Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended December 31st, 2013

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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 38, boulevard Napoléon 1er, L-2017 Luxembourg, Grand Duchy of Luxembourg. On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d'Arlon, L-1150 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. 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, 2013

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 2013 was prepared according to International Accounting Standards.

2. Financial Highlights

in ‘000 Euro

Selected consolidated financial items	***For the 4th quarter of 2013 From October 1st to December 31st, 2013***	***From Jan 1st to Dec 31st, 2013 Cumulative***	***For the 4th quarter of 2012 From October 1st to December 31st, 2012***	***From Jan 1st to Dec 31st, 2012 Cumulative***
Revenues from sales	23 961	100 843	22 334	98 618
Operating Profit	1 227	4 463	357	3 057
Profit before tax	774	3 324	758	2 678
Net profit	481	1 936	586	2 372
Net profit attributable to equity holders of the parent company	481	1 936	586	2 372
Cash flow from operating activities	449	8 737	2 439	4 804
Cash flow from investment activities	-1 507	-5 131	-2 283	-11 469
Cash flow from financial activities	-2 608	-7 837	282	- 996
Net cash flow	-3 800	-4 752	275	-8 671
Current assets	31 172	31 172	35 995	35 995
Fixed assets	45 593	45 593	47 137	47 137
Total Assets	76 765	76 765	83 132	83 132
Liabilities	39 064	39 064	42 441	42 441
Long-term Liabilities	17 204	17 204	22 087	22 087
Short term Liabilities	21 860	21 860	20 354	20 354
Shareholders’ Equity	37 701	37 701	40 691	40 691
Shareholders’ equity attributable to shareholders of the parent company	37 701	37 701	40 691	40 691
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	0,09	0,03	0,11
Book value per share	1,78	1,78	1,92	1,92

3. Financial performance

Consolidated Profit & Loss Statement

in ‘000 Euro

	For the 4th quarter of 2013 From October 1st to December 31st, 2013	***From Jan 1st to Dec 31st, 2013 Cumulative***	***For the 4th quarter of 2012 From October 1st to December 31st, 2012***	***From Jan 1st to Dec 31st, 2012 Cumulative***
Revenues from sales	23 961	100 843	22 334	98 618
Cost of goods sold	-19 407	-81 390	-18 874	-81 607
Gross profit	4 554	19 453	3 460	17 011
GP margin	*19,0%*	*19,3%*	*15,5%*	*17,2%*
G&A expenses	-3 327	-14 990	-3 102	-13 954
Operating profit	1 227	4 463	357	3 057
OP margin	*5,1%*	*4,4%*	*1,6%*	*3,1%*
Depreciation & amortisation	-2 206	-5 919	-1 574	-5 201
EBITDA	3 433	10 382	1 931	8 258
EBITDA margin	*14,3%*	*10,3%*	*8,6%*	*8,4%*
Financial Result	- 453	-1 138	401	- 379
Profit before tax	774	3 324	758	2 678
Tax	- 293	-1 389	- 172	- 306
Net profit	481	1 936	586	2 372
NP margin	*2,0%*	*1,9%*	*2,6%*	*2,4%*

Sources of sales revenues

The main source of ACE Group's sales revenues is sales of nodular iron anchors as well as aluminium callipers and tandem master cylinders (TMC) 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 2013*	*%*	*Four quarters of 2012*	*%*
Sales of products	97 537	96,7%	95 185	96,5%
Sales of goods and materials	3 306	3,3%	3 433	3,5%
Total sales revenue	**100 843**	**100%**	**98 618**	**100%**

Sales revenue in '000 Euro	*Four quarters of 2013*	*%*	*Four quarters of 2012*	*%*
Nodular iron products	56 301	57,7%	50 616	53,2%
Grey iron products	10 190	10,4%	12 947	13,6%
Aluminum products	22 862	23,4%	23 188	24,4%
New family of products	8 185	8,4%	8 434	8,9%
Total sales	**97 537**	**100%**	**95 185**	**100%**

Sales volumes in thousand pieces	*Four quarters of 2013*	*Four quarters of 2012*
Nodular iron products	25 219	23 133
Grey iron products	1 433	1 606
Aluminum products	4 834	5 087
New family of products	2 419	2 237
Total pieces sold	**33 904**	**32 063**

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

Revenues by country	*Four quarters of 2013*	*Four quarters of 2012*
Germany	20,8%	21,1%
Czech Republic	20,2%	22,5%
Slovakia	14,4%	10,8%
France	11,5%	13,3%
Spain	8,7%	9,0%
Poland	4,7%	4,6%
Other	19,7%	18,6%
Total	**100%**	**100%**

Automotive Market Performance

Thousand Units	*Four quarters of 2013*	*Four quarters of 2012*	*Difference*	*%*
Cars sold	11 536	11 766	-230	-2,0%
Cars manufactured	11 349	11 466	-117	-1,0%
Difference sales - production	187	300	-113	-37,6%
ACE Automotive	32 471	30 457	2 014	6,6%

Source: Western Europe by LMC Automotive Forecasting, ACE

Thousand Units	*Fourth quarter of 2013*	*Fourth quarter of 2012*	*Difference*	*%*
Cars sold	2 765	2 621	144	5,5%
Cars manufactured	2 901	2 689	212	7,9%
Difference sales - production	-136	-68	-68	98,9%
ACE Automotive	7 592	6 891	701	10,2%

Source: Western Europe by LMC Automotive Forecasting, ACE

In fourth quarter of 2013 sales of cars in Western Europe increased by about 144 thousand units, or +5.5%, from the fourth quarter of 2012, according to LMC Automotive. This is the second quarter in a row that sales improved year on year, after two years of continuous market contraction. Except for Italy, all main markets in Europe reported positive figures, being UK, Netherlands and Spain the best performances in sales. Despite these improvements in the second half of the year, the year-to-data reported a reduction in sales by -230 thousand units, or -2.0%, being this difference softening in the Pan-Europe region, where sales of cars year-to-date declined by – 1.6%.

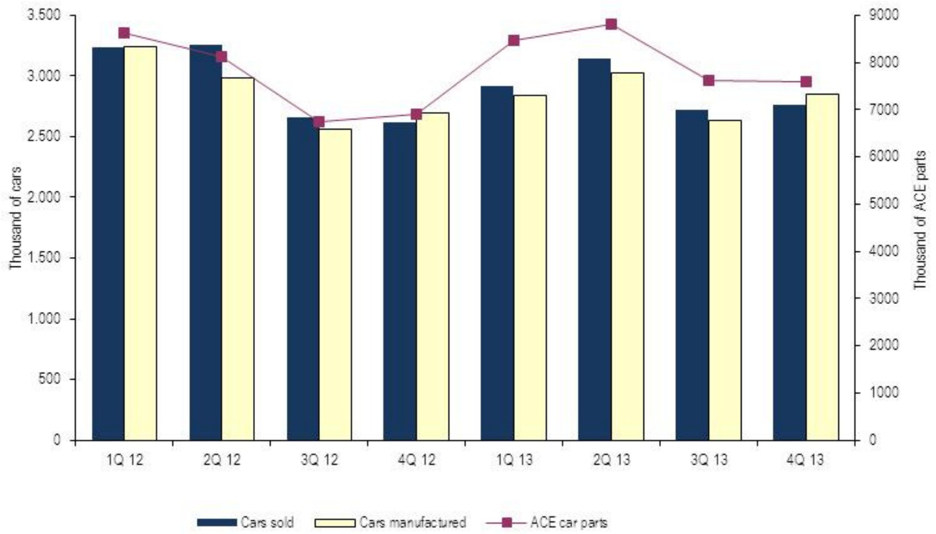
Car production in Western Europe year on year was also higher than in fourth quarter of 2012, by around +212 thousand units or +7.9%. Once again, in the year to date the difference is negative by -1.0% (-117 thousand units), but stays in line with the previous year for the whole Europe.

ACE sales in the market context

	Thousand Units				*Thousand Euro*			
	Fourth quarter of 2013	*Fourth quarter of 2012*	*Difference*	*%*	*Fourth quarter of 2013*	*Fourth quarter of 2012*	*Difference*	*%*
Nodular iron products	5 921	5 258	663	12,6%	13 291	11 604	1 687	14,5%
Aluminium products	1 671	1 633	38	2,3%	7 182	7 070	112	1,6%
ACE Automotive	**7 592**	**6 891**	**701**	**10,2%**	**20 473**	**18 674**	**1 799**	**9,6%**
Non-automotive	368	340	28	8,2%	2 393	2 749	(356)	-13,0%
Total ACE	**7 960**	**7 231**	**729**	**10,1%**	**22 866**	**21 423**	**1 443**	**6,7%**

In volume terms the difference year on year was up by +10.2% in number of units for automotive segment (+10.1% for the whole Group). The allocation of this volume increase is unbalanced in the different automotive business segments. So far, the nodular iron segment sales climbed by +12.6%, meantime in aluminium segment sales increased by 2.3% comparing to the same quarter of last year (including the new family of products, but with machining growing by near 20%). In non-automotive segment, the portfolio switched to lighter weight parts, so that sales of units increased by +8.2%, whereas sales in tons, which is a more accurate indicator for this business, reduced by -9.5%.

Group volume outperformed the market sales and production once again not only year on year but also year-to date, where Group automotive sales in number of units grew by +6.6% (+5.7% for the whole Group). Nevertheless, the gap between ACE and market was some lower compared with previous quarters, as we can see in the graph below.



In terms of value, this outperformance is also visible in the automotive segment both in iron and aluminium, being up by EUR 1 799 thousand, or +9.6%. However, in non-automotive segment sales were lower by -13%, also influenced by the lower purchasing prices of raw material surcharged to the customer and a cheaper mix.

Direct production costs and gross profit

The performance is more or less stable comparing with the year as a whole. Indeed, the two main effects counteracting each other are still quite visible. On one hand, the good results achieved by the new moulding line operating in Spain since September 2012. On the other hand, the important difficulties experienced during the start-up of the CEE Project have caused not only relevant inefficiencies but also an important drop of production and subsequent turnover. Some further steps were given in order to control the production process, and to start serial production of nodular iron.

But in addition to these annual recurrent effects there was also an important operating leverage factor y-o-y, recording during the quarter the most positive difference in sales and production of the year.

In relation to the CEE investment project there were two one-off impacts but with opposite effect. In the positive side, some expenses accrued during the whole year related to the new investment were capitalized in around EUR 500 thousand. Adversely, the status of certain assets under review advises to be replaced before than expected to improve the competitiveness of the Czech company, and consequently those assets which could be subject to a replacement have been depreciated faster by near EUR 900 thousand.

Other remarkable effects were the positive trend in energy prices as well as FX activity in the operating level, mostly as a result of the weakening Czech koruna year on year. Finally, higher expenses in payrolls in the aluminium segment in order to achieve the higher production in machining, led the Gross profit to EUR 4 554 thousand (19.0% on sales), which is EUR 1 094 higher than the same quarter of 2012 (15.5% on sales).

General & administrative expenses

Difference of general and administration expenses are also affected by one-off issues, most of them recorded in the comparative quarter of 2012. Thus, annual R&D tax credits were reclassified as other operating income in December 2012 by EUR 1 047 thousand whereas during 2013 it was recorded on a monthly basis. This issue was only partially offset by the provision issued for a bad debt to cover the insolvency filling of a Spanish customer that impacted negatively in last year results.

This quarter was also affected by the release of some minor provisions connected with the business having a positive result in the quarter, meantime salary increases following the inflation rate jointly with a larger staff to meet the new challenging facilities in Spain, and to support the CEE Project increased quarter expenditures.

EBITDA and operating profit

Higher Gross profit but higher General and administration expenses let EBITDA in the period positive by EUR 3 433 thousand (14.3% on sales), EUR 1 502 thousand up compared with the same period of 2012 (or 8.6% on sales) for the reasons already mentioned.

As already stated, depreciation was higher in the comparative period by around EUR 632 thousand (out of which EUR 902 thousand arising from accelerated depreciation of some assets), resulting in an operating profit of EUR 1 227 thousand (EUR 870 thousand higher than 2012).

Financial items

The financial result for the fourth quarter of 2013 was negative by EUR -453 thousand, being the difference versus 2012 negative by EUR -854 thousand. The main reasons behind are devaluation of the Czech Koruna, and the capitalization of part of the Group loan financial interest devoted to CEE Project which total positive impact for 2012 was recorded in the last quarter both issues amounting near EUR 1 000 thousand.

As regards currency exchange differences, most of the differences are not realized, and having accounting nature being now recorded in Equity thus resulting in a lower volatility. Nevertheless, as a consequence of the partial capitalization of an intercompany loan during this quarter, some of this exchange differences have been recorded as a loss.

After the period, the fair value of hedging instruments and the interest rate swap in the balance sheet become first time positive since pre-crisis period by EUR 13 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, Taxes and Net profit

Profit before tax in fourth quarter was positive by EUR 774 thousand (EUR 16 thousand higher y-o-y).

Tax recorded was EUR 293 thousand which is higher by EUR 121 thousand comparing with the same period of 2012. This is mainly driven by the write-off of Tax losses capitalized in previous years in the Czech company, given the limited ability to offset future profits.

Reflecting all the above, and especially one off effects of higher depreciation and income tax, the Group was at the net profit level by EUR 481 thousand, EUR 105 thousand lower year on year.

Year-to-date, Gross profit was EUR 19.4 million, higher by EUR 2 442 thousand than 2012, being 19.3% on sales, near 14.4% over last year. EBITDA was positive by EUR 10 382 thousand, which is EUR 2 124 thousand higher comparing with previous year, with increasing G&A expenses. Finally, Net profit amounts to EUR 1.9 million or EUR 436 thousand below 2012, reflecting a higher income tax due to the same reasons as mentioned above.

Financial Position

The operating generation of cash from January to December of 2013 was very positive, by EUR 8 314 thousand, mostly as a result of EBITDA.

Otherwise, investing activities amounted to EUR 5 132 thousand in the period, mostly reflecting the CEE project capital expenditure, which closing will be still some visible in 2014. The financing activity is driven by the repayment of loans and interest expenses, increased by the buy-back program in progress, which was especially intensive during this quarter.

Reflecting all the above, the final cash position of the Company as of the end of December 2013 is positive by EUR 7 690 thousand with an increasing Net debt up to EUR 11 356 thousand.

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 2013, issued in January 2014, shows a decline of new car sales in Western Europe by about 2.0%, corresponding with a declining production of -1.0%, or 0.6% growth for Pan-Europe. This data is upgraded compared with the one issued one quarter ago, where expected production change for 2013 was -0.9% and +0.3% in the European Union and Pan-Europe respectively.

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 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, has mostly been outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary, though following the crisis period and consequent creation of overcapacity, Tier 1 manufacturers are retaining an important part of the 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. With the CEE investment project ACE is also introducing other important products and customers for automotive sector.

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. A new production line for front aluminium callipers has been in operation since January 2010. 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, a 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 more than 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. This is very well illustrated by the so called "new family products" (including front callipers, tandem master cylinders or TMC and iron machining) starting since 2009 and whose volume is currently representing more than 7% of Group sales.

Main customers

The 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 CBI (former Bosch) are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). Since 2011, the Group has also delivered parts to American and Chinese plants of some of its customers to make up for discontinuation of supplies driven by under-capacity in those regions as well as local suppliers' 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 at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts in 2014.

The Group does 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 shutdown of facilities.

Suppliers

Because ACE's production plants use different production materials and technologies, they are responsible for their own supplies.

In general, contracts made by the iron segment are for one month 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 a daily basis at the spot price.

The aluminium casting division does not sign long-term written agreements with its major production material suppliers, other than for 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 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 beneficial 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, ACE4C A.I.E., which will be the new hub for development of the Group's research capabilities and a technological platform for growth. There are three main areas where ACE4C 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

ACE4C 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 during four quarters of 2013 are as follows:

In '000 Euro

	Four quarters of 2013	***Four quarters of 2012***
Investments in R&D	1 098	1 910
Costs regarding R&D	651	824
Total R&D expenses	**1 749**	**2 734**

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 the upcoming 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 other directions, implementation of nodular iron technology, promoted by the Group to manufacture new parts for the automotive segment, is also on-going, and after implementation of the CEE investment project, ACE will also change its profile in the nodular iron segment (location, products and customers, among other aspects).

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 exploited 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 Group is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and America.

Combined engineering and other synergies

Combining and exploiting the strengths of each business as well as developing the synergies between them is one of the main factors for present and future success, not only in the business areas of engineering and manufacturing but also in the areas of support, like finance, HR and IT, which step by step are being standardised. Indeed, this is one of the main pillars of our strategy when developing the nodular iron technology for the automotive business in the CEE region.

5. Outlook for the following months

Automotive market in 2014

After six consecutive years of shrinking market, some growth can be reasonably expected for the year 2014. Main European markets are increasing its sales, although slow recovery is foreseen which will still suppose a quite weak market. Only in six years since 2007 the Western European market lost near 3 million cars from a rate of 14.8 to 11.5. This means a contraction of the market by 22% in only six years, percentage which is softening when Eastern Europe is included but also with an increased number of cars lost in the period.

In this sense, the latest LMC Automotive forecast for sales in Western Europe automotive market, issued at the beginning of February, expects an increase of 2.7% from 2013, which has been upgraded when comparing with the report issued in October (+1.0%).

As regards production, forecast is more optimistic. PwC Autofacts, in its last quarterly forecast updated (including light commercial vehicles, LCV) issued in January 2014, shows an increase of 3.6% in full year 2014 for the European Union (+4.5% when we include Eastern Europe). This forecast is also upgraded comparing last forecast issued in October and showing increases of 3.2% and 4.0% respectively.

These forecast could sound some optimistic and we should be remain cautious. As PwC Autofacts highlights, "Despite the relatively positive developments in the second half of the year, EU+EFTA markets still face a host of challenges and uncertainly. Continuing fiscal woes remain for a number of markets while unemployment is still rising, expected to peak in early 2014".

Group Sales

As far as 2014 is concerned, at the time of preparation of this report, and based on current sales, our customer's demand and expectations, we can anticipate some market outperformance once again, and a general improvement of our margins in the automotive business.

As far as iron segment is concerned, it is expected that an important part of the growth of sales in volume is coming from our Czech plant with the introduction of nodular iron in the production process but still depending on the performance of new facilities and new product development. In our Spanish plant, the growth is more limited after the boost of the new facilities, with more stability in sales in line with automotive forecasts.

Although aluminium segment still remains more challenging, first time since 2008 it is expected a stable machining business including the highly strategic volume of a new project shared with the iron division and the significant expected growth by 30% in the new family of products.

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 Czech company. 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 in the past. The Group is well prepared in terms of resources, assets and technologies to benefit from its future organic growth in both casting businesses – iron and aluminium.

Economy drivers

During year 2014, we expect to consolidate and even improve the productivity ratios obtained in 2013 in the nodular iron segment. This was already visible in 2013 and it should even enhance throughout the current year to the same extent that new projects start on production.

As regards raw material activity, the Group expects some stability compared to the previous year. Energy price is also expected to be more stable comparing precedent years and it is already adapted to market conditions in the current surcharge agreements in place.

In this 2014 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 Group's important competitive advantage, mostly provided by the high degree of specialization and thorough knowledge of the product, should help the Group to a significant extent to face this situation in better standing, but the Group is aware that it is operating in a still contracted 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 expected 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. This investment which jointly with the new moulding line already implemented in Spain, represented some additional and higher amount of capex in 2012 largely above EUR 11 million, near half of this amount in 2013 and is still expected to represent around 1 more million in 2014.

This capex program has been already completed as regards the Spanish plant and is currently in the stage of starting the serial production in the Czech plant (CEE Investment Project).

Concerning CEE Investment Project, after some delay in the start-up process, mainly caused by the functionality of the electrical furnaces and learning curve the company is now focused in the following activities:

- Industrialization and rump-up of new projects and products
- New electrical connection bringing further stability and cheaper energy costs
- Stabilization of equipment and processes
- Improvement of technical parameters and cost efficiency by means of rationalizing the current business and orienting the efforts to our strategic activity

Besides, we have already been successfully homologated for some project for a specific customer, starting the serial production with the new equipment. Additionally, we had initiated the trials and tests for some other new projects and customers in order to start serial production during this quarter and the followings.

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 group growth.

An additional purpose of this investment programme is to expand the portfolio of manufactured products and further diversify future revenues. This programme is being entirely financed from internal resources. The management of the Group is currently involved in development of the growth project, and expects to increase current Group sales by up to 20% within the next 3 years. At the end of the period ACE Group will have three equally important production plants contributing comparable sales and operational profits.

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 Group 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 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, 2013

As of December 31st, 2013 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 2013, 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, 2013 (% of share capital)	*As of December 31, 2012 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11,45%)	2 430 607 (11,45%)
PZU Złota Jesień OFE	3 500 762 (16,49%)	4 187 959 (19,73%)
ING Nationale Nederlanden Polska OFE	3 185 090 (15,00%)	3 767 347 (17,74%)
Aviva OFE	3 105 776 (14,63%)	1 996 491 (9,40%)
Noble Funds TFI	1 076 463 (5,07%)	1 076 463 (5,07%)
Pioneer Pekao Investments	1 061 525 (5,00%)	1 061 525 (5,00%)

On 27 February 2014 the Company received an official notification from ING Powszechne Towarzystwo Emerytalne S.A., on behalf of ING Otwarty Fundusz Emerytalny (the Fund), that due to market transactions which were cleared on 21 February 2014 the total number of the Company's shares owned by the Fund decreased below 15% of shares/votes in the Company.

In result of the abovementioned transactions, as on 27 February 2014, the Fund holds 3 174 104 Company's shares representing 14,95% of the Company's share capital and entitling to 3 174 104 votes that correspond to 14,95% of the total number of votes in the Company.
Before the abovementioned transactions the Fund held 3 188 179 Company's shares representing 15,02% of the Company's share capital and entitling to 3 188 179 votes which correspond to 15,02% of the total number of votes in the Company.

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

Except for the commitments raised by the ESOP program described below, the 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 2013.

Information on paid or planned dividend and buy-back

There was no dividend paid in the fourth quarter of 2013.

At the General Meeting of Shareholders adopted another buy-back programme under the same conditions as the one defined on 19 June 2012, but for a period of 3 years and with a maximum purchase price per share to be paid in cash of no more than PLN 20 and no less than PLN 0,04.

Changes of the Company's managing or supervisory persons in the fourth quarter of 2013

There were no changes in the Company's managing or supervisory persons in the fourth quarter of 2013.

Information on the supervision of employee stock option plans

On 14 May 2013 the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The objective of the scheme will be to incentivize the management team or executive directors of ACE or its affiliates ("Participants") to contribute to the success of ACE Group, to align the interests of the management, ACE Group and ACE shareholders. The Participants shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) of the outstanding share capital of ACE (the "Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. The purchase price in EURO will be the lower of (i) average purchase price paid by the company for the shares to be sold or (ii) the daily average stock market price of the day when the shares to be sold were acquired.

On 2 January 2014 the Company sold 636 916 of its own shares, on the basis of contracts for sale of shares concluded on 23 December 2013 with ten participants of the ESOP Program. The purpose of the sale transaction of the Company's shares was the implementation of the first step of the ESOP Program. The average off the market transaction share price was EUR 1.98 per share. The total volume of sold shares was 636 916 representing 3.00% of the share capital and votes in the Company.

The new annual bonus for the Participants will be based on achievement of certain EBITDA targets in following years in line with former system, following which the Participants will be entitled to a yearly amount in EUR equivalent to 1% of shares acquired by ACE and that will be wholly dedicated to cover payments for acquired shares.

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 2013	*Four quarters of 2012*
Western Europe	54 025	56 149
Eastern Europe	42 263	39 864
Other	4 555	2 606
Total	**100 843**	**98 618**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	66 465	31 072	3 306	100 843
Operating Profit for the segment	**4 430**	**1 837**	**-1 804**	**4 463**
Net Profit for the segment	**2 778**	**1 446**	**-2 288**	**1 936**

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 2013

	Compared to the end of 2012
ACE S.A.	187,7%
WIG Index	8,1%
SWIG80 Index	37,3%

Stock Market Data

	Fourth quarter of 2013	*2012*	*2011*
Market capitalisation as of the end of the period	PLN 348,2 m	PLN 121,0m	PLN 94,5 m
(in millions of PLN and EUR)	€ 84,0 m	€ 29,6m	€ 21,4 m
Share price (in PLN)			
- Highest	17,77	7,60	6,11
- Lowest	10,40	4,00	4,00
- Average	13,75	5,72	5,00
- At the end of the period	16,40	5,70	4,45
Shareholders' equity per share in EUR (in PLN)	1,78 (7,38)	1,92 (7,85)	1,82 (8,04)

Per Share Data

	Four quarters of 2013	*2012*	*2011*
Earnings per share (in EUR)	0,09	0,11	0,10
Cash Flow per share (in EUR)	-0,22	-0,41	0,14
Dividend per share (in EUR)	0,07	0,05	0,07

B. Condensed Consolidated Financial Statements for the quarter ended December 31st, 2013

The condensed consolidated quarterly report for the fourth quarter of 2013 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 2012	4,1136	4,1782	4,0643	4,0882
1 Jan – 31 Dec 2012	4,1852	4,5135	4,0465	4,0882
1 Oct – 31 Dec 2013	4,1863	4,2231	4,1472	4,1472
1 Jan – 31 Dec 2013	4,1976	4,3432	4,0671	4,1472

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 2012	25,1667	25,5800	24,7500	25,1400
1 Jan – 31 Dec 2012	25,1435	25,9600	24,4350	25,1400
1 Oct – 31 Dec 2013	26,6569	27,7200	25,5100	27,4250
1 Jan – 31 Dec 2013	25,9741	27,7200	25,2250	27,4250

Consolidated Balance Sheet as of December 31st,2013 in thousands of Euros

Assets	*As of Dec 31, 2013*	*As of Dec 31, 2012*
Non-current Assets		
Intangible assets	229	245
Property, plant and equipment	43 364	45 549
Investment in Associates	6	
Derivative financial instruments (NCA)	47	71
Deferred tax assets	1 947	1 272
	45 593	**47 137**
Current assets		
Inventories	7 831	8 745
Trade and other receivables	15 407	14 532
Derivative financial instruments (CA)	185	205
Current income tax assets	60	78
Other current assets	0	28
Cash and cash equivalents	7 690	12 407
	31 172	**35 995**
Total assets	**76 765**	**83 132**

Equity & Liabilities	*As of Dec 31, 2013*	*As of Dec 31, 2012*
Equity		
Share capital	3 185	3 185
Share premium	3 959	5 444
Retained earnings	29 675	29 576
Cash flow hedges	30	- 47
Exchange gain or loss against equity	-1 083	161
Profit for the year	1 936	2 372
	37 701	**40 691**
Liabilities		
Non-current liabilities		
Borrowings (NCL)	13 973	18 461
Deferred income	470	555
Deferred tax liabilities	2 307	2 604
Provisions for other liabilities and charges (NCL)	235	93
Derivative financial instruments (NCL)	220	374
	17 204	**22 087**
Current liabilities		
Trade and other payables	14 894	16 408
Borrowings (CL)	5 240	3 486
Derivative financial instruments (CL)	0	1
Current income tax liabilities	1 254	30
Other current liabilities	12	44
Provisions for other liabilities and charges (CL)	460	384
	21 860	**20 354**
Total Liabilities	**39 064**	**42 441**
Total equity and liabilities	**76 765**	**83 132**

Consolidated Income Statement for the period from January 1st to December 31st, 2013
in thousands of Euros

	For the 4th quarter of 2013 From October 1st to December 31st, 2013	*From Jan 1st to Dec 31st , 2013 Cumulative*	*For the 4th quarter of 2012 From October 1st to December 31st, 2012*	*From Jan 1st to Dec 31st , 2012 Cumulative*
Revenues	23 961	100 843	22 334	98 618
Costs of goods sold	-19 407	-81 390	-18 874	-81 607
Gross profit	4 554	19 453	3 460	17 011
Selling and distribution costs	- 685	-2 451	- 504	-2 189
General and administration costs	-2 975	-13 318	-3 583	-13 243
Other income	582	1 327	1 241	1 815
Other expenses	- 249	- 548	- 256	- 338
Operating profit	1 227	4 463	357	3 057
Financial result	- 453	-1 138	401	- 379
Profit before income tax	**774**	**3 324**	**758**	**2 678**
Income tax expense	- 293	-1 389	- 172	- 306
Profit for the period	**481**	**1 936**	**586**	**2372**

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to December 31st, 2013
in thousands of Euros

Attributable to equity holders of the Parent

	Share capital	*Share premium*	*Legal Reserve*	*Treasury shares*	*Retained earnings*	*Cash flow hedges*	*Exchange differences*	*Profit for the period*	*Net Equity*
Balance as of Jan 1, 2013	**3 185**	**5 444**	**320**	**-25**	**29 281**	**- 47**	**161**	**2 372**	**40 691**
Allocation of previous year profit					**2 372**			**-2 372**	
Profit / Loss for the period								**1 936**	**1 936**
Total recognised income and expenses for the period								**1 936**	**1 936**
Exchange differences							-1 244		**-1 244**
Purchase of treasury shares				-2 595					**-2 595**
Dividend distribution		-1 485							**-1 485**
Changes in fair value of currency hedging instruments						77			**77**
ESOP					322				**322**
Balance as of Dec 31, 2013	**3 185**	**3 959**	**320**	**-2 620**	**31 975**	**30**	**-1 083**	**1 936**	**37 701**

Consolidated Cash Flow Statement for the period from January 1st to December 31st, 2013
in thousands of Euros

	From Jan 1st to Dec 31st, 2013	*From Jan 1st to Dec 30th, 2012*
Profit before income tax	3 324	2 678
Adjustments for:		
- Depreciation and amortizations of non-current assets	5 919	5 201
- Losses on sale of property, plant and equipment	- 11	41
- Net financial result	1 181	239
-Gain and losses on charges in fair values of derivate financial instruments		
- Net movements in provisions	- 322	-1 078
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	-1 355	-2 277
- Inventories	959	- 2
- Trade and other receivables	- 719	2 549
- Trade and other payables	-1 595	-4 824
Cash from operating activities	**8 737**	**4 804**
Income tax paid	- 521	-1 010
Net cash from ordinary activities	**8 216**	**3 793**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	- 6	- 24
Purchases of property, plant and equipment (PPE)	-5 118	-11 413
Proceeds from sale of non-current assets	55	59
Purchases of intangible assets	- 63	- 91
Net cash used in investing activities	**-5 131**	**-11 469**
Cash flows from financing activities		
Purchase of treasury shares	-2 595	- 26
Repayments of bank borrowings	-3 283	-3 498
Repayment of other loans	-228	- 406
Proceeds from bank borrowings	62	3 000
Proceeds from other loans	575	1 464
Dividends paid to Company´s shareholders	-1 486	-1 062
Net of financial result paid and received	- 882	- 469
Net cash used in financing activities	**-7 837**	**- 996**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**-4 752**	**-8 672**
Cash, cash equivalents and bank overdrafts at beginning of the period	12 407	20 466
Effects of exchange rate changes on the balance of cast held, in foreign currencies	35	613
Cash, cash equivalents and bank overdrafts at the end of the period	**7 690**	**12 407**

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 changes introduced in 2012 regarding treatment of tax credits for R&D expenses. 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, other than those already described in chapter 3, Financial Performance.

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 2013

The Company did not pay any dividend in the period of the fourth quarter of 2013.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EUR 1 466 thousand of debt in the fourth quarter of 2013.

Material events after the end of the fourth quarter of 2013 that have not been reflected in the financial statements

There were no material events after the fourth quarter of 2013.

Changes in the composition of the Company during fourth quarter of 2013

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