Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended December 31st , 2011

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 holding 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 serving all the operating companies, with 96% of its shares (the remaining 4% are held 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, 2011

Management Committee:

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

Board of Directors:

Jose Manuel Corrales	*Class CB Director, President*
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 2011 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	***For the 4th quarter of 2011 From October 1st to December 31st, 2011***	***From Jan 1st to Dec 31st , 2011 Cumulative***	***For the 4th quarter of 2010 From October 1st to December 31st, 2010***	***From Jan 1st to Dec 31st , 2010 Cumulative***
Revenues from sales	25 255	100 689	22 262	86 296
Operating Profit	1 096	4 898	435	3 518
Profit before tax	633	3 315	347	3 216
Net profit	461	2 088	312	2 548
Net profit attributable to equity holders of the parent company	461	2 088	312	2 548
Cash flow from operating activities	6 579	8 711	3 441	10 071
Cash flow from investment activities	- 872	-2 816	-1 090	-2 898
Cash flow from financial activities	519	-1 970	2 996	-1 392
Net cash flow	6 175	3 030	5 301	5 512
Current assets	46 266	46 266	39 787	39 787
Fixed assets	38 581	38 581	40 832	40 832
Total Assets	84 847	84 847	80 619	80 619
Liabilities	46 237	46 237	41 820	41 820
Long-term Liabilities	20 501	20 501	21 638	21 638
Short term Liabilities	25 736	25 736	20 183	20 183
Shareholders' Equity	38 609	38 609	38 799	38 799
Shareholders' equity attributable to shareholders of the parent company	38 609	38 609	38 799	38 799
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	0,02	0,10	0,01	0,12
Book value per share	1,82	1,82	1,83	1,83

3. Financial performance

Consolidated Profit & Loss Statement

in '000 Euro

		For the 4th quarter of 2011 From October 1st to December 31st, 2011	***From Jan 1st to Dec 31st , 2011 Cumulative***	***For the 4th quarter of 2010 From October 1st to December 31st, 2010***	***From Jan 1st to Dec 31st , 2010 Cumulative***
Revenues from sales		25 255	100 689	22 262	86 296
Cost of goods sold		-20 522	-81 596	-18 472	-69 581
Gross profit		4 733	19 093	3 790	16 716
	GP margin	*18,7%*	*19,0%*	*17,0%*	*19,4%*
G&A expenses		-3 636	-14 195	-3 354	-13 197
Operating profit		1 096	4 898	435	3 518
	OP margin	*4,3%*	*4,9%*	*2,0%*	*4,1%*
Depreciation & amortisation		-1 594	-5 972	-1 492	-5 852
EBITDA		2 691	10 870	1 927	9 370
	EBITDA margin	*10,7%*	*10,8%*	*8,7%*	*10,9%*
Financial income		394	1 777	270	1 189
Financial costs		- 857	-3 359	- 359	-1 492
Profit before tax		633	3 315	347	3 216
Tax		- 172	-1 227	- 36	- 668
Net profit		461	2 088	312	2 548
	NP margin	*1,8%*	*2,1%*	*1,4%*	*3,0%*

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 2011*	*%*	*Four quarters of 2010*	*%*
Sales of products	97 160	96,5%	82 841	96,0%
Sales of goods and materials	3 528	3,5%	3 455	4,0%
Total sales revenue	**100 689**	**100%**	**86 296**	**100%**

Sales revenue in '000 Euro	*Four quarters of 2011*	*%*	*Four quarters of 2010*	*%*
Nodular iron products	49 160	50,6%	38 700	46,7%
Grey iron products	14 176	14,6%	12 602	15,2%
Aluminum products	26 278	27,0%	26 289	31,7%
New family products	7 547	7,8%	5 250	6,3%
Total sales	**97 160**	**100%**	**82 841**	**100%**

Sales volumes in million pieces	*Four quarters of 2011*	*Four quarters of 2010*
Nodular iron products	23,0	20,6
Grey iron products	1,8	2,0
Aluminum products	5,4	5,4
New family products	1,7	1,2
Total pieces sold	**31,9**	**29,2**

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

Revenues by country	*Four quarters of 2011*	*Four quarters of 2010*
Germany	22,9%	26,8%
Czech Republic	23,0%	24,7%
France	13,5%	11,6%
Spain	8,2%	8,4%
Italy	3,4%	4,7%
Other	29,0%	23,8%
Total	**100,0%**	**100,0%**

Automotive Market Performance

Thousand Units	*Four quarters of 2011*	*Four quarters of 2010*	*Difference*	*%*
Cars sold	12 800	12 979	-179	-1,4%
Cars manufactured	12 681	12 235	446	+3,6%
Difference sales - production	119	744		

Thousand Units	*Fourth quarter of 2011*	*Fourth quarter of 2010*	*Difference*	*%*
Cars sold	2 910	2 989	-79	-2,6%
Cars manufactured	3 130	3 103	27	+0,9%
Difference sales - production	-220	-114		

Source: LMC Automotive, formerly JD Power Forecasting

In the fourth quarter of 2011 sales of cars in Western Europe decreased by about 80 thousand units, or -2.6%, from the fourth quarter of 2010, according to LMC Automotive (formerly JD Power Forecasting). Indeed, market conditions remain tough, being Germany the only real success story with sales up by 8.8%.

However, car production in the same region and the same period was still higher than in the fourth quarter of 2010, by around 30 thousand units, or +0.9%. Despite last quarter, the yearly level of production is making up the gap with sales compared to last year and also shows a much more stable structure between both market drivers after a turbulent period of negative and positive corrections of inventories produced by the global crisis.

We can still see a clear gap appearing in year to date, where difference between sales and production is lower, being sales lower by -1.4% and production higher by +3.6%.

ACE sales in the market context

Driven by this context of increasing production, which is the main driver of Group sales, the Company increased its turnover in 4Q 2011 versus 4Q 2010, up EUR 2,993 thousand, or 13% Besides, focusing only on automotive companies, growth of turnover was higher by 18% with declining non-automotive sales.

In volume terms, growth was 8.7% in the number of units. Once again, the difference between value and volume in the Group was driven by the increasing prices of raw materials and partly energy prices in 2011, versus 2010, as they are partially passed along to customers as an adjustment in the selling price.

The allocation of this volume growth is very well balanced in the different business segments with the iron segment rising by 8.8%, and aluminium by 8.6% (including the new family of products). However, within the iron segment, nodular iron grew by 12.1% whereas grey iron fell by 25.8%, this drop being less than 15% if we refer to weight, which is much more reliable indicator in this business.

The main reason for this uneven growth within the automotive activity was the more rapid business development of aluminium in recent years, with the introduction of new projects, 40% above last year, versus a low base effect in nodular iron. These are also the reasons why the Company is performing better than the market in general, even though non-automotive development is reducing this positive difference. Some recovery of premium and midsized cars in the market does also support this outperformance.

Direct production costs and gross profit

Higher turnover in fourth quarter of 2011 comparing with same quarter of 2010 definitively determined company performance in the period, also higher profile of sales mix, including higher percentage of machining parts, allowed a better outcome.

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

There was also a positive impact of energy expenses, especially in polish operating company, due to the launch of a new investment in furnaces as well as improved prices from a new electricity contract in Poland already producing savings throughout all the year, but more visible in last quarter because of the additional positive behaviour of iron segment.

On top of the above, weaker Polish zloty in fourth quarter caused a total positive result around EUR 0.4 million in all operating margins comparing with same period of 2010.

In the other direction, Maintenance expenses increased comparing year-on-year, connected with some especial actuations occurred during Christmas shut down.

As a result of the above, the quarterly gross margin was EUR 4 733thousand (18.7% on sales), which is EUR 943 thousand or 25% higher than in 2010.

General & administrative expenses

General and administrative expenses were higher by EUR 281 thousand or 8% y-o-y, despite the increase in overheads expenses, growing by EUR 399 thousand, partly containing 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. This increase has to do also with some provisions created in the period like management bonus related to EBITDA growth, accrued in the last quarter only when final numbers are confirmed, some final year expenses cleaning as well as some other growth in general expenses.

Comparing y-o-y, some non-recurrent launching costs of new projects born in 2010 and better performance in selling and distributing plus R&D subsidies granted accrued in the period contributed positively to the results of this quarter.

EBITDA and operating profit

Driven by a higher operating leverage and even with increasing G&A expenses, EBITDA in the period was EUR 2 691 thousand (10.7% on sales), EUR 765 thousand up compared with the same period of 2010 (40% higher) for the reasons already mentioned.

Depreciation was slightly growing in the period, resulting in an operating profit of EUR 1,096 thousand (EUR 661 thousand higher than 2010).

Also the impact of better operating leverage driven by 1816,7% higher sales, rose year-to-date EBITDA in 2011 to EUR 10 870 thousand (10.8% on sales and EUR 1 500 thousand higher than in 2010) and EBIT to EUR 4 898 thousand (EUR 1 380 thousand higher than in 2010).

Financial items

The financial result for the fourth quarter of 2011 was negative by EUR 463 thousand, being lower by EUR 374 thousand in comparison with the same quarter of 2010. The main impact is allocated in FX and mainly related to changes in the outstanding balances at the end of the quarter due to weakening of PLN and CZK, which in the period was even more volatile than PLN. The most of the above recorded losses are not realized and having accounting nature only. The reverse situation would occur in strengthening scenario of those currencies.

Adversely, during the same quarter of 2010, strengthening of PLN versus Euro had the opposite effect than in 2011, positively boosted by the valuation of derivative financial instruments, which at that time were not considered as hedge accounting.

After the period, the fair value of hedging instruments (simple forwards) and the interest rate swap in the balance sheet is negative by EUR 748 thousand. According to accounting standards, changes in valuation of current hedging instruments have no impact on P&L account and are fully cleared through the equity in the balance sheet.

Profit before tax and tax

With net negative financial result cutting the positive differences of operating margins, profit before tax in fourth quarter was positive by EUR 633 thousand (EUR 286 thousand higher than 2010).

Taxes recorded as a consequence of non-taxable FX expenses and some temporary differences in the CIT reversed from the last quarter, were EUR 172 thousand.

Net profit

Reflecting these financial results offsetting a better operating performance, Net Profit of the company for the fourth quarter was EUR 461 thousand, or EUR 150 thousand higher compared with 2010.

However, total year-to-date Net Profit in 2011 rose to EUR 2 088 thousand (EUR 459 thousand lower than in 2010).

Financial Position

The operating generation of cash from January to December of 2011 was positive by EUR 8 711 thousand, still below 2010, but largely improved in the last quarter mostly as a result of the working capital decrease driven by much lower activity of December related to Christmas shutdown and specific actions taken in order to improve the working capital position. However, main reason for y-o-y decline in operating cash are to be found in some regulatory changes in Spain involving reduction of payment terms to suppliers.

Otherwise, investing activities (much higher than during first half of the year), amounted to EUR 2 816 thousand in the period, partially affected by CEE project capital expenditure, which will be also visible during 2012. In financing activities, repayment of the Company loan was partly offset by some new incentivized loans for R&D activities. Finally a dividend payment by EUR 1 486 thousand was also recorded in the period.

With all the above resulting in a net cash generation by EUR 3 030 thousand, the final cash position of the Company as of the end of December 2011 gets even stronger at EUR 20 466 thousand with Net debt as of same date at only EUR 713 thousand.

FULL YEAR 2011

As regards our last expectations for sales in 2011, both volume and value were in line with them. Thus versus an anticipated growth of turnover of 15% and number of units by 10%, the real values were 17% and 9% respectively. However, if we only focus on automotive segment growth was even higher by 18% and 11%.

Besides a higher level of activity in 2011 comparing 2010 by 17% in turnover and 9% in number of units sold, there were some other positive and negative effects counteracting which in general resulted in significantly higher operating margins. Despite this as a result of higher financial expenses driven by volatility of foreign currencies, bottom line worsened less than half million Euro or 18%.

The main drivers of profit margins versus year 2010 were:
- Stablility in raw materials activity compared with 2010 when in an environment of growing prices the impact was quite negative, meaning an improvement of EUR 1,5 million. As we stressed during 2010, an important part of these effects were one-off and thus recoverable in the medium term.
- Higher energy expenses also related to higher prices, maintenance and other by EUR 1,5 million.
- Higher salary expenses by around EUR 1,8 million mostly linked to the important increase of production experienced with no significant influence of pay rises.
- Weakening of foreign currency, positive by EUR 03 million at operating level whereas financial impact was negative by EUR 0,8 million, thus decreasing net profit versus rest of operating margins.

Generally we could say that whereas in 2011 there were some -other than positive volume outperforming the market- general and external factors like performance of foreign currency versus Euro or prices of raw materials positively influencing the profitability of the company, in 2010 these factors' trend were the opposite and they did even override the volume increase at that time.

However, we have to stress that 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 lost 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.

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 LMC Automotive data for 2011 recorded a slight decline of new car sales in Western Europe by about 1,4%, though production data is more positive, showing a trend of stability and even positive growth in the range of around 3,6% (source: LMC Automotive, -before JD Power- report issued in December 2011). The same source forecasts a decline of new car sales in 2012 by around 5.3%, downgraded to 5.9% in February 2012, while the production should go down by around 3,5% including light commercial vehicles in the same period, with expected considerable rebound in a range of 4,3% in 2013. (PWC Autofacts most recent report issued in January 2012)

Within Europe the producers are shifting their production worldwide 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, was mostly outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary though after crisis period and consequent creation of overcapacity, Tier 1 are retaining an important part of machining business for themselves.

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 using of brake systems aluminium callipers is 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 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 mostly 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. Since January 2010, a new production line for front aluminium callipers has been in operation. A new manufacturing system to produce front callipers in aluminium is an innovative solution recently introduced by ACE, and this system has already been patented. ACE is the reference supplier of this component in Europe.

ACE continuously cooperates with its customers on redesign and development of products 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.

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. Evolution of new family of products in 2010 is four times than those in 2009, being in 2011 still more than 40% above 2010, which 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). Supplies to Bosch are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). Since 2011, the Group is also delivering parts to some of the American and Chinese plants of some of its customers to palliate some discontinuation of supply driven by the scenario of under-capacity in this region, as well as some local supplier's quality failures.

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. With the launch of the growth project in Feramo, a few new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts since beginning 2013.

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 CEE investment project in terms of knowledge transfer and development.

As a result of this vocation to move forward in R&D capabilities and expansion within the Group, in December 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 the Group's 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 on other interesting processes and technologies
- Creation of 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 centres.

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 2011 are as follows:

In '000 Euro

	Four quarters of 2011	***Four quarters of 2010***
Investments in R&D	899	2 223
Costs regarding R&D	1 915 (*)	1 916
Total R&D expenses	**2 814**	**4 139**

(*) Using in last quarter of 2011 the same criteria of expenses allocation as in 2010

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. 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 the automotive segment is also on-going, and after the CEE investment Project implementation, which launch is expected in January 2013, ACE will also change its profile in nodular iron segment (location, products and customers among other).

Increasing presence in Europe and exploring new opportunities overseas
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 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 product line 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. Although the Company is focused in expansion Europe, ACE is actively exploring opportunities in other important automotive areas in fast development like Asia, and America.

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

Automotive market in 2012

Germany was the only major market in the region to register an improvement in 2011 versus 2010 and kept the market on course for a solid full year improvement. However, the chance of strong growth in 2012 is slim. Indeed, with the economic outlook remaining challenging, 2012 is expected to see volumes even lower. PwC Autofacts envisions few prospects for growth in 2012. The current demand baseline projects a further 5% market decline. The production forecast decrease for LCVs from the same source is some lower, by 3.5% for European Union (1.5% including Eastern Europe).

On the other hand, JD Power was pointing out to a decline of -5.3% in sales for Western Europe in 2012 as of the end of December 2011, recently downgraded to -5.9%.

Group Sales

As far as 2012 is concerned, in current environment is very difficult to rely on market forecasts, but at the time of preparation of this report, and based on our customer's demand and expectations, we can anticipate some market outperformance once again and, depending upon the length and depth of the current downturn, we could even see a general improvement of our margins.

The yearly sales growth of the non-automotive business is performing some worse than the automotive segment, but due to its generalized scope it is less predictable and the order book has lower visibility.

Meanwhile, one of the main tasks today is 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 Grey 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.

Economy drivers

In 2012, the Group expects stability in raw material prices compared to the previous year. Energy price is another subject that in the trend of permanent growth has been re-opened in the negotiations with customers to overcome the current only partial recovery of price increases.

In this 2012 scenario of slow recovery and underused capacity, there is still an important competition factor which customers are taking advantage of to push down selling prices. The Company's important competitive advantage, mostly provided by the high degree of specialization and thorough knowledge of the product, should help the Company to a significant extent to face this situation in better standing, but the Company is aware that it is operating in a still unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

Investment activity-CEE Investment Project

In the context of constant growth in the automotive market for the following years, CEE expansion as the Group's platform to grow in the nodular iron segment for the automotive market is also an important asset for the Group which will bring additional value in the near future, jointly with an investment project to boost the efficiency in the nodular iron business in Spain, that will also mean some additional and higher amounts of capex especially in 2012.

We expect 2012 to be a transition year as we digest an ambitious capex program of around EUR 12 million which will not be fully visible in the financial results until 2013.
This capex program is currently under implementation and it will be mostly invested in the Czech plant (CEE Investment Project).

Concerning CEE Investment Project, the estimated deadline for the main milestones are the following:
- April 2012: startup of building expansion and civil work.
- October 2012: Launch of new equipment' tests in place.
- January 2013: homologation plan for nodular iron production.
- 1st Quarter 2013: serial production with the new equipment.
- May 2013: new electrical connection VVN to feed both grey and nodular mass production.
- September 2013: decommissioning of cupola furnaces.

The last step assumes the replacement of current furnaces by electrical furnaces thus eliminating or reducing to a minimum the consumption of two of most volatile and expensive raw material and bringing additional and important savings also for grey iron activity for not contemplated in the initial stage of the project. Besides it will also procure more environmental friendly relationship with our surroundings. However it could also imply to anticipate some amount of capex in 2012 which global amount is unlikely to change total capex.

On the commercial pipeline, our R&D department is currently developing projects for a certain small amount of mass production projects, feeding only in 2015 the expected volume for the full new capacity installed in the plant and with an enormous market potential to develop a further company growth.

Training process definition, as an important tooling to transfer the knowledge of nodular iron technology from Spain to Czech Republic has been already completed and as starting point of such plan, a contingent of the Czech human resources have already moved to Spain.

An additional purpose of the programme is to expand the portfolio of manufactured products and further diversify future revenues. According to a preliminary schedule, the first parts will be produced from January 2013. This programme will be entirely financed from internal resources. The management of the Company is currently involved in development of the growth project, and expects to increase current Group sales by up to 20% within the next 4 years. At the end of the period ACE Group will have three equally important production plants contributing comparable sales and operational profits.

Another important investment activity in 2012 will take place in our Spanish plant and consist in the replacement of one of the current moulding lines, in order to increase the plant productivity and competitiveness. This investment will be done during breakdown of August and the serial production of the new equipment will be visible during 4th Quarter.

M&A

Additional growth of production and sales should come from M&A activities. The management of ACE carefully review any acquisition targets that appear, to assess their potential impact not only on the Group's sales but also on the financial position of the future entity. For a transaction to be approved, it should generate added value for the Company and the shareholders and should not worsen the financial situation of the existing plants in any way.

As regards Group strategy as stated in our ESPI report published on December 2011, the goals stated therein remain unchanged and it will be it our main framework to develop our activities within the near future.

6. Additional information

Major shareholders (over 5% of shareholder's equity) as of December 31st, 2011

As of December 31, 2011 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 2011, 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, 2011 (% of share capital)	*As of December 31, 2010 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11,45%)	2 430 607 (11,45%)
PZU „Zlota Jesien" OFE	4 214 174 (19,85%)	4 188 913 (19,73%)
ING Nationale Nederlanden Polska OFE	3 690 563 (17,38%)	3 674 050 (17,31%)
Pioneer Pekao Investments	1 061 525 (5,00%)	2 153 072 (10,14%)
AVIVA Investors Poland	1 098 605 (5,17%)	1 098 605 (5,17%)
ING Towarzystwo Funduszy Inwestycyjnych	2 025 603 (9,54%)	1 087 615 (5,12%)

On 7 February 2012 the Company received an official notification from AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A., on behalf of AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (the Fund), that due to market transactions which took place on 31 January 2012 the Fund increased its stockholding in the Company above 5% of shares/votes and the total number of the Company shares/votes owned by the Fund reached 1 080 905 shares/votes (5.09% of the share capital and total votes). Before those transactions the Fund managed by AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. had 1 000 970 shares/votes (4.71% of the share capital and total 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 fourth quarter of 2011.

Information on paid or planned dividend

The General Meeting of Shareholders held on 21 June 2011 approved the distribution of a dividend in the total amount of EUR 1 486 136,05, amounting to EUR 0,07 per share, to be paid from the share premium account .

On 27 July 2011, the Board of Directors of the Company adopted a resolution setting forth details of the dividend payment. The dividend was paid on 16 September 2011 to shareholders holding shares of the Company on 1 September 2011 (the record date). The dividend was paid in euro and distributed through the National Depository for Securities, in accordance with regulations applicable to dividend payments by companies listed on the Warsaw Stock Exchange.

Share Buy-back and Dividend Policy:

ACE’s management has made a recommendation to the Board of Directors to initiate a share buy-back program during the first half of 2012, whose length and conditions will be announced in due course.

The company’s dividend policy, as stated in our prospectus, remains unchanged and we do not envisage significant changes to future dividend payments, which will be comparable to recent years. However, the payment of any future dividends or similar actions will depend on the business prospects, future earnings, cash requirements and expansion plans of ACE Group. In addition, the terms of the current financing agreement also restrict ACE's ability to pay dividends, requiring ACE Group to meet certain financial thresholds.

As far as 2011 is concerned the Company does not anticipate any problem to meet the before mentioned thresholds.

Changes of the Company’s managing or supervisory persons in the fourth quarter of 2011

There were no changes in the Company’s managing or supervisory persons in the fourth quarter of 2011.

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, there are no longer beneficiaries of the ESOP continuing its contractual relationship with the Group, which on the other hand expired upon the fourth anniversary of final allotment of Shares offered in the IPO (i.e. May 24, 2011), so the programme is deemed as terminated.

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 2011	*Four quarters of 2010*
Western Europe	58 124	53 507
Eastern Europe	41 653	32 035
Other	912	753
Total	**100 689**	**86 296**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	63 336	33 825	3 528	100 689
Operating Profit for the segment	**5 603**	**1 944**	**-2 649**	**4 898**
Net Profit for the segment	**4 386**	**971**	**-3 269**	**2 088**

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 2011

	Compared to the end of 2010
ACE S.A.	-50,5%
WIG Index	-20,8%
SWIG80 Index	-30,5%

Stock Market Data

	Fourth quarter of 2011	*2010*	*2009*
Market capitalisation as of the end of the period	PLN 94,5 m	PLN 191,1 m	PLN 163,3m
(in millions of PLN and EUR)	€ 21,4 m	€ 48,3m	€ 39,7m
Share price (in PLN)			
- Highest	6,11	10,10	7,69
- Lowest	4,00	7,80	1,10
- Average	5,00	9,00	4,16
- At the end of the period	4,45	9,00	7,69
Shareholders equity per share in EUR (in PLN)	1,82 (8,04)	1,83 (7,25)	1,74 (7,15)

Per Share Data

	Four quarters of 2011	*2010*	*2009*
Earnings per share (in EUR)	0,10	0,12	0,09
Cash Flow per share (in EUR)	0,14	0,26	0,09
Dividend per share (in EUR)	0,07	0,05	-

B. Condensed Consolidated Financial Statements for the quarter ended December 31st, 2011

The condensed consolidated quarterly report for the fourth quarter of 2011 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*	*Highest*	*Lowest*	*Period end*
1 Oct – 31 Dec 2010	3,9687	4,0734	3,8964	3,9603
1 Jan – 31 Dec 2010	3,9939	4,1770	3,8356	3,9603
1 Oct – 31 Dec 2011	4,4213	4,5642	4,2716	4,4168
1 Jan – 31 Dec 2011	4,1196	4,5642	3,8403	4,4168

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*	*Highest*	*Lowest*	*Period end*
1 Oct – 31 Dec 2010	24,7860	25,3600	24,4050	25,0600
1 Jan – 31 Dec 2010	25,2903	26,3700	24,4050	25,0600
1 Oct – 31 Dec 2011	25,2787	26,0250	24,7400	25,8000
1 Jan – 31 Dec 2011	24,5858	26,0250	24,0100	25,8000

Consolidated Balance Sheet as of December 31st 2011 in thousands of Euros

Assets	*As of Dec 31, 2011*	*As of Dec 31, 2010*
Non-current Assets		
Intangible assets	213	217
Property, plant and equipment	37 460	39 659
Derivative financial instruments (NCA)	6	37
Deferred tax assets	902	918
	38 581	**40 832**
Current assets		
Inventories	8 707	8 262
Trade and other receivables	17 046	13 981
Derivative financial instruments (CA)	10	82
Current income tax assets	2	0
Other current assets	35	29
Cash and cash equivalents	20 466	17 433
	46 266	**39 787**
Total assets	**84 847**	**80 619**

Equity & Liabilities	***As of Dec 31, 2011***	***As of Dec 31, 2010***
Equity		
Share capital	3 185	3 185
Share premium	5 444	6 931
Retained earnings	28 573	26 028
Cash flow hedges	- 594	72
Exchange gain or loss against equity	- 87	35
Profit for the year	2 088	2 548
	38 609	**38 799**
Liabilities		
Non-current liabilities		
Borrowings (NCL)	16 806	18 124
Deferred income	253	174
Deferred tax liabilities	2 976	3 199
Provisions for other liabilities and charges (NCL)	85	92
Derivative financial instruments (NCL)	382	48
	20 501	**21 638**
Current liabilities		
Trade and other payables	19 523	16 866
Borrowings (CL)	4 373	2 028
Derivative financial instruments (CL)	382	338
Current income tax liabilities	977	544
Other current liabilities	45	55
Provisions for other liabilities and charges (CL)	436	351
	25 736	**20 183**
Total Liabilities	**46 237**	**41 820**
Total equity and liabilities	**84 847**	**80 619**

Consolidated Income Statement for the period from January 1st to December 31st, 2011 in thousands of Euros

	For the 4th quarter of 2011 From October 1st to December 31st, 2011	*From Jan 1st to Dec 31st , 2011 Cumulative*	*For the 4th quarter of 2010 From October 1st to December 31st, 2010*	*From Jan 1st to Dec 31st , 2010 Cumulative*
Revenues	25 255	100 689	22 262	86 296
Costs of goods sold	-20 522	-81 596	-18 472	-69 581
Gross profit	4 733	19 093	3 790	16 716
Selling and distribution costs	- 593	-2 386	- 711	-2 477
General and administration costs	-3 292	-12 242	-2 660	-10 617
Other income	329	588	211	351
Other expenses	- 81	- 154	- 195	- 454
Operating profit	1 096	4 898	435	3 518
Financial income	394	1 777	270	1 189
Financial expenses	- 857	-3 359	- 359	-1 492
Financial result	- 463	-1 583	- 88	- 302
Profit before income tax	**633**	**3 315**	**347**	**3 216**
Income tax expense	- 172	-1 227	- 36	- 668
Profit for the period	**461**	**2 088**	**312**	**2 548**

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to December 31st, 2011 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, 2011	**3 185**	**6 931**	**307**	**25 721**	**72**	**35**	**2 548**	**38 799**
Allocation of previous year profit			13	2 532			-2 548	0
Profit / Loss for the period							2 088	2 088
Total recognised income and expenses for the period							2 088	**2 088**
Exchange differences						- 122		- 122
Dividend distribution		-1 487						-1 487
Changes in fair value of currency hedging instruments					- 666			- 666
Balance as of Dec 31, 2011	**3 185**	**5 444**	**320**	**28 253**	**- 594**	**- 87**	**2 088**	**38 609**

Consolidated Cash Flow Statement for the period from January 1st to December 31st, 2011
in thousands of Euros

	From Jan 1st to Dec 31st, 2011	*From Jan 1st to Dec 31st, 2010*
Profit before income tax	3 315	3 216
Adjustments for:	7 399	5 847
- Depreciation and amortizations of non-current assets	5 972	5 852
- Losses on sale of property, plant and equipment	6	- 3
- Net financial result	1 788	1 112
-Gain and losses on charges in fair values of derivate financial instruments	- 323	-1 058
- Net movements in provisions	- 45	- 55
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	-2 003	1 007
- Inventories	-1 022	- 408
- Trade and other receivables	-3 111	- 372
- Trade and other payables	2 129	1 788
Cash from operating activities	**8 711**	**10 071**
Income tax paid	- 895	- 269
Net cash from ordinary activities	**7 816**	**9 802**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	-6
Purchases of property, plant and equipment (PPE)	-2 773	-2 791
Proceeds from sale of non-current assets	26	24
Purchases of intangible assets	- 70	- 113
Loans granted to related parties	-	-13
Net cash used in investing activities	**-2 816**	**-2 898**
Cash flows from financing activities		
Repayments of bank borrowings	-1 839	-16 839
Repayment of other loans	- 167	- 316
Proceeds from bank borrowings	2 437	17 290
Proceeds from other loans	490	690
Dividends paid to Company´s shareholders	-1 486	-1 062
Net of financial result paid and received	-1 405	-1 158
Net cash used in financing activities	**-1 970**	**-1 392**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**3 030**	**5 512**
Cash, cash equivalents and bank overdrafts at beginning of the period	17 433	11 906
Effects of exchange rate changes on the balance of cast held, in foreign currencies	4	15
Cash, cash equivalents and bank overdrafts at the end of the period	**20 466**	**17 433**

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 2011

There were no dividend paid in the period of the fourth quarter of 2011.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EURO 677 thousands of debt in the fourth quarter of 2011.

Material events after the end of the fourth quarter of 2011 that have not been reflected in the financial statements

There were no material events after the fourth quarter of 2011.

Changes in the composition of the Company during fourth quarter of 2011

There has not been any change in composition of the ACE group within the period.