liabilities** | **28 101** | **25 791** | **19 568** |
| **Total equity and liabilities** | **81 958** | **84 501** | **71 444** |

(*) New reclassification.
(**) 1 354 from Feramo are reclassified in Sep 30, 2008 from Current Deferred income tax liabilities to Non Current Deferred tax liabilities.

**Consolidated Income Statement for the period from January 1st to December 31st , 2008**
**in thousands of Euros**

| | *For the 4th quarter of 2008 From Oct 1st to December 31st, 2008* | *From Jan 1st to Dec 31st , 2008 Cumulative* | *For the 4th quarter of 2007 From Oct 1st to December 31st , 2007* | *From Jan 1st to Dec 31st , 2007 Cumulative* |
|---|---|---|---|---|
| Revenues | 18 543 | 94 395 | 20 136 | 85 859 |
| Costs of sales | -16 908 | -76 150 | -14 462 | -62 662 |
| Gross profit | 1 635 | 18 245 | 5 674 | 23 197 |
| Other operating income | 657 | 1 253 | 47 | 526 |
| Distribution costs | -67 | -2 502 | -787 | -2 772 |
| Administrative expenses | -3 331 | -11 522 | -2 439 | -9 691 |
| Other operating expenses | -106 | -716 | -73 | -829 |
| Operating profit | -1 212 | 4 758 | 2 422 | 10 431 |
| Negative goodwill | 0 | 1 433 | 0 | 0 |
| Financial income | -420 | 930 | 790 | 1 763 |
| Financial expenses | -5 938 | -6 962 | -54 | -1 653 |
| Financial result | -6 358 | -6 032 | 736 | 110 |
| **Profit before tax** | **-7 570** | **159** | **3 158** | **10 541** |
| Income tax expense | 1 415 | 171 | -490 | -1 847 |
| **Net profit for the period** | **-6 155** | **330** | **2 668** | **8 694** |

**Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to December 31st , 2008**
**in thousands of Euros**

Attributable to equity holders of the Parent

| | *Share capital* | *Share premium* | *Treasury shares* | *Retained earnings* | *Exchange differences* | *Profit for the period* | *Net Equity* |
|---|---|---|---|---|---|---|---|
| **Balance as of Jan 1, 2008** | **3 317** | **9 292** | **0** | **16 501** | **0** | **8 694** | **37 804** |
| Allocation of year profit | | | | 8 694 | | -8 694 | **0** |
| Profit / Loss for the period | | | | | | 330 | **330** |
| Exchange differences | | | | | -451 | | **-451** |
| Partial reimbursement of share premium | | -2 433 | | | | | **-2 433** |
| Purchase own shares | | | -549 | | | | **-549** |
| Other variations | | 72 | | | | | **72** |
| **Balance as of December 31, 2008** | **3 317** | **6 931** | **-549** | **25 195** | **-451** | **330** | **34 773** |

**Consolidated Cash Flow Statement for the period from January 1st to December 31st, 2008**
**in thousands of Euros**

| | *From Jan 1st to Dec 31st, 2008* | *From Jan 1st to Dec 31st, 2007* |
|---|---|---|
| Cash flow from ordinary activities | | |
| Profit before tax | 159 | 10 541 |
| | | |
| Adjusted for: | | |
| Amortisation and depreciation | 5 171 | 4 073 |
| Equity-settled share based payments transactions | 0 | 376 |
| Negative goodwill | -1 433 | 0 |
| Net financial result | 1 109 | 140 |
| Losses on sale of property, plant and equipment | 0 | 188 |
| Gains and losses on changes in fair values of derivative financial instruments | 4 923 | -250 |
| Others | -44 | -540 |
| | | |
| **Operating cash before changes in working capital** | **9 885** | **15 608** |
| | | |
| Increase/decrease in receivables and other current assets | 4 921 | -904 |
| Increase/decrease in inventories | -1 440 | -3 370 |
| Increase/decrease in trade and other payables | -2 753 | 3 204 |
| | | |
| **Cash from operating activities** | **10 613** | **14 538** |
| | | |
| Income tax paid | -916 | -2 204 |
| | | |
| **Net cash from ordinary activities** | **9 697** | **12 334** |
| | | |
| Acquisition of property, plant and equipment | -5 827 | -2 952 |
| Acquisition of other intangible assets | -111 | -295 |
| Acquisition of subsidiary, net of cash acquired | -6 351 | 0 |
| **Net cash from investing activities** | **-12 289** | **-3 247** |
| | | |
| Proceeds from issue of equity shares | 0 | 11 088 |
| Payment for share issue cost | 0 | -1 511 |
| Treasury shares acquisition | -549 | 0 |
| Repayments of borrowings | -3 035 | -17 539 |
| Proceeds from borrowings | 9 662 | 0 |
| Partial reimbursement of share premium | -2 433 | 0 |
| Net of financial result paid and received | -1 156 | -610 |
| | | |
| **Net cash from financing activities** | **2 489** | **-8 572** |
| | | |
| Net increase/(decrease) in cash and cash equivalents | -103 | 515 |
| Cash and cash equivalents at the beginning of the period | 10 434 | 9 919 |
| Effects of exchange rate changes on the balance of cash held, in foreign currencies | -55 | |
| | | |
| **Cash and cash equivalents as of December 31, 2008** | **10 276** | **10 434** |

**Notes to condensed financial statements**

*Accounting polices*

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.

*Consolidated entities*

| *Company name* | *Status* | *Ownership* | *Consolidation method* |
|---|---|---|---|
| Fuchosa S.L. | Operational | 100% | Full |
| EBCC Sp. z o.o. | Operational | 100% | Full |
| Feramo S.r.o. | Operational | 100% | Full |

*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.

| | *Before IPO* | | *After IPO* | |
|---|---|---|---|---|
| | *No of shares* | *%* | *No of shares* | *%* |
| Existing shares | 20 050 100 | 100% | 20 050 100 | 90.66% |
| New shares | - | - | 2 065 160 | 9.34% |
| **Total** | **20 050 100** | **100%** | **22 115 260** | **100%** |

*Non-recurring items affecting assets, liabilities, equity, net income or cash flows for the fourth quarter*

There has not been any non-recurring effect on consolidated financial statements of the company in the fourth quarter of 2008 other than produced by derivative financial instruments hold by the company to hedge the exchange rate of polish zloty against Euro and its corresponding deferred tax assets. Despite the fact that these contracts were already hold by the company before the reported period, the most significant effect was produced in this quarter due to the high volatility of polish zloty against Euro.

*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 fourth quarter of 2008*

There was no dividend paid in the fourth quarter of 2008. As far as buy back programme is concerned in the in the last quarter of the year the company acquired 884.745 shares for an amount of Euro 549 Thousand.

*Issuances, repurchases and repayments of debt and equity securities*

The company repaid Euro 1 267 Thousand of debt in the fourth quarter of 2008..

*Material events after the end of the fourth quarter of 2008 that have not been reflected in the financial statements*

Given the current volatility of the PLN as well as taking into account the overall discussions with the major relationship bank for EBCC, the company took a decision to restructure its liabilities to BRE in the following manner:

On February 19, 2009 EBCC Sp. z o.o. in Wroclaw signed an agreement with BRE Bank S.A. as regards cancelation of outstanding derivative financial instruments (hedging contracts). The agreement assumes full cancelation in 2009 and partial cancelation in 2010 of 4 outstanding hedging contracts with BRE (see Current Report 46/2008) for total amount of 15.3Mio

PLN, at a level 4.669 zloty per euro and it represents the closing of around half of Group financial exposure to polish zloty at same exchange rate.

The cancelation will be financed with a loan granted by BRE Bank S.A. in the amount of 2.0m euro, maturing in the end of 2013. The rest of cancelation costs beyond 2.0m euro will be financed by the company. Debt repayment schedule assumes significantly lower financial exposure in 2009 in exchange of higher installments in future. All other debt parameters are at current market conditions. At the same time existing investment loan facility from BRE has been extended by nearly 2 years up to mid 2013.

The main purpose of this agreement is to reduce exposure of the subsidiary to volatility of zloty/euro exchange rate and risk of further weakening of zloty. Also lower debt reimbursements in the current year, in which we are facing strong slowdown of the automotive market, will help the ACE Group to pass the period in much better financial position. Release of a significant part of cash collateral will also improve subsidiary's working capital structure.

*Changes in the composition of the Company during fourth quarter of 2008*

There has not been any change in composition of the ACE group within the period. On May 12, 2008 the company signed a final purchase agreement for acquisition, from a private individual, 100% of shares of Feramo Metallum International, one of the largest Czech grey iron foundries, for 160 Mio CZK (6.34 Mio €).

**Non – consolidated Balance Sheet Statement as of December 31st , 2008**
**in thousands of Euros**

| *Assets* | *As of Dec 31, 2008* | *As of Sep 30, 2008* | *As of Dec 31, 2007* |
|---|---|---|---|
| **Non current assets** | | | |
| Intangible assets | | | |
| Property, plant and equipment | 5 | 5 | 2 |
| Investments in associates | 9 995 | 10 007 | 3 032 |
| Derivative financial instruments | | | |
| Deferred tax assets | | | |
| Trade and other receivables | 3 000 | 3 000 | 10 000 |
| **Total non-current assets** | **13 000** | **13 012** | **13 034** |
| **Current assets** | | | |
| Inventories | | | |
| Trade and receivables | 735 | 2 882 | 663 |
| Derivative financial instruments | | | |
| Other current assets | | | |
| Cash and cash equivalents | 3 150 | 1 882 | 67 |
| **Total current assets** | **3 885** | **4 764** | **730** |
| **Total assets** | **16 885** | **17 776** | **13 763** |

| *Equity and Liabilities* | *As of Dec 31, 2008* | *As of Sep 30, 2008* | *As of Dec 31, 2007* |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 3 317 | 3 317 | 3 317 |
| Share premium | 6 931 | 6 828 | 9 292 |
| Retained earnings | -634 | -85 | -98 |
| Exchange gain or loss against equity | | | |
| Net profit for the period | 6 423 | 6 654 | 14 |
| **Total equity** | **16 037** | **16 714** | **12 525** |
| **Non current liabilities** | | | |
| Non current borrowings | | | |
| Deferred income | | | |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | 300 |
| Provisions for other liabilities and charges (NCL) | | | |
| Derivative financial instruments (NCL) | | | |
| **Total non current liabilities** | **0** | **0** | **300** |
| **Current liabilities** | | | |
| Trade and other payables | 454 | 662 | 631 |
| Current borrowings | | | |
| Derivative financial instruments (CL) | | | |
| Current Deferred income tax liabilities | | | |
| Other current liabilities | 394 | 8 | |
| Provisions for other liabilities and charges (CL) | | 392 | 307 |
| **Total current liabilities** | **848** | **1 062** | **938** |
| **Total equity and liabilities** | **16 885** | **17 776** | **13 763** |

**Non – consolidated Income Statement for four quarters of 2008**
**in thousands of Euros**

| | *From Jan 1 to Dec 31, 2008* | *From Jan 1 to Dec 31, 2007* |
|---|---|---|
| Revenues | 613 | 518 |
| Costs of sales | | |
| Gross profit | 613 | 518 |
| Other operating income | | 6 |
| Distribution costs | | |
| Administrative expenses | -1 069 | -622 |
| Other operating expenses | -19 | -117 |
| Operating profit | -475 | -214 |
| Financial income | 7 351 | 249 |
| Financial expenses | -453 | -21 |
| Financial result | 6 898 | 228 |
| **Profit before tax** | **6 423** | 14 |
| Income tax expense | | |
| **Net profit for the period** | **6 423** | **14** |

**Non – consolidated changes in Shareholders Equity from January 1st to December 31st , 2008**
**in thousands of Euros**

| | *Share capital* | *Share premium* | *Treasury shares* | *Retained earnings* | *Profit for the period* | *Net Equity* |
|---|---|---|---|---|---|---|
| **Balance as of Jan 1, 2008** | **3 317** | **9 292** | **0** | **-98** | **14** | **12 525** |
| Allocation of year 2007 profit | | | | 14 | -14 | 0 |
| Partial reimbursement of share premium | | -2 433 | | | | -2 433 |
| Purchase own shares | | | -549 | | | -549 |
| Profit/Loss for the period | | | | | 6 423 | 6 423 |
| Other | | 72 | | | | 72 |
| **Balance as of Dec 31, 2008** | **3 317** | **6 931** | **-549** | **-84** | **6 423** | **16 038** |

**Non – consolidated Cash Flow Statement for the period from January 1st to December 31st , 2008 in thousands of Euros**

| | *From Jan 1st to Dec 31st, 2008* | *From Jan 1st to Dec 31st, 2007* |
|---|---|---|
| **Cash flow from ordinary activities** | | |
| Profit before tax | 6 423 | 14 |
| Adjusted for: | | |
| Amortisation and depreciation | 1 | 22 |
| Equity-settled share based payments transactions | | |
| Net financial result | -6 898 | -228 |
| Losses on sale of property, plant and equipment | | |
| Gains and losses on changes in fair values of derivative financial instruments | | |
| Others | | |
| **Operating cash flow before changes in working capital** | **-474** | **-192** |
| Increase/decrease in receivables and other current assets | -110 | -428 |
| Increase/decrease in inventories | | |
| Increase/decrease in trade and other payables | -404 | -702 |
| **Cash from operating activities** | **-988** | **-1 323** |
| Income tax paid | 0 | 0 |
| **Net cash from ordinary activities** | **-988** | **-1 323** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiary, net of cash acquired | -6 569 | |
| Acquisition of property, plant and equipment | -4 | -2 |
| Dividends received | 7 030 | |
| **Net cash from investing activities** | **457** | **-2** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of equity shares | | 11 092 |
| Proceeds from bank financing | | -10 050 |
| Treasury shares acquisition | -549 | |
| Dividends paid to Company´s shareholders | -2 433 | |
| Proceeds from other loans | 7 000 | 300 |
| Repayment of other loans | -300 | |
| Net financial result paid and received | -104 | |
| **Net cash from financing activities** | **3 614** | **1 341** |
| Net increase/(decrease) in cash and cash equivalents | 3 083 | 17 |
| Cash and cash equivalents at the beginning of the period | 67 | 50 |
| **Cash and cash equivalents at December 31, 2008** | **3 150** | **67** |