Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended December 31st , 2010

Table of contents

A. *Director's report*

1. Introduction

ACE (the "Company") is a public limited liability company (société anonyme) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.) ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 82, Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg.

ACE as a holding company has one operating company in Spain: ACE Boroa, S.L.U., which holds three operating companies (the Group): the iron casting division of Fuchosa in Spain and Feramo in the Czech Republic, and the aluminium casting division of EBCC in Poland. ACE Boroa S.L.U. is also the main shareholder of ACE 4C, A.I.E., the R&D company of the Group rendering services to all the operating companies, holding a 96% of its shares whereas the remaining 4% is hold by Fuchosa.

ACE is a specialised supplier to the European automotive industry, with a leading position in brake system components, focusing on the manufacture of iron anchors (a safety component of disc brake systems, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of the 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.

The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by EUR 132 711.75 to bring it from EUR 3 317 289.00 to EUR 3 184 577.25 by cancellation of 884 745 shares at a par value of EUR 0.15 each, owned by the Company, following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on 17 June 2008. Pursuant to the resolution the total number of outstanding shares decreased to 21 230 515 shares.

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, 2010

<u>Management Committee:</u>

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

<u>Board of Directors:</u>

Jose Manuel Corrales	*Class CB Director*
Raul Serrano	*Class CB Director*
Jerzy Franczak	*Independent Director*
Rafał Lorek	*Independent Director*
Piotr Nadolski	*Independent Director*
Oliver Schmeer	*Independent Director*

The condensed consolidated quarterly report for the fourth quarter of 2010 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	For the 4th quarter of 2010 From October 1st to December 31st, 2010	From Jan 1st to Dec 31st , 2010 Cumulative	For the 4th quarter of 2009 From October 1st to December 31st, 2009	From Jan 1st to Dec 31st , 2009 Cumulative
Revenues from sales	22 262	86 296	20 866	77 101
Operating Profit	435	3 518	1 610	4 333
Profit before tax	347	3 216	2 120	2 144
Net profit	312	2 548	1 981	1 980
Net profit attributable to equity holders of the parent company	312	2 548	1 981	1 980
Cash flow from operating activities	3 441	10 071	4 542	11 020
Cash flow from investment activities	-1 090	-2 898	- 117	-1 113
Cash flow from financial activities	2 996	-1 392	-1 866	-7 991
Net cash flow	5 301	5 512	2 552	1 833
Current assets	39 787	39 787	33 624	33 624
Fixed assets	40 832	40 832	43 298	43 298
Total Assets	80 619	80 619	76 922	76 922
Liabilities	41 820	41 820	40 075	40 075
Long-term Liabilities	21 638	21 638	18 446	18 446
Short term Liabilities	20 183	20 183	21 629	21 629
Shareholders Equity	38 799	38 799	36 847	36 847
Shareholders equity attributable to shareholders of the parent company	38 799	38 799	36 847	36 847
Share capital	3 185	3 185	3 185	3 185
No of shares outstanding	21 230 515	21 230 515	21 230 515	21 230 515
Net profit (loss) per share	0,01	0,12	0,09	0,09
Book value per share	1,83	1,83	1,74	1,74

3. Financial performance

Consolidated Profit & Loss Statement

in '000 Euro

	For the 4th quarter of 2010 From October 1st to December 31st, 2010	From Jan 1st to Dec 31st , 2010 Cumulative	For the 4th quarter of 2009 From October 1st to December 31st, 2009	From Jan 1st to Dec 31st , 2009 Cumulative
Revenues from sales	22 262	86 296	20 866	77 101
Cost of goods sold	-18 472	-69 581	-16 251	-61 338
Gross profit	3 790	16 716	4 615	15 763
GP margin	17,0%	19,4%	22,1%	20,4%
G&A expenses	-3 354	-13 197	-3 004	-11 429
Operating profit	435	3 518	1 610	4 333
OP margin	2,0%	4,1%	7,7%	5,6%
Depreciation & amortisation	-1 492	-5 852	-1 536	-5 734
EBITDA	1 927	9 370	3 146	10 067
EBITDA margin	8,7%	10,9%	15,1%	13,1%
Negative goodwill	0	0	390	390
Financial income	270	1 189	73	390
Financial costs	- 359	-1 492	46	-2 970
Profit before tax	347	3 216	2 120	2 144
Tax	- 36	- 668	- 139	- 164
Net profit	312	2 548	1 981	1 980
NP margin	1,4%	3,0%	9,5%	2,6%

Sources of sales revenues

The main source of ACE Group's sales revenues is sales of nodular iron anchors and aluminium callipers for the automotive market, and grey iron parts for different purposes. The remaining, minority part of the Group's sales, comprises mostly revenues from post-production scrap and tooling.

Sales revenues in '000 Euro	*Four quarters of 2010 cumulative*	*%*	*Four quarters of 2009 cumulative*	*%*
Sales of products	82 841	96,0%	73 918	95,9%
Sales of goods and materials	3 455	4,0%	3 183	4,1%
Total sales revenue	**86 296**	**100%**	**77 101**	**100%**

Sales revenue in '000 Euro	*Four quarters of 2010 cumulative*	*%*	*Four quarters of 2009 cumulative*	*%*
Nodular iron products	38 700	46,7%	32 096	43,4%
Grey iron products	12 602	15,2%	11 130	15,1%
Aluminum products	26 289	31,7%	29 604	40,1%
New family products	5 250	6,3%	1 088	1,5%
Total sales	**82 841**	**100%**	**73 918**	**100%**

Sales volumes in million pieces	*Four quarters of 2010 cumulative*	*Four quarters of 2009 cumulative*
Nodular iron products	20,6	18,6
Grey iron products	2,0	1,7
Aluminum products	5,4	5,7
New family products	1,2	0,3
Total pieces sold	**29,2**	**26,3**

The geographical profile of sales directly reflects the location of major customer' factories producing complete braking systems.

Revenues by country	*Four quarters of 2010 cumulative*	*Four quarters of 2009 cumulative*
Germany	26,8%	24,4%
Czech Republic	24,7%	30,7%
France	11,6%	11,9%
Spain	8,4%	7,3%
Italy	4,7%	5,7%
Other	23,8%	20,0%
Total	**100%**	**100%**

The following comments, unless expressly stated otherwise herein are exclusively referred to the fourth quarter of 2010 and its comparison versus the same period of 2009.

Automotive Market Performance

In fourth quarter of 2010 **sales of cars in Western Europe decreased** by around **360 thousand cars or 11%** in comparison with the same period of precedent year, according to JD Power. In 2009, the first quarter was heavily influenced by the global crisis whereas in second quarter, introduction of government subsidies to stimulate the automotive market had a strong impact in the dynamic growth of sales. This positive influence was also projected in the rest of 2009, when thanks to this factor, usual seasonality of automotive market in second half was much softer than in precedent years. Second half of 2010 shows some more volatility somehow recovering this seasonality and the lack of government subsidies.

Despite the above, **cars production** in the same region and in the same period in comparison with fourth quarter of 2009 was quite more stable, even **positive** by around **70 thousand cars or 2%.** The main reason behind this gap between sales and production year-on-year was a very sudden negative correction of inventories produced especially in first half of 2009, driven by the very low production volume, to adjust stocks to new demand and improve capital needs.

In year to date, general market performance is much more positive, with **sales** only **5.2% below** previous year and **production** even **higher by 9.7%.**

ACE sales in the market context

Only in this context of production above sales, and being production the main driver of Group sales, we can understand the increase of fourth quarter turnover versus same period of 2009, higher by Euro 1.397 thousand, or 7%. This growth is only higher by 3% if we just focus in automotive turnover.

However, in volume terms this increase just becomes into stability and did only represent 1% in number of units (even decline of 0.2% only for automotive segment). The difference between value and volume is driven by the much higher prices of scrap iron and energy prices in fourth quarter 2010 versus same period of 2009, as they are partly passed along to customers as an adjustment in the selling price.

In this context, Group turnover outperformed market sales once again, and was in line with market production. The incidence of new projects in our customer portfolio is also one of the reasons why our Company is performing better than the market in general. Some recovery of premium and medium size cars in the market could be also supporting this outperformance.

This is even more visible in year to date, with turnover and sales volume higher by 12% and 11% respectively, improving both market sales and production.

Direct production costs and gross profit

Even though sales volume in terms of number of parts in fourth quarter of 2010 was not far away than same quarter of 2009, lower profile of sales mix (like higher contribution of grey iron segment with lower margins) and especially lower percentage of machining parts definitively determined company performance in the period.

On the other hand, trend of growing raw material prices during this quarter, especially nodular iron, versus opposite trend last year did also push gross profit down.

Much higher energy prices as a result of higher spot prices driven by an increasing demand, changes in distribution prices in Spain and increase of coke prices in our Czech business, had a substantial quarterly negative effect above half million on the gross profit margin.

On top of the above, strengthening of Polish zloty in fourth quarter caused a total negative result around EUR -0.2 million in all operating margins comparing with same period of 2009.

The quarterly gross margin was EUR 3.8 million (17% on sales), which is EUR 0.8 million lower than in 2009 (-18%).

General & administrative expenses

Out of EUR 350 thousand higher G&A expenses in the period (11.7% higher than same period of 2009), strictly overheads were growing much less by EUR 159 thousand or 6.4% comparing last year, partly containing the before mentioned negative effect of operating FX but also pay rises and incorporation of some key company roles not yet covered, especially in Feramo, to create a solid basis in order to expand this company in the near future.

Otherwise, the difference is also related to lower subsidies recorded in the period, write down of some fixed assets, positive release of provisions made in last quarter of 2009 and some other minor one off items related to year end closing in 2010.

EBITDA and operating profit

EBITDA in the period was EUR 1.9 million (9% on sales), EUR 1.1 million down compared with the same period of 2009 (or 39% lower) for the reasons already mentioned.

Depreciation was quite stable in the comparative period, resulting in an operating profit of EUR 0.4 million (EUR 1.2 million lower than 2009).

However, the impact of better operating leverage driven by 12% higher sales, rose year-to-date EBITDA in 2010 to EUR 9.4 million (11% on sales and EUR 0.7 million lower than in 2009) and EBIT to EUR 3.5 million (EUR 0.8 million lower than in 2009)

Financial items

In last quarter of 2009 the Company agreed with the former owner of Feramo a purchase price reduction in the amount of the deferred payment, Euro 390 thousand, and recorded an income for the same amount. This is the main driver of difference below operating profit between both quarters of 2009 and 2010.

Besides, last year higher exposure of the Company to exchange rate derivative instruments as well as greater fluctuation of PLN in the relevant period did also cause more positive FX results by Euro 193 thousand in 2009. After the period, the negative fair value of these instruments and the interest rate swap in the balance sheet is EUR 267 thousand.

Altogether, net financial results in fourth quarter 2010 were lower than in the same period of 2009 by Euro 597 thousand, which decreased profit before taxes in the same amount.

Profit before tax and tax

With net financial result increasing the differences of operating margins, profit before tax in fourth quarter was positive by EUR 348 thousand (EUR 1,772 thousand lower than 2009).

Taxes recorded as a consequence of these profits were EUR 36 thousand.

Net profit

Reflecting all the above, the company was also positive in the fourth quarter at the net profit level, at EUR 312 thousand, or -EUR 1,669 thousand compared with 2009.

Total year-to-date net profit in 2010 rose to EUR 2.5 million (EUR 0.5 million higher than in 2009).

FULL YEAR 2010

Despite a higher level of activity in 2010 comparing 2009 by 12% in turnover and 11% in number of units sold, there were some other negative effects counteracting which in general resulted in some lowering of operating margins, although bottom line improved by half million Euro or 22%.

The main drivers of profit margins versus year 2009 were:

- Losses in raw materials activity in an environment of growing prices as well as some deterioration of sales mix impacting by EUR 2.8 million.
- Higher energy expenses also related to higher prices by EUR 0.8 million.
- Higher salary expenses by around EUR 1.1 million linked to the important increase of production experienced with no significant influence of pay rises.
- Strengthening of foreign currency, by EUR 1.0 million.

Generally we could say that whereas in 2009, and on top of the action plan implemented in the Company to reduce the negative impact of the fall of activity in the market, there were some general and external factors like performance of foreign currency versus Euro, prices of raw materials, energy or pay rises positively influencing the profitability of the company, in 2010 these factors' trend reversed and they did even override the volume increase.

However, we have to stress that an important part of these effects are one-off and thus recoverable in the medium term, and to reach the precedent levels of activity in the Group there is still an important room for growing not only in iron, but also in aluminium activity through the recovery of the machining activity loss during this crisis period. As we mention in the outlook section these are the main areas where the Company management is focusing its efforts today.

Financial Position

The operating generation of cash from January to December of 2010 was strongly positive, by EUR 10.1 million, and even working capital decreased by EUR 1 million despite the increase of activity experienced during the period.

On the other hand, in the same period the Company acquired capex, mainly required for melting and casting of new products in the aluminium division, by EUR 2.9 million.

Otherwise, the comparison of financing activities is even more positive for 2010 because of the cancellation costs for the hedging contracts of EUR 3.2 million (reduced by EUR 2 million by a new loan granted by the bank) in February of 2009 and the higher cash inflow generated as a consequence of the new debt raised in December 2010.

The final cash position of the Company as of the end of December 2010 was EUR 17.4 million. Net debt as of same date was only EUR 2.7 million, and is also progressively reduced compared with previous quarters.

4. Business overview

European Automotive Industry

The performance of ACE depends on trends in the automotive industry as well as the behaviour of major brake system producers. Due to the current market positions of both brake system production plants, ACE Group is limiting 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 arise. The conditions of the European automotive market are a major factor influencing performance of the Company's shares because of close-knit relationships in the supply chain structure.

The latest JD Power forecast for 2011 predicts a general decline in new car sales in Western Europe of about -1.9%, though production forecasts are more positive, showing a trend of stability and even positive growth in the range of around 3% (source: PricewaterhouseCoopers Autofacts' most recent report).

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 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 car 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 dependent 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 development processes cause a 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.), a certified, reliable manufacturing process, a high level of quality, and a 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. 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 and 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 and in fact the company became awarded with some of the few applications in the market, which are in the production pipeline since the last quarter of 2009.

Main Products

The core business of the ACE Group focuses on production of high-quality brake components for disc brake system (Tier 1) manufacturers. The 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 standards for strength resistance, elongation, machining, torsion, resilience, thermal stability and vibration reduction. 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, which 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 used 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 customers on redesign and development of anchors and callipers used in new car models introduced onto the market. There are currently several projects in which both divisions are involved, focused on refurbishment and improvement of the braking system components produced. This is the key to our future business development, since ACE cooperates with its customers for a period of one to three years before start of production (SOP).

Feramo, the company acquired in 2008 in the Czech Republic, offers a wide range of grey iron castings for the engineering, hydraulic, electrical and automotive sectors, as well as for small urban architecture projects. Sales to the automotive sector constitute above 10% of Feramo's sales.

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. As shown in the sales volume chart above, evolution of new family of products four times than those in 2009 illustrates and supports very well that strategy.

Main customers

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).

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Now Feramo has approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer structure is relative stable on a year-to-year basis. The main sectors Feramo supplies are engine parts, construction, automotive and urban furniture.

The Company did not usually experience any important fluctuation of sales linked with changes in seasonal demand. Nevertheless, during Easter, summer and Christmas periods the activity decreases due to holidays and maintenance stop of facilities.

Suppliers

Due to the fact that ACE's production plants use different production materials and technologies, they are responsible for their own supplies.

In general, contracts executed by the iron segment have a one-month duration and mainly concern purchase and supply of scrap. As a general rule, upon expiration, the terms of the raw material contracts are re-negotiated and adjusted to market prices. Sand supply contracts have a longer duration, normally of one year, whereas electricity is supplied on daily basis at spot price.

The aluminium casting division does not execute long-term written agreements with its major production material suppliers other than aluminium raw material itself. Purchases of materials are made on an order-by-order basis on the terms and conditions (including prices) agreed therein.

Research & Development

The Group has a well-executed and highly organised product development system, fully suited to the requirements of its customers in the automotive industry. Compared to other brake casting manufacturers, ACE has leading-edge capabilities in product development. Human resources and equipment are designed to maintain the lead in development of some specific products (mainly anchors and callipers). The product development capabilities and philosophy are focused on close cooperation with customers. This allows ACE to be a customer- and product-oriented company providing its customers with customised engineering. This advantageous position definitely generates benefits for introduction of new products, which is especially necessary for the Feramo investment project in terms of knowledge transfer and development.

As a result of this vocation to move forward in the R&D capabilities and its expansion within the Group, on December of 2010 some R&D resources of the operating companies were moved to a new company, ACE 4C A.I.E which will be the new hub of Group' research capabilities development and the technological platform for growth. There are three main areas where ACE 4C will be focused:

- Product development for current and potential new products.
- Process improvement, including active research of other interesting processes and technologies.
- To create an important technological network.

ACE 4C is involved in some important and innovative projects focused on improvements in process, design and products. Some of these projects are developed in collaboration with customers, technical universities and technological centers.

Despite the economic crisis ACE is continuing to devote significant resources to R&D activities because of their importance for the present and future of the Group.

The R&D expenditures in four quarters of 2010 are as follows:

In '000 Euro

	Four quarters of 2010 cumulative	***Four quarters of 2009 cumulative***
Investments in R&D	2 223	953
Costs regarding R&D	1 916	2 066
Total R&D expenses	**4 139**	**3 019**

Strategy

Strengthening the leading position on the European brake supply market
Since specialising in the casting of brake components, the operating plants have been constantly focused on increasing their respective market shares, maintaining the high quality of components manufactured, and providing reliable logistics and service for customers. In recent years, the Spanish plant will focus on maintaining its strong market position in iron castings, while the plant in Poland, currently the number two aluminium calliper provider, will strive to gain additional market share in the aluminium castings market by capturing additional volumes for production of callipers, due to its high degree of innovation and competitiveness. Planned development of new capacities at Feramo will position the Czech plant among important suppliers of automotive castings in future.

Broadening the technological and product range
The Group has already expanded the current product portfolio, especially through introduction of new aluminium products in Poland and the acquisition of Feramo. In 2008 ACE successfully started production of TMC, which should generate a considerable portion of revenues in future. There were several new capacity projects in the pipeline launched in 2009, including aluminium front calliper and iron machining. Thanks to the Czech plant, ACE has also broadened its product portfolio of iron castings for other industries, including electro-mechanical, construction and industrial equipment. In the other direction, implementation of nodular iron technology promoted by the Group to manufacture new parts for automotive segment in the Czech plant is also ongoing and during last summer, first samples were successfully produced under this technology

Increasing presence in Europe
The location of the Polish plant is very favourable because of the lower labour costs and the proximity to customers based in Central & Eastern Europe. Feramo is also located in the heart of the automotive industry, a very short distance from current customers and potential new customers. This advantage will be utilised in future after expansion of Feramo's production capacity.
The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current offer and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed.

Combined engineering and other synergies
Integration of automotive plants as well as non automotive Feramo within the ACE Group will result in synergies in the very near future. Combined engineering will be of particular importance in the development of new products in both iron and aluminium. The Polish and Czech plants benefit from the experience of the plant in Spain and are further developing their general management systems.

5. Outlook for the following months

Actual data of car sales and production during 2010 did continuously overcome the initial expectations. Thus, Western Europe sales, forecasted in the region of -10% in the beginning of the year, were finally -5.2%, (Source: JD Power Forecasting) whereas production increase was finally positive by 10.5% versus much flatter initial expectation by 1.5%. If we include Eastern Europe in the production output then the year trend was much more positive by an actual increase 14.4% versus forecast of 3% (Source: Pricewaterhouse Coopers Autofacts).

This improvement of real data in 2010 implies somehow an anticipation of the market recovery initially expected for 2011 and could also explain to some extent the progressive lowering of expectations for 2011.

As far as **2011** is concerned, available forecasts show some growth for the current year in terms of production, but still a slight decline in terms of sales. Thus, the JD Power forecast issued in February estimated a decline of **sales** by 1.9% compared with 2010 in Western Europe.

In terms of **production**, the most recent forecast by Pricewaterhouse Coopers Autofacts is for increased production by 2.7% in the same region or 5.1% for the full European Union and Eastern Europe. However, some other sources like CSM are more conservative anticipating a growth by only 1.7% in full Europe.

On the basis of this difference between sales and production which is not new and even softer in 2011 comparing with previous year there are two main factors which will be impacting market behavior this year: 1) further recovery of inventory after drastic reduction especially produced in 2009 and 2) increasing exports to China (and most other key global markets) recovered more strongly than anticipated.

In this context, and according our own information based on customer orders and expectations, Group **turnover** should grow in 2011 in the range of 5-10% compared to 2010 within the expected prices of raw materials and energy (influencing our selling prices). In terms of **sales volume**, the growth should be closer to the lower range of 5%, which is in line with market forecasts above. A strong impact on volumes growth (especially in weight) will come from the front caliper production which is manufactured in a large scale since January of this year. However, the proportion of the aluminium machining segment is also expected to be reduced throughout the current year according to the projects portfolio. The reason is double: on the one hand customers are still retaining an important spare capacity in machining during slowdown, and on the other hand new projects which the company is awarded are not machined.

Meanwhile, one of the main tasks today is focused on actively pushing on the pipeline of new products and projects to fulfill as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity and iron castings. On the other hand, the medium and long-term strategy calls for introduction of new products and customers (organically and through acquisitions) to grow the business even when the automotive sector is not performing as it did in previous years. The Group is well prepared in terms of assets and technologies to benefit from its future organic growth in both casting businesses – iron and aluminium.

After a deep long crisis period, market comes back to precedent scenario step by step and recovers its key drivers in an overcapacity environment. Thus, in terms of costs, the international industrial recovery could bring some more volatility of prices of raw materials and energy, whereas after a long period of wage freeze, workforce expectations of pay rises are also high. Obviously automotive market where we are involved is very demanding and it is a part of our work to focus on efficiency improvements to set off any increased cost.

In terms of potential further impact produced by the temporary gap in surcharge of raw material prices to our customers, the Group stresses that this is a non recurrent effect, and depending on the trend in raw material prices onwards, some or even all the difference may be recovered. However, in the first quarter of 2011, the Group expects raw material prices to grow versus the previous quarter.Energy prices is another subject that in a trend of permanent growth must be re-open in the negotiations with our customers to overcome the current only partial recovery of price increases.

In this 2011 scenario of slow recovery and capacity under utilized, there is an important competition factor which customers are taking advantage to push down selling prices. Our important competitive advantage mostly provided by our high degree of specialization and important knowledge of our product should protect our Company in an important extent to face this situation in better standing, but we are conscious that we are operating in a a still unstable market and only companies which manage to deal better with the new environment will be stronger after the slowdown.

In terms of capital expenditures for 2011, in the current business we do not anticipate other than some maintenance and renewal investments in the automotive segment and some other more important to boost the efficiency in the grey iron business, but in total not exceeding the amount of Capex in 2010. However, in this context of constant growth in automotive market, CEE expansion represented by Feramo investment project as group platform to grow in the nodular iron for automotive market is also an important asset for the Group which will bring additional value in the near future, but could also mean some additional and higher amount of Capex in 2011.

Indeed, organic growth of the automotive production mainly relies on CEE investment program represented by Feramo and increase of its production output up to around 40k tonnes per year from 15k tonnes capacity nowadays, within the next 3-4 years. At the end of the period ACE Group will have three equally important production plants contributing in comparable sales and operational profits. Additional growth of production and sales should come from M&A activities. Management of ACE carefully verifies all arising acquisition targets not only to asses their potential impact on group's sales but also on financial position of the future entity. Approved transaction should generate for the Company and shareholders an additional value and should not worsen in any aspect financial situation of existing plants. Management of the Company is currently involved in development of the project growth and expect to deliver further guidelines to the market within first half of year 2011.

6. Additional information

Major shareholders (over 5% of shareholder's equity) as of December 31st, 2010

As of the end of December 2008 the Company's share capital comprised 22 115 260 shares and the same number of corresponding votes. On 17 June 2009 the Extraordinary Shareholders Meeting approved cancellation of 884 745 buy-back shares. As of December 31, 2010 the Company's share capital comprised 21 230 515 shares. The corresponding number of voting rights was 21 230 515.

To the best of the Company's knowledge as of the end of the fourth quarter of 2010, 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, 2010 (% of share capital)	*As of December 31, 2009 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11,45%)	2 980 607 (14,04%)
PZU „Zlota Jesien" OFE	4 188 913 (19,54%)	3 696 233 (17,41%)
ING Nationale Nederlanden Polska OFE	3 674 050 (17,31%)	3 621 926 (17,06%)
Pioneer Pekao Investments	2 153 072 (10,14%)	1 739 612 (8,19%)
AVIVA Investors Poland	1 098 605 (5,17%)	Below 5%
ING Towarzystwo Funduszy Inwestycyjnych	1 087 615 (5,12%)	Below 5%

On 17 February 2011, the Company received an official notification from Pioneer Pekao Investment Management S.A. (PPIM), on behalf of managed all portfolios belonging to their clients, that due to the market transaction which took place on 14 February 2011 the total number of the Company's shares/votes held in all portfolios belonging to PPIM clients was decreased to 9.86% of the total number of outstanding shares/votes, to 2 093 072 shares/votes (9.86% of the share capital/votes). Before the transaction all PPIM clients held 2 153 072 shares/votes (10.14% of the share capital/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.

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 four quarter of 2010.

Information on paid or planned dividend

The General Meeting of Shareholders held on 15 June 2010 approved distribution of a dividend in the total amount of EUR 1,061,525.75, amounting to EUR 0.05 per share, to be paid from the retained earnings account. On September 29, 2010, the Board of Directors adopted a resolution setting forth details of the dividend payment. The dividend was paid on October 29, 2010 to the shareholders holding the shares of the Company on October 14, 2010 (the "record date"). The dividend was paid in euro and distributed through National Depositary for Securities in Poland.

Changes of the Company's managing or supervisory persons in the fourth quarter of 2010

There were no changes in the Company's managing or supervisory persons in the fourth quarter of 2010.

Information on the supervision of employee stock option plans

An employee share option plan (the "ESOP") was approved by the Board at their meeting held on 22 February 2007. Currently, only one manager of EBCC can benefit from the ESOP. The ESOP gives specified persons (the "ESOP Beneficiaries") the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting held on 14 March 2007 approved the introduction of authorised share capital of 1,002,505 shares for the purposes, inter alia, of the ESOP. 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 or wilful misconduct, all rights to shares vested over the last 12-month period are cancelled. The total number of shares subject to the ESOP shall not exceed 1,002,505. The strike price will be equal to the Offer Price, which was PLN 20.50.

On 27 December 2010 Board of Directors approved a Management Remuneration scheme for current Senior Officers of ACE. According to the scheme managers will be entitled to receive a customary cash bonus related to Company growth year on year as well as value in shares of 5% of the Company market capitalisation (MCAP) growth in the period of 2010 – 2014.

The MCAP growth as the difference between initial share value and final share value will be adjusted for any share capital changes. The initial share value is PLN 9,1 . The final share value is the value of the Company shares resulting from the arithmetic average during the six (6) months after the publication of 2014 results. Allocated new shares will be subject to one year of lock-up period. Additional condition, which must be fulfilled to activate the scheme, is that cumulative value of EBITDA in the period 2010 – 2014 must reach certain level of EBITDA.

Investor Relations Contact Person:

Piotr K. Fugiel
Investor Relations Officer
e-mail: investor.relations@acegroup.lu

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

Geographical segments in '000 Euro

	Four quarters of 2010 cumulative	*Four quarters of 2009 cumulative*
Western Europe	53 507	45 891
Eastern Europe	32 035	30 833
Other	753	376
Total	**86 296**	**77 101**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	51 302	31 539	3 455	86 296
Operating Profit for the segment	**2 322**	**1 719**	**- 523**	**3 518**
Net Profit for the segment	**1 486**	**1 604**	**- 542**	**2 548**

7. Stock Market Information

Basic Information

Fiscal Year:	1 January through 31 December
ISIN Code:	LU0299378421
Par Value:	EUR 0.15 per share
Market of Quotations:	Warsaw Stock Exchange

Share Price Evolution

% of change as of the end of December 2010

	Compared to the end of 2009
ACE S.A.	17,04%
WIG Index	18,77%
SWIG80 Index	10,18%

Stock Market Data

	Fourth quarter of 2010	*2009*	*2008*
Market capitalisation as of the end of the period	PLN 191,1 m	PLN 163,3m	PLN 38,9m
(in millions of PLN and EUR)	€ 48,3m	€ 39,7m	€ 9,3m
Share price (in PLN)			
- Highest	10,10	7,69	12,23
- Lowest	7,80	1,10	1,66
- Average	9,00	4,16	7,51
- At the end of the period	9,00	7,69	1,76
Shareholders equity per share in EUR (in PLN)	1,83 (7,25)	1,74 (7,15)	1,57 (6,55)

Per Share Data

	Four quarters of 2010	*2009*	*2008*
Earnings per share (in EUR)	0.12	0,09	0,01
Cash Flow per share (in EUR)	0,26	0,09	-0,01
Dividend per share (in EUR)	0.05	-	0,11

B. Condensed Consolidated Financial Statements for the quarter ended December 31st, 2010

The condensed consolidated quarterly report for the fourth quarter of 2010 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 polish plant are 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*
Oct 1 – Dec 31, 2009	4,1745	4,2907	4,0660	4,1082
Jan 1 – Dec 31,2009	4,3282	4,8999	3,9170	4,1082
Oct 1 – Dec 31, 2010	3,9687	4,0734	3,8964	3,9603
Jan 1 – Dec 31, 2010	3,9939	4,1770	3,8356	3,9603

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*
Oct 1 – Dec 31, 2009	25,9145	26,4800	25,3900	26,4650
Jan 1 – Dec 31,2009	26,4450	29,4700	25,0850	26,4650
Oct 1 – Dec 31, 2010	24,7860	25,3600	24,4050	25,0600
Jan 1 – Dec 31, 2010	25,2903	26,3700	24,4050	25,0600

Consolidated Balance Sheet as of December 31st 2010 in thousands of Euros

Assets	*As of Dec 31, 2010*	*As of Dec 31, 2009*
Non-current Assets		
Intangible assets	217	139
Property, plant and equipment	39 659	41 988
Investment in associates	0	20
Derivative financial instruments (NCA)	37	0
Deferred tax assets	918	1 151
Trade and other long term receivables	0	0
	40 832	**43 298**
Current assets		
Inventories	8 262	7 623
Trade and other receivables	13 981	13 989
Derivative financial instruments (CA)	82	0
Other current assets	29	106
Cash and cash equivalents	17 433	11 906
	39 787	**33 624**
Total assets	**80 619**	**76 922**

Equity & Liabilities	*As of Dec 31, 2010*	*As of Dec 31, 2009*
Equity		
Share capital	3 185	3 185
Share premium	6 931	6 931
Retained earnings	26 100	25 108
Exchange gain or loss against equity	35	- 357
Profit for the year	2 548	1 980
	38 799	**36 847**
Liabilities		
Non-current liabilities		
Borrowings (NCL)	18 124	14 271
Deferred income	174	213
Deferred tax liabilities	3 199	3 410
Provisions for other liabilities and charges (NCL)	92	109
Derivative financial instruments (NCL)	48	444
	21 638	**18 446**
Current liabilities		
Trade and other payables	17 410	14 866
Borrowings (CL)	2 028	5 018
Derivative financial instruments (CL)	338	953
Other current liabilities	55	14
Provisions for other liabilities and charges (CL)	351	777
	20 183	**21 629**
Total Liabilities	**41 820**	**40 075**
Total equity and liabilities	**80 619**	**76 922**

Consolidated Income Statement for the period from January 1st to December 31st, 2010 in thousands of Euros

	For the 4th quarter of 2010 From October 1st to December 31st, 2010	*From Jan 1st to Dec 31st , 2010 Cumulative*	*For the 4th quarter of 2009 From October 1st to December 31st, 2009*	*From Jan 1st to Dec 31st , 2009 Cumulative*
Revenues	22 262	86 296	20 866	77 101
Costs of goods sold	-18 472	-69 581	-16 251	-61 338
Gross profit	3 790	16 716	4 615	15 763
Selling and distribution costs	- 711	-2 477	- 788	-2 142
General and administration costs	-2 660	-10 617	-2 501	-9 882
Other income	212	351	372	1 034
Other expenses	- 195	- 454	- 87	- 439
Operating profit	435	3 518	1 610	4 333
Negative goodwill	0	0	390	390
Financial income	270	1 189	73	390
Financial expenses (*)	- 359	-1 492	46	-2 970
Financial result	-88	-302	119	-2 579
Profit before income tax	**347**	**3 216**	**2 120**	**2 144**
Income tax expense	- 36	- 668	- 139	- 164
Profit for the period	**312**	**2 548**	**1 981**	**1 980**

(*) Hedging financial result each quarter is income or expense depending on year to date result.

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to December 31st, 2010 in thousands of Euros

Attributable to equity holders of the Parent

	Share capital	*Share premium*	*Legal Reserve*	*Retained earnings*	*Cash flow hedges*	*Exchange differences*	*Profit for the period*	*Net Equity*
Balance as of Jan 1, 2010	**3 185**	**6 931**	**307**	**24 801**	**0**	**- 357**	**1 980**	**36 847**
Allocation of previous year profit				1 980			-1 980	**0**
Profit / Loss for the period							2 548	**2 548**
Total recognised income and expenses for the period							2 548	**2 548**
Exchange differences						393		**393**
Dividend distribution				-1 061				**-1 061**
Changes in fair value of currency hedging instruments					72			**72**
Balance as of Dec 31, 2010	**3 185**	**6 931**	**307**	**25 720**	**72**	**36**	**2 548**	**38 799**

Consolidated Cash Flow Statement for the period from January 1st to December 31st, 2010
in thousands of Euros

	From Jan 1st to Dec 31st, 2010	*From Jan 1st to Dec 31st , 2009*
Profit before income tax	3 216	2 144
Adjustments for:		
- Depreciation and amortizations of non-current assets	5 852	5 734
- Negative goodwill	0	-390
- (Profit)/loss on sale, or impairment /reversal of non-current assets	-3	-58
- Net financial result	1 112	5 471
-Gain and losses on charges in fair values of derivate financial instruments	-1 058	-2 898
- Net movements in provisions	-55	-124
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	1 007	1 140
- Inventories	- 408	2 151
- Trade and other receivables	- 372	- 903
- Trade and other payables	1 788	- 108
Cash from operating activities	**10 071**	**11 020**
Income tax paid	- 269	- 83
Net cash from ordinary activities	**9 802**	**10 937**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	- 6	0
Purchases of property, plant and equipment (PPE)	-2 791	-2 126
Proceeds from sale of non current assets	24	1 013
Purchases of intangible assets	- 113	0
Loans granted to related parties	- 13	0
Net cash used in investing activities	**-2 898**	**-1 113**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	3	0
Repayments of bank borrowings	-16 839	-7 225
Repayment of other loans	- 316	- 63
Proceeds from bank borrowings	17 290	2 880
Proceeds from other loans	690	1 916
Dividends paid to minority interests	-1 062	0
Net of financial result paid and received	-1 158	-5 499
Net cash used in financing activities	**-1 392**	**-7 991**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**5 512**	**1 833**
Cash, cash equivalents and bank overdrafts at beginning of the period	11 906	10 276
Effects of exchange rate changes on the balance of cast held, in foreign currencies	15	- 203
Cash, cash equivalents and bank overdrafts at the end of the period	**17 433**	**11 906**

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 standards.

Consolidated entities

Company name	***Status***	***Ownership***	***Consolidation method***
ACE S.A.	Holding Company	-	Full
ACE Boroa S.L.	Holding Company	100%	Full
ACE 4C, A.I.E	R&D	100%	Full
Fuchosa S.L.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo S.r.o.	Operating	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***		***Current***	
	No of shares	*%*	*No of shares*	*%*	*No of shares*	*%*
Existing shares	20 050 100	100%	20 050 100	90,66%	21 230 515	100%
New shares	-	-	2 065 160	9,34%	-	-
Total	**20 050 100**	**100%**	**22 115 260**	**100%**	**21 230 515**	**100%**

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

There were no significant non-recurring items affecting assets, liabilities, equity, net income or cash flows for the fourth quarter.

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 2010

The General Meeting of Shareholders held on 15 June 2010 approved distribution of a dividend in the total amount of EUR 1,061,525.75, amounting to EUR 0.05 per share, to be paid from the retained earnings account. On September 29, 2010, the Board of Directors adopted a resolution setting forth details of the dividend payment. The dividend was paid on October 29, 2010 to the shareholders holding the shares of the Company on October 14, 2010 (the “record date”). The dividend was paid in euro and distributed through National Depositary for Securities in Poland.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EURO 6.134 million of debt in the fourth quarter of 2010.

On the other hand, on 12 November 2010 the ACE Group signed an long-term syndicated financing agreement with a group of banks, including Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Espanol , S.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A. and Bankinter, S.A. The total maximum amount of the loan granted by the banks will not exceed EURO 19 millions and will be maturing within maximum six years. A cost of the loan is at current market levels. The loan was used by the Group for partial refinance and repayment of the loan facilities used directly by all three production plants. It will substantially improve group cash management, decrease costs of global debt financing and allow for free flow of cash within the ACE group.

Material events after the end of the fourth quarter of 2010 that have not been reflected in the financial statements

There were no material events after the fourth quarter of 2010.

Changes in the composition of the Company during fourth quarter of 2010

On 12 November 2010 the ACE Group signed an long-term syndicated financing agreement with a group of banks including Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Espanol , S.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A. and Bankinter, S.A.

To ease the process and to provide the group of entities taking part of the syndicated pool of banks with the local guarantees required, ACE transferred at the same time, through a contribution in-kind, all shares and parts of all three production plants (Fuchosa S.L., EBCC sp. z o.o. and Freramo s.r.o.) to a new Spanish company ACE Boroa S.L., the borrower, being a 100% subsidiary of ACE S.A. This intermediary vehicle as well as all remaining ACE Group members are the debt guarantors.

ACE Boroa S.L.U. is also the main shareholder of ACE 4C, A.I.E., the R&D company of the Group, established in December 2010, rendering services to all the operating companies, holding a 96% of its shares whereas the remaining 4% is hold by Fuchosa.