Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended December 31st, 2014

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

Table of contents

A. Director's report

1. Introduction

ACE (the "Company") is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.) ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 38, boulevard Napoléon 1er, L-2017 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 and iron 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 31st, 2014

<u>Management Committee:</u>

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

<u>Board of Directors:</u>

Jose Manuel Corrales	*Class CB Director, President*
Raul Serrano	*Class CB Director*
Witold Franczak	*Independent Director*
Krzysztof Gerula	*Independent Director*
Rafał Lorek	*Independent Director*
Piotr Nadolski	*Independent Director*
Janusz Płocica	*Independent Director*

The condensed consolidated quarterly report for the fourth quarter of 2014 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	*For the 4th quarter of 2014 From October 1st to December 31st, 2014*	*From Jan 1st to Dec 31st, 2014 Cumulative*	*For the 4th quarter of 2013 From October 1st to December 31st, 2013*	*From Jan 1st to Dec 31st, 2013 Cumulative*
Revenues from sales	24 700	100 234	23 961	100 843
Operating Profit	969	5 088	1 227	4 463
Profit before tax	676	3 804	774	3 324
Net profit	- 32	1 538	481	1 936
Net profit attributable to equity holders of the parent company	- 32	1 538	481	1 936
Cash flow from operating activities	913	5 958	449	8 737
Cash flow from investment activities	-1 253	-5 305	-1 507	-5 131
Cash flow from financial activities	- 376	-2 542	-2 608	-7 837
Net cash flow	- 788	-3 626	-3 800	-4 752
Current assets	30 612	30 612	31 172	31 172
Fixed assets	45 391	45 391	45 593	45 593
Total Assets	76 003	76 003	76 765	76 766
Liabilities	43 618	43 618	39 064	39 064
Long-term Liabilities	19 212	19 212	17 204	17 204
Short term Liabilities	24 407	24 407	21 860	21 860
Shareholders' Equity	32 384	32 384	37 701	37 701
Shareholders' equity attributable to shareholders of the parent company	32 384	32 384	37 701	37 701
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	0.00	0.07	0.02	0.09
Book value per share	1.53	1.53	1.78	1.78

3. Financial performance

<u>Consolidated Profit & Loss Statement</u>

in '000 Euro

	For the 4th quarter of 2014 From October 1st to December 31st, 2014	*From Jan 1st to Dec 31st, 2014 Cumulative*	*For the 4th quarter of 2013 From October 1st to December 31st, 2013*	*From Jan 1st to Dec 31st, 2013 Cumulative*
Revenues from sales	24 700	100 234	23 961	100 843
Cost of goods sold	-19 588	-78 997	-19 407	-81 390
Gross profit	5 112	21 237	4 554	19 453
GP margin	*20.7%*	*21.2%*	*19.0%*	*19.3%*
G&A expenses	-4 143	-16 149	-3 327	-14 990
Operating profit	969	5 088	1 227	4 463
OP margin	*3.9%*	*5.1%*	*5.1%*	*4.4%*
Depreciation & amortisation	-1 494	-5 420	-2 206	-5 919
EBITDA	2 463	10 509	3 433	10 382
EBITDA margin	*10.0%*	*10.5%*	*14.3%*	*10.3%*
Financial Result	- 293	-1 284	- 453	-1 138
Profit before tax	676	3 804	774	3 324
Tax	- 707	-2 266	- 293	-1 389
Net profit	- 32	1 538	481	1 936
NP margin	*-0.1%*	*1.5%*	*2.0%*	*1.9%*

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 a small share of grey iron parts for different purposes, including automotive . 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 2014*	*%*	*Four quarters of 2013*	*%*
Sales of products	96 581	96.4%	97 537	96.7%
Sales of goods and materials	3 653	3.6%	3 306	3.3%
Total sales revenue	**100 234**	**100%**	**100 843**	**100%**

Sales revenue in '000 Euro	*Four quarters of 2014*	*%*	*Four quarters of 2013*	*%*
Nodular iron products	59 306	61.4%	56 300	57.7%
Grey iron products	2 867	3.0%	10 190	10.4%
Aluminum products	26 940	27.9%	22 862	23.4%
New family of products	7 468	7.7%	8 185	8.4%
Total sales	**96 581**	**100%**	**97 537**	**100%**

Sales volumes in thousand pieces	*Four quarters of 2014*	*Four quarters of 2013*
Nodular iron products	25 558	25 219
Grey iron products	458	1 433
Aluminum products	5 389	4 834
New family of products	2 576	2 419
Total pieces sold	**33 981**	**33 904**

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

Revenues by country	*Four quarters of 2014*	*Four quarters of 2013*
Germany	24.0%	20.8%
Czech Republic	20.5%	20.2%
Slovakia	17.9%	14.4%
France	9.0%	11.5%
Spain	8.8%	8.7%
Poland	5.0%	4.7%
Other	14.8%	19.7%
Total	**100.0%**	**100.0%**

Automotive Market Performance

Thousand Units	*Four quarters of 2014*	*Four quarters of 2013*	*Difference*	*%*
Cars sold	12 095	11 547	548	4.7%
Cars manufactured	11 797	11 456	341	3.0%
Difference sales - production	299	91	208	228.4%
ACE Automotive	33 523	32 471	1 052	3.2%

Thousand Units	*Fourth quarter of 2014*	*Fourth quarter of 2013*	*Difference*	*%*
Cars sold	2 865	2 768	97	3.5%
Cars manufactured	2 962	2 845	117	4.1%
Difference sales - production	-96	-77	-19	
ACE Automotive	8 035	7 592	443	5.8%

Source: Western Europe by LMC Automotive Forecasting, ACE

In the fourth quarter of 2014 sales of cars in Western Europe increased by about 100 thousand units, or 3,5%, from the fourth quarter of 2013, according to LMC Automotive. This positive trend becomes however stronger comparing the year-to-date market data for the same region that was up by 548 thousand units or 4.7%. In the Pan-European region, sales of cars year-to-date increased but in a lower extent, around 1.6%.

Quarterly car production in Western Europe year on year was also higher than in the fourth quarter of 2013, by again near 100 thousand units or 4.1%. The year to date difference is also positive by 3.0% (341 thousand units) and the increase in Europe as a whole was up to 2.5%.

ACE sales in the market context

	Thousand Units				*Thousand Euro*			
	Four quarters of 2014	***Four quarters of 2013***	***Difference***	***%***	***Four quarters of 2014***	***Four quarters of 2013***	***Difference***	***%***
Nodular iron products	25 558	25 219	339	1.3%	59 305	56 300	3 005	5.3%
Aluminium products	7 965	7 253	713	9.8%	34 409	31 047	3 362	10.8%
ACE Automotive	**33 523**	**32 471**	**1 052**	**3.2%**	**93 714**	**87 347**	**6 367**	**7.3%**
Non-automotive	458	1 433	-975	-68.0%	2 867	10 191	-7 324	-71.9%
Total ACE	**33 981**	**33 904**	**77**	**0.2%**	**96 581**	**97 537**	**-957**	**-1.0%**

	Thousand Units				*Thousand Euro*			
	Fourth quarter of 2014	***Fourth quarter of 2013***	***Difference***	***%***	***Fourth quarter of 2014***	***Fourth quarter of 2013***	***Difference***	***%***
Nodular iron products	6 179	5 921	258	4.4%	14 593	13 290	1 304	9.8%
Aluminium products	1 855	1 671	184	11.0%	8 239	7 182	1 057	14.7%
ACE Automotive	**8 035**	**7 592**	**443**	**5.8%**	**22 832**	**20 472**	**2 361**	**11.5%**
Non-automotive	32	368	-336	-91.3%	206	2 393	-2 187	-91.4%
Total ACE	**8 067**	**7 960**	**107**	**1.3%**	**23 038**	**22 865**	**174**	**0.8%**

In volume terms the difference year-on-year was +5.8% in the number of units for the automotive segment, above the car production increase, which is a more straightforward driver than sales in our business. This outperformance is also visible even in a lower extent year to date, when Group sales grew by 3.2%. Although nodular iron sales are still higher than the previous year, the allocation per business segment is different. After a significant increase in the activity of the Spanish company in 2013, year to date sales 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 9.8% 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 91%, as currently nodular iron is a priority for the Czech company.

Direct production costs and gross profit

Following sales growth, rest of associated costs did also increase but in a lower extent mostly as a result of one off depreciation in previous last year quarter, resulting on an improved Gross profit by EUR 558 thousand, also with a better margin on sales by 20.7% versus 19.0% in the corresponding quarter of 2013. This was due to the increasing margins of iron segment despite the lower sales and aluminium increasing both sales and margins.

General & administrative expenses

G&A expenses were higher year on year by EUR 816 thousand, accruing almost the full year difference. Other than annual pay rises and ESOP difference y-o-y, G&A increase gathers in a larger extent the different allocation of external services expenses throughout the year that otherwise do not grow on annual basis, as well as other one off cleaning of accounts and accrual of provisions. Finally it is also remarkable the increasing transportation costs in last quarter, though not higher than in previous months, derived of the backlogs in the aluminium segment.

EBITDA and operating profit

As a result of the above, Operating profit is some lower year on year by EUR 258 thousand, and a much lower depreciation generating an EBITDA by EUR 2 463 thousand (10% on sales but EUR 969 thousand below 2013).

Financial items

Negative financial result in the quarter amounts to EUR 293 thousand, which even so is positive by EUR 159 thousand comparing the result of the same period in 2013. Main reason being the negative FX recorded during final quarter of last year in our Czech company.

Profit before tax, Taxes and Net profit

Profit before tax in fourth quarter was positive by EUR 676 thousand (EUR 99 thousand lower y-o-y).

Tax recorded was EUR 707 thousand which is above Profit before tax and higher by EUR 414 thousand comparing with the same period of 2013. 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.

This increasing tax, placed the Net profit down to EUR -32 thousand, or EUR 512 thousand below year on year.

Financial Position

The operating generation of cash from January through December of 2014 was positive, by EUR 4 221 thousand, mostly affected by the positive operating results but reduced by the negative working capital level which mostly increased the inventories in the last part of the year to meet the customer demand afterwards.

Otherwise, investing activities amounted to nearly EUR 5 305 thousand in the period, while financing activity was mainly driven by annual shareholder retribution of EUR 5 710 thousand, mostly dividend payment and in a lower extent by the buyback programme, already temporary suspended to preserve funds for company needs. New loan rose to finance the company long term allowed the Company to cover all the above, reaching a final cash position as of the end of December 2014 positive by EUR 4 067 thousand with net debt of EUR 19 506 thousand, near x2 Net Financial Debt versus EBITDA.

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 all 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 forecast for 2015, issued in January 2014, predicts an increase of new car sales in Western Europe by about 3.0%, corresponding with a production growth of around 4.5% (source: PwC Autofacts January 2015 including commercial light vehicles), or up to 4.9% for Pan-Europe. PwC forecast is slightly downgraded in the European Union compared with the one issued one quarter ago, where expected increase was 6.7%, and Pan-Europe slightly grew from previous 4.8% despite of stagnation expected in Eastern Europe now.

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 three quarters of newly produced cars and the remaining quarter 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, offered 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 constituted more than 10% of Feramo's sales. However, with the CEE Investment Project, Feramo is adding new volumes for the automotive sector and in the nodular iron segment with Tier 1 customers, which means higher specialisation in this market and gaining share in this market, up to 84% in third quarter of 2014.

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.

<u>Main customers</u>

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. 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 since 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.

<u>Suppliers</u>

Because ACE's production plants use different production materials and technologies, each business is 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.

<u>Research & Development</u>

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 is the 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 after four quarters of 2014 are as follows:

In '000 Euro

	Four quarters of 2014	*Four quarters of 2013*
Investments in R&D	1 125	1 098
Costs regarding R&D	442	651
Total R&D expenditures	**1 567**	**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 and reinforcing 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 further generated a considerable portion of revenues afterwards. There were several new capacity projects in the pipeline launched in 2009, including aluminium front calliper and iron machining. As regards, ACE has also developed the nodular iron technology in the Czech plant, promoted by the Group to manufacture new parts for the automotive segment, . 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.

5. Outlook for the following months

Automotive market in 2015

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. After six consecutive years of a shrinking market, a remarkable growth of 4.7%, up to 12.1 million cars, was recorded in the year 2014 as a whole.

In line with this growth for 2014, sales and production for 2015 look also quite positive. Despite the still uncertain economic scenario and weak customer spending in some countries, LMC forecasts a growth in sales of 3.0% for year 2015. Regarding production, PwC Autofacts anticipates a forecast with a better increase by 4.5% of production, even higher when including Easter Europe, up to 4.9%.

Group Sales

For the upcoming months of 2015, and depending on CEE project' progress, Group automotive sales will be in line with market sales. In our Spanish plant, the expected growth is more limited in first quarter, but it could be some more visible y-o-y after Easter due to a temporary shift of a couple of projects in mid- 2014. In aluminium business, due to its continuous and uneven growth throughout the year, some inefficiency could be still reasonably expected in following quarters. To overcome these limitations, some capital expenditure has been already accrued in 2014 and is also planned for 2015 mostly to renew current facilities to and make them more flexible and versatile to fit the new production.

As far as 2015 is concerned, at the time of preparation of this report, and based on current sales, our customer's demand and expectations, we can anticipate an important market outperformance mostly subject to the development of our Czech plant, thus with some unbalanced distribution of sales along the main business segments, and with a general improvement of our margins in the automotive business.

Indeed, regarding iron segment, it is expected that an important part of the growth of sales in volume is coming from our Czech plant with the consolidation of nodular iron in the production process but still depending on the performance of new facilities, and even more on new product development (start on production). In our Spanish plant, sales volume, after some projects temporary shifted are back, it is expected to reach the same level as in 2013 and still with room for some productivity improvement after the new capacity investment developed last summer, keen to compensate the huge market pressure on margins.

As far as aluminum segment is concerned, it is expected that this business will continue outperforming the market in 2015 with a stable and even growing machining business including the highly strategic volume of a new project shared with the iron division and the expected growth in the new family of products. However, given the current capacity constrains to meet the customer demand, there could be still some inefficiencies, especially visible during the first half of 2015.

Economy drivers

As regards raw material activity, in 2015 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. Nevertheless, given the downward trend of energy prices during 2014, there should be a reduction of indexes in the yearly based agreements decreasing the positive difference of 2014.

In this 2015 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. Although the main part of the investment is almost finalized, CEE project should be more visible onwards and also challenging productivity goals are targeted to be achieved throughout 2015 in the search of the necessary cost-efficiency to break even this business. In addition to this, an investment for the production of a new product will start in the polish plant, as a consequence of the constant searching of new projects in the current market environment.

Thus annual planned capex amounts to near EUR 6 million in 2015 after a final investment of EUR 5.3 million in 2014 (versus originally expected 6).

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
- Stabilization of equipment and processes
- Improvement of technical parameters and cost efficiency orienting the efforts to our strategic activity
- Recruitment and training of some key positions and stabilization of new staff

Besides, we have already been successfully homologated for some project for a new 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 the current and following quarters.

In the commercial pipeline, our R&D department is currently developing projects for a certain small amount of mass production projects, feeding only in 2016 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 financed entirely from internal resources. The management of the Group is fully involved in development of the growth project, and acknowledge the important difficulties arisen along the project, far above any reasonable expectation. Group is providing extraordinary managerial, human, technical and financial resources to supply the important lack of the Czech company means, caused among other to high rotation of staff given the important demand of manpower in the Czech labour market. We are convinced that it is an important asset for the Group in the near future and we already see improvements, but unfortunately these are not always repeatable, much more slow than desired and at this stage it is still early to commit a much higher speed in the near future.

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, 2014

As of December 31st, 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 fourth quarter of 2014, 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, 2014 (% of share capital)	***As of December 31, 2013 (% of share capital)***
Casting Brake (Spain)	2 430 607 *(11.45%)*	2 430 607 *(11.45%)*
PZU Złota Jesień OFE	3 370 815 *(15.88%)*	3 500 762 *(16.49%)*
Aviva OFE	3 114 178 *(14.67%)*	3 105 776 *(14.63%)*
ING Nationale Nederlanden Polska OFE	3 038 913 *(14.31%)*	3 185 090 *(15.00%)*
Pioneer Pekao Investments	1 659 249 *(7.82%)*	1 061 525 *(5.00%)*
Noble Funds TFI	1 363 157 *(6.42%)*	1 076 463 *(5.07%)*

In the framework of the incentive plan for senior executives of the Company and its subsidiaries adopted by the Board of Directors on 14 May 2013 ("ESOP Program"), on 9 January 2015 the Company sold 636 915 its own shares, on the basis of contracts for sale of shares concluded on 30 December 2014 with participants of the ESOP Program. The purpose of the sale transaction of the Company's shares was implementation of the ESOP Program.

In respect of the disposal of 636 915 own shares made by the Company on 9 January 2015, within the framework of the incentive plan for senior executives of the Company and of its subsidiaries the number of own shares held by the Company decreased below 5% of the share capital and voting rights on the General Assembly of the Company.

Following the transaction referred to above, the Company holds 535 400 own shares that constitute 2.52% of the share capital and represent up to 535 400 votes in the General Assembly of the Company, which corresponds to 2.52% of the aggregate number of votes on the General Assembly of the Company.

On 29 January 2015 the Company received an official notification from Noble Funds Towarzystwo Funduszy Inwestycyjnych SA, acting on behalf managed investment funds (hereinafter referred to as "the Funds") that due to the sales transaction of Automotive Components Europe S.A. (hereinafter referred to as "the Company") shares by the Funds that took place on 23 January 2015 the total number of the Company's shares owned by the managed Fund decreased below 5% of total number of votes in the Company.

After the transaction the Funds managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. held 1 036 558 Company's shares constituting 4.88% of the Company's share capital and entitling to 1 036 558 votes representing 4.88% of the total 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 2014.

Information on paid or planned dividend 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.

On July 18, 2014 the first tranche of the dividend was paid. The second tranche was paid on October 31, 2014.

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.

The Board of Directors on its meeting held on 11 December 2014 resolved to suspend until the end of the first quarter of 2015 implementation of the buy-back programme with effect as of January 1, 2015, with the purpose to preserve cash for future purposes. The Board will resolve prior the beginning of each quarter about the buy-back activity for the next quarterly period.

Changes of the Company's managing or supervisory persons in the fourth quarter of 2014

There were no changes in the Company's managing or supervisory persons in the fourth quarter of 2014.

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.

On 9 January 2015 the Company sold 636 915 its own shares, on the basis of contracts for sale of shares concluded on 30 December 2014 with participants of the ESOP Program. The purpose of the sale transaction of the Company's shares was further implementation of the ESOP Program. The average off the market transaction share price was EUR 3.32 per share. The total volume of sold shares was 636 915 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

<u>Information on the revenues and net results of individual business segments and geographical segments</u>

Geographical segments in '000 Euro

	Four quarters of 2014	*Four quarters of 2013*
Western Europe	51 568	54 025
Eastern Europe	45 780	42 263
Other	2 886	4 555
Total	**100 234**	**100 843**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	62 174	34 407	3 653	100 234
Operating Profit for the segment	**4 948**	**2 515**	**-2 376**	**5 088**
Net Profit for the segment	**3 124**	**2 126**	**-3 712**	**1 538**

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 2014

	Compared to the end of 2013
ACE S.A.	-44.2%
WIG Index	+0.3%
SWIG80 Index	-15.5%

Stock Market Data

	Fourth quarter of 2014	*2013*	*2012*
Market capitalisation as of the end of the period	PLN 194.3 m	PLN 348.2m	PLN 121.0m
(in millions of PLN and EUR)	€ 45.7 m	€ 84.0m	€ 29.6m
Share price (in PLN)			
- Highest	11.67	17.70	7.60
- Lowest	9.10	5.70	4.00
- Average	10.62	9.57	5.72
- At the end of the period	9.15	16.40	5.70
Shareholders' equity per share in EUR (in PLN)	1.53 (6.52)	1.78 (7.38)	1.92 (7.85)

Per Share Data

	Four quarters of 2014	*2013*	*2012*
Earnings per share (in EUR)	0.07	0.09	0.11
Cash Flow per share (in EUR)	-0.17	-0.22	-0.41
Dividend per share (in EUR)	0.17*	0.07	0.05

* The first and the second tranche of the dividend amounting to EUR 0.24 per share

B. Condensed Consolidated Financial Statements for the quarter ended December 31st, 2014

The condensed consolidated quarterly report for the fourth quarter of 2014 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 2013	4.1863	4.2231	4.1472	4.1472
1 Jan – 31 Dec 2013	4.1976	4.3432	4.0671	4.1472
1 Oct – 31 Dec 2014	4.2102	4.3138	4.1538	4.2623
1 Jan – 31 Dec 2014	4.1845	4.3138	4.0998	4.2623

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 2013	26.6569	27.7200	25.5100	27.4250
1 Jan – 31 Dec 2013	25.9741	27.7200	25.2250	27.4250
1 Oct – 31 Dec 2014	27.6241	27.8200	27.4700	27.7250
1 Jan – 31 Dec 2014	27.5331	28.0000	27.3300	27.7250

Consolidated Balance Sheet as of December 31st,2014 in thousands of Euros

Assets	*As of Dec 31, 2014*	*As of Dec 31, 2013*
Non-current Assets		
Intangible assets	261	229
Property, plant and equipment	42 866	43 364
Investment in Associates	6	6
Derivative financial instruments (NCA)	9	47
Deferred tax assets	2 249	1 947
	45 391	**45 593**
Current assets		
Inventories	9 543	7 831
Trade and other receivables	16 948	15 406
Derivative financial instruments (CA)	54	185
Current income tax assets	0	60
Other current assets	0	0
Cash and cash equivalents	4 067	7 690
	30 612	**31 172**
Total assets	**76 003**	**76 765**

Equity & Liabilities	***As of Dec 31, 2014***	***As of Dec 31, 2013***
Equity		
Share capital	3 185	3 185
Share premium	0	3 959
Retained earnings	28 889	29 675
Cash flow hedges	-145	30
Exchange gain or loss against equity	-1 083	-1 083
Profit for the year	1 538	1 936
	32 384	**37 701**
Liabilities		
Non-current liabilities		
Borrowings (NCL)	16 799	13 973
Deferred income	349	470
Deferred tax liabilities	1 647	2 307
Provisions for other liabilities and charges (NCL)	171	235
Derivative financial instruments (NCL)	245	220
	19 211	**17 204**
Current liabilities		
Trade and other payables	13 771	14 893
Borrowings (CL)	6 774	5 240
Derivative financial instruments (CL)	23	0
Current income tax liabilities	1 911	1 254
Other current liabilities	1 433	12
Provisions for other liabilities and charges (CL)	495	460
	24 407	**21 859**
Total Liabilities	**43 618**	**39 064**
Total equity and liabilities	**76 003**	**76 765**

Consolidated Income Statement for the period from January 1st to December 31st, 2014
in thousands of Euros

	For the 4th quarter of 2014 From October 1st to December 31st, 2014	*From Jan 1st to Dec 31st , 2014 Cumulative*	*For the 4th quarter of 2013 From October 1st to December 31st, 2013*	*From Jan 1st to Dec 31st , 2013 Cumulative*
Revenues	24 700	100 234	23 961	100 843
Costs of goods sold	-19 588	-78 997	-19 407	-81 390
Gross profit	5 112	21 237	4 554	19 453
Selling and distribution costs	- 736	-2 797	- 685	-2 451
General and administration costs	-3 590	-14 364	-2 975	-13 318
Other income	259	1 300	582	1 327
Other expenses	- 76	- 287	- 249	- 548
Operating profit	969	5 088	1 227	4 463
Financial result	- 293	-1 284	- 453	-1 138
Profit before income tax	**676**	**3 804**	**774**	**3 324**
Income tax expense	- 707	-2 266	- 293	-1 389
Profit for the period	**- 32**	**1 538**	**481**	**1 936**

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to December 31st, 2014
in thousands of Euros

Attributable to equity holders of the Parent

	Share capital	*Share premium*	*Legal Reserve*	*Retained earnings*	*Cash flow hedges*	*Exchange differences*	*Profit for the period*	*Net Equity*
Balance as of Jan 1, 2014	**3 185**	**3 959**	**320**	**29 355**	**30**	**-1 083**	**1 936**	**37 702**
Allocation of previous year profit				1 936			-1 936	
Profit / Loss for the period					-175		1 538	1 363
Total recognised income and expenses for the period					**-175**		**1 538**	**1 363**
Purchase of treasury shares				-2 258				**-2 258**
Dividend related to 2013		-3 959		-918				**-4 877**
Other				455				**455**
Balance as of Dec 31, 2014	**3 185**		**320**	**28 569**	**-145**	**-1 083**	**1 538**	**32 384**

Consolidated Cash Flow Statement for the period from January 1st to December 31st, 2014
in thousands of Euros

	From Jan 1st to Dec 31st, 2014	*From Jan 1st to Dec 31st, 2013*
Profit before income tax	3 804	3 324
Adjustments for:		
- Depreciation and amortizations of non-current assets	5 420	5 919
- Losses on sale of property, plant and equipment	- 70	- 11
- Net financial result	1 599	1 181
- Net movements in provisions	- 81	- 322
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	-4 714	-1 355
- Inventories	-1 727	959
- Trade and other receivables	-1 595	- 719
- Trade and other payables	-1 393	-1 595
Cash from operating activities	**5 958**	**8 737**
Income tax paid	-1 737	- 521
Net cash from ordinary activities	**4 221**	**8 216**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	- 45	- 6
Purchases of property, plant and equipment (PPE)	-5 285	-5 118
Proceeds from sale of non-current assets	70	55
Purchases of intangible assets	- 44	- 63
Net cash used in investing activities	**-5 305**	**-5 131**
Cash flows from financing activities		
Purchase of treasury shares	-2 257	-2 595
Repayments of bank borrowings	-14 141	-3 283
Repayment of other loans	- 315	- 228
Proceeds from bank borrowings	17 562	62
Proceeds from other loans	411	575
Dividends Paid to Shareholders	-3 453	-1 486
Net of financial result paid and received	- 349	- 882
Net cash used in financing activities	**-2 542**	**-7 837**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**-3 626**	**-4 752**
Cash, cash equivalents and bank overdrafts at beginning of the period	7 690	12 407
Effects of exchange rate changes on the balance of cast held, in foreign currencies	3	35
Cash, cash equivalents and bank overdrafts at the end of the period	**4 067**	**7 690**

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 2014

On October 31, 2014 the Company paid the second EUR 0.07 tranche of EUR 0.24 dividend approved by the General Shareholders Meeting held on June 17, 2014.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EUR 498 thousand of debt in the fourth quarter of 2014.

Material events after the end of the fourth quarter of 2014 that have not been reflected in the financial statements

On 9 January 2015 the Company sold 636 915 its own shares, on the basis of contracts for sale of shares concluded on 30 December 2014 with participants of the ESOP Program. The purpose of the sale transaction of the Company's shares was further implementation of the ESOP Program. The average off the market transaction share price was EUR 3.32 per share. The total volume of sold shares was 636 915 representing 3.00% of the share capital and votes in the Company.

On February 27, 2015 the third tranche of the dividend (EUR 0.07 per share) is paid.

Changes in the composition of the Company during fourth quarter of 2014

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