2014 Interim Report

BOARD OF DIRECTORS

José Manuel Corrales	Class CB Director, Chairman
Raúl Serrano	Class CB Director
Witold Franczak	Independent Director
Krzysztof Gerula	Independent Director
Rafał Lorek	Independent Director
Piotr Nadolski	Independent Director
Janusz Płocica	Independent Director

MANAGEMENT COMMITTEE

José Manuel Corrales	Chief Executive Officer
Raúl Serrano	Senior Officer, Chief Financial Officer
Carlos Caba	Senior Officer, Business Development Manager

Automotive Components Europe S.A.
38, boulevard Napoléon 1er
L-2210 Luxembourg
Grand Duchy of Luxembourg
Phone: +352 26 37 71 - 1
Fax: +352 26 37 71 - 50
www.acegroup.lu

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GENERAL INFORMATION

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-2210 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. The first listing of ACE on Warsaw Stock Exchange took place on 1 June 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
AUTOMOTIVE COMPONENTS EUROPE

KEY FIGURES

in EUR thousands (except per-share and employment figures)

	1H 2014	1H 2013	Change (%)	FY 2013
Revenues from Sales	52,103	52,807	-1.3%	100,843
Gross Profit	11,588	10,535	10.0%	19,453
Operating Profit	3,059	2,363	29.4%	4,463
Net Profit	1,526	874	74.7%	1,936
Net Profit per share	0.07	0.04	74.7%	0.09
Cash Flow from Operations	6,626	5,575	18.9%	8,737
Cash Flow from Investments	-1,977	-2,677	-26.1%	-5,131
Cash Flow from Financial Activities	-3,894	-2,376	63.9%	-7,837
Net Cash Flow	563	327	72.2%	-4,752
Current Assets	34,992	39,034	-10.4%	31,172
Fixed Assets	45,731	48,138	-5.0%	45,593
Total Assets	80,723	87,172	-7.4%	76,765
Long-term Liabilities	14,493	20,661	-29.9%	17,204
Short-term Liabilities	33,029	28,010	17.9%	21,859
Liabilities	47,522	48,671	-2.4%	39,064
Net Debt	9,457	9,838	11.2%	12,144
Shareholders' Equity	33,202	38,501	-13.8%	37,701
Book Value per share	1.56	1.81	-13.8%	1.78
Employees	729	759	-4.0%	777

INTERIM MANAGEMENT REPORT

SOURCES OF SALES REVENUES

The main source of ACE Group's sales revenues is sales of nodular iron anchors and callipers as well as aluminium callipers and tandem master cylinders (TMC) for the automotive market, and grey iron automotive products. The remaining, minority part of the Group's sales comprises mostly revenues from post-production scrap and tooling.

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. The evolution of "new family products" continues its strong growth and in 2013 grew by 8.1% from 2012 and more than sevenfold from 2009, the first year of introduction, which very well illustrates and supports that strategy.

in EUR thousands	1H 2014	%	1H 2013	%
Sales of products	50,965	97.8%	51,408	97.3%
Sales of goods and materials	1,137	2.2%	1,399	2.7%
Total sales revenues	**52,103**	**100%**	**52,807**	**100%**

in EUR thousands	1H 2014	%	1H 2013	%
Nodular iron products	30,779	60.4%	29,757	57.9%
Grey iron products	2,105	4.1%	5,018	9.8%
Aluminium products	13,895	27.3%	12,418	24.2%
New Family Products	4,187	8.2%	4,214	8.2%
Total sales of products	**50,965**	**100%**	**51,408**	**100%**

in thousands pieces	1H 2014	1H 2013
Nodular iron products	13,401	13,389
Grey iron products	334	669
Aluminium products	2,852	2,623
New Family Products	1,397	1,253
Total pieces sold	**17,984**	**17,933**

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

	1H 2014	1H 2013
Germany	21.6%	20.4%
Czech Republic	20.7%	21.2%
Slovakia	18.2%	14.8%
France	9.8%	11.7%
Spain	9.0%	8.3%
Poland	4.7%	4.7%
Other	16.0%	19.0%
Total	**100.0%**	**100.0%**

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 (formerly 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. Last years Feramo had approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generated about 70% of total sales revenue, and the customer structure was relatively stable on a year-to-year basis. The main sectors Feramo supplied were 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 from 2014 onwards.

The Group does not usually experience any significant 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.

BUSINESS REVIEW AND CONSOLIDATED RESULTS

in EUR thousands	**1H 2014**	**1H 2013**
Revenues from sales	52,103	52,807
Cost of goods sold	-40,514	-42,272
Gross profit	11,588	10,535
GP margin	*22.2%*	*20.0%*
G&A expenses	-8,530	-8,172
Operating profit	3,059	2,363
OP margin	*5.9%*	*4.5%*
Depreciation & amortisation	-2,656	-2,413
EBITDA	5,715	4,777
EBITDA margin	*11.0%*	*9.0%*
Financial Result	-403	-603
Profit before tax	2,656	1,761
Tax	-1,129	-887
Net profit	1,526	874
NP margin	*2.9%*	*1.7%*

▶ COMPARISON OF 1H 2014 AND 1H 2013

Automotive Market Performance

Thousand Units	1H 2014	1H 2013	Difference	%
Cars sold	6,385	6,056	329	5.4%
Cars manufactured	6,132	5,936	196	3.3%
Difference: sales – production	253	120	133	
ACE Automotive	17,650	17,264	386	2.2%

Source: Western Europe by LMC Automotive, formerly JD Power Forecasting and Group

In the first half of 2014, sales of cars in Western Europe increased by about 329,000 units, or 5.4% from the same period of 2013, according to LMC Automotive. All the main markets had a positive trend, particularly in the UK and Spain, where the market increased year-on-year by 10.6% and 17.8% respectively. On the other major markets (Germany, France and Italy), sales were up 2–3%, contributing to a lesser extent to the good performance of the Western Europe automotive market. Meanwhile, Pan-European region sales of cars were up by 2.3%.

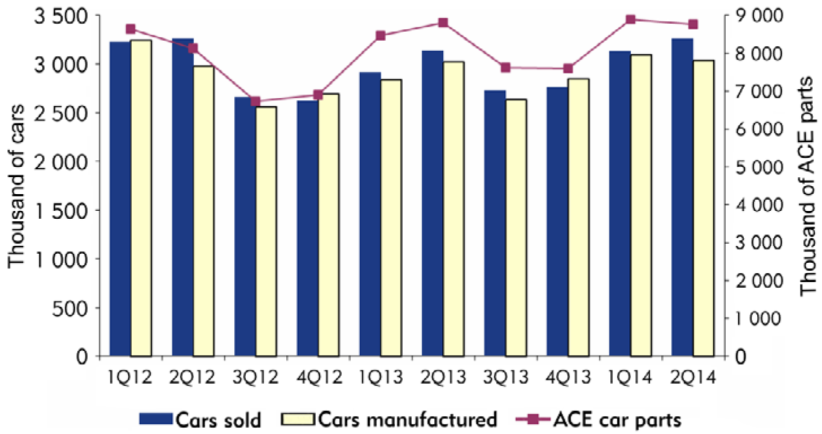
Car production in Western Europe was up from the first half of 2013 by 196,000 units or 3.3%, which is below the sales increase, while in Pan-Europe, production was up 4.1% greater than the sales increase in the same region.

ACE Sales in the Market Context

	Thousand Units				In EUR thousands			
	1H 2014	1H 2013	Difference	%	1H 2014	1H 2013	Difference	%
Nodular iron products	13,401	13,389	12	0.1%	30,779	29,757	1,021	3.4%
Aluminium products	4,249	3,875	374	9.6%	18,082	16,632	1,450	8.7%
ACE Automotive	**17,650**	**17,264**	**386**	**2.2%**	**48,860**	**46,390**	**2,471**	**5.3%**
Non-automotive	334	669	(335)	-50.1%	2,105	5,018	(2,913)	-58.1%
Total ACE	**17,984**	**17,933**	**51**	**0.3%**	**50,965**	**51,408**	**(442)**	**-0.9%**

In volume terms the difference year-on-year was +2.2% in the number of units for the automotive segment (in line with 2013 for the whole Group), close to the car production increase, which is a more straightforward driver than sales in our business. Although nodular iron sales are in line with the previous year, the allocation per facility is different. After a significant increase in the activity of the Spanish company in 2013, sales for the first half were lower than in the previous year, but this was balanced by the new capacity in the Czech company after the implementation of the CEE Project. Meanwhile, sales in aluminium activity were up by 9.6% in the number of units, which is much higher than the market trend (including the new family of products). In the non-automotive segment, grey iron sales decreased by 50.1%, and even more by weight (-55.7%), as currently nodular iron is a priority for the Czech company.

Year-on-year, group volume was below market performance, but still in good shape as may be seen in the following graph.



In value terms, turnover in Euro shows the effect of the different mix in each segment for the automotive business, which is up 5.3% from the first half of 2013. While the mix of nodular products is increasing its weight and thus its average price, in the aluminium segment the trend is the opposite. Meanwhile, the non-automotive segment is influenced by the higher average weight but lower prices per part, as well as by lower prices of raw materials.

Gross Profit

There are many issues affecting the gross profit evolution, some of them connected with productivity ratios. So far, despite stable volume y-o-y in the nodular iron segment, better operating leverage is still visible at the gross profit level, mostly as a result of the improved performance of the operations as well as overcoming the difficulties experienced last year during the start-up of electrical furnaces, which allowed better gross profit despite the reduction in the grey iron activity.

On top of this, the start of serial production of the nodular iron business has introduced some changes in the cost allocation of the iron segment. While raw material expenses have increased in order to produce nodular iron, outsourcing expenses have been reduced as the new mix does not need such reworks.

Other notable effects were the higher payroll expenses in the aluminium segment due to some efficiency and quality problems connected with higher volumes, plus higher maintenance expenses in all operating companies, as some maintenance operations have been anticipated to the summer shutdown.

Finally, the positive trend in energy prices as well as FX activity at the operating level, mostly as a result of the weakening Czech koruna year-on-year, brought the gross profit to EUR 11,588,000 (22.2% on sales), which is EUR 1,053,000 higher than the first half of 2013 (22.0% on sales).

Other Operating Expenses and Resulting EBITDA

General and administrative expenses were EUR 358,000 higher. The main issue affecting this result is connected with a one-off item related to a bad debt provision recorded in our Czech company, with a total impact of approximately EUR 380,000.

In addition, pursuant to the ESOP agreement, not yet functioning in 2013, the Group recorded approximately EUR 250,000 during this half. It should be taken into consideration that this amount corresponds to the portion of the estimated total fair value of the ESOP, and other than for the bonus portion of that plan, which otherwise would also be accrued as part of the buyback programme, does not represent either a real expense or a cash outflow for the Group.

Finally, partially compensating for the negative effects explained above there were some positive one-off issues, related to an insurance payment connected with the accident that took place in the furnaces last year at the time of the start up the new facilities in our Czech company, plus some provisions recorded in previous years related to obsolete tools and machinery.

EBITDA and operating profit

Improvement of gross profit, even partially reduced by the negative difference of general and administrative expenses, resulted in a positive EBITDA in the period of EUR 5,715,000 (11.0% on sales), EUR 938,000 higher than the same period of 2013.

Depreciation was somewhat higher, due to the faster depreciation of some assets that are expected to be replaced earlier, but this was partially offset by the end of depreciation of some machinery in the aluminium segment, resulting in an operating profit of EUR 3,059,000 (EUR 695,000 higher than in 2013).

Financial Items

The financial result for the first half of 2014 was a negative EUR 403,000, a positive difference from 2013 of EUR 200,000. The main reason behind this difference can be explained by the exchange fluctuations of Polish zloty versus Euro.

In this regard, most of the currency exchange differences relate to changes in the outstanding balances at the end of each period which are not realised but are of an accounting nature and recorded in equity, thus resulting in lower volatility.

At the end of the period, the fair value of hedging instruments and the interest rate swap in the balance sheet was a positive EUR 24,000. According to accounting standards, changes in the valuation of current hedging instruments have no impact on the P&L account and are fully cleared through the equity in the balance sheet.

Pre-tax Profit, Taxes and Net Profit

Profit before tax in the first half was a positive EUR 2,656,000 (EUR 895,000 higher y-o-y).

The tax recorded was EUR 1,129,000 which is EUR 242,000 higher than the same period of 2013, which is due to the better results achieved at the operating level.

Reflecting all the above, the Group was also positive at the net profit level at EUR 1,526,000, EUR 653,000 higher year-on-year.

Financial Structure

The operating generation of cash from January through June of 2014 was positive, by EUR 6,626,000, mostly affected by the positive operating results but also by the stable working capital level.

Otherwise, investing activities amounted to nearly EUR 2,000,000 in the period, while financing activity was mainly driven by the repayment of loans and interest expenses, increased by the buy-back programme in progress and still before the agreed dividend distribution.

Reflecting all the above, the final cash position of the Company as of the end of June 2014 was a positive EUR 8,316,000 with net debt of EUR 9,457,000.

ACE AUTOMOTIVE COMPONENTS EUROPE

COMPARISON OF 2Q 2014 AND 1Q 2014

in EUR thousands	2Q 2014	1Q 2014
Sales	25,477	26,625
Gross profit	5,764	5,825
Operating profit	1,310	1,749
Net profit for the period	**571**	**955**
Depreciation	-1,354	-1,302
EBITDA	**2,664**	**3,051**

While sales of cars during the 2nd quarter of 2014 were up 4.2% in Western Europe q-o-q, production was down 2.0%. Regarding the Group's volume sales, the number of parts for the automotive industry was more in line with production in Western Europe (-1.4%), although uneven when comparing different business segments. Lower sales of nodular iron in the Spanish facilities were partially compensated for by the expansion of the CEE investment project. Regarding the aluminium segment, sales outperformed the market, as they increased around 4%. Sales of the whole Group were down by 4.5%, influenced by the sales in the non-automotive segment, which were lower than the previous quarter by 47.5%.

As far as value sales are concerned, they were in line with the reduction in volume q-o-q except for the grey iron segment, which once more was driven by a heavier product.

Other than the volume, the decline in operating profit was mainly affected by two one-off opposing items, each of which was recorded in the corresponding quarter. One refers to the bad debt provision recorded in the Czech company during the 2nd quarter of 2014, and the other relates to the insurance payment received during the 1st quarter of 2014.

Higher maintenance expenses and some other expenses also had a negative impact on the operating profit. On the other hand, better management of raw materials and electricity expenses in the Czech company, lower corporate expenses and lower payroll cost during the 2nd quarter had a positive impact on the results.

Not so influenced by the evolution of currencies, and with lower income tax expenses in the 2nd quarter as a consequence of the lower results, the net profit was a positive EUR 571,000, but down EUR 384,000 from the 1st quarter.

SIGNIFICANT COMMERCIAL EVENTS

During the period, ACE was nominated for a new product in aluminium by one new customer, which is one of the largest Tier 1 manufacturers in the world. This new nomination means one step forward for diversification, as it incorporates a new automotive sub-sector product and customer in the Group.

Meanwhile, a new Tier 1 brake manufacturer has nominated our iron casting division for two large new projects. This new customer recently installed new facilities in Poland and is expected to be an important reference in the European brake assembly market.

Finally, based on the new projects awarded to the Company and associated volumes meeting our customers' expectations, we can observe some reversal in the declining trend of the machining business for the following years. This is an important result of the efforts devoted by the Company to exploiting spare capacity.

RESEARCH AND 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, ACE 4C 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 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.

in EUR thousands	1H 2014	1H 2013	FY 2013
Investments in R&D	535	434	1098
Costs regarding R&D	200	302	651
Total R&D expenses	**735**	**736**	**1,749**

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 suc-

cessfully 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 the full 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.

OUTLOOK

Automotive Market: 2H 2014 versus 2H 2013

After six consecutive years of a shrinking market, remarkable growth is currently developing and can be reasonably expected for the year 2014. This is the second half in a row when sales have increased from the previous year. Indeed, in just six years since 2007, the Western European market lost more than 3 million cars, from 14.8 million to 11.5 million. This means a contraction of the market by 22% in only six years, a percentage that is softened 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 the Western Europe automotive market, issued at the beginning of June, expects an increase of 4.7% from 2013, which was upgraded from the report issued in May (+4.3%). Taking into consideration that sales were up by 5.4% in this half, following this forecast sales will be up by 3.9% for the remaining part of the year.

As regards production, the forecast is even more optimistic. PwC Autofacts, in its last updated quarterly forecast (including light commercial vehicles) issued in July 2014, shows an increase of 5.4% in full year 2014 for the European Union (somewhat lower when including Eastern Europe: +4.4%). This forecast was also upgraded from the previous forecast, issued in April, which showed an increase of 4.1% for the European Union. As production was up by 3.3% during 1H 2014, under these forecasts production for the second half of the year would be up by 7.7% from 2H 2013 in the European Union.

These forecasts may sound somewhat optimistic, but consumer confidence and the favourable economic situation of some major markets in Europe make these forecasts achievable.

Automotive Market: 2H 2014 versus 1H 2014

In this context, there is always some seasonality in the uneven yearly volume breakdown, which according to the forecast above would represent a decrease from 1H 2014 to 2H 2014 of around 11% in sales and 5% in production for Western Europe. In any event, this seasonality of sales and production is improving when comparing with previous year.

Group Sales

As far as 2014 is concerned, at the time of preparation of this report, based on current sales, our customers' demand and expectations, we can anticipate some market outperformance but with some unbalanced distribution of sales among the main business segments, with a general improvement of our margins in the automotive business.

Regarding the iron segment, it is expected that a significant proportion of the growth of sales in volume will come 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 but still with room for some productivity improvement, as was still visible in the first half.

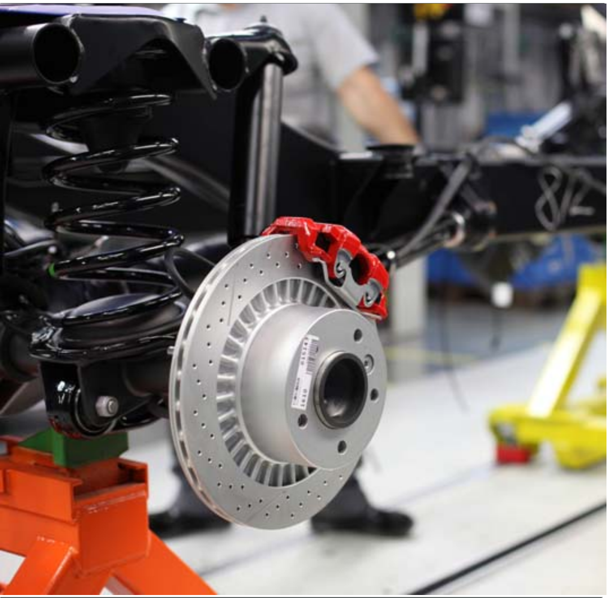
As far as the aluminium segment is concerned, it is also expected to outperform the market, with a stable machining business including the highly strategic volume of a new project shared with the iron division and the significant expected growth in the new family of products.

Meanwhile, one of the main tasks today is actively pushing on the pipeline of new products and projects to fulfil as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity and iron castings. On the other hand, the medium and long-term strategy calls for introduction of new products and customers (organically and through acquisitions) to grow the business even when the automotive sector is not performing as in the past. 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.

Automotive market 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. The price of energy is also expected to be more stable than in previous years, and it is already adjusted 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 specialisation 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 unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

Investment activity – CEE investment programme

In the context of the 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. Although the main part of the investment is almost finalised, the CEE project will still be visible in 2014. In addition to this, an investment for the production of a new product will start at the Polish plant, as a consequence of the constant search for new projects in the current market environment. Thus the expected annual capex is approximately EUR 6 million.

Concerning the CEE Investment Project, after some delay in the start-up process, mainly caused by the functionality of the electrical furnaces and the learning curve, the company has already been successfully homologated for some new projects with two customers starting serial production of new equipment. Additionally, we initiated trials and tests for some other new projects and customers in order to start serial production during the current and following quarters. In this sense, the main efforts are now focused on the following activities:

- Industrialisation and ramp-up of new projects and products
- New electrical connection bringing further stability and cheaper energy
- Stabilisation of equipment and processes
- Improvement of technical parameters and cost efficiency by rationalising the current business and orienting the efforts to our strategic activity

An additional purpose of the programme is to expand the portfolio of manufactured products and further diversify future revenues. This programme is being financed entirely 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 four years. At the end of that period, the ACE Group will have three equally important production plants contributing comparable sales and operational profits.

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

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.

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

% change as of the end of 1H 2014

	From the end of 2013	From the end of 1H 2013
ACE S.A.	-19.1%	+66.8%
WIG Index	+1.3%	+16.1%
MIS80 Index	-10.9%	+9.1%

STOCK MARKET DATA

	1H 2014	2013	1H 2013
Market Capitalisation as of the end of the period	PLN 281.5m EUR 67.7m	PLN 348.2m EUR 84.0m	PLN 168.8m EUR 39.0m
Share Price (PLN)			
– Highest	16.90	17.70	9.47
– Lowest	10.70	5.70	5.70
– Average	13.76	9.57	7.43
– At the end of the period	13.26	16.40	7.95
Shareholders' Equity per share (EUR)	1.56	1.78	1.81

PER-SHARE DATA

	1H 2014	1H 2013	FY 2013
Earnings per share (EUR)	0.07	0.04	0.09
Cash Flow per share (EUR)	0.03	0.02	-0.22
Dividend per share (EUR)	–	–	0.24

OWNERSHIP STRUCTURE

As of 30 June 2014 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 first half of 2014, the following shareholders were entitled to exercise over 5% of votes at the General Meeting of Shareholders:

	As of 30 June 2014 (% of share capital)	As of 31 December 2013 (% of share capital)
Casting Brake (Spain)	2,430,607 (11.45%)	2,430,607 (11.45%)
PZU Złota Jesień OFE	3,378,199 (15.91%)	3,500,762 (16.49%)
Aviva OFE	3,121,000 (14.70%)	3,105,776 (14.63%)
ING Nationale Nederlanden Polska OFE	3,000,000 (14.13%)	3,185,090 (15.00%)
Pioneer Pekao Investments	1,659,249 (7.82%)	1,061,525 (5.00%)
Noble Funds TFI	1,076,463 (5.07%)	1,076,463 (5.07%)

Investor Relations Contact Person:

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

ADDITIONAL INFORMATION

CHANGES IN SHAREHOLDERS' EQUITY

There were no changes in shareholders' equity during the first half of 2014.

INFORMATION ON DIVIDEND DISTRIBUTION AND BUY-BACK

The General Meeting of Shareholders held on 17 June 2014 approved the distribution of a dividend EUR 0.24 per share to be paid from the share premium and other reserve accounts in compliance with the following schedule:

- EUR 0.10 per share on 18 July 2014
- EUR 0.07 per share on 31 October 2014
- EUR 0.07 per share on 27 February 2015

The dividend is paid to shareholders holding shares of the Company on 4 July 2014 (the record date). The dividend is 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.

The Company applied tax withholding rates applicable under Luxembourg law or other international laws, if applicable.

At the same session, the General Meeting of Shareholders agreed to increase the maximum amount of the authorisation granted on 18 June 2013 by the General Meeting to the Board of Directors of the Company and the corporate bodies of any subsidiaries of the Company, for a maximum period of three years, to purchase shares of the Company at any time and as many times as they deem appropriate by any means permitted by law, from EUR 5,000,000 to EUR 5,500,000.

CHANGES OF THE COMPANY'S MANAGING OR SUPERVISORY PERSONS IN THE FIRST HALF OF 2014

The General Meeting of Shareholders held on 17 June 2014 appointed the following persons as Directors of the Company:

José Manuel Corrales	– Class CB Director
Raúl Serrano	– Class CB Director
Witold Franczak	– Independent Director
Krzysztof Gerula	– Independent Director
Rafał Lorek	– Independent Director
Piotr Nadolski	– Independent Director
Janusz Płocica	– Independent Director

On 23 June 2014 the Board of Directors approved the re-appointment of José Manuel Corrales as Chairman of the Board and Chief Executive Officer of the Company.

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 percent (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 on 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 programme. The purpose of the sale transaction of the Company's shares was the implementation of the first step of the ESOP programme. The average off-the-market transaction share price was EUR 1.98 per share. The total number of shares sold 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.

OWN SHARES

Except for the commitments raised by the ESOP programme described above, the Board of Directors and Management Committee members did not directly hold any shares of ACE or its subsidiaries or any rights to them, although some of them held stakes in the Company indirectly.

SIGNIFICANT EVENTS AFTER 1H 2014

On 30 July 2014 the ACE Group, through the ACE Boroa entity, signed a long-term syndicated financing agreement with a consortium of Spanish banks. The total maximum amount of the loan granted by the banks will not exceed EUR 20 million (EUR 15 million as a loan and EUR 5 million as working capital credit) and will mature within a maximum of six years. The cost of the loan is under current market indexation. The loan is to be used by the Group for the repayment of the former syndicated loan and to increase the Group's credit facilities for any M&A opportunity and future CAPEX. In addition, the Group entered into interest rate swap contracts for the nominal value of 50% of the new syndicated bank loan. As of the date of the report only the main loan of the EUR 15 million had been drawn but not the working capital credit.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2014

EXCHANGE RATES APPLIED

As ACE is incorporated in Luxembourg, its statutory reporting currency is euro. However, the Polish plant uses zloty and Feramo uses Czech koruna for both statutory and internal reporting. For the consolidation within ACE, the monthly financial statements of these divisions were converted into euro as ACE's 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 EUR	Average	High	Low	Period end
1H 2013	4.1766	4.3432	4.0671	4.3292
1H 2014	**4.1765**	**4.2375**	**4.0998**	**4.1609**

The following table shows certain information regarding the exchange rate between koruna 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 EUR	Average	High	Low	Period end
1H 2013	25.6987	26.1200	25.2250	25.9500
1H 2014	**27.4438**	**27.5900**	**27.3300**	**27.4500**

DIRECTORS' STATEMENT

To the best of the Management's knowledge the condensed interim consolidated financial statements and the comparable information have been prepared in compliance with IFRS adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the undertakings included in the consolidation as a whole and the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year. The directors' report on the operations of the Group truly reflects the development, achievements and situation of the Company, including a description of the key risk factors and threats.

The half-yearly financial report has not been audited or reviewed by auditors.

Luxembourg, 29 August 2014

José Manuel Corrales

Raúl Serrano

Automotive Components Europe S.A.

and subsidiary companies

38, boulevard Napoléon 1er

L-2017 LUXEMBOURG

RCB number: B 118130

Condensed Interim Consolidated Financial Statements

for the six months ended 30 June 2014

AUTOMOTIVE COMPONENTS EUROPE S.A. AND SUBSIDIARY COMPANIES

Notes to the condensed interim consolidated financial statements
for the period ended 30 June 2014

INDEX TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Page

Automotive Components Europe S.A. and subsidiary companies

Consolidated Interim Balance Sheet
for the six months period ended 30 June 2014
(expressed in thousand of Euros)

Assets	Notes	June 2014	December 2013	June 2013
Non-current assets				
Intangible assets		178	229	213
Property, plant and equipment		42,848	43,206	45,862
Derivative financial instruments	4.k	47	47	-
Deferred tax assets		2,483	1,947	2,063
Trade and Other long Term receivables		175	164	-
Total non-current assets		45,731	45,593	48,138
Current assets				
Inventories		8,891	7,831	7,492
Trade and other receivables		17,626	15,407	18,631
Derivative financial instruments	4.k	160	185	60
Current income assets		-	60	4
Cash and cash equivalents	4.g	8,316	7,690	12,846
Total current assets		34,992	31,173	39,034
Total assets		80,723	76,766	87,172

Equity and Liabilities	Notes	June 2014	December 2013	June 2013
Capital and reserves				
Share capital		3,185	3,185	3,185
Share premium		-	3,959	3,957
Retained earnings		29,345	29,675	31,185
Cash flow hedges		36	30	(270)
Exchange differences		(890)	(1,083)	(429)
Net profit for the year		1,526	1,936	874
Total equity	4.h	33,202	37,702	38,502
Non-current liabilities				
Borrowings	4.j	11,730	13,973	16,988
Deferred income		410	470	496
Deferred tax liabilities		2,057	2,307	2,760
Derivative financial instruments	4.k	180	220	323
Provisions for other liabilities and charges		115	235	93
Total non-current liabilities		14,493	17,205	20,661
Current liabilities				
Trade and other payables		19,637	14,893	21,016
Borrowings	4.j	5,539	5,240	3,908
Derivative financial instruments	4.k	3	-	101
Current income tax liabilities		2,415	1,254	913
Other current liabilities		4,887	12	1,527
Provisions for other liabilities and charge		549	460	545
Total current liabilities		33,029	21,859	28,010
Total equity and liabilities		80,723	76,766	87,172

The accompanying selected explanatory notes are an integral part of the condensed interim consolidated financial statements of Automotive Components Europe S.A. for the period ended 30 June 2014, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Interim Income Statements
for the six months period ended 30 June 2014
(expressed in thousand of Euros)

	Notes	First-half 2014	First-half 2013	Full-year 2013
Revenues	4.a	52,103	52,807	100,843
Cost of sales	4.b	(40,514)	(42,272)	(81,390)
Gross profit		11,589	10,535	19,453
Selling and distribution costs	4.c	(1,391)	(1,211)	(2,451)
General and administrative expenses	4.d	(7,715)	(7,301)	(13,318)
Other operating income	4.e	739	530	1,327
Other operating expenses		(163)	(190)	(548)
Operating profit		3,060	2,363	4,463
Financial income		191	322	977
Financial expenses		(594)	(925)	(2,115)
Financial result	4.f	(403)	(603)	(1,138)
Profit before income tax		2,657	1,761	3,325
Income tax (expense) / income		(1,129)	(887)	(1,389)
Net profit for the period		1,527	874	1,936
Attributable to:				
Equity holders of the company		1,527	874	1,936

The accompanying selected explanatory notes are an integral part of the condensed interim consolidated financial statements of Automotive Components Europe S.A. for the period ended 30 June 2014, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Interim Comprehensive Income Statements
for the six months period ended 30 June 2014
(expressed in thousand of Euros)

	First-half 2014	First-half 2013	Full-year 2013
Consolidated profit per consolidated interim income statement (I)	**1,527**	**874**	**1,936**
Income and expense recognised directly in equity that can be reclassified into profit or loss:			
- Cash flow hedges	75	(264)	160
- Tax effect	(12)	47	(31)
- Exchange differences	193	(590)	(1,244)
Total income and expense recognised directly in consolidated equity (II)	**256**	**(807)**	**(1,115)**
Transfers to consolidated profit and loss:			
- Cash flow hedges	(64)	1	(48)
- Tax effect	6	(7)	(4)
Total Transfers to consolidated profit and loss (III)	**(57)**	**(6)**	**(52)**
Total consolidated recognised income and expense (I+II+III)	**1,727**	**61**	**769**
Attributable to the Parent	1,727	61	769

The accompanying selected explanatory notes are an integral part of the condensed interim consolidated financial statements of Automotive Components Europe S.A. for the period ended 30 June 2014, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Interim Statement of Changes in Stockholder's Equity
for the six months period ended 30 June 2014
(expressed in thousand of Euros)

	Notes	Attributable to equity holders of the company							
		Share Capital	**Share premium**	**Legal reserve**	**Retained earnings**	**Cash Flow hedges**	**Exchange differences**	**Profit for the period**	**Net Equity**
Balance at 1 January 2013		**3,185**	**5,444**	**320**	**29,256**	**(47)**	**161**	**2,372**	**40,691**
Allocation of previous year profit		-	-	-	2,372	-	-	(2,372)	-
Total consolidated recognised income and expense		-	-	-	-	(223)	(590)	874	60
Purchase of treasury shares		-	-	-	(763)	-	-	-	(763)
Dividend relating to previous period		-	(1,485)	-	-	-	-	-	(1,485)
Balance at 30 June 2013		**3,185**	**3,959**	**320**	**30,865**	**(270)**	**(429)**	**874**	**38,502**
Balance at 1 July 2013		**3,185**	**3,959**	**320**	**30,865**	**(270)**	**(429)**	**874**	**38,503**
Allocation of previous year profit		-	-	-	-	-	-	-	-
Total consolidated recognised income and expense		-	-	-	-		(654)	1,062	409
Purchase of treasury shares		-	-	-	(1,831)	-	-	-	(1,831)
Other		-	-	-	321	-	-	-	321
Balance at 31 December 2013		**3,185**	**3,959**	**320**	**29,355**	**(270)**	**(1,083)**	**1,936**	**37,401**
Balance at 1 January 2014		**3,185**	**3,959**	**320**	**29,355**	**(270)**	**(1,083)**	**1,936**	**37,401**
Allocation of previous year profit		-	-	-	1,936	-	-	(1,936)	-
Total consolidated recognised income and expense		-	-	-	-	6	193	1,526	1,725
Purchase of treasury shares	4.g	-	-	-	(1,594)	-	-	-	(1,594)
Dividend relating to previous period	4.g	-	(3,959)	-	(917)	-	-	-	(4,876)
Other		-	-	-	245	-	-	-	245
Balance at 30 June 2014		**3,185**	**-**	**320**	**29,025**	**(264)**	**(890)**	**1,526**	**32,902**

The accompanying selected explanatory notes are an integral part of the condensed interim consolidated financial statements of Automotive Components Europe S.A. for the period ended 30 June 2014, in conjunction with which they should be read.

Automotive Components Europe S,A, and subsidiary companies

Consolidated Cash Flow Statement
for the six months period ended 30 June 2014
(expressed in thousand of Euros)

	Notes	June 2014	June 2013	December 2013
Cash flows from ordinary activities				
Profit before tax		2,657	1,761	3,325
Adjusted for:				
Amortisation and depreciation		2,656	2,413	5,919
Net Financial result		525	604	1,181
(Profit)/loss on sale of property, plant and equipment		-	-	(11)
Others		312	(348)	(322)
Operating profit before changes in working capital		6,150	4,430	10,092
(Increase)/decrease in receivables and other current assets		(2,628)	(4,081)	(719)
(Increase)/decrease in inventories		(1,060)	1,227	959
Increase/(decrease) in trade and other payables		4,165	3,998	(1,595)
Cash from operating activities		6,627	5,575	8,737
Income taxes paid		(192)	(195)	(521)
Net cash from ordinary activities		6,435	5,380	8,216
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		-	-	(6)
Acquisition of property, plant and equipment		(1,973)	(2,678)	(5,118)
Proceeds from sale of non current assets		-	27	55
Acquisition of other intangible assets		(4)	(26)	(63)
Net cash from investing activities		(1,977)	(2,677)	(5,132)
Cash flows from financing activities				
Repayments of borrowings	4,j	(2,760)	(1,688)	(3,511)
Proceeds from borrowings	4,j	629	523	637
Purchase of treasury shares		(1,594)	(763)	(2,595)
Dividends paid to Company´s shareholders		-	-	(1,485)
Net of financial result paid and received		(169)	(447)	(882)
Net cash from financing activities		(3,894)	(2,375)	(7,836)
Net increase/(decrease) in cash and cash equivalents		564	327	(4,752)
Cash and cash equivalents at beginning of the period		7,690	12,407	12,407
Effects of exchange rate changes on the balance sheet		62	112	35
Cash and cash equivalents at the end of the period	4,g	8,316	12,846	7,690

The accompanying selected explanatory notes are an integral part of the condensed interim consolidated financial statements of Automotive Components Europe S,A, for the period ended 30 June 2014, in conjunction with which they should be read, The condensed interim consolidated financial statements of the ACE S.A. for the six months ended 30 June 2014 include the accounts of ACE and its subsidiaries.

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

ACE is a limited liability company, incorporated under the law of the Grand Duchy of Luxemburg on 21 July 2006, listed on the Warsaw Stock Exchange, whose head office is located at 38, Boulevard Napoléon 1er , L-2017 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in February 25, 2013 from the former address in 82 Route d'Arlon, L-1150 Luxembourg.

ACE's condensed interim consolidated financial statements were authorized for issue by the Directors' Statements on 29 August 2014.

(1) Description of the Group and Changes in scope of consolidation

ACE was incorporated with limited liability on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of European Brakes and Chassis Components Poland, Sp.zo.o, Poland, (EBCC) and Fuchosa, S.L., Spain, respectively. Said companies were contributed to the Company in full as a non-monetary payment. The financial year of all of the Group companies ends on 31 December of each year. The present condensed interim consolidated financial statements are prepared as of 30 June 2014.

As of 31 December 2006, Indus and EBCC merged, with Indus being the remaining company and changing its name to European Brakes and Chassis Components Sp.zo.o. As of the end of September 2007, the two subsidiaries in Spain merged retroactively to 1st January 2007 in order to simplify the organisational structure of the ACE Group, save costs and comply with certain covenants. These mergers had no impact on consolidated figures.

On 15 October 2010, in the context of the group's restructuring process following mainly the requirements set by the lender of the new financing obtained in 2010, ACE Boroa S.L. was created and incorporated as a sole proprietor company with limited liability under Spanish law.

On 12 November 2010, ACE Group signed a long-term syndicated financing agreement with a pool of Spanish banks, that was partially amended in 2012. The refinancing loan was used by the Group for partial refinancing and repayment of the loan facilities used directly by the three production plants. The aim is to substantially improve group cash management, decrease costs of global debt financing and allow additional free cash-flow within ACE group. To rationalize this financing process and provide the local guarantees required by the syndicated pool of Spanish banks, ACE transferred at the same time, through a contribution in-kind, all shares of the three production plants (Fuchosa S.L., EBCC sp. z o.o. and Feramo s.r.o.) to the new Spanish company ACE Boroa S.L., the borrower, being a 100% subsidiary of ACE S.A. This entity as well as all remaining ACE Group members are the debt guarantors.

On 12 November 2010 ACE4C, A.I.E. was created and incorporated as an economic interest group ("Agrupación de interés económico") under Spanish law, controlled in a 96% by ACE Boroa, S.L. and 4% by Fuchosa S.L.

The Group is comprised of the following companies as of 30 June 2014:

Company	Registered offices	Ownership
ACE Boroa, S.L.U.	Boroa, Spain	100.00 %
ACE4C, A.I.E	Boroa, Spain	100.00 % (*)
Fuchosa, S.L.U. (formerly Retorgal XXI, S.L.)	Atxondo, Spain	100.00 % (*)
European Brakes and Chassis		
Components Poland Sp.zo.o (formerly Indus Sp.zo.o.)	Wroclaw, Poland	100.00 % (*)
Feramo Metallum International s.r.o.	Brno, Czech Republic	100.00 % (*)

(*) Owned directly and indirectly by ACE Boroa, S.L.U.

No transactions with a material impact on the scope of consolidation were carried out in first-half 2014.

(2) Summary of significant accounting policies

The condensed interim consolidated financial statements of ACE Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including International Accounting Standards (IASs) and related Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

In particular, the condensed interim consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 related to interim financial reporting. As permitted by IAS 34, this condensed set of financial statements includes only selected explanatory notes. The Group has selected those explanatory notes, which are considered significant, in relation to the whole condensed interim consolidated financial statements. These notes may be read in conjunction with the consolidated financial statements for the year ended 31 December 2013. The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended 30 June 2014 are identical to those used to prepare the 2013 consolidated financial statements, except for the application of the new mandatory standards, amendments and interpretation. However, none of the new standards, amendments and interpretations, whose application is mandatory as of 1 January 2014, had any material impact on the condensed interim consolidated financial statements for the six months ended 30 June 2014.

The preparation of the financial statements requires ACE to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions were made on the basis of past experience and other factors considered being reasonable in the circumstances.

Accordingly, they serve as the basis for the judgments made in determining the carrying amounts of assets and liabilities which could not be determined directly from other sources. The definitive amounts that will be stated in ACE's future financial statements may be different from the amounts currently estimated. These estimates and assumptions are reviewed on a continuous basis.

The information relating to the first half of 2013 contained in these notes to the condensed interim consolidated financial statements is presented only for comparison purposes, and it does not constitute the ACE Group's consolidated financial statements for the period ended 30 June 2014.

(3) Seasonal fluctuation in business levels

ACE Group does not usually experience any important fluctuation linked with changes in seasonal demand.

Nevertheless, in Easter, Summer and Christmas the activity decreases due to holiday period and maintenance stop of facilities.

(4) Notes to the condensed interim consolidated income statements and balance sheet

(a) Revenues

The distribution of consolidated net revenues for six months ended 30 June 2014 by business segments is as follows:

	Thousand of Euros	Thousand of Euros	Thousand of Euros
	From 1 January to June 2014	From 1 January to June 2013	From 1 January to December 2013
	(6 months)	(6 months)	(12 months)
Products			
Nodular iron products	30,779	29,757	56,301
Grey iron products	2,105	5,018	10,190
Aluminium products	13,895	12,417	22,862
Other family products	4,187	4,214	8,184
Others	1,138	1,400	3,306
	52,103	52,807	100,843

(b) Cost of sales

The distribution of cost of goods sold at the end of June 2014 is as follows:

	Thousand of Euros	Thousand of Euros	Thousand of Euros
	From 1 January to June 2014	From 1 January to June 2013	From 1 January to December 2013
	(6 months)	(6 months)	(12 months)
Raw materials and consumptions	22,170	22,551	42,763
Stock variances	(16)	427	75
Energy and gas	4,883	5,799	11,250
Maintenance expenses	2,637	2,334	4,950
Salaries and wages	6,976	7,090	13,065
Outsourcing	902	1,107	2,167
Depreciation	2,383	2,150	5,406
Cost of goods sold others	579	814	1,714
	40,514	42,272	81,390

(c) Selling and distribution costs

Details of distribution costs at the end of June 2014 are as follows:

	Thousand of Euros	Thousand of Euros	Thousand of Euros
	From 1 January to June 2014	From 1 January to June 2013	From 1 January to December 2013
	(6 months)	(6 months)	(12 months)
Transportation costs	824	638	1,374
Packaging expenses	343	367	664
Salaries and wages	195	181	350
Other distribution costs	29	25	63
	1,391	1,211	2,451

(d) General and administrative expenses

Details of administrative expenses at the end of June 2014 are as follows:

	Thousand of Euros	Thousand of Euros	Thousand of Euros
	From 1 January to June 2014	From 1 January to June 2013	From 1 January to December 2013
	(6 months)	(6 months)	(12 months)
Wages and salaries	4,511	4,238	8,075
External services	1,612	1,690	2,908
Travel Expenses	262	307	553
Depreciation and amortisation of non-operating fixed assets	273	263	513
Renting	250	237	460
Other administrative expenses	806	566	809
	7,715	7,301	13,318

The Group headcount at 30 June 2014 is as follows:

	Headcounts	Headcounts	Headcounts
	As of 30 June 2014	As of 30 June 2013	As of 31 December 2013
Managers	27	29	29
Administrative employees	135	130	133
Workers	549	600	573
	729	759	735

The decrease in number of employees comparing June 2013, is mainly related to the optimization and rationalization of the activity in Feramo.

(e) Other Operating Income

Details are as follows:

	Thousand of Euros As of 30 June 2014	Thousand of Euros As of 30 June 2013	Thousand of Euros As of 31 December 2013
Income from Subsidies	491	504	941
Insurance Reimbursement	211	-	94
Other Operating Income	37	26	292
	739	530	1,327

The Group records the R&D tax deductions in the caption "Income from subsidies" of the table above. R&D tax deductions for first half 2014 amounts to Euro 330 thousand (Euro 330 thousand in first half 2013). R&D tax deductions are those tax benefits obtained as a percentage up to the Research and Development costs incurred during the year. Most part of the remaining amounts recorded in the "Income from subsidies" are connected also to the R&D expenses incurred during the year and connected with several R&D projects. In addition the Group companies receive non-interest bearing loans or subsidized loans also connected with R&D projects.

(f) Net financial result

Details are as follows:

	Thousand of Euros From 1 January to June 2014 (6 months)	Thousand of Euros From 1 January to June 2013 (6 months)	Thousand of Euros From 1 January to December 2013 (12 months)
Interest income:			
- Interest on deposits	50	49	100
	50	49	100
Interest expense from third parties:			
- Bank borrowings	(315)	(395)	(861)
- Interest Expense Capitalised	23	40	274
- Other interest expenses and charges	(200)	(154)	(218)
	(492)	(509)	(805)
Net foreign exchange transaction gains/(losses):	39	(143)	(433)
	39	(143)	(433)
	(403)	(603)	(1,138)

Group applies hedge accounting for the new derivative financial agreement contracted since 2010 for which the cash flow hedging can be applicable according to IAS 39 and its amendments and interpretations. Thus, its variations in valuations are registered directly in Equity.

According to the accounting policies applied by the Group, in 2014 the Group has capitalized as a higher cost of the investments in Feramo the corresponding borrowing costs directly attributable to the their acquisition and construction for an amount of Euro 23 thousand (274 in year 2013), considering an interest rate of 4.27% (4.27% in year 2013). This amount has been recorded by crediting the "Financial expenses". No more financial expenses are expected to be capitalised in 2014.

The amount included in Net foreign exchange transaction gains / (losses) corresponds to gains or losses in exchange rates transactions versus Czech koruna and Polish zloty.

(g) Cash and cash equivalents

	Thousand of Euros June 2014	Thousand of Euros December 2013	Thousand of Euros June 2013
Cash at bank and in hand	6,811	4,892	9,649
Short-term bank deposits	1,504	2,798	3,197
Cash and cash equivalents	8,315	7,690	12,846

(h) Equity

(i) Treasury shares.

The General Meeting of Shareholders held on 19 June 2012 approved a buy-back program of the Company shares. The objectives of the buy-back programme are as follows:

(i) to meet obligations arising from ESOP granted or that could be granted,
(ii) purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions,
(iii) to be used for supporting the liquidity of the secondary market,
(iv) to be cancelled in the framework of a share capital reduction.

Additionally, at the Annual General Meeting of Shareholders of the Company held on 18 June 2013, the shareholders of the Company have granted authorisation to the Board of Directors of the Company to repurchase the Company's shares that shall not exceed in total a maximum of five million euro (Euro 5,000 thousand) for a maximum period of three years as of the date of that shareholders meeting and for any purpose authorized or which would come to be authorized by the laws and regulations in force, among others, for the purpose of completing an Incentive Management Scheme. The maximum purchase price per share to be paid in cash shall not represent more than PLN 20 and no less than PLN 0,04

On 17 June 2014, General Shareholders Meeting approved an increase of the maximum amount of the authorization granted on 18 June 2013, up to Euro 5,500 thousand

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 Euro 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.

In 2014 the Company purchased 487,590 shares at market price for a total amount of Euro 1.594 thousand (PLN 6,662,879.54).

Consequently, the changes in 2013 and 2014 in the shares of ACE owned by the Group are as follows:

	Number of shares	Thousand of Euros
At 31 December 2012	18,000	25
Additions	410,150	763
At 30 June 2013	428,150	788
Additions	636,629	1,831
At 31 December 2013	1,064,779	2,619
Disposals	(636,916)	(1,261)
Additions	487,590	1,594
At 30 June 2014	915,453	2,952

(ii) Approval of the distribution of dividends against share premium and retained earnings

General Shareholders Meeting held on 17 June 2014 approved the repayment in the global amount of Euro 4,875,614.88 amounting to Euro 0.24 per share to be paid against the equity of Automotive Components Europe, S.A as Euro 4,276,736.88 from "Share Premium" and Euro 598,878 from "Retained Earnings".

(i) Earnings per share

(i) Basic

Basic profits per share are calculated by dividing profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares in circulation throughout that period.

Details of the calculation of basic profit per share is as follows

	June 2014	December 2013	June 2013
Net profit for the period (Thousand Euros)	1,526	1,936	874
Weighted average number of ordinary shares for the purpose of basic earnings per share	19,931,595	20,764,229	21,038,023
Basic earnings per share (Euros)	0.08	0.09	0.04

The weighted average number of ordinary shares outstanding during the period is as follows:

	June 2014	December 2013	June 2013
Number of ordinary Shares outstanding at the beginning of the period	21,230,515	21,230,515	21,230,515
Effect of treasury shares	(1,298,920)	(466,286)	(192,492)
Weighted average number of ordinary shares used outstanding during the period	19,931,595	20,764,299	21,038,023

(ii) Diluted

Diluted profits per share are calculated by dividing profits attributable to shareholders of the Company by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

	June 2014	December 2013	June 2013
Net profit for the period (Thousand Euros)	1,526	1,936	2,372
Weighted average number of ordinary shares plus the effect of dilutive options	21,205,426	21,978,731	21,230,515
Diluted earnings per share (Euros)	0.07	0.09	0.05

The weighted average number of ordinary shares in circulation for the effect of dilutive options and other dilutive potential ordinary shares is determined as follows:

	June 2014	December 2013	June 2013
Weighted average number of ordinary shares used in the calculation of basic earnings per share	19,931,595	20,764,229	21,038,023
Shares deemed to be issued for no consideration in respect of employee options	1,273,821	1,214,502	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,205,426	21,978,731	21,230,515

(j) Borrowings

Details are as follows:

	Thousand of Euros June 2014	Thousand of Euros December 2013	Thousand of Euros June 2013
Non-current			
Bank borrowings	7,830	10,447	13,300
Debentures and other loans	3,900	3,526	3,688
	11,730	13,973	16,988
Current			
Bank borrowings	5,223	4,950	3,679
Debentures and other loans	315	290	228
	5,538	5,240	3,907
Total borrowings	17,269	19,213	20,895

In “Debentures and other loans” the Group includes non-bearing interest and subsidized loans connected to the R&D expenses.

(k) Derivative financial instruments

Details are as follows:

	Thousand of Euros June 2014	Thousand of Euros December 2013	Thousand of Euros June 2013
Non - Current financial assets			
Currency option	47	47	-
	47	47	-
Current financial assets			
Currency option	160	185	60
	160	185	60
Non - Current financial liabilities			
Interest rate swap	178	220	264
Currency option	2	-	59
	180	220	323
Current financial liabilities			
Currency option	3	-	101
	3	-	101

The Group uses interest rate swaps to minimize its exposure to interest rates fluctuations on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. In the context of the syndicated loan, the Group entered into derivative financial contracts to fix the interest payments of a nominal amount of Euro 9 million at an average rate of 2.43 per cent for periods up until 2016.The remaining outstanding nominal amount covered by these contracts as of June 30, 2014 is Euro 5.5 million (Euro 6.5 million as of December 31, 2013).

The Group also uses currency financial instruments in order to minimize its exposure to the exchange rate risk between the Polish Zloty and the Euro due to PLN denominated expenses whereas most of sales are denominated in Euro. The Group has entered in 2014 into additional derivative contracts to those signed during 2013, to sell Euro and buy PLN to secure EBCC's payments denominated in foreign currency (PLN), mainly salary and wages, moulds regeneration and supply and electricity costs. The amount hedged as of June 30, 2014 amounts 41.5 million PLN, approximately (33 million PLN as of December 31, 2013).

(l) Information by business segment

(i) First-half 2014

	Iron casting June 2014	Aluminium casting June 2014	Others/Unallocated June 2014	Consolidated June 2013
Revenues from third parties	32,884	18,082	1,137	52,103
Total revenues	**32,884**	**18,082**	**1,137**	**52,103**
Profit for the segment	**3,270**	**1,367**	**559**	**5,196**
Other unallocated (expense) income			(2,137)	(2,137)
Operating profit				**3,059**
Net financing cost	**(173)**	**20**	**(250)**	**(403)**
Income tax	(754)	(244)	(131)	(1,129)
Profit for the period				**1,526**
Segment assets	**57,129**	**22,653**		**79,782**
Unallocated assets			941	941
Total assets				**80,723**
Segment liabilities	**21,077**	**6,988**		**28,065**
Unallocated liabilities			19,457	19,457
Total liabilities				**47,522**
Other information:				
Amortisation and depreciation	(1,990)	(642)	(24)	(2,656)
Additions for the period of property, plant & equipment & intangible assets	1,968	594		2, 562

(ii) First-half 2013

	Iron casting June 2013	Aluminium casting June 2013	Others/Unallocated June 2013	Consolidated June 2013
Revenues from third parties	34,775	16,631	1,401	52,807
Total revenues	**34,775**	**16,631**	**1,401**	**52,807**
Profit for the segment	**2,716**	**1,514**	**1,401**	**4,230**
Other unallocated (expense) income			(1,867)	(1,867)
Operating profit				**2,363**
Net financing cost	**(156)**	**(161)**	**(286)**	**(603)**
Income tax	(633)	(264)	10	(887)
Profit for the period				**874**
Segment assets	**62,941**	**22,092**		**85,033**
Unallocated assets			2,139	2,139
Total assets				**87,172**
Segment liabilities	**27,563**	**4,471**		**32,033**
Unallocated liabilities			16,638	16,638
Total liabilities				**48,671**
Other information:				
Amortisation and depreciation	(1,523)	(870)	(20)	(2,413)
Additions for the period of property, plant & equipment & intangible assets	2,533	139	26	2,698

(iii) Full year 2013

	Iron casting December 2013	Aluminium casting December 2013	Others/Unallocated December 2013	Consolidated December 2013
Revenues from third parties	66,491	31,046	3,306	100,843
Total revenues	**66,491**	**31,046**	**3,306**	**100,843**
Profit for the segment	**4,430**	**1,837**	**1,591**	**7,858**
Other unallocated (expense) income			(3,395)	(3,395)
Operating Profit				**4,463**
Net financing cost	**(508)**	**(33)**	**(597)**	**(1,138)**
Income tax	(1,144)	(358)	113	(1,389)
Profit for the year				**1,936**
Segment assets	**56,416**	**19,503**		**75,916**
Unallocated assets			847	847
Total assets				**76,766**
Segment liabilities	**21,046**	**3,148**		**24,194**
Unallocated liabilities			14,871	14,871
Total liabilities				**39,064**
Other information:				
Amortisation and depreciation	(4,156)	(1,723)	(40)	(5,919)
Additions for the year of property, plant & equipment & intangible assets	4,327	931	41	5,299

(m) Events after the balance sheet date

On 30 July 2014, ACE Group through ACE Boroa entity signed a long-term syndicated financing agreement with a pool of Spanish banks. The total maximum amount of the loan granted by the banks will not exceed EUR 20 million (EUR 15 million as loan and EUR 5 million as working capital credit) and will be maturing within maximum six year. The cost of the loan is under current market indexation. The loan is to be used by the Group for the repayment of the former syndicated loan and to increase the Group credit facilities for any M&A opportunity and future CAPEX. In addition, the Group entered into interest rate swap contracts for the nominal value of the 50% of new the syndicated bank loan. As of the date of this reporting, the Group has only disposed the total amount of the bank loan.

No other significant post-balance sheet events have occurred since 30 June 2014.