Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended September 30th, 2012

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A. Director's report

1. Introduction

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

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

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

During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20 050 100 to 22 115 260 shares. 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 September 30, 2012

Management Committee:

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

Board of Directors:

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

The condensed consolidated quarterly report for the third quarter of 2012 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	For the 3rd quarter of 2012 From Jul 1st to September 30th, 2012	From Jan 1st to Sept 30th , 2012 Cumulative	For the 3rd quarter of 2011 From July 1st to September 30th , 2011	From Jan 1st to Sept 30th , 2011 Cumulative
Revenues from sales	23 060	76 285	22 760	75 434
Operating Profit	605	2 700	1 051	3 802
Profit before tax	468	1 920	281	2 682
Net profit	655	1 785	- 125	1 627
Net profit attributable to equity holders of the parent company	655	1 785	- 125	1 627
Cash flow from operating activities	2 174	2 365	3 425	2 132
Cash flow from investment activities	-5 872	-9 186	-1 267	-1 944
Cash flow from financial activities	1 971	-1 278	-2 086	-2 489
Net cash flow	-2 162	-8 946	- 633	-3 145
Current assets	37 584	37 584	41 055	41 055
Fixed assets	45 151	45 151	39 137	39 137
Total Assets	82 734	82 734	80 192	80 192
Liabilities	42 575	42 575	42 059	42 059
Long-term Liabilities	22 161	22 161	21 523	21 523
Short term Liabilities	20 415	20 415	20 536	20 536
Shareholders' Equity	40 159	40 159	38 133	38 133
Shareholders' equity attributable to shareholders of the parent company	40 159	40 159	38 133	38 133
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	0,03	0,08	-0,01	0,08
Book value per share	1,89	1,89	1,80	1,80

3. Financial performance

Consolidated Profit & Loss Statement

in '000 Euro

	For the 3rd quarter of 2012 From Jul 1st to September 30th, 2012	From Jan 1st to Sept 30th , 2012 Cumulative	For the 3rd quarter of 2011 From July 1st to September 30th , 2011	From Jan 1st to Sept 30th , 2011 Cumulative
Revenues from sales	23 060	76 285	22 760	75 434
Cost of goods sold	-18 893	-62 733	-18 721	-61 074
Gross profit	4 167	13 551	4 039	14 360
GP margin	18,1%	17,8%	17,7%	19,0%
G&A expenses	-3 561	-10 852	-2 988	-10 558
Operating profit	605	2 700	1 051	3 802
OP margin	2,6%	3,5%	4,6%	5,0%
Depreciation & amortisation	-1 089	-3 627	-1 430	-4 378
EBITDA	1 694	6 327	2 481	8 179
EBITDA margin	7,3%	8,3%	10,9%	10,8%
Financial income	1 198	2 158	725	1 383
Financial costs	- 1 335	- 2 938	-1 495	-2 502
Profit before tax	468	1 920	281	2 682
Tax	188	- 135	- 406	-1 055
Net profit	655	1 785	- 125	1 627
NP margin	2,8%	2,3%	-0,5%	2,2%

Sources of sales revenues

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

Sales revenues in '000 Euro	*Three quarters of 2012*	*%*	*Three quarters of 2011*	*%*
Sales of products	73 762	96,7%	72 886	96,6%
Sales of goods and materials	2 523	3,3%	2 548	3,4%
Total sales revenue	**76 285**	**100%**	**75 434**	**100%**

Sales revenue in '000 Euro	*Three quarters of 2012*	*%*	*Three quarters of 2011*	*%*
Nodular iron products	39 012	52,9%	36 370	49,9%
Grey iron products	10 198	13,8%	11 019	15,1%
Aluminum products	17 918	24,3%	19 978	27,4%
New family products	6 635	9,0%	5 519	7,6%
Total sales	**73 762**	**100%**	**72 886**	**100%**

Sales volumes in million pieces	*Three quarters of 2012*	*Three quarters of 2011*
Nodular iron products	17,9	17,3
Grey iron products	1,3	1,4
Aluminum products	4,0	4,0
New family products	1,7	1,3
Total pieces sold	**24,8**	**24,0**

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

Revenues by country	*Three quarters of 2012*	*Three quarters of 2011*
Czech Republic	21,1%	23,5%
Germany	23,2%	23,4%
France	13,8%	12,7%
Spain	8,7%	8,0%
Italy	3,4%	3,7%
Other	29,8%	28,7%
Total	**100,0%**	**100,0%**

Automotive Market Performance

Thousand Units	*Three quarters of 2012*	*Three quarters of 2011*	*Difference*	*%*
Cars sold	9 140	9 905	-765	-7,7%
Cars manufactured	8 848	9 577	-729	-7,6%
Difference sales - production	292	328		
ACE Automotive	23 566	22 632	934	+4,1%

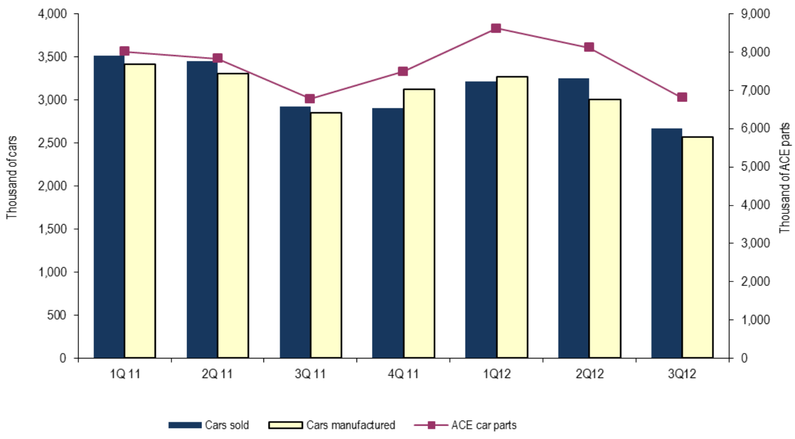
Thousand Units	*Third quarter of 2012*	*Third quarter of 2011*	*Difference*	*%*
Cars sold	2 666	2 930	-263	-9,0%
Cars manufactured	2 567	2 849	-282	-9,9%
Difference sales - production	99	80		
ACE Automotive	6 812	6 782	30	+0,4%

Source: Western Europe by LMC Automotive Forecasting, ACE

In the third quarter of 2012 sales of cars in Western Europe decreased by about -263,000 units, or -9.0%, from the third quarter of 2011, according to LMC Automotive. It is now a year since this market reported the last year on year improvement showing in this quarter the largest contraction. Indeed, market conditions remain tough, with only UK bucking the wider trend, increasing 8.2% year-on-year. The year-to-date market for the same region was down by -765.000 units or -7.7%, being this difference softening in the Pan-European region, were sales of cars year-to-date declined by -4.9%.

Car production in Western Europe year on year was also lower than in the third quarter of 2011, by around -282,000 units or -9.9%. In the year to date the difference is lower by -7.6% (-729.000 units) and reduced in Europe as a whole down to -4.7%.

After a turbulent period of negative and positive corrections of inventories produced by the global crisis, the gap between sales and production shows a more stable structure, although the allocation per quarter is still uneven across the year as shown on the graph below:



Source: LMC Automotive for Western European market, ACE

ACE sales in the market context

In volume terms the increase year on year was up by only 0.4% in number of units for automotive segment (up to 0.7% for the whole Group). The allocation of this volume growth is quite unbalanced in the different automotive business segments with the nodular iron segment declining by -2.6%, and aluminium rising by 10.7% (including the new family of products, but machining declining by -0.5%). In non-automotive segment, grey iron recovered by 5.7%, even much higher if we refer to weight (12.8%) which is a much more reliable indicator in this business.

Despite this negative trend in sales and especially the correction of nodular iron business, Group volumes outperformed market sales once again, and was significantly above market production. This is even more visible in year-to-date, where Group automotive sales in number of units grew by 4.1% (3.3% for the whole Group) but with some more balanced distribution throughout the different automotive segments.

This outperformance in 3Q 2012 versus 3Q 2011 is even visible in turnover, which the Group managed to increase by EUR 299,000, or 1.2%, being this time the grey iron non-automotive business the segment growing most, by 10% whereas the two automotive companies only managed to tie. On one hand Nodular iron business declined by -0.1% almost fully compensating the fall of volume with better sales mix and improved agreements of raw materials and energy surcharged to the customers, and on the other hand Aluminium business declined by 0.7% and thus losing its volume advantage due to a cheaper mix of new family of products and lower machining as well as a much less expensive aluminium y-o-y.

Direct production costs and gross profit

As we already anticipated in previous reports, out of the three main factors negatively influencing the year results (decline of sales in Grey iron business, lower demand of aluminium machining parts and restart of third line of production in Spain), in the third quarter of 2012 the first two effects referred to volume were fixed as described above. However, we can say that both factors had a neutral effect on the relevant margin.

Indeed, the increase of turnover in Grey iron segment was not enough by itself as to improve the Gross margin significantly, due to the poorer profitability in this segment. Also machining business, not declining year on year, was only stable in the period and thus not contributing to improve the results.

As regards productivity ratios in Spain, they were gradually closer to former levels throughout the year. However, during breakdown of August one of the current moulding lines was replaced by a new one, as planned, in order to increase the plant productivity and competitiveness. The serial production of the new equipment was not expected to be visible during third quarter, and in fact September was showing the worst performance year on year in terms of efficiency due to this replacement.

On top of the above there were some other positive and negative commercial effects counteracting each other and thus not having a final significant impact in the gross profit margin.

Finally, lower depreciation connected with the ending of expected useful life of many Group assets related mainly to machining assets near EUR 400 thousand placed final Gross margin at EUR 4,167 Thousand (18% on sales), EUR 128 thousand higher than in 2011.

General & administrative expenses

General and administrative expenses were higher by EUR 573 thousand or 19% higher, mostly compound of expenses of non-recurrent nature. Indeed, it was accrued in the period an amount of around EUR 200 thousand for municipality taxes arising out of the last four years plus a fine, coming from a different criteria applied by the town hall which has been already appealed by the company. And near EUR 300 thousand corresponds to M&A activities. In practice, these couple of one off effects explain the main difference of financial performance year on year.

Otherwise remaining part of the increase of the expenses is connected to yearly salary increases and also with CEE investment project development.

On the top of the above, though in a minor extent, some higher selling and distribution expenses mostly related to transports also contributed to increase the difference.

EBITDA and operating profit

EBITDA in the period was positive by EUR 1,694 thousand (7.3% on sales), EUR 787 thousand down compared with the same period of 2011 (or 31.7% lower) for the reasons already mentioned.

As already stated, depreciation was lower in the comparative period by EUR 341 thousand, resulting in an operating profit of EUR 605 Thousand (EUR 446 thousand lower than 2011).

Financial items

The financial result for the third quarter of 2012 was negative by EUR 138 thousand, being less negative by EUR 632 thousand in comparison with the same period of 2011. The main reason is currency exchange differences positive by EUR 676 thousand and mainly related to changes in the outstanding balances at the end of the period due to strengthening of PLN and CZK as regards closing of previous quarter. Despite this, most of the above recorded losses are not realized and having accounting nature only that can fluctuate within the year.

After the period, the fair value of hedging instruments and the interest rate swap in the balance sheet is negative by EUR 192 thousand, and it reduced below than half comparing with previous quarter. According to accounting standards, changes in valuation of current hedging instruments have no impact on P&L account and are fully cleared through the equity in the balance sheet.

Profit before tax and tax

Leveraged by the financial results, profit before income tax was very positive by EUR 468 thousand, which is EUR 186 thousand higher comparing with previous year.

Tax recorded was positive by EUR 188 thousand, mostly coming from a positive variation in the corporate income tax accrued in our Spanish company, but also gathering the losses of our Grey iron business. This positive amount also represents a positive variation of near EUR 600 year on year.

Net profit

Reflecting all the above, the Group was also very positive at the net profit level, at EUR 655 thousand, or EUR 780 thousand higher comparing with 2011.

In the year-to-date, despite an EBITDA by EUR 6.3 million (8.3% on sales), lower by EUR 1.9 million than in 2011, all the profit margins below reduced their difference year on year. Thereby, EBIT rose to EUR 2.7 million, which is only EUR 1.1 million below (as a result of the lower depreciation in 2012) and Net profit to EUR 1.8 million or EUR 0.2 above 2011, reflecting a better FX result as well as a lower income tax for the same reasons already mentioned..

Financial Position

The operating generation of cash from January to September of 2012, by EUR 1 518 thousand, was limited by the increase of working capital driven by increase in sales also considering the seasonality to recover the very low activity during Christmas shutdown.

Otherwise, investing activities amounted to EUR 9.2 million in the period, mainly affected by CEE project capital expenditure, which will be visible during whole 2012. The financing activity is driven by the repayment of Group loans and dividend pay out, but also reduced by a new loan of EUR 3 million related to the new investment in Spain showing total financial cash outflows in a net amount of EUR 1.3 million.

Despite all the above, the final cash position of the Group as of the end of September 2012 is strongly positive by EUR 12 313 thousand growing the Net debt as of same date up to EUR 9 114 thousand.

4. Business overview

European Automotive Industry

The performance of ACE depends on trends in the automotive industry as well as the behaviour of major brake system producers. Due to the current market positions of both brake system production plants, ACE Group is limiting its operations to Europe, where it has a strong position and competitive advantage. However, the Company does not exclude expansion to new geographical markets should favourable acquisition opportunities arise. The conditions of the European automotive market are a major factor influencing performance of the Company's shares because of close-knit relationships in the supply chain structure.

The latest LMC Automotive forecast for 2012 predicts a decline of new car sales in Western Europe by about -7,7%, downgraded from a -6.2% in June 2012, being production forecasts in line, with a decrease of around -7.5% (source: PricewaterhouseCoopers Autofacts' most recent report issued in October 2012) or -0.4% for Pan-Europe, with an almost flat 0.5% growth expected in 2013 (or 2.6% in Pan-Europe). This forecast is also being downgraded comparing with the one issued one quarter ago where expected sales for 2012 declined by -5.3% and -3.3% in European Union and Pan Europe respectively and 2013 showed a considerable rebound by 4.9% and 6.5% for the same regions.

Within Europe the producers are shifting their production worldwide facilities to the CEE region. Central and Eastern Europe has become a new hub for manufacturing motor vehicles, especially passenger cars, and is sometimes called "East Detroit". This production zone spreads over southern Poland, north-eastern Czech Republic and Slovakia down to the northern part of Hungary, where a network of manufacturing facilities with significant capacity has recently been set up with more facilities under construction.

European Brake Industry Structure

With respect to brake components such as anchors and callipers, most of the business is outsourced from Tier 1 brake system assemblers to Tier 2 suppliers specialised in foundry parts and castings. ACE is an integrated Tier 2 supplier of front- and rear-axle iron anchors and aluminium callipers for passenger car brake systems.

Tier 2 suppliers deliver their products to Tier 1 producers, which in turn are responsible for assembling brake systems and delivering them to car manufacturers (OEMs). Production of Tier 1 and Tier 2 manufacturers is highly dependent on the performance of OEMs, particularly in the passenger car segment. The relations are structured through open contracts covering capacity, price and product range. Contracts are normally signed or agreed on a long-term basis, however, key terms such as capacity and prices are negotiated every year. The product optimisation and development processes cause a significant client lock-in effect. Suppliers are usually locked in for the entire production life of a given car platform. Tier 1 brake component manufacturers require from Tier 2 casting suppliers capabilities of cooperation in product development of casting items (design, material, etc.), a certified, reliable manufacturing process, a high level of quality, and a competitive price. Machining of aluminium brake components, such as callipers, has mostly been outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary, though following the crisis period and consequent creation of overcapacity, Tier 1 manufacturers are retaining an important part of the machining business for themselves.

All new cars produced in Europe are equipped with disc brakes, as far as the front axle is concerned. Main assumptions in terms of using of disc brakes in cars were: as for rear axle, disc brakes are applied in around 72% of newly produced cars and the remaining 28% of cars still use drum brakes in rear axle.

In all disc brake systems the anchors are made of nodular iron castings. Currently, nodular iron is by far the best material for anchors. As far as callipers are concerned, these parts are usually made of nodular iron in front axles. However, since the late nineties aluminium castings are becoming increasingly popular, especially in rear disc brakes. Automakers are using more aluminium to improve fuel economy, reduce emissions and enhance performance, as aluminium helps to reduce the weight of the vehicle. Due to the fact that aluminium callipers are less durable than those made of nodular iron they are applied in rear axle disc brakes, as these brakes contribute to 20–30% of braking power. In front disc using of brake systems aluminium callipers is exceptional, as they need to be significantly bigger than nodular iron callipers, and are currently used only in high-end cars. However, this segment represents high growth potential and in fact the company became awarded with some of the few applications in the market, which are in the production pipeline since the last quarter of 2009.

Main Products

The core business of the ACE Group focuses on production of high-quality brake components for disc brake system (Tier 1) manufacturers. The aluminium casting division adds gravity aluminium casting and machining to the ACE Group's product range.

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

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. The evolution of the "new family products" in 2010 was four times greater than in 2009, and in 2011 was 40% greater than in 2010, continuing that trend in 2012 by 25%, which very well illustrates and supports that strategy.

Main customers

The ACE Group supplies its products to the following Continental plants: Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia). As far as TRW Automotive is concerned, ACE delivers its products to the plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany), and Pontypool (Wales). Supplies to Bosch are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). Since 2011, the Group has also delivered parts to American and Chinese plants of some of its customers to make up for discontinuation of supplies driven by under-capacity in those regions as well as local suppliers' quality failures.

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Now Feramo has approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer structure is relative stable on a year-to-year basis. The main sectors Feramo supplies are engine parts, construction, automotive and urban furniture. With the launch of the growth project at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts from the beginning of 2013.

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

Suppliers

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

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

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

Research & Development

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

As a result of this vocation to move forward in R&D capabilities and expansion within the Group, in December 2010 some R&D resources of the operating companies were moved to a new company, 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.

The R&D expenditures during three quarters of 2012 are as follows:

In '000 Euro

	Three quarters of 2012	*Three quarters of 2011*
Investments in R&D	1 527	769
Costs regarding R&D	1 083	822
Total R&D expenses	**2 610**	**1 592**

Strategy

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

Broadening the technological and product range
The Group has already expanded the current product portfolio, especially through introduction of new aluminium products in Poland and the acquisition of Feramo. In 2008 ACE successfully started production of TMC, which should generate a considerable portion of revenues in future. There were several new capacity projects in the pipeline launched in 2009, including aluminium front calliper and iron machining. Thanks to the Czech plant, ACE has also broadened its product portfolio of iron castings for other industries, including electro-mechanical, construction and industrial equipment. In other directions, implementation of nodular iron technology, promoted by the Group to manufacture new parts for the automotive segment, is also on-going, and after implementation of the CEE investment project, which is expected to launch in January 2013, 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
Integration of the automotive plants as well as the non-automotive Feramo within the ACE Group will result in synergies in the very near future. Combined engineering will be of particular importance in the development of new products in both iron and aluminium. The Polish and Czech plants benefit from the experience of the plant in Spain and are further developing their general management systems.

5. Outlook for the following months

Automotive market in 2012

The balance of automotive market in Europe during last years is quite bleak. Only in four years since 2007 the Western European market lost near 2 million cars from a rate of 14.8 to 12.8 (roughly 40% in Italy, 40% in Spain and remaining 20% in UK). But the expectation for 2012 calls for an additional million cars lost down to 11.8, with France joining the group of weakening markets and reducing its sales by around 265 thousand cars, Italy with additional 357 thousand, Spain by 92 thousand and Belgium by 86 thousand, being Germany still stable (Source: LMC Automotive). This means a contraction of the market by 20% in only five years, percentage which is softening when we include Eastern Europe but also with an increased number of cars lost in the period.

The latest LMC Automotive forecast for sales in the Western European automotive market, issued at the beginning of October for full-year 2012, anticipates a decline by -7.7% from 2011, which is flat comparing the end of September 2012. This means that in the last quarter of the year we can expect a reduction of around 225,000 cars.

This is also quite balanced with production forecasts. PwC Autofacts, in its last quarterly forecast update (including light commercial vehicles, LCV) issued in October 2012, shows a decrease of 7.5% in full year 2012 for the European Union (although the reduction is lower by -4.4% when we include Eastern Europe), which is also quite consistent with the with the current level of production at -7.6%.

In fact these forecasts could be some optimistic bearing in mind last months' market trend and especially September with sales and production 11.3% and 20.2% below respectively in Western Europe.

Automotive market in 2013

The chance of strong growth next year is slim. Indeed, with the economic outlook remaining challenging, 2013 is expected to see volumes flat. Besides, the selling rate in recent months indicates we are in for more choppy waters ahead, and sets up for a weak start to 2013, which will likely imply an unbalanced year allocation of sales. In this sense, "Autofacts anticipates that demand is likely to continue to fall over the next six months before starting to bottom out around mid-year".

LMC Automotive anticipates a decline of 2013 demand forecast of -0.5% from 2012 in Western Europe. The production forecast for LCVs from PwC Autofacts is similar, but it shows a slight increase by 0.5% for European Union (2.6% including Eastern Europe).

Group Sales

In YTD, the volume of Group automotive sales decelerated even faster than the market, probably anticipating part of the yearly decline and some negative corrections in the inventory chain. For the upcoming months of 2012, according to the order book and further expectations, the Group can anticipate a decline of automotive sales volume probably in line with market forecasts for the last quarter of the year. Even so, full year sales volume is expected to be in the positive range of growth, which is still a very good year balance in comparison with a market decline of around -7.5%.

Following the year trend, and with the exception of third quarter, a smaller part of the decline would be allocated to the nodular iron segment.

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

As far as 2013 is concerned, in current environment it is very difficult to rely on market forecasts, but at the time of preparation of this report, and based on our customer's demand and expectations, we can anticipate some market outperformance once again, and, depending upon the length and depth of the current downturn as well as the influence of potential new volumes, we could even see a general improvement of our margins.

As far as nodular iron segment is concerned, most of the growth of sales in kg, in the range of 10-15%, will be coming from the new capacity created by CEE Project in our Czech plant, although it is also expected some increase for our Spanish plant that otherwise will be produced in a more efficient manner with the new production facility.

However, aluminium segment is now more challenging, with some of the projects reaching the end of their useful life, machining business declining and thus creating a reduced turnover even below the market.

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

Economy drivers

Productivity ratios in nodular iron business will improve with the implementation of the new production line in August 2012, which will bring a much higher efficiency in the production process. The visibility of this improvement will enhance throughout the year to the same extent that the current products are shifted for their manufacturing in the new machine and new projects start on production.

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

In this 2013 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 unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

Investment activity-CEE Investment Project

In the context of 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, jointly with an investment project to boost the efficiency in the nodular iron business in Spain, that are also representing some additional and higher amounts of capex especially in 2012.

We expected 2012 to be a transition year as we digest an ambitious capex program of around EUR 12 million which will not be fully visible in the financial results until 2013.

This capex program is currently under implementation and it will be mostly invested in the Czech plant (CEE Investment Project).

Concerning CEE Investment Project, the estimated deadline for the main milestones are the following:
1- April 2012: startup of building expansion and civil work
2- December 2012 (planned for October 2012): Launch of new equipment' tests in place
3- January 2013: homologation plan for nodular iron production
4- End of 2nd quarter 2013 (formerly 1st Quarter 2013): serial production with the new equipment
5- May 2013: new electrical connection VVN to feed both grey and nodular mass production
6- September 2013: decommissioning of cupola furnaces

As anticipated in previous reports there was some delay of around 4 weeks in first milestone and there could be other comparable potential delays in some of the remaining milestones which otherwise should not have any impact on the final implementation. In fact, the delay of serial production by one quarter (milestone 4) is more related to the longer length of the trials and tests to be performed for customer homologation of different projects (milestone 2) . It means that the start on production of new facilities will be more visible in second half of the year.

It is also the view of our external industrial auditors, who periodically review the progress of the project, that final deadlines are still valid.

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

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

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

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

Another important investment activity in 2012 has already taken place in our Spanish plant and consisted in the replacement of one of the current moulding lines, in order to increase the plant productivity and competitiveness. This investment was completed during breakdown in August and the serial production of the new equipment will be only partially visible during 4th Quarter 2012 because in this testing period is more suitable to produce under the expected productivity curve. .

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 September 30th, 2012

As of September 30th, 2012 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 third quarter of 2012, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of September 30, 2012 (% of share capital)	*As of December 31, 2011 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11.45%)	2 430 607 (11,45%)
PZU Złota Jesień OFE	4 214 174 (19.85%)	4 214 174 (19,85%)
ING Nationale Nederlanden Polska OFE	3 690 563 (17,38%)	3 690 563 (17,38%)
Aviva Investors Poland	1 098 605 (5,17%)	1 098 605 (5,17%)
Aviva OFE	1 080 905 (5,09%)	Below 5%
Noble Funds TFI	1 076 463 (5,07%)	Below 5%
Pioneer Pekao Investments	1 061 525 (5,00%)	1 061 525 (5,00%)

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

Board of Directors and Management Committee members do not have directly any shares of ACE or its subsidiaries or any rights to them, although indirectly some of them hold a stake in the Company.

Information on any one or more transactions concluded by the issuer or its subsidiary with related parties

The Company did not conclude any transactions with its subsidiaries or related parties in the third quarter of 2012.

Information on paid or planned dividend

The General Meeting of Shareholders held on 19 June 2012 approved the distribution of a dividend in the total amount of EUR 1,061,525.75, amounting to EUR 0.05 per share, to be paid from the "Other reserves".

On 23 July 2012, the Board of Directors of the Company adopted a resolution setting forth details of the dividend payment. The dividend was paid on 17 September 2012 to shareholders holding shares of the Company on 1 September 2012 (the record date). The dividend was paid in euro and distributed through the National Depository for Securities, in accordance with regulations applicable to dividend payments by companies listed on the Warsaw Stock Exchange.

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

Changes of the Company's managing or supervisory persons in the third quarter of 2012

There were no changes in the Company's managing or supervisory persons in the third quarter of 2012.

Information on the supervision of employee stock option plans

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

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

Investor Relations Contact Person:

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

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

Geographical segments in '000 Euro

	Three quarters of 2012	*Three quarters of 2011*
Western Europe	43 542	43 420
Eastern Europe	31 234	31 221
Other	1 509	793
Total	**76 285**	**75 434**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	49 210	24 552	2 523	76 285
Operating Profit for the segment	**2 887**	**2 259**	**-2 446**	**2 700**
Net Profit for the segment	**2 582**	**2 166**	**-2 963**	**1 785**

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 September 2012

	Compared to the end of 2011
ACE S.A.	+29,7%
WIG Index	+16,3%
SWIG80 Index	+15,9%

Stock Market Data

	Third quarter of 2012	*2011*	*2010*
Market capitalisation as of the end of the period	PLN 122,5m	PLN 94,5 m	PLN 191,1m
(in millions of PLN and EUR)	€ 29,8m	€ 21,4 m	€ 48,3m
Share price (in PLN)			
- Highest	6,08	6,11	10,10
- Lowest	4,59	4,00	7,80
- Average	5,54	5,00	9,00
- At the end of the period	5,77	4,45	9,00
Shareholders equity per share in EUR (in PLN)	1,89 (7,78)	1,82 (8,04)	1,83 (7,25)

Per Share Data

	Three quarters of 2012	*2011*	*2010*
Earnings per share (in EUR)	0,08	0,10	0,12
Cash Flow per share (in EUR)	-0,42	0,14	0,26
Dividend per share (in EUR)	0,05	0,07	0,05

B. Condensed Consolidated Financial Statements for the quarter ended September 30th, 2012

The condensed consolidated quarterly report for the third quarter of 2012 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 Jul – 30 Sep 2011	4,1508	4,4900	3,9345	4,4112
1 Jan – 30 Sep 2011	4,0211	4,4900	3,8403	4,4112
1 Jul – 30 Sep 2012	4,1393	4,2401	4,0465	4,1138
1 Jan – 30 Sep 2012	4,2091	4,5135	4,0465	4,1138

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 Jul – 30 Sep 2011	24,3880	24,9300	24,0850	24,7550
1 Jan – 30 Sep 2011	24,3609	25,0850	24,0100	24,7550
1 Jul – 30 Sep 2012	25,0652	25,5850	24,4350	24,8650
1 Jan – 30 Sep 2012	25,1358	25,9600	24,4350	24,8650

Consolidated Balance Sheet as of September 30th ,2012 in thousands of Euros

Assets	*As of Sep 30, 2012*	*As of Dec 31, 2011*	*As of Sep 30, 2011*
Non-current Assets			
Intangible assets	202	213	160
Property, plant and equipment	43 592	37 460	37 960
Derivative financial instruments (NCA)	88	6	0
Deferred tax assets	1 269	902	1 017
	45 151	**38 581**	**39 137**
Current assets			
Inventories	8 330	8 707	9 672
Trade and other receivables	16 787	17 046	17 134
Derivative financial instruments (CA)	150	10	0
Current income tax assets	3	2	0
Other current assets	0	35	0
Cash and cash equivalents	12 313	20 466	14 249
	37 584	**46 266**	**41 055**
Total assets	**82 734**	**84 847**	**80 192**

Equity & Liabilities	*As of Sep 30, 2012*	*As of Dec 31, 2011*	*As of Sep 30, 2011*
Equity			
Share capital	3 185	3 185	3 185
Share premium	5 444	5 444	5 445
Retained earnings	29 599	28 573	28 576
Cash flow hedges	- 119	- 594	- 835
Exchange gain or loss against equity	265	- 87	135
Profit for the year	1 785	2 088	1 627
	40 159	**38 609**	**38 133**
Liabilities			
Non-current liabilities			
Borrowings (NCL)	18 415	16 806	17 705
Deferred income	414	253	147
Deferred tax liabilities	2 837	2 976	2 954
Provisions for other liabilities and charges (NCL)	90	85	85
Derivative financial instruments (NCL)	404	382	633
	22 161	**20 502**	**21 523**
Current liabilities			
Trade and other payables	16 143	19 523	15 966
Borrowings (CL)	3 012	4 373	2 715
Derivative financial instruments (CL)	26	382	429
Current income tax liabilities	758	977	880
Other current liabilities	30	45	45
Provisions for other liabilities and charges (CL)	446	436	501
	20 415	**25 736**	**20 536**
Total Liabilities	**42 575**	**46 238**	**42 059**
Total equity and liabilities	**82 734**	**84 847**	**80 192**

Consolidated Income Statement for the period from January 1st to September 30th, 2012
in thousands of Euros

	For the 3rd quarter of 2012 From Jul 1st to September 30th, 2012	*From Jan 1st to Sept 30th , 2012 Cumulative*	*For the 3rd quarter of 2011 From July 1st to September 30th , 2011*	*From Jan 1st to Sept 30th , 2011 Cumulative*
Revenues	23 060	76 285	22 760	75 434
Costs of goods sold	-18 893	-62 733	-18 721	-61 074
Gross profit	4 167	13 551	4 039	14 360
Selling and distribution costs	- 534	-1 685	- 497	-1 793
General and administration costs	-3 083	-9 660	-2 488	-8 950
Other income	79	575	32	258
Other expenses	- 24	- 82	- 36	- 73
Operating profit	605	2 700	1 051	3 802
Financial income	1 198	2 158	725	1 383
Financial expenses	- 1 335	-2 938	-1 495	-2 502
Financial result	- 137	- 780	- 770	-1 120
Profit before income tax	**468**	**1 920**	**281**	**2 682**
Income tax expense	188	- 135	- 406	-1 055
Profit for the period	**655**	**1 785**	**- 125**	**1 627**

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to September 30th, 2012
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, 2012	**3 185**	**5 444**	**320**	**28 253**	**- 594**	**- 87**	**2 088**	**38 609**
Allocation of previous year profit			137	1 951			-2 088	0
Profit / Loss for the period							1 785	**1 785**
Total recognised income and expenses for the period							**1 785**	**1 785**
Exchange differences						352		352
Dividend distribution				-1 062				-1 062
Changes in fair value of currency hedging instruments					475			475
Balance as of Sep 30, 2012	**3 185**	**5 444**	**457**	**29 142**	**- 119**	**265**	**1 785**	**40 159**

Consolidated Cash Flow Statement for the period from January 1st to September 30th, 2012
in thousands of Euros

	From Jan 1st to Sep 30th, 2012	*From Jan 1st to Sep 30th, 2011*
Profit before income tax	1 920	2 682
Adjustments for:	4 188	5 345
- Depreciation and amortizations of non-current assets	3 627	4 378
- Losses on sale of property, plant and equipment	- 53	0
- Net financial result	637	1 371
-Gain and losses on charges in fair values of derivate financial instruments	- 1	- 369
- Net movements in provisions	- 22	- 34
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	-3 742	-5 895
- Inventories	408	-1 945
- Trade and other receivables	525	-3 376
- Trade and other payables	-4 675	- 574
Cash from operating activities	**2 365**	**2 132**
Income tax paid	- 848	- 844
Net cash from ordinary activities	**1 518**	**1 288**
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	-9 209	-1 949
Proceeds from sale of non-current assets	59	18
Purchases of intangible assets	- 36	- 13
Net cash used in investing activities	**-9 186**	**-1 944**
Cash flows from financing activities		
Repayments of bank borrowings	-2 642	-1 162
Repayment of other loans	- 322	- 84
Proceeds from bank borrowings	3 000	742
Proceeds from other loans	- 17	490
Dividends paid to Company´s shareholders	-1 062	-1 486
Net of financial result paid and received	- 234	- 990
Net cash used in financing activities	**-1 278**	**-2 489**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**-8 946**	**-3 145**
Cash, cash equivalents and bank overdrafts at beginning of the period	20 466	17 433
Effects of exchange rate changes on the balance of cast held, in foreign currencies	793	- 38
Cash, cash equivalents and bank overdrafts at the end of the period	**12 313**	**14 249**

Notes to condensed financial statements

Accounting polices

The accounting principles and measurement basis of these Condensed Consolidated Financial Statements are consistent with those applied in the prospectus and have remained unchanged. In the preparation of these financial statements, the Company has followed the IAS interim condensed financial reporting standards.

Consolidated entities

Company name	*Status*	*Ownership*	*Consolidation method*
ACE S.A.	Holding Company	-	Full
ACE Boroa S.L.	Holding Company	100%	Full
ACE 4C, A.I.E	R&D	100%	Full
Fuchosa S.L.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo S.r.o.	Operating	100%	Full

Share capital changes

During IPO which took place in May 2007 the Company issued 2 065 160 new shares, which were offered to new investors of ACE as well as 10 103 927 existing shares which were sold by old shareholders. Changes in the share capital are illustrated in the following table.

	Before IPO		***After IPO***		***Current***	
	No of shares	*%*	*No of shares*	*%*	*No of shares*	*%*
Existing shares	20 050 100	100%	20 050 100	90,66%	21 230 515	100%
New shares	-	-	2 065 160	9,34%	-	-
Total	**20 050 100**	**100%**	**22 115 260**	**100%**	**21 230 515**	**100%**

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

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

The nature and amount of changes in estimates of amounts reported in previous financial reports having material effect in the current financial report.

There has been no change in estimates of amounts since publication of the Prospectus. All valuation methods applied in this report are consistent with those used for financial statements presented in the Prospectus.

Dividends Paid in the period of the third quarter of 2012

The dividend of EURO 0,05 was paid on 17 September 2012 to shareholders holding shares of the Company on 1 September 2012 (the record date) 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.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EURO 43 thousands of debt in the third quarter of 2012.

Material events after the end of the third quarter of 2012 that have not been reflected in the financial statements

There were no material events after the third quarter of 2012.

Changes in the composition of the Company during third quarter of 2012

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